

*Financial Statements, Required Supplementary  
Information, and Supplementary and Other Information*

**University of Guam**

(A Component Unit of the Government of Guam)

*Year ended September 30, 2022  
with Report of Independent Auditors*



University of Guam  
(A Component Unit of the Government of Guam)

Financial Statements, Required Supplementary Information, and  
Supplementary Information

Year ended September 30, 2022

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Financial Statements, Required Supplementary Information, and  
Supplementary Information

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## Report of Independent Auditors

The Board of Regents  
University of Guam

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the business-type activities and the discretely presented component unit of the University of Guam (the University), collectively a component unit of the Government of Guam, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University at September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 16, the Schedule of the University's Proportionate Share of the Net Pension Liability on pages 66, 68 and 70, the Schedule of the University's Pension Contributions on pages 67, 69, 71 and 73, and the Schedule of the University's Proportionate Share of Collective Total Other Postemployment Benefit Liability on page 72, be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's financial statements. The Schedule of Salaries, Wages and Benefits and the Schedule of Expenses by Object Category on pages 75 through 77, the Schedule of Total Revenue Information on page 79 and the Schedule and Notes to Schedule of Fund Restriction Matrix on pages 80 and 81 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Salaries, Wages and Benefits and the Schedules of Expenses by Object Category, the Schedule of Total Revenue Information and the Schedule and Notes to Schedule of Fund Restriction Matrix are fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the financial statements. The other information comprises the Schedule of Employee Information on page 78 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2023 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

*Ernst + Young LLP*

August 21, 2023

University of Guam  
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis  
September 30, 2022

**Introduction**

Management's discussion and analysis (MD&A) provides an overview and better understanding of the University's financial position and the results of activities for the fiscal year ended September 30, 2022. Management has prepared this overview as required supplemental information to the financial statements and the footnotes that follow. This MD&A should be read in conjunction with the financial statements and accompanying footnotes.

*The University.* Public Law 13-194, The Higher Education Act of 1976, established the University as a non-membership, non-profit, public corporation under a Board of Regents appointed by the Governor with the advice and consent of the Guam Legislature. We are a public, open-admissions, four-year, land-grant institution on Guam in the Marianas Islands and have been continuously accredited by the Western Association of Schools and Colleges Senior College and University Commission (WSCUC). In 2022, the University became the only land grant and sea grant institution in the Western Pacific. Our 2,962 students (Fanuchanan '22 (Fall)) are multicultural, multilingual and 47.5% Asian, 44.6% Pacific Islander, 7.9% other. We offer 15 master's and 25 bachelor's degree programs. Continuing education, professional development and English language training are available. Our 960 employees, include 184 full-time faculty, 43 administrators and 367 full time staff and 366 part-time staff and faculty adjuncts.

*The Leadership.* A nine-member Board of Regents governs the University. Liza J. Provido is the Board Chairperson; Sandra H. McKeever is Vice Chairperson; Mike W. Naholowaa is Treasurer, Anita Borja Enriquez, DBA, is the University's 12th President; Sharleen Santos-Bamba, Ph.D., is Interim Senior Vice President for Academic and Student Affairs; Randall V. Wiegand is Vice President for Administration and Finance. There is an elected Faculty Senate.

The vision statement of the University is Transforming Lives, Advancing Communities. Our University community is focused on our mission of *Ina, Diskubre, Setbe (to Enlighten, to Discover, to Serve)* – the University of Guam empowers the region by uniting island wisdom with universal sources of enlightenment to support exceptional education, discovery, and service that respects and benefits local and global communities. Since arriving at the University, President Krise has been developing the Para Hulo' (ever upward) strategic plan which builds on the progress from the prior Good to Great planning framework. The top tier strategic initiatives of the plan are Being recognized as a Research University centered in island wisdom and Leading as a Partnership University. The initiatives that build into the top tier initiatives are Enriching the Student Experience, Becoming a model for operation and customer service in Guam and all of Micronesia, Growing our Financial Resources, and Building and sustaining our infrastructure. The final pieces of the strategic plan were adopted by the Board of Regents in February 2020.

University of Guam  
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Management's Discussion and Analysis, continued

**The Financial Statements**

The report includes three financial statements: i) the Statement of Financial Position; ii) the Statement of Revenues, Expenses and Changes in Net Position; and iii) the Statement of Cash Flows. They are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities. The fiscal year ends September 30.

The University is reported as a component unit of the Government of Guam. We also report the financial statements of our component unit, the UOG Endowment Foundation, Inc. (the Foundation). The Foundation is a legally separate, tax-exempt, private corporation, whose fiscal year ends December 31. While the University does not control the Foundation, the resources and income of the Foundation can only be used for the University's benefit. The financial statements also include the financial statements of the Research Corporation of the University of Guam (RCUOG). RCUOG is a public corporation and the affairs of the research corporation are under the general management and control of the UOG Board of Regents.

**FY2022 FINANCIAL HIGHLIGHTS AND STRATEGIC INSTITUTIONAL OUTCOMES**

The University's overall financial position has been stable for the past years. Application of accounting standards pertaining to pensions (GASB 67,68,73) and postemployment benefits other than pension (GASB 75) continues to have a significant impact on the financial statements for the period ending September 30, 2022.

In FY2022, the University implemented GASB 87. GASB 87 establishes a reporting model for lease accounting based on the principle that leases are financings of the right to use an asset. Under the new pronouncement, the University recorded about \$1.2 million of deferred inflow from leases and about \$366k of lease asset.

The University's financial position has been under pressure due to the following factors:

- The appropriation for FY22 was \$25.5 million. Unlike previous years, provisions in FY22 budget law required the University to allocate \$2.4 million out of its appropriations to various programs, leaving the University with \$22 million in general operations. The appropriation for FY23 was \$24.7 million. The University has been desiring to grow beyond the FY2018 appropriations of \$30.7 million. Coping with the reduction in appropriations has been the major challenge for the University.
- Enrollment for the Fanuchanan (Fall) semester 2022 was 2,962. The credit hour production for the semester was 34,818. This was the seventh straight decline in enrollment. The University developed programs to reach into local high schools in order to attract more high school graduates to the University. The University continues to strengthen recruitment with high schools and community colleges across Micronesia. Despite the challenges in enrollment, degrees conferred by the University continue to increase.

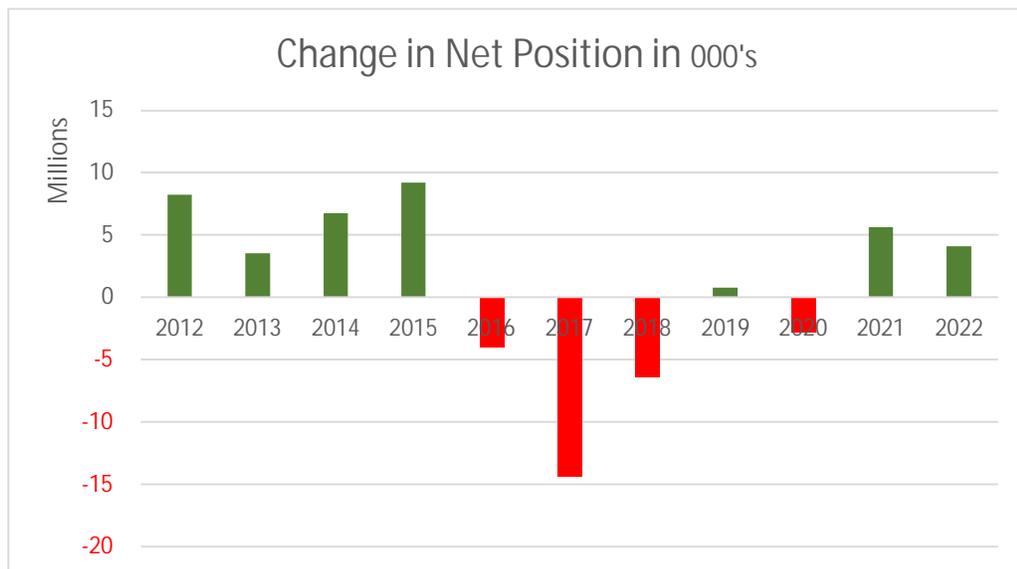
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Management’s Discussion and Analysis, continued

- Board of Regents authorized tuition increase was put on hold in 2020 due to the pandemic.
- The impact of the COVID-19 still lingered in FY22 and continued to add stress in the enrollment figures of the University. As Guam and the whole world slowly recovers from the impact of the pandemic, the University is hopeful to see continuous increase in campus activity, student housing, workshops, and programs involving neighboring regions.

The University’s change in net position slightly decreased from \$5.6 million in FY21 to \$4.1 million in FY22. Factors contributing to the change are as follows:

- The University continues to recover expenses related to the disruption of campus operations due to COVID-19 through the Higher Education Emergency Relief Fund (HEERF). COVID-19 related grant activity amounted to \$17.9 million in FY22 alone. The University is at the tail end of its pandemic relief grants in FY23.
- The University continues to experience increased in grant activity from the National Science Foundation’s Experimental Program to Stimulate Competitive Research (EPSCoR), National Cancer Institute-funded Pacific Island Partnership for Cancer Health Equity (U54-PIPCHE).
- As Guam and the whole world recovers from the pandemic, the University’s auxiliary activities are seeing improvement as COVID-19 related restrictions are lifted.
- The University has been under strict spending control.



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Management's Discussion and Analysis, continued

Important financial data include:

- The presentation of expenses and revenue changed as a result of the implementation of new accounting pronouncements relating to employee pension and post-employment benefits and leases.
- Implementation of GASB 68 and GASB 75 had the most significant impact on the University's financial statements. The implementation of GASB 68 results in the University reporting about \$78 million in pension liability in the FY2014 (restated) financial statements. FY2014's net position decreased from \$109 million to \$34 million. The implementation of GASB 75 results in the University reporting about \$130 million in OPEB obligation in the FY2017 (restated) financial statements. FY2017's net position decreased from \$22 million to a negative \$94 million. The University continues to feel the impact of these standards in the FY2022 financial statements.
- The University's costs have been increasing while the revenues the University receives have been decreasing.
- The rollout of the New School of Engineering and Student Success Center continues.
- The architectural and engineering phase of the new Water and Environmental Research Institute (WERI) building, and the new School of Health (SOH) Nursing annex started.
- The construction of the Guam Cultural Repository (GCR) was completed in June 2022. The University was then awarded \$3.4 million to manage and operate the GCR for at least three years.
- As Guam's road to recovery continues, the University continues to offer in-person and online classes for the Finakpo (Summer) and Fanuchanan (Fall) 2022 semesters. The University believes this action will open doors to attract additional pools of students to attend in future semesters.

Significant institutional outcomes that affect financial statements and resources include:

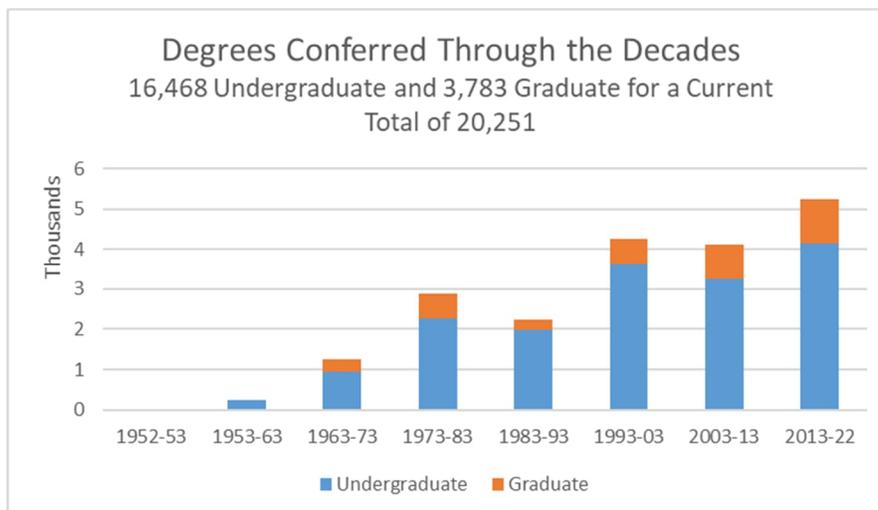
- The University completed an economic study that indicated that the University contributes nearly \$40 million in free tax receipts to the government revenues. This is nearly \$15 million more than the University receives in general operations appropriations.
- 554 undergraduate and graduate degrees were conferred in Academic Year '21-22. Total degrees conferred by the University now stands at 20,251. These former students are the professional backbone and leadership of our island and region.
- Academic quality, student success and institutional sustainability are evidenced by primary accreditation for eight (8) years from the Western Association of Schools and Colleges Senior College and University Commission (WSCUC) and by secondary accreditation for the professional schools. During 2016, the University received a favorable review from WSCUC (formerly WASC).

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Management’s Discussion and Analysis, continued

- The University has completed many initiatives from the Para Hulo’ strategic planning process. Many other initiatives including the pursuit of doctoral programs are still underway.
- The University has been achieving the goals set forth in its \$20 million grant from the National Science EPSCoR which includes the development of a database of marine life whose habitat is near and around the island. The grant period runs from July 2020 to July 2025.
- The University continues to achieve the goals set forth in the terms of the Education Stabilization Fund and HEERF. The grants are set to expire in FY23.

The graph below shows progress towards ensuring students persevere in the program long enough to graduate. The University has made significant efforts in recent years to ensure the University retains students after their freshman and sophomore years. Even though the enrollment has been dropping in recent years, the number of students graduating has been increasing.



**STATEMENT OF NET POSITION**

The statement of financial position is similar to a balance sheet. It presents information on assets, liabilities and the resources remaining after liabilities are satisfied. The statement is an indicator of overall financial condition, and whether financial health has improved or deteriorated during the fiscal year.

Summary Statements of Net Position (in \$000’s)

	<u>2022</u>	<u>2021</u>
Noncapital assets	\$ 80,194	\$ 75,987
Capital assets	70,912	68,241
Deferred outflows of resources	<u>41,127</u>	<u>50,500</u>
Total assets and deferred outflows of resources	<u>\$ 192,233</u>	<u>\$ 194,728</u>

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Management's Discussion and Analysis, continued

Summary Statements of Net Position (in \$000's), continued

	<u>2022</u>	<u>2021</u>
Current liabilities	\$ 20,896	\$ 16,633
Noncurrent liabilities	222,665	229,011
Deferred inflows of resources	<u>42,073</u>	<u>46,596</u>
 Total liabilities and deferred inflows of resources	 <u>285,634</u>	 <u>292,240</u>
 Net investment in capital assets	 60,946	 57,981
Restricted, nonexpendable	8,821	9,777
Restricted, expendable	30,033	25,334
Unrestricted	<u>(193,201)</u>	<u>(190,604)</u>
 Total net position	 <u>( 93,401)</u>	 <u>( 97,512)</u>
 Total liabilities, deferred inflow of resources and net position	 <u>\$192,233</u>	 <u>\$194,728</u>

For the last two years the overall financial position of the University has been stable to slightly negative. The cash pressures from reduced allotments from the government have put pressure on expenditures and cash reserves. The Board of Regents has adopted a plan of approving a 5% tuition increase for each of the next six semesters. This should help to reverse the declining cash balances. However, due to the impact of the pandemic on the island economy, the University deferred the planned tuition increases as long as possible.

The area with the most significant changes has been in the deferred outflow and inflow accounts as a result of the implementation of GASB No. 68, GASB No. 73, GASB No. 75 and GASB 87. The change in capital assets is mostly explained by the depreciation of University assets and capitalization of the GCR in FY22. This is the first major fixed asset of the University in more than a decade. The Department of Chamorro Affairs (DCA) was tasked with the operation and management of the GCR. On October 2022, the Office of the Governor (OOG) has re-tasked the operation and management of the GCR to the University for at least the first three years of its operations. The University is working with the government to determine the nature of the arrangement and hopes to officially transfer the land where the GCR is built on to the University.

University of Guam  
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Management’s Discussion and Analysis, continued

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

The statement of revenues, expenses and changes in net position provides details of operating and non-operating revenues and expenditures, similar to an income statement.

Summary Statements of Revenues, Expenses and Changes in Net Position (in \$000’s)

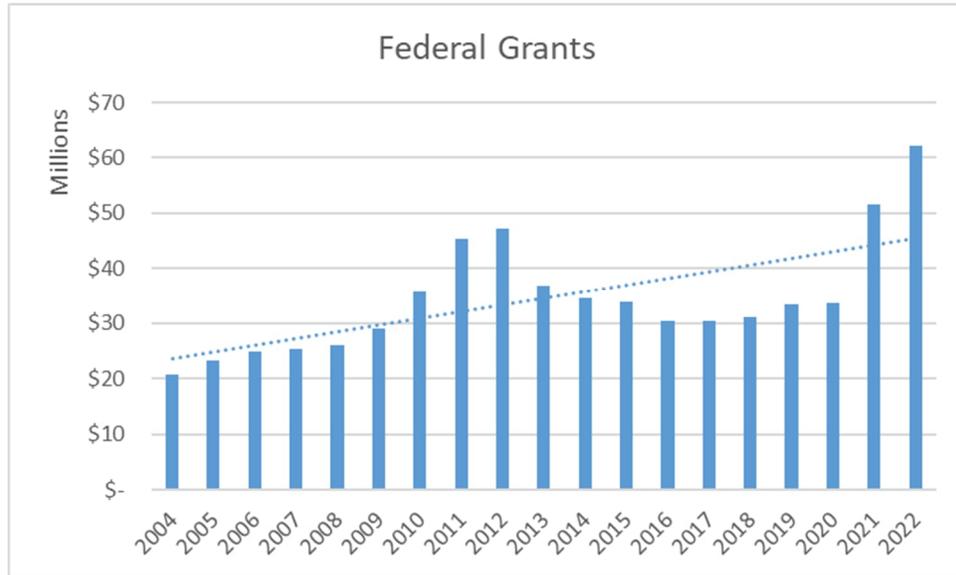
	<u>2022</u>	<u>2021</u>
Operating Revenues, Net	\$ 61,398	\$ 75,433
Operating Expenses	(108,206)	(108,598)
Operating Revenues Net of Operating Expenses	( 46,808)	( 33,165)
Non-Operating and Other Revenues and Expenses	42,715	38,770
Federal Capital Grants	<u>8,204</u>	<u>---</u>
Increase in Net Position	4,111	5,605
Net Position – Beginning of Year	( <u>97,512</u> )	( <u>103,117</u> )
Net Position – End of Year	\$ ( <u>93,401</u> )	\$ ( <u>97,512</u> )

Increased grant activity in FY2022, mainly pertaining to HEERF, the National Science Foundation’s EPSCoR grant and Economic Adjustment Assistance (funding the construction of the WERI and SOH annex), contributed to the increase in the University’s operating revenues. Campus activities, housing, and programs are seeing improvement as COVID-19 related restrictions are lifted and students return on campus. The changes in expenses are mostly resulting from the application of the new GASB pronouncements and grant activity. Expenses had increased prior to that application. The fluctuations in non-operating revenues were mostly tracking changes in investment performance and declining appropriation.

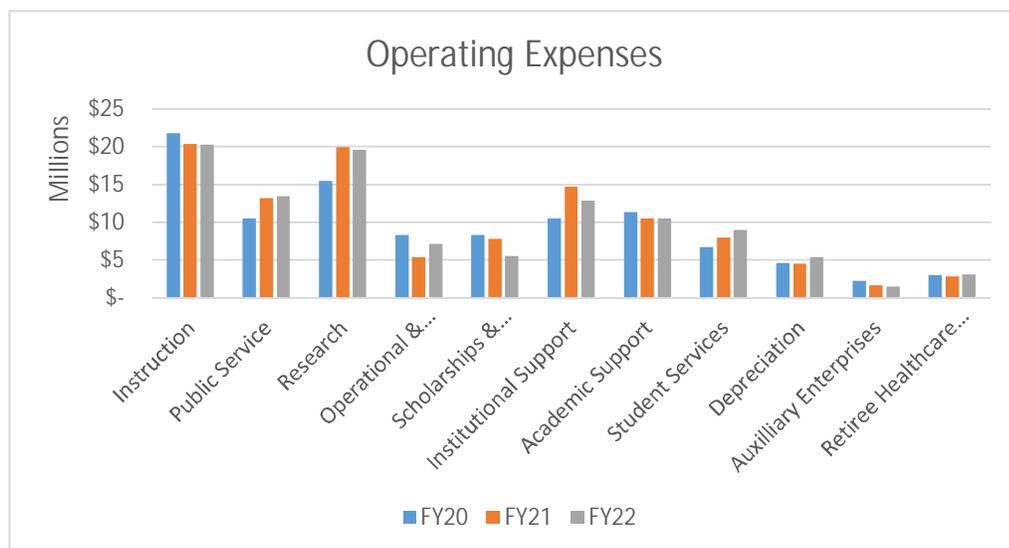
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Management’s Discussion and Analysis, continued

The following graph reflects grant activity for the last decade:



Federal grant revenues increased for the first time since the final ARRA projects were completed. It is the ARRA funds that account for the sharp increase in grant revenue from 2010 to 2015. The University continues to experience remarkable levels of grant activity with the award of a new five-year \$20 million (EPSCoR) grant in FY20 and funding from HEERF I, II, and III. HEERF grants are expected to expire in FY23. However, the University is not expecting a sharp decline in grant activities in FY23 as grant funded constructions begins.



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Management’s Discussion and Analysis, continued

Changes to operating expenses fluctuated largely as a result of the implementation of GASB No. 75, and continuous awarding of direct aid and grants to students through HEERF. The University was also able to purchase equipment and tools to support campus safety and operations through HEERF. The University spent \$53.3 million directly on its core mission. Of that, 38% went to instruction, 25% to public service and 37% to research.

**STATEMENT OF CASH FLOWS**

This statement provides information about the ability to generate the cash flows needed to meet financial obligations and the extent to which external financing is being used to fund operations.

Statements of Cash Flow (in \$000’s)

	<u>2022</u>	<u>2021</u>
Cash provided by (used in):		
Operating activities	\$(45,958)	\$(22,587)
Non-capital financing activities	53,729	31,470
Capital and financing activities	( 799)	( 7,399)
Investing activities	<u>365</u>	<u>2,834</u>
Net Change in Cash and Cash Equivalents	7,337	4,318
Cash and Equivalents – Beginning of Year	<u>23,297</u>	<u>18,979</u>
Cash and Equivalents – End of Year	\$ <u>30,634</u>	\$ <u>23,297</u>

The timing and consistency of allotment payments has improved in FY19 and has been consistent through FY22. Fluctuation in non-capital financing activities is mainly due to the increase in appropriation and federal grants throughout the years. Capital and financing activities are mainly comprised of additions in capital assets and interest paid on capital debt. The change in cash from operating activities can be attributed to a combination of decrease in enrollment, which is offset by increased grant activities, and increased expenses relating to general operations.

The cash position at fiscal year-end is normally higher than the cash position during the year. This is because fall semester tuition payments are received in August and September of each fall semester whereas the related costs are spread out through the semester. Tuition revenues are subsequently allocated for academic expenses during the remainder of the academic year, which overlaps the fiscal year. Financial planning requires that there be an adequate amount of cash on hand at the start of the new fiscal year to pay for prior year encumbrances, insurance premiums, infrastructure and operating needs which are weighted toward the beginning of the fiscal year. Board policy requires cash reserves for financial stability and long-term viability. A reserve fund and sub-accounts were established and funded starting in FY09 and had been continuously funded since then until fall 2016 when the funds were depleted due to non-payment of appropriations.

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Management's Discussion and Analysis, continued

**CAPITAL ASSETS AND LONG-TERM DEBT**

Capital Assets: At the end of FY22, the University had \$142.3 million invested in depreciable capital assets. Net depreciable capital asset increased by 16% due to the capitalization of the GCR in June 2022, amounting to about \$12 million. Various equipment to support campus safety and operations during the pandemic also contributed to the increase of depreciable assets in FY22. The University also recorded about \$366k of lease asset due to the implementation of GASB No. 87. The University had recorded \$78.1 million in accumulated depreciation against the assets. Total capital assets (net) for FY22 amounted to \$70.9 million, an increased from the prior year's \$68.2 million. See Note 5 to the financial statements for additional information.

Long-Term Debt: The University has a note payable that is outstanding with the United States Department of Agriculture (USDA). The note payable was created in October 2001 through Public Law 26-48 for an amount not to exceed \$13.5 million for the purposes of constructing certain facilities on campus. On December 6, 2016, the University entered into a lease/lease back arrangement with the UOG Endowment Foundation. The University leased property to the Foundation in order to construct a Student Success Center and an Engineering Annex. The University signed agreements to lease the buildings back from the Foundation. The leases are expected to expire in 2056. Related to the leases, the Foundation entered into promissory notes with the United States Department of Agriculture on December 5, 2016 in the amount of \$21.7 million. In May 2019, the University was notified that the loan was being de-obligated as a result of the length of time since the loan was initially obligated by USDA. In FY21, USDA has agreed to re-obligate the loan for the Student Success Center and Engineering Annex. The University amended the lease/lease back arrangement with the Foundation to incorporate the terms of the new USDA note in September 2022.

As of September 30, 2022 and 2021, the University had a long-term debt of \$9.9 million and \$10.2 million, respectively. See Note 12 of the financial statements for additional information.

University of Guam: Implementing Para Hulo'

The pandemic struck shortly after the launch of the Para Hulo' (ever upward) strategic planning process. Some of the initiatives, i.e. growing our capacity for online learning were forced by the pandemic. Significant other initiatives include improving the Carnegie research classification, pursuing doctoral programs, improving the ability of the University to partner with other universities to grow our capabilities, enhancing the student experience, continuing efforts to provide better customer service, improving the financial sustainability of the University, and addressing issues related to the University's infrastructure.

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Management's Discussion and Analysis, continued

The University is grateful for the efforts of the Governor of Guam, the Guam Legislature, and the Director of the Department of Administration to improve the timing and consistency of allotment payments and to ensure that the full amount of appropriations are allotted to the University. However, the University continues to struggle to absorb the reduction in appropriations following the Tax Cut and Jobs Act of 2017. The reduction came at a time when all of the University's costs are increasing, and the new Engineering degree program is requiring full funding. The University continues to look for ways to create alternative streams of revenue to lessen the dependence of the University on the appropriation from the local government.

Below are initiatives that have been initiated and/or completed in recent years:

- The National Sea Grant College Program designated the University as a Sea Grant Institute.
- The Water and Environmental Research Institute (WERI) was named one of the top 12 such institutes in the country.
- The new School of Engineering has been approved for a full four-year Civil Engineering degree. An application to the Accreditation Board for Engineering and Technology is being sought for the program.
- The School of Education is moving forward with the review process to launch the Doctor of Education (EdD) in Instructional and Academic Leadership. The Education Specialist (EdS) in Instructional and Academic Leadership will be revisited after the EdD program has been approved to commence. This will be the first step towards the development of the University's doctoral program.
- Graduate program expansion is underway for the School of Business and Public Administration (SBPA). The Master of Accountancy was launched in Fanuchanan (Fall) 2022. The first CNMI Master of Public Administration (MPA) Cohort will be graduating in May 2023.
- The Triton Advising Center was established to provide academic, financial, and career advisement to students to support retention and graduation.
- The University received a \$12 million appropriation from the Department of Defense for the construction of a Cultural Repository to process bones and artifacts discovered during the military buildup. The construction of the GCR was completed in June 2022. The GCR is a joint program of the University and the Department of Chamorro Affairs-Guam Museum.
- The University received an \$8.5 million federal grant from the U.S. Economic Development Administration (EDA) to construct the new WERI building and School of Health Nursing annex. The new WERI facility will include a laboratory that can increase the testing services it provides to the Guam Waterworks Authority and other businesses on the island. Both buildings will provide a lasting impact for the economy and serve as a source of skilled and experienced workforce.

University of Guam  
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Management's Discussion and Analysis, continued

- The University is exploring a \$4.5 million loan to fund energy efficient projects and facility upgrades plans. This will be the first non-USDA borrowing the University will have without the support from the Government of Guam.
- The University secured a \$21 million USDA, low interest, loan to fund the construction of the School of Engineering and Student Success Center. The Office of the Governor has committed \$7.1 million of funding to support the construction of the buildings.
- The University entered into a lease agreement wherein the Guam Aquaculture Development and Training Facility was leased to RCUOG. RCUOG further leased the facility to a private company to revitalize the assets and provide a share of revenues to the University.
- The School of Health received an eight-year renewal from the Accreditation Commission for Education in Nursing.
- The School of Business and Public Administration received a seven-year accreditation from the International Accreditation Council for Business Education.
- The University has been awarded an additional five-year \$20 million grant from the U.S. National Science Foundation Experimental Program to Stimulate Competitive Research grant (EPSCoR) to develop research capacity. The University was also awarded an additional five-year \$7.5m grant for the National Cancer Institute-funded Pacific Island Partnership for Cancer Health Equity (U54-PIPCHE).
- The University received its second consecutive 8-year accreditation renewal for the first time in the school's history.
- GOREX – The Guam Open Research Exchange was initiated in January 2018. The University is connected to the University of Hawaii (UH) through a 100 Gigabyte line. UH is connected through Internet2 to hundreds of other research universities in the mainland. This also opens the door for the University to take advantage of its location and serve as a regional hub for Internet2 connectivity. This puts the University in a stronger position to be recognized as a Research and Education hub for the Pacific Rim region.
- Students take advantage of opportunities such as courses at California's Scripps Institute and Japan's Meio University through agreements that partner the University with the world's premiere ocean and earth science institutes and with several regional universities.

For further news and up-to-date information concerning the University of Guam, please visit the website at [www.uog.edu](http://www.uog.edu) for our annual report, financial statements, WASC reports and other publications.

University of Guam  
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Statement of Net Position – University Only

September 30, 2022

**Assets**

Current assets:

Unrestricted assets:

Cash and cash equivalents	\$ 17,073,689
Short-term investments	2,953,486
Tuition receivable, net of allowance for doubtful accounts of \$4,703,952	6,401,357
Due from the US Federal government, net of an allowance for doubtful accounts of \$133,957	7,465,440
Current portion of lease receivable	30,855
Inventories	589,725
Other current assets	<u>902,115</u>

Total unrestricted current assets 35,416,667

Noncurrent assets:

Restricted cash and cash equivalents	13,560,110
Lease receivables	1,141,666
Restricted investments	10,239,736
Investments	4,782,111
Endowment investments	15,053,970
Capital assets:	
Depreciable capital assets, net	64,140,007
Non-depreciable capital assets	<u>6,771,609</u>

Total noncurrent assets 115,689,209

**Deferred outflows of resources:**

Deferred outflows from OPEB	29,617,564
Deferred outflows from pension	<u>11,509,813</u>

Total deferred outflows of resources 41,127,377

\$192,233,253

*See accompanying notes.*

University of Guam  
(A Component Unit of the Government of Guam)

Statement of Net Position – University Only, continued

September 30, 2022

**Liabilities**

Current liabilities:

Current portion of long-term debt	\$ 315,388
Accounts payable and accrued liabilities	5,434,342
Unearned revenues	7,679,778
Due to the US Federal government	5,425,593
Loan payable to University of Guam Endowment Foundation, Inc.	1,153,095
Current portion of accrued annual leave	<u>887,772</u>

Total current liabilities 20,895,968

Non-current liabilities:

Long-term debt, net of current portion	9,649,740
Deposits held on behalf of others	246,299
Accrued annual leave, net of current portion	1,384,064
DCRS sick leave liability	2,459,629
Total Collective OPEB liability	131,486,215
Net pension liability	<u>77,438,815</u>

Total noncurrent liabilities 222,664,762

**Deferred inflows of resources:**

Deferred inflows from lease	1,171,393
Deferred inflows from OPEB	31,032,655
Deferred inflows from pension	<u>9,869,429</u>

Total deferred inflows of resources 42,073,477

Total liabilities and deferred inflows of resources 285,634,207

**Net position:**

Net investment in capital assets	<u>60,946,488</u>
Restricted, nonexpendable:	
Endowments	4,261,856
Capital projects	2,708,998
Scholarship and fellowships	23,317
Others	<u>1,827,039</u>
Total restricted, nonexpendable	<u>8,821,210</u>

*See accompanying notes.*

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Statement of Net Position – University Only, continued

September 30, 2022

Restricted, expendable:	
Capital projects	7,593,029
Cancer grants	2,585,976
Others	<u>19,853,599</u>
Total restricted, expendable	<u>30,032,604</u>
Unrestricted	(193,201,256)
Total net position	( <u>93,400,954</u> )
	<u>\$192,233,253</u>

*See accompanying notes.*

University of Guam Endowment Foundation, Inc.

Statement of Financial Position

December 31, 2021

**Assets**

Cash and cash equivalents	\$ 1,319,768
Pledges and other receivables, net of an allowance for doubtful accounts of \$191,826	1,845,723
Loan and interest receivable from University of Guam	<u>1,439,488</u>
Total current assets	4,604,979
Investment in Bank of Guam stock	1,721,704
Investments in securities at fair value	18,715,478
Land held for sale	2,232,894
Equipment, net	<u>50,514</u>
	<u>\$ 27,325,569</u>

**Liabilities and Net Assets**

Liabilities:

Accounts payable and accrued expenses	\$ 94,823
Margin loan payable	<u>1,299,349</u>
Total current liabilities	<u>1,394,172</u>

Net assets:

Without donor restrictions	7,185,634
With donor restrictions	<u>18,745,763</u>
Total net assets	<u>25,931,397</u>

\$ 27,325,569

*See accompanying notes.*

University of Guam  
(A Component Unit of the Government of Guam)

Statement of Revenues, Expenses and Changes in Net Position – University Only

Year Ended September 30, 2022

Operating revenues:	
Student tuition and fees	\$ 20,646,374
Less scholarship discounts and allowances	( 7,984,363)
	12,662,011
Federal grants and contracts	40,884,598
Government of Guam grants and contracts	968,193
Private grants and contracts	1,580,517
Sales and services of education department	707,395
Auxiliary enterprises	1,477,340
Other revenues	<u>3,494,178</u>
Total operating revenues	61,774,232
Bad debts provision	( 376,500)
Net operating revenues	<u>61,397,732</u>
Operating expenses:	
Instruction	20,240,344
Research	19,610,674
Public service	13,448,805
Institutional support	12,831,770
Academic support	10,516,754
Student services	9,000,705
Operational and maintenance, plant	7,104,643
Scholarships and fellowships	5,542,742
Depreciation	5,344,477
Retiree healthcare costs and other pension benefits	3,089,489
Auxiliary enterprises	<u>1,475,503</u>
Total operating expenses	<u>108,205,906</u>
Operating loss	<u>( 46,808,174)</u>
Non-operating revenues (expenses):	
Government of Guam appropriations:	
Operations	25,462,640
Student financial aid program	3,565,285
Guam Cancer Trust Fund	2,491,032
Capital expenditure loan repayment	500,000
Retiree healthcare costs and other pension benefits	3,089,489
Federal grants and contracts	13,194,830
Net investment expenses	( 5,141,081)
Interest on capital assets – debt related	( 446,444)
Total non-operating revenues, net	<u>42,715,751</u>
Federal capital grants	<u>8,204,059</u>
Change in net position	4,111,636
Net position at beginning of year	( 97,512,590)
Net position at end of year	<u>\$ ( 93,400,954)</u>

*See accompanying notes.*

University of Guam Endowment Foundation, Inc.

Statement of Activities

Year Ended December 31, 2021

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Revenues, gains and other income:			
Net investment income	\$ 778,282	\$ 1,537,497	\$ 2,315,779
Contributions	55,682	1,788,997	1,844,679
Fundraising activities	39,158	151,694	190,852
In-kind donations	23,467	31,086	54,553
Others	15,608	11,603	27,211
Net assets released from restrictions:			
Satisfaction of program restrictions	807,120	( 807,120 )	---
Total revenues	<u>1,719,317</u>	<u>2,713,757</u>	<u>4,433,074</u>
Expenses and losses:			
Program services:			
Contributions to UOG	150,800	---	150,800
Donations for debt service	100,000	---	100,000
Scholarships	85,469	---	85,469
Total program services	<u>336,269</u>	<u>---</u>	<u>336,269</u>
Support services:			
Management and general	492,688	---	492,688
In-kind expenses	54,553	---	54,553
Fundraising activities	14,303	---	14,303
Total support services	<u>561,544</u>	<u>---</u>	<u>561,544</u>
Total expenses	<u>897,813</u>	<u>---</u>	<u>897,813</u>
Change in net assets	821,504	2,713,757	3,535,261
Net assets at beginning of year	<u>6,364,130</u>	<u>16,032,006</u>	<u>22,396,136</u>
Net assets at end of year	<u>\$ 7,185,634</u>	<u>\$ 18,745,763</u>	<u>\$ 25,931,397</u>

See accompanying notes.

University of Guam  
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Statement of Cash Flows – University Only

Year Ended September 30, 2022

Cash flows from operating activities:	
Student tuition and fees, net	\$11,516,387
Grants, contracts and appropriations	42,719,868
Sales and services of education department	707,395
Auxiliary services	1,477,340
Other receipts	3,484,652
Payments to employees	(61,797,869)
Payments to suppliers	(38,523,140)
Payments to students for financial aid	<u>( 5,542,742)</u>
Net cash used for operating activities	<u>(45,958,109)</u>
Cash flows from non-capital related financing activities:	
Federal grants and contracts	18,620,423
Government of Guam appropriations collected	<u>35,108,446</u>
Cash provided by non-capital related financing activities	<u>53,728,869</u>
Cash flows from capital and related financing activities:	
Federal capital grants	8,204,059
Payments of advances from Endowment Foundation	( 246,905)
Interest paid on capital debt	( 446,444)
Principal paid on capital debt	( 295,446)
Purchases of capital assets	<u>( 8,014,838)</u>
Net cash used for capital and related financing activities	<u>( 799,574)</u>
Cash flows from investing activities:	
Investment income	678,583
Net purchase of investments	<u>( 313,400)</u>
Net cash provided by investing activities	<u>365,183</u>
Net change in cash and cash equivalents	7,336,369
Cash and cash equivalents, beginning of year	<u>23,297,430</u>
Cash and cash equivalents, end of year	<u>\$30,633,799</u>
Reconciliation of cash and cash equivalents to the statements of net position:	
Current assets:	
Cash and cash equivalents	\$17,073,689
Noncurrent assets:	
Restricted cash and cash equivalents	<u>13,560,110</u>
	<u>\$30,633,799</u>

*See accompanying notes.*

University of Guam  
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Statement of Cash Flows – University Only, continued

Year Ended September 30, 2022

Supplemental information on noncash activities:

During the year ended September 30, 2022, the University recorded appropriations of \$3,089,489 for retiree healthcare costs and other pension benefits paid by the Government of Guam on behalf of the University.

Reconciliation of operating loss to net cash used for operating activities:

Operating loss	\$(46,808,174)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	5,344,477
Bad debts expense	376,500
Noncash other postemployment benefit cost	4,106,652
Noncash pension cost	5,247,672
Noncash revenues	( 1,128)
Changes in assets and liabilities:	
Receivables, net	( 1,255,776)
Inventories	76,511
Other current assets	( 401,580)
Accounts payable, accrued liabilities and deposits held for others	( 856,386)
Accrued annual leave	( 122,232)
DCRS sick leave liability	248,002
Unearned revenues	( 192,803)
Net pension liability	( 9,439,290)
Total collective OPEB liability	<u>( 2,280,554)</u>
Net cash used for operating activities	<u>\$(45,958,109)</u>

*See accompanying notes.*

University of Guam  
(A Component Unit of the Government of Guam)

Notes to Financial Statements

Year ended September 30, 2022

**1. Organization and Summary of Accounting Policies**

**Organization**

Administrative autonomy was granted to the University of Guam (the University) with the enactment of Public Law No. 13-194, "The Higher Education Act of 1976," which became effective on November 3, 1976. The Act, with subsequent amendments, established the University as a non-membership, not-for-profit corporation of the Government of Guam, under the control and operation of a nine-member Board of Regents appointed by the Governor with the advice and consent of the Legislature. The University is a component unit of the Government of Guam (GovGuam).

**Financial Statement Presentation**

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This was followed in November 1999 by GASB Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*. The financial statement presentation required by GASB No. 34 and 35, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, provides a comprehensive, entity-wide perspective of the University's assets, deferred outflows of resources, deferred inflows of resources, liabilities, net position, revenues, expenses, changes in net position, and cash flows, and replaces the fund-group perspective previously required.

**Basis of Accounting**

For financial statement purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-university transactions have been eliminated. The University reports as a business-type activity, as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, cash in banks, money market accounts and time certificates of deposit with original maturities of three months or less. Cash and cash equivalents that are restricted to make debt service payments and purchases or enhance learning resources materials and technology are classified as noncurrent assets in the Statement of Net Position.

University of Guam  
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

**1. Organization and Summary of Accounting Policies, continued**

**Use of Restricted/Unrestricted Net Position**

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the University's policy is to apply restricted net position first.

**Short-term Investments**

Short-term investments include time certificates of deposit with original maturities of more than three months, but less than one year.

**Investments**

Investments are reported at fair value using quoted market prices. Realized and unrealized investment earnings and losses are recorded as non-operating income or loss. Fair value is the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the date as of which the fair value of an asset or liability is determined.

**Accounts Receivable**

Accounts receivable consist of tuition and fee charges to students and charges for auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also includes amounts due from U.S. Federal agencies for various federal grant awards as well as amounts due from GovGuam for local appropriations. Accounts receivable are recorded net of an estimated allowance for doubtful accounts, an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience. The allowance is established through a provision for bad debts charged to expense. Bad debts are written off against the allowance using the specific identification method.

**Due from Government of Guam**

Due from Government of Guam consists of the remaining balance of legislative annual appropriations and student financial aid funding that have not been received. At September 30, 2022, the University has no uncollected balances from Government of Guam.

**Due from the U.S. Federal Government**

Due from the U.S. Federal Government consist of amounts due from the federal government in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts.

University of Guam  
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

**1. Organization and Summary of Accounting Policies, continued**

**Inventory**

Inventory is stated at the lower of cost, determined using the first-in, first-out method, or market.

**Capital Assets**

Depreciation is calculated using the straight-line method over estimated useful lives of 5 - 50 years for buildings and improvements and 5 - 15 years for equipment and land improvements. The University's capitalization policy requires acquisitions greater than \$5,000 to be capitalized and depreciated over their estimated useful lives. The assets are carried at cost, except for land and buildings transferred to the University, which were recorded at management's estimate of fair market value at the date of acquisition.

**Unearned Revenues**

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent fiscal year. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. As required by GASB Statements No. 68, 71, 73 and 75, the University reports deferred outflows of resources for pension-related and OPEB-related amounts: payments since the measurement date, changes in assumptions, and for differences between projected and actual earnings.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources until then. As required by GASB Statements No. 68, 73 and 75, the University reports deferred inflows of resources for pension-related and OPEB-related amounts: for its share of the difference between expected and actual earnings, for its share of the difference between its contributions and its proportionate share of contributions, and for the difference between expected and actual experience.

University of Guam  
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

**1. Organization and Summary of Accounting Policies, continued**

**Pensions and Other Postemployment Benefits (OPEB)**

Pensions are required to be recognized and disclosed using the accrual basis of accounting. The University recognizes a net pension liability for the defined benefit pension plan in which it participates, which represents the University's proportional share of excess total pension liability over the pension plan assets – actuarially calculated – of a single employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. The total pension liability also includes the University's proportionate share of the liability for ad hoc cost-of-living adjustments (COLA) and supplemental annuity (SA) payments that are anticipated to be made to defined benefit plan members and for anticipated future COLA to DCRS members. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and are amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

OPEB is required to be recognized and disclosed using the accrual basis of accounting. The University recognizes a total collective OPEB liability for the defined benefit OPEB plan in which it participates, which represents the University's proportional share of total OPEB liability - actuarially calculated - of a single employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. An OPEB trust has not been established thus the OPEB plan does not presently report OPEB plan fiduciary net position. Instead, the OPEB plan is financed on a substantially "pay-as-you-go" basis.

Changes in the total collective OPEB liability during the period are recorded as OPEB expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in the total collective OPEB liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.

University of Guam  
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

**1. Organization and Summary of Accounting Policies, continued**

**Compensated Absences**

Vesting annual leave is accrued and reported as an expense and a liability in the period earned. No liability is accrued for non-vesting sick leave benefits. Annual leave expected to be paid out within the next fiscal year is accrued and is included in current liabilities. The maximum accumulation of annual leave convertible to pay upon termination of employment is limited to 320 hours. Pursuant to Public Law 27-106, employees who have accumulated annual leave in excess of three hundred twenty (320) hours as of February 28, 2003, may carry over their excess and shall use the excess amount of leave prior to retirement or termination from service. Any unused leave over 320 hours shall be lost upon retirement. Public Law 26-86 allows members of the Defined Contribution Retirement System (DCRS) to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. A liability is accrued for estimated sick leave to be paid out to DCRS members upon retirement.

**Grants-in-Aid**

Tuition and fees revenue includes grants-in-aid charged to scholarship and fellowship expense for senior citizens, faculty, staff and their dependents. The total of these grants for 2022 was \$185,647.

**Noncurrent Liabilities**

Noncurrent liabilities include (1) long-term debt with contractual maturities greater than one year, and (2) estimated amounts for accrued compensated absences, sick leave, pension, OPEB and other liabilities that will not be paid within the next fiscal year.

**Net Position**

The University's net position is classified as follows:

*Net Investment in Capital Assets* - This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included in this section.

*Restricted - Expendable* - Restricted expendable net position includes resources that the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

University of Guam  
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

**1. Organization and Summary of Accounting Policies, continued**

**Net Position, continued**

*Restricted - Nonexpendable* - Nonexpendable restricted net position consisting of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

**Classification of Revenues**

The University has classified its revenues as either operating or nonoperating according to the following criteria:

Operating Revenues - include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, (3) most federal, state and local grants and contracts and federal appropriations, and (4) interest on institutional student loans.

Nonoperating Revenues - include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as local government appropriations and investment income.

**Scholarship Discounts and Allowances**

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

**Financial Assistance Revenue**

Government of Guam appropriations designated for student financial assistance programs are made annually for the period from October 1 to September 30. As certain restrictions are placed on these funds, revenue is realized only to the extent that such funds are expended for current purposes.

University of Guam  
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

**1. Organization and Summary of Accounting Policies, continued**

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the statement of net position and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Economic Dependency**

The University is dependent on ongoing appropriations from the Government of Guam.

**New Accounting Standards**

In 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective date of GASB Statement No. 89 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

During the year ended September 30, 2022, the University implemented the following pronouncements:

- GASB Statement No. 87, *Leases*, which increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Limited exceptions to the single approach guidance are provided for short-term leases, financed purchases, leases of assets that are classified as investments, and certain regulated leases. Upon adoption of this standard, the University recorded \$1,202,834 of lease receivable and deferred inflow of resources at October 1, 2021.

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Notes to Financial Statements, continued

**1. Organization and Summary of Accounting Policies, continued**

**New Accounting Standards, continued**

- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 92, *Omnibus 2020*, which enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, which increases consistency and comparability related to the reporting of fiduciary component units; mitigates costs associated with the reporting of certain pension plans and other postemployment benefit (OPEB) plans as fiduciary component units; and enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 98, *The Annual Comprehensive Financial Report*, which establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 99, *Omnibus 2022*, which provides clarification guidance on several of its recent statements that addresses different accounting and financial reporting issues identified during implementation of the new standards and during the GASB's review of recent pronouncements. GASB Statement No. 99:

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Notes to Financial Statements, continued

**1. Organization and Summary of Accounting Policies, continued**

**New Accounting Standards, continued**

- 1) Amends guidance in GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, requiring that the accounting and financial reporting of Supplemental Nutrition Assistance Program (SNAP) transactions should follow the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as amended. These provisions were effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
- 2) Requires disclosures related to nonmonetary transactions, in the notes to financial statements, of the measurement attribute(s) applied to the assets transferred rather than the basis of accounting for those assets. These provisions were effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
- 3) Provides guidance on accounting for pledges of future revenues when resources are not received by the pledging government. The guidance addresses the process of blending a component unit created to issue debt on behalf of a primary government when that component unit is required to be presented as a blended component unit. This guidance was effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
- 4) Provides clarification of provisions in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended, related to the focus of the government-wide financial statements. This guidance was effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
- 5) Provides terminology updates related to certain provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and terminology used in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. These updates were effective upon issuance and implementation did not have a material effect on the accompanying financial statements.

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Notes to Financial Statements, continued

**1. Organization and Summary of Accounting Policies, continued**

**New Accounting Standards, continued**

6) GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which amended GASB Statement No. 53 to address transition away from the London Interbank Offered Rate (LIBOR). GASB Statement No. 99 extends the period during which the LIBOR is considered an appropriate benchmark interest rate to when LIBOR ceases to be determined using methodology in place as of December 31, 2021. This guidance was effective upon issuance and implementation did not have a material effect on the accompanying financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No. 95 postponed the effective date of GASB 91 to fiscal year ending September 30, 2023.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. Public-private and public-public partnerships, collectively referred to hereinafter PPPs, comprise a wide variety of arrangement between a government and another party that are engaged in providing services to a government's constituents. Availability payment arrangements (APAs) also have been used in practice to procure governmental services. The objective of this Statement is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments that enter into PPPs and APAs and by enhancing the understandability, reliability, relevance, and consistency of information about PPPs and APAs. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. It has become common for governments to enter into subscription-based contracts to use vendor-provided information technology (IT). Subscription-based information technology arrangements (SBITAs) provide governments with access to vendors' IT software and associated tangible capital assets for subscription payments without granting governments perpetual license or title to the IT software and associated tangible capital assets. Prior to the issuance of this Statement, there was no accounting or financial reporting guidance specifically for SBITAs. The objective of this Statement is to better meet the information needs of the financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of

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Notes to Financial Statements, continued

**1. Organization and Summary of Accounting Policies, continued**

**New Accounting Standards, continued**

information about SBITAs. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement contains guidance whose effective dates are in future periods. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 99:

- 1) Modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures effective for fiscal year ending September 30, 2024.
- 2) Provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal year ending September 30, 2024.
- 3) Provides clarification of provisions in GASB Statement No. 87 related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives effective for fiscal year ending September 30, 2023.
- 4) Provides clarification of provisions in GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset. Effective for fiscal year ending September 30, 2023.
- 5) Provides clarification of provisions in GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability. Effective for fiscal year ending September 30, 2023.
- 6) Modifies accounting and reporting guidance in GASB Statement No. 53 related to termination of hedge. Guidance is effective for fiscal year ending September 30, 2023.

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Notes to Financial Statements, continued

**1. Organization and Summary of Accounting Policies, continued**

**New Accounting Standards, continued**

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. GASB Statement No. 100 will be effective for fiscal year ending September 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. GASB Statement No. 101 will be effective for fiscal year ending September 30, 2025.

The University is currently evaluating the effects the above upcoming accounting pronouncements might have on its financial statements.

**2. Cash and Cash Equivalents and Investments**

The deposit investment policies of the University are governed by pertinent restrictions existing under the laws of Guam with respect to investments. The Board of Regents, with the assistance of a consultant, is required to engage investment managers to manage the fund assets.

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Notes to Financial Statements, continued

**2. Cash and Cash Equivalents and Investments, continued**

Legally authorized investments are as follows:

(i) General Guidelines

- a. U.S. and Non-U.S. Equities include American Depository Receipts, convertible bonds, preferred stock, fixed-income securities, mutual funds and short-term securities.
- b. No individual security of any issuer, other than that of the U.S. Government, shall constitute more than 5% (at cost) of the total fund or 10% (at cost) of any manager's portfolio.
- c. No investment may be made in the securities of a single corporate entity in excess of 15% (at market) of any individual investment manager's portfolio, without prior approval from the University.
- d. Holdings of any issuer shall constitute no more than 5% of the outstanding securities of such issuer.
- e. Investments in a registered mutual fund managed by the investment manager are subject to prior approval of the University.
- f. The following securities and transactions are not authorized without prior written approval from the University: letter stock and other unregistered securities; non-negotiable securities; commodities or other commodity contracts; options; futures; short sales; and margin transactions.

(ii) U.S. Fixed Income

- a. All fixed income securities held in the portfolio shall have Moody's, Standard & Poor's and/or Fitch's credit quality rating of no less than "BBB".
- b. U.S. Treasury and U.S. Government agencies, which are unrated securities, are qualified for inclusion in the portfolio and will be considered to be of the highest rating.
- c. No more than 20% of the market value of the portfolio shall be rated less than single "A" quality, unless the manager has specific prior written authorization from the University.
- d. Total portfolio quality (capitalization weighted) shall maintain an "A" minimum weighting.

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Notes to Financial Statements, continued

**2. Cash and Cash Equivalents and Investments, continued**

(iii) Equities

- a. Consistent with the desire to maintain broad diversification, allocation to any economic or industry sector should not be excessive.
- b. Equity holdings shall be restricted to readily marketable securities of corporations that are actively traded on the major exchanges and over the counter.
- c. The managers shall have the discretion to invest a portion of the assets in cash reserves when they deem appropriate.
- d. Common stock and preferred stock of any institution or entity created or existing under the laws of the United States or any other country are permissible investments.

(iv) Cash and Cash Equivalents

- a. Cash equivalent reserves shall consist of cash instruments having a quality rating of A-1, P-1 or their equivalent. U.S. Treasury and Agency securities, Bankers Acceptances, Certificates of Deposit and Collateralized Repurchase Agreements are also acceptable investment vehicles. Custodial Sweep Accounts must be, in the judgment of the investment managers, of credit quality equal or superior to the standards described above.
- b. In the case of Certificates of Deposit, they must be issued by FDIC insured institutions. Deposits in institutions with less than \$10,000,000 in assets may not be made in excess of \$250,000 unless the deposit is fully collateralized by U.S. Treasury Securities.
- c. No single issue shall have a maturity of greater than two years.
- d. Custodial Sweep Account portfolios must have an average maturity of less than one year.

*A. Cash and Cash Equivalents*

Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized, or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the University's name.

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Notes to Financial Statements, continued

**2. Cash and Cash Equivalents and Investments, continued**

*A. Cash and Cash Equivalents, continued*

At September 30, 2022, the carrying amount of the University's cash and cash equivalents and time certificates of deposit and the corresponding bank balances were \$33,587,285 and \$32,501,410, respectively. Of the bank balance amounts, \$4,812,989 are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance, National Credit Union Administration (NCUA) insurance, or collateralized by securities held by a trustee in the name of the financial institution. The University does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC or NCUA insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

Cash and cash equivalents at September 30, 2022 are restricted as follows:

International Accounting Institute Fund	\$ 4,279,068
Success Center and Engineering Annex	4,004,146
School of Health and Water and Environmental Research Institute of the Western Pacific	2,782,994
Debt service, operation and maintenance	750,006
Tobacco Settlement Agreement	582,264
Others	<u>1,161,632</u>
 Total restricted cash and cash equivalents	 <u>\$13,560,110</u>

As of September 30, 2022, the University recorded \$2,199,343 from a tobacco settlement agreement entered into by the Government of Guam to be expended by the University for enhancement of learning resources and technology. The funds may only be expended in accordance with purposes set forth by the Guam Economic Development Authority, a component unit of the Government of Guam. Of the amount recorded, \$1,617,079 at September 30, 2022 is invested in a Federated Short-Intermediate Duration Municipal Trust Service Shares mutual fund, presented as restricted investments in the statement of net position.

As of September 30, 2022, the University recorded \$2,491,032 from the Government of Guam Healthy Futures Fund as appropriations for the Guam Cancer Trust Fund. These funds are allocated to provide financial assistance to organizations that provide patient directed services for the prevention and treatment of cancer. As of September 30, 2022, Guam Cancer Trust Fund's time certificates of deposit were \$2,480,020. These were presented as restricted investments in the statement of net position.

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Notes to Financial Statements, continued

**2. Cash and Cash Equivalents and Investments, continued**

*B. Investments*

Investments held by the University consist of certificates of deposit, money market funds, fixed income securities, mutual funds, and common stock. These investments are held in the name of the University and are accounted for on a pooled basis. The University employs the share method of accounting for pooled investments and for proportionate distribution of income and fees to each fund which participates in the pool.

The University's exposure to credit risk at September 30, 2022:

	<u>AAA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>	<u>B</u>	<u>Unrated</u>
U.S. Treasuries	\$ 3,099,774	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Corporate Bonds	---	725,866	544,746	596,758	352,387	---
Mutual funds	---	---	---	---	---	1,341,646
ABS, MBS, CMO	---	---	---	---	---	472,919

As of September 30, 2022, the University's fixed income securities had the following maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>5 to 10 years</u>	<u>More than 10 years</u>
Corporate Bonds	\$ 2,219,757	\$ 24,769	\$ 557,953	\$ 1,621,635	\$ 15,400
U.S. Treasury notes	3,099,774	---	236,355	2,003,388	860,031
Mutual funds	1,341,646	---	---	---	1,341,646
Asset-backed, mortgage-backed and collateralized mortgage securities	472,919	---	---	---	472,919
	<u>\$ 7,134,096</u>	<u>\$ 24,769</u>	<u>\$ 794,308</u>	<u>\$ 3,625,023</u>	<u>\$ 2,689,996</u>

Custodial risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the University will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The University's investments are held and administered by investment managers. Accordingly, these investments are exposed to custodial credit risk. Based on negotiated trust and custody contracts, all of these investments were held in the University's name at September 30, 2022.

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Notes to Financial Statements, continued

**2. Cash and Cash Equivalents and Investments, continued**

*B. Investments, continued*

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. As of September 30, 2022, the University did not hold any investment in any one issuer that represented 5% or more of total investments of the University, or 10% or more of any investment manager's portfolio.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. The University has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The composition of net investment expenses for the year ended September 30, 2022 is as follows

Interest and dividends from investments	\$( 645,023)
Net investment fees expense	467,196
Realized gains	( 500,756)
Depreciation of fair value of investments, net	<u>5,819,665</u>
	<u>\$ 5,141,082</u>

The University categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The University has the following recurring fair value measurements as of September 30, 2022:

		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
Fixed income securities	\$ 7,134,096	\$ 4,441,421	\$2,692,675	\$ ---
Equity securities	8,404,711	8,404,711	---	---
Exchange traded products and mutual funds	6,702,941	6,702,941	---	---
Real estate investment trusts	1,619,548	---	1,619,548	---
Alternative cash and investments	<u>948,392</u>	<u>375,907</u>	<u>---</u>	<u>572,485</u>
Total investments by fair value level	<u>24,809,688</u>	<u>19,924,980</u>	<u>4,312,223</u>	<u>\$572,485</u>
Investments measured at cost:				
Certificates of deposit	<u>8,219,615</u>			
	<u>\$33,029,303</u>			

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Notes to Financial Statements, continued

**2. Cash and Cash Equivalents and Investments, continued**

*B. Investments, continued*

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income securities classified in Level 2 of the fair value hierarchy are valued using a matrix-based or model-based pricing techniques. These pricing techniques, which are obtained from various sources, assume normal market conditions and are based on large volume transactions.

**3. Student Loans**

The Guam Legislature appropriates funds for the student loan program available to residents of Guam who attend institutions of higher education. The University is responsible for awarding the loans and monitoring compliance with respect to repayment. Due to the uncertainty of collection and due to recipient ability to repay the loans through work credits, student loan receivables are fully reserved in the year granted, and payments are reflected as recoveries in the year received. At September 30, 2022, loans receivable are reserved in the amount of \$17,252,885 and recoveries collected are \$332,580, which is included as other revenues in the accompanying statement of net position.

**4. Other receivables**

The University recorded receivables for auxiliary enterprise services it provides to students, faculty, staff and to the public. Other receivables also include amounts due from the local government or private sources in relation to the performance of grants and contracts. At September 30, 2022, other receivables are long outstanding and are fully reserved in the amount of \$2,377,529.

**5. Lease Receivables**

The Research Corporation of the University of Guam, lessor, entered into a lease agreement with Coreseed Aquaculture (Guam) Corporation, lessee, on the use of a certain parcel of land and improvements thereon. The lessee is in the business of developing aquaculture products to fill market demands and to develop farms and other agricultural activities. The initial term of the lease began on January 1, 2020, and ends on December 31, 2049, with an option to renew. Annual lease payment is due on or before January 6th of each year at the following rates:

- Years 1 – 5 at \$32,000 per year
- Years 6 –10 at \$44,000 per year
- Years 11–15 at \$48,000 per year
- Years 16 –30 at \$50,000 per year

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Notes to Financial Statements, continued

**5. Lease Receivables, continued**

At the 11th year of the initial lease term, 5% of the portion of the lessee's annual revenue above \$800,000 will be assessed. On September 30, 2022, the University recorded total lease receivables of \$1,172,521.

For the year ended September 30, 2022, the University recognized inflow of resources as components of sales and services of education department and other revenues in the accompanying statement of revenues, expenses and changes in net position:

Lease revenue	\$31,441
Interest revenue	<u>1,687</u>
	<u>\$33,128</u>

**6. Capital Assets**

Activity and balances for capital assets for the year ended September 30, 2022 consisted of the following:

	<u>Balance</u> <u>October 1, 2021</u>	<u>Additions/</u> <u>Transfers</u>	<u>Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>September 30, 2022</u>
<u>Depreciable:</u>				
Land improvements	\$ 2,245,071	\$ 11,400	\$ ---	\$ 2,256,471
Building	87,442,364	12,044,398	---	99,486,762
Building improvements	7,439,515	25,399	---	7,464,914
Equipment	22,429,967	2,061,624	( 252,381)	24,239,210
Library books	<u>8,757,164</u>	<u>134,811</u>	<u>---</u>	<u>8,891,975</u>
	128,314,081	14,277,632	( 252,381)	142,339,332
Less accumulated depreciation	( <u>72,940,022</u> )	( <u>5,477,669</u> )	<u>218,366</u>	( <u>78,199,325</u> )
	<u>55,374,059</u>	<u>8,799,963</u>	( <u>34,015</u> )	<u>64,140,007</u>
<u>Nondepreciable:</u>				
Land	2,938,212	---	---	2,938,212
Construction in progress	<u>9,928,983</u>	<u>5,960,213</u>	( <u>12,055,799</u> )	<u>3,833,397</u>
	<u>12,867,195</u>	<u>5,960,213</u>	( <u>12,055,799</u> )	<u>6,771,609</u>
Total capital assets, net	<u>\$ 68,241,254</u>	<u>\$14,760,176</u>	<u>\$(12,089,814)</u>	<u>\$ 70,911,616</u>

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Notes to Financial Statements, continued

**7. Current Liabilities**

As of September 30, 2022, UOG has outstanding loan payable to a related party, the Foundation amounting \$1,153,095 classified as current until such time as UOG obtains permanent financing from a federal agency to term it out. The agreement entered into between UOG and the Foundation in May 2019 specified UOG to borrow the principal amount of \$1,400,000, plus interest on the unpaid principal balance at the rate of 1.25% plus the federal rate. The said principal and interest shall be paid in the following installments based on the following: interest only on the 5th of each quarter through July 5, 2021 and interest and principal thereafter on the 5th of each quarter (if the principal is not repaid by July 5, 2021) until the principal and interest are fully paid except that the final installment of the entire loan, if not sooner paid, shall be due and payable upon funding by BG Investment Services towards the UOG Triton Engagement Center Phase I Project (Storm Mitigation Outfall) or within five years from the date of the note. Given the difficulty in predicting when drawdowns or funding will occur, presentation of future principal and interest amortization is not possible at this time.

	Outstanding October 1, <u>2021</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding September 30, <u>2022</u>
Loans payable to the Foundation	\$ <u>1,400,000</u>	\$ <u>---</u>	\$ <u>246,905</u>	\$ <u>1,153,095</u>

**8. Long-Term Debt**

In October 2001, Public Law 26-48 authorized the University to enter into a loan with the United States Department of Agriculture (USDA) for an amount not to exceed \$13.5 million for the purpose of funding construction of certain facilities. The loan with USDA was signed on June 12, 2003 and construction began in March 2005. The interest rate is fixed at 4.50% per annum.

As of September 30, 2007, the entire amount was drawn down. Monthly payments of \$62,505 began in July 2006. A final installment is due on June 12, 2043. The loan security agreement requires revenues derived from the operation of the facility to be transferred to an account designated for debt service, operation and maintenance of the facility. After the payment of principal and interest, \$6,251 per month is required to be transferred to a reserve account until a sum of \$750,060 is accumulated. In addition, the University assigned and granted to the creditor its security interest in all equipment, furniture and fixtures located at the Business and Public Administration Building. Also, the note contains a provision that in an event of default, which would be non-payment of payments as they become due, USDA may, at its option, collect interest income and principal and exercise any other right or remedy provided by the Uniform Commercial Code after giving any notice required thereby.

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Notes to Financial Statements, continued

**8. Long-Term Debt, continued**

At September 30, 2022, UOG does not have unused lines of credit.

Annual debt service requirements to maturity for principal and interest are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 315,388	\$ 434,672	\$ 750,060
2024	329,674	420,386	750,060
2025	344,608	405,452	750,060
2026	360,218	389,842	750,060
2027	376,535	373,525	750,060
2028-2032	2,154,506	1,595,794	3,750,300
2033-2037	2,688,735	1,061,565	3,750,300
2038-2043	<u>3,395,464</u>	<u>394,912</u>	<u>3,790,376</u>
	<u>\$9,965,128</u>	<u>\$5,076,148</u>	<u>\$15,041,276</u>

Public Law 26-48 also provided supplemental annual funding of \$500,000 from the Government of Guam to pay for the loan. During the year ended September 30, 2022, the University received \$500,000 for this purpose.

Long-term debt activities for the year ended September 30, 2022 were as follows:

	Outstanding October 1, <u>2021</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding September 30, <u>2022</u>	Amount due within <u>one year</u>
Loans payable	<u>\$10,260,574</u>	<u>\$ ---</u>	<u>\$295,446</u>	<u>\$9,965,128</u>	<u>\$315,388</u>

Pursuant to the Foundation's resolution 1-2002, the Board approved donation of up to \$200,000 to the University of Guam as a contribution for re-payment of a USDA Community Facility Loan. The USDA loan was approved contingent on the identification of debt repayment sources from the Government of Guam, the University of Guam and the University of Guam Endowment Foundation. The Foundation annually contributed \$200,000 in 2016 and in prior years. In 2019 and 2018, the Foundation did not contribute as the Board believes that the intent of the resolution was to contribute up to \$200,000 and not \$200,000 annually through the loan maturity date. In 2020, the Foundation contributed \$100,000 towards the debt service of the loan.

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Notes to Financial Statements, continued

**9. Other Long-Term Liabilities**

A summary of changes in long-term liabilities during fiscal year 2022 is as follows:

	Outstanding October 1, 2021	Increase	Decrease	Outstanding September 30, 2022	Amount due within one year	Amount due beyond one year
Deposits held on behalf of others	\$ 263,602	\$ 1,077,443	\$ 1,094,746	\$ 246,299	\$ ---	\$ 246,299
Accrued annual leave	2,394,068	1,334,979	1,457,211	2,271,836	887,772	1,384,064
DCRS sick leave liability	2,211,627	850,870	602,868	2,459,629	---	2,459,629
Total collective OPEB liability	118,284,474	13,201,741	---	131,486,215	---	131,486,215
Net pension liability	96,684,167	---	19,245,352	77,438,815	---	77,438,815
	<u>\$ 219,837,938</u>	<u>\$ 16,465,033</u>	<u>\$ 22,400,177</u>	<u>\$ 213,902,794</u>	<u>\$ 887,772</u>	<u>\$ 213,015,022</u>

**10. Employee Benefits**

*General Pension Plan Descriptions*

The Government of Guam Retirement Fund (GGRF) administers the Government of Guam Defined Benefit (DB) Plan and the Defined Contribution Retirement System (DCRS) Plan. By statute, the University provides pension benefits for its employees through the GGRF.

Defined Benefit Plan (DB Plan)

The DB Plan is a single-employer plan. A single actuarial valuation is performed annually covering all plan members and the same contribution rate applies to each employer. The GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the DB Plan. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website - [www.ggrf.com](http://www.ggrf.com).

In accordance with Public Law 33-186, the Defined Benefit 1.75 Plan became effective January 1, 2018. Members of the DB 1.75 Plan also automatically participate in the GovGuam deferred compensation plan, pursuant to which employees are required to contribute 1% of base salary as a pre-tax mandatory contribution.

The DB Plan is administered by the GGRF, to which the University contributes based upon a fixed percentage of the payroll for those employees who are members of the Plan.

*Membership:* Employees of the University hired before September 30, 1995 are under the Government of Guam Employees Retirement System, the DB Plan. Until December 31, 1999, and for several limited periods after December 31, 1999, those employees who are members of the defined benefit plan with less than 20 years of service at September 30, 1995, had the option to switch to the DCRS. Otherwise, they remained under the old plan.

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Notes to Financial Statements, continued

**10. Employee Benefits, continued**

*General Pension Plan Descriptions, continued*

Defined Benefit Plan (DB Plan), continued

The DB 1.75 Plan is open for participation by certain existing employees, new employees and reemployed employees who would otherwise participate in the DCRS and who make election on a voluntary basis to participate in the DB 1.75 plan by December 31, 2017.

*Contributions:* Plan members of the DB Plan are required to contribute a certain percentage of their annual covered salary. The contribution requirements of the plan members and the University are established and may be amended by the GGRF.

The University's statutory contribution rate was 28.3% for the year ended September 30, 2022. Employees are required to contribute 9.5% of their annual pay for the year ended September 30, 2022.

*Benefits:* The DB Plan provides pension benefits to retired employees generally based on age and/or years of credited service and an average of the three highest annual salaries received by a member during years of credited service, or \$6,000, whichever is greater.

*Actuarial Assumptions:* The actuarial assumptions used are based upon recommendations from the actuarial experience study for the period October 1, 2011 through September 30, 2015. A summary of actuarial assumptions applied to all periods included in the measurement is shown below.

Actuarial cost method:	Entry age normal
Total payroll growth:	2.75%
Salary increases:	Graduated based on service with the GovGuam ranging from 4.0% for service in excess of 15 years to 7.5% for service from zero to five years.
Disability:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females.
Retirement age:	50% of probability of retirement at earliest age of eligibility for unreduced retirement benefits; 20% per year thereafter until age 75, 100% at age 75.
Mortality:	Based on the RP-2000 combined mortality table, set forward 3 years for males and 2 years for females.
Amortization method:	Level percentage of payroll, closed

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Notes to Financial Statements, continued

**10. Employee Benefits, continued**

*General Pension Plan Descriptions, continued*

Defined Benefit Plan (DB Plan), continued

*Discount Rate:* The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the GGRF's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Expected Rate of Return and Asset Allocation:* The Fund has a target asset allocation based on the investment policy adopted by the GGRF Board of Trustees. The target allocation and best estimates of the expected nominal return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Nominal Return</u>	<u>Component Return</u>
U.S. Equities (large cap)	26.0%	7.44%	1.93%
U.S. Equities (small cap)	4.0%	9.23%	0.37%
Non-U.S. Equities	17.0%	9.28%	1.58%
Non-U.S. Equities (emerging markets)	3.0%	11.32%	0.34%
U.S. Fixed Income (aggregate)	22.0%	3.89%	0.86%
Risk Parity	8.0%	5.92%	0.47%
High Yield Bonds	8.0%	6.42%	0.51%
Global Real Estate (REITs)	2.5%	8.55%	0.21%
Global Equity	7.0%	8.20%	0.57%
Global Infrastructure	2.5%	7.58%	0.19%
Expected arithmetic mean (1 year)			7.04%
Expected geometric mean (30 years)			6.36%

The assumption used in the actuarial valuation (7.0%) is slightly higher than the expected geometric average return over the next 50 years. If the investments do not return the expected results, future pension expense will increase.

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Notes to Financial Statements, continued

**10. Employee Benefits, continued**

*General Pension Plan Descriptions, continued*

Ad Hoc COLA/Supplemental Annuity (COLA/SA) Plan for DB Participants

Members of the DB Plan also receive ad hoc cost of living allowance and supplemental annuity benefits that are appropriated yearly by the Guam Legislature. Those benefits are deemed to be substantively automatic, requiring reporting under GASB Statement No. 73. The Ad Hoc COLA/SA Plan for DB Participants is a single-employer plan. A single actuarial valuation is performed annually covering all plan members. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the Ad Hoc COLA/SA Plan for DB Participants. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website - [www.ggrf.com](http://www.ggrf.com).

*Membership:* The plan membership is the same as the DB Plan described above.

*Benefits:* The supplemental annuity is an amount which, when added to a retiree's annuity increase the annual annuity to \$40,000.

The COLA payment is \$2,000 per DB retiree.

*Contribution:* The University's contribution to the supplemental annuity portion of the Plan, when added to a retiree's annuity, increases the annual annuity to \$40,000.

The University's contribution to the COLA payment of the Plan is \$2,000 per DB retiree.

*Actuarial Assumptions:* The actuarial assumptions used are based upon recommendations from the actuarial experience study for the period October 1, 2011 through September 30, 2015. A summary of actuarial assumptions applied to all periods included in the measurement is shown below.

Actuarial cost method:	Entry age normal
Total payroll growth:	2.75%
Salary increases:	Graduated based on service with the GovGuam ranging from 4.0% for service in excess of 15 years to 7.5% for service from zero to five years.
Disability:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females.

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Notes to Financial Statements, continued

**10. Employee Benefits, continued**

*General Pension Plan Descriptions, continued*

Ad Hoc COLA/Supplemental Annuity (COLA/SA) Plan for DB Participants, continued

Retirement age:	50% of probability of retirement at earliest age of eligibility for unreduced retirement benefits; 20% per year thereafter until age 75, 100% at age 75.
Mortality:	Based on the RP-2000 combined mortality table, set forward 3 years for males and 2 years for females.
Amortization method:	Level percentage of payroll, closed.

*Discount Rate:* The discount rate used to measure the Ad Hoc COLA/SA was a municipal bond rate of 2.26% for the year ended September 30, 2022. This rate was used as the benefits are not funded with the accumulation of assets; they have been funded historically through appropriations from the Government of Guam.

Ad Hoc COLA Plan for Defined Contribution Retirement System (DCRS) Participant

The DCRS is administered by the GGRF. Members of DCRS receive ad hoc cost of living allowance (COLA) that are appropriated yearly by the Guam Legislature. Those benefits are deemed to be substantively automatic, requiring reporting under GASB Statement No. 73. The Ad Hoc COLA Plan for DCRS Participants is a single-employer plan. A single actuarial valuation is performed annually covering all plan members. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the Ad Hoc COLA Plan for DCRS Participants. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website - [www.ggrf.com](http://www.ggrf.com).

*Membership:* Employees hired after September 30, 1995, are members of the DCRS.

*Benefits:* Ad Hoc COLA Plan for DCRS participants are the same as those for DB Participants.

*Contributions:* The University's contribution to the COLA payment of the Plan is \$2,000 per DCRS retiree.

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Notes to Financial Statements, continued

**10. Employee Benefits, continued**

*General Pension Plan Descriptions, continued*

Ad Hoc COLA Plan for Defined Contribution Retirement System (DCRS) Participant, continued

*Actuarial Assumptions:* The actuarial assumptions used are based upon recommendations from the actuarial experience study for the period October 1, 2011 through September 30, 2015. A summary of actuarial assumptions applied to all periods included in the measurement is shown below.

Actuarial cost method:	Entry age normal
Total payroll growth:	2.75%
Salary increases:	Graduated based on service with the GovGuam ranging from 4.0% for service in excess of 15 years to 7.5% for service from zero to five years.
Disability:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females.
Retirement age:	5% per year from age 55 to 64, 10% per year from age 65 to 74, 100% at age 75.
Mortality:	Based on the RP-2000 combined mortality table, set forward 3 years for males and 2 years for females.
Amortization method:	Level percentage of payroll, closed.

*Discount Rate:* The discount rate is the same as that used in the Ad Hoc COLA/SA Plan for DB Participants.

*Pension Liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions*

Net pension liability as of September 30, 2022 for the aforementioned plans were measured on and was determined by actuarial valuations as of the following dates:

Reporting Date:	September 30, 2022
Measurement Date:	September 30, 2021
Valuation Date:	September 30, 2020

Net pension liability as of September 30, 2022 for the aforementioned plans are as follows:

Defined benefit plan	\$59,394,212
Ad hoc COLA/supplemental annuity plan for DB participants	14,511,322
Ad hoc COLA plan for DCRS participants	<u>3,533,281</u>
	<u>\$77,438,815</u>

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Notes to Financial Statements, continued

**10. Employee Benefits, continued**

*Pension Liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions, continued*

Proportionate share of net pension liabilities at September 30, 2022 for the aforementioned plans are as follows:

Defined benefit plan	6.16%
Ad hoc COLA/supplemental annuity plan for DB participants	4.72%
Ad hoc COLA plan for DCRS participants	5.01%

Pension expense for the years ended September 30, 2022 for the aforementioned Plans are as follows:

Defined benefit plan	\$ 3,783,469
Ad hoc COLA/supplemental annuity plan for DB participants	1,165,196
Ad hoc COLA plan for DCRS participants	<u>299,007</u>
	<u>\$ 5,247,672</u>

As of September 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Defined Benefit Plan		Ad Hoc COLA/SA Plan for DB		Ad Hoc COLA Plan for DCRS	
	Deferred Outflows of	Deferred Inflows of	Deferred Outflows of	Deferred Inflows of	Deferred Outflows of	Deferred Inflows of
Difference between expected and actual experience	\$ 95,331	\$ 603,912	\$ ---	\$ ---	\$ 388,565	\$ 68,806
Net difference between projected and actual earnings on pension plan investments	---	7,174,785	---	201,395	---	---
Changes of assumptions	---	---	395,412	43,030	717,664	233,055
Contributions subsequent to the measurement date	8,278,982	---	1,052,495	---	130,000	---
Changes in proportion and difference between UOG contributions and proportionate share of contributions	<u>336,503</u>	<u>1,149,933</u>	<u>8,690</u>	<u>88,910</u>	<u>106,171</u>	<u>305,603</u>
	<u>\$8,710,816</u>	<u>\$8,928,630</u>	<u>\$1,456,597</u>	<u>\$333,535</u>	<u>\$1,342,400</u>	<u>\$607,464</u>

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Notes to Financial Statements, continued

**10. Employee Benefits, continued**

*Pension Liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions, continued*

Deferred outflows of resources at September 30, 2022 resulting from the University's employer contributions for the following plans are as follows:

DB Plan	\$8,278,982
Ad hoc COLA/SA Plan for DB Participants	1,052,495
Ad hoc COLA Plan for DCRS Participants	<u>130,000</u>
	<u>\$9,461,477</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2023	\$(1,131,682)
2024	(1,470,067)
2025	(2,487,548)
2026	(2,861,329)
2027	64,086
Thereafter	<u>65,447</u>
	<u>\$(7,821,093)</u>

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

*Sensitivity analysis:* The following presents the net pension liability calculated using a discount rate that is one percentage point (1.0%) lower or 1% higher than the current rate:

DB Plan	1% Decrease <u>6.00%</u>	Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Net pension liability	<u>\$74,992,988</u>	<u>\$59,394,212</u>	<u>\$40,074,626</u>

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Notes to Financial Statements, continued

**10. Employee Benefits, continued**

*Pension Liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions, continued*

Ad Hoc COLA/SA for DB Participants

	1% Decrease <u>1.26%</u>	Current Discount Rate <u>2.26%</u>	1% Increase <u>3.26%</u>
Collective total pension liability	<u>\$15,961,627</u>	<u>\$14,554,837</u>	<u>\$13,326,714</u>

Ad Hoc COLA for DCRS Participants

	1% Decrease <u>1.26%</u>	Current Discount Rate <u>2.26%</u>	1% Increase <u>3.26%</u>
Collective total pension liability	<u>\$4,010,984</u>	<u>\$3,533,281</u>	<u>\$3,125,724</u>

Detailed information about the DB Plan’s fiduciary net position is available in the separately issued GGRF financial report.

*DCRS*

The DCRS was created by Public Law 23-42:3 to provide an individual account retirement system for any person who is employed by the Government of Guam. Contributions into the DCRS, by members are based on an automatic deduction of 6.2% of the member’s regular base pay. The contribution is periodically deposited into an individual annuity account within the DCRS. Employees are afforded the opportunity to select from different annuity accounts available under the DCRS.

Statutory employer contributions into the DCRS for the year ended September 30, 2022 are determined using the same rates as the DB plan. Of the amount contributed by the employer, only 6.2% of the member’s regular base pay is deposited into the member’s individual annuity account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

Members of the DCRS who have completed five years of government service, have a vested balance of 100% of both member and employer contributions plus any earnings thereon.

During the year ended September 30, 2022, contributions made and amounts accrued under the DCRS amounted to \$5,171,490.

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Notes to Financial Statements, continued

**10. Employee Benefits, continued**

*Accrued Sick Leave*

Public Law 26-86 allows members of the DCRS to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. As of September 30, 2022, the University has accrued an estimated liability of \$2,459,629. However, this amount is an estimate and actual payout could differ from those estimates.

*Payable to the Pension Plan*

As of September 30, 2022, the University recorded payable to GGRF of \$213,161 which represents statutorily required contributions unremitted as of year-end.

*Other Post-employment benefit (OPEB) plan*

*OPEB Plan Description*

GovGuam, through its substantive commitment to provide other post-employment benefits (OPEB), maintains an agent multiple employer defined benefit plan to provide certain post-retirement healthcare benefits to retirees who are members of the GGRF known as the GovGuam Group Health Insurance Program. GovGuam issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by writing to the Government of Guam Department of Administration ITC Building Suite 224, 590 South Marine Corps Drive, Tamuning, Guam 96913, or by visiting [doa.guam.gov](http://doa.guam.gov).

*Plan Membership:* All employees of the University who are members of the GGRF are members of the OPEB Plan

*Contribution:* The University is invoiced a portion of the medical and dental premiums. Retirees are required to pay a portion of the medical and dental insurance premiums.

*Benefits:* GovGuam provides postemployment medical, dental and life insurance benefits to retirees, spouses, children and survivors. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only.

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Notes to Financial Statements, continued

**10. Employee Benefits, continued**

*OPEB plan, continued*

*OPEB Plan Description, continued*

*Actuarial Assumptions:* A summary of actuarial assumptions applied to all periods included in the measurement is shown below:

Inflation:	2.75%
Healthcare cost trend rates:	6 percent for 2021 through 2023, decreasing 0.25 percent per year to an ultimate rate of 4.25 percent for 2030 and later years.
Dental trend rates:	4.25% per year, based on a blend of historical retiree premium rate increases as well as observed U.S. national trends.
Healthy retiree mortality rate:	Head-count weighted PUB-2010 Table, set forward 4 years for males and 2 years for females, respectively, projected generationally using 50% of MP-2020.

*Discount Rate:* The discount rate used to measure the total OPEB liability was 2.26% for the year ended September 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from the University will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the municipal bond rate at each year was applied to all periods of projected benefit payments to determine the total OPEB liability.

*OPEB Liabilities, OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB.*

Total OPEB liability as of September 30, 2022 for the OPEB Plan was measured on and was determined by actuarial valuations as of the following dates:

Reporting Date:	September 30, 2022
Measurement Date:	September 30, 2021
Valuation Date:	September 30, 2020

Collective total OPEB liability as of September 30, 2022 is \$131,486,215.

Proportionate share of total OPEB liability at September 30, 2022 is 4.74%.

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Notes to Financial Statements, continued

**10. Employee Benefits, continued**

*OPEB plan, continued*

*OPEB Liabilities, OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB, continued*

OPEB expense for the year ended September 30, 2022 is \$4,106,652. At September 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$11,457,759	\$ 6,984,309
Changes of assumptions	15,351,754	18,487,535
Contributions subsequent to measurement date	1,906,994	---
Changes in proportion and difference between employer contributions and proportionate share of contributions	<u>901,057</u>	<u>5,560,811</u>
	<u>\$29,617,564</u>	<u>\$31,032,655</u>

Deferred outflows of resources at September 30, 2022, resulting from the University's employer contributions totaled \$1,906,994.

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to OPEBs that will be subsequently recognized in OPEB expense are shown in the following table:

<u>Year Ending September 30</u>	
2023	\$( 5,180,070)
2024	( 360,351)
2025	1,574,508
2026	( 288,825)
2027	<u>932,653</u>
	<u>\$( 3,322,085)</u>

In the table above, positive amounts will increase OPEB expense, while negative amounts will decrease pension OPEB.

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Notes to Financial Statements, continued

**10. Employee Benefits, continued**

*OPEB plan, continued*

*OPEB Liabilities, OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB, continued*

*Sensitivity of the total OPEB liability to changes in the discount rate:* The following presents the sensitivity of the total OPEB liability to changes in the discount rate. The sensitivity analysis shows the impact to the University's proportionate share of the total OPEB liability if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease in Discount Rate <u>1.21%</u>	Current Discount Rate <u>2.26%</u>	1% Increase in Discount Rate <u>3.21%</u>
Total OPEB Liability	<u>\$151,193,228</u>	<u>\$131,486,215</u>	<u>\$108,960,166</u>

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates:* The following presents the sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The sensitivity analysis shows the impact to the University's proportionate share of the total OPEB liability if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	<u>1% Decrease</u>	Healthcare Cost Trend Rates	<u>1% Increase</u>
Total OPEB Liability	<u>\$105,697,887</u>	<u>\$131,486,215</u>	<u>\$156,450,860</u>

**11. Encumbrances**

The accrual basis of accounting provides that expenses include only amounts associated with goods and services received and liabilities include only the unpaid amounts associated with such expenses. Accordingly, at September 30, 2022, \$44,140,574 of outstanding purchase orders and purchase commitments are not reported in the financial statements.

**12. Commitments and Contingencies**

*Litigation*

The University is a defendant in several legal actions. The ultimate outcome is presently undeterminable; however, University management is of the opinion that resolution of these matters will not have a material effect on the accompanying financial statements.

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Notes to Financial Statements, continued

**12. Commitments and Contingencies, continued**

*Government of Guam Merit System*

In 1991, Public Law 21-59 was enacted to establish a bonus system for employees of the Government of Guam, autonomous and semi-autonomous agencies, public corporations and other public instrumentalities of the Government of Guam who earn a superior performance grade. The bonus is calculated at 3.5% of the employee's base salary beginning in 1991. The University recorded liabilities for merit bonuses of \$0 as of September 30, 2022.

*Medicare*

The Government of Guam and its component units, including the University, began withholding and remitting funds to the U.S. Social Security System for the health insurance component of its salaries and wages effective October 1998. Prior to that date, the Government of Guam did not withhold or remit Medicare payments to the U.S. Social Security System. If the Government is found to be liable for Medicare payments on salaries and wages prior to October 1998, an indeterminate liability could result. It has been the practice of the University and all other component units of the Government of Guam that payment of this health insurance component is optional prior to October 1998. Therefore, no liability for any amount which may ultimately arise from this matter has been recorded in the accompanying financial statements.

*Lease Agreement with UOG Endowment Foundation (the Foundation)*

On October 6, 2016, the University signed a facilities lease agreement with the Foundation for the lease of UOG Student Success Center College of Natural and Applied Sciences – Engineering Annex (the Facilities), for a period of forty-years up to August 25, 2056. In 2022, the University and the Foundation signed amendments to the lease agreement which extend the agreement until September 30, 2064 and changed the monthly lease payment to \$90,109. The construction of the Facilities is to be financed by the Foundation from a loan with the U.S. Department of Agriculture (USDA) which is expected to commence on October 1, 2024.

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Notes to Financial Statements, continued

**12. Commitments and Contingencies, continued**

*Lease Agreement with UOG Endowment Foundation (the Foundation), continued*

Future minimum lease payments as of September 30, 2022 are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Amount</u>
2024	\$ 1,081,311
2025	1,081,311
2026	1,081,311
2027	1,081,311
2028	1,081,311
2029 - 2033	5,406,555
2034 - 2038	5,406,555
2039 - 2043	5,406,555
2044 - 2048	5,406,555
2049 - 2053	5,406,555
2054 - 2058	5,406,555
2059 - 2063	<u>5,406,555</u>
Total	<u>\$43,252,440</u>

**13. Guam Cultural Repository**

In 2018, the University received a sub-award of \$12,000,000 from the Office of the Governor (OOG) which relates to the Guam Cultural Repository (GCR) grant award of the Department of Defense Office of Economic Adjustment. The grant is for the construction of a cultural repository to enhance capacity of curatorial services and provide storage for historical artifacts discovered during the military buildup. The construction of the GCR was completed in June 2022.

On September 30, 2021, the Department of Chamorro Affairs (DCA) was tasked with the operation and management of the GCR. In June 2022, the OOG has re-tasked the operation and management of the GCR to the University for at least the first three years of its operations. The University recorded the GCR as part of its capital assets as of September 30, 2022.

University of Guam  
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

**14. University of Guam Endowment Foundation, Inc.**

**Reporting Entity**

The University of Guam Endowment Foundation, Inc. (the Foundation) is a legally separate, tax-exempt entity which meets the criteria set forth for component units under GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The Foundation provides financial support for the objectives, purposes and programs of the University. Although the University does not control the timing, purpose, or amount of receipts from the Foundation, the resources (and income thereon) that the Foundation holds and invests are restricted to the activities of the University. Because the resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and its Statements of Financial Position and Statements of Activities are separately presented and its significant notes are separately summarized in the University's financial statements.

The Foundation is a private organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Accounting Standards Codification Topic ASC 958 ("ASC 958"). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

The Foundation's fiscal year end is December 31. Copies of the Foundation's report can be obtained by contacting the Foundation or visit its website at [www.uogendowment.org](http://www.uogendowment.org).

University of Guam  
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Notes to Financial Statements, continued

**14. University of Guam Endowment Foundation, Inc., continued**

**Pledges Receivable**

Pledges receivable consist of donations pledged to the Foundation, but not yet received as of December 31, 2021. These pledges are payable in installments over periods ranging from one to seven years. Amortization of discount is included in contribution revenue. Management of the Foundation is of the opinion that the net outstanding balance is collectible in subsequent fiscal years and has reserved for all other long-term receivables. Included in pledges and other receivables are the following unconditional promises to give:

School of Business and Public Administration (SBPA)	
Building and Other	\$ 9,763
Other	24,000
60th Anniversary Capital Campaign	<u>1,847,268</u>
Total pledges receivable	1,881,031
Other	<u>156,518</u>
	2,037,549
Less: Allowance for doubtful accounts	<u>( 191,826)</u>
	<u>\$1,845,723</u>

Pledges receivable at December 31, 2021 are scheduled to be paid as follows:

Less than one year	\$ 117,000
One to five years	817,407
More than five years	<u>1,900,000</u>
	2,834,407
Less unamortized discount	<u>( 953,376)</u>
	<u>\$1,881,031</u>

**Investments**

The investment portfolio shall be diversified incorporating fixed income and equity holdings. The purpose of diversification is to provide reasonable assurance that no single security (investment) or class of securities (investments) will have a disproportionate or significant impact in the portfolio. The Foundation has selected investment managers who are given authority to buy and sell securities. No investment shall be made in investments that are less than investment grade which is defined as rated BBB or better. Fixed income investments primarily consist of US Treasury Notes, US Government Bonds and Corporate Bonds.

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Notes to Financial Statements, continued

**14. University of Guam Endowment Foundation, Inc., continued**

**Investments, continued**

Investments are carried at fair market values based on quoted market prices. Gains and losses on investments are reported in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. The composition of investments in securities as of December 31, 2021 is as follows:

Equities	\$ 1,825,674
Fixed income	530,759
Exchange traded funds	13,074,083
Mutual funds	<u>3,284,962</u>
	<u>\$18,715,478</u>

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The Foundation's exposure to credit risk at December 31, 2021, was as follows:

<u>Rating</u>	
AAA	\$132,753
AA	13,530
A	40,703
BBB	54,742
Unrated	<u>289,031</u>
Total	<u>\$530,759</u>

Following is a description of the valuation methodologies and inputs used for each major type of investment measured at fair value by the Foundation:

*Corporate equity securities, exchange-traded funds and mutual funds:* These investments are valued either at quoted prices in an active market, and are classified within level 1 of the valuation hierarchy, or at observable inputs other than level 1 prices, and are classified within level 2 of the valuation hierarchy.

*Debt securities:* These investments are valued using evaluations, which may be matrix or model based, and do not necessarily reflect actual trades. These price evaluations suggest current estimated market values, which may be significantly higher or lower than the amount that would be paid (received) in an actual purchase (sale) of the security. These estimates, which are obtained from various sources, assume normal market conditions and are based on large volume transactions.

University of Guam  
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Notes to Financial Statements, continued

**14. University of Guam Endowment Foundation, Inc., continued**

**Investments, continued**

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Foundation has the following recurring fair value measurements as of December 31, 2021:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
Fixed income securities	\$ 530,759	\$ 289,026	\$ 241,733	\$ ---
Equity securities	3,547,379	2,650,966	896,413	---
Exchange traded products and mutual funds	<u>16,359,044</u>	<u>16,359,044</u>	<u>---</u>	<u>---</u>
Total investments by fair value level	<u>\$20,437,182</u>	<u>\$19,299,036</u>	<u>\$1,138,146</u>	<u>\$ ---</u>

Fixed income securities consisted of debt securities and exchange-traded funds.

The composition of net gains on investments in securities as of December 31, 2021 is as follows:

Net unrealized gains	\$1,138,454
Net realized gains	79,883
Interest income	1,195,549
Dividends	80,582
Fees and other expenses, net	<u>( 178,689)</u>
	<u>\$2,315,779</u>

Investments at December 31, 2021 include 65,431 shares of common stock in Bank of Guam (BOG). It also includes 1,000 shares of preferred stock in BOG at December 31, 2021. Dividends received from these shares are to be used for SBPA debt service payments. The BOG shares contain no restrictions and are classified as net assets without donor restrictions.

University of Guam  
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Notes to Financial Statements, continued

**14. University of Guam Endowment Foundation, Inc., continued**

**Margin Loan**

At December 31, 2021, investment in exchange traded fund excludes a \$1,299,349 margin loan entered into by the Foundation with a brokerage firm in March 2019. The annual rate of interest will be calculated by means of a formula based on the Fidelity Advisor Base Lending Rate (FABLR). This loan is collateralized by the Foundation's General Endowment Account with a reported fair value of \$7,445,931 as of December 31, 2021. The Foundation is required to maintain margins in accordance with the brokerage firm's discretion from time to time, and the Foundation will pay on demand any debit balance with respect to the Foundation's accounts. As of December 31, 2021, the margin loan is presented as a current liability in the Foundation's statement of financial position.

**Land Held for Sale**

In 2014, the Foundation received a donation of land comprising approximately 1.24 million square meters, which was recorded at appraised value of \$5,616,469 at the time of receipt. Land held for sale is carried at estimated net realizable value of \$2,232,894 at December 31, 2021.

**Loan Receivable from UOG**

In May 2019, the University of Guam entered into an agreement with the Foundation to borrow the principal amount of \$1,400,000, plus interest on the unpaid principal balance at the rate of 1.25% plus the federal rate. The principal and interest shall be paid in installments based on the following: interest only on the 5th of each quarter through July 5, 2021 and interest and principal thereafter on the 5th of each quarter (if the principal is not repaid by July 5, 2021) until the principal and interest are fully paid except that the final installment of the entire loan, if not sooner paid, shall be due and payable upon funding by BG Investment Services towards the UOG Triton Engagement Center Phase I Project (Storm Mitigation Outfall) or within five years from the date of the note. As of December 31, 2021, the outstanding receivable and interest balance is \$1,439,488. Given the difficulty in predicting when drawdowns or funding will occur, presentation of future principal and interest amortization is not possible at this time.

## Required Supplementary Information

University of Guam  
(A Component Unit of the Government of Guam)

Schedule 1  
Required Supplementary Information  
Schedule of the University's Proportionate Share of Net Pension Liability

Defined Benefit Plan  
(Unaudited)

Last 10 Fiscal Years\*

	2022	2021	2020	2019	2018	2017	2016	2015
UOGs proportionate share of the net pension liability	\$ 59,394,212	\$ 78,217,138	\$ 77,085,631	\$ 71,200,343	\$ 67,534,997	\$ 80,510,523	\$ 81,001,196	\$ 68,326,815
UOGs proportion of the net pension liability	6.16%	6.28%	6.35%	6.04%	5.91%	5.88%	5.64%	5.48%
UOGs covered-employee payroll	\$ 32,821,708	\$ 32,799,897	\$ 32,339,363	\$ 31,027,561	\$ 30,053,044	\$ 29,784,398	\$ 28,828,564	\$ 27,682,709
UOGs proportionate share of the net pension liability as percentage of its covered employee payroll	180.96%	238.47%	238.36%	229.47%	224.72%	270.31%	280.98%	246.82%
Plan fiduciary net position as a percentage of the total pension liability	70.14%	61.48%	62.25%	63.28%	60.63%	54.62%	52.32%	56.60%

\*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

University of Guam  
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Schedule 2  
Required Supplementary Information  
Schedule of the University's Contributions

Defined Benefit Plan  
(Unaudited)

Last 10 Fiscal Years\*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 7,757,897	\$ 7,467,007	\$ 7,715,563	\$ 8,202,746	\$ 7,406,814	\$ 7,318,972	\$ 7,582,871	\$ 7,352,199
Contribution in relation to the statutorily determined contribution	<u>7,778,668</u>	<u>7,651,993</u>	<u>7,654,284</u>	<u>7,962,027</u>	<u>7,904,757</u>	<u>7,535,442</u>	<u>7,796,236</u>	<u>7,611,247</u>
Contribution deficiency (excess)	<u>\$ (20,771)</u>	<u>\$ (184,986)</u>	<u>\$ 61,279</u>	<u>\$ 240,719</u>	<u>\$ (497,943)</u>	<u>\$ (216,470)</u>	<u>\$ (213,365)</u>	<u>\$ (259,048)</u>
UOG's covered-employee payroll	<u>\$ 32,821,708</u>	<u>\$ 32,799,897</u>	<u>\$ 32,339,363</u>	<u>\$ 31,027,561</u>	<u>\$ 30,053,044</u>	<u>\$ 29,784,398</u>	<u>\$ 28,828,564</u>	<u>\$ 27,682,709</u>
Contribution as a percentage of covered-employee payroll	23.70%	23.33%	23.67%	25.66%	26.30%	25.30%	27.04%	27.49%

\*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

University of Guam  
(A Component Unit of the Government of Guam)

Schedule 3  
Required Supplementary Information  
Schedule of the University's Proportionate Share of Collective Total Pension Liability

Ad Hoc COLA/Supplemental Annuity Plan for DB Participants  
(Unaudited)

Last 10 Fiscal Years\*

	2022	2021	2020	2019	2018	2017
UOG's proportionate share of the collective total pension liability	14,511,322	\$ 15,194,399	\$ 15,489,515	\$ 13,756,035	\$ 13,699,135	\$ 10,844,857
UOG's proportion of the collective total pension liability	4.71%	4.72%	4.78%	4.75%	4.75%	4.73%

\*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

University of Guam  
(A Component Unit of the Government of Guam)

Schedule 4  
Required Supplementary Information  
Schedule of the University's Contributions

Ad Hoc COLA/Supplemental Annuity Plan for DB Participants  
(Unaudited)

Last 10 Fiscal Years\*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 1,052,495	\$ 1,052,495	\$ 1,245,658	\$ 1,137,658	\$ 1,140,610	\$ 1,138,186	\$ 1,147,164	\$ 1,167,964
Contribution in relation to the contractually required contribution	<u>1,052,495</u>	<u>1,052,495</u>	<u>1,245,658</u>	<u>1,137,658</u>	<u>1,140,610</u>	<u>1,138,186</u>	<u>1,147,164</u>	<u>1,167,964</u>
Contribution excess	<u>\$ -</u>							

\*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

University of Guam  
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Schedule 5  
Required Supplementary Information  
Schedule of the University's Proportionate Share of Collective Total Pension Liability

Ad Hoc COLA Plan for DCRS Participants  
(Unaudited)

Last 10 Fiscal Years\*

	2022	2021	2020	2019	2018	2017
UOG's proportionate share of the collective total pension liability	3,533,281	\$ 3,272,630	\$ 3,117,626	\$2,685,660	\$ 3,490,270	\$ 3,298,131
UOG's proportion of the collective total pension liability	5.01%	4.93%	5.21%	5.44%	5.59%	5.35%

\*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

University of Guam  
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Schedule 6  
Required Supplementary Information  
Schedule of the University's Contributions

Ad Hoc COLA Plan for DCRS Participants  
(Unaudited)

Last 10 Fiscal Years\*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 130,000	\$ 130,000	\$ 108,000	\$ 108,000	\$ 100,000	\$ 92,000	\$ 76,000	\$ 64,000
Contribution in relation to the contractually required contribution	<u>130,000</u>	<u>130,000</u>	<u>108,000</u>	<u>108,000</u>	<u>100,000</u>	<u>92,000</u>	<u>76,000</u>	<u>64,000</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				

\*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

University of Guam  
(A Component Unit of the Government of Guam)

Schedule 7  
Required Supplementary Information  
Schedule of the University's Proportionate Share of Collective Total Other  
Postemployment Benefit Liability  
(Unaudited)

Last 10 Fiscal Years\*

	2022	2021	2020	2019	2018
UOG's proportion of the collective total other postemployment benefit liability	\$ 131,486,215	\$ 118,284,474	\$ 125,958,216	\$ 92,474,461	\$ 125,480,519
UOG's proportionate share of the collective total other postemployment benefit liability	4.74%	4.70%	4.93%	4.93%	5.16%

\*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

University of Guam  
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Schedule 8  
Required Supplementary Information  
Schedule of the University's Contributions

Other Postemployment Benefit Plan  
(Unaudited)

Last 10 Fiscal Years\*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 1,906,994	\$ 1,609,874	\$ 1,616,587	\$ 1,816,600	\$ 1,742,736	\$ 2,015,421	\$ 1,845,779
Contribution in relation to the actuarially determined contribution	<u>1,906,994</u>	<u>1,609,874</u>	<u>1,616,587</u>	<u>1,816,600</u>	<u>1,742,736</u>	<u>2,015,421</u>	<u>1,845,779</u>
Contribution deficiency	<u>\$ -</u>						

\*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

University of Guam  
(A Component Unit of the Government of Guam)

Note to Required Supplementary Information  
(Unaudited)

*Changes of Assumptions – Pension Plans*

Amounts reported in 2021 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,565,000 per year.

Amounts reported in 2020 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,439,000 per year.

Amounts reported in 2019 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,860,000 per year.

Amounts reported in 2018 actuarial valuation reflected an assumption related to administrative expenses to increase to \$7,082,000 per year.

Amounts reported in 2017 actuarial valuation reflect a change in assumption of payroll growth to 2.75% rather than 3%. The mortality, retirement age and disability assumption were changed to more closely reflect actual experience. Assumption related to administrative expense reflected an increase to \$6,344,000 per year and a revised allocation to the various pension plans to reflect actual experience.

Amounts reported in 2016 actuarial valuation reflect a change in assumption of administrative expenses to \$6,078,000 per year rather than \$5,806,000.

Amounts reported in 2015 actuarial valuation reflect a change in assumption of payroll growth to 3% rather than 3.5% which was used to determine amounts reported prior to 2015. Amounts reported in 2014 reflect an adjustment of the expectations of salary increases, disability and retirement age to more closely reflect actual experience. The amounts reported in the 2011 actuarial valuation reflect an expectation of retired life mortality based on the RP-2000 Mortality Table rather than the 1994 U.S. Uninsured Pensioners Table, which was used to determine amounts reported prior to 2011. Amounts reported in 2011 also reflect a change in assumption on valuation of assets to a 3-year phase in for gains/losses relative to interest rate assumption from market value, with fixed income investments at amortized costs which was used to determine amounts reported prior to 2011.

## Supplementary and Other Information

University of Guam  
(A Component Unit of the Government of Guam)

Schedule 9  
Salaries, Wages and Benefits

Year ended September 30, 2022

Salaries and wages:		
Funded by local funds	\$	23,796,568
Federal funds		10,617,205
General operations and federal funds		4,240,386
Other funding sources		<u>6,334,423</u>
Total salaries and wages		<u>44,988,582</u>
Benefits:		
Funded by local funds		9,791,800
Federal funds		1,766,904
General operations and federal funds		1,616,621
Other funding sources		<u>1,394,212</u>
Total benefits		<u>14,569,537</u>
Total salaries, wages and benefits	\$	<u><u>59,558,119</u></u>

University of Guam  
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Schedule 10  
Expenses by Object Category

Year ended September 30, 2022

	<u>Unrestricted</u>	<u>Restricted</u>
<b>Instruction:</b>		
Salaries	\$ 13,958,359	\$ 144,523
Benefits	3,942,523	34,597
Travel	68,634	67,182
Contractual	192,198	124,286
Supplies	63,964	60,578
Equipment	45,067	49,503
Capital Outlay	67,942	---
Utilities	16,240	---
Miscellaneous	<u>1,337,603</u>	<u>67,145</u>
	<u>\$ 19,692,530</u>	<u>\$ 547,814</u>
<b>Research:</b>		
Salaries	\$ 1,589,459	\$ 8,392,100
Benefits	558,005	1,045,394
Travel	12,417	1,069,271
Contractual	62,136	2,683,081
Supplies	70,181	1,265,159
Equipment	5,370	375,245
Capital Outlay	---	1,061,291
Utilities	---	77
Miscellaneous	<u>143,641</u>	<u>1,277,847</u>
	<u>\$ 2,441,209</u>	<u>\$ 17,169,465</u>
<b>Public Service:</b>		
Salaries	\$ 277,264	\$ 5,178,118
Benefits	119,822	1,388,085
Travel	16,635	365,045
Contractual	1,335,960	2,784,871
Supplies	132,816	454,684
Equipment	12,698	256,274
Capital Outlay	---	127,930
Utilities	---	34,719
Miscellaneous	<u>133,848</u>	<u>830,036</u>
	<u>\$ 2,029,043</u>	<u>\$ 11,419,762</u>
<b>Academic Support:</b>		
Salaries	\$ 5,985,913	\$ 182,793
Benefits	1,793,306	73,118
Travel	87,901	2,984
Contractual	1,215,727	40,484
Supplies	320,805	1,393
Equipment	195,668	---
Capital Outlay	295,218	---
Utilities	1,908	---
Miscellaneous	<u>319,536</u>	<u>---</u>
	<u>\$ 10,215,982</u>	<u>\$ 300,772</u>

University of Guam  
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Schedule 10  
Expenses by Object Category, continued

Year ended September 30, 2022

	<u>Unrestricted</u>	<u>Restricted</u>
<b>Student Services:</b>		
Salaries	\$ 2,001,003	\$ 679,201
Benefits	531,685	55,151
Travel	54,538	---
Contractual	73,634	---
Supplies	59,635	8,239
Equipment	120,525	---
Utilities	54,413	---
Miscellaneous	( 52,757 )	5,415,438
	<u>\$ 2,842,676</u>	<u>\$ 6,158,029</u>
<b>Institutional Support:</b>		
Salaries	\$ 3,612,430	\$ 912,958
Benefits	1,160,169	147,409
Travel	237,527	24,630
Contractual	2,162,811	542,838
Supplies	51,985	147,926
Equipment	29,705	669,904
Capital Outlay	40,878	404,338
Miscellaneous	450,225	2,236,037
	<u>\$ 7,745,730</u>	<u>\$ 5,086,040</u>
<b>Plant &amp; Operations:</b>		
Salaries	\$ 1,567,701	\$ ---
Benefits	450,165	---
Contractual	136,590	224,560
Supplies	278,078	---
Equipment	10,724	---
Utilities	4,660,678	---
Miscellaneous	990	( 224,843 )
	<u>\$ 7,104,926</u>	<u>\$ ( 283 )</u>
<b>Scholarships:</b>		
Salaries	\$ 185,636	\$ 5,357,106
	<u>\$ 185,636</u>	<u>\$ 5,357,106</u>
<b>Auxilliary:</b>		
Salaries	\$ 506,760	\$ ---
Benefits	180,619	---
Travel	2,368	---
Contractual	272,143	---
Supplies	22,334	---
Equipment	4,092	---
Capital Outlay	380	---
Utilities	212,069	---
Miscellaneous	274,738	---
	<u>\$ 1,475,503</u>	<u>\$ ---</u>
	<u>\$ 53,733,235</u>	<u>\$ 46,038,705</u>

University of Guam  
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Schedule 11  
Employee Information  
(Unaudited)

Year ended September 30, 2022

Funded by:

Local funds	410
Federal funds	431
General operations and federal funds	122
Other funding sources	348
	<hr/>
	1,311
	<hr/> <hr/>

University of Guam  
(A Component Unit of the Government of Guam)

Schedule 12  
Total Revenue Information

Year ended September 30, 2022

University-generated revenues:	
Tuition and fees (gross)	\$ 20,646,374
Scholarship and tuition discounts	(7,984,363)
Grants and contracts, net	64,832,197
Auxiliary enterprises and other revenues	<u>5,678,913</u>
Total University-generated revenues	83,173,121
Government of Guam appropriations (excluding retiree healthcare costs and other pension benefits appropriations)	<u>32,018,957</u>
Total revenues (excluding investment income, bad debts provision and retiree healthcare and other pension benefits appropriations)	\$ <u><u>115,192,078</u></u>
Supplemental information:	
Net investment income	\$ <u><u>(5,141,082)</u></u>
Provision for bad debts	\$ <u><u>(376,500)</u></u>
Retiree healthcare costs and other pension benefits appropriations	\$ <u><u>3,089,489</u></u>

University of Guam  
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Schedule 13  
Fund Restriction Matrix

Year ended September 30, 2022

		Unrestricted	Restricted, expendable	Restricted, nonexpendable
Land Grant	Granted in lieu of property. Treated as an endowment in accordance with industry standards. Corpus grows each year with inflation. May not be used for the purchase, erection, preservation, or repair and any building or buildings.	-	\$ 12,053,970	\$ 3,000,000
Siu Lin Tan	Irrecoverable endowment to the University for the purpose of educating students with interests in China or from SBPA.	-	-	721,452
Maman Ling's Education Fund	Endowment to educate descendants	-	-	540,404
Mac's Corporation	Amounts in excess of corpus to be utilized for School of Nursing	-	-	148,855
Chin Ho Foundation	School of Business Textbooks	-	-	20,795
Governor Bill Daniel	Never established	-	-	12,392
Delores P. De Leon Memorial Fund	For SNHS purposes	-	-	40,310
Harry Guthertz Memorial Scholarship	Scholarship in Public Service and Entrepreneurship	-	-	10,925
Planetarium Maintenance Fund	To be utilized for planetarium or science purposes	-	-	8,859
Tobacco Funds (BoG)	90% of earnings can be used to develop learning resources	-	582,263	1,617,079
Faculty and Staff Development Fund	Restricted for funding shortfalls for Student Center and Engineering Annex shortfalls	-	-	2,700,139
Campus Maintenance Fund	Restricted for funding of deferred maintenance projects on campus.	-	1,563,961	-
Dorm Renewal and Replacement Fund	Fund established to provide an additional source of funding for the dormitories. Board will increase corpus amount.	784,520	150,000	-
Self Insurance Fund	To help pay for damages and loss prevention in light of the significant deductibles in the University's insurance programs.	-	224,544	-
International Accounting Institute Fund	Restricted for the purposes of making bond payments on the SBPA Bldg and for maintenance and improvements of the SBPA Bldg.	-	4,279,068	-
Guam Cancer Trust Fund	May be used for specific cancer related purposes.	-	2,585,976	-
Tuition and other funds	Tuition funds received which need to be allocated over the semester plus other funds	2,942,787	6,992,822	-
Debt Service Fund	Use for facilitating the financing of design, construction or renovation of LG Building, UOG Student Center, Engineering Annex	-	1,600,000	-
General Fund	Used as a balancing fund	2,961,984	-	-
		<u>\$ 6,689,291</u>	<u>\$ 30,032,604</u>	<u>\$ 8,821,210</u>

University of Guam  
(A Component Unit of the Government of Guam)

Notes to Fund Restriction Matrix

Year ended September 30, 2022

The University's cash allotments from the Government have been reduced in recent years. In an effort to provide greater transparency, the University is providing a breakdown of some of its funding held in investment funds.

UOG's accreditation agency – the Western Association of Schools and Colleges (WASC) – has made financial reserves a key component of an accreditation review. They believe that a University that begins a semester must have some financial visibility of being able to complete the semester. The University collects tuition payments from students in return for a semester of education. It would not be in keeping with best practices for a University to have to close down in the middle of the semester due to funding shortfalls. WASC has made financial sustainability one of the key criteria they look at when determining the accreditation status of a University. WASC has encouraged the University to establish reserve funds to ensure that University operations can continue through a semester during times when the Government of Guam is undergoing a significant crisis such as an earthquake or tsunami that may cause a disruption in the timing of appropriation payments.

Below is an explanation of reserve funds held by the University:

- Tobacco Funds. A corpus investment amount was provided to the University. 90% of investment earnings are allowed to be expended. The remaining 10% is added to the corpus to ensure the corpus grows over time.
- Land Grant Funds. \$3 million was granted to the University in 1974. There are certain restrictions on the funds such as not using the funds to construct a building, etc. The Board of Regents has established an industry standard mechanism for allowing earnings to be utilized and allowing the corpus to grow over time. The University is allowed to expend funds in excess of the inflation adjusted value of the initial \$3 million grant using the U.S. Consumer Price Index.
- Guam Cancer Trust Fund. The amount is fully restricted by law.
- International Accounting Institute. The Board of Regents has reserved the fund as a source for debt service for the construction loan for the School of Business and Public Administration and for building maintenance. Funds are earned by the SBPA in extending certification examinations to international students.
- Endowment Funds. Funds established for the purpose of providing scholarships to students.
- Planetarium maintenance Fund. Funds restricted to uses benefitting sciences.
- Faculty and Staff Development Fund. Funds were set aside by the Board of Regents for the purpose of providing space for Faculty Development and Staff Development. Funds have been restricted by United States Department of Agriculture for the purpose of providing for cost overruns for the Student Success Center and Engineering Annex Construction.
- Dorm Replacement and Renewal Fund. Funding set aside by the Board of Regents for the purpose of providing a regular source of funding for dormitory maintenance.
- Self-Insurance Fund. Funds set aside for insurance deductibles and self-insurance programs.



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## **Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Management and the Board of Regents  
University of Guam

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of University of Guam (the University) and its discretely presented component unit, which comprise the statement of financial position as of September 30, 2022, and the related statements of revenues, expenses, and changes in net position, activities and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”), and have issued our report thereon dated August 21, 2023.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University’s internal control. Accordingly, we do not express an opinion on the effectiveness of the University’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ernst + Young LLP*

August 21, 2023