

UNIVERSITY OF GUAM
(A COMPONENT UNIT OF THE
GOVERNMENT OF GUAM)

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

UNIVERSITY OF GUAM
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Table of Contents
Years Ended September 30, 2021 and 2020

	<u>Page</u>
I. Independent Auditors' Report	1
II. Management's Discussion and Analysis	4
III. Basic Financial Statements:	
Statements of Net Position – University Only	14
University of Guam Endowment Foundation, Inc. Statements of Financial Position	15
Statements of Revenues, Expenses and Changes in Net Position – University Only	16
University of Guam Endowment Foundation, Inc. Statements of Activities	17
Statements of Cash Flows – University Only	19
Notes to Basic Financial Statements	21
IV. Required Supplementary Information:	
Schedule of Proportional Share of the Net Pension Liability	58
Schedule of Pension Contributions	61
Schedule of Changes in the Proportionate Share of the Total OPEB Liability and Related Ratios	62
Schedule of Proportionate Share of the Total OPEB Liability	63
Schedule of OPEB Contributions	64
V. Other Supplementary Information:	
Schedules of Salaries, Wages and Benefits	65
Schedules of Expenses by Object Category	66
Schedules of Employee Information	69
Schedules of Total Revenue Information	70
Schedules of Fund Restriction Matrix	71

INDEPENDENT AUDITORS' REPORT

The Board of Regents
University of Guam:

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Guam (the University) and its discretely presented component unit, collectively a component unit of the Government of Guam, as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as set forth in Section III of the forgoing table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The financial statements of the discretely presented component unit were not audited in accordance with Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its discretely presented component unit as of September 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Emphasis-of-Matter

COVID-19

As discussed in Note 14 to the financial statements, UOG determined that the COVID-19 pandemic may negatively impact its business, results of operations and net position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13 as well as the Schedules of Proportional Share of the Net Pension Liability on pages 58 through 60, the Schedule of Pension Contributions on page 61, the Schedule of Changes in the Proportionate Share of the Total OPEB Liability and Related Ratios on page 62, the Schedule of Proportionate Share of the Total OPEB Liability on page 63, and the Schedule of OPEB Contributions on page 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Other Financial Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The schedules of salaries, wages and benefits and the schedules of expenses by object category on pages 65 through 68, the schedules of total revenue information on page 70 and the schedules and notes to schedules of fund restriction matrix on pages 71 and 72 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of salaries, wages and benefits, the schedules of expenses by object category, the schedules of total revenue information, and the schedules of fund restriction matrix are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the comparative schedules of salaries, wages and benefits, of expenses by object category, and of total revenue information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of employee information on page 69 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 4, 2022, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

April 4, 2022

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis
Years Ended September 30, 2021 and 2020

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, 2021. 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). Our 3,105 students (Fanuchanan '21 (Fall)) are multicultural, multilingual and 47.2% Asian, 45.3% Pacific Islander, 7.5% other. We offer 15 master's and 25 bachelor's degree programs. Continuing education, professional development and English language training are available. Our 920 employees include 186 full-time faculty, 38 administrators and 317 full time staff and 379 part-time staff and faculty adjuncts.

The Leadership. A nine-member Board of Regents governs the University. Liza J. Provideo is the Board Chairperson; Sandra H. McKeever is Vice Chairperson; Mike W. Naholowaa is Treasurer, Thomas W. Krise, Ph.D., is the University's 11th President; Anita Borja Enriquez, DBA, is 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.

THE FINANCIAL STATEMENTS

The report includes three financial statements: i) the Statement of Net 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.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis
Years Ended September 30, 2021 and 2020

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 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.

FY2021 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 ended September 30, 2021.

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

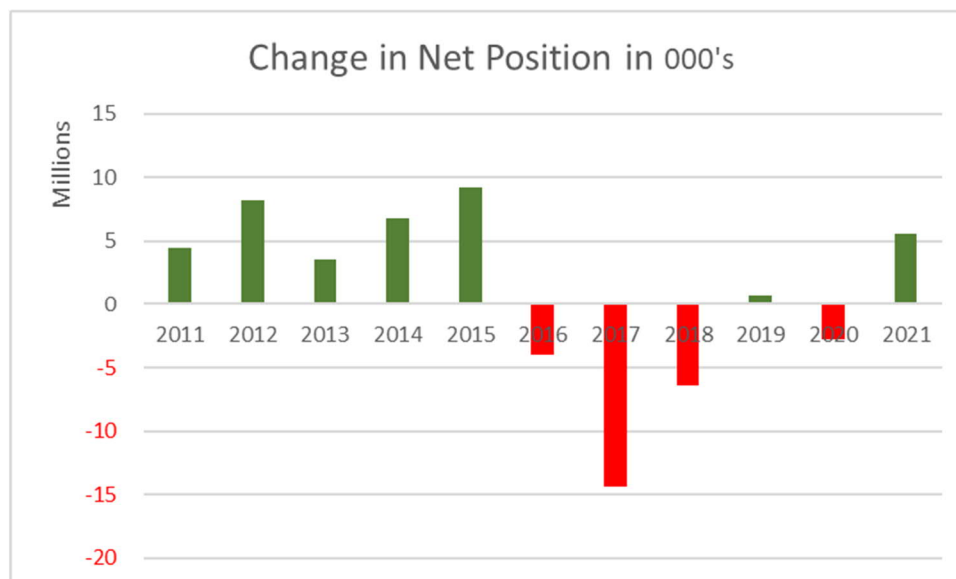
- The appropriation for FY21 was \$26.1 million – about \$1.6 million less than FY20. The appropriation was further reduced to \$25.1 million in FY22. Furthermore, unlike previous years, provisions in the FY22 budget law required the University to allocate \$2.4 million out of its appropriations to various programs, leaving the University with \$22 million in general operations. Coping with the reduction in appropriations has been the major challenge for the University.
- Enrollment for the Fanuchanan semester (Fall) 2021 was 3,105. The credit hour production for the semester was 36,349. This was the sixth 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. Despite the challenges in enrollment, degrees conferred by the University continue to increase.
- The impact of the COVID-19 added to the stress in the enrollment figures of the University. The coronavirus (COVID-19) pandemic has taken a toll on the University's funding. The University's challenges are similar to those faced by other colleges and universities, including a decline in enrollment, cancellation of on campus activities, and reductions in room and board.

Despite the many challenges, the University's change in net position increased from a loss of \$2.8 million in FY20 to a gain of \$5.6 million in FY21. Factors contributing to the gain are as follows:

- The University was able to recover expenses related to the disruption of campus operations due to COVID-19 through the Higher Education Emergency Relief Fund (HEERF).
- In addition to the HEERF in FY21, the University has been experiencing an increased in grant activity from the National Science Foundation's Experimental Program to Stimulate Competitive Research (EPSCoR) and National Cancer Institute-funded Pacific Island Partnership for Cancer Health Equity (U54-PIPCHE).
- The University has been under strict spending control.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis
Years Ended September 30, 2021 and 2020



Important financial data include:

- The presentation of expenses changed as a result of the implementation of new accounting pronouncements relating to employee pension and post-employment benefits.
- The University's costs have been increasing while the revenues the University receives have been decreasing.
- The rollout of the New School of Engineering continues.
- The architectural and engineering planning of the new Water and Environmental Research Institute (WERI) building, and the new School of Health Nursing annex started. This will be the first new major asset in more than a decade.
- The University continuously adapts to the impact of the COVID-19 and Government of Guam vaccination efforts. As Guam's road to recovery continues, the University started offering in-person, online, and hybrid (including hybrid flexible or hyflex) classes for the Finakpo (Summer) and Fanuchanan (Fall) 2021 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:

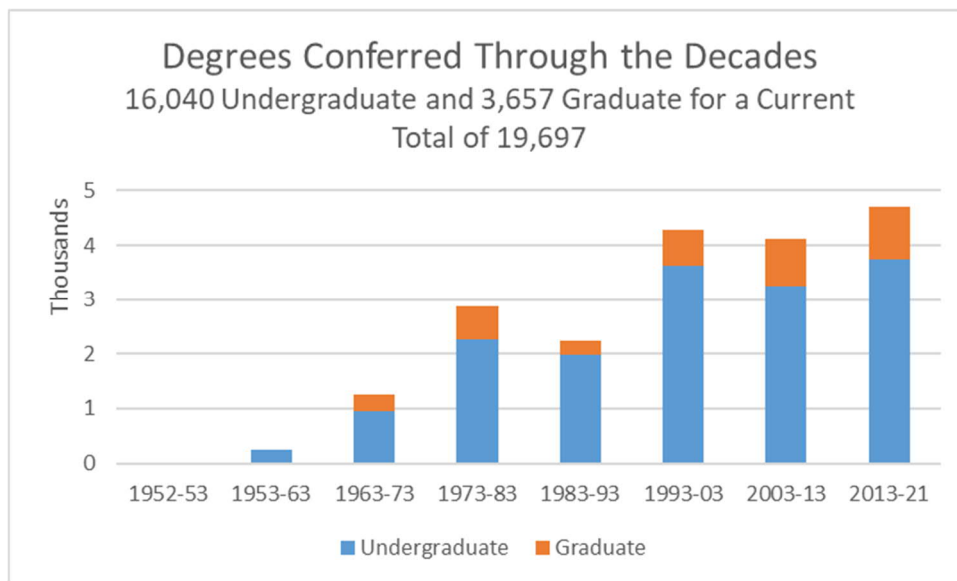
- The University completed an economic study that indicated that the University contributes nearly \$40 million in free tax receipts to the government revenues. This is nearly \$15 million more than the University receives in general operations appropriations.
- 635 undergraduate and graduate degrees were conferred in Academic Year '20-21. This is a record high for the University. Total degrees conferred by the University now stand at 19,697. 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).

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis
Years Ended September 30, 2021 and 2020

- 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 include 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 was allocated \$4.5 million of the CARES Act Higher Education Emergency Relief Fund (HEERF) in FY20. Fifty percent of the amount is to be awarded directly to students to provide emergency financial aid grants for expenses related to the disruptions of campus operations due to COVID-19 and the other half is for institutional use. In December 2020, the University was allocated an additional HEERF under the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA Act). This relief includes another \$2.28 million for student financial assistance and \$4.67 million for institutional needs. In March 2021, a third round of HEERF funding was authorized through the American Rescue Plan (ARP). This relief includes another \$6 million for the University's student financial assistance. At the same time, the University was allocated \$6 million of the HEERF Minority Serving Institution under the CARES Act. The University has been achieving the goals set forth in the terms of the grant. The grants are set to expire in FY22.

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 net 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.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis
Years Ended September 30, 2021 and 2020

SUMMARY STATEMENTS OF NET POSITION (IN \$000's)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Noncapital assets	\$ 75,987	\$ 70,547	\$ 65,910
Capital assets	68,241	65,028	66,387
Deferred outflows of resources	<u>50,500</u>	<u>46,926</u>	<u>19,883</u>
Total assets and deferred outflows of resources	\$ <u>194,728</u>	\$ <u>182,501</u>	\$ <u>152,180</u>
Current liabilities	\$ 16,633	\$ 16,408	\$ 15,521
Noncurrent liabilities	229,011	235,503	193,406
Deferred inflows of resources	<u>46,596</u>	<u>33,707</u>	<u>43,568</u>
Total liabilities and deferred inflows of resources	<u>292,240</u>	<u>285,618</u>	<u>252,495</u>
Net investment in capital assets	57,981	54,487	55,583
Restricted, nonexpendable	9,777	9,143	9,348
Restricted, expendable	25,334	23,639	23,095
Unrestricted	<u>(190,604)</u>	<u>(190,386)</u>	<u>(188,341)</u>
Total net position	<u>(97,512)</u>	<u>(103,117)</u>	<u>(100,315)</u>
Total liabilities, deferred inflow of resources and net position	\$ <u>194,728</u>	\$ <u>182,501</u>	\$ <u>152,180</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 President chose to defer the planned tuition increases for 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, and GASB No. 75. Because the University has been under spending constraints for the last two years, there have not been any significant assets added. The change in capital assets is mostly explained by the depreciation of University assets and asset purchases through HEERF. In FY19, the University received a grant for the construction of the Guam Cultural Repository (GCR) to be constructed on campus. This is expected to be completed by Spring 2022. This would have been the first new major fixed asset of the University in more than a decade. However, in FY21, the Governor has decided to designate the operations of the GCR to the Department of Chamorro Affairs. The University is working with the government to determine the exact nature of the new arrangement and is expecting to enter into a Memorandum of Understanding with the government detailing the responsibilities of the parties after building construction is completed.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis
Years Ended September 30, 2021 and 2020

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

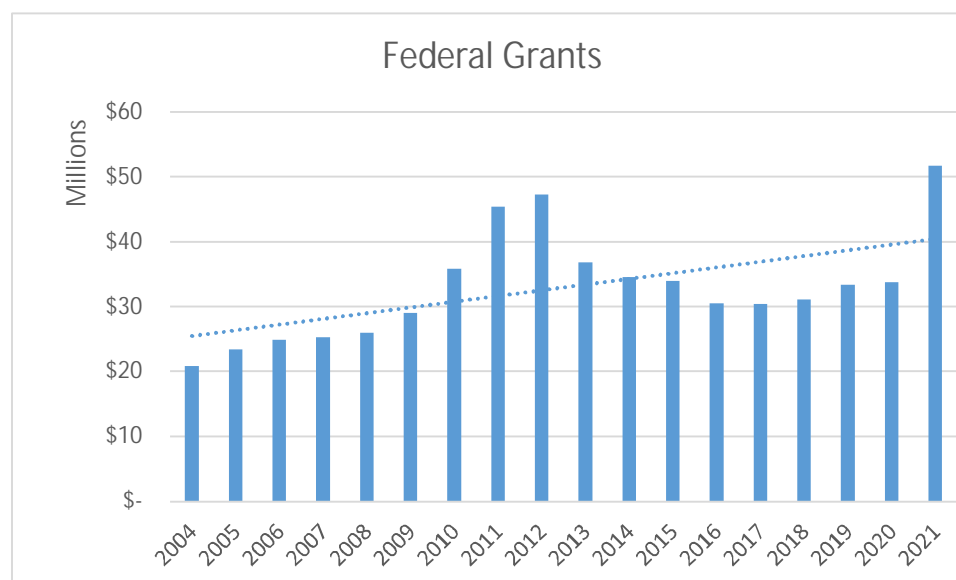
The statement of revenues, expenses and changes in net position provides details of operating and non-operating revenues and expenditures, similar to an income statement.

SUMMARY STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (IN \$000's)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating Revenues, Net	\$ 75,433	\$ 59,244	\$ 57,629
Operating Expenses	<u>(108,598)</u>	<u>(99,732)</u>	<u>(91,109)</u>
Operating Revenues Net of Operating Expenses	(33,165)	(40,488)	(33,480)
Non-Operating and Other Revenues and Expenses	<u>38,770</u>	<u>37,686</u>	<u>34,225</u>
Increase (Decrease) in Net Position	5,605	(2,802)	745
Net Position – Beginning of Year	<u>(103,117)</u>	<u>(100,315)</u>	<u>(101,060)</u>
Net Position – End of Year	\$ <u>(97,512)</u>	\$ <u>(103,117)</u>	\$ <u>(100,315)</u>

Increased grant activity in FY2021, mainly pertaining to HEERF and the National Science Foundation's EPSCoR grant, contributed to the increase in the University's operating revenues. The changes in expenses mostly result from the application of the new GASB pronouncements. Expenses had increased prior to that application. The fluctuations in non-operating revenues were mostly tracking changes in investment performance and the declining appropriation.

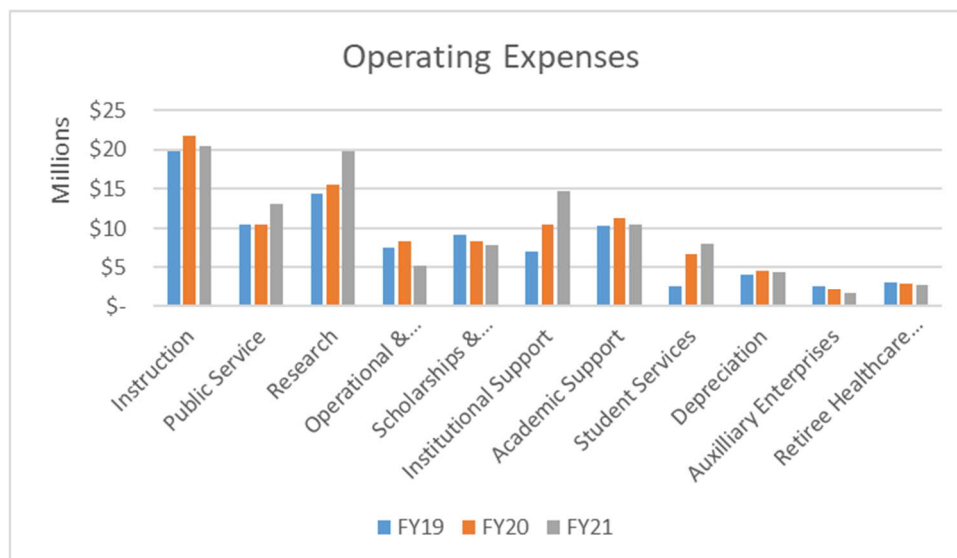
The following graph reflects grant activity for the last decade:



UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis
Years Ended September 30, 2021 and 2020

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 the HEERF I, II, and III.



Changes to operating expenses fluctuated largely as a result of the implementation of GASB No. 75 and 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 \$52.1 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>2021</u>	<u>2020</u>	<u>2019</u>
Net Cash provided by (used for):			
Operating activities	\$ (22,587)	\$ (29,177)	\$ (29,734)
Non-capital financing activities	31,470	33,528	32,259
Capital and related financing activities	(7,399)	(2,322)	(4,969)
Investing activities	<u>2,834</u>	<u>4,513</u>	<u>4,384</u>
Net Change in Cash and Cash Equivalents	4,318	6,542	1,940
Cash and Equivalents – Beginning of Year	<u>18,979</u>	<u>12,437</u>	<u>10,497</u>
Cash and Equivalents – End of Year	<u>\$ 23,297</u>	<u>\$ 18,979</u>	<u>\$ 12,437</u>

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis
Years Ended September 30, 2021 and 2020

The timing and consistency of allotment payments improved in FY19 and has been consistent through FY21. Fluctuation in non-capital financing activities is mainly due to the decrease in appropriations throughout the years. Capital and financing activities are mainly comprised of additions to capital assets and interest paid on capital debt. Operating activities accounted for most of the significant changes in cash at fiscal year-end. Most of this can be attributed to the increase in HEERF grant funding.

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 academic 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.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets: At the end of FY21, the University had \$128.3 million invested in depreciable capital assets. This represents an increase in net capital assets (including additions and deletions) of \$2.3 million or 1.8% over the previous year. In FY21, the University completed the construction of a new science laboratory on the second floor of the science building. Various equipment to support campus safety and operations during the pandemic also contributed to the increase of depreciable assets in FY21. The University had accrued \$72.9 million in accumulated depreciation against the assets. Net capital assets were \$55.4 million, a decrease from the prior year's \$57.5 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 will revise the lease/lease back arrangement with the Foundation to incorporate the terms of the new USDA note. As of September 30, 2021 and 2020, the University had long-term debt of \$10.2 million and \$10.5 million, respectively. The University made the final payments on its bond obligations in November 2018. See Note 7 of the financial statements for additional information.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis
Years Ended September 30, 2021 and 2020

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.

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 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 establishing an Education Specialist (EdS) in Instructional and Academic Leadership. The EdS program is expected to launch in 2022. 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). Potential online Master of Public Administration in the CNMI through the Bachelor of Science in Criminal Justice and Master's in Accountancy is in motion.
- 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 GCR is a joint program of the University and the Department of Chamorro Affairs-Guam Museum (Office of the Governor).
- 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.
- The University is exploring a \$5.5 million loan to fund the 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 loan is expected to be completed by June 2022.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis
Years Ended September 30, 2021 and 2020

- 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.

Management's Discussion and Analysis for the years ended September 30, 2020 and 2019, is set forth in the University's report on the audit of the financial statements, which is dated March 26, 2021. The Discussion and Analysis explains the major factors impacting the 2020 and 2019 financial statements and can be viewed at the Office of Public Accountability website at www.opaguam.org,

For further news and up-to-date information concerning the University of Guam, please visit the website at www.uog.edu for our annual report, financial statements, WSCUC reports and other publications.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Statements of Net Position - University Only
September 30, 2021 and 2020

	2021	2020
<u>Assets and Deferred Outflows of Resources</u>		
Current assets:		
Cash and cash equivalents	\$ 19,812,539	\$ 17,023,740
Short-term investments	2,937,885	2,916,025
Tuition receivable, net of an allowance for doubtful accounts of \$4,553,164 in 2021 and \$4,943,084 in 2020	5,825,036	8,338,479
Due from the US Federal government, net of an allowance for doubtful accounts of \$751,807 in 2021 and \$0 in 2020	6,752,000	4,590,671
Other receivables, net of an allowance for doubtful accounts of \$2,029,501 in 2021 and \$1,308,463 in 2020	410,485	749,652
Inventories	666,236	886,274
Other current assets	500,535	749,918
Total current assets	36,904,716	35,254,759
Noncurrent assets:		
Restricted cash and cash equivalents	3,484,891	1,954,983
Restricted investments	4,348,387	4,904,315
Investments	13,171,551	12,973,662
Endowment investments	18,077,745	15,458,866
Capital assets:		
Depreciable capital assets, net of accumulated depreciation	55,374,059	57,518,406
Nondepreciable capital assets	12,867,195	7,509,335
Total noncurrent assets	107,323,828	100,319,567
Deferred outflows of resources:		
Deferred outflows from OPEB	31,798,297	29,246,518
Deferred outflows from pension	18,701,280	17,679,798
Total deferred outflows of resources	50,499,577	46,926,316
	\$ 194,728,121	\$ 182,500,642
<u>Liabilities, Deferred Inflows of Resources and Net Position</u>		
Current liabilities:		
Current portion of long-term debt	\$ 301,721	\$ 288,646
Accounts payable and accrued liabilities	6,273,425	5,333,760
Unearned revenues	7,872,581	8,533,936
Loan payable to University of Guam Endowment Foundation, Inc.	1,400,000	1,400,000
Current portion of accrued annual leave	785,677	851,498
Total current liabilities	16,633,404	16,407,840
Noncurrent liabilities:		
Long-term debt, net of current portion	9,958,853	10,252,441
Deposits held on behalf of others	263,602	266,744
Accrued annual leave, net of current portion	1,608,391	1,349,525
DCRS sick leave liability	2,211,627	1,983,422
Net OPEB liability	118,284,474	125,958,216
Net pension liability	96,684,167	95,692,772
Total noncurrent liabilities	229,011,114	235,503,120
Deferred inflows of resources:		
Deferred inflows from OPEB	44,589,031	32,074,384
Deferred inflows from pension	2,007,162	1,632,570
Total deferred inflows of resources	46,596,193	33,706,954
Total liabilities and deferred inflows of resources	292,240,711	285,617,914
Commitments and contingencies		
Net position:		
Net investment in capital assets	57,980,680	54,486,654
Restricted, nonexpendable	9,777,293	9,143,228
Restricted, expendable	25,333,573	23,638,686
Unrestricted	(190,604,136)	(190,385,840)
Total net position	(97,512,590)	(103,117,272)
	\$ 194,728,121	\$ 182,500,642

See accompanying notes to financial statements.

UNIVERSITY OF GUAM ENDOWMENT FOUNDATION, INC.

Statements of Financial Position
December 31, 2020 and 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 300,745	\$ 380,535
Pledges and other receivables, net of an allowance for doubtful accounts of \$183,221 and \$122,775 at December 31, 2020 and 2019, respectively	2,274,798	1,844,346
Loan and interest receivable from University of Guam	1,439,488	1,157,057
Investment in Bank of Guam stock	1,518,007	1,729,556
Investments in securities at fair value	15,734,537	14,131,895
Land held for sale	2,417,498	2,669,743
Equipment, net	71,395	94,107
	<u>\$ 23,756,468</u>	<u>\$ 22,007,239</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Liabilities:		
Accounts payable and accrued expenses	\$ 60,983	\$ 103,667
Margin loan payable	1,299,349	1,126,772
Total liabilities	<u>1,360,332</u>	<u>1,230,439</u>
Commitment		
Net assets:		
Without donor restrictions	6,364,130	6,204,830
With donor restrictions	16,032,006	14,571,970
Total net assets	<u>22,396,136</u>	<u>20,776,800</u>
	<u>\$ 23,756,468</u>	<u>\$ 22,007,239</u>

See accompanying notes to financial statements.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Statements of Revenues, Expenses and Changes in Net Position - University Only
Years Ended September 30, 2021 and 2020

	2021	2020
Operating revenues:		
Student tuition and fees	\$ 22,985,764	\$ 24,047,998
Less scholarship discounts and allowances	<u>(10,555,966)</u>	<u>(10,397,405)</u>
	12,429,798	13,650,593
Federal grants and contracts	51,698,988	33,746,804
Government of Guam grants and contracts	2,582,126	2,543,997
Private grants and contracts	1,055,565	1,388,173
Sales and services of education department	845,849	356,136
Auxiliary enterprises	1,123,622	1,534,120
Other revenues	<u>7,088,346</u>	<u>6,130,499</u>
Total operating revenues	<u>76,824,294</u>	<u>59,350,322</u>
Bad debts provision	<u>(1,391,497)</u>	<u>(106,516)</u>
Net operating revenues	<u>75,432,797</u>	<u>59,243,806</u>
Operating expenses:		
Instruction	20,390,869	21,331,664
Research	19,895,182	15,074,527
Institutional support	14,685,799	10,068,102
Public service	13,162,747	10,089,463
Academic support	10,467,491	10,927,233
Student services	7,975,047	6,297,566
Scholarships and fellowships	7,799,209	8,287,113
Operational and maintenance, plant	5,323,882	8,274,319
Depreciation	4,472,624	4,626,899
Retiree healthcare costs and other pension benefits	2,792,369	2,970,245
Auxiliary enterprises	<u>1,633,267</u>	<u>1,785,124</u>
Total operating expenses	<u>108,598,486</u>	<u>99,732,255</u>
Operating loss	<u>(33,165,689)</u>	<u>(40,488,449)</u>
Nonoperating revenues (expenses):		
Government of Guam appropriations:		
Operations	26,962,636	28,088,832
Student financial aid program	3,065,285	3,065,285
Guam Cancer Trust Fund	1,000,000	1,000,000
Capital expenditure loan repayment	442,444	500,000
Retiree healthcare costs and other pension benefits	2,792,369	2,970,245
Lease repayment	-	874,056
Net investment income	5,122,714	1,710,296
Loss on fixed assets disposal	(140,530)	(13,119)
Interest on capital assets - debt related	(469,547)	(504,518)
Transfer to Agency Fund	<u>(5,000)</u>	<u>(5,000)</u>
Total nonoperating revenues, net	<u>38,770,371</u>	<u>37,686,077</u>
Change in net position	5,604,682	(2,802,372)
Net position at beginning of year	<u>(103,117,272)</u>	<u>(100,314,900)</u>
Net position at end of year	<u>\$ (97,512,590)</u>	<u>\$ (103,117,272)</u>

See accompanying notes to financial statements.

UNIVERSITY OF GUAM ENDOWMENT FOUNDATION, INC.

Statement of Activities
Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains and other income:			
Net investment income	\$ 103,951	\$ 1,304,469	\$ 1,408,420
Contributions	208,660	497,804	706,464
In-kind donations	221,468	-	221,468
Fundraising activities	51,585	219,614	271,199
Interest income	37,610	321,761	359,371
Others	257	-	257
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>883,612</u>	<u>(883,612)</u>	<u>-</u>
Total revenues	<u>1,507,143</u>	<u>1,460,036</u>	<u>2,967,179</u>
Expenses and losses:			
Program services:			
Donations for debt service	100,000	-	100,000
In-kind contributions to UOG	173,515	-	173,515
Scholarships	<u>86,675</u>	<u>-</u>	<u>86,675</u>
Total program services	<u>360,190</u>	<u>-</u>	<u>360,190</u>
Support services:			
Management and general	612,020	-	612,020
In-kind expenses	221,468	-	221,468
Fundraising activities	18,595	-	18,595
Impairment of properties held for sale	<u>135,570</u>	<u>-</u>	<u>135,570</u>
Total support services	<u>987,653</u>	<u>-</u>	<u>987,653</u>
Total expenses	<u>1,347,843</u>	<u>-</u>	<u>1,347,843</u>
Change in net assets	159,300	1,460,036	1,619,336
Net assets at beginning of year	<u>6,204,830</u>	<u>14,571,970</u>	<u>20,776,800</u>
Net assets at end of year	<u>\$ 6,364,130</u>	<u>\$ 16,032,006</u>	<u>\$ 22,396,136</u>

See accompanying notes to financial statements.

UNIVERSITY OF GUAM ENDOWMENT FOUNDATION, INC.

Statement of Activities
Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains and other income:			
Net investment income	\$ 1,326,536	\$ 1,097,433	\$ 2,423,969
Contributions	2,259	636,562	638,821
In-kind donations	111,570	-	111,570
Fundraising activities	(107,520)	684,284	576,764
Others	(16,290)	-	(16,290)
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>931,560</u>	<u>(931,560)</u>	<u>-</u>
 Total revenues	 <u>2,248,115</u>	 <u>1,486,719</u>	 <u>3,734,834</u>
Expenses and losses:			
Program services:			
Scholarships	<u>44,573</u>	<u>-</u>	<u>44,573</u>
 Total program services	 <u>44,573</u>	 <u>-</u>	 <u>44,573</u>
Support services:			
Management and general	453,802	-	453,802
Fundraising activities	68,660	-	68,660
In-kind expenses	<u>111,570</u>	<u>-</u>	<u>111,570</u>
 Total support services	 <u>634,032</u>	 <u>-</u>	 <u>634,032</u>
 Total expenses	 <u>678,605</u>	 <u>-</u>	 <u>678,605</u>
 Change in net assets	 1,569,510	 1,486,719	 3,056,229
 Net assets at beginning of year	 <u>4,635,320</u>	 <u>13,085,251</u>	 <u>17,720,571</u>
 Net assets at end of year	 <u>\$ 6,204,830</u>	 <u>\$ 14,571,970</u>	 <u>\$ 20,776,800</u>

See accompanying notes to financial statements.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Statements of Cash Flows - University Only
Years Ended September 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Student tuition and fees, net	\$ 12,890,388	\$ 12,663,707
Grants, contracts and appropriations	53,175,350	37,961,460
Sales and services of education department	845,849	356,136
Auxiliary services	1,123,622	1,534,120
Other receipts	7,673,753	8,881,976
Payments to employees	(55,720,972)	(53,641,700)
Payments to suppliers	(34,776,171)	(28,645,145)
Payments to students for financial aid	(7,799,209)	(8,287,113)
Net cash used for operating activities	(22,587,390)	(29,176,559)
Cash flows from non-capital related financing activities:		
Government of Guam appropriations collected	31,470,365	33,528,173
Cash flows from capital and related financing activities:		
Net proceeds from advances from Endowment Foundation	-	1,725,000
Interest paid on capital debt	(469,547)	(504,518)
Principal paid on capital debt	(280,513)	(262,304)
Purchases of capital assets	(6,649,222)	(3,281,000)
Net cash used for capital and related financing activities	(7,399,282)	(2,322,822)
Cash flows from investing activities:		
Investment income	3,044,807	1,014,606
Net (purchase) sale of investments	(209,793)	3,498,104
Net cash (used for) provided by investing activities	2,835,014	4,512,710
Net change in cash and cash equivalents	4,318,707	6,541,502
Cash and cash equivalents, beginning of year	18,978,723	12,437,221
Cash and cash equivalents, end of year	\$ 23,297,430	\$ 18,978,723
Reconciliation of cash and cash equivalents to the statements of net position:		
Current assets:		
Cash and cash equivalents	\$ 19,812,539	\$ 17,023,740
Noncurrent assets:		
Restricted cash and cash equivalents	3,484,891	1,954,983
	\$ 23,297,430	\$ 18,978,723

Supplemental information on noncash activities:

During the years ended September 30, 2021 and 2020, the University recorded appropriations of \$2,792,369 and \$2,970,245, respectively, for retiree healthcare costs and other pension benefits paid by the Government of Guam on behalf of the University.

See accompanying notes to financial statements.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Statements of Cash Flows - University Only, Continued
Years Ended September 30, 2021 and 2020

	2021	2020
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (33,165,689)	\$ (40,488,449)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	4,472,624	4,626,899
Bad debts expense	1,391,497	106,516
Retiree healthcare costs	2,792,369	2,970,245
Noncash pension cost	2,633,631	4,629,990
Changes in assets and liabilities:		
Receivables, net	(700,216)	(1,213,588)
Inventories	220,038	(79,495)
Other current assets	249,383	(41,093)
Accounts payable, accrued liabilities and deposits held for others	(240,922)	(449,653)
Accrued annual leave	193,045	332,027
DCRS sick leave liability	228,205	471,363
Unearned revenues	(661,355)	(41,321)
Net cash used for operating activities	\$ (22,587,390)	\$ (29,176,559)

See accompanying notes to financial statements.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

1. Organization and Basis of Presentation

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.

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 in the University's financial statements. In addition, the Foundation's significant notes are summarized in Note 2.Z below.

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.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

1. Organization and Basis of Presentation, Continued

Reporting Entity, Continued

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.

2. Summary of Significant Accounting Policies

- A. 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.
- B. Restricted Cash and Cash Equivalents. 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.
- C. 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.
- D. Short-term Investments. Short-term investments include time certificates of deposit with original maturities of more than three months, but less than one year.
- E. Investments. Investments are reported at fair value using quoted market prices. Realized and unrealize 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.
- F. 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.
- G. 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, 2021 and 2020, the University has no uncollected balances from Government of Guam.
- H. 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.
- I. Other Receivables. Other receivables consist primarily of auxiliary enterprise services provided to students, faculty, staff, other departments within the University, 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.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

2. Summary of Significant Accounting Policies, Continued

- J. Inventory. Inventory is stated at the lower of cost, determined using the first-in, first-out method, or market.
- K. 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.
- L. 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.
- M. Deferred Outflows of Resources. In addition to assets, the statements of net position will sometimes report 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 (deduction of net position) until then. The University has determined the differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension and other post employment benefits liability and pension contributions made subsequent to the measurement date qualify for reporting in this category.
- N. Deferred Inflows of Resources. In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. The University has determined the differences between projected and actual earnings on pension plan investments and changes in proportion and differences between the University pension and other postemployment benefit contributions and proportionate share of contributions qualify for reporting in this category.
- O. 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.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

2. Summary of Significant Accounting Policies, Continued

- P. 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 net 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 net 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 net 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.

- Q. 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 2021 and 2020 was \$284,797 and \$207,725, respectively.
- R. 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.
- S. 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.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

2. Summary of Significant Accounting Policies, Continued

S. Net Position, Continued

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.

Restricted - expendable net position as of September 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Endowment Fund	\$ 15,077,745	\$ 12,458,866
Building and Maintenance Fund	6,306,746	6,033,081
Guam Cancer Trust Fund	1,852,044	3,102,250
Debt Service Fund	1,260,119	1,259,739
Tobacco Fund	567,273	554,167
Insurance Fund	<u>269,646</u>	<u>230,583</u>
	<u>\$ 25,333,573</u>	<u>\$ 23,638,686</u>

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.

Restricted - nonexpendable net position as of September 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Endowment Fund	\$ 4,530,516	\$ 4,314,987
Building and Maintenance Fund	3,243,126	2,773,663
Tobacco Fund	1,725,664	1,725,664
School of Nursing Fund	227,161	194,252
School of Business Fund	24,972	21,355
Scholarship Fund	13,119	11,219
Science Fund	<u>12,735</u>	<u>102,088</u>
	<u>\$ 9,777,293</u>	<u>\$ 9,143,228</u>

Unrestricted Net Position - Unrestricted net position represents resources derived from student tuition and fees, state appropriations, sales and services of educational departments and auxiliary enterprises, and indirect revenue on federal grants. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

T. 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.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

2. Summary of Significant Accounting Policies, Continued

T. Classification of Revenues, Continued:

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.

U. 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.

V. 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.

W. 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.

X. Risk Management. The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The University has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

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

Z. UOG Endowment Foundation Pledges Receivable, Investments, Margin Loan, Land Held for Sale, and Loan Receivable from UOG

UOG Endowment Foundation Pledges Receivable:

Pledges receivable consist of donations pledged to the Foundation, but not yet received as of December 31, 2020 and 2019. These pledges are payable in installments over periods ranging from one to seven years. Amortization of discount will be 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 allowed for all uncollectible receivables.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

2. Summary of Significant Accounting Policies, Continued

Z. UOG Endowment Foundation Pledges Receivable, Investments, Land Held for Sale, and Loan Receivable from UOG, Continued

Included in pledges and other receivables are the following unconditional promises to give:

	<u>2020</u>	<u>2019</u>
SBPA (School of Business and Public Administration) Building and Other	\$ 9,763	\$ 96,526
60 th Anniversary Capital Campaign	<u>1,847,268</u>	<u>1,742,495</u>
Total pledges receivable	1,857,031	1,839,021
Other	<u>600,988</u>	<u>128,100</u>
	2,458,019	1,967,121
Less: allowance for doubtful accounts	<u>(183,221)</u>	<u>(122,775)</u>
	<u>\$ 2,274,798</u>	<u>\$ 1,844,346</u>

Pledges receivable at December 31, 2020 are scheduled to be paid as follows:

Less than one year	\$ 205,000
One to five years	705,407
More than five years	<u>1,900,000</u>
	2,810,407
Less unamortized discount	<u>(953,376)</u>
	<u>\$ 1,857,031</u>

UOG Endowment Foundation 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.

Investments are carried at fair market values based on quoted market prices. Gains and losses on investments are reported in the statements 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, 2020 and 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Cash	\$ 217,351	\$ 409,760
Equities	1,402,019	1,073,124
Fixed income	202,035	313,415
Exchange traded funds	11,639,845	10,510,288
Mutual funds	<u>2,273,287</u>	<u>1,825,308</u>
	<u>\$ 15,734,537</u>	<u>\$ 14,131,895</u>

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

2. Summary of Significant Accounting Policies, Continued

Z. UOG Endowment Foundation Pledges Receivable, Investments, Land Held for Sale, and Loan Receivable from UOG, Continued

UOG Endowment Foundation Investments, Continued:

The Foundation's investment in securities balance at December 31, 2020 and 2019 include cash deposited within the cash sweep program of \$212,788 and \$409,760, respectively, and fully insured by Securities Investor Protection Corporation.

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, 2020, was as follows:

<u>Moody's Rating</u>	
AAA	\$ 83,258
AA	40,387
A	38,630
BAA	<u>39,760</u>
Total	\$ <u>202,035</u>

The Foundation's exposure to credit risk at December 31, 2019, was as follows:

<u>Moody's Rating</u>	
AAA/AA+	\$ 104,294
A2/A-	26,956
A3/A-	7,884
A3/BBB+	9,581
BAA2/BBB	9,574
Not rated	<u>155,126</u>
Total	\$ <u>313,415</u>

The composition of net gains (losses) on investments in securities as of December 31, 2020 and 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Net unrealized gains	\$ 1,017,239	\$ 1,988,555
Net realized gains	44,429	29,092
Interest income	429,854	439,985
Dividends	82,561	81,936
Fees and other expenses, net	<u>(165,663)</u>	<u>(115,599)</u>
	\$ <u>1,408,420</u>	\$ <u>2,423,969</u>

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

2. Summary of Significant Accounting Policies, Continued

Z. UOG Endowment Foundation Pledges Receivable, Investments, Land Held for Sale, and Loan Receivable from UOG, Continued

Investments at December 31, 2020 and 2019, 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, 2020 and 2019. Dividends received from these shares are planned to be used for scholarship purposes and/or purchase of additional Bank of Guam stock as it is available for sale. The BOG shares contain no restrictions and are classified as net assets without donor restrictions.

Margin Loan:

At December 31, 2020 and 2019, investment in exchange traded fund is gross of margin loan amounted to \$1,299,349 and \$1,126,772, respectively, which the Foundation entered into with a brokerage firm in March 2019. The loan bears interest of the Fidelity Advisor Base Lending Rate + 0.25% (4.25% at December 31, 2020). This loan is collateralized by the Foundation's General Endowment Account. 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, 2020 and 2019, margin loan is presented in the current liabilities of the Foundation's statement of financial position.

UOG Endowment Foundation 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. In 2019, the Foundation sold parcels of its donated land for net proceeds of \$16,199, resulting in a loss from sale of \$18,801. Land held for sale is carried at estimated net realizable value of \$2,417,498 and \$2,669,743 at December 31, 2020 and 2019, respectively.

UOG Endowment Foundation Loan Receivable from UOG:

In May 2019, the UOG 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 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. As of December 31, 2020 and 2019, the outstanding receivable and interest balances are \$1,439,488 and \$1,157,057, respectively. Given the difficulty in predicting when drawdowns or funding will occur, presentation of future principal and interest amortization is not possible at this time.

AA. Reclassifications

Certain balances in the 2020 financial statements have been reclassified to conform to the 2021 presentation. These reclassifications had no impact on net position as previously reported.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

2. Summary of Significant Accounting Policies, Continued

AB. New Accounting Standards

In 2020, GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, which postponed the effective dates of GASB Statement No. 84, 89, 90, 91, 92 and 93 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, 2021, the University implemented the following pronouncements:

- GASB Statement No. 84, Fiduciary Activities, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.
- GASB Statement No. 90, Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.
- GASB Statement No. 93, Replacement of Interbank Offered Rates, which establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments. The provision removing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of derivative instruments is effective for the year ended September 30, 2022.

The implementation of these statements did not have a material effect on the accompanying financial statements.

In June 2017, GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management believes that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for fiscal year ending September 30, 2022.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

2. Summary of Significant Accounting Policies, Continued

AB. New Accounting Standards, Continued

In June 2018, GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for fiscal year ending September 30, 2022.

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 debt 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. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

In January 2020, GASB issued Statement No. 92, Omnibus 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. In accordance with GASB Statement No. 95, the remaining requirements of GASB Statement No. 92 are effective for the fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

2. Summary of Significant Accounting Policies, Continued

AB. New Accounting Standards, Continued

In May 2020, GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

In June 2020, GASB issued 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. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance 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. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

In October 2021, GASB issued Statement No. 98, The Annual Comprehensive Financial Report. This Statement 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. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 98 will be effective for fiscal year ending September 30, 2022.

3. Deposits and Investments

The deposit and 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.

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.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

3. Deposits and Investments, continued

(i) General Guidelines, continued

- 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.

(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.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

3. Deposits and Investments, continued

(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. Deposits

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.

At September 30, 2021 and 2020, the carrying amount of the University's cash and cash equivalents and time certificates of deposit were \$26,235,315 and \$21,894,748, respectively, and the corresponding bank balances were \$26,110,856 and \$28,378,124, respectively. Of the bank balance amounts, \$4,584,477 and \$6,496,764, respectively, 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.

Restricted cash and cash equivalents:

As of September 30, 2021 and 2020, the University recorded \$2,292,937 and \$2,279,831 respectively, 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, \$1,725,664 at September 30, 2021 and 2020 is invested in a Federated Short-Intermediate Duration Municipal Trust Service Shares mutual fund, presented as restricted investments in the statements of net position.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

3. Deposits and Investments, Continued

A. Deposits, Continued

As of September 30, 2021 and 2020, the University recorded \$1,000,000 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, 2021 and 2020, Guam Cancer Trust Fund's time certificates of deposit were \$2,622,723 and \$3,178,651, respectively. These were presented as restricted investments in the statements of net position.

As of September 30, 2021, restricted cash and cash equivalents include \$1,260,119 set aside for the construction of the Success Center and Engineering Annex.

Restricted cash and cash equivalents also include \$750,038 and \$750,019 as of September 30, 2021 and 2020, respectively, designated for debt service, operation and maintenance of a certain facility in compliance with a loan security agreement (see note 6). The remainder of restricted cash and cash equivalents of \$907,461 and \$650,797, respectively, represents funds with various externally imposed restrictions.

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.

Investments at September 30, 2021 consist of the following:

	<u>Short-term</u>	<u>Restricted</u>	<u>Long-term</u>	<u>Endowment</u>	<u>Total</u>
Certificates of deposit	\$ 2,937,885	\$ 2,622,723	\$ -	\$ -	\$ 5,560,608
Money market funds	-	-	1,520,610	2,087,013	3,607,623
Fixed income securities	-	-	2,642,714	3,627,084	6,269,798
Common stock	-	-	5,472,848	7,511,396	12,984,244
Mutual funds	-	1,725,664	682,639	936,912	3,345,215
Exchange-traded funds	-	-	<u>2,852,740</u>	<u>3,915,340</u>	<u>6,768,080</u>
	<u>\$ 2,937,885</u>	<u>\$ 4,348,387</u>	<u>\$ 13,171,551</u>	<u>\$ 18,077,745</u>	<u>\$ 38,535,568</u>

Investments at September 30, 2020 consist of the following:

	<u>Short-term</u>	<u>Restricted</u>	<u>Long-term</u>	<u>Endowment</u>	<u>Total</u>
Certificates of deposit	\$ 2,916,025	\$ 3,178,651	\$ -	\$ -	\$ 6,094,676
Money market funds	-	-	210,161	250,419	460,580
Fixed income securities	-	-	3,213,936	3,829,590	7,043,526
Common stock	-	-	5,131,036	6,113,925	11,244,961
Mutual funds	-	1,725,664	611,051	728,103	3,064,818
Exchange-traded funds	-	-	<u>3,807,478</u>	<u>4,536,829</u>	<u>8,344,307</u>
	<u>\$ 2,916,025</u>	<u>\$ 4,904,315</u>	<u>\$ 12,973,662</u>	<u>\$ 15,458,866</u>	<u>\$ 36,252,868</u>

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

3. Deposits and Investments, Continued

B. Investments, Continued

The University's exposure to credit risk at September 30, 2021 and 2020 follows:

<u>Moody's Rating</u>	<u>2021</u>
AAA	\$ 2,033,458
A2/A-	374,981
A1/BBB+	396,093
A3/BBB+	357,609
BAA3/BB-	53,798
BA1/BBB-	91,524
BA1/BB+	83,111
BA2/BBB-	25,772
BA2/BB+	234,204
BA2/BB-	46,176
BA3/B+	99,858
BA3/BB	85,334
BA3/BB-	99,738
BA3	22,600
B1/BB	51,156
B1/BB-	76,837
B1/B	48,755
B2/BB-	26,076
B2/B+	47,307
B2/B	20,430
B3/B+	74,051
B3/B-	25,792
B+	45,150
BAA3/B+	23,204
CAA1/B-	22,971
Not Rated	<u>1,803,813</u>
Total credit risk debt securities	<u>\$ 6,269,798</u>

<u>Moody's Rating</u>	<u>2020</u>
AAA	\$ 2,182,749
A1/A	111,796
A-	221,362
A2/A-	819,715
A3/A-	1,037,513
A2/BBB+	282,259
A3/BBB+	837,010
BAA3/BB-	22,598
BA1/B+	167,852
BA2/BB-	143,663
BA3	270,320
BA3/B+	97,117
B1/B	179,116
B2/B-	195,163
B3/B-	160,136
B3/CCC+	22,000
B-/CAA1	48,751
B2/CCC	23,188
CAA1/CCC+	17,000
Not rated	<u>204,218</u>
Total credit risk debt securities	<u>\$ 7,043,526</u>

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

3. Deposits and Investments, Continued

B. Investments, Continued

As of September 30, 2021, the University's fixed income securities had the following maturities:

<u>Investment Type</u>	<u>Fair value</u>	Less than <u>1 year</u>	1 to 5 <u>years</u>	5 to 10 <u>years</u>	More than <u>10 years</u>
Corporate bonds	\$ 2,432,528	\$ 105,915	\$ 479,871	\$ 1,794,453	\$ 52,289
U.S. Treasury Notes	2,198,453	164,995	695,901	1,073,062	264,495
Asset Backed Securities	<u>1,638,817</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,638,817</u>
	\$ <u>6,269,798</u>	\$ <u>270,910</u>	\$ <u>1,175,772</u>	\$ <u>2,867,515</u>	\$ <u>1,955,601</u>

As of September 30, 2020, the University's fixed income securities had the following maturities:

<u>Investment Type</u>	<u>Fair value</u>	Less than <u>1 year</u>	1 to 5 <u>years</u>	5 to 10 <u>years</u>	More than <u>10 years</u>
Corporate bonds	\$ 4,656,560	\$ -	\$ 1,108,406	\$ 3,528,404	\$ 19,750
U.S. Government Agency Bonds	1,879,766	-	1,879,766	-	-
U.S. Treasury Notes	447,942	-	-	447,942	-
Asset Backed Securities	<u>59,258</u>	<u>-</u>	<u>59,258</u>	<u>-</u>	<u>-</u>
	\$ <u>7,043,526</u>	\$ <u>-</u>	\$ <u>3,047,430</u>	\$ <u>3,976,346</u>	\$ <u>19,750</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, 2021 and 2020.

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, 2021 and 2020, 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 income for the years ended September 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Interest and dividends from investments	\$ 521,081	\$ 652,691
Net investment fees expense	(2,763,222)	(786,570)
Realized gains	3,084,474	959,234
Appreciation of fair value of investments, net	<u>4,280,381</u>	<u>884,941</u>
	\$ <u>5,122,714</u>	\$ <u>1,710,296</u>

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

3. Deposits and Investments, Continued

B. Investments, Continued

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, 2021 and 2020:

	September 30, 2021	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level:				
Fixed income securities	\$ 6,269,798	\$ -	\$ 6,269,798	\$ -
Equity securities	12,984,243	12,984,243	-	-
Mutual funds	3,345,214	3,345,214	-	-
Exchange-traded funds	<u>6,768,081</u>	<u>6,768,081</u>	-	-
Total investments by fair value level	<u>29,367,336</u>	<u>23,097,538</u>	<u>6,269,798</u>	<u>-</u>
Investments measured at cost:				
Certificates of deposit	5,560,608			
Money market funds	<u>3,607,624</u>			
Total investments at cost	<u>9,168,232</u>			
	<u>\$ 38,535,568</u>			

	September 30, 2020	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level:				
Fixed income securities	\$ 7,043,526	\$ -	\$ 7,043,526	\$ -
Equity securities	11,244,960	11,244,960	-	-
Mutual funds	3,064,818	3,064,818	-	-
Exchange-traded funds	<u>8,344,308</u>	<u>8,344,308</u>	-	-
Total investments by fair value level	<u>29,697,612</u>	<u>22,654,086</u>	<u>7,043,526</u>	<u>-</u>
Investments measured at cost:				
Certificates of deposit	6,094,676			
Money market funds	<u>460,580</u>			
Total investments at cost	<u>6,555,256</u>			
	<u>\$ 36,252,868</u>			

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.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

4. 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, 2021 and 2020, loans receivable are reserved in the amount of \$16,545,433 and \$16,461,862, respectively, and recoveries collected are \$455,875 and \$385,374 for the years then ended, respectively.

5. Capital Assets

Activity and balances for capital assets for the years ended September 30, 2021 and 2020 consisted of the following:

<u>2021:</u>	<u>Balance</u> <u>October 1, 2020</u>	<u>Additions/</u> <u>Transfers</u>	<u>Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>September 30, 2021</u>
<u>Depreciable:</u>				
Land improvements	\$ 2,245,071	\$ -	\$ -	\$ 2,245,071
Building	87,442,364	-	-	87,442,364
Building improvements	6,980,030	459,485	-	7,439,515
Equipment	20,740,487	1,689,480	-	22,429,967
Library books	<u>8,577,852</u>	<u>179,312</u>	-	<u>8,757,164</u>
	125,985,804	2,328,277	-	128,314,081
Less accumulated depreciation	<u>(68,467,398)</u>	<u>(4,472,624)</u>	-	<u>(72,940,022)</u>
	<u>57,518,406</u>	<u>(2,144,347)</u>	-	<u>55,374,059</u>
<u>Nondepreciable:</u>				
Land	2,938,212	-	-	2,938,212
Construction in progress	<u>4,571,123</u>	<u>5,919,075</u>	<u>(561,215)</u>	<u>9,928,983</u>
	<u>7,509,335</u>	<u>5,919,075</u>	<u>(561,215)</u>	<u>12,867,195</u>
Total capital assets, net	\$ <u>65,027,741</u>	\$ <u>3,774,728</u>	\$ <u>(561,215)</u>	\$ <u>68,241,254</u>
<u>2020:</u>	<u>Balance</u> <u>October 1, 2019</u>	<u>Additions/</u> <u>Transfers</u>	<u>Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>September 30, 2020</u>
<u>Depreciable:</u>				
Land improvements	\$ 335,756	\$ 1,909,315	\$ -	\$ 2,245,071
Building	87,058,649	383,715	-	87,442,364
Building improvements	6,980,030	-	-	6,980,030
Equipment	19,992,827	782,489	(34,829)	20,740,487
Library books	<u>8,302,835</u>	<u>275,017</u>	-	<u>8,577,852</u>
	122,670,097	3,350,536	(34,829)	125,985,804
Less accumulated depreciation	<u>(63,862,209)</u>	<u>(4,626,899)</u>	<u>21,710</u>	<u>(68,467,398)</u>
	<u>58,807,888</u>	<u>(1,276,363)</u>	<u>(13,119)</u>	<u>57,518,406</u>
<u>Nondepreciable:</u>				
Land	2,823,212	115,000	-	2,938,212
Construction in progress	<u>4,755,658</u>	<u>1,757,067</u>	<u>(1,941,602)</u>	<u>4,571,123</u>
	<u>7,578,870</u>	<u>1,872,067</u>	<u>(1,941,602)</u>	<u>7,509,335</u>
Total capital assets, net	\$ <u>66,386,758</u>	\$ <u>595,704</u>	\$ <u>(1,954,721)</u>	\$ <u>65,027,741</u>

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

6. Current Liabilities

As of September 30, 2021 and 2020, UOG has outstanding loan payable to a related party, the Foundation amounting \$1,400,000 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>2020</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding September 30, <u>2021</u>
Loan payable to the Foundation	\$ <u>1,400,000</u>	\$ _____-	\$ _____-	\$ <u>1,400,000</u>

7. Long-Term Debt

Long-term debt at September 30, 2021 and 2020 is as follows:

Direct Borrowings:

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.

At September 30, 2021 and 2020, UOG does not have unused lines of credit.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

7. Long-Term Debt, Continued

Direct Borrowings, Continued:

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>
2022	\$ 301,721	\$ 448,339	\$ 750,060
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
2027-2031	2,061,141	1,689,159	3,750,300
2032-2036	2,572,219	1,178,081	3,750,300
2037-2041	3,210,024	540,276	3,750,300
2042-2043	765,581	18,280	783,861
	<u>\$ 10,260,574</u>	<u>\$ 5,524,487</u>	<u>\$ 15,785,061</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 years ended September 30, 2021 and 2020, the University received \$442,444 and \$500,000, respectively, for this purpose.

Long-term debt activities for the years ended September 30, 2021 and 2020, were as follows:

	Outstanding October 1, 2020	Additions	Reductions	Outstanding September 30, 2021	Amount due within one year
Loans payable	\$ <u>10,541,087</u>	\$ <u>288,648</u>	\$ <u>569,161</u>	\$ <u>10,260,574</u>	\$ <u>301,721</u>

	Outstanding October 1, 2019	Additions	Reductions	Outstanding September 30, 2020	Amount due within one year
Loans payable	\$ <u>10,803,390</u>	\$ <u>105,456</u>	\$ <u>367,759</u>	\$ <u>10,541,087</u>	\$ <u>288,646</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.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

8. Changes in Other Long-Term Liabilities

Changes in UOG's other long-term liabilities for the years ended September 30, 2021 and 2020 were as follows:

	Outstanding October <u>1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding September <u>30, 2021</u>	Amount due within <u>one year</u>
Other liabilities:					
Deposits held on behalf of others	\$ 266,744	\$ 1,030,142	\$ 1,033,284	\$ 263,602	\$ -
Accrued annual leave	2,201,023	1,362,514	1,169,469	2,394,068	785,677
DCRS sick leave liability	1,983,422	686,232	458,027	2,211,627	-
Net OPEB liability	125,958,216	8,731,355	16,405,097	118,284,474	-
Net pension liability	<u>95,692,772</u>	<u>9,623,184</u>	<u>8,631,789</u>	<u>96,684,167</u>	<u>-</u>
	<u>\$ 226,102,177</u>	<u>\$ 21,433,427</u>	<u>\$ 27,697,666</u>	<u>\$ 219,837,938</u>	<u>\$ 785,677</u>
	Outstanding October <u>1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding September <u>30, 2020</u>	Amount due within <u>one year</u>
Other liabilities:					
Deposits held on behalf of others	\$ 274,201	\$ 1,231,724	\$ 1,239,181	\$ 266,744	\$ -
Accrued annual leave	1,868,996	1,720,788	1,388,761	2,201,023	851,498
DCRS sick leave liability	1,512,059	800,341	328,978	1,983,422	-
Net OPEB liability	92,474,461	35,504,276	2,020,521	125,958,216	-
Net pension liability	<u>87,642,038</u>	<u>14,401,875</u>	<u>6,351,141</u>	<u>95,692,772</u>	<u>-</u>
	<u>\$ 183,771,755</u>	<u>\$ 53,659,004</u>	<u>\$ 11,328,582</u>	<u>\$ 226,102,177</u>	<u>\$ 851,498</u>

9. Pensions

UOG is statutorily responsible for providing pension benefits for UOG employees through the GovGuam Retirement Fund (GGRF).

A. General Information About the Pension Plans:

Plan Description: GGRF administers the GovGuam Defined Benefit (DB) Plan, a single-employer defined benefit pension plan, and the Defined Contribution Retirement System (DCRS) Plan. The DB Plan provides retirement, disability, and survivor benefits to plan members who enrolled in the plan prior to October 1, 1995. Article 1 of 4 GCA 8, Section 8105, requires that all employees of GovGuam, regardless of age or length of service, become members of the DB Plan prior to the operative date. Employees of a public corporation of GovGuam, which includes the University, have the option of becoming members of the DB Plan prior to the operative date. All employees of GovGuam, including employees of GovGuam public corporations, whose employment commences on or after October 1, 1995, and prior to January 1, 2018 are required to participate in the DCRS Plan. Hence, the DB Plan became a closed group.

Members of the DB Plan who retired prior to October 1, 1995, or their survivors, are eligible to receive annual supplemental annuity payments. In addition, retirees under the DB and DCRS Plans who retired prior to September 30, 2020 are eligible to receive an annual ad hoc cost of living allowance (COLA).

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

9. Pensions, Continued

A. General Information About the Pension Plans, Continued:

A single actuarial valuation is performed annually covering all plan members and the same contribution rate applies to each employer. 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.

Plan Membership: As of September 30, 2020 (the measurement date), plan membership consisted of the following:

DB members:	
Inactive employees or beneficiaries currently receiving benefits	7,399
Inactive employees entitled to but not yet receiving benefits	3,257
Active employees	<u>4,440</u>
	15,096
DCRS members:	
Active employees	<u>6,810</u>
	<u>21,906</u>

Benefits Provided: 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. Members who joined the DB Plan prior to October 1, 1981 may retire with 10 years of service at age 60 (age 55 for uniformed personnel); or with 20 to 24 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 25 years of service at any age. Members who joined the DB Plan on or after October 1, 1981 and prior to August 22, 1984 may retire with 15 years of service at age 60 (age 55 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 30 years of service at any age.

Members who joined the DB Plan after August 22, 1984 and prior to October 1, 1995 may retire with 15 years of service at age 65 (age 60 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 65; or upon completion of 30 years of service at any age. Upon termination of employment before attaining at least 25 years of total service, a member is entitled to receive a refund of total contributions including interest. A member who terminates after completing at least 5 years of service has the option of leaving contributions in the GGRF and receiving a service retirement benefit upon attainment of the age of 60 years. In the event of disability during employment, members under the age of 65 with six or more years of credited service who are not entitled to receive disability payments from the United States Government are eligible to receive sixty-six and two-thirds of the average of their three highest annual salaries received during years of credited service. The DB Plan also provides death benefits.

Supplemental annuity benefit payments are provided to DB retirees in the amount of \$4,238 per year, but not to exceed \$40,000 per year when combined with their regular annual retirement annuity. Annual COLA payments are provided to DB retirees and DCRS retirees in a lump sum amount of \$2,000. Both supplemental annuity benefit payments and COLA payments are made at the discretion of the Guam Legislature, but are funded on a "pay-as-you-go" basis so there is no plan trust. It is anticipated that ad hoc COLA and supplemental annuity payments will continue to be made for future years at the same level currently being paid.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

9. Pensions, Continued

A. General Information About the Pension Plans, Continued:

On September 20, 2016, the Guam Legislature enacted Public Law 33-186, which created two new government retirement plans; the DB 1.75 Plan and the Government of Guam Retirement Security Plan (GRSP). On February 4, 2020, the Guam Legislature terminated the GRSP. Commencing April 1, 2017, eligible employees elected during the "election window", to participate in the DB 1.75 Plan with an effective date of January 1, 2018.

The DB 1.75 Plan is open for participation by certain existing employees, new employees, and reemployed employees who would otherwise participate in the DC Plan or the new GRSP and who make election on a voluntary basis to participate in the DB 1.75 Plan by December 31, 2017. Employee contributions are made by mandatory pre-tax payroll deduction at the rate of 9.5% of the employee's base salary while employer contributions are actuarially determined. Members of the DB 1.75 Plan 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. Benefits are fully vested upon attaining 5 years of credited service.

Members of the DB 1.75 Plan may retire at age 62 with 5 years of credited service, or at age 60 with 5 years of credited service without survivor benefits, or at age 55 with 25 years of credited service but the retirement annuity shall be reduced ½ of 1% for each month that the age of the member is less than 62 years (6% per year). Credited service is earned for each year of actual employment by the member as an employee. Upon retirement, a retired member is entitled to a basic retirement annuity equal to an annual payment of 1.75% of average annual salary multiplied by years of credited service. Average annual salary means the average of annual base salary for the three years of service that produces the highest average.

Contributions and Funding Policy: Contribution requirements of participating employers and active members to the DB Plan are determined in accordance with Guam law. Employer contributions are actuarially determined under the One-Year Lag Methodology. Under this methodology, the actuarial valuation date is used for calculating the employer contributions for the second following fiscal year. For example, the September 30, 2019 actuarial valuation was used for determining the year ended September 30, 2021 statutory contributions. Member contributions are required at 9.52% of base pay.

As a result of actuarial valuations performed as of September 30, 2019, 2018 and 2017, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2021, 2020 and 2019, respectively, have been determined as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Normal costs (% of DB Plan payroll)	13.70%	13.86%	13.54%
Employee contributions (DB Plan employees)	<u>9.52%</u>	<u>9.52%</u>	<u>9.52%</u>
Employer portion of normal costs (% of DB Plan payroll)	<u>4.18%</u>	<u>4.34%</u>	<u>4.02%</u>
Employer portion of normal costs (% of total payroll)	2.18%	2.39%	2.29%
Unfunded liability cost (% of total payroll)	<u>21.44%</u>	<u>20.70%</u>	<u>21.29%</u>
Government contribution as a % of total payroll	<u>23.62%</u>	<u>23.09%</u>	<u>23.58%</u>
Statutory contribution rates as a % of DB Plan payroll:			
Employer	<u>26.97%</u>	<u>26.28%</u>	<u>26.56%</u>
Employee	<u>9.52%</u>	<u>9.52%</u>	<u>9.52%</u>

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

9. Pensions, Continued

A. General Information About the Pension Plans, Continued:

The University's contributions to the DB Plan for the years ended September 30, 2021, 2020 and 2019 were \$4,276,683, \$4,420,251 and \$4,717,683, respectively, which were equal to the required contributions for the respective years then ended.

For the years ended September 30, 2021, 2020 and 2019, the University recognized ad hoc COLA and supplemental annuity payments as transfers from GovGuam, totaling \$1,052,495, \$1,245,658 and \$1,137,658, respectively, that GovGuam's general fund paid directly for the DB Plan retirees on behalf of the University, which were equal to the statutorily required contributions.

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

Contributions into the DCRS plan 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 for the DCRS plan for the years ended September 30, 2021 and 2020 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 pay is deposited into the DCRS. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

The University's contributions to the DCRS Plan for the years ended September 30, 2021, 2020 and 2019 were \$4,548,818, \$4,227,731 and \$3,830,850, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, \$3,501,986, \$3,231,732 and \$2,936,601 were contributed towards the unfunded liability of the DB Plan for the years ended September 30, 2021, 2020 and 2019, respectively.

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

Pension Liability: At September 30, 2021 and 2020, UOG reported a net pension liability for its proportionate share of the net pension liabilities measured as of September 30, 2020 and 2019, respectively, which is comprised of the following:

	<u>2021</u>	<u>2020</u>
Defined benefit plan	\$ 78,217,138	\$ 77,085,631
Ad hoc COLA/supplemental annuity plan for DB retirees	15,194,399	15,489,515
Ad hoc COLA plan for DCRS retirees	<u>3,272,630</u>	<u>3,117,626</u>
	<u>\$ 96,684,167</u>	<u>\$ 95,692,772</u>

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

9. Pensions, Continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:

The University's proportion of the GovGuam net pension liabilities was based on the University's expected plan contributions relative to the total expected contributions received by the respective pension plans for GovGuam and GovGuam's component units. At September 30, 2021 and 2020, UOG's proportionate shares of the GovGuam net pension liabilities were as follows:

	<u>2021</u>	<u>2020</u>
Defined benefit plan	6.28%	6.35%
Ad hoc COLA/supplemental annuity plan for DB retirees	4.72%	4.78%
Ad hoc COLA plan for DCRS retirees	4.93%	5.21%

Pension Expense (Benefit): For the years ended September 30, 2021 and 2020, the University recognized pension expense for its proportionate share of pension plan expense from the above pension plans as follows:

	<u>2021</u>	<u>2020</u>
Defined benefit plan	\$ 7,497,790	\$ 8,292,456
Ad hoc COLA/supplemental annuity plan for DB retirees	1,188,531	1,273,296
Ad hoc COLA plan for DCRS retirees	<u>266,624</u>	<u>253,092</u>
	<u>\$ 8,952,945</u>	<u>\$ 9,818,844</u>

Deferred Outflows and Inflows of Resources: At September 30, 2021 and 2020, the University reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2021</u>					
	<u>Defined Benefit Plan</u>		<u>Ad Hoc COLA/SA Plan for DB</u>		<u>Ad Hoc COLA Plan for DCRS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 195,244	\$ -	\$ 9,640	\$ -	\$ 315,621	\$ 76,727
Net difference between projected and actual earnings on pension plan investments	5,604,165	381,881	-	242,632	-	-
Changes of assumptions	-	-	1,191,589	21,626	796,288	248,113
Contributions subsequent to the measurement date	7,778,668	-	1,052,495	-	130,000	-
Changes in proportion and difference between UOG contributions and proportionate share of contributions	<u>1,506,670</u>	<u>572,128</u>	<u>37,654</u>	<u>117,231</u>	<u>83,246</u>	<u>346,824</u>
	<u>\$ 15,084,747</u>	<u>\$ 954,009</u>	<u>\$ 2,291,378</u>	<u>\$ 381,489</u>	<u>\$ 1,325,155</u>	<u>\$ 671,664</u>

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

9. Pensions, Continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:

	2020					
	<u>Defined Benefit Plan</u>		<u>Ad Hoc COLA/SA Plan for DB</u>		<u>Ad Hoc COLA Plan for DCRS</u>	
	Deferred	Deferred	Deferred	Deferred	Deferred	Deferred
	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>
Difference between expected and actual experience	\$ 110,645	\$ -	\$ 107,334	\$ -	\$ 328,337	\$ 90,553
Net difference between projected and actual earnings on pension plan investments	2,710,577	683,337	-	47,630	-	-
Changes of assumptions	-	-	1,390,676	240,789	750,577	302,454
Contributions subsequent to the measurement date	7,651,993	-	1,245,658	-	108,000	-
Changes in proportion and difference between UOG contributions and proportionate share of contributions	<u>3,113,284</u>	<u>-</u>	<u>66,618</u>	<u>8,914</u>	<u>96,099</u>	<u>258,893</u>
	<u>\$ 13,586,499</u>	<u>\$ 683,337</u>	<u>\$ 2,810,286</u>	<u>\$ 297,333</u>	<u>\$ 1,283,013</u>	<u>\$ 651,900</u>

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2021 will be recognized in pension expense as follows:

<u>Year Ending September 30</u>	<u>Defined Benefit Plan</u>	<u>Ad Hoc COLA/SA Plan for DB Retirees</u>	<u>Ad Hoc COLA Plan for DCRS Retirees</u>
2022	\$ 1,784,304	\$ 627,169	\$ 57,993
2023	2,151,217	216,223	57,993
2024	1,721,336	14,002	57,993
2025	695,213	-	57,993
2026	-	-	57,993
Thereafter	<u>-</u>	<u>-</u>	<u>233,526</u>
	<u>\$ 6,352,070</u>	<u>\$ 857,394</u>	<u>\$ 523,491</u>

Actuarial Assumptions: Actuarially determined contribution rates for the DB Plan are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. The methods and assumptions used to determine contribution rates are as follows:

Valuation Date:	September 30, 2019
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	May 1, 2033 (13.58 years remaining as of September 30, 2019)

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

9. Pensions, Continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:

Asset Valuation Method:	3-year smoothed market value (effective September 30, 2009)
Inflation:	2.50% per year
Total payroll growth:	2.75% per year
Salary Increases:	4.00% to 7.50%
Retirement age:	50% probability of retirement upon first eligibility for unreduced retirement. Thereafter, the probability of retirement is 20% for each year until age 75, and increases to 100% at age 75.
Mortality:	RP-2000 healthy mortality table (males +3, females +2). Mortality for disabled lives is the RP 2000 disability mortality (males +6, females +4). Both tables are projected generationally from 2016 using 30% of Scale BB.

The actuarial assumptions used in the September 30, 2019 valuation were based on the results of an actuarial experience study for the period October 1, 2011 to September 30, 2015. The rationale for each significant assumption is provided in the experience study. To the extent that actual experience differs from the assumptions, future pension costs will differ. The next experience study for the period October 1, 2015 to September 30, 2019 is scheduled to be performed prior to the next year's valuation.

The investment rate assumption as of September 30, 2020 was 7%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the expected nominal return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Nominal Return</u>
U.S. Equities (large cap)	26.0%	7.01%
U.S. Equities (small cap)	4.0%	8.61%
Non-U.S. Equities	17.0%	8.66%
Non-U.S. Equities (emerging markets)	3.0%	10.59%
U.S. Fixed Income (aggregate)	24.0%	3.33%
Risk Parity	8.0%	5.66%
High Yield Bonds	8.0%	6.11%
Global Real Estate (REITs)	2.5%	8.55%
Global Equity	7.5%	7.74%

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

9. Pensions, Continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:

Discount Rate: The discount rate used to measure the total pension liability for the DB Plan as of September 30, 2020 and 2019 was 7.0%, which is equal to the expected investment rate of return. The expected investment rate of return applies to benefit payments that are funded by plan assets (including future contributions), which includes all plan benefits except supplemental annuity payments to DB retirees and ad hoc COLA to both DB and DCRS retirees. The discount rate used to measure the total pension liability for the supplemental annuity and ad hoc COLA payments as of September 30, 2020 was 2.21% (2.66% as of September 30, 2019), which is equal to the rate of return of a high quality bond index.

Discount Rate Sensitivity Analysis: The following presents the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the University's proportionate share of the net pension 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:

Defined Benefit Plan:

	1% Decrease in Discount Rate <u>6.0%</u>	Current Discount Rate <u>7.0%</u>	1% Increase in Discount Rate <u>8.0%</u>
Net Pension Liability	<u>\$ 98,039,797</u>	<u>\$ 78,217,138</u>	<u>\$ 61,155,905</u>

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

	1% Decrease in Discount Rate <u>1.21%</u>	Current Discount Rate <u>2.21%</u>	1% Increase in Discount Rate <u>3.21%</u>
Net Pension Liability	<u>\$ 16,703,646</u>	<u>\$ 15,194,399</u>	<u>\$ 13,883,332</u>

Ad Hoc COLA Plan for DCRS Retirees:

	1% Decrease in Discount Rate <u>1.21%</u>	Current Discount Rate <u>2.21%</u>	1% Increase in Discount Rate <u>3.21%</u>
Net Pension Liability	<u>\$ 3,711,762</u>	<u>\$ 3,272,630</u>	<u>\$ 2,898,967</u>

C. Payables to the Pension Plans:

As of September 30, 2021 and 2020, UOG recorded payables to GGRF of \$235,230 and \$214,475, respectively, representing statutorily required contributions unremitted as of the respective year-ends.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

10. Other Post Employment Benefits (OPEB)

The University participates in the retiree health care benefits program. GovGuam’s Department of Administration is responsible for administering the GovGuam Group Health Insurance Program, which provides 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. The program covers retirees and is considered an OPEB plan.

A. General Information About the OPEB Plan:

Plan Description: The OPEB plan is a single employer defined benefit plan that provides healthcare benefits to eligible employees and retirees who are members of the GovGuam Retirement Fund. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Governor’s recommended budget and the annual General Appropriations Act enacted by the Guam Legislature provide for a premium level necessary for funding the program each year on a “pay-as-you-go” basis. Because the OPEB Plan consists solely of GovGuam’s firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

Plan Membership: As of September 30, 2020 and 2019 (the respective measurement periods), the date of the most recent valuation (the actuarial valuation date), plan membership consisted of the following:

	<u>2020</u>	<u>2019</u>
Inactive plan members or beneficiaries		
currently receiving benefits	8,114	7,462
Active plan members	<u>11,080</u>	<u>10,832</u>
	<u>19,194</u>	<u>18,294</u>

Benefits Provided: The OPEB Plan provides post-employment medical, dental and life insurance benefits to the University’s retirees, spouses, children and survivors, which are the same benefits as provided to active employees. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only. The University contributes a portion of the medical and dental premiums, based on a schedule of semi-monthly rates, and reimburses certain Medicare premiums to eligible retirees. Retirees are also required to pay a portion of the medical and dental insurance premiums. Three types of health plans are offered to eligible participants:

- Standard Island Wide Preferred Provider Organization (PPO) Plan
- High Deductible (Health Savings Account - HSA) PPO Plan
- Retiree Supplement Plan (RSP)

The PPO and HSA Plans apply to both active employees and retirees and work with set deductible amounts whereas the RSP Plan is an added option for retirees only.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

10. Other Post Employment Benefits (OPEB), Continued

A. General Information About the OPEB Plan:

Contributions: No employer contributions are assumed to be made since an OPEB trust has not been established. Instead, the OPEB Plan is financed on a substantially "pay-as-you-go" basis whereby contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

B. Total OPEB Liability:

As of September 30, 2021 and 2020, UOG reported a total OPEB liability of \$118,284,474 and \$125,958,216, respectively, for its proportionate share of the GovGuam total OPEB liability measured as of September 30, 2020 and 2019. The following presents the University's proportion change since the prior measurement date:

Proportion at prior measurement date, September 30, 2019	<u>4.93%</u>
Proportion at measurement date, September 30, 2020	<u>4.70%</u>
Decrease in proportion	<u>(0.23)%</u>

The total OPEB liability for the OPEB Plan was determined by an actuarial valuation as of September 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.75%
Discount rate:	2.21% as of September 30, 2020 (2.66% as of September 30, 2019), net of investment expenses, including inflation.
Amortization Method:	Level dollar amount over 30 years on an open amortization period for pay-as-you-go funding.
Salary Increases:	7.5% per year for the first 5 years of service, 6% for 6-10 years, 5% for 11-15 years and 4% for service over 15 years.
Healthcare cost trend rates:	Non-Medicare and Medicare - 6% for Year 1-3 then reducing 0.25% annually to an ultimate rate of 4.25%. Part B 4.25%. Health care trend assumptions begin at current levels and grade down over a period of years to a lower level equal to some real rate plus inflation. The principal components of health trend are medical inflation, deductible erosion, cost shifting, utilization, technology and catastrophic claims. The overall effect of these components are expected to decline year by year. Medical trend rates are applied to claims cost and retiree contributions, Medicare Part B and Medicare Part D reimbursements are assumed to be 4.25% per year.
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.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

10. Other Post Employment Benefits (OPEB), Continued

B. Total OPEB Liability, Continued:

Participation rates:	Medical - 100% of active employees covered under a GovGuam medical plan will elect to participate at retirement. Dental - 100% of active employees covered under a GovGuam dental plan will elect to participate at retirement. Life - 100% of eligible retirees will elect to participate at retirement. Current retirees will continue in the GovGuam plan as provided in the data, and upon attainment of age 65, will remain in that plan or enroll in a Retiree Supplemental Plan per Medicare Enrollment assumption below.
Medicare enrollment:	Based on current over-65 retiree data, 55% (previously 15%) of current and future retirees are assumed to enroll in Medicare and will enroll in a Retiree Supplemental Plan upon attainment of age 65. All employees retired prior to September 30, 2008 are assumed ineligible for Medicare upon attainment of age 65 and therefore will not enroll in a Medicare Supplemental Plan.
Dependent status:	Male spouses are assumed to be three years older and female spouses are assumed to be three years younger than the retired employee. Medical – 100% of spouses of active employees covered under a GovGuam medical plan will elect to participate at the active employee’s retirement. Dental – 100% of spouses of active employees covered under a GovGuam dental plan will elect to participate at the active employee’s retirement. Life – 100% of spouses of active employees will elect to participate at the active employee’s retirement. For current retired employees, the actual census information is used.
Actuarial cost method:	Entry Age Normal. The costs of each employee’s post- employment benefits are allocated as a level basis over the earnings of the employee between the employee’s date of hire and the assumed exit ages.
Healthy retiree mortality rate:	RP-2000 Combined Healthy Mortality Table, set forward 3 years and 2 years for males and females, respectively, projected generationally using 30% of Scale BB.
Disabled retiree mortality rates:	RP-2000 Disabled Mortality Table, set forward 6 years and 4 years for males and females, respectively, projected generationally using 30% of Scale BB.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

10. Other Post Employment Benefits (OPEB), Continued

B. Total OPEB Liability, Continued:

Withdrawal rates: 15% for less than 1 year of service, decreasing 1% for each additional year of service up to 10 years, further decreasing 0.5% for each additional year of service up to 15 years, and 2% for service over 15 years.

Disability rates: 1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females as follows: 0.05% for males aged 20-39 years (0.03% for females); 0.10% - 0.18% for males aged 40-49 years (0.05% - 0.09% for females); 0.32% - 0.53% for males aged 50-59 years (0.16% - 0.27% for females); and 0.76% for males aged 60-64 years (0.38% for females).

Retirement rates: 50% of employees are assumed to retire at first eligibility for unreduced benefits under the GovGuam Retirement Fund, 20% per year thereafter until age 75, and 100% at age 75.

Discount Rate: The discount rate used to measure the total OPEB liability was 2.21% as of September 30, 2020 (2.66% as of September 30, 2019). 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 2.21% tax-exempt, high quality municipal bond rate as of September 30, 2020 (2.66% as of September 30, 2019) was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB plan fiduciary net position: As of September 30, 2021 and 2020, an OPEB trust has not been established thus the OPEB Plan does not presently report OPEB plan fiduciary net position.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

10. Other Post Employment Benefits (OPEB), Continued

C. Changes in the Total OPEB Liability:

Changes in the University's proportionate share of the total OPEB liability for the years ended September 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of the year	\$ <u>125,958,216</u>	\$ <u>92,474,461</u>
Changes for the year:		
Service cost	5,926,397	3,847,120
Interest	3,482,590	3,984,013
Expected benefit payments	(1,920,341)	(2,020,521)
Change in proportionate share	(6,684,477)	(330,379)
Differences between expected and actual experience	13,152,619	-
Change of assumptions	<u>(21,630,530)</u>	<u>28,003,522</u>
Net change	<u>(7,673,742)</u>	<u>33,483,755</u>
Balance at end of the year	\$ <u>118,284,474</u>	\$ <u>125,958,216</u>

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>2.21%</u>	1% Increase in Discount Rate <u>3.21%</u>
Total OPEB Liability	\$ <u>140,732,188</u>	\$ <u>118,284,474</u>	\$ <u>100,629,418</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>94,524,181</u>	\$ <u>118,284,474</u>	\$ <u>143,979,426</u>

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

10. Other Post Employment Benefits (OPEB), Continued

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the years ended September 30, 2021 and 2020, the University reported total OPEB expense of \$4,202,753 and \$5,625,966, respectively, for its proportionate share of the GovGuam total OPEB expense measured for the years ended September 30, 2020 and 2019. At September 30, 2021 and 2020, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,828,835	\$ 11,319,670	\$ -	\$ 16,514,592
Changes of assumptions	19,243,515	25,558,644	27,456,395	11,744,425
Contributions subsequent to measurement date	1,609,874	-	1,616,587	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>116,073</u>	<u>7,710,717</u>	<u>173,536</u>	<u>3,815,367</u>
	<u>\$ 31,798,297</u>	<u>\$ 44,589,031</u>	<u>\$ 29,246,518</u>	<u>\$ 32,074,384</u>

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>	
2022	\$ (4,502,609)
2023	(6,527,795)
2024	(1,747,933)
2025	164,042
2026	(1,786,313)
	<u>\$ (14,400,608)</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, 2021 and 2020, \$19,337,303 and \$22,146,817, respectively, of outstanding purchase orders and purchase commitments are not reported in the financial statements.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

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.

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, 2021 and 2020.

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 Anex (the Facilities), for a period of forty-years up to August 25, 2056. The construction of the Facilities are to be financed by the Foundation from a loan with the U.S. Department of Agriculture (USDA).

Future minimum lease payments as of September 30, 2021 are as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2022	\$ 869,736
2023	869,736
2024	869,736
2025	869,736
2026	869,736
Thereafter	<u>27,831,552</u>
Total	<u>\$ 32,180,232</u>

13. Related Party

The University has assessed related party transactions and has concluded that none are material to the accompanying financial statements.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2021 and 2020

14. COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. On March 13, 2020, President Donald J. Trump declared a national emergency within the United States. In response to the national emergency declared by the U.S. President, on March 14, 2020, Governor Lourdes A. Leon Guerrero issued Executive Order 2020-03 declaring a state of emergency in response to COVID-19. Further, Executive Order 2020-04 ordered the closure of all non-essential Government of Guam offices, prohibited large gatherings, and restricted entry into Guam from countries with confirmed COVID-19 cases. As a result, schools and non-essential government agencies and businesses have closed. UOG has closed its offices to the public and has required all non-essential employees to work from home. While the disruption is currently expected to be temporary, there is uncertainty around the duration. While this matter is expected to negatively impact UOG's business, results of operations and financial position, the related financial impact cannot be reasonably estimated at this time.

15. 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 GCR is to be constructed on the University's land and is expected to be completed by Spring 2022. Due to uncertainty surrounding the agreement of responsibilities between the OOG and the University, the related financial impact of the GCR cannot be reasonably estimated at this time.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedules of Required Supplemental Information (Unaudited)
Schedule of Proportional Share of the Net Pension Liability
Last 10 Fiscal Years*

Defined Benefit Plan

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total net pension liability	\$ 1,246,336,897	\$ 1,214,462,675	\$ 1,179,192,550	\$ 1,142,249,393	\$ 1,368,645,126	\$ 1,436,814,230	\$ 1,246,306,754
UOG's proportionate share of the net pension liability	\$ 78,217,138	\$ 77,085,631	\$ 71,200,343	\$ 67,534,997	\$ 80,510,523	\$ 81,001,196	\$ 68,326,815
UOG's proportion of the net pension liability	6.28%	6.35%	6.04%	5.91%	5.88%	5.64%	5.48%
UOG's covered-employee payroll**	\$ 32,799,897	\$ 32,339,363	\$ 31,027,561	\$ 30,053,044	\$ 29,784,398	\$ 28,828,564	\$ 27,682,709
UOG's proportionate share of the net pension liability as percentage of its covered employee payroll	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	61.48%	62.25%	63.28%	60.63%	54.62%	52.32%	56.60%

* This data is presented for those years for which information is available.

** Covered-employee payroll data from the actuarial valuation date with one-year lag.

See Accompanying Independent Auditors' Report.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedules of Required Supplemental Information (Unaudited)
Schedule of Proportional Share of the Net Pension Liability
Last 10 Fiscal Years*

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total net pension liability***	\$ 321,889,969	\$ 324,192,725	\$ 289,875,668	\$ 288,147,121	\$ 229,486,687
UOG's proportionate share of the net pension liability	\$ 15,194,399	\$ 15,489,515	\$ 13,756,035	\$ 13,699,135	\$ 10,844,857
UOG's proportion of the net pension liability	4.72%	4.78%	4.75%	4.75%	4.73%
UOG's covered-employee payroll**	\$ 24,670,736	\$ 24,343,149	\$ 24,385,507	\$ 24,165,700	\$ 23,927,282
UOG's proportionate share of the net pension liability as percentage of its covered employee payroll	61.59%	63.63%	56.41%	56.69%	45.32%

* This data is presented for those years for which information is available.
** Covered-employee payroll data from the actuarial valuation date with one-year lag.
*** No assets accumulated in a trust to pay benefits.

See Accompanying Independent Auditors' Report.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedules of Required Supplemental Information (Unaudited)
Schedule of Proportional Share of the Net Pension Liability
Last 10 Fiscal Years*

Ad Hoc COLA Plan for DCRS Retirees

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total net pension liability***	\$ 66,393,472	\$ 59,884,407	\$ 49,342,424	\$ 62,445,490	\$ 61,688,067
UOG's proportionate share of the net pension liability	\$ 3,272,630	\$ 3,117,626	\$ 2,685,660	\$ 3,490,270	\$ 3,298,131
UOG's proportion of the net pension liability	4.93%	5.21%	5.44%	5.59%	5.35%
UOG's covered-employee payroll**	\$ 12,780,485	\$ 12,260,578	\$ 14,395,148	\$ 21,059,724	\$ 19,518,316
UOG's proportionate share of the net pension liability as percentage of its covered employee payroll	25.61%	25.43%	18.66%	16.57%	16.90%

* This data is presented for those years for which information is available.

** Covered-employee payroll data from the actuarial valuation date with one-year lag.

*** No assets accumulated in a trust to pay benefits.

See Accompanying Independent Auditors' Report.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedules of Required Supplemental Information (Unaudited)
Schedule of Pension Contributions
Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 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>7,651,993</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>\$ (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>\$ 32,799,897</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	23.33%	23.67%	25.66%	26.30%	25.30%	27.04%	27.49%

* This data is presented for those years for which information is available.

** Covered-employee payroll data from the actuarial valuation date with one-year lag.

See Accompanying Independent Auditors' Report.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedules of Required Supplemental Information
Schedule of Changes in the Proportionate Share of the Total OPEB Liability and Related Ratios
Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:				
Service cost	5,926,397	3,847,120	\$ 5,016,319	\$ 5,635,446
Interest	3,482,590	3,984,013	4,696,667	4,122,719
Expected benefit payments	(1,920,341)	(2,020,521)	(2,224,135)	(1,900,800)
Change in proportionate share	(6,684,477)	(330,379)	(6,521,115)	384,729
Differences between expected and actual experience	13,152,619	-	(25,762,949)	-
Changes of assumptions	(21,630,530)	28,003,522	(8,210,845)	(12,894,012)
Net change in total OPEB liability	\$ (7,673,742)	\$ 33,483,755	\$ (33,006,058)	\$ (4,651,918)
Net OPEB liability - beginning	<u>125,958,216</u>	<u>92,474,461</u>	<u>125,480,519</u>	<u>130,132,437</u>
Net OPEB liability - ending	<u>\$ 118,284,474</u>	<u>\$ 125,958,216</u>	<u>\$ 92,474,461</u>	<u>\$ 125,480,519</u>
Covered-employee payroll	29,496,054	27,936,302	28,982,645	28,740,742
UOG's total OPEB liability as a percentage of covered-employee payroll	401.02%	450.88%	319.07%	436.59%
Notes to schedule				
<i>Discount rate</i>	2.21%	2.66%	4.18%	3.63%

Changes of benefit terms:

None.

Changes of assumptions:

Discount rate has changed from respective measurement dates.

* This data is presented for those years for which information is available.

** No assets accumulated in a trust to pay the benefits.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedules of Required Supplemental Information (Unaudited)
Schedule of Proportionate Share of the Total OPEB Liability
Last 10 Fiscal Years*

	2021	2020	2019	2018
Total OPEB liability **	\$ 2,518,489,145	\$ 2,553,523,376	\$ 1,874,970,335	\$ 2,431,048,672
UOG's proportionate share of the total OPEB liability	\$ 118,284,474	\$ 125,958,216	\$ 92,474,461	\$ 125,480,519
UOG's proportionate of the total OPEB liability	4.70%	4.93%	4.93%	5.16%
UOG's covered-employee payroll	29,496,054	27,936,302	28,982,645	28,740,742
UOG's proportionate share of the total OPEB liability as percentage of its covered-employee payroll	401.02%	450.88%	319.07%	436.59%

* This data is presented for those years for which information is available.

** No assets accumulated in a trust to pay the benefits.

See Accompanying Independent Auditors' Report.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedules of Required Supplemental Information
Schedule of OPEB Contributions
Last 10 Fiscal Years*

	2021	2020	2019	2018
Actuarially determined contribution	\$ 12,229,890	\$ 9,472,473	\$ 12,133,636	\$ 12,496,650
Contribution in relation to the actuarially determined contribution	<u>1,920,341</u>	<u>2,020,521</u>	<u>2,224,135</u>	<u>1,900,800</u>
Contribution deficiency	<u>\$ 10,309,549</u>	<u>\$ 7,451,952</u>	<u>\$ 9,909,501</u>	<u>\$ 10,595,850</u>
UOG's covered-employee payroll **	<u>\$ 29,496,054</u>	<u>\$ 27,936,302</u>	<u>\$ 28,982,645</u>	<u>\$ 28,740,742</u>
Contribution as a percentage of covered-employee payroll	6.51%	7.23%	7.67%	6.61%

Notes to Schedule

Valuation date:

Actuarially determined contributions rates are calculated as of September 30, 2020.

Method and assumptions used to determine contributions rates:

Actuarial cost method:	Entry age normal.
Amortization method:	Level dollar amount on an open amortization period for pay-as-you-go funding.
Amortization period:	30 years
Inflation:	2.75%
Healthcare cost trend rates:	Non-Medicare and Medicare -6% for Year 1-3 then reducing 0.25% annually to an ultimate rate of 4.25%. Part B 4.25%
Salary increase:	4.0% to 7.5%
Mortality (Healthy Retiree):	RP-2000 Combined Healthy Mortality Table, set forward 3 years and 2 years for males and females, respectively.
Mortality (Disabled Retiree):	RP-2000 Disabled Mortality Table, set forward 6 years and 4 years for males and females, respectively, projected generationally using 30% of Scale BB

* Information for 2010 - 2016 is not available

See Accompanying Independent Auditors' Report.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedules of Salaries, Wages and Benefits
Years Ended September 30, 2021 and 2020

	2021	2020
Salaries and wages:		
Funded by local funds	\$ 23,680,408	\$ 23,562,350
Federal funds	8,805,157	7,395,623
General operations and federal funds	4,278,660	4,202,321
Other funding sources	6,152,389	6,457,488
Total salaries and wages	42,916,614	41,617,782
Benefits:		
Funded by local funds	11,687,472	13,306,286
Federal funds	1,436,888	1,113,609
General operations and federal funds	1,565,534	1,386,549
Other funding sources	1,169,347	1,281,538
Total benefits	15,859,241	17,087,982
Total salaries, wages and benefits	\$ 58,775,855	\$ 58,705,764

See Accompanying Independent Auditors' Report.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedules of Expenses by Object Category
Years Ended September 30, 2021 and 2020

	2021		2020	
	Unrestricted	Restricted	Unrestricted	Restricted
Instruction:				
Salaries and wages	\$ 13,911,433	\$ 312,890	\$ 14,170,516	\$ 140,462
Benefits	4,600,738	105,123	4,933,386	38,339
Travel	25	10,580	26,556	57,118
Contracts	581,545	171,058	817,153	325,975
Supplies	-	-	54,926	90,568
Equipment	-	-	99,353	18,867
Capital outlay	-	-	17,236	-
Utilities	729	25,458	18,549	-
Miscellaneous	521,867	149,423	450,451	72,209
	<u>\$ 19,616,337</u>	<u>\$ 774,532</u>	<u>\$ 20,588,126</u>	<u>\$ 743,538</u>
Public service:				
Salaries and wages	\$ 239,676	\$ 4,875,502	\$ 209,957	\$ 4,366,501
Benefits	464,150	1,590,994	599,280	1,370,111
Travel	0	25,557	-	195,689
Contracts	2,203,204	2,022,000	827,776	1,131,952
Supplies	18,521	544,341	6,428	28,146
Equipment	8,844	-	4,552	-
Capital outlay	0	90,490	3,840	5,490
Utilities	0	14,939	-	9,880
Miscellaneous	50,000	1,014,529	718,230	611,631
	<u>\$ 2,984,395</u>	<u>\$ 10,178,352</u>	<u>\$ 2,370,063</u>	<u>\$ 7,719,400</u>
Research:				
Salaries and wages	\$ 2,997,929	\$ 6,025,058	\$ 1,531,039	\$ 6,283,621
Benefits	1,868,731	634,182	1,263,329	1,158,299
Travel	13,937	115,940	8,921	343,438
Contracts	734,218	1,692,271	304,123	1,586,560
Supplies	164,296	960,746	90,605	788,470
Equipment	21,205	594,867	14,244	-
Capital outlay	34,826	904,519	193	178,010
Utilities	244,137	1,271	90,649	1,433,026
Miscellaneous	-	2,887,049	-	-
	<u>\$ 6,079,279</u>	<u>\$ 13,815,903</u>	<u>\$ 3,303,103</u>	<u>\$ 11,771,424</u>

See Accompanying Independent Auditors' Report.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedules of Expenses by Object Category, Continued
Years Ended September 30, 2021 and 2020

	2021		2020	
	Unrestricted	Restricted	Unrestricted	Restricted
Operational and maintenance, plant:				
Salaries and wages	\$ 1,475,832	\$ -	\$ 1,583,741	\$ -
Benefits	770,182	-	997,473	-
Travel	-	-	-	-
Contracts	86,504	-	136,921	-
Supplies	259,891	-	509,600	-
Equipment	-	-	19,089	-
Capital outlay	-	-	1,277,252	-
Utilities	2,775,229	-	3,306,162	-
Miscellaneous	(43,756)	-	444,081	-
	<u>\$ 5,323,882</u>	<u>\$ -</u>	<u>\$ 8,274,319</u>	<u>\$ -</u>
Scholarships and fellowships:				
Miscellaneous	<u>\$ 284,798</u>	<u>\$ 7,514,411</u>	<u>\$ (10,189,680)</u>	<u>\$ 18,476,793</u>
Institutional support:				
Salaries and wages	\$ 3,616,252	\$ 746,521	\$ 406,671	\$ 3,550,535
Benefits	2,162,650	78,056	490,342	2,034,605
Travel	68,561	(998)	12,417	103,270
Contracts	2,066,855	516,898	175,128	2,009,808
Supplies	57,605	189,840	17,873	55,374
Equipment	31,422	234,695	108,109	32,899
Capital outlay	25,401	166,365	51,032	32,970
Utilities	194	-	-	379
Miscellaneous	296,504	4,428,978	357,400	629,290
	<u>\$ 8,325,444</u>	<u>\$ 6,360,355</u>	<u>\$ 1,618,972</u>	<u>\$ 8,449,130</u>

See Accompanying Independent Auditors' Report.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedules of Expenses by Object Category, Continued
Years Ended September 30, 2021 and 2020

	2021		2020	
	Unrestricted	Restricted	Unrestricted	Restricted
Academic support:				
Salaries and wages	\$ 5,776,402	\$ 47,263	\$ 5,640,740	\$ 563,298
Benefits	2,308,166	16,779	2,412,793	186,702
Travel	2,818	-	100,831	-
Contracts	1,349,355	21,440.00	1,443,179	-
Supplies	293,697	10,812.00	241,774	-
Equipment	264,966	4,368.00	71,075	-
Capital outlay	21,299	-	-	-
Utilities	3,118	-	4,306	-
Miscellaneous	347,008	-	262,535	-
	<u>\$ 10,366,829</u>	<u>\$ 100,662</u>	<u>\$ 10,177,233</u>	<u>\$ 750,000</u>
Student services:				
Salaries and wages	\$ 1,759,779	\$ 666,921	\$ 1,979,471	\$ 662,461
Benefits	910,387	130,296	1,279,593	37,745
Travel	-	806	49,563	-
Contracts	41,324	80,754	57,330	2,489
Supplies	-	-	-	-
Equipment	-	1	-	-
Capital outlay	-	-	-	-
Utilities	3,062	51,585	-	-
Miscellaneous	116,729	4,213,403	285,075	1,943,839
	<u>\$ 2,831,281</u>	<u>\$ 5,143,766</u>	<u>\$ 3,651,032</u>	<u>\$ 2,646,534</u>
Auxiliary enterprises:				
Salaries and wages	\$ 465,156	\$ -	\$ 528,769	\$ -
Benefits	218,807	-	285,985	-
Travel	-	-	10,664	-
Contracts	45,924	-	475,113	-
Supplies	-	-	-	-
Equipment	-	-	-	-
Capital outlay	-	-	-	-
Utilities	732,949	-	224,358	-
Miscellaneous	170,431	-	260,235	-
	<u>\$ 1,633,267</u>	<u>\$ -</u>	<u>\$ 1,785,124</u>	<u>\$ -</u>

See Accompanying Independent Auditors' Report.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedules of Employee Information
Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Funded by:		
Local funds	398	435
Federal funds	367	285
General operations and federal funds	119	119
Other funding sources	364	314
	<u>1,248</u>	<u>1,153</u>

See Accompanying Independent Auditors' Report.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedules of Total Revenue Information
Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
University-generated revenues:		
Tuition and fees (gross)	\$ 22,985,764	\$ 24,047,998
Scholarship and tuition discounts	(10,555,966)	(10,397,405)
Grants and contracts, net	55,336,679	37,678,974
Auxiliary enterprises and other revenues	<u>9,057,817</u>	<u>8,020,755</u>
Total University-generated revenues	76,824,294	59,350,322
Government of Guam appropriations (excluding retiree healthcare costs and other pension benefits appropriations)	<u>31,470,365</u>	<u>33,528,173</u>
Total revenues (excluding investment income, bad debts provision and retiree healthcare and other pension benefits appropriations)	\$ <u>108,294,659</u>	\$ <u>92,878,495</u>
Supplemental information:		
Net investment income (loss)	\$ <u>5,122,714</u>	\$ <u>1,710,296</u>
Provision for bad debts	\$ <u>(1,391,497)</u>	\$ <u>(106,516)</u>
Retiree healthcare costs and other pension benefits appropriations	\$ <u>2,792,369</u>	\$ <u>2,970,245</u>

See Accompanying Independent Auditors' Report.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedules of Fund Restriction Matrix
Years Ended September 30, 2021 and 2020

	2021			2020		
	Unrestricted	Restricted, expendable	Restricted, nonexpendable	Unrestricted	Restricted, expendable	Restricted, nonexpendable
Land Grant	\$ -	\$ 15,077,745	\$ 3,000,000	\$ -	\$ 12,458,866	\$ 3,000,000
Siu Lin Tan	-	-	866,519	-	-	741,076
Maman Ling's Education Fund	-	-	649,116	-	-	561,186
Mac's Corporation	-	-	178,754	-	-	152,858
Chin Ho Foundation	-	-	24,972	-	-	21,355
Governor Bill Daniel	-	-	14,881	-	-	12,725
Delores P. De Leon Memorial Fund	-	-	48,407	-	-	41,394
Harry Guthertz Memorial Scholarship	-	-	13,120	-	-	11,219
Planetarium Maintenance Fund	-	-	12,734	-	-	102,088
Tobacco Funds (BoG)	-	567,273	1,725,664	-	554,167	1,725,664
Faculty and Staff Development Fund	-	-	3,243,126	-	-	2,773,663
Campus Maintenance Fund	-	1,878,046	-	-	1,605,946	-
Dorm Renewal and Replacement Fund	972,244	150,000	-	809,676	150,000	-
Self Insurance Fund	-	269,646	-	-	230,583	-
International Accounting Institute Fund	-	4,278,700	-	-	4,277,135	-
Guam Cancer Trust Fund	-	1,852,044	-	-	3,102,250	-
Tuition and other funds	3,267,198	-	-	7,841,891	-	-
Debt Service Fund	-	1,260,119	-	-	1,259,739	-
General Fund	6,506,579	-	-	5,738,341	-	-
	\$ 10,746,021	\$ 25,333,573	\$ 9,777,293	\$ 14,389,908	\$ 23,638,686	\$ 9,143,228

See Accompanying Independent Auditors' Report.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedules of Fund Restriction Matrix, Continued
Years Ended September 30, 2021 and 2020

Notes to the Schedules of Fund Restriction Matrix

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.

See accompanying independent auditors' report.