UNIVERSITY OF GUAM
UNIBETSEDÅT GUÅHAN
Board of Regents
UOG Station, Mangilao, Guam 96923
Telephone: (671) 735-2990 ● Fax: (671) 734-2296

SPECIAL MEETING
Thursday, May 14, 2020, 5:30 p.m., via ZOOM,
UOG, Mangilao, Guam

AGENDA

1.0 CALL TO ORDER

2.0 NEW BUSINESS

2.1 Academic, Personnel and Tenure Committee

Action — **2.1.1 Resolution No. 20-14, Relative to Adopting the Second Revised UOG COVID-19 Response Differential Pay Policy & Procedures to Reduce the Spread of COVID-19**

2.2 Budget, Finance, and Audit Committee

Action — **2.2.1 Resolution No. 20-15, Relative to Accepting the Results of the Deloitte and Touche LLP Financial Statements Audit and Compliance Audit for FY Ended 30 Sep 2019**

Action — **2.2.2 Resolution No. 20-16, Relative to Authorizing the University to Adopt an Audit Charter to Govern Activities of the Risk Officer of UOG**

2.3 Investment Committee

Action — **2.3.1 Resolution No. 20-17, Relative to Authorizing the President to Access Funds that have been Restricted by the BOR**

Action — **2.3.2 Resolution No. 20-18, Relative to Authorizing the President to Borrow from Restricted Funds for the Purpose of Strengthening the University's Fundraising Capabilities**

Action — **2.3.3 Resolution No. 20-19, Relative to Approving the Revisions to the UOG Investment Policy Statement**

3.0 ADJOURNMENT

1.0 Call to Order

2.0 New Business

2.1 Academic, Personnel and Tenure Committee

UNIVERSITY OF GUAM
UNIBETSEDÅT GUÅHAN
Board of Regents

Resolution No. 20-14

RELATIVE TO ADOPTING THE SECOND REVISED UNIVERSITY OF GUAM COVID-19 RESPONSE DIFFERENTIAL PAY POLICY & PROCEDURES TO REDUCE THE SPREAD OF COVID-19

WHEREAS, the University of Guam (UOG) is the primary U.S. Land Grant institution accredited by the Western Association of Schools and Colleges Senior College and University Commission serving the post-secondary needs of the people of Guam and the Western Pacific region;

WHEREAS, the governance and well-being of UOG is vested in the Board of Regents (BOR);

WHEREAS, on April 5, 2020, the Governor of Guam signed Executive Order 2020-08: Relative to Establishing COVID-19 Differential Pay and Executive Order 2020-09 Relative to Additional Social Isolation Measures;

WHEREAS, UOG drafted Policies and Procedures for differential pay and additional social isolation measures in response to COVID-19 based on the recent executive orders signed by the Governor of Guam;

WHEREAS, the 35th Guam Legislature passed Bill 326-35 (COR) causing a change in the original draft for hazardous pay, double pay, and injury compensation which were duly updated in the First Revised UOG COVID-19 Response Differential Pay Policy & Procedures to Reduce the Spread of COVID-19, dated April 17, 2020;

WHEREAS, UOG anticipated that the Governor would sign Bill 326-35 (COR) into law;

WHEREAS, on April 23, 2020, the BOR passed Resolution Number 20-13, approving the First Revised UOG COVID-19 Response Differential Pay Policy & Procedures to Reduce the Spread of COVID-19;

WHEREAS, on April 27, 2020, the Governor vetoed Bill 326-35 (COR) resulting in the First Revised UOG COVID-19 Response Differential Pay Policy & Procedures to Reduce the Spread of COVID-19 requiring revision to remove the retroactive differential pay to comply with the prohibitions on retroactive pay set forth in 4 G.C.A. §6218.1, and removal of the provisions for double pay for UOG employees who qualify for the hazardous differential pay that was set forth in Bill 326-35 (COR);

WHEREAS, the President now seeks approval from the BOR to adopt the Second Revised UOG COVID-19 Response Differential Pay Policy & Procedures to Reduce the Spread of COVID-19 containing the aforementioned revisions; and

WHEREAS, these rules and regulations have been reviewed and endorsed by the Administrative Council, and reviewed by the BOR Committees on Academic, Personnel, and Tenure, and Budget, Finance, and Audit, recommends the enclosed documents to the BOR for approval.

NOW, THEREFORE, BE IT RESOLVED, the BOR hereby adopts the enclosed Second Amended UOG COVID 19 Response Differential Pay Policy & Procedures to Reduce the Spread of COVID-19.

Adopted this 14th day of May, 2020.

Elvin Y. Chiang, Chairperson

ATTESTED:

Thomas W. Krise, Ph.D., Executive Secretary

Policy Name	University of Guam COVID 19 Response Differential Pay Policy & Procedures to Reduce the Spread of COVID-19				
Article No.	II	**Article Title**	Policies of the UOG Board of Regents		
Approval Authority	Board of Regents (BOR)	**Created/ Adopted/Effective**		**Most Recent Review**	
Responsible Executive	Secretary of the Board of Regents	**Revision Tracking**			
Responsible Office	Office of the Secretary of the Board of Regents	**Policy/Procedure contact / website where document is maintained**	671.735.3000 boardJofJregents@triton.uog.edub www.PoliciesJProcedures.uog.edu		
Initiation / Review / Consultation / Approval History		BOR Resolution No. 20-14. Replaces BOR Resolution No. 20-13.			

Section 1. Effective Date

1.000. Effective Date. Notwithstanding any other University of Guam rule, regulation, or procedure, the COVID-19 Response Differential Pay Policy & Procedures to Reduce the Spread of COVID-19 shall be effective as of Sunday, April 5, 2020 in accordance with Executive Order No. 2020-08, and shall remain in effect through the duration of the COVID-19 pandemic emergency that was declared on March 14, 2020 by the Governor of Guam which is hereafter referred to as "Pandemic Emergency."

Section 2. COVID-19 Response Differential Pay Policy

2.000. Application. The COVID-19 Response Differential Pay Policy shall be applicable to all University of Guam (UOG) employees regardless of their Fair Labor Standards Act (FLSA) exempt or non-exempt status, and regardless of whether the UOG employees are occupying permanent or limited term appointment positions in the classified or unclassified services. However, the UOG President, Vice-Presidents, and Administrators designated by the UOG Board of Regents are excluded from this differential pay policy except for instances where their assigned duties require an exposure level of risk defined in Categories 1 and 2 as set forth below.

2.200. COVID-19 Hazardous Pay Differential. During a public health emergency and in response to COVID-19, any UOG employee who, in the line or scope of his or her employment, constitutes an essential employee within any of the following categories shall be entitled to a COVID-19 hazardous pay differential as follows:

A. CATEGORY 1. A twenty-five percent (25%) hazardous pay differential shall be paid to essential UOG employees, who, in the course of their duties are in direct contact or in close physical proximity to a population infected with or reasonably suspected to be infected with COVID-19, and this hazardous pay differential shall be calculated at the rate of the UOG employee's regular wage plus twenty-five percent (25%) for all periods worked while such conditions exist; or

B. CATEGORY 2. A fifteen percent (15%) hazardous pay differential shall be paid to essential UOG employees who, in the course of their duties, may incidentally come into contact with or be in close physical proximity to a population infected with or reasonably suspected to be infected with COVID-19, and this hazardous pay differential shall be calculated at the rate of the UOG employee's regular wage plus fifteen percent (15%) for all periods worked while such conditions exist; or

C. CATEGORY 3. A ten percent (10%) hazardous pay differential shall be paid to essential UOG employees whose positions do not allow them to perform Remote Work and who are mandated by UOG's administration to perform their job duties at physical worksites pre-determined by their supervisors to be required for the Government of Guam and UOG's response to the Pandemic Emergency, and this hazardous pay differential shall be calculated at the rate of the UOG employee's regular wage plus ten percent (10%) for all periods worked at such physical worksites.

D. Multiple Hazardous Pay Differential Prohibited. No UOG employee shall be entitled to multiple hazardous differential rates of pay for the same period. In the event a UOG employee is entitled to varying types or amounts of hazardous pay differentials, the highest authorized pay differential shall be used.

E. Injury Compensation. Regardless of whether a worksite is owned or operated by the Government of Guam or the University of Guam, a UOG employee entitled to a COVID-19 hazardous pay differential under this section shall not be eligible for compensation as provided in 10 G.C.A. §32114.

2.300. Essential Employees. The UOG President shall determine which UOG employees are essential under each hazardous pay differential categories set forth in section 2.200 herein, and how such essential employees will report to work in response to the Pandemic Emergency.

2.400. Retroactive Application. The COVID-19 Response Differential Pay shall be applied retroactive to March 14, 2020 if a law is enacted authorizing such retroactive pay, and if such a law is enacted, the President may authorize such retroactive pay for the UOG employees who qualify for it.

2.500. Payment. The COVID-19 Response Differential Pay shall be paid prospectively after these rules are passed.

<u>Section 3. Procedures to Minimize the Risk of Spreading COVID-19</u>

3.000. **Remote Work.** For the duration of the Pandemic Emergency, to the greatest reasonable extent possible, UOG's administrators, faculty, and staff shall work remotely from their residences or some other suitable location, to enforce social distancing.

A. Remote Work Plans. Supervisors shall develop and implement Remote Work Plans for their employees that permits them to effectively perform their job duties outside of UOG's campus. Remote Work Plans shall conform with applicable regulations, policies, and collective bargaining agreements and shall give UOG employees the:

(1). Ability to meet deadlines.

(2). Ability to perform job duties.

(3). Ability to communicate effectively with students, customers, stakeholders, and other team members.

(4). Ability to manage their work time effectively.

B. Americans with Disabilities Act Compliance. All Remote Work Plans shall comply with UOG's Americans with Disabilities Act Policy and Supervisors shall work with UOG's EEO & Title IX/ADA Office to develop reasonable accommodations for UOG who may need them to work remotely.

C. Remote Work Plan Monitoring. Supervisors shall monitor their employees to ensure they are complying with the Remote Work Plans and shall ensure their employees are:

(1). Following a work schedule that is equivalent to full-time status which is a minimum of forty (40) hours a week.

(2). Communicating with their Supervisors and Team Members at least once per hour during Remote Work hours only if requested by the Supervisor, and with responses to work requests being made by the employee in at least a one-hour period from the work request being made, during Remote Work hours only, via electronic means such as Zoom, Skype, email, or via telephone and the employees must perform their assigned tasks in a timely manner.

(3). Using a secured local area network or Wi-Fi network for performing their work duties.

(4). Available between the hours of 8:00 a.m. to 5:00 p.m. weekdays exclusive of holidays and weekends to perform their work duties, unless other Remote Work hours are approved in advance by the Supervisor.

(5). Any exceptions to these requirements must be approved by the employee's supervisor in advance.

(6). A UOG Employee's failure to adhere to these requirements may subject them to disciplinary action.

D. Use of University Property and Equipment. Should UOG equipment be used during a remote work, such equipment shall be assigned to the employee using it, and shall be tagged to identify it as property of the University of Guam and be signed for by the employee using it. Such equipment shall be serviced by UOG, as required. Employees using UOG equipment for Remote Work shall properly secure such equipment and shall be liable to any loss or damage to such equipment arising from their failure to secure and safeguard such equipment.

3.100. Flexible Work Schedules. When work must be performed on UOG's Campus, Supervisors may implement Flexible Work Schedules to ensure proper social distancing is enforced in UOG's work places.

A. Flexible Work Week. A Flexible Work Week is defined as a regular recurring period of 168 consecutive hours – seven (7) consecutive 24-hour periods. The workweek need not coincide with the calendar week. It may begin any day of the week and any hour of the day, but it must in each case, be established by the Supervisor in advance. Supervisors shall arrange Flexible Work Weeks to avoid, to the greatest extent possible, the payment of overtime pay, night-differential pay, and holiday pay. A Flexible Work Week shall not be less than a forty (40) hour work week, except when combined with Remote Work hours, or when an employee is a part-time employee.

B. On Campus Work. A Flexible Work Week shall be used to perform work on UOG's Campus that cannot be performed via Remote Work, and may be based on a designated shift to operate offices or perform duties on Campus. Such on campus work may be performed via designated office hours or designated shifts, or with such flexible or variable hours as are approved and implemented by the Supervisor.

C. Flexible Work Schedule. The Supervisor shall give at least twenty-four-hours advance notice of any Flexible Work Schedule or a change to a Flexible Work Schedule so that employees can be adequately informed of the requirement they work on campus or work remotely.

D. Holidays. Whenever possible, work schedules should permit employees to have holidays on the days such holidays are observed.

E. Masks. In accordance with Executive Order 2020-09, Para. 4, all UOG employees that are working on UOG's Campus and all UOG patrons on Campus shall wear facemasks while they are on UOG's Campus.

2.2 Budget, Finance and Audit Committee

UNIVERSITY OF GUAM
UNIBETSEDÅT GUÅHAN
Board of Regents

Resolution No. 20-15

RELATIVE TO ACCEPTING THE RESULTS OF THE DELOITTE AND TOUCHE LLP FINANCIAL STATEMENTS AUDIT AND COMPLIANCE AUDIT FOR THE FISCAL YEAR ENDED 30 SEPTEMBER 2019

WHEREAS, the University of Guam (UOG) is the primary U.S. Land Grant institution accredited by the Western Association of Schools and Colleges Senior College and University Commission serving the post-secondary needs of the people of Guam and the region;

WHEREAS, the governance and well-being of the University is vested in the Board of Regents (BOR);

WHEREAS, UOG's financial statements have received an unqualified audit opinion from Deloitte and Touche LLP for the fiscal year ended 30 September 2019 and the results of the audits are currently under review with the Guam Office of the Public Accountability (OPA);

WHEREAS, the auditor's Reports on Internal Control and on Federal Compliance have qualified UOG as a low-risk auditee with no material weaknesses and no reported significant deficiency;

WHEREAS, the auditor's Management Letter recommended four (4) improvements, for which UOG has taken corrective action;

WHEREAS, UOG's overall financial condition showed a $.7 million increase in net position;

WHEREAS, continuance of being a low-risk auditee and the maintenance of the net position are also a direct result of the efforts of faculty, staff and administrators throughout the UOG community;

WHEREAS, UOG estimates the Audit will be issued as soon as practical, after the review by the Guam OPA is completed; and

WHEREAS, the President and the BOR's Budget, Finance and Audit Committee have reviewed and recommend that the BOR accept the audit report.

NOW, THEREFORE, BE IT RESOLVED*,* that the BOR hereby accepts the results of the Deloitte & Touche LLP audit reports for the fiscal year ended 30 September 2019 and authorizes the President to finalize the audit reports and ensure they are issued in a timely manner.

Adopted this 14th day of May, 2020.

Elvin Y. Chiang, Chairperson

ATTESTED:

Thomas W. Krise, Ph.D., Executive Secretary

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

FINANCIAL STATEMENTS, ADDITIONAL INFORMATION AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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

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Years Ended September 30, 2019 and 2018

Deloitte.

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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, 2019 and 2018, 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, 2019 and 2018, 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.

Deloitte.

Emphasis-of-Matter

University of Guam Endowment Foundation, Inc.

As discussed in Note 2 to the financial statements, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities in 2018. The Foundation has elected to restate its 2017 financial statements to reflect the adoption of this standard. Our opinion is not modified with respect to this matter.

COVID-19

As discussed in Note 13 to the financial statements, UOG determined that the COVID-19 may negatively impact its business, results of operations and net position. However, due to uncertainty surrounding the duration of the state of emergency, UOG is unable to reasonably estimate its ultimate financial impact. Our opinion is not modified with respect to this matter.

Other Matters

University of Guam Endowment Foundation, Inc.

In our report dated May 2, 2019, we expressed a qualified opinion on the 2017 financial statements of the University of Guam Endowment Foundation, Inc. in accordance with accounting principles generally accepted in the United States of America because of its inability to evaluate the carrying value of its donated land held for sale. The Foundation subsequently adjusted the financial statements for the impairment loss associated with the land held for sale to conform with accounting principles generally accepted in the United States of America. Accordingly, our present opinion on the 2017 financial statements, as presented herein, is different from that expressed in our previous report.

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 55 through 57, the Schedule of Pension Contributions on page 58, the Schedule of Changes in the Proportionate Share of the Total OPEB Liability and Related Ratios on page 59 the Schedule of Proportionate Share of the Total OPEB Liability on page 60, and the Schedule of OPEB Contributions on page 61 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 62 through 66, the schedules of total revenue information on page 67 and the schedules and notes to schedules of fund restriction matrix on pages 68 and 69 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Deloitte.

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 66 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 May 18, 2020, 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.

Deloitte + Touche LLP

May 18, 2020

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

Management's Discussion and Analysis
Years Ended September 30, 2019 and 2018

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, 2019. 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 3,563 students (Fanuchanan '19 (Fall)) are multicultural, multilingual and 45.9% Asian, 45.3% Pacific Islander, 8.8% other. We offer 15 master's and 25 bachelor's degree programs. Continuing education, professional development and English language training are available. Our 982 employees, include 188 full-time faculty, 42 administrators and 342 full time staff and 412 part-time staff and faculty adjuncts.

The Leadership. A nine-member Board of Regents governs the University. Elvin Y. Chiang is the Board Chairperson; Mari Flor Herrero is Vice Chairperson; Jerold Filush is Treasurer and audit committee chair; 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 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, 2019 and 2018

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 included 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.

FY2019 FINANCIAL HIGHLIGHTS AND STRATEGIC INSTITUTIONAL OUTCOMES

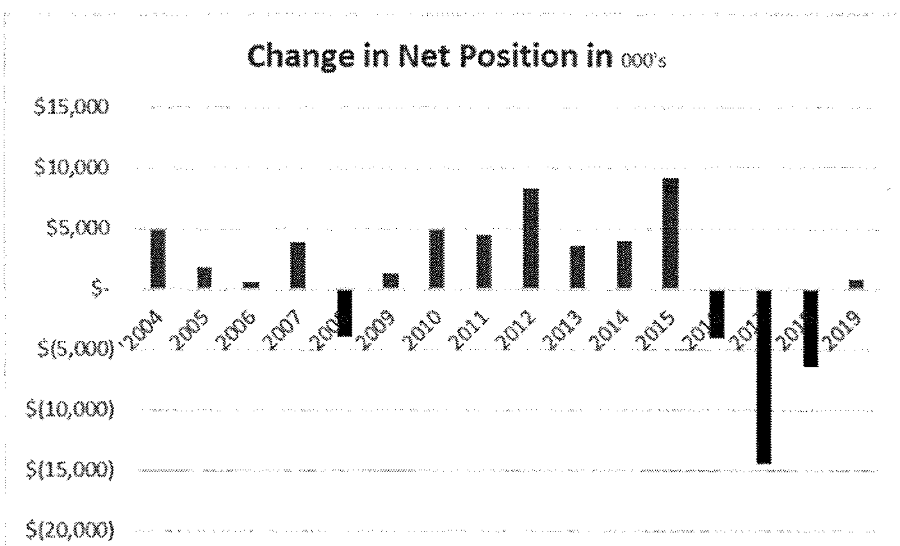
During Fiscal Year 2018 the University implemented GASB 75 which had a significant impact on the University's financial statements. This statement continues to have significant impact on the financial statements for the period ending September 30, 2019. The University's change in net position increased from a loss of $6.4 million to a gain of $0.7 million. Factors contributing to the gain are as follows:

- The University sought to restore its general operations appropriation to its FY17 level of $30.7 million. The result was a further decrease in appropriations to $27,456,655 from $27,877,201. Government of Guam revenues continue to be negatively impacted by the passage of the Tax Cuts and Jobs Act of 2017. Because Guam's tax code mirrors that of the U.S. Federal Government, the impact of the Act reduced projected revenues for the government.

- The Department of Administration improved its fiscal operations to allow for the University to receive level allotments throughout the year. The Governor of Guam, the Guam Legislature and the Department of Administration worked to ensure that the University received its full appropriation for the first time in four fiscal years.

- The University paid off its debt service related to a 1993 bond issuance.

- The University recorded a gain in net position reversing a three year trend.



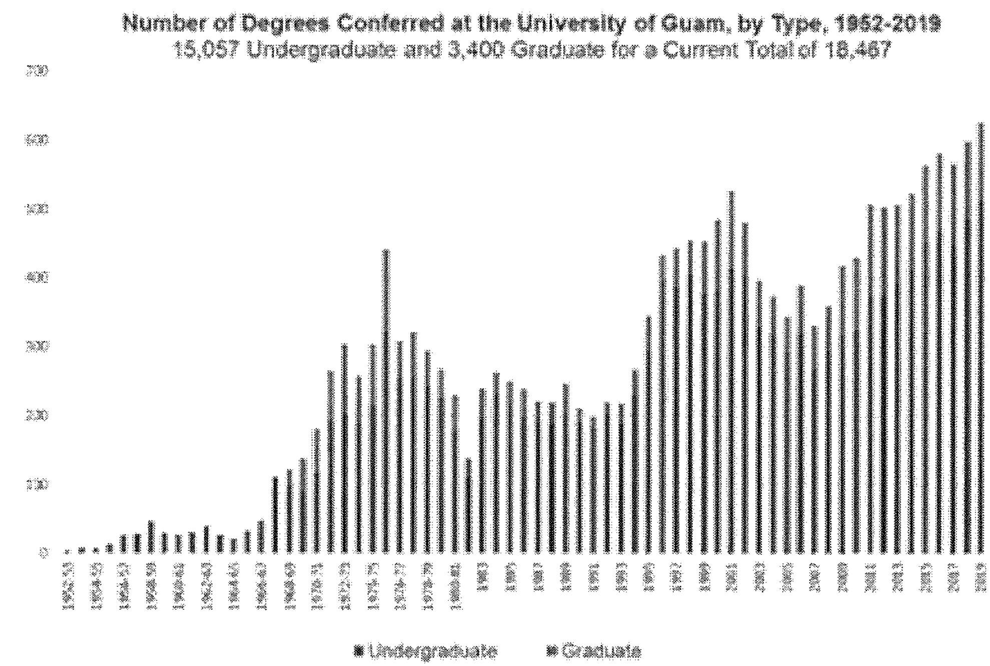
Important financial data include:

- The presentation of expenses changed as a result of the implementation of GASB No. 75.
- The University's costs have been increasing while the revenues the University receives has been decreasing. The rollout of the New School of Engineering continues.
- There has been a financial gain for the first time in four years since University appropriations were reduced and inconsistent.
- Enrollment for the Fanuchanan semester (Fall) 2019 was 3,509. This was the fourth straight decline in enrollment. The University is developing programs to reach into local high schools in order to attract more high school graduates to the University. The University generates 62% of revenues; GovGuam provides 38%.
- The University has converted all of its classes to an online basis as a result of the COVID-19 pandemic. The University believes this action will open doors to attract additional pools of students to attend in future semesters.
- Federal grants and contracts grew by more than $2 million during the year.

Significant institutional outcomes that affect financial statements and resources include:

- Enrollment for the Fanuchanan (Fall) semester was 3,509 students. The credit hour production for the semester was 42,404.
- 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 $13 million more than the University receives in general operations appropriations.
- 619 undergraduate and graduate degrees were conferred in Academic Year '18-19. Total degrees conferred by the University now stand at 18,452. These former students are the professional backbone and leadership of our island and region.
- GOREX – the Guam Open Research and Education Exchange was initiated during the period. This provides up to 100 Gbps networking speed through the University of Hawaii. This also positions the University in a stronger position to be recognized as a Research and Education hub for the Pacific Rim 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).
- The University has completed the planning phase of the Para Hulo' strategic planning process and is now moving into the execution phase.
- The University has been achieving the goals set forth in its $6 million grant from the National Science Foundation's Experimental Program to Stimulate Competitive Research (EPSCoR) which includes the development of a database of marine life whose habitat is near and around the island. The grant period runs from October 1, 2015 to September 30, 2020. The University has submitted its application seeking an increase in this funding for the next five year period.

The graph on the next page 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, 2019 and 2018

SUMMARY STATEMENTS OF NET POSITION (IN $000'S)

	2019	2018	2017
Noncapital assets	$ 65,909	$ 69,480	$ 68,269
Capital assets	66,387	66,242	67,437
Deferred outflows of resources	19,883	18,850	24,200
Total assets and deferred outflows of resources	$ 152,179	$ 154,572	$ 159,906
Current liabilities	$ 15,521	$ 16,074	$ 14,379
Noncurrent liabilities	193,406	225,133	239,098
Deferred inflows of resources	43,568	14,425	1,062
Total liabilities and deferred inflows of resources	252,495	255,632	254,539
Net investment in capital assets	55,583	55,175	56,123
Restricted, nonexpendable	9,348	9,262	6,374
Restricted, expendable	23,095	24,783	24,635
Unrestricted	(188,342)	(190,280)	(181,765)
Total net position	(100,316)	(101,060)	(94,633)
Total liabilities, deferred inflow of resources and net position	$ 152,179	$ 154,572	$ 159,906

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. The area with the most significant changes have 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. We attribute this to a settling in of the new rules. 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. The University has received a grant for the construction of a new cultural repository to be constructed on campus. This will be the first new major asset in more than a decade.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

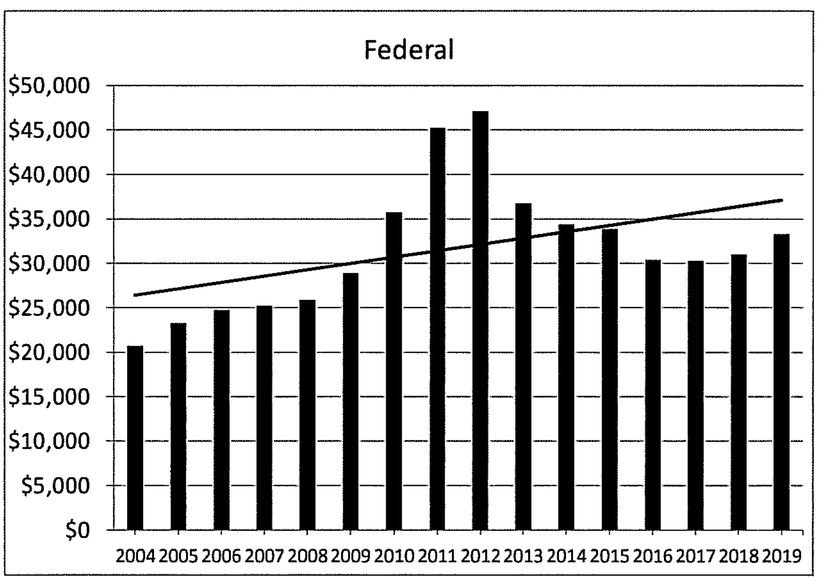
The statement of revenues, expenses and changes in net position provides details of operating and non-operating revenues and expenditures, similar to an income statement.

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

	2019	2018	2017
Operating Revenues, Net	$ 57,629	$ 57,035	$ 54,009
Operating Expenses	91,109	99,617	101,063
Operating Revenues Net of Operating Expenses	(33,480)	(42,582)	(47,054)
Non-Operating and Other Revenues and Expenses	34,224	36,155	32,674
Increase (Decrease) in Net Position	744	(6,427)	(14,380)
Net Position - Beginning of Year	(101,060)	(94,633)	(80,254)
Net Position - End of Year	$ (100,316)	$ (101,060)	$ (94,633)

Tuition revenue declined as a result of decreased enrollment. This was offset by an increase in revenue from federal grants and contract resulting from increased grant activity. The changes in expenses are mostly resulting 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.

The following graph reflects grant activity for the last decade:

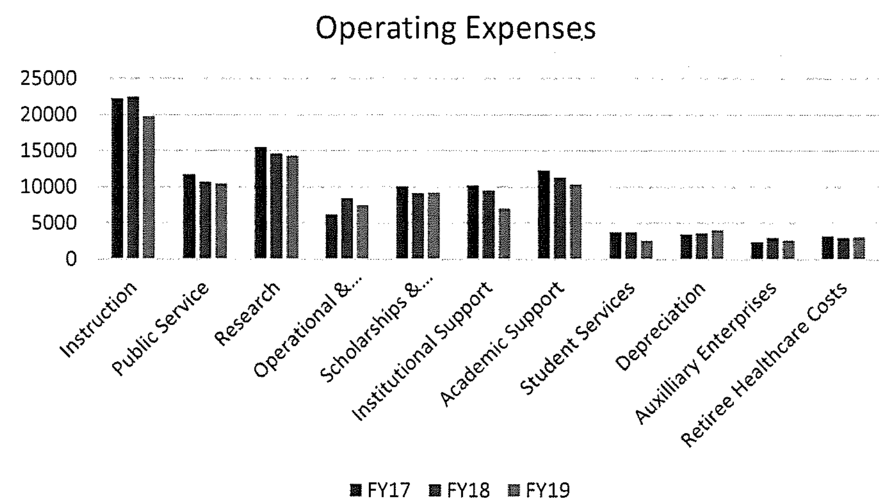


UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis
Years Ended September 30, 2019 and 2018

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. Increasing revenues from federal grants has been a major focus of the University in recent years and has resulted in a $6 million five-year (EPSCoR) grant. UOG is pursuing an increase in this grant from the National Science Foundation (NSF) when the initial term runs out in 2020. This NSF grant has opened doors to other funding opportunities for the University.

Changes to operating expenses fluctuated largely as a result of the implementation of GASB No. 75. The University spent $44.6 million directly on its core mission. Of that, 44% went to instruction, 24% to public service and 32% 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)

	2019	2018	2017
Cash provided by (used in):			
Operating activities	$ (29,734)	$ (29,932)	$ (28,236)
Non-capital financing activities	32,259	30,879	34,879
Capital and financing activities	(4,635)	(3,331)	(343)
Investing activities	4,384	986	(2,386)
Net Change in Cash and Cash Equivalents	2,274	(1,398)	3,914
Cash and Equivalents – Beginning of Year	8,250	9,648	5,734
Cash and Equivalents – End of Year	$ 10,524	$ 8,250	$ 9,648

Cash flow reflects the pressure as a result of reduced, uncertain, and inconsistent allotment payments. This was improved in Fiscal Year 2019 as a result of the full payment of the appropriation. Investing activities accounted for most of the other significant changes.

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 FY19, the University had $122.7 million invested in depreciable capital assets. This represents an increase in net capital assets (including additions and deletions) of $1.5 million or 1.2% over the previous year. The University completed a project to harden two classrooms with 75% funding received from the Federal Emergency Management Agency. The University is nearing completion of the construction of a new science laboratory on the second floor of the science building. The University also completed some emergency air conditioning repairs. The University had accrued $63.9 million in accumulated depreciation against the assets. Net capital assets were $58.8 million, a decrease from the prior year's $61.3 million. For additional information concerning capital assets, refer to Note 5 to the financial statements.

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 Stated 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. The University is currently working on an expedited review of a new loan for the same projects. UOG will revise the lease/lease back arrangement with the Foundation to incorporate the terms of the new USDA note. As of September 30, 2019 and 2018, the University had long-term debt of $10.8 and $11.1 million, respectively. The University made the final payments on its bond obligations in November 2018. See Note 6 to the financial statements for additional information.

University of Guam: Implementing Para Hulo'

The planning phase of the Para Hulo' (ever upward) strategic planning process has been completed. Significant initiatives to be executed include improving the Carnegie research classification, 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 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 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 repository will be constructed on the UOG campus and will be overseen by the Dean of Libraries for the University.
- RCUOG has received a grant to construct a new building for the Water and Environmental Research Institute. The new facility will include a laboratory that can increase the testing services it provides to the Guam Waterworks Authority and other businesses on the island.
- 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 7 year accreditation from the International Accreditation Council for Business Education.
- The University has been awarded a five-year $6 million grant from the U.S. National Science Foundation Experimental Program to Stimulate Competitive Research grant (EPSCoR) to develop research capacity. The University also was awarded a cancer grant from the National Institute of Health in partnership with the University of Hawaii.
- 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. UOG 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 UOG to take advantage of its location and serve as a regional hub for Internet2 connectivity.
- 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 institute and with several regional universities.

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

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

Statements of Net Position - University Only
September 30, 2019 and 2018

		2019		2018
Assets and Deferred Outflows of Resources				
Current assets:				
Cash and cash equivalents	$	10,523,823	$	8,250,391
Short-term investments		7,358,865		11,289,916
Due from Government of Guam		-		1,102,349
Tuition receivable, net of an allowance for doubtful accounts of $4,836,709 in 2019 and $4,514,589 in 2018		7,499,429		7,803,872
Due from the US Federal government		4,873,157		4,202,298
Due from University of Guam Endowment Foundation, Inc.		325,000		525,000
Other receivables, net of an allowance for doubtful accounts of $1,335,781 in 2019 and $433,908 in 2018		199,143		1,627,873
Inventories		806,779		674,936
Other current assets		708,825		290,823
Total current assets		32,295,021		35,767,458
Noncurrent assets:				
Restricted cash and cash equivalents		1,913,398		2,247,252
Restricted investments		4,900,974		5,877,554
Investments		12,108,206		11,290,549
Endowment investments		14,692,237		14,297,678
Capital assets:				
Depreciable capital assets, net of accumulated depreciation		58,807,888		61,314,906
Nondepreciable capital assets		7,578,870		4,927,532
Total noncurrent assets		100,001,573		99,955,471
Deferred outflows of resources:				
Deferred outflows from OPEB		8,745,158		11,072,936
Deferred outflows from pension		11,137,450		7,776,753
Total deferred outflows of resources		19,882,608		18,849,689
	$	152,179,202	$	154,572,618
Liabilities, Deferred Inflows of Resources and Net Position				
Current liabilities:				
Current portion of long-term debt	$	276,137	$	264,171
Accounts payable and accrued liabilities		5,775,955		5,469,808
Unearned revenues		8,575,257		9,464,117
Current portion of accrued annual leave		893,498		875,483
Total current liabilities		15,520,847		16,073,579
Noncurrent liabilities:				
Long-term debt, net of current portion		10,527,253		10,803,390
Deposits held on behalf of others		274,201		171,712
Accrued annual leave, net of current portion		975,498		1,011,574
DCRS sick leave liability		1,512,059		2,941,422
Net OPEB liability		92,474,461		125,480,519
Net pension liability		87,642,038		84,724,402
Total noncurrent liabilities		193,405,510		225,133,019
Deferred inflows of resources:				
Deferred inflows from OPEB		41,251,320		10,884,237
Deferred inflows from pension		2,316,425		3,541,353
Total deferred inflows of resources		43,567,745		14,425,590
Total liabilities and deferred inflows of resources		252,494,102		255,632,188
Commitments and contingencies				
Net position:				
Net investment in capital assets		55,583,370		55,174,877
Restricted, nonexpendable		9,348,618		9,262,498
Restricted, expendable		23,095,537		24,782,671
Unrestricted		(188,342,425)		(190,279,616)
Total net position		(100,314,900)		(101,059,570)
	$	152,179,202	$	154,572,618

See accompanying notes to financial statements.

UNIVERSITY OF GUAM ENDOWMENT FOUNDATION, INC.

Statements of Financial Position
December 31, 2018 and 2017

ASSETS		2018		2017 (As Restated)
Cash and cash equivalents	$	534,648	$	1,247,244
Pledges and other receivables, net of an allowance for doubtful accounts of $114,748 at December 31, 2018 and 2017		1,876,843		1,967,679
Investment in Bank of Guam stock		1,781,900		1,733,482
Investments in securities at fair value		11,296,916		11,130,153
Land held for sale		2,704,743		2,704,743
Equipment, net		4,951		8,714
	$	18,200,001	$	18,792,015
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued expenses	$	479,430	$	179,123
Total liabilities		479,430		179,123
Commitment				
Net assets:				
Without donor restrictions		4,635,320		5,658,261
With donor restrictions		13,085,251		12,954,631
Total net assets		17,720,571		18,612,892
	$	18,200,001	$	18,792,015

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, 2019 and 2018

	2019	2018
Operating revenues:		
Student tuition and fees	$ 23,917,758	$ 24,727,549
Less scholarship discounts and allowances	(11,149,952)	(11,147,587)
	12,767,806	13,579,962
Federal grants and contracts	33,374,755	31,077,851
Government of Guam grants and contracts	766,821	1,342,998
Private grants and contracts	1,496,028	1,039,469
Sales and services of education department	470,105	542,865
Auxiliary enterprises	1,853,553	1,732,692
Other revenues	8,038,222	8,734,507
Total operating revenues	58,767,290	58,050,344
Bad debts provision	(1,137,784)	(1,015,086)
Net operating revenues	57,629,506	57,035,258
Operating expenses:		
Instruction	19,789,878	22,487,205
Research	14,335,457	14,646,465
Public service	10,492,963	10,710,287
Academic support	10,377,431	11,316,928
Scholarships and fellowships	9,204,871	9,153,335
Operational and maintenance, plant	7,504,615	8,441,706
Institutional support	7,014,570	9,515,942
Depreciation	4,077,164	3,617,402
Auxiliary enterprises	2,652,441	3,004,132
Student services	2,597,485	3,745,744
Retiree healthcare costs and other pension benefits	3,062,258	2,978,001
Total operating expenses	91,109,133	99,617,147
Operating loss	(33,479,627)	(42,581,889)
Nonoperating revenues (expenses):		
Government of Guam appropriations:		
Operations	28,482,415	26,684,719
Student financial aid program	3,287,524	3,204,052
Guam Cancer Trust Fund	-	2,786,270
Capital expenditure loan repayment	423,739	500,000
Retiree healthcare costs and other pension benefits	3,062,258	2,978,001
Lease repayment	990,744	602,349
Net contributions (to) from Endowment Foundation	(100,000)	200,000
Net investment income	693,503	1,736,947
Loss on fixed assets disposal	(97,210)	-
Interest on capital assets - debt related	(485,888)	(504,036)
Debt service - DOA bond	(2,027,788)	(2,027,788)
Transfer to Agency Fund	(5,000)	(5,000)
Total nonoperating revenues, net	34,224,297	36,155,514
Change in net position	744,670	(6,426,375)
Net position at beginning of year	(101,059,570)	(94,633,195)
Net position at end of year	$ (100,314,900)	$ (101,059,570)

See accompanying notes to financial statements.

UNIVERSITY OF GUAM ENDOWMENT FOUNDATION, INC.

Statement of Activities
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other income:			
Net investment loss	$ (710,395)	$ (117,710)	$ (828,105)
Contributions	81,037	713,056	794,093
In-kind donations	47,500	-	47,500
Fundraising activities	40,008	160,215	200,223
Others	473	-	473
Net assets released from restrictions:			
Satisfaction of program restrictions	624,941	(624,941)	-
Total revenues	83,564	130,620	214,184
Expenses and losses:			
Program services:			
Scholarships	77,458	-	77,458
Total program services	77,458	-	77,458
Support services:			
Management and general	873,399	-	873,399
Fundraising activities	108,148		108,148
In-kind expenses	47,500	-	47,500
Total support services	1,029,047	-	1,029,047
Total expenses	1,106,505	-	1,106,505
Change in net assets	(1,022,941)	130,620	(892,321)
Net assets at beginning of year	5,658,261	12,954,631	18,612,892
Net assets at end of year	$ 4,635,320	$ 13,085,251	$ 17,720,571

See accompanying notes to financial statements.

UNIVERSITY OF GUAM ENDOWMENT FOUNDATION, INC.

Statement of Activities
Year Ended December 31, 2017
As Restated

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other income:			
Net investment gains	$ 1,265,164	$ 287,482	$ 1,552,646
Contributions	43,888	587,010	630,898
In-kind donations	5,000	-	5,000
Fundraising activities	28,685	76,986	105,671
Others	47,010	-	47,010
Net assets released from restrictions:			
Satisfaction of program restrictions	406,428	(406,428)	-
Total revenues	1,796,175	545,050	2,341,225
Expenses and losses:			
Program services:			
Scholarships	23,500	-	23,500
Total program services	23,500	-	23,500
Support services:			
Management and general	547,441	-	547,441
In-kind expenses	5,000	-	5,000
Total support services	552,441	-	552,441
Total expenses	575,941	-	575,941
Change in net assets	1,220,234	545,050	1,765,284
Net assets at beginning of year	4,438,027	12,409,581	16,847,608
Net assets at end of year	$ 5,658,261	$ 12,954,631	$ 18,612,892

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, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Student tuition and fees, net	$ 11,045,605	$ 13,424,014
Grants, contracts and appropriations	34,966,744	33,064,722
Sales and services of education department	470,105	542,865
Auxiliary services	1,853,553	1,732,692
Other receipts	9,151,442	8,783,247
Payments to employees	(51,668,255)	(50,976,431)
Payments to suppliers	(26,348,891)	(27,349,691)
Payments to students for financial aid	(9,204,871)	(9,153,334)
Net cash used for operating activities	(29,734,568)	(29,931,916)
Cash flows from non-capital related financing activities:		
Government of Guam appropriations collected	32,258,983	30,879,014
Cash flows from capital and related financing activities:		
Reduction of due from Endowment Foundation	100,000	-
Interest paid on capital debt	(485,888)	(504,036)
Principal paid on capital debt	(264,171)	(246,024)
Purchases of capital assets	(4,318,696)	(2,422,822)
Net cash used for capital and related financing activities	(4,968,755)	(3,172,882)
Cash flows from investing activities:		
Investment income	725,646	653,286
Sale of investments	3,658,272	332,960
Net cash provided by investing activities	4,383,918	986,246
Net change in cash and cash equivalents	1,939,578	(1,239,538)
Cash and cash equivalents, beginning of year	10,497,643	11,737,181
Cash and cash equivalents, end of year	$ 12,437,221	$ 10,497,643

Supplemental information on noncash activities:

During the years ended September 30, 2019 and 2018, the University recorded appropriations of $3,062,258 and $2,978,001, 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, 2019 and 2018

	2019	2018
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	$ (33,479,627)	$ (42,581,889)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	4,077,164	3,617,402
Bad debts expense	1,137,784	1,015,086
Retiree healthcare costs	3,062,258	2,978,001
Noncash pension cost	(1,979,186)	5,530,227
Changes in assets and liabilities:		
Receivables, net	(75,468)	(1,904,389)
Inventories	(131,843)	107,066
Other current assets	(418,002)	147,617
Accounts payable, accrued liabilities and deposits held for others	408,636	578,673
Accrued annual leave	(18,061)	(546)
DCRS sick leave liability	(1,429,363)	(575,873)
Unearned revenues	(888,860)	1,156,709
Net cash used for operating activities	$ (29,734,568)	$ (29,931,916)

See accompanying notes to financial statements.

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.AA 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.

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 month 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 and related investment earnings are reported at fair value using quoted market prices. 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, 2019 and 2018.

H. Accounts Receivable - U.S. Federal Government. Accounts receivable from the U.S. 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.

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 OPEB 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 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.

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 2019 and 2018 was $243,047 and $221,360, 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.

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 - 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.

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.

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.

2. Summary of Significant Accounting Policies, Continued

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. Certain balances in the 2018 presentation have been reclassified to conform with the 2019 presentation. The University determined that restricted cash should be included with cash and cash equivalents, so the 2018 cash flows statement has been restated to reflect restricted cash as cash and cash equivalents.

AA. UOG Endowment Foundation Pledges Receivable, Investments, Land Held for Sale, and Restatement

UOG Endowment Foundation Pledges Receivable:

Pledges receivable consist of donations pledged to the Foundation, but not yet received as of December 31, 2018 and 2017. 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 reserved for all other long-term receivables.

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

	2018	2017
SBPA (School of Business and Public Administration) Building and Other	$ 112,728	$ 128,108
60th Anniversary Capital Campaign	1,772,440	1,847,503
Total pledges receivable	1,885,168	1,975,611
Other	106,423	106,816
	1,991,591	2,082,427
Less: allowance for doubtful accounts	(114,748)	(114,748)
	$ 1,876,843	$ 1,967,679

2. Summary of Significant Accounting Policies, Continued

AA. UOG Endowment Foundation Pledges Receivable, Investments, Land Held for Sale, and Restatement, Continued

UOG Endowment Foundation Pledges Receivable, Continued:

Pledges receivable at December 31, 2018 are scheduled to be paid as follows:

Less than one year	$ 344,897
One to five years	790,407
More than five years	2,025,000
	3,160,304
Less unamortized discount	(1,275,136)
	$ 1,885,168

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, 2018 and 2017, is as follows:

	2018	2017
Cash	$ 185,669	$ 190,755
Equities	815,604	924,527
Fixed income	131,216	134,238
Exchange traded funds	6,646,551	6,813,822
Mutual funds	3,517,876	3,066,811
	$ 11,296,916	$ 11,130,153

The Foundation's investment in securities balance at December 31, 2018 and 2017 include cash deposited within the cash sweep program of $185,669 and $190,755, 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, 2018, was as follows:

Moody's Rating	
AAA/AA+	$ 79,818
AA2/AA	6,935
A2/A-	8,312
A3/A-	14,589
A3/BBB+	6,585
BAA1/BBB+	8,024
BAA2/BBB	6,953
Total	$131,216

2. Summary of Significant Accounting Policies, Continued

AA. UOG Endowment Foundation Pledges Receivable, Investments, Land Held for Sale, and Restatement, Continued

UOG Endowment Foundation Investments, Continued:

The Foundation's exposure to credit risk at December 31, 2017, was as follows:

Moody's Rating	
AAA/AA+	$ 79,879
A2/A	8,613
A3/A-	24,079
A3/BBB+	7,187
A3/BBB	7,296
BAA1/BBB+	7,184
Total	134,238

The composition of net (losses) gains on investments in securities as of December 31, 2018 and 2017, is as follows:

	2018	2017
Net unrealized (losses) gains	$ (1,348,078)	$ 344,213
Net realized gains	176,625	971,528
Interest income	362,607	269,146
Dividends	77,855	55,373
Fees and other expenses, net	(97,114)	(87,614)
	$ (828,105)	$ 1,552,646

Investments at December 31, 2018 and 2017, include 65,431 shares of common stock in Bank of Guam (BOG). It also includes 1,000 shares of preferred stock in Bank of Guam (BOG) at December 31, 2018 and 2017. 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.

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 2017, the Foundation sold parcels of its donated land, one parcel of land for net proceeds of $13,300 and another parcel for net proceeds of $660,058, resulting in a gain from sale of $46,642. Land held for sale is carried at estimated net realizable value of $2,704,743 at December 31, 2018 and 2017.

UOG Endowment Foundation Restatement

On August 18, 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which significantly changes the presentation requirements for financial statements of not-for-profit entities. The ASU amendments are effective for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. The ASU amendment requires the Foundation to present its financial position at the end of the period in two classes of net assets – net assets with donor restrictions and net assets without donor restrictions. Prior to the amendment, net assets are classified as unrestricted, temporarily restricted and permanently restricted. The ASU also requires changes in the statement of activities similar to its presentation of the new classes of net assets.

2. Summary of Significant Accounting Policies, Continued

AA. UOG Endowment Foundation Pledges Receivable, Investments, Land Held for Sale, and Restatement, Continued

UOG Endowment Foundation Restatement, Continued

The Foundation's net assets as of December 31, 2017 have been restated to reflect the required presentation as follows:

	As Previously Reported	Adjustment	As Restated
As of December 31, 2017:			
Unrestricted net assets	$ 5,658,261	$ (5,658,261)	$ -
Temporarily restricted net assets	12,454,631	(12,454,631)	-
Permanently restricted net assets	500,000	(500,000)	-
Without donor restrictions net assets	-	5,658,261	5,658,261
With donor restrictions net assets	-	12,954,631	12,954,631

AB. New Accounting Standards

During the year ended September 30, 2019, the University implemented the following pronouncements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset.

- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

The implementation of these statements did not have a material effect on the University's financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

2. Summary of Significant Accounting Policies, Continued

AB. New Accounting Standards, Continued

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies 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. The provisions in Statement No. 91 are effective for fiscal years beginning after December 15, 2020. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement No.'s 84, 89, 90 and 91 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. Management has yet to ascertain whether implementation of these statements will be postponed as provided in GASB Statement No. 95.

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.

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.

3. Deposits and Investments, Continued

(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.

(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.

3. Deposits and Investments, Continued

A. Deposits, Continued

At September 30, 2019 and 2018, the carrying amount of the University's cash and cash equivalents and time certificates of deposit were $19,796,086 and $21,787,559, respectively, and the corresponding bank balances were $26,665,766 and $28,334,573, respectively. Of the bank balance amounts, $5,641,369 and $8,118,750, 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, 2019 and 2018, the University recorded $2,249,781 and $2,191,566, 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, $1,722,323 and $1,702,277 at September 30, 2019 and 2018, respectively, is invested in a Federated Short-Intermediate Duration Municipal Trust Service Shares mutual fund, presented as restricted investments in the statements of net position.

As of September 30, 2019 and 2018, the University recorded $3,344,192 and $4,992,546, respectively, 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. Of the amount recorded, $3,178,651 and $4,175,277 at September 30, 2019 and 2018, respectively, is invested time certificates of deposit presented as restricted investments in the statements of net position.

Restricted cash and cash equivalents also include $750,073 and $750,134 as of September 30, 2019 and 2018, 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 $635,867 and $62,686, 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, 2019 consist of the following:

	Short-term	Restricted	Long-term	Endowment	Total
Certificates of deposit	$ 7,358,865	$ 3,178,651	$ -	$ -	$ 10,537,516
Money market funds	-	-	186,140	225,865	412,005
Fixed income securities	-	-	3,079,326	3,736,489	6,815,815
Common stock	-	-	6,655,945	8,076,401	14,732,346
Mutual funds	-	1,722,323	492,230	597,277	2,811,830
Exchange-traded funds	-	-	1,694,565	2,056,205	3,750,770
	$ 7,358,865	$ 4,900,974	$ 12,108,206	$ 14,692,237	$ 39,060,282

3. Deposits and Investments, Continued

B. Investments, Continued

Investments at September 30, 2018 consist of the following:

	Short-term	Restricted	Long-term	Endowment	Total
Certificates of deposit	$ 11,289,916	$ 4,175,277	$ -	$ -	$ 15,465,193
Money market funds	-	-	151,245	191,527	342,772
Fixed income securities	-	-	2,781,570	3,522,415	6,303,985
Common stock	-	-	6,428,764	8,141,004	14,569,768
Mutual funds	-	1,702,277	491,234	622,069	2,815,580
Exchange-traded funds	-	-	1,437,736	1,820,663	3,258,399
	$ 11,289,916	$ 5,877,554	$ 11,290,549	$ 14,297,678	$ 42,755,697

The University's exposure to credit risk at September 30, 2019 and 2018 follows:

Moody's Rating	2019
AAA	$ 2,185,486
A1/A	510,073
A-	235,900
A2/A-	1,681,791
A3/A-	105,651
A3/BBB+	759,659
BAA3/BBB-	-
BA1/BB	166,372
BA2/BB-	153,270
BA3	27,414
BA3/B+	259,376
B1/B	204,601
B2/B	206,291
B3/BB-	225,146
CAA1/CCC+	21,275
Not rated	73,510
Total credit risk debt securities	$ 6,815,815

Moody's Rating	2018
AAA	$ 2,927,698
A1/A	707,793
A2/A	197,340
A3/A	299,721
A3/BBB	227,378
BAA3/BBB-	10,578
BA1/BB+	185,558
BA2/BB	123,263
BA3/BB-	198,240
B1/BB+	243,861
B2/B	244,987
B3/B	106,750
CAA1	40,979
Not rated	789,839
Total credit risk debt securities	$ 6,303,985

3. Deposits and Investments, Continued

B. Investments, Continued

As of September 30, 2019, the University's fixed income securities had the following maturities:

Investment Type	Fair value	Less than 1 year	1 to 5 years	5 to 10 years	More than 10 years
Corporate bonds	$ 4,556,819	$ 66,706	$ 3,416,574	$ 1,073,539	$ -
U.S. Government Agency Bonds	1,044,034	-	1,044,034	-	-
U.S. Treasury Notes	1,141,452	-	-	-	1,141,452
Asset Backed Securities	73,510	-	8,301	-	65,209
	$ 6,815,815	$ 66,706	$ 4,468,909	$ 1,073,539	$ 1,206,661

As of September 30, 2018, the University's fixed income securities had the following maturities:

Investment Type	Fair value	Less than 1 year	1 to 5 years	5 to 10 years	More than 10 years
Corporate bonds	$ 3,142,710	$ -	$ 2,215,538	$ 927,172	$ -
U.S. Government Agency Bonds	824,937	-	435,098	247,963	141,876
U.S. Treasury Notes	2,336,338	-	303,729	1,091,084	941,525
	$ 6,303,985	$ -	$ 2,954,365	$ 2,266,219	$ 1,083,401

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, 2019 and 2018.

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, 2019 and 2018, the University did not hold any investment in any one issuer that represented 5% or more of total investments of the University.

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 (loss) for the years ended September 30, 2019 and 2018 is as follows:

	2019	2018
Interest and dividends from investments	$ 725,646	$ 653,286
Investment fees expense	(206,948)	(194,214)
Appreciation of fair value of investments, net	174,805	1,277,875
	$ 693,503	$ 1,736,947

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, 2019 and 2018:

		Fair Value Measurements Using		
	September 30, 2019	Level 1	Level 2	Level 3
Investments by fair value level:				
Fixed income securities	$ 6,815,815	$ -	$ 6,815,815	$ -
Equity securities	14,732,346	14,732,346	-	-
Mutual funds	2,811,830	2,811,830	-	-
Exchange-traded funds	3,750,770	3,750,770	-	-
Total investments by fair value level	28,110,761	21,294,946	6,815,815	-
Investments measured at cost:				
Certificates of deposit	10,537,516			
Money market funds	412,005			
Total investments at cost	10,949,521			
	$ 39,060,282			

		Fair Value Measurements Using		
	September 30, 2018	Level 1	Level 2	Level 3
Investments by fair value level:				
Fixed income securities	$ 6,303,985	$ -	$ 6,303,985	$ -
Equity securities	14,569,768	14,569,768	-	-
Mutual funds	2,815,580	2,815,580	-	-
Exchange-traded funds	3,258,399	3,258,399	-	-
Total investments by fair value level	26,947,732	20,643,747	6,303,985	-
Investments measured at cost:				
Certificates of deposit	15,465,193			
Money market funds	342,772			
Total investments at cost	15,807,965			
	$ 42,755,697			

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.

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, 2019 and 2018, loans receivable are reserved in the amount of $17,081,635 and $17,999,479, respectively, and recoveries collected are $387,548 and $509,363 for the years then ended, respectively.

5. Capital Assets

Activity and balances for capital assets for the years ended September 30, 2019 and 2018 consisted of the following:

2019:	Balance October 1, 2018	Additions/ Transfers	Retirements/ Transfers	Balance September 30, 2019
Depreciable:				
Land improvements	$ 320,754	$ 15,002	$ -	$ 335,756
Building	87,025,199	33,450	-	87,058,649
Building improvements	6,515,735	464,295	-	6,980,030
Equipment	19,333,437	884,155	(224,765)	19,992,827
Library books	8,032,381	270,454	-	8,302,835
	121,227,506	1,667,356	(224,765)	122,670,097
Less accumulated depreciation	(59,912,600)	(4,077,164)	127,555	(63,862,209)
	61,314,906	(2,409,808)	(97,210)	58,807,888
Nondepreciable:				
Land	2,823,212	-	-	2,823,212
Construction in progress	2,104,320	2,999,145	(347,807)	4,755,658
	4,927,532	2,999,145	(347,807)	7,578,870
Total capital assets, net	$ 66,242,438	$ 589,337	$ (445,017)	$ 66,386,758

2018:	Balance October 1, 2017	Additions/ Transfers	Retirements/ Transfers	Balance September 30, 2018
Depreciable:				
Land improvements	$ 320,754	$ -	$ -	$ 320,754
Building	87,025,199	-	-	87,025,199
Building improvements	5,462,719	1,053,016	-	6,515,735
Equipment	18,502,973	953,486	(123,022)	19,333,437
Library books	7,778,157	254,224	-	8,032,381
	119,089,802	2,260,726	(123,022)	121,227,506
Less accumulated depreciation	(56,406,040)	(3,617,402)	110,842	(59,912,600)
	62,683,762	(1,356,676)	(12,180)	61,314,906
Nondepreciable:				
Land	2,823,212	-	-	2,823,212
Construction in progress	1,930,044	1,227,293	(1,053,017)	2,104,320
	4,753,256	1,227,293	(1,053,017)	4,927,532
Total capital assets, net	$ 67,437,018	$ (129,383)	$ (1,065,197)	$ 66,242,438

6. Long-Term Debt

Long-term debt at September 30, 2019 and 2018 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, 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, 2019 and 2018, UOG does not have any unused lines of credit.

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

Year Ending September 30,	Principal	Interest	Total
2020	$ 276,137	$ 473,923	$ 750,060
2021	288,646	461,414	750,060
2022	301,721	448,339	750,060
2023	315,388	434,672	750,060
2024	329,674	420,386	750,060
2025-2029	1,886,373	1,863,927	3,750,300
2030-2034	2,354,116	1,396,184	3,750,300
2035-2039	2,937,840	812,460	3,750,300
2040-2043	2,113,495	148,519	2,262,014
	$ 10,803,390	$ 6,459,824	$ 17,263,214

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, 2019 and 2018, the University received $423,739 and $500,000, respectively for this purpose.

Long-term debt activities for the years ended September 30, 2019 and 2018, were as follows:

	Outstanding October 1, 2018	Additions	Reductions	Outstanding September 30, 2019	Amount due within one year
Loans payable	$ 11,067,561	$ -	$ 264,171	$ 10,803,390	$ 276,137

	Outstanding October 1, 2017	Additions	Reductions	Outstanding September 30, 2018	Amount due within one year
Loans payable	$ 11,313,585	$ -	$ 246,024	$ 11,067,561	$ 264,171

6. Long-Term Debt, Continued

Direct Borrowings, Continued:

Pursuant to the Foundation's resolution 1-2002, the Foundation's 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. Starting 2017 through 2019, 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. As of September 30, 2019, $100,000 of total accrued receivable from the Foundation from prior years was reversed by the University based upon the mutual agreement between the Board of the University and the Foundation.

7. Changes in Other Long-Term Liabilities

Changes in UOG's other long-term liabilities for the years ended September 30, 2019 and 2018 were as follows:

	Outstanding October 1, 2018	Additions	Reductions	Outstanding September 30, 2019	Amount due within one year
Other liabilities:					
Deposits held on behalf of others	$ 171,712	$ 1,204,528	$ 1,102,039	$ 274,201	$ -
Accrued annual leave	1,887,057	1,693,828	1,711,889	1,868,996	893,498
DCRS sick leave liability	2,941,422	829,133	2,258,496	1,512,059	-
Net OPEB liability	125,480,519	9,237,496	42,243,554	92,474,461	-
Net pension liability	84,724,402	13,331,807	10,414,171	87,642,038	-
	$ 215,205,112	$ 26,296,792	$ 57,730,149	$ 183,771,755	$ 893,498

	Outstanding October 1, 2017	Additions	Reductions	Outstanding September 30, 2018	Amount due within one year
Other liabilities:					
Deposits held on behalf of others	$ 74,453	$ 1,318,861	$ 1,221,602	$ 171,712	$ -
Accrued annual leave	1,887,603	1,632,640	1,633,186	1,887,057	875,483
DCRS sick leave liability	3,517,295	785,595	1,361,468	2,941,422	-
Net OPEB liability	130,132,437	-	4,651,918	125,480,519	-
Net pension liability	93,255,503	603,842	9,134,943	84,724,402	-
	$ 228,867,291	$ 4,340,938	$ 18,003,117	$ 215,205,112	$ 875,483

8. 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, 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 are eligible to receive an annual ad hoc cost of living allowance (COLA).

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, 2018 (the measurement date), plan membership consisted of the following:

DB members:	
Inactive employees or beneficiaries currently receiving benefits	7,273
Inactive employees entitled to but not yet receiving benefits	3,170
Active employees	5,188
	15,631
DCRS members:	
Active employees	5,921
	21,552

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.

8. Pensions, Continued

A. General Information About the Pension Plans, Continued:

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 retiree 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.

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). Commencing April 1, 2017 through September 30, 2018, eligible employees may elect, during the "election window", to participate in the DB 1.75 Plan or the GRSP with an effective date of January 1, 2018. Beginning January 1, 2018, all new employees shall be automatically enrolled in the GRSP. New employees have sixty (60) days from the date of hire to elect to participate in the DCRS.

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 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 GovGuam 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.

8. Pensions, Continued

A. General Information About the Pension Plans, Continued:

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, 2017 actuarial valuation was used for determining the year ended September 30, 2019 statutory contributions. Member contributions are required at 9.52% of base pay.

As a result of actuarial valuations performed as of September 30, 2017, 2016 and 2015, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2019, 2018 and 2017, respectively, have been determined as follows:

	2019	2018	2017
Normal costs (% of DB Plan payroll)	13.54%	15.97%	16.27%
Employee contributions (DB Plan employees)	9.52%	9.55%	9.55%
Employer portion of normal costs (% of DB Plan payroll)	4.02%	6.42%	6.72%
Employer portion of normal costs (% of total payroll)	2.29%	1.60%	1.87%
Unfunded liability cost (% of total payroll)	21.29%	22.12%	21.60%
Government contribution as a % of total payroll	23.58%	23.72%	23.47%
Statutory contribution rates as a % of DB Plan payroll:			
Employer	26.56%	27.83%	27.41%
Employee	9.52%	9.55%	9.55%

The University's contributions to the DB Plan for the years ending September 30, 2019, 2018 and 2017 were $4,717,683, $4,513,080 and $2,753,736, respectively, which were equal to the required contributions for the respective years then ended.

For the years ended September 30, 2019, 2018 and 2017, the University recognized ad hoc COLA and supplemental annuity payments as transfers from GovGuam, totaling $1,137,658, $1,140,610 and $1,138,186, 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 5% of the member's regular base pay, which increased to 6.2% effective January 1, 2018. 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, 2019 are determined using the same rates as the DB Plan. Of the amount contributed by the employer, only 5% of the member's regular pay is deposited into the DCRS, which increased to 6.2% effective January 1, 2018. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

8. Pensions, Continued

A. General Information About the Pension Plans, Continued:

The University's contributions to the DCRS Plan for the years ended September 30, 2019, 2018 and 2017 were $3,830,850, $4,330,724 and $6,239,241, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, $2,936,601, $3,448,947 and $5,151,021 were contributed towards the unfunded liability of the DB Plan for the years ended September 30, 2019, 2018 and 2017, respectively.

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

Pension Liability: At September 30, 2019 and 2018, UOG reported a net pension liability for its proportionate share of the net pension liabilities measured as of September 30, 2018 and 2017, respectively, which is comprised of the following:

	2019	2018
Defined benefit plan	$ 71,200,343	$ 67,534,997
Ad hoc COLA/supplemental annuity plan for DB retirees	13,756,035	13,699,135
Ad hoc COLA plan for DCRS retirees	2,685,660	3,490,270
	$ 87,642,038	$ 84,724,402

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, 2019 and 2018, UOG's proportionate shares of the GovGuam net pension liabilities were as follows:

	2019	2018
Defined benefit plan	6.04%	5.91%
Ad hoc COLA/supplemental annuity plan for DB retirees	4.75%	4.75%
Ad hoc COLA plan for DCRS retirees	5.44%	5.59%

Pension Expense: For the years ended September 30, 2019 and 2018, the University recognized pension expense for its proportionate share of plan pension expense from the above pension plans as follows:

	2019	2018
Defined benefit plan	$ 8,737,200	$ (2,055,732)
Ad hoc COLA/supplemental annuity plan for DB retirees	1,447,927	3,982,136
Ad hoc COLA plan for DCRS retirees	(692,785)	309,421
	$ 9,492,342	$ 2,235,825

8. Pensions, Continued

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

Deferred Outflows and Inflows of Resources: At September 30, 2019 and 2018, the University reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019					
	Defined Benefit Plan		Ad Hoc COLA/SA Plan for DB		Ad Hoc COLA Plan for DCRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 200,939	$ -	$ 203,522	$ -	$ 385,861	$ 24,543
Net difference between projected and actual earnings on pension plan investments	-	1,276,398	-	-	-	-
Changes of assumptions	-	-	-	456,573	319,861	358,453
Contributions subsequent to the measurement date	7,654,284	-	1,137,658	-	108,000	-
Changes in proportion and difference between UOG contributions and proportionate share of contributions	1,018,373	-	-	17,019	108,952	183,439
	$ 8,873,596	$ 1,276,398	$ 1,341,180	$ 473,592	$ 922,674	$ 566,435

	2018					
	Defined Benefit Plan		Ad Hoc COLA/SA Plan for DB		Ad Hoc COLA Plan for DCRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -	$ -	$ -	$ 158,582	$ 27,112
Net difference between projected and actual earnings on pension plan investments	-	3,282,113	-	-	-	-
Changes of assumptions	-	-	-	-	352,506	232,128
Contributions subsequent to the measurement date	5,798,269	-	1,135,265	-	100,000	-
Changes in proportion and difference between UOG contributions and proportionate share of contributions	95,243	-	15,083	-	121,805	-
	$ 5,893,512	$ 3,282,113	$ 1,150,348	$ -	$ 732,893	$ 259,240

8. Pensions, Continued

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

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, 2019 will be recognized in pension expense as follows:

Year Ending September 30	Defined Benefit Plan	Ad Hoc COLA/SA Plan for DB Retirees	Ad Hoc COLA Plan for DCRS Retirees
2020	$ 712,885	$ (128,602)	$ 17,777
2021	(521,263)	(128,602)	17,777
2022	(579,429)	(12,866)	17,777
2023	330,721	-	17,777
2024	-	-	17,777
Thereafter	-	-	159,354
	$ (57,086)	$ (270,070)	$ 248,239

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, 2017
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	May 1, 2033 (15.58 years remaining as of September 30, 2017)
Asset Valuation Method:	3-year smoothed market value (effective September 30, 2009)
Inflation:	2.75% 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.

8. Pensions, Continued

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

The actuarial assumptions used in the September 30, 2017 valuation were based on the results of an actuarial experience study for the period October 1, 2011 to September 30, 2015.

The investment rate assumption as of September 30, 2017 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:

Asset Class	Target Allocation	Nominal Return
U.S. Equities (large cap)	29.0%	7.47%
U.S. Equities (small cap)	7.0%	8.73%
Non-U.S. Equities	16.5%	9.27%
Non-U.S. Equities (emerging markets)	2.0%	11.09%
U.S. Fixed Income (aggregate)	21.5%	4.67%
Risk parity	8.0%	6.50%
High yield bonds	8.0%	6.59%
Global Real Estate (REITs)	5.0%	8.60%
Master Limited Partnerships	3.0%	6.56%

Changes in Actuarial Assumptions: The following changes in actuarial assumptions occurred from the September 30, 2016 valuation to the September 30, 2017 valuation:

Remaining Amortization Period: The unfunded liability was being amortized over a closed period ending on May 1, 2031. This was extended by 2 years to May 1, 2033 by Public Law 33-186.

Discount Rate: The discount rate used to measure the total pension liability for the DB Plan as of September 30, 2018 and 2017 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, 2018 was 4.18% (3.64% as of September 30, 2017), 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:

8. Pensions, Continued

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

Defined Benefit Plan:

	1% Decrease in Discount Rate 6.0%	Current Discount Rate 7.0%	1% Increase in Discount Rate 8.0%
Net Pension Liability	$ 90,788,200	$ 71,200,343	$ 54,386,427

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

	1% Decrease in Discount Rate 3.18%	Current Discount Rate 4.18%	1% Increase in Discount Rate 5.18%
Net Pension Liability	$ 15,048,611	$ 13,756,035	$ 12,638,866

Ad Hoc COLA Plan for DCRS Retirees:

	1% Decrease in Discount Rate 3.18%	Current Discount Rate 4.18%	1% Increase in Discount Rate 5.18%
Net Pension Liability	$ 3,021,303	$ 2,685,660	$ 2,398,981

C. Payables to the Pension Plans:

As of September 30, 2019 and 2018, UOG recorded payables to GGRF of $232,772 and $381,947, respectively, representing statutorily required contributions unremitted as of the respective year-ends.

9. 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 other postemployment benefits plan.

A. General Information About the OPEB Plan:

Plan Description: The other postemployment benefits 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.

9. Other Post Employment Benefits (OPEB), Continued

A. General Information About the OPEB Plan, Continued:

Plan Membership: As of September 30, 2018 and 2017 (the respective measurement periods), OPEB plan membership consisted of the following as of September 30 2018 and 2016 (the respective actuarial valuation dates):

	2018	2017
Inactive plan members or beneficiaries currently receiving benefits	7,930	7,342
Active plan members	10,136	10,282
	18,066	17,624

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.

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, 2019 and 2018, UOG reported a total OPEB liability of $92,474,461 and $125,480,519, respectively, for its proportionate share of the GovGuam total OPEB liability measured as of September 30, 2018 and 2017. The following presents the University's proportion change since the prior measurement date:

Proportion at prior measurement date, September 30, 2017	5.16%
Proportion at measurement date, September 30, 2018	4.93%
Increase/(decrease) in proportion	(0.23)%

9. Other Post Employment Benefits (OPEB), Continued

B. Total OPEB Liability, Continued:

The total OPEB liability for the OPEB Plan was determined by an actuarial valuation as of September 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.75%
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. Previously, 7.5% per year for the first 5 years of service, 6% for 5-10 years, 5% for 11-15 years and 4.5% for service over 15 years.
Healthcare cost trend rates:	For 2018, Non-Medicare 13.5%; Medicare -25%; and Part B 5.33%. For the second year, 6.75% then reducing 0.25% annually to an ultimate rate of 4.25% for 2029 and later years. Previously, 8% for 2016, decreasing 0.25% per year to an ultimate rate of 4.5% for 2030 and later years. 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.
Dental trend rates:	3.8% in year one, 3.75% per year thereafter, based on a blend of historical retiree premium rate increases as well as observed U.S. national trends. Previously, 4% per year.
Participation rates:	Medical - 100% of eligible retired employees will elect to participate. Dental - 100% of eligible retirees will elect to participate. Life - 100% of eligible retirees will elect to participate. 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:	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.

9. Other Post Employment Benefits (OPEB), Continued

B. Total OPEB Liability, Continued:

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. Previously, 60% of employees are assumed to retire with a covered spouse.
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. Previously, set forward 4 years and 1 year for males and females, respectively.
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.
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). Previously, 1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and females.

9. Other Post Employment Benefits (OPEB), Continued

B. Total OPEB Liability, Continued:

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. Previously, 40% of employees are assumed to retire at earliest eligibility for unreduced benefits under the GovGuam Retirement Fund, 15% per year thereafter until age 65, 20% per year thereafter until age 70 and 100% at age 70.

OPEB plan fiduciary net position: As of September 30, 2019 and 2018, an OPEB trust has not been established thus the OPEB Plan does not presently report OPEB plan fiduciary net position.

Discount Rate: The discount rate used to measure the total OPEB liability was 4.18% as of September 30, 2018 (3.63% as of September 30, 2017). 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 4.18% municipal bond rate as of September 30, 2018 (3.63% as of September 30, 2017) was applied to all periods of projected benefit payments to determine the total OPEB liability.

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, 2019 and 2018 are as follows:

	2019	2018
Balance at beginning of the year	$ 125,480,519	$ 130,132,437
Changes for the year:		
Service cost	5,016,319	5,635,446
Interest	4,696,667	4,122,719
Expected benefit payments	(2,224,135)	(1,900,800)
Change in proportionate share	(6,521,115)	384,729
Differences between expected and actual experience	(25,762,949)	-
Change of assumptions	(8,210,845)	(12,894,012)
Net change	(33,006,058)	(4,651,918)
Balance at end of the year	$ 92,474,461	$ 125,480,519

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:

9. Other Post Employment Benefits (OPEB), Continued

C. Changes in the Total OPEB Liability, Continued:

	1% Decrease in Discount Rate 3.18%	Current Discount Rate 4.18%	1% Increase in Discount Rate 5.18%
Net OPEB Liability	$ 109,057,039	$ 92,474,461	$ 79,153,957

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:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	$ 77,114,135	$ 92,474,461	$ 112,357,662

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

For the years ended September 30, 2019 and 2018, the University reported total OPEB expense of $2,224,436 and $9,935,435, respectively, for its proportionate share of the GovGuam total OPEB expense measured for the years ended September 30, 2018 and 2017. At September 30, 2019 and 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 21,137,645	$ -	$ -
Changes of assumptions	6,697,560	15,347,450	9,330,200	10,752,696
Contributions subsequent to measurement date	1,816,600	-	1,742,736	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	230,998	4,766,225	-	131,541
	$ 8,745,158	$ 41,251,320	$ 11,072,936	$ 10,884,237

9. Other Post Employment Benefits (OPEB), Continued

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

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:

Year Ended September 30	
2020	$ (7,013,059)
2021	(7,013,059)
2022	(7,013,059)
2023	(9,141,982)
2024	(4,141,603)
	$ (34,322,762)

10. 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, 2019 and 2018, $11,662,652 and $4,191,424, respectively, of outstanding purchase orders and purchase commitments are not reported in the financial statements.

11. 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.

General Obligation Bonds

In October 1993, the Government of Guam issued $175 million of general obligation bonds to fund the construction of certain educational facilities with $28 million being earmarked for certain construction projects at the University of Guam. The University is mandated by Public Law No. 22-19 (as amended by Public Law 23-14) to establish a bond fund and deposit all tuition revenues in the bond fund. Monthly remittances are transferred by the University to the Government of Guam's General Fund to cover the University's proportionate share of principal and interest payments of the bond.

At the end of each fiscal year, the balance remaining in the bond fund established by the University shall be retained by the University. Once the University's proportionate share of the principal and interest obligation is satisfied on or about November 2018, the University shall retain control of all future revenues thereafter. For each of the years ended September 30, 2019 and 2018, total payments remitted to the Government of Guam's General Fund of $2,027,788 is recorded as debt service - DOA bond.

11. Commitments and Contingencies, Continued

Government of Guam Merit System

In 1991, Public Law 21-59 was enacted to establish a bonus system for employees of the Government of Guam, autonomous and semi-autonomous agencies, public corporations and other public instrumentalities of the Government of Guam who earn a superior performance grade. The bonus is calculated at 3.5% of the employee's base salary beginning in 1991. The University recorded liabilities for merit bonuses of $0 as of September 30, 2019 and 2018.

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, 2019 are as follows:

Year Ending September 30	Amount
2020	$ 869,736
2021	869,736
2022	869,736
2023	869,736
2024	869,736
Thereafter	28,701,288
Total	$ 33,049,968

12. Related Party

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

13. Subsequent Events

COVID-19

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.

Others

On January 1, 2020, the Research Corporation of the University of Guam (RCUOG), lessor, as authorized by the University of Guam (owner of the property), entered into a lease agreement with CoreSeed Aquaculture (Guam) Corporation, lessee, for the use of the land and improvements on Lot No. 2517-17/Lot No. 5412—12-1 (the property) commonly known as the Guam Aquaculture Development and Training Center (GADTC). The lease shall begin on the 1st day of January 2020 and end at midnight on the 31st day of December 2049. After the expiration of the initial term of the lease, the lessor has the option of renewing the lease for no more than three (3) renewal periods of ten (10) years for each period. Rent is payable annually as set forth as follows and each payment shall be due on or before January 6 of each year with the exception of 2020 which will be paid within five working days after the lease becomes effective: Years 1-5 at $32,000 per year; Years 6-10 at $44,000 per year; Years 11-15 at $48,000 per year; Years 16-30 at $50,000 per year.

On February 13, 2020, the University purchased Lot No. 5NEW, Block 2, Tract 144, Mangilao, Guam, Estate Number 74886, Suburban for $380,000.

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

	2019	2018	2017	2016	2015	2014
Total net pension liability	$ 1,179,192,550	$ 1,142,249,393	$ 1,368,645,126	$ 1,436,814,230	$ 1,246,306,754	$ 1,303,304,636
UOG's proportionate share of the net pension liability	$ 71,200,343	$ 67,534,997	$ 80,510,523	$ 81,001,196	$ 68,326,815	$ 78,004,153
UOG's proportion of the net pension liability	6.04%	5.91%	5.88%	5.64%	5.48%	5.99%
UOG's covered-employee payroll**	$ 31,027,561	$ 30,053,044	$ 29,784,398	$ 28,828,564	$ 27,682,709	$ 27,552,299
UOG's proportionate share of the net pension liability as percentage of its covered employee payroll	229.47%	224.72%	270.31%	280.98%	246.82%	283.11%
Plan fiduciary net position as a percentage of the total pension liability	63.28%	60.63%	54.62%	52.32%	56.60%	53.94%

* 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

	2019	2018	2017	2016
Total net pension liability***	$ 289,875,668	$ 288,147,121	$ 229,486,687	$ 235,799,709
UOG's proportionate share of the net pension liability	$ 13,756,035	$ 13,699,135	$ 10,844,857	$ 11,126,455
UOG's proportion of the net pension liability	4.75%	4.75%	4.73%	4.72%
UOG's covered-employee payroll**	$ 24,385,507	$ 24,165,700	$ 23,927,282	$ 24,129,357
UOG's proportionate share of the net pension liability as percentage of its covered employee payroll	56.41%	56.69%	45.32%	46.11%

* 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

	2019	2018	2017	2016
Total net pension liability***	$ 49,342,424	$ 62,445,490	$ 61,688,067	$ 52,115,736
UOG's proportionate share of the net pension liability	$ 2,685,660	$ 3,490,270	$ 3,298,131	$ 2,783,217
UOG's proportion of the net pension liability	5.44%	5.59%	5.35%	5.34%
UOG's covered-employee payroll**	$ 14,395,148	$ 21,059,724	$ 19,518,316	$ 19,006,437
UOG's proportionate share of the net pension liability as percentage of its covered employee payroll	18.66%	16.57%	16.90%	14.64%

* 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*

	2019	2018	2017	2016	2015	2014
Statutorily required contribution	$ 8,202,746	$ 7,406,814	$ 7,318,972	$ 7,582,871	$ 7,352,199	$ 7,404,564
Contribution in relation to the statutorily determined contribution	7,962,027	7,904,757	7,535,442	7,796,236	7,611,247	7,307,020
Contribution deficiency (excess)	$ 240,719	$ (497,943)	$ (216,470)	$ (213,365)	$ (259,048)	$ 97,544
UOG's covered-employee payroll **	$ 31,027,561	$ 30,053,044	$ 29,784,398	$ 28,828,564	$ 27,682,709	$ 27,552,299
Contribution as a percentage of covered-employee payroll	25.66%	26.30%	25.30%	27.04%	27.49%	26.52%

* 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*

	2019	2018	2017	2016
Total OPEB Liability:				
Service cost	$ 5,016,319	$ 5,635,446	$ 4,539,172	
Interest	4,696,667	4,122,719	4,203,936	
Expected benefit payments	(2,224,135)	(1,900,800)	(1,900,800)	
Change in proportionate share	(6,521,115)	384,729	-	
Differences between expected and actual experience	(25,762,949)	-	-	
Changes of assumptions	(8,210,845)	(12,894,012)	13,565,255	
Net change in total OPEB liability	$ (33,006,058)	$ (4,651,918)	$ 20,407,563	
Net OPEB liability - beginning	125,480,519	130,132,437	109,724,874	
Net OPEB liability - ending	$ 92,474,461	$ 125,480,519	$ 130,132,437	$ 109,724,874
Covered-employee payroll	28,982,645	28,740,742	28,740,742	
UOG's total OPEB liability as a percentage of covered-employee payroll	319.07%	436.59%	452.78%	
Notes to schedule				
Discount rate	4.18%	3.63%	3.058%	3.71%

Changes of benefit terms:
None.

Changes of assumptions:
Discount rate has changed from respective measurement dates.

* Information for 2009-2015 is not 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 (Unaudited)
Schedule of Proportionate Share of the Total OPEB Liability
Last 10 Fiscal Years*

	2019	2018	2017
Total OPEB liability **	$ 1,874,970,335	$ 2,431,048,672	$ 2,532,753,040
UOG's proportionate share of the total OPEB liability	$ 92,474,461	$ 125,480,519	$ 130,132,437
UOG's proportionate of the total OPEB liability	4.93%	5.16%	5.14%
UOG's covered-employee payroll	28,982,645	28,740,742	28,740,742
UOG's proportionate share of the total OPEB liability as percentage of its covered-employee payroll	319.07%	436.59%	452.78%

* 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*

	2019	2018	2017
Actuarially determined contribution	$ 12,133,636	$ 12,496,650	$ 10,832,208
Contribution in relation to the actuarially determined contribution	2,224,135	1,900,800	1,900,800
Contribution deficiency	$ 9,909,501	$ 10,595,850	$ 8,931,408
UOG's covered-employee payroll **	$ 28,982,645	$ 28,740,742	$ 28,740,742
Contribution as a percentage of covered-employee payroll	7.67%	6.61%	6.61%

Notes to Schedule

Valuation date:

Actuarially determined contributions rates are calculated as of September 30, 2018.

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 13.5%; Medicare -25%; and Part B 5.33%. For the second year, 6.75% then reducing 0.25% annually to an ultimate rate of 4.25% for 2029 and later years
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 for males and females.

* Information for 2009 - 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, 2019 and 2018

	2019	2018
Salaries and wages:		
Funded by local funds	$ 23,694,832	$ 23,861,867
Federal funds	6,121,690	5,708,319
General operations and federal funds	4,185,435	3,726,297
Other funding sources	5,912,561	6,347,855
Total salaries and wages	39,914,518	39,644,338
Benefits:		
Funded by local funds	4,523,640	13,042,062
Federal funds	1,027,745	937,347
General operations and federal funds	1,433,057	1,253,868
Other funding sources	1,031,488	1,052,623
Total benefits	8,015,930	16,285,900
Total salaries, wages and benefits	$ 47,930,448	$ 55,930,238

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, 2019 and 2018

	2019		2018	
	Unrestricted	Restricted	Unrestricted	Restricted
Instruction:				
Salaries and wages	$ 14,001,846	$ 184,678	$ 14,177,024	$ 154,835
Benefits	3,177,046	60,521	5,351,541	54,161
Travel	94,242	161,648	93,786	72,118
Contracts	771,450	414,638	908,427	415,053
Supplies	229,732	28,402	129,800	52,163
Equipment	15,866	11,510	30,924	16,234
Capital outlay	-	-	22,970	-
Utilities	24,377	-	23,366	-
Miscellaneous	556,946	56,976	918,122	66,681
	$ 18,871,505	$ 918,373	$ 21,655,960	$ 831,245
Public service:				
Salaries and wages	$ 174,857	$ 4,336,182	$ 220,973	$ 3,970,282
Benefits	(208,417)	1,308,656	788,857	1,188,542
Travel	3,524	491,203	1,409	526,387
Contracts	1,884,379	960,123	2,007,409	852,583
Supplies	19,409	385,839	24,511	400,260
Equipment	2,345	160,991	10,734	134,525
Capital outlay	-	158,740	-	99,550
Utilities	-	8,966	3,669	8,759
Miscellaneous	18,470	787,696	30,319	441,518
	$ 1,894,567	$ 8,598,396	$ 3,087,881	$ 7,622,406
Research:				
Salaries and wages	$ 1,576,887	$ 5,520,452	$ 1,733,025	$ 4,838,837
Benefits	103,976	1,138,698	1,531,078	984,696
Travel	11,529	1,052,316	25,881	1,026,011
Contracts	305,369	1,271,577	256,274	1,231,617
Supplies	116,205	704,088	90,859	759,103
Equipment	80,077	295,234	69,863	264,230
Capital outlay	49,642	367,593	62,531	423,485
Utilities	407	5,000	644	374
Miscellaneous	64,255	1,672,152	68,426	1,279,531
	$ 2,308,347	$ 12,027,110	$ 3,838,581	$ 10,807,884

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, 2019 and 2018

	2019		2018	
	Unrestricted	Restricted	Unrestricted	Restricted
Operational and maintenance, plant:				
Salaries and wages	$ 1,718,282	$ -	$ 1,654,288	$
Benefits	418,271	-	1,178,448	
Travel	-	-	-	-
Contracts	377,616		634,890	476,093
Supplies	458,693	-	319,059	-
Equipment	175,864	-	71,988	-
Capital outlay	460,799		327,154	149,032
Utilities	3,892,392	-	3,627,579	-
Miscellaneous	2,698	-	3,175	-
	$ 7,504,615	$ -	$ 7,816,581	$ 625,125
Scholarships and fellowships:				
Miscellaneous	$ 573,016	$ 8,631,855	$ 221,360	$ 8,931,975
Institutional support:				
Salaries and wages	$ 3,500,163	$ 312,027	$ 3,752,167	$ 272,281
Benefits	(229,577)	21,298	1,331,925	51,376
Travel	286,953	19,908	333,899	50,534
Contracts	2,104,441	127,126	2,553,454	136,839
Supplies	131,056	632	77,508	-
Equipment	115,106	42,063	68,905	25,000
Capital outlay	195,023	-	444,806	-
Utilities	376	-	373	-
Miscellaneous	380,701	7,274	411,190	5,685
	$ 6,484,242	$ 530,328	$ 8,974,227	$ 541,715

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, 2019 and 2018

	2019		2018	
	Unrestricted	Restricted	Unrestricted	Restricted
Academic support:				
Salaries and wages	$ 5,753,738	$ -	$ 5,924,236	$ -
Benefits	1,493,237	-	2,550,483	-
Travel	341,962	-	567,044	-
Contracts	1,445,370	-	920,838	-
Supplies	276,324	-	374,141	-
Equipment	364,219	-	382,733	-
Capital outlay	390,130	-	263,658	-
Utilities	4,194	-	4,662	-
Miscellaneous	308,257	-	329,133	-
	$ 10,377,431	$ -	$ 11,316,928	$ -
Student services:				
Salaries and wages	$ 2,009,532	$ 272,672	$ 1,834,728	$ 497,790
Benefits	569,763	39,617	866,752	15,459
Travel	50,440	211	61,865	81
Contracts	52,272	610	140,214	11,012
Supplies	49,957	3,570	33,982	1,429
Equipment	21,707	-	16,541	-
Capital outlay	-	-	-	-
Utilities	57,586	-	54,361	-
Miscellaneous	(530,535)	83	209,047	2,483
	$ 2,280,722	$ 316,763	$ 3,217,490	$ 528,254
Auxiliary enterprises:				
Salaries and wages	$ 553,202	$ -	$ 613,872	$ -
Benefits	122,841	-	392,582	-
Travel	-	-	7,936	-
Contracts	247,538	-	132,786	-
Supplies	26,789	-	69,538	-
Equipment	20,387	-	4,307	-
Capital outlay	-	-	-	-
Utilities	266,878	-	261,287	-
Miscellaneous	1,414,806	-	1,521,824	-
	$ 2,652,441	$ -	$ 3,004,132	$ -

See Accompanying Independent Auditors' Report.

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

Schedules of Employee Information
Years Ended September 30, 2019 and 2018

	2019	2018
Funded by:		
Local funds	464	426
Federal funds	401	237
General operations and federal funds	120	113
Other funding sources	361	426
	1,346	1,202

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, 2019 and 2018

	2019	2018
University-generated revenues:		
Tuition and fees (gross)	$ 23,917,758	$ 24,727,549
Scholarship and tuition discounts	(11,149,952)	(11,147,587)
Grants and contracts, net	35,637,604	33,460,318
Auxiliary enterprises and other revenues	10,361,880	11,010,064
Total University-generated revenues	58,767,290	58,050,344
Government of Guam appropriations (excluding retiree healthcare costs and other pension benefits appropriations)	32,193,678	33,175,041
Total revenues (excluding investment income, bad debts provision and retiree healthcare and other pension benefits appropriations)	$ 90,960,968	$ 91,225,385
Supplemental information:		
Net investment income (loss)	$ 693,503	$ 1,736,947
Provision for bad debts	$ (1,137,784)	$ (1,015,086)
Retiree healthcare costs and other pension benefits appropriations	$ 3,062,258	$ 2,978,001

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, 2019 and 2018

		2019			2018		
		Unrestricted	Restricted, expendable	Restricted, nonexpendable	Unrestricted	Restricted, expendable	Restricted, nonexpendable
Land Grant	Granted in lieu of property. Treated as an endowment in accordance with industry standards. Corpus grows each year with inflation. May not be used for the purchase, erection, preservation, or repair and any building or buildings.	$ -	$ 11,692,237	$ 3,000,000	$ -	$ 11,297,678	$ 3,000,000
Siu Lin Tan	Irrecoverable endowment to the University for the purpose of educating students with interests in China or from SBPA.	-	-	707,090	-	-	694,357
Maman Ling's Education Fund	Endowment to educate descendants	-	-	543,733	-	-	532,151
Mac's Corporation	Amounts in excess of corpus to be utilized for School of Nursing	-	-	145,278	-	-	141,377
Chin Ho Foundation	School of Business Textbooks	-	-	20,296	-	-	19,751
Governor Bill Daniel	Never established	-	-	12,094	-	-	11,769
Delores P. De Leon Memorial Fund	For SNHS purposes	-	-	39,342	-	-	38,285
Harry Guthertz Memorial Scholarship	Scholarship in Public Service and Entrepreneurship	-	-	10,663	-	-	10,376
Planetarium Maintenance Fund	To be utilized for planetarium or science purposes	-	-	331,776	-	-	322,866
Tobacco Funds (BoG)	90%of earnings can be used to develop learning resources	-	390,025	1,859,756	-	398,650	2,191,566
Faculty and Staff Development Fund	Restricted for funding shortfalls for Student Center and Engineering Annex shortfalls	-		2,678,590	-	351,933	2,300,000
Campus Maintenance Fund	Restricted for funding of deferred maintenance projects on campus.	-	1,526,252	-	-	1,485,202	-
Dorm Renewal and Replacement Fund	Fund established to provide an additional source of funding for the dormitories. Board will increase corpus amount.	765,864	150,000	-	741,269	150,000	-
Self Insurance Fund	To help pay for damages and loss prevention in light of the significant deductibles in the University's insurance programs.	-	219,148	-	-	213,263	-
International Accounting Institute Fund	Restricted for the purposes of making bond payments on the SBPA Bldg and for maintenance and improvements of the SBPA Bldg.	-	4,180,590	-	-	5,291,050	-
Guam Cancer Trust Fund	May be used for specific cancer related purposes.	-	3,344,192	-	-	4,992,546	-
Tuition and other funds	Tuition funds received which need to be allocated over the semester plus other funds	7,964,182	-	-	5,831,439	-	-
Debt Service Fund	Use for facilitating the financing of design, construction or renovation of LG Building, UOG Student Center, Engineering Annex	-	1,593,093	-	-	602,349	-
General Fund	Used as a balancing fund	5,073,147	-	-	9,321,932	-	-
		$ 13,803,193	$ 23,095,537	$ 9,348,618	$ 15,894,640	$ 24,782,671	$ 9,262,498

See Accompanying Independent Auditors' Report.

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:

<u>Tobacco Funds</u>. 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.

<u>Land Grant Funds</u>. $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.

<u>Guam Cancer Trust Fund</u>. The amount is fully restricted by law.

<u>International Accounting Institute</u>. 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.

<u>Endowment Funds</u>. Funds established for the purpose of providing scholarships to students.

<u>Planetarium maintenance Fund</u>. Funds restricted to uses benefitting sciences.

<u>Faculty and Staff Development Fund</u>. 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.

<u>Dorm Replacement and Renewal Fund</u>. Funding set aside by the Board of Regents for the purpose of providing a regular source of funding for dormitory maintenance.

<u>Self-Insurance Fund</u>. Funds set aside for insurance deductibles and self-insurance programs.

See accompanying independent auditors' report.

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

INDEPENDENT AUDITORS' REPORTS ON INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2019

Deloitte.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Regents
University of Guam:

We have audited, in accordance with the 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 University of Guam (the University) and its discretely presented component unit as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated May 18, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Deloitte.

Purpose of this Report

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

Deloitte + Touche LLP

May 18, 2020

Deloitte.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

The Board of Regents
University of Guam:

Report on Compliance for Each Major Federal Program

We have audited the University of Guam's (the University's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended September 30, 2019. The University's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulation*s Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Deloitte.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Deloitte.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the University of Guam and its discretely presented component unit as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated May 18, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Deloitte & Touche LLP

May 18, 2020

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

Summary Schedule of Expenditures of Federal Awards, by Grantor
Year Ended September 30, 2019

Federal Grantor Agency		Expenditures
U.S. Department of Agriculture	$	4,872,875
U.S. Department of Commerce		855,812
U.S. Department of Defense		1,953,138
U.S. Department of the Interior		962,132
National Aeronautics and Space Administration		474,702
Institute of Museum and Library		56,533
National Science Foundation		1,247,002
U.S. Small Business Administration		438,860
U.S. Environmental Protection Agency		10,317
U.S. Department of Education		14,860,176
U.S. Department of Health and Human Services		3,743,557
Corporation for National and Community Service		316,763
Unknown		73,850
Grand Total	$	29,865,717

Reconciliation to the basic financial statements:

Operating revenues - Federal grants and contracts	$	33,374,755
Indirect cost allocation in operating expenses		(925,476)
Allocated to general fund		(1,979,944)
Program income in operating expenses		(101,821)
Miscellaneous cost in operating expenses		(501,797)
	$	29,865,717

See accompanying notes to Schedule of Expenditures of Federal Awards.

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

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

Federal CFDA #	Federal Grantor/Pass-Through Grantor/Program or Cluster Total	Pass-Through Entity ID Number	Expenditures	Amount Passed Through to Subrecipients	Research and Development Cluster
	Direct from U.S. Department of Agriculture:				
10.025	Plant and Animal Disease, Pest Control, and Animal Care		$ 457,493	$ -	$ 457,493
10.202	Cooperative Forestry Research		114,397	-	114,397
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act		1,581,758	-	1,581,758
10.308	Resident Instruction Grants for Insular Area Activities		235,912	-	235,912
10.322	Distance Education Grants for Institutions of Higher Education in Insular Areas		121,912	-	29,217
10.329	Crop Protection and Pest Management Competitive Grants Program		20,920	-	-
10.500	Cooperative Extension Service		1,357,581	-	-
10.514	Expanded Food and Nutrition Education Program		40,562	-	-
10.515	Renewal Resource Capacity Grant		5,417	-	-
10.652	Forestry Research		102,946	-	102,946
10.664	Cooperative Forestry Assistance		39,461	-	39,461
10.675	Urban and Community Forestry Program		4,198	-	-
10.680	Forest Health Protection		27,478	-	3,428
10.868	Rural Energy for America Program		(7,918)	-	(7,918)
10.912	Environmental Quality Incentives Program		31,492	-	31,492
10.950	Agricultural Statistical Reports		24,456	-	-
	Subtotal Direct Programs		4,158,065	-	2,588,186
	Pass-through from Government of Guam Department of Agriculture:	Various			
10.025	Plant and Animal Disease, Pest Control, and Animal Care		48,065	-	48,065
10.170	Specialty Crop Block Grant Program - Farm Bill		177,899	-	177,899
10.664	Cooperative Forestry Assistance		14,579	-	-
	Pass-through from Utah State University:	07-298-3455			
10.215	Sustainable Agriculture Research and Education		76,067	-	76,067
	Pass-through from Michigan State University:	62-544-7982			
10.215	Sustainable Agriculture Research and Education		4,925	-	4,925
	Pass-through from University of California:	04-712-0084			
10.304	Homeland Security Agricultural		3,905	-	3,905
	Pass-through from University of Hawaii:	96-508-8057			
10.310	Agriculture and Food Research Initiative (AFRI)		35,521	-	35,521
	Pass-through from Kansas State University:	92-977-3554			
10.500	Cooperative Extension Service		22,115	-	-
	Pass-through from Government of Guam Department of Public Health and Social Services:	14-1700-009			
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		276,503	-	-
	Pass-through from Micronesia Consevation Trust	77-990-8151			
10.664	Cooperative Forestry Assistance		19,925	-	19,925
	Pass-through from University of Hawaii:	96-508-8057			
10.912	Environmental Quality Incentives Program		35,306	-	35,306
	Subtotal Pass-Through Programs		714,810	-	401,613
	U.S. Department of Agriculture Total		$ 4,872,875	$ -	$ 2,989,799

See accompanying notes to Schedule of Expenditures of Federal Awards.

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

Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2019

Federal CFDA #	Federal Grantor/Pass-Through Grantor/Program or Cluster Total	Pass-Through Entity ID Number	Expenditures	Amount Passed Through to Subrecipients	Research and Development Cluster
	Direct from U.S. Department of Commerce:				
11.417	Sea Grant Support		$ 346,156	$ -	$ 346,156
11.427	Fisheries Development and Utilization Research and Development		112,675	-	112,675
11.452	Unallied Industry Projects		21,847	-	-
11.482	Coral Reef Conservation Program		41,170	-	41,170
	Subtotal Direct Programs		521,848	-	500,001
	Pass-through from the Research Corporation of the University of Hawaii:	Z10129876			
11.012	Integrated Ocean Observing System		7,296	-	7,296
11.432	Special Oceanic and Atmospheric Projects		22,824	-	22,824
	Pass-through from The Micronesia Conservation Trust:	MCT/NOAAAC2/Y2/2015/01			
11.482	Coral Reef Conservation Program		78,545	-	78,545
	Pass-through from Government of Guam Bureau of Statistics and Planning:	NA13NOS4820012			
11.482	Coral Reef Conservation Program		225,299	-	196,171
	Subtotal Pass-Through Programs		333,964	-	304,836
	U.S. Department of Commerce Total		$ 855,812	$ -	$ 804,837
	Direct from the U.S. Department of Defense:				
12.002	Procurement Technical Assistance For Business Firms		$ 308,675	$ -	$ -
12.300	Basic and Applied Scientific Research		1,512,359	-	1,512,359
12.632	Legacy Resource Management Program		79,488	-	79,488
	Subtotal Direct Programs		1,900,522	-	1,591,847
	Pass-through from Guam Waterworks Authority:	85-502-8057			
12.600	Community Investment		52,616	-	-
	Subtotal Pass-Through Programs		52,616	-	-
	U.S. Department of Defense Total		$ 1,953,138	$ -	$ 1,591,847

See accompanying notes to Schedule of Expenditures of Federal Awards.

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

Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2019

Federal CFDA #	Federal Grantor/Pass-Through Grantor/Program or Cluster Total	Pass-Through Entity ID Number	Expenditures	Amount Passed Through to Subrecipients	Research and Development Cluster
	Direct from U.S. Department of the Interior:				
15.657	Endangered Species Conservation Recovery Implementation Funds		$ 42,618	$ -	$ 42,618 -
15.805	Assistance to State Water Resources Research Institutes		279,575	-	279,575
15.808	U.S. Geological Survey_ Research and Data Collection		2,405	-	2,405
15.945	Cooperative Research and Training Programs Resources of the National Park System		84,697 5,355	- -	84,697.00 5,355
	Subtotal Direct Programs		414,650	-	414,650
	Pass-through from Government of Guam Department of Agriculture:	85-502-3235			
15.634	State Wildlife Grants		25	-	25
	Pass-through from the Research Corporation of the University of Hawaii:	Various			
15.820	National Climate Change and Wildlife Science Center		68,956	-	68,956
	Pass-through from Government of Guam Bureau of Statistics and Planning:	77-890-4292			
15.875	Economic, Social, and Political Development of the Territories		478,501	-	12,895
	Subtotal Pass-Through Programs		547,482	-	81,876
	U.S. Department of the Interior Total		$ 962,132	$ -	$ 496,526

See accompanying notes to Schedule of Expenditures of Federal Awards.

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

Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2019

Federal CFDA #	Federal Grantor/Pass-Through Grantor/Program or Cluster Total	Pass-Through Entity ID Number	Expenditures	Amount Passed Through to Subrecipients	Research and Development Cluster
	Direct from National Aeronautics and Space Administration:				
43.008	Education		$ 432,649	$	$ 432,649
	Pass-through from University of Hawaii:	80NSSC17M0028			
43.008	Education		42,053		42,053
	National Aeronautics and Space Administration Total		$ 474,702	$ -	$ 474,702
	Direct from Institute of Museum and Library Services:				
45.301	Museums for America		$ 56,533	$ -	$ 56,533
	Institute of Museum and Library Services Total		$ 56,533	$ -	$ 56,533
	Direct from National Science Foundation:				
47.050	Geosciences		$ 8,283	$ -	$ 8,283
47.070	Computer and Information Science and Engineering		66,602	-	-
47.074	Biological Sciences		2,121	-	2,121
47.075	Social, Behavioral, and Economic Sciences		2,215	-	2,215
47.076	Education and Human Resources		127,662	-	127,662
47.083	Office of Integrative Activities		970,363	-	970,363
	Subtotal Direct Programs		1,177,246	-	1,110,644
	Pass-through from University of Hawaii:	HI 120009			
47.076	Education and Human Resources		69,756	-	69,756
	Subtotal Pass-Through Programs		69,756	-	69,756
	National Science Foundation Total		$ 1,247,002	$ -	$ 1,180,400
	Direct from Small Business Administration:				
59.037	Small Business Development Centers		$ 438,860	$ 177,582	$ -
	U.S. Small Business Administration Total		$ 438,860	$ 177,582	$ -
	Pass-through from Government of Guam Guam Environmental Protection Agency:	83-000-0027			
66.716	Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies		$ 10,317	$	$ -
	U.S. Environmental Protection Agency Total		$ 10,317	$ -	$ -

See accompanying notes to Schedule of Expenditures of Federal Awards.

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

Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2019

Federal CFDA #	Federal Grantor/Pass-Through Grantor/Program or Cluster Total	Pass-Through Entity ID Number	Expenditures	Amount Passed Through to Subrecipients	Research and Development Cluster
	Direct from U.S. Department of Education:				
84.032	Federal Family Education Loans (Agency Loans)		$ 93,467	$ -	$ -
	Student Financial Assistance Cluster:				
84.007	Federal Supplemental Educational Opportunity Grants (FSEOG)		155,000	-	-
84.032	Archived		143,550	-	-
84.033	Federal Work-Study Program		408,962	-	-
84.063	Federal Pell Grant Program		7,347,457	-	-
84.268	Federal Direct Student Loans		5,552,012	-	-
84.379	Teacher Education Assistance for College and Higher Education Grants		132,050	-	-
	Student Financial Assistance Cluster Subtotal		13,739,031	-	-
	TRIO Cluster:				
84.042	TRIO Student Support Services		304,680	-	-
84.044	TRIO Talent Search		360,635	-	-
84.047	TRIO Upward Bound		422,349	-	-
	TRIO Cluster Subtotal		1,087,664	-	-
	Subtotal Direct Programs		14,826,695	-	-
	Pass-through from San Jose State University:	56820715			
84.325	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities		33,481	-	-
	Subtotal Pass-Through Programs		33,481	-	-
	U.S. Department of Education Total		$ 14,860,176	$ -	$ -

See accompanying notes to Schedule of Expenditures of Federal Awards.

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

Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2019

Federal CFDA #	Federal Grantor/Pass-Through Grantor/Program or Cluster Total	Pass-Through Entity ID Number	Expenditures	Amount Passed Through to Subrecipients	Research and Development Cluster
	Direct from U.S. Department of Health and Human Services:				
93.107	Area Health Education Centers Point of Service Maintenance and Enhancement Awards		$ 82,898	$ 263,615	$ -
93.251	Universal Newborn Hearing Screening		235,648	60,600	-
93.307	Minority Health and Health Disparities Research		700,353	-	700,353
93.314	Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program		148,967	-	-
93.397	Cancer Centers Support Grants		1,006,925	-	1,006,925
93.464	ACL Assistive Technology		128,389	-	-
93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service		632,878	-	-
93.969	PPHF Geriatric Education Centers		24,584	-	24,584
	Subtotal Direct Programs		2,960,642	324,215	1,731,862
	Pass-through from Government of Guam Department of Public Health and Social Services:	various			
93.043	Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Services		58,216	-	-
93.110	Maternal and Child Health Federal Consolidated Programs		60,803	-	-
93.143	NIEHS Superfund Hazardous Substances_Basic Research and Education		21,769	-	-
93.243	Substance Abuse and Mental Health Services-Projects of Regional and National Significance		205,385	-	-
93.424	NON-ACA/PPHFBuilding Capacity of the Public Health System to Improve Population Health through National X		3,226	-	-
	Maternal, Infant, and Early Childhood Home Visiting Cluster:				
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program		103,728	-	-
93.870	Maternal, Infant and Early Childhood Home visiting Grant Program		4,175	-	-
	Maternal, Infant, and Early Childhood Home Visiting Cluster Subtotal		457,302	-	-
	Pass-through from Pennsylvania State University:	various			
93.310	Trans-NIH Research Support		255,272	-	255,272
	Pass-through from University of Hawaii:	96-508-8057			
93.283	Centers for Disease Control and Prevention_Investigations and Technical Assistance		(3,745)	-	(3,745)
93.397	Maternal and Child Health Federal Consolidated Programs		4,008	-	4,008
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations		70,078	-	70,078
	Subtotal Pass-Through Programs		782,915	-	325,613
	U.S. Department of Health and Human Services Total		$ 3,743,557	$ 324,215	$ 2,057,475
	Corporation for National and Community Service:				
	Pass-through from Government of Guam Department of Labor:	17AFHGU001001			
94.006	AmeriCorps		$ 316,763	$	$ -
	Corporation for National and Community Service Total		$ 316,763	$ -	$ -
Unknown	Other Financial Aid	Unknown	$ 73,850	$	$ -
	Grand Total		$ 29,865,717	$ 501,797	$ 9,652,119

See accompanying notes to Schedule of Expenditures of Federal Awards.

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

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

(1) Scope of Audit

The University of Guam (the University) is a component unit of the Government of Guam created by Public Law 13-194, "The Higher Education Act," which became effective on November 3, 1976, as an autonomous agency of the Government of Guam. Only the financial statements of the University are included within the scope of the Single Audit.

(2) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the University under programs of the Federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position or cash flows of the University.

(3) Summary of Significant Accounting Policies

Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting, consistent with the manner in which the University maintains its accounting records. All expenses and capital outlays are reported as expenditures. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The University has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

The University recognizes contributions from the federal government when qualifying expenditures are incurred.

The University participates in the Federal Direct Student Loan program. The value of loans presented in the Schedule of Expenditures of Federal Awards is equivalent to the amount of new loans during the year.

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

Schedule of Findings and Questioned Costs
Year Ended September 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
2. Material weakness(es) identified?	No
3. Significant deficiency(ies) identified?	None reported
4. Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
5. Material weakness(es) identified?	No
6. Significant deficiency(ies) identified?	None reported
7. Type of auditors' report issued on compliance for major federal programs:	Unmodified
8. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

9. Identification of major federal programs:

CFDA Numbers	Name of Federal Program or Cluster
Various	Research and Development Cluster
Various	TRIO Cluster
93.632	University Centers for Excellence in Developmental Disabilities, Education, Research, and Service

10. Dollar threshold used to distinguish between type A and type B programs:	$ 911,025
11. Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

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

Schedule of Prior Year Findings and Questioned Costs
Year Ended September 30, 2019

Please see pages 16 and 17 for the Schedule of Prior Year Findings and Questioned Costs.

AMERICA'S SBDC
PACIFIC ISLANDS NETWORK

Date: April 30, 2020

To: Frances Danieli
Associate Comptroller/Bursar
Administration & Finance
University of Guam

From: Frederick Granillo
Network Director
Pacific Islands SBDC Network/Guam SBDC

Re: Summary Schedule of Prior Year Audit Findings

Hafa Adai Ms. Danieli,

Please see the Pacific Islands SBDC Network/Guam SBDC's response to findings from the 2017 audit conducted by Deloitte.

Corrective Action Plan:
In response to the 2017 Audit findings from Deloitte, the Pacific Islands SBDC Network exceeded the following goals for CY2019: New Business Started (33 actual versus 8 goal), Jobs Supported (1,500 actual versus 453 goal), and Clients Served (694 actual verses 125 goal). We did not meet the Capital Infusion goal of $2,929,468 as our actual was $2,238,082 or 76% of goal. We did not achieve this goal due to the bank's tight requirements in qualifying for commercial loans. Further, many clients did not possess satisfactory credit standing acceptable to the bank.

Our mitigation action during 2019 included hiring a Business Advisor – Independent Contractor to assist in increase of counseling and training activities to achieve the stated goals. A Network Director was hired in March 2020 after a seven month process. This will provide stabilization to the program and an increased focus on achieving the goals for the network. The SBA allowed our training activities to consolidate into counseling given the assistance to our clients so this permits us to increase the number of clients served and achieve such goal. Given the challenges with our current COVID-19 environment and our focus to assist clients affected by the pandemic, we have shifted temporarily into separate goals to meet the surge in demand for Federal assistance under the CARES Act. Also under the Cares Act provided additional funding for SBDC's to build capacity and meet that demand for assistance and recovery.

Given that goals are set in the prior year, we cannot change our current goals for 2020 with the SBA. However, for 2021 we will maintain two separate goals, one under COVID19 affected businesses which is expected to go late into 2021 and one under core operations. Given the split focus on assisting clients we will seek reduction in our 2021 core program goals.

Name of Contact Person: Frederick Granillo, Network Director, Pacific Islands SBDC/Guam SBDC

Proposed Completion Date: Ongoing

Please feel free to contract me with any questions or concerns regarding the information provided.

Regards,

Network Director
Pacific Islands SBDC Network
University of Guam
P.O. Box 5014
Mangilao, Guam 96923
Ph: 671-735-2593
Fax: 671-734-2002
Email: fred@pacificsbdc.com
Website: www.pacificsbdc.com
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May 18, 2020

Dr. Thomas W. Krise
President
University of Guam
UOG Station
Mangilao, Guam 96923

Dear Dr. Krise:

In planning and performing our audit of the financial statements of the University of Guam (the University) as of and for the year ended September 30, 2019 (on which we have issued our report dated May 18, 2020), 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, we considered the University's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, in connection with our audit, we have identified, and included in the attached Appendix I, deficiencies related to the University's internal control over financial reporting and other matters as of September 30, 2019 that we wish to bring to your attention.

We have also issued a separate report to the Board of Regents, also dated May 18, 2020, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The definition of a deficiency is also set forth in the attached Appendix I.

Although we have included management's written response to our comments in the attached Appendix I, such responses have not been subjected to the auditing procedures applied to our audit and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the responses or the effectiveness of any corrective actions described therein.

A description of the responsibility of management for establishing and maintaining internal control over financial reporting and of the objectives of and inherent limitations of internal control over financial reporting, is set forth in the attached Appendix II and should be read in conjunction with this report.

This report is intended solely for the information and use of management, the Board of Regents, others within the organization, the Office of Public Accountability - Guam and the Federal cognizant agency and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte.

We will be pleased to discuss the attached comments with you and, if desired, to assist you in implementing any of the suggestions.

We wish to thank the staff and management of the University for their cooperation and assistance during the course of this engagement.

Very truly yours,

Deloitte + Touche LLP

APPENDIX I

SECTION I –DEFICIENCIES

We identified the following deficiencies involving the University's internal control over financial reporting for the year ended September 30, 2019 that we wish to bring to your attention at this time:

1. Notes Receivable

   Condition: Tests of notes receivable disclosed the following:

   - Note xx143 has no movement since 2006 and has been provided with a 100% allowance for doubtful accounts.

   Recommendation: We recommend that accounts be monitored and that the University consider writing-off long outstanding receivables with no movement.

   Auditee Response: The University will provide a provision for an Allowance for Uncollectible accounts for the long outstanding receivables with no movement.

2. Nonmoving and Inactive Accounts

   Comment: Tests of due from (to) accounts noted the following:

   - A number of accounts related to due from (to) grantor agencies had no movement since the prior year with net receivable amount of $689,289 as of September 30, 2019.

   - Other receivables at September 30, 2019 included the following inactive items:

     1) Account #110606672 - $51,124 (A/R-OTHERS)
     2) Account #110606667 - $7,437 (A/R-OTHERS)
     3) Account #110600310 - $4,046(A/R-INVOICES)
     4) Account #110600910 - $49,910 (A/R RETURNED CKS/SVS CHARGE)
     5) Account #110601510 - $25,333 (A/R-ADVANCES ADMIN/FACULTY)
     6) Account #110606728 - $4,058 (A/R-LIBRARY FINE FEES)
     7) Account #110401051 - $325,000 (DISB FR/REIMB TO ENDOW)

   The above inactive accounts include funds advanced for program expenditures which may no longer be reimbursable.

   Recommendation: We recommend that the University perform timely analysis of general ledger accounts and assess long outstanding inactive accounts and document required corrective action.

   Auditee Response: The University will provide a provision for an Allowance for Uncollectible accounts for the long outstanding inactive accounts.

3. Procurement

   Comment: Test of non-payroll disbursements noted the following:

   - Reference # V0652192 of $7,584 for various expenses relating to the UOG Fitness Room was not supported with sufficient procurement documents including the basis of vendor selection.

   - Reference # V0645122 of $11,750 exceeded the original PO amount but was not supported with an amendment or a new PO for the excess. The expense was also recorded in the wrong period.

SECTION I –DEFICIENCIES, CONTINUED

3. Procurement, Continued

   Recommendation: We recommend that the University strengthen monitoring procedures over procurement documentation. Specifically, the Procurement Office should maintain documentation supporting vendor selection.

   Auditee Response: The University's Procurement Office will ensure full compliance review for all PO requests as a standard practice in regards to open solicitation and vendor selection with supporting documentation. Before a PO is generated or adjusted, a copy of these supporting documents will be kept and uploaded as an electronic file on E-trieve and Doc-E-Scan for compliance and future reference.

SECTION II – OTHER MATTERS

Other matters related to our observations concerning operations, compliance with laws and regulations, and best practices involving internal control over financial reporting that we wish to bring to your attention at this time are as follows:

1. Payroll

   Comment: Tests of payroll expenditures noted the following:

   - One of twenty-six employee timesheets did not evidence supervisory approval, but the payroll was processed.

   Recommendation: We recommend that management revisit its policies and procedures on timesheet preparation and approval as UOG changes from manual to online process through its Web Time Entry (WTE).

   Auditee Response: The University will work with the Human Resources Office and Office of Information and Technology to implement internal controls for supervisors to approve employee timesheets before payroll is processed.

SECTION III – DEFINITION

The definition of a deficiency is as follows:

A *deficiency* in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when (a) a properly designed control does not operate as designed, or (b) the person performing the control does not possess the necessary authority or competence to perform the control effectively.

MANAGEMENT'S RESPONSIBILITY FOR, AND THE OBJECTIVES AND LIMITATIONS OF, INTERNAL CONTROL OVER FINANCIAL REPORTING

The following comments concerning management's responsibility for internal control over financial reporting and the objectives and inherent limitations of internal control over financial reporting are adapted from auditing standards generally accepted in the United States of America.

Management's Responsibility

The University's management is responsible for the overall accuracy of the financial statements and their conformity with generally accepted accounting principles. In this regard, management is also responsible for establishing and maintaining effective internal control over financial reporting.

Objectives of Internal Control over Financial Reporting

Internal control over financial reporting is a process affected by those charged with governance, management, and other personnel and designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control over the safeguarding of assets against unauthorized acquisition, use, or disposition may include controls related to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity's objective of reliable financial reporting (i.e., the preparation of reliable financial statements that are fairly presented in conformity with generally accepted accounting principles).

Inherent Limitations of Internal Control over Financial Reporting

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

UNIVERSITY OF GUAM
UNIBETSEDÅT GUÅHAN
Board of Regents

Resolution No. 20-16

RELATIVE TO AUTHORIZING THE UNIVERSITY TO ADOPT AN AUDIT CHARTER TO GOVERN ACTIVITIES OF THE RISK OFFICER OF THE UNIVERSITY OF GUAM

WHEREAS, the University of Guam (UOG) is the primary U.S. Land Grant institution accredited by the Western Association of Schools and Colleges Senior College and University Commission serving the post-secondary needs of the people of Guam and the Western Pacific region;

WHEREAS, the governance and well-being of the University is vested in the Board of Regents (BOR);

WHEREAS, the University's Enabling Statute empowers the BOR to establish and abolish Faculty and Administrator positions within the University;

WHEREAS, UOG's external auditors – Deloitte – recommended increased monitoring of its federal grant programs as the number, complexity, and non-compliance penalties have significantly increased in recent years;

WHEREAS, the University has determined that it is most appropriate for this function to be carried out by an Internal Audit function within the University;

WHEREAS , the University Risk Officer has drafted the attached audit charter based on the role of the internal audit function in other Universities;

WHEREAS, the President now desires the BOR to adopt the Audit Charter to govern the activities of the Risk Officer of UOG;
.

NOW, THEREFORE, BE IT RESOLVED, that the BOR hereby adopts the Audit Charter of UOG; and

BE IT FURTHER RESOLVED, that the BOR authorizes the Budget, Finance, and Audit Committee to approve future changes or amendments to the Audit Charter of UOG.

Adopted this 14th day of May, 2020.

Elvin Y. Chiang, Chairperson

ATTESTED:

Thomas W. Krise, Ph.D., Executive Secretary

University of Guam - Internal Audit Charter

I. Purpose and Mission

The University of Guam (UOG) Internal Audit's main purpose is to provide independent, objective assurance and consulting services designed to add value and improve UOG's operations. Its mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. Internal Audit helps UOG accomplish its objectives through a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

II. Background and Structure

On March 3, 2016, the Board of Regents through Resolution No. 16-07 authorized the creation of internal auditor position and to build the capacity of the internal audit office. In January 2020, UOG established the internal audit office, and its purpose, authority, and responsibilities are defined in this Internal Audit Charter.

The Risk Officer is the chief audit executive who reports functionally to the Board of Regents' Audit Committee. The Risk Officer has direct access to the President and reports administratively (i.e., day-to-day operations, logistics, and audit planning purposes) to the to the Vice President for Administration and Finance (VPAF).

To establish, maintain, and assure that Internal Audit has sufficient authority to fulfill its duties, the Audit Committee will:

a. Approve the Internal Audit Charter.
b. Approve the Annual Work Plan.
c. Receive communications from the Risk Officer on internal audit office's performance relative to its plan and other matters.
d. Review decisions regarding the performance, and removal of the Risk Officer as a joint effort with the VPAF and President. The President may only remove the Risk Officer with the approval of the Chairman of the Audit Committee.
e. Make appropriate inquiries to determine whether there is inappropriate scope or resource limitations.

III. Standards for the Professional Practice of Internal Auditing

Internal Audit adheres to the Institute of Internal Auditor's Definition of Internal Auditing, International Standards for the Professional Practice of Internal Auditing (*Standards*), and the Code of Ethics. These encompass all mandatory elements of the International Professional Practices Framework.

IV. Authority

The Audit Committee authorizes internal audit office to:

a. Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
b. Obtain assistance from the necessary UOG personnel, as well as other specialized services from within or outside UOG, in order to complete the engagement.

V. Independence and Objectivity

The Risk Officer and other internal audit staff should sign an annual conflict of interest statement to allow the disclosure of any situation that may impair their objectivity and allow the reaffirmation of UOG's policies on conflicts of interest.

In general, internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment. Therefore, the internal audit review and appraisal does not relieve UOG officials of the responsibilities assigned to them. If internal auditors do perform such work, they should refrain from auditing such work.

The internal auditors should not perform non-audit work, except under extreme circumstances for a short period of time after appropriate discussion with the VPAF, President, and/or Audit Committee. Where the internal auditors have or are expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

VI. Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee and management on the adequacy and effectiveness of UOG's governance, risk management, and control processes.

Internal audit assessments of UOG could include evaluating whether:

a. Risks relating to the achievement strategic objectives are appropriately identified and managed.
b. The actions of officers, directors, employees, and contractors are in compliance with policies, procedures, applicable laws, regulations, governance standards, and best practices.

c. The results of operations or programs are consistent with established goals and objectives.
d. Operations or programs are being carried out effectively and efficiently.
e. Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact UOG.
f. Resources and assets are acquired economically, used efficiently, and protected adequately.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

VII. Responsibility

The Risk Officer has the responsibility to:

a. Submit a flexible annual work plan to the VPAF, President and Audit Committee.
b. Communicate to the VPAF, President, and/or Audit Committee the impact of resource limitations on the work plan.
c. Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
d. The Risk Officer must report periodically to senior management and the Audit Committee on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan and on its conformance with the Code of Ethics and the *Standards*. Reporting must also include significant risk and control issues, including fraud risks, governance issues, and other matters that require the attention of senior management and/or the Audit Committee.
e. Follow up on engagement findings and corrective actions, and report periodically to the VPAF, President and Audit Committee any corrective actions not effectively implemented.
f. Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
g. Ensure internal auditors collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the Internal Audit Charter. Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development.
h. Ensure adherence to UOG's policies and procedures, unless such policies and procedures conflict with the Internal Audit Charter. Any such conflicts will be

resolved or otherwise communicated to the VPAF, President and/or Audit Committee.

i. Ensure internal audit activities' conformance with the *Standards*, with the following qualifications:
    i. If internal auditor is prohibited by law or regulation from conformance with certain parts of the *Standards*, the Risk Officer will ensure appropriate disclosures and conformance with all other parts of the *Standards*.
    ii. If the *Standards* are used in conjunction with requirements issued by other authoritative bodies, the Risk Officer will ensure that internal audit activity conforms with the *Standards*, even if the activity also conforms with the more restrictive requirements of other authoritative bodies.

VIII. Engagement Reporting

The Risk Officer ensures that the results of the audit work are properly communicated to appropriate official in accordance with the *Standards*. This includes:

a. Presenting with representatives of the audited unit the draft audit report for review and comment. As deemed appropriate by the Risk Officer, a written reply from the audited unit may be required within 15 calendar days from receipt of the draft audit report. A final written report is distributed to the President and to the respective vice president and department head.
b. Providing adequate follow-up to ensure action is taken to correct reported conditions.
c. Reporting summarized findings and the status of corrective actions, as well as full audit reports, to the Audit Committee.

The Risk Officer, when necessary and/or upon request, may coordinate with other control and monitoring functions (internal and external parties) with the concurrence from the VPAF, President, and/or Audit Committee.

IX. Quality Assurance and Improvement Program

Internal Audit will maintain a quality assurance and improvement program that covers all aspects of the internal audit functions. The program will include an evaluation of internal audit office's conformance with the *Standards* and an evaluation of whether internal auditors apply the Code of Ethics. The program will also assess the efficiency and effectiveness of internal audit office and identify opportunities for improvement.

X. Review of the Internal Audit Charter

This policy may be updated as necessary to reflect the internal audit office's operations and assure that it remains effective and in line with best practices. Proposed changes or amendments to this policy are subject to annual review, approval, and adoption by the Audit Committee.

XI. Acknowledgments and Approvals

Approved this 14th day of May, 2020.

Edlyn Dalisay, Risk Officer

Randall V. Wiegand, VPAF & CBO

Thomas W. Krise, Ph.D. President

Jerold W. Filush, Audit Committee Chairperson

2.3 Investment Committee

UNIVERSITY OF GUAM
UNIBETSEDÅT GUÅHAN
Board of Regents

Resolution No. 20-17

RELATIVE TO AUTHORIZING THE PRESIDENT TO ACCESS FUNDS THAT HAVE BEEN RESTRICTED BY THE BOARD OF REGENTS

WHEREAS, the University of Guam (UOG) is the primary U.S. Land Grant institution accredited by the Western Association of Schools and Colleges Senior College and University Commission (WSCUC) serving the post-secondary needs of the people of Guam and the Western Pacific region;

WHEREAS, the governance and well-being of UOG is vested in the Board of Regents (BOR);

WHEREAS, one of the criteria used by WSCUC in reviewing a University for accreditation is financial sustainability and in response to this criterion, the BOR has established a number of restricted funds to prove the sustainability of UOG;

WHEREAS, the recent COVID-19 pandemic that has caused the University to close the campus and move all classes to an on-line basis represents the type of financial exigency for which WSCUC was encouraging the University to be prepared;

WHEREAS, even though the University has enacted a Financial Management plan to respond to the reduction in the allotment, the University is concerned about increased costs encountered by the University to respond to the pandemic and is concerned that the appropriation and allotments may be reduced further by continued effects of the pandemic on the island's economy;

WHEREAS, the President now seeks approval from the BOR to access certain funds that have been restricted by the BOR – these funds include the Faculty and Staff Development Fund, the Campus Maintenance Fund, the Dorm Renewal and Replacement Fund, the International Accounting Institute Fund, the Self Insurance Fund, etc.;

WHEREAS, the President also seeks authorization to work with the Guam Legislature to free up funds in the Land Grant Endowment Fund and the Tobacco Fund which cannot be expended without Legislative approval; and

WHEREAS, the BOR Investment Committee has reviewed this authorization request and recommends this request to the BOR for approval.

NOW, THEREFORE, BE IT RESOLVED, that the BOR hereby authorizes the President to access funds in an amount up to $1.5 million which have been restricted by the BOR to include the Faculty and Staff Development Fund, the Campus Maintenance Fund, the Dorm Renewal and Replacement Fund, the International Accounting Institute Fund, the Self Insurance Fund, etc. for purposes of sustaining the University through the period in which the University is cash constrained as a result of the COVID-19 pandemic on the island;

BE IT FURTHER RESOLVED, that the BOR further authorizes the President to seek Legislative authority to access the Land Grant Endowment Fund and the Tobacco Fund for the same purposes;

BE IT FURTHER RESOLVED, that any funds drawn under this authorization must be directly tied to expenditures or lost revenues related to the COVID-19 pandemic on the island;

BE IT FURTHER RESOLVED, that any funds drawn under this authorization will be given first priority to be replaced by any reimbursements received from the Federal government or other sources with interest at a rate of 2%;

BE IT FURTHER RESOLVED, that the President is directed to liquidate investments in such a manner as to have the least impact on the overall portfolio of investments, i.e. fixed income investments ahead of highly depreciated stock investments; and

BE IT FURTHER RESOLVED, that the President shall notify the BOR Executive Committee prior to making a withdrawal from any of the restricted funds for this purpose.

Adopted this 14th day of May, 2020.

Elvin Y. Chiang, Chairperson

ATTESTED:

Thomas W. Krise, Ph.D., Executive Secretary

UNIVERSITY OF GUAM
UNIBETSEDÅT GUÅHAN
Board of Regents

Resolution No. 20-18

RELATIVE TO AUTHORIZING THE PRESIDENT TO BORROW FROM RESTRICTED FUNDS FOR THE PURPOSE OF STRENGTHENING THE UNIVERSITY'S FUNDRAISING CAPABILITIES

WHEREAS, the University of Guam (UOG) is the primary U.S. Land Grant institution accredited by the Western Association of Schools and Colleges Senior College and University Commission (WSCUC) serving the post-secondary needs of the people of Guam and the Western Pacific region;

WHEREAS, the governance and well-being of UOG is vested in the Board of Regents (BOR);

WHEREAS, one of the criteria used by WSCUC in reviewing a University for accreditation is financial sustainability and in response to this criterion, the BOR has established a number of restricted funds in order to prove the sustainability of UOG;

WHEREAS, the President has determined that the fundraising capabilities of the University could be greatly strengthened if proper investments could be made in developing these skill sets among certain UOG employees and enhancing the tools available to the University;

WHEREAS, the President has developed a white paper to lay out a plan for developing the fundraising capabilities of the University;

WHEREAS, the President now seeks authority to withdraw up to $250,000 or 5% of Board restricted funds, whichever is lower, per year for two years to enhance the fundraising capabilities of the University – these funds represent fund earnings and do not include corpus;

WHEREAS, any funds drawn will be replenished by the proceeds of this fundraising initiative; and

WHEREAS, the BOR Investment Committee has reviewed this authorization request and recommends this request to the BOR for approval.

NOW, THEREFORE, BE IT RESOLVED, that the BOR hereby authorizes the President to access funds which have been restricted by the BOR to include the Faculty and Staff Development Fund, the Campus Maintenance Fund, the Dorm Renewal and Replacement Fund, the International Accounting Institute Fund, the Self Insurance Fund, etc. for the purposes of developing the fundraising capabilities of the University as set forth in the President's white paper;

BE IT FURTHER RESOLVED, that the withdrawals will be limited to $250,000 or 5% of Board restricted funds, whichever is lower, per year for a maximum of two years;

BE IT FURTHER RESOLVED, that the BOR further requires that the funds removed will be restored from the proceeds of the President's fundraising initiative including interest at the rate of 2% per annum; and

BE IT FURTHER RESOLVED, that the President is directed to liquidate investments in such a manner as to have the least impact on the overall portfolio of investments, i.e. fixed income investments ahead of highly depreciated stock investments.

Adopted this 14th day of May, 2020.

Elvin Y. Chiang, Chairperson

ATTESTED:

Thomas W. Krise, Ph.D., Executive Secretary

UNIVERSITY OF GUAM
UNIBETSEDÅT GUÅHAN
Board of Regents

Resolution No. 20-19

RELATIVE TO APPROVING THE REVISIONS TO THE UNIVERSITY OF GUAM INVESTMENT POLICY STATEMENT

WHEREAS, the University of Guam (UOG) is the primary U.S. Land Grant institution accredited by the Western Association of Schools and Colleges Senior College and University Commission serving the post-secondary needs of the people of Guam and the Western Pacific region;

WHEREAS, the governance and well-being of UOG is vested in the Board of Regents (BOR);

WHEREAS, UOG adopted an Investment Policy Statement (IPS) in February 1989 governing the role of the Investment Committee in managing UOG's investments, especially the Land Grant Endowment Fund;

WHEREAS, since that time there have been several amendments to the policy;

WHEREAS, UOG's Investment Advisor, Raymond James & Associates, has recommended the IPS be updated with current information; and

WHEREAS, the Administration and the Investment Committee recommend the revised UOG IPS to the BOR for approval.

NOW, THEREFORE BE IT RESOLVED, that the BOR hereby adopts the revised UOG IPS to be effective immediately.

Adopted this 14th day of May, 2020.

Elvin Y. Chiang, Chairperson

ATTESTED:

Thomas W. Krise, Ph.D., Executive Secretary

THE UNIVERSITY OF GUAM
UNIBETSEDÅT GUAHAN

Investment Policy Statement

Adopted: February 1989
Amended: 1990, 1991, 1992, 1995, 1997, 2003, 2008, 2011, 2014, 2016, 2017 & 2020

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EXECUTIVE SUMMARY

Name of Fund: University of Guam Investment Fund

Current Market Value: $25.9 Million (as of September 30, 2019)

Planning Time Horizon: Greater than 20 years

Expected Return: Nominal rate of 6.8%

Asset Allocation:

	Lower Limit	Strategic Allocation	Upper Limit
US Equities	**20%**	**30%**	**40%**
Large Cap Growth		*10%*	
Large Cap Value		*10%*	
Mid Cap Value		*2.5%*	
Mid Cap Growth		*2.5%*	
Small Cap Value		*2.5%*	
Small Cap Growth		*2.5%*	
Non-U.S. Equities	**7.5%**	**20%**	**27.5%**
Developed		*10%*	
Emerging		*10%*	
Fixed Income	**20%**	**30%**	**40%**
U.S. Core/ Intermediate		*20%*	
U.S. High Yield		*5%*	
Global		*5%*	
Alternatives	**10%**	**20%**	**30%**
U.S. REITS		*7.5%*	
Low Duration Fixed Income		*5%*	
Infrastructure		*5%*	
Private Markets		*2.5%*	

I. STATEMENT OF PURPOSE

The purpose of this Investment Policy Statement ("IPS") is to assist the Board of Regents ("Regents") of the University of Guam, and its Investment Committee ("Committee"), in effectively supervising, monitoring and evaluating the investment of the University of Guam Investment Fund ("Fund") assets. The Fund's investment program is defined in the various sections of the IPS by:

- Stating in a written document the Regents' attitudes, expectations, objectives, and guidelines in the investment of all Fund assets
- Setting forth an investment structure for managing all Fund assets. This structure includes various asset classes, investment management styles, asset allocation, and acceptable ranges that, in total, are expected to produce a sufficient level of overall diversification and total investment return over the long-term.
- Providing guidelines for each investment portfolio that controls the level of overall risk and liquidity assumed in that portfolio so that all Fund assets are managed in accordance with stated objectives
- Encouraging effective communications between the Regents, the Committee, the registered investment advisor ("RIA"), and the investment managers ('Investment Managers")
- Establishing formalized criteria to monitor, evaluate and compare the performance results achieved by the Investment Managers on a regular basis
- Complying with all fiduciary, prudence and due diligence requirements that experienced investment professionals would utilize.

This IPS has been arrived at upon consideration by the Regents of the financial implications of a wide range of policies, and describes the prudent investment process that the Regents deem appropriate.

II. BACKGROUND

The Fund consists of a number of sub-funds, with the largest being the UOG Land Grant Endowment Fund. The University of Guam Land Grant Endowment Fund was established by a payment from the United States Federal Government with the sum of $3 million (i.e., the corpus). This payment was given in lieu of a donation of public land or land scrip for the endowment and maintenance of colleges for the benefit of agriculture & mechanical arts normally provided in similar situations. The Fund sub-funds that will be managed by the Vice President of Administration and Finance (VPAF). The sub-funds will be updated quarterly. An accounting of the sub-funds can be found in Appendix D of this document.

Key Information

Name: University of Guam Investment Fund

Sponsor: University of Guam

Oversight: The President has delegated administrative responsibility for the University's investments to the VPAF. The Investment Committee, Board of Regents, University of Guam, has oversight. The voting members of the Investment Committee are the Board of Regents' Chair and three additional Regent members, one of which will be elected Chair of the Committee. Ex Officio members of the Investment Committee include the University President, VPAF, and Comptroller.

III. STATEMENT OF OBJECTIVES

The objectives of the Fund have been established in conjunction with a comprehensive review of the current and projected financial requirements. The objectives are:

- To attain a 6.8% annual rate of return or a rate of return at least four percent over the rate of inflation over a market cycle, whichever is greater. It is expected that this objective will be met within the levels of economic risk that a prudent man would take under various economic conditions. This objective may be modified periodically in light of changing rates of inflation.
- It is acknowledged that the rate of return outlined above may not be achieved each and every year. It is the goal of the Fund to meet this objective over a complete market cycle.
- To control costs of administering the Fund and managing the investments.

IV. SPENDING POLICY

University of Guam has the following funds available for investment:

A. Land-Grant Endowment Fund ($3,000,000 corpus)

Public Law 19-40 established this Fund, requiring that the value of the original $3 million corpus remain unimpaired and preserved. This is a permanent endowment. Given this, the Regents direct that the value of the corpus be adjusted annually for inflation using the U.S. Consumer Price Index-Urban ("Inflation-Adjusted Value") as follows (the Committee is directed to make this calculation at the beginning of each fiscal year):

$$\text{Corpus} \times \frac{\text{Current CPI-U (i.e., Consumer Price Index-Urban)}}{\text{1974 CPI-U}}$$

The Regents only authorize spending from this fund when the current value of the Fund is sufficiently greater than the Inflation-Adjusted Value. At that point the following spending policy will be in effect:

It is the policy of the Regents and Committee to spend up to 4% of the moving average of the market value of the Fund for the trailing three years, ending each September 30. To the extent that the total of this annual calculation is not withdrawn and expended, such excess shall be added to the corpus of the Fund.

As unanticipated additional funding requirements for the Fund may arise suddenly, the Fund will be invested in such a way that adequate funds can be made available within a short period of time should the need arise.

The Board must approve the expenditure budgets from this Fund. Spending cannot be for any building-related expenditure.

B. Planetarium Fund

Based upon Public Law 20-221 the University established a revolving fund for the Planetarium instrument. The University is authorized to spend from this Fund for the purposes of maintenance and parts for the Planetarium instrument. The Board must approve the expenditure budgets from this Fund.

C. Current Account

The Current Account Unrestricted advances monies to scholarship and other funds for the purposes of these funds. As the Current Account is utilized to reinvest monies drawn to pay the advances, the University is authorized to spend from this Fund, provided that the Board must approve the expenditure budgets.

D. Faculty and Staff Development Fund

Per Board of Regents Resolution 93-17, the University is authorized to spend $30,000 per year for faculty development and $13,000 per year for staff development. Any amount over that shall be reinvested.

E. Campus Maintenance Fund ($952,984 corpus)

It is the policy of the Regents and Committee to spend up to 4% of the moving average of the market value of the Fund for the trailing three years, ending each September 30 for the purposes of renovation and maintenance projects and replacement of major components for all campus buildings to sustain the highest levels of student learning and academic quality. The Board must approve the expenditure budgets from this Fund. To the extent that the total of this annual calculation is not withdrawn and expended, such excess shall be added to the corpus of the Fund.

As unanticipated additional funding requirements for the Fund may arise suddenly, the Fund will be invested in such a way that adequate funds can be made available within a short period of time should the need arise.

F. Dorm Renewal and Replacement Fund

The Fund and spending authority were originally established to comply with the covenants of the Dorm Student Union Bond. As the bond is now fully paid, the bond covenants are no longer in force. From FY2009 forward, the University is authorized to spend from this Fund for the purposes of renovation and maintenance projects and replacement of major components for all dorms. The Board must approve the expenditure budgets from this Fund.

G. Self-Insurance Fund

Per Board Resolution 96-29, the University is authorized to spend from this fund for damages and loss prevention measures, as approved by the Investment Committee.

H. Scholarship Funds (Siu Lin Tan, Maman Ling-R.Taitano, Nursing, DeLeon, Chinn Ho, J. Guthertz, Gov. Bill Daniel)

The University is authorized to spend from these funds for the specific purposes and in the manner established in each gift.

V. BROKERAGE POLICY

It is the policy of the Regents to instruct the Investment Managers to direct transactions to designated broker-dealers. The direction of trading shall be “subject to the best price execution” as it relates to all transactions effected for the Fund.

The Regents have entered into an asset-based fee arrangement, where it may instruct the Investment Managers to direct securities transactions to designated broker/dealers.

For transactions under this arrangement, executions will be done by designated broker/dealers without commission expense, or other forms of compensation that may have been paid for asset placement. The Investment Managers, exercising full discretion, must attempt to obtain "best available price and best execution" with respect to transactions effected for the Fund.

VI. SOCIAL RESPONSIBILITY POLICY

University of Guam is a recognized leader in the educational community. UOG has also been recognized for its financial stability and good governance, and has therefore amplified its international leadership and emphasized the importance of regional and global partnerships.

The University of Guam Board believes that as fiduciaries with oversight over valuable assets of the education of Guam's future leaders, it is their duty to take a "Sustainable" investment approach to the management of the Fund. Sustainable investing integrates prudent Environmental, Social, and Governance (ESG) practices into the management of its financial assets. The challenge the Board faces is how to take ESG factors into account, but to still look at it through the lens of performance-based duty.

A growing body of research has demonstrated that poorly managed ESG risks, such as natural resource efficiency, human capital/labor management, and board independence can have a material impact on asset values. Therefore, the Board will adopt a policy of "integration" in addressing ESG factors. Under this approach, ESG issues are explicitly and systematically integrated into traditional investment analysis and decisions, to better manage risks and improve returns. Quite often this is implemented as a best-in-class approach by identifying and investing in companies that are the highest ESG performers within a sector or industry group. According to a recent CFA Institute study, Integration is the commonly used method of implementation of Sustainable investing.

Therefore, it is the policy of the Board to seek and retain Investment Managers that incorporate Sustainable investing criteria in their investment processes. To assist the Board in verifying that this is being done, all Investment Managers employed are preferred to be signatories of the United Nations Principles for Responsible Investment (UN – PRI). The UN - PRI is a global organization that encourages and supports the uptake of responsible investment practices in the investment industry.

VII. GUIDELINES AND INVESTMENT POLICY

Time Horizon

Investment guidelines are based upon an investment horizon of greater than twenty years, so that interim fluctuations should be viewed with appropriate perspective. Similarly, the Fund's strategic asset allocation is based on this long-term perspective.

Risk Tolerances

The Regents recognize the difficulty of achieving the Fund's investment objectives in light of the uncertainties and complexities of contemporary investment markets. The Regents also recognize that some risk must be assumed to achieve the Fund's long-term investment objectives. However, it is the intent to monitor the risk being assumed by each individual Investment Manager and by the Fund as a whole. To that end, risk will be evaluated by:

- Over a market cycle, risk associated with any Investment Managers portfolio, as measured by the variability of quarterly returns (standard deviation) must not exceed that of the Investment Manager's respective performance benchmark, without a commensurate increase in return.
- Over a market cycle, risk associated with the total Fund, as measured by the variability of quarterly returns (standard deviation) must not exceed that of the blend of indices representing the strategic asset allocation of the Fund, without a commensurate increase in return.
- During market cycles the risk measures, as indicated herein, will be reviewed periodically by the Committee.

Performance Expectations

The investment objective is a long-term nominal rate of return on assets that is at least equal to 6.8%. This target rate of return for the Fund has been modeled by the RIA based upon the assumption that future real returns will approximate the long-run rates of return experienced for each asset class in the IPS.

The investment objective of the Fund is to strive for positive real rates of return (note: the U.S. Consumer Price Index - Urban (CPI) will be used when determining the real rate of return). It is acknowledged that the target rate of return may not be achievable each and every year. The Fund's objective is to meet the target rate of return over a complete market cycle.

The Committee realizes that market performance varies and that a 6.8% nominal rate of return may not be meaningful during some periods. Accordingly, relative performance benchmarks for the Investment Managers are set forth in Appendix B.

The Committee will consider risk-adjusted performance as well. Over market cycles, Investment Managers will be expected to provide returns with a positive Alpha, as measured against their respective benchmark index; as well as have a higher Sharpe Ratio than the index. The Fund as a whole will be measured in the same manner against an index composite in the same allocation as the Funds strategic allocation.

Asset Allocation Constraints

The Committee believes that the Fund's risk and liquidity posture are, in large part, a function of asset class mix. The Committee has reviewed the long-term performance characteristics of various asset classes, focusing on balancing the risks and rewards inherent in the marketplace.

Four asset classes have been selected:

1. U.S. Equities
2. Non-U.S. Equities
3. Fixed Income
4. Alternatives

Given the Fund's time horizon, risk tolerances, performance expectations & asset class preferences; an efficient (optimal) portfolio was identified (Appendix A).

Re-balancing of Strategic Allocation

The percentage allocation to each broad-asset class may vary as much as plus or minus 10% of target. The Fund's asset allocation will be reviewed for compliance by the Committee after the end of each fiscal quarter. If, after a fiscal quarter end where any particular broad asset class is either above it's maximum limit, or below it's minimum limit, and the Committee has not taken any corrective action within sixty (60) days, a member of the Board of Regents Executive Committee will be consulted by the University's Vice President for Administration and Finance in the event that no response was made by the Committee Chair. After such consultation, the Vice President for Administration and Finance may direct the RIA to take action to rebalance within policy compliance (after first sending notification of pending action to the Committee), and they are held harmless for doing so.

When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent with the strategic asset allocation of the Fund. The allocation of the Fund will be reviewed by the Committee quarterly.

When cash flows are insufficient to bring the Fund within the strategic allocation ranges, the Committee shall determine the appropriate course of action to be taken. The Investment Managers will then be instructed to execute such action required to bring the strategic allocation within the pre-specified ranges.

Custodial Credit Risk

Custodial credit risk will be mitigated by requiring that: 1) All securities held in custody be protected by deposit insurance, bond, or pledged collateral; and 2) Securities held in custody be in the University's name or in the name of the University's custodian for the benefit of the University.

Ethics Guidelines

The Regents, Committee and University employees are subject to the standards found in the University's Procurement Regulations, Chapter 11, Ethics in Public Contracting, in the performance of their duties under the Investment Policy Statement.

The Regents, Committee, University employees and RIA must avoid conflicts of interest and should be sensitive to even the appearance of a conflict. A conflict of interest occurs when outside activities or personal interests interfere, or appear to interfere, with the ability to objectively perform a job or act in the best interests of the University.

All financial, business and other activities must be lawful and free of conflicts or even the appearance of a conflict with the responsibilities to the University. If there are potential conflicts of interest or even if there is a possibility that a conflict may exist or appear to exist, it should be disclosed to the Committee in writing. All fiduciaries will annually acknowledge the University's ethics policies and agree to disclose any potential conflicts of interest accordingly.

VIII. SECURITIES GUIDELINES

Every Investment Manager selected to manage Fund assets must adhere to the following guidelines.

General:

- Any pertinent restrictions existing under the laws of Guam with respect to the Fund, that may exist now or in the future, will be the governing restriction.
- U.S. and non-U.S.: equities; ADRs (American Depository Receipts); convertible bonds; preferred stocks; fixed-income securities; mutual funds; and other asset classes deemed prudent by the Regents, are permissible investments.
- No individual security of any issuer, other than that of the United States Government, shall constitute more than 5% (at cost) of the Total Fund or 10% (at cost) of any Investment Manager's portfolio.
- 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 Committee approval.
- Holdings of any issuer shall constitute no more than 5% of the outstanding securities of such issuer.
- Investments in a registered mutual fund managed by any Investment Manager is subject to the prior approval of the Committee.
- The following securities and transactions are not authorized without prior written Committee approval: letter stock and other unregistered securities; non-negotiable securities; commodities or other commodity contracts; options; futures; short sales; and margin transactions.
- As some of following investments may be in equities or mutual funds, the RIA will determine the appropriate asset class for reporting purposes, updating the Committee whenever a change in reporting occurs.

Core Fixed Income:

- Except for high yield fixed income funds, all other fixed income securities held in the portfolio shall have a Moody's, Standard & Poor's and/or a Fitch's credit quality rating of no less than broad investment grade "BBB" or it's equivalent. 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.
- No more than 20% of the market value of the portfolio shall be rated less than single "A" quality, unless the Investment Manager has specific prior written authorization from the Committee.
- Total portfolio quality (cap weighted) shall maintain an "A" minimum rating.

High Yield Fixed Income

- Investments are authorized in High yield fixed income funds to include US and non-US-dollar-denominated securities carrying a below investment grade quality rating. High yield bonds carry a Moody's/Standard & Poor's credit quality rating of Ba1/BB+ or lower.

Equities:

- Consistent with the desire to maintain broad diversification, allocations to any economic or industry sector should not be excessive.
- Equity holdings shall be restricted to readily marketable securities of corporations that are actively traded on the major exchanges and over the counter.
- The Investment Managers shall have the discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, the Investment •Managers will be evaluated against their peers on the performance of the total funds under their direct management.
- 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.

Cash/Cash Equivalents:

- 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 (CD), 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.
- CD's 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 prevailing FDIC insurance limits unless it is fully collateralized by U.S. Treasury Securities.
- No single issue shall have a maturity of greater than two (2) years.
- Custodial Sweep Account portfolios must have an average maturity of less than one (1) year.

Master Limited Partnerships (MLPS):

- Limited partnerships that are publicly trade on a securities exchange are authorized for the investment portfolio. They invest in the cash flow generating assets of qualifying commercial enterprises, commonly energy infrastructure (e.g. pipelines). MLP's pass through the vast majority of its earnings to investors as dividend distributions.
- The actively managed U.S. MLP portfolio will consist primarily of U.S. master limited partnerships, publicly traded limited liability companies, midstream energy corporations, natural resource transportation and operating company securities associated with MLP's or with MLP-able assets, and cash equivalents.
- Holdings in any one issuer should not exceed more than 10%, at cost, of the market value of the portfolio.
- The manager has the discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, the manager will be evaluated against its peers on the performance of the total funds under their direct management.

- The manager is permitted to purchase U.S. master limited partnership units issued in PIPE (private investment in public equity) transactions. Investments in stocks obtained through PIPE transactions that are not yet registered are limited to 20% of the portfolio at market value. Investments in stocks obtained through PIPE transactions that are registered are permissible without limitation.
- To achieve the quality and liquidity levels desirable, at least 80% of the U.S. equity securities owned in the portfolio must be listed on the New York, American, and/or NASDAQ Stock Exchanges. Convertible securities will be considered an equity security for this purpose.
- Positions in letter stock, private placements (excluding 144A securities), physical real estate, physical commodities, and any other positions unable to be liquidated promptly without severe market impact are prohibited.

Real Estate Investment Trusts (REITS):

- Investments in REITS are authorized that represent ownership interests in commercial real estate properties, including office buildings, apartment buildings, hotels, and shopping centers. They may also include publicly traded companies engaged in the ownership, development, and/or management of real estate.

Commodities:

- Investments in commodities are authorized to include precious metals, base metals, agriculture, and energy.

Non-Traditional/Alternative Investments:

- Definition: Non-Traditional/Alternative Investments are often structured as private investments and are generally formed as limited partnerships or limited liability companies and, in many cases, organized in low or no tax jurisdictions. The managers of these investments generally are allowed to operate with greater flexibility than most traditional investment managers and their compensation usually includes substantial performance incentives.
- Objective: Investment in alternatives may be considered by this organization within the context of an overall investment plan. The objective of such investments will be to seek to diversify the portfolio, complementing traditional equity and fixed-income investments and improving the overall performance consistency of the portfolio. It is acknowledged that there is no guarantee that this objective will be realized.
- Transparency and Liquidity: It is acknowledged that these investments are less transparent than traditional investments and that liquidity in such investments is usually significantly limited. Liquidity constraints, including lockup provisions and redemption or withdrawal fees, must be taken into consideration when making allocations to such investments.
- Allowable Strategies: Since alternative investments generally seek to provide diversification by investing in strategies that do not correlate directly with traditional equity and/or fixed-income investments, investments strategies may include, but are not limited to, the following:
  - Statistical Arbitrage
  - Distress Securities

- Bayesian Modeling
- Merger Arbitrage
- Momentum Trading
- Fixed Income Arbitrage
- Debt/Equity Financing
- Equity Long/Short
- Leveraged Buyouts
- Global macro
- Venture Capital
- Short Selling
- Mezzanine Debt
- Commodities and Futures
- Equity Market Neutral
- Structured Credit Products
- Convertible Arbitrage
- Infrastructure
- Real Estate (Public & Private)

The foregoing allowable strategies may be pursued in any manner including through collective investment vehicles such as hedge funds, funds of hedge funds, private equity (i.e. LBO, Venture, Mezzanine Debt, etc.) funds and funds of funds, real estate funds and funds of funds, commodity pools, and structured credit products such as equity CDOs.

- Allowable Investments: The above referenced strategies may include, but are not limited to, investments (directly or indirectly) in the following: common and preferred stocks, options, warrants, convertible securities, foreign securities, foreign currencies, commodities, commodity futures, financial futures, derivatives, mortgage-backed and mortgage-related securities, real estate, bonds (both investment-grade and non-investment-grade, including high-yield debt, distressed or other securities) and other assets. Strategies may utilize short-selling and leverage.
- Risk Acknowledgement: The Regents and the Committee acknowledge that: (1) alternative investments can be highly illiquid and may engage in leveraging and other speculative investment practices, which may involve volatility of returns and significant risk of loss, including the potential for loss of the principal invested; (2) that there is no secondary market currently available for interests in most alternative investments and that there may be restrictions imposed by the fund on transferring such interests as stated in the fund's private placement memorandum or prospectus; (3) that investing in alternative investments is only suitable for experienced and sophisticated investors who are willing to bear the high economic risks of the investment and that this organization qualifies as such an investor; (4) that it will carefully review and consider all potential risks before investing including the following specific risks:
    - loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices;
    - lack of liquidity as there may be no secondary market for the investments;
    - volatility of returns;
    - restrictions on transferring interests in the investments;
    - potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized;

- absence of information regarding valuations and pricing;
- less regulation and higher fees than mutual funds, and
- Investment advisor risk

IX. SELECTION OF INVESTMENT MANAGERS

The Committee, with the assistance of the RIA, will select appropriate investment managers to manage Fund assets. Investment Managers selected will execute written contracts with the University or the RIA, particularly where the RIA has a master contract with Investment Managers, whereby they can be retained by the University at preferential fees and at substantially reduced minimums. The University may subcontract with them through its contract with the RIA. Investment Managers must meet the following minimum criteria:

- Be a bank, insurance company, investment management company, or investment adviser as defined by the Investment Advisers Act of 1940.
- Must claim compliance to GIPS® standards and provide independent verification by a qualified third-party verifier.
- Provide historical quarterly performance numbers calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment.
- Provide detailed information on the history of the firm, key personnel, key clients, fee schedule, and support personnel.
- Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
- Must have been continuously engaged as an investment manager for five (5) or more years.
- Must have at least two hundred million dollars under management.
- Assets that are to be placed in an investment management organization shall not exceed 20% of the organization's total asset under management.
- Selected firms shall have no outstanding legal judgments or past judgments, which may reflect negatively upon the firm.
- Preferred if manager is a signatory of the United Nations Principles for Responsible Investment (UN – PRI)

The University's relationship with the Investments Mangers will be subject to ongoing periodic review, benchmarked against the criteria set forth in the IPS. The term of the relationships will be at the discretion of the Committee, as they deem necessary. It is noted that having fixed or arbitrary time frames may lead to Investment Manager behavior that is not necessarily driven by the best interests of the University.

X. SELECTION OF REGISTERED INVESTMENT ADVISOR

The Committee will select an appropriate, registered investment management consulting firm as a Registered Investment Advisor ("RIA") to assist in the prudent investment and monitoring of the Fund. The RIA selected will execute a written contract with the University. The RIA must meet the following minimum criteria:

- The RIA must be a Registered Investment Advisor (RIA) registered with the Securities Exchange Commission.
- Consultants must be recognized as expert in Investment Management Consulting, with an emphasis in institutional/endowment funds and must be able to provide unbiased fiduciary and financial advice.
- Consultants must demonstrate experience in the breadth and depth of their professional staff. The specific individual providing advice to the Fund must provide evidence of specialized training in the field of Investment Management Consulting, such as the Certified Investment Management Analyst (CIMA) designation, or its equivalent.
- The specific individual providing advice to the Fund shall not have any awards or judgments against him or her either by the Securities Exchange Commission (SEC) or National Association of Securities Dealers (NASD).
- RIA must maintain its own independent investment manager database and have its own investment manager due diligence capabilities, as well as its own investment performance monitoring system to ensure quality and accuracy of data and which tasks should not have to be either subcontracted out or purchased from third party vendors.

The University's relationship with the RIA will be subject to ongoing and annual review, benchmarked against the criteria set forth in the IPS. The term of the relationship will be at the discretion of the Committee, as they deem necessary. It is noted that having fixed or arbitrary time frames may lead to RIA behavior that is not necessarily driven by the best interests of the University.

XI. SELECTION OF SECURITIES CUSTODIAN

The Committee with RIA advice will select an appropriate securities custodian ("Custodian") to safe keep Fund assets and to provide timely reporting of assets and activity. The Custodian must meet the following minimum criteria:

- Must be a U.S financial institution regulated by the Federal Reserve, a state banking authority, the Comptroller of the Currency or the appropriate equivalent, depending upon the nature of the given institution.
- Must have a minimum net worth in excess of $100 million.
- Must have direct access to the Depositary Trust Company I.D. System.
- Must have at least 10 years experience as a custodian of similar funds.
- Must have at least $1 billion in custodial assets.
- Must offer electronic access to account information, to include statements.

XII. CONTROL PROCEDURES

Duties and Responsibilities of the Investment Managers

The duties and responsibilities of each Investment Manager retained include:

- Exercising investment discretion over the Fund assets under its care and control in accordance with the IPS objectives and guidelines set forth herein.
- Promptly informing the Committee in writing, all significant or material matters pertaining to the investment of Fund assets, including, but not limited to: investment strategy; portfolio structure; tactical approaches; ownership; organizational structure; financial condition; professional staff; and, any material, legal or regulatory agency proceedings affecting the firm.
- Promptly voting all proxies and related actions in a manner consistent with the long-term interests and objectives of the Fund set forth herein.
- Utilize the same care, skill, prudence and due diligence under the circumstances then prevailing that experienced, investment professionals acting in a like capacity and fully familiar with such matters would use in like activities for like funds with like aims in accordance and compliance with all applicable laws, rules and regulations from local, state and federal entities as it pertains to fiduciary duties and responsibilities.
- Acknowledge, and agree in writing to, their fiduciary responsibility.
- If part of the UN – PRI, provide a current year PRI Transparency Report.

Duties and Responsibilities of the Registered Investment Advisor

The duties and responsibilities of the RIA retained by the Committee include, but are not limited to, the following:

- Assist in with the development of investment strategies for Fund's assets
- Analyze existing investments
- Assist with asset allocation
- Select relevant performance benchmarks for each investment management style, updating Appendix B as needed in consultation with the Committee
- Assist in the IPS development/ongoing review
- Recommend replacement of Investment Managers when warranted by qualitative or quantitative factors set forth herein
- Provide investment manager search services
- Monitor the performance of Fund assets and Investment Managers to include reporting against relevant performance benchmarks
- Report on Investment Managers' adherence to the IPS guidelines
- Provide educational forms, as requested
- Provide quarterly on-site reviews

- Assist with special projects.

Duties and Responsibilities of the Securities Custodian

The duties and responsibilities of the Custodian include, but are not limited to, the following:

- Keep safe assets entrusted to the care of the Custodian;
- Collect, and credit, on a timely basis, all income due to the Fund;
- Provide on a timely basis, monthly accounting statements for all Fund accounts;
- Provide web access to all account information, including activity and statements.

Performance Objectives

Investment performance will be reviewed at least quarterly to determine the continued feasibility of achieving the investment objectives and the appropriateness of the IPS for achieving those objectives. It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS.

Monitoring of the Registered Investment Advisor

On a timely basis, but not less than once a year at the end of each fiscal year, the Committee will meet concerning:

- RIA's adherence to the IPS guidelines and applicable laws
- Consultants continuing qualifications per IPS requirements
- Material changes in the RIA's organization and/or personnel
- Timeliness, completeness and accuracy of reporting
- Review of RIA relative to advice given in regards to investment strategy development, asset allocation & Investment Manager selection/replacement.
- Quality of educational programs, quarterly reviews and special projects
- Fees paid.

Monitoring of Investment Managers

On a timely basis, but not less than four times a year, the Committee will meet concerning:

- Investment Manager's adherence to the IPS guidelines and applicable laws
- Material changes in the Investment Managers' organization, investment philosophy and/or personnel
- Review of Investment Manager performance relative to the established performance benchmarks
- Fees paid.

The appropriate performance benchmarks are detailed under each Investment Manager's specific objectives and guidelines as presented in Appendix B.

Performance Measurement Periods

The measurement period for complete evaluation will be cumulative annual periods and complete market cycles. Market cycles will be loosely defined as periods of at least two consecutive quarters of rising stock prices/interest rates or two consecutive quarters of declining stock prices/interest rates.

Quarterly performance will be evaluated to test progress toward the attainment of longer-term targets. It is understood that there are likely to be short-term periods during which performance deviates from market indices. During such times, greater emphasis shall be placed on *peer*-performance comparisons with investment managers employing similar styles.

The Committee will utilize the services of the RIA to assist in their evaluation and complete performance measurement duties.

The performance of the Fund's Investment Managers will be monitored on an ongoing basis and it is at the Committee's discretion to take corrective action by placing an Investment Manager on a "Watch List", or terminating an Investment Manager, if they deem it appropriate at any time.

Watch List

The Consultant shall maintain a Watch List, which provides a means to communicate developments of potential concern. Placement on the Watch List initiates a probationary period that allows time to better assess the effects — negative or positive — stemming from the development in question. Upon placement on the Watch List, the Committee may notify the Investment Manager in writing and may require a countersignature upon receipt upon inception of Watch List notification.

The Committee, with the assistance of the Consultant, will attempt to resolve Watch List assignments as soon as possible. These attempts are balanced with a goal of making more informed judgments that are consistent with maintaining a long-term investment perspective.

More common reasons for Watch List assignments include:

- Major ownership changes
- Significant firm and/or product asset declines
- Excessive asset growth in products with limited capacity
- Concerns regarding changes to key service providers
- Professional turnover
- Notably altered incentive structures for key professionals
- Questionable changes in investment decision-making authority
- Material changes in investment approach
- Extended period of unexplainable or unanticipated relative underperformance

If the Investment Manager improves and satisfies the concerns over a reasonable time period (often 6 months to 18 months) the Investment Manager is upgraded off of the Watch List. For example, if Watch is caused by two to three years of underperformance, combined by excessive analyst turnover, performance improvement and personnel stability can cause the upgrade, and vice versa. If concerns are not satisfied, the Committee will terminate the Investment Manager, or if not, provide in Board Minutes, the rationale for not terminating the Investment Manager.

Termination

The Committee may replace an Investment Manager at any time for any reason the Board deems appropriate and in the long-term best interest of the fund, including, but not limited to:

a. Failure to meet investment goals delineated herein.

b. Deviations from permitted investments listed herein.

c. Failure to adhere to stated investment philosophy and style.

d. Violating applicable laws and regulations. Special emphasis will be placed upon adherence to "best price and execution" guidelines as well as adherence to the “Prudent Expert Rule”.

e. For any other reason the Committee deems appropriate and in the long-term best interest of the Fund.

It is the Committee’s policy that if the need arises to replace an investment manager, a notice will be placed in appropriate publications soliciting proposals from qualified investment managers. The Board, in conjunction with its investment consultant, will develop the credentials and qualifications desired to be able to evaluate the responding managers.

Safe Harbor

As the University’s investment decisions are committee-directed, five generally recognized “safe harbor” requirements will be followed:

- Investment decisions must be delegated to a “prudent expert(s)” (registered investment adviser [including mutual funds], bank or insurance company).
- The Committee must demonstrate that the prudent expert(s) was selected by following a due diligence process.
- The prudent expert(s) must be given discretion over the assets.
- The prudent expert(s) must acknowledge their co-fiduciary status in writing (mutual funds are exempted from this requirement – the prospectus is deemed to serve as the fund’s fiduciary acknowledgement).
- The Investment Committee must monitor the activities of the prudent expert(s) to ensure that the expert(s) is properly performing the agreed upon tasks using the agreed upon criteria.

Monitoring of Fiduciary Responsibilities and Prudent Practices

On a timely basis, but not less than once a year, the Committee will meet to address:

- Appropriate policies and procedures are in place to address all fiduciary obligations;
- Policies and procedures are effectively implemented and maintained
- The IPS is up-to-date.

The Committee will utilize the services of an AIF® certified consultant to assist in their evaluation. This role will fall to the Vice President for Administration and Finance when so qualified. The consultant shall not be an employee of a financial services provider to the University.

University of Guam Investment Policy Statement - Appendix A

Asset Allocation Review and Optimization Analysis

Based on formal asset allocation studies conducted in 1994, 1997, 2003, 2008, 2011, 2014, 2016 & 2019 the Regents and Committee, with the assistance from the Fund's RIA, identified an optimal broad asset class mix based on the Fund's time horizon, risk tolerances, performance expectations, and asset class preferences.

The Committee further augmented the diversification of the Fund by implementing the strategic asset allocation with complementary styles of asset management. The Committee has reviewed the characteristics of various styles of investment management, focusing on balancing the risks and rewards of style behavior. The Committee specifically noted how investment styles go in and out of favor and the Committee understands the prudence of diversifying among several styles of investment management.

The following strategic asset allocation for the Fund was selected:

	Lower Limit	Strategic Allocation	Upper Limit
US Equities	**20%**	**30%**	**40%**
Large Cap Growth		*10%*	
Large Cap Value		*10%*	
Mid Cap Value		*2.5%*	
Mid Cap Growth		*2.5%*	
Small Cap Value		*2.5%*	
Small Cap Growth		*2.5%*	
Non-U.S. Equities	**7.5%**	**20%**	**27.5%**
Developed		*10%*	
Emerging		*10%*	
Fixed Income	**20%**	**30%**	**40%**
U.S. Core/ Intermediate		*20%*	
U.S. High Yield		*5%*	
Global		*5%*	
Alternatives	**10%**	**20%**	**30%**
U.S. REITS		*7.5%*	
Low Duration Fixed Income		*5%*	
Infrastructure		*5%*	
Private Markets		*2.5%*	

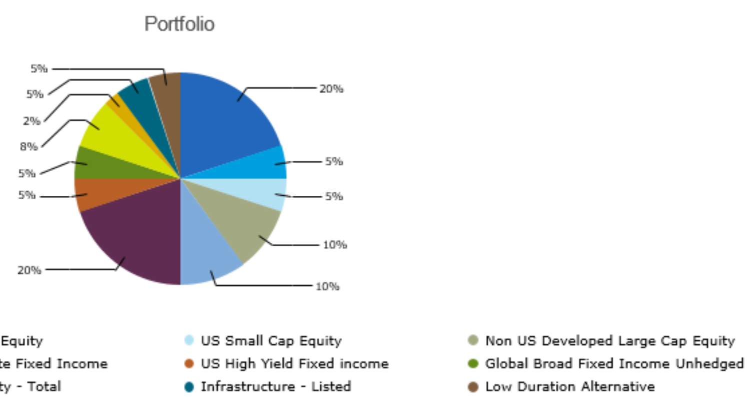
Scenario Assumptions

			CONSTRAINTS	
NAME	**RETURN**	**STDEV**	**MIN**	**MAX**
UNGROUPED				
US Large Cap Equity	7.10%	18.10%	0.00%	100.00%
US Mid Cap Equity	7.70%	19.60%	0.00%	100.00%
US Small Cap Equity	8.20%	22.10%	0.00%	100.00%
Non US Developed Large Cap Equity	8.80%	20.30%	0.00%	100.00%
Emerging Markets Equity	11.70%	26.40%	0.00%	100.00%
US Aggregate Fixed Income	3.60%	5.30%	0.00%	100.00%
US High Yield Fixed income	5.20%	10.00%	0.00%	100.00%
Global Broad Fixed Income Unhedged	2.80%	6.50%	0.00%	100.00%
US Real Estate - REITS	7.80%	21.30%	0.00%	100.00%
Private Equity - Total	11.40%	24.40%	0.00%	100.00%
Infrastructure - Listed	7.20%	15.20%	0.00%	100.00%
Low Duration Alternative	3.60%	5.30%	0.00%	100.00%

Scenario Assumptions - Correlation Matrix

ASSETS	A	B	C	D	E	F	G	H	I	J	K	L
A. US Large Cap Equity	1.00	0.97	0.91	0.77	0.73	0.11	0.64	0.07	0.68	0.95	0.82	0.11
B. US Mid Cap Equity	0.97	1.00	0.98	0.75	0.71	0.10	0.62	0.07	0.71	0.93	0.80	0.10
C. US Small Cap Equity	0.91	0.98	1.00	0.70	0.67	0.10	0.58	0.06	0.70	0.87	0.75	0.10
D. Non US Developed Large Cap Equity	0.77	0.75	0.70	1.00	0.76	0.03	0.55	0.30	0.54	0.72	0.74	0.03
E. Emerging Markets Equity	0.73	0.71	0.67	0.76	1.00	(0.03)	0.51	0.11	0.51	0.69	0.65	(0.03)
F. US Aggregate Fixed Income	0.11	0.10	0.10	0.03	(0.03)	1.00	0.54	0.73	0.32	0.10	0.17	1.00
G. US High Yield Fixed income	0.64	0.62	0.58	0.55	0.51	0.54	1.00	0.39	0.57	0.60	0.60	0.54
H. Global Broad Fixed Income Unhedged	0.07	0.07	0.06	0.30	0.11	0.73	0.39	1.00	0.23	0.06	0.13	0.73
I. US Real Estate - REITS	0.68	0.71	0.70	0.54	0.51	0.32	0.57	0.23	1.00	0.65	0.77	0.32
J. Private Equity - Total	0.95	0.93	0.87	0.72	0.69	0.10	0.60	0.06	0.65	1.00	0.77	0.10
K. Infrastructure - Listed	0.82	0.80	0.75	0.74	0.65	0.17	0.60	0.13	0.77	0.77	1.00	0.17
L. Low Duration Alternative	0.11	0.10	0.10	0.03	(0.03)	1.00	0.54	0.73	0.32	0.10	0.17	1.00

Portfolio Allocations



	PORTFOLIO
Return	6.80%
Standard Deviation	12.48%
Sharpe Ratio	0.18

University of Guam Investment Policy Statement - Appendix B

Investment Manager Performance Objectives

(Note; RIA updates Performance Benchmarks, when needed in consultation with Committee)

Management Style:	Large Cap Growth
Performance Benchmark:	Russell 1000 Growth Index
Management Style:	Large Cap Value
Performance Benchmark:	Russell 1000 Value Index
Management Style:	Mid Cap Growth
Performance Benchmark:	CRSP U.S. Mid Cap Growth Index
Management Style:	Mid Cap Value
Performance Benchmark:	CRSP U.S. Mid Cap Value Index
Management Style:	Small Cap Growth
Performance Benchmark:	Russell 2000 Growth Index
Management Style:	Small Cap Value
Performance Benchmark:	Russell 2000 Value Index
Management Style:	ADR Portfolio (Developed International Equity)
Performance Benchmark:	MSCI EAFE (Europe Australasia Far East) Index
Management Style:	ADR Portfolio (International Developed & Emerging Equity)
Performance Benchmark:	MSCI AC (All Country) World Ex-U.S. Index
Management Style:	U.S. Core Fixed Income
Performance Benchmark:	BC U.S. Aggregate Bond Index
Management Style:	U.S. High Yield Fixed Income
Performance Benchmark:	ICE BofAML BB-B US High Yield Cash Pay TR
Management Style:	Global Fixed Income
Performance Benchmark:	FTSE World Government Bond Index
Management Style:	Real Estate Investment Trusts
Performance Benchmark:	Wilshire U.S. REIT Index
Management Style:	Low Duration Fixed Income
Performance Benchmark:	ICE BofAML 1-5 year US Treasury & Agency Index
Management Style:	Private Markets
Performance Benchmark:	HFRI FOF Index
Management Style:	Global Infrastructure
Performance Benchmark:	DJ Brookfield Global Infrastructure Net TR Index

University of Guam Investment Policy Statement - Appendix D

Accounting of Sub-Funds

The UOG Main Endowment fund consists of the following sub-funds as of September 30, 2019. All percentages will be updated quarterly under the supervision of the office of the Vice President of Administration and Finance.

Sub Fund	Approximate Percent
True Endowment	
Land Grand Endowment	56.4%
Planetarium	1.3%
Current Account	
SBPA	5.1%
UOG Common	10.7%
Quasi Endowment	
Faculty/ Staff Development	10.6%
Campus Maintenance	5.7%
Dorm Renewal/ Replacement	3.5%
Self-Insurance	<1%
Scholarship Trust	
Siu Lin Tan	3%
Maman Ling/ Taitano Nursing	<1%
Deleon	<1%
Chin Ho	<1%
Gov. Bill Daniel	<1%
J. Guthertz	<1%

3.0 Adjournment