

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

**FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT**

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

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

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Years Ended September 30, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

COVID-19

As discussed in Note 14 to the financial statements, UOG determined that the COVID-19 pandemic may have negatively impact its business, results of operations and net position. However, due to uncertainty surrounding the duration of the COVID-19 pandemic, UOG is unable to reasonably estimate its ultimate financial impact. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13 as well as the Schedules of Proportional Share of the Net Pension Liability on pages 57 through 59, the Schedule of Pension Contributions on page 60, the Schedule of Changes in the Proportionate Share of the Total OPEB Liability and Related Ratios on page 61, the Schedule of Proportionate Share of the Total OPEB Liability on page 62, and the Schedule of OPEB Contributions on page 63 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

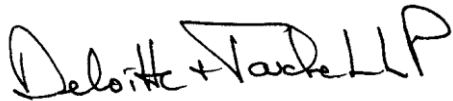
Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The schedules of salaries, wages and benefits and the schedules of expenses by object category on pages 64 through 67, the schedules of total revenue information on page 69 and the schedules and notes to schedules of fund restriction matrix on pages 70 and 71 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The schedule of employee information on page 68 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 March 26, 2021, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

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

March 26, 2021

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

Management's Discussion and Analysis
Years Ended September 30, 2020 and 2019

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, 2020. 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 3,449 students (Fanuchanan '20 (Fall)) are multicultural, multilingual and 46.4% Asian, 46.1% Pacific Islander, 7.5% other. We offer 11 master's and 25 bachelor's degree programs. Continuing education, professional development and English language training are available. Our 1,048 employees, include 190 full-time faculty, 36 administrators and 304 full time staff and 518 part-time staff and faculty adjuncts.

The Leadership. A nine-member Board of Regents governs the University. Jerold W. Filush is the Board Chairperson; Liza J. Provideo is Vice Chairperson; Sandra H. McKeever is Treasurer, Thomas W. Krise, Ph.D., is the University's 11th President; Anita Borja Enriquez, DBA, is Senior Vice President for Academic and Student Affairs; Randall V. Wiegand is Vice President for Administration and Finance. There is an elected Faculty Senate.

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

THE FINANCIAL STATEMENTS

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

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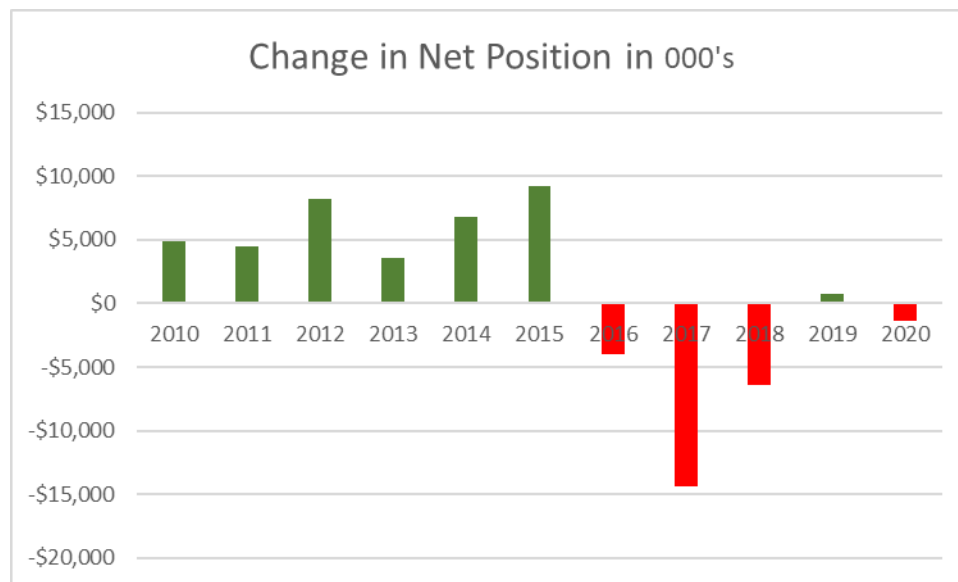
Management’s Discussion and Analysis
Years Ended September 30, 2020 and 2019

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

FY2020 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, 2020. The University’s change in net position decreased from a gain of \$.07 million to a loss of \$2.8 million. Factors contributing to the losses are as follows:

- The University received a general operations appropriation of \$30.7 million in FY18. The University has been desiring to grow beyond that level. However, the appropriation for FY20 was \$27.6 million – the same level as FY19. The appropriation was reduced to \$25.1 million for FY21 as a result of reduced tax collections in the COVID-19 environment. Coping with the reduction of revenues has been the major challenge for the University.
- The coronavirus (COVID-19) pandemic has taken a toll on the University’s funding. The University’s challenges are similar to those faced by other colleges and universities, including the loss in revenue due to cancellation of on campus activities and reductions in room and board.
- The University entered into promissory notes with the UOG Endowment Foundation in the amount of \$1.4 million to pay for the construction of a new water line.



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Management's Discussion and Analysis
Years Ended September 30, 2020 and 2019

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 have been decreasing. The rollout of the New School of Engineering continues.
- Enrollment for the Fanuchanan semester (Fall) 2020 was 3,449. This was the fifth 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 63% of revenues; GovGuam provides 37%.
- 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.
- The University paid off its debt service related to a 1993 bond issuance in FY19.
- Federal grants and contracts amount increased mainly due to the Coronavirus Aid, Relief, and Economic Security (CARES) Act Higher Education Emergency Relief Fund and the National Science Foundation's Experimental Program to Stimulate Competitive Research (EPSCoR).

Significant institutional outcomes that affect financial statements and resources include:

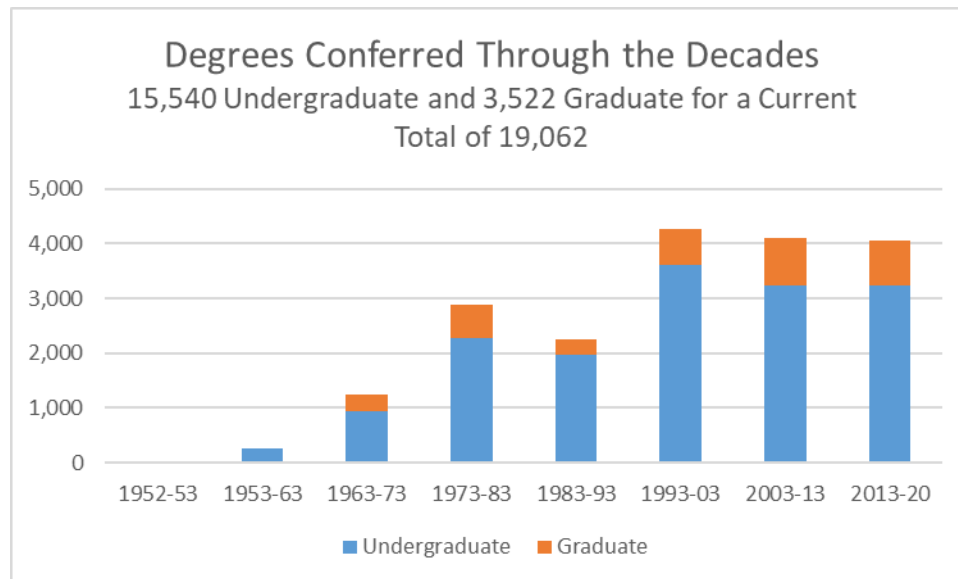
- Enrollment for the Fanuchanan (Fall) semester was 3,449 students. The credit hour production for the semester was 41,395.
- The University completed an economic study that indicated that the University contributes nearly \$40 million in free tax receipts to the government revenues. This is nearly \$13 million more than the University receives in general operations appropriations.
- 610 undergraduate and graduate degrees were conferred in Academic Year '19-20. Total degrees conferred by the University now stands at 19,062. 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 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 2015 to September 2020. In FY20, the University has been awarded a new five-year \$20 million grant. The grant period runs from July 2020 to July 2025.

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- The University was allocated \$4.5 million of the CARES Act Higher Education Emergency Relief Fund. Fifty percent of the amount is to be awarded directly to students to provide emergency financial aid grants for expenses related to the disruptions of campus operations due to COVID-19 and the other half is for institutional use. The University has been achieving the goals set forth in the terms of the grant. The grant is set to expire in FY21. In December 2020 additional COVID-19 relief was approved by Congress. This relief includes another \$2.28 million for student financial assistance and \$4.67 million for institutional needs. This additional funding is targeted towards mitigating costs related to the University’s response to the virus and has not helped offset operational shortfalls.

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



STATEMENT OF NET POSITION

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

UNIVERSITY OF GUAM
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Management's Discussion and Analysis
Years Ended September 30, 2020 and 2019

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Noncapital assets	\$ 70,547	\$ 65,909	\$ 69,480
Capital assets	65,028	66,387	66,242
Deferred outflows of resources	<u>46,926</u>	<u>19,883</u>	<u>18,850</u>
Total assets and deferred outflows of resources	\$ <u>182,501</u>	\$ <u>152,179</u>	\$ <u>154,572</u>
Current liabilities	\$ 16,408	\$ 15,521	\$ 16,074
Noncurrent liabilities	235,503	193,406	225,133
Deferred inflows of resources	<u>33,707</u>	<u>43,568</u>	<u>14,425</u>
Total liabilities and deferred inflows of resources	<u>285,618</u>	<u>252,495</u>	<u>255,632</u>
Net investment in capital assets	54,487	55,583	55,175
Restricted, nonexpendable	9,143	9,348	9,262
Restricted, expendable	23,639	23,095	24,783
Unrestricted	<u>(190,386)</u>	<u>(188,342)</u>	<u>(190,280)</u>
Total net position	<u>(103,117)</u>	<u>(100,316)</u>	<u>(101,060)</u>
Total liabilities, deferred inflow of resources and net position	\$ <u>182,501</u>	\$ <u>152,179</u>	\$ <u>154,572</u>

For the last two years the overall financial position of the University has been stable to slightly negative. The cash pressures from reduced allotments from the government have put pressure on expenditures and cash reserves. The Board of Regents has adopted a plan of approving a 5% tuition increase for each of the next six semesters. This should help to reverse the declining cash balances. The area with the most significant changes has been in the deferred outflow and inflow accounts as a result of the implementation of GASB No. 68, GASB No. 73, and GASB No. 75. 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. In FY19, the University 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.

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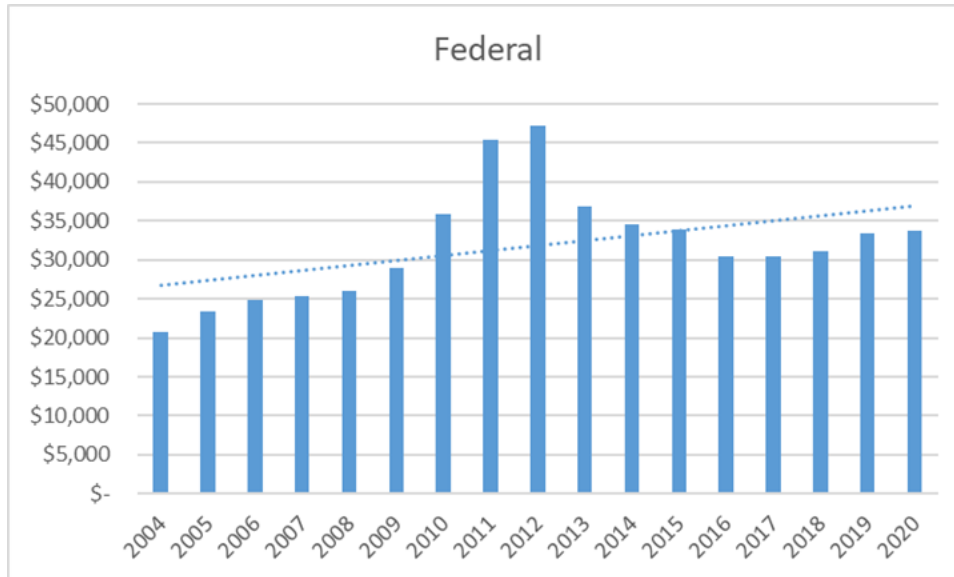
Management’s Discussion and Analysis
 Years Ended September 30, 2020 and 2019

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Revenues, Net	\$ 63,743	\$ 57,629	\$ 57,035
Operating Expenses	<u>102,715</u>	<u>91,109</u>	<u>99,617</u>
Operating Revenues Net of Operating Expenses	(38,972)	(33,480)	(42,582)
Non-Operating and Other Revenues and Expenses	<u>36,171</u>	<u>34,224</u>	<u>36,155</u>
(Decrease) Increase in Net Position	(2,801)	744	(6,427)
Net Position – Beginning of Year	<u>(100,316)</u>	<u>(101,060)</u>	<u>(94,633)</u>
Net Position – End of Year	\$ <u>(103,117)</u>	\$ <u>(100,316)</u>	\$ <u>(101,060)</u>

Tuition and fees slightly increased, despite the slight decrease in enrollment, due to a minimal increase of fees for all students and tuition rate for resident students. An increase in revenue from grants and contracts resulting from increased grant activity also contributed to the increase in the University’s operating revenues. 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.

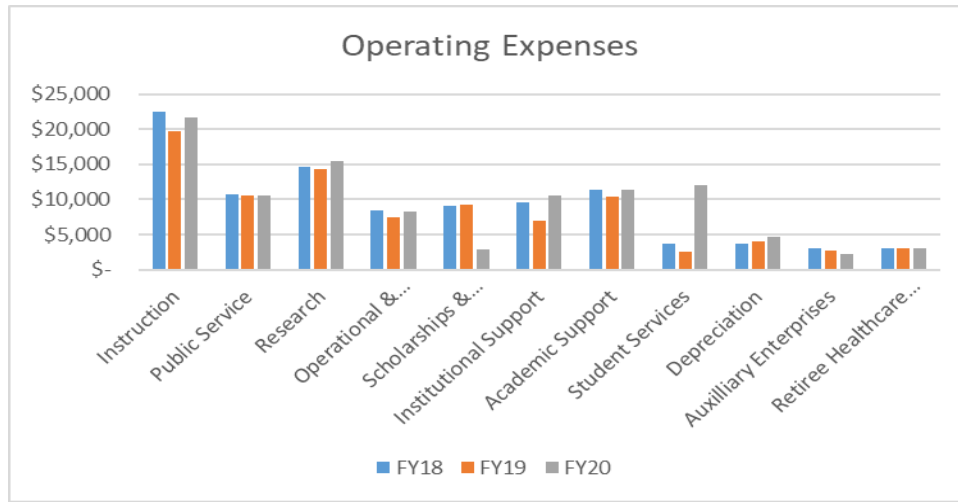
The following graph reflects grant activity for the last decade:



Federal grant revenues increased for the first time since the final ARRA projects were completed. It is the ARRA funds that account for the sharp increase in grant revenue from 2010 to 2015. The University continues to experience remarkable levels of grant activity with the award of a new five-year \$20 million (EPSCoR) grant in FY20.

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Changes to operating expenses fluctuated largely as a result of the implementation of GASB No. 75 and awarding of CARES Act Higher Education Emergency Relief Fund to students. The University spent \$47.7 million directly on its core mission. Of that, 46% went to instruction, 32% to public service and 22% to research.

STATEMENT OF CASH FLOWS

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

STATEMENTS OF CASH FLOW (IN \$000's)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cash provided by (used in):			
Operating activities	\$ (27,660)	\$ (29,734)	\$ (29,932)
Non-capital financing activities	33,160	32,259	30,879
Capital and financing activities	(2,322)	(4,969)	(3,173)
Investing activities	<u>3,364</u>	<u>4,384</u>	<u>986</u>
Net Change in Cash and Cash Equivalents	6,542	1,940	(1,240)
Cash and Equivalents – Beginning of Year	<u>12,437</u>	<u>10,497</u>	<u>11,737</u>
Cash and Equivalents – End of Year	\$ <u>18,979</u>	\$ <u>12,437</u>	\$ <u>10,497</u>

The timing and consistency of allotment payments has improved in FY19 and is consistent in FY20. Capital and financing activities are mainly comprised of additions in capital assets and interest paid on capital debt. Investing activities accounted for most of the other significant changes.

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Management's Discussion and Analysis
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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 FY20, the University had \$125.9 million invested in depreciable capital assets. This represents an increase in net capital assets (including additions and deletions) of \$3.3 million or 2.6% over the previous year. The University completed the Storm Water Drainage System Mitigation project in FY20. The University is nearing completion of the construction of a new science laboratory on the second floor of the science building. The University had accrued \$68.5 million in accumulated depreciation against the assets. Net capital assets were \$57.5 million, a decrease from the prior year's \$58.8 million. See Note 5 to the financial statements for additional information.

Long-Term Debt: The University has a note payable that is outstanding with the United States Department of Agriculture (USDA). The note payable was created in October 2001 through Public Law 26-48 for an amount not to exceed \$13.5 million for the purposes of constructing certain facilities on campus. On December 6, 2016, the University entered into a lease/lease back arrangement with the UOG Endowment Foundation. The University leased property to the Foundation in order to construct a Student Success Center and an Engineering Annex. The University signed agreements to lease the buildings back from the Foundation. The leases are expected to expire in 2056. Related to the leases, the Foundation entered into promissory notes with the United States Department of Agriculture on December 5, 2016 in the amount of \$21.7 million. In May 2019, the University was notified that the loan was being de-obligated as a result of the length of time since the loan was initially obligated by USDA. 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, 2020 and 2019, the University had a long-term debt of \$10.5 and \$10.8 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.

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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 seven-year accreditation from the International Accreditation Council for Business Education.
- The University has been awarded an additional five-year \$20 million grant from the U.S. National Science Foundation Experimental Program to Stimulate Competitive Research grant (EPSCoR) to develop research capacity. The University 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 institutes and with several regional universities.

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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
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Statements of Net Position - University Only
September 30, 2020 and 2019

	2020	2019
<u>Assets and Deferred Outflows of Resources</u>		
Current assets:		
Cash and cash equivalents	\$ 17,023,740	\$ 10,523,823
Short-term investments	2,916,025	7,358,865
Tuition receivable, net of an allowance for doubtful accounts of \$4,943,084 in 2020 and \$4,836,709 in 2019	8,338,479	7,499,429
Due from the US Federal government	4,590,671	4,873,157
Due from University of Guam Endowment Foundation, Inc.	-	325,000
Other receivables, net of an allowance for doubtful accounts of \$1,308,463 in 2020 and \$1,335,781 in 2019	749,652	199,143
Inventories	886,274	806,779
Other current assets	749,918	708,825
Total current assets	35,254,759	32,295,021
Noncurrent assets:		
Restricted cash and cash equivalents	1,954,983	1,913,398
Restricted investments	4,904,315	4,900,974
Investments	12,973,662	12,108,206
Endowment investments	15,458,866	14,692,237
Capital assets:		
Depreciable capital assets, net of accumulated depreciation	57,518,406	58,807,888
Nondepreciable capital assets	7,509,335	7,578,870
Total noncurrent assets	100,319,567	100,001,573
Deferred outflows of resources:		
Deferred outflows from OPEB	29,246,518	8,745,158
Deferred outflows from pension	17,679,798	11,137,450
Total deferred outflows of resources	46,926,316	19,882,608
	\$ 182,500,642	\$ 152,179,202
<u>Liabilities, Deferred Inflows of Resources and Net Position</u>		
Current liabilities:		
Current portion of long-term debt	\$ 288,646	\$ 276,137
Accounts payable and accrued liabilities	5,333,760	5,775,955
Unearned revenues	8,533,936	8,575,257
Loan payable to University of Guam Endowment Foundation, Inc.	1,400,000	-
Current portion of accrued annual leave	851,498	893,498
Total current liabilities	16,407,840	15,520,847
Noncurrent liabilities:		
Long-term debt, net of current portion	10,252,441	10,527,253
Deposits held on behalf of others	266,744	274,201
Accrued annual leave, net of current portion	1,349,525	975,498
DCRS sick leave liability	1,983,422	1,512,059
Net OPEB liability	125,958,216	92,474,461
Net pension liability	95,692,772	87,642,038
Total noncurrent liabilities	235,503,120	193,405,510
Deferred inflows of resources:		
Deferred inflows from OPEB	32,074,384	41,251,320
Deferred inflows from pension	1,632,570	2,316,425
Total deferred inflows of resources	33,706,954	43,567,745
Total liabilities and deferred inflows of resources	285,617,914	252,494,102
Commitments and contingencies		
Net position:		
Net investment in capital assets	54,486,654	55,583,370
Restricted, nonexpendable	9,143,228	9,348,618
Restricted, expendable	23,638,686	23,095,537
Unrestricted	(190,385,840)	(188,342,425)
Total net position	(103,117,272)	(100,314,900)
	\$ 182,500,642	\$ 152,179,202

See accompanying notes to financial statements.

UNIVERSITY OF GUAM ENDOWMENT FOUNDATION, INC.

Statements of Financial Position
December 31, 2019 and 2018

<u>ASSETS</u>	2019	2018
Cash and cash equivalents	\$ 380,535	\$ 534,648
Pledges and other receivables, net of an allowance for doubtful accounts of \$122,775 and \$114,748 at December 31, 2019 and 2018, respectively	1,855,679	1,876,843
Loan receivable from University of Guam	1,157,057	-
Investment in Bank of Guam stock	1,729,556	1,781,900
Investments in securities at fair value	13,005,123	11,296,916
Land held for sale	2,669,743	2,704,743
Equipment, net	94,107	4,951
	\$ 20,891,800	\$ 18,200,001
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ -	\$ 479,430
Total liabilities	-	479,430
Commitment		
Net assets:		
Without donor restrictions	6,319,830	4,635,320
With donor restrictions	14,571,970	13,085,251
Total net assets	20,891,800	17,720,571
	\$ 20,891,800	\$ 18,200,001

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, 2020 and 2019

	2020	2019
Operating revenues:		
Student tuition and fees	\$ 24,047,998	\$ 23,917,758
Less scholarship discounts and allowances	<u>(10,397,405)</u>	<u>(11,149,952)</u>
	13,650,593	12,767,806
Federal grants and contracts	33,746,804	33,374,755
Government of Guam grants and contracts	2,543,997	766,821
Private grants and contracts	1,388,173	1,496,028
Sales and services of education department	356,136	470,105
Auxiliary enterprises	1,534,120	1,853,553
Other revenues	<u>10,629,520</u>	<u>8,038,222</u>
Total operating revenues	<u>63,849,343</u>	<u>58,767,290</u>
Bad debts provision	<u>(106,516)</u>	<u>(1,137,784)</u>
Net operating revenues	<u>63,742,827</u>	<u>57,629,506</u>
Operating expenses:		
Instruction	21,750,481	19,789,878
Research	15,493,344	14,335,457
Academic support	11,346,050	10,377,431
Public service	10,508,280	10,492,963
Institutional support	10,486,919	7,014,570
Operational and maintenance, plant	8,325,378	7,504,615
Scholarships and fellowships	8,287,113	9,204,871
Student services	6,716,383	2,597,485
Depreciation	4,626,899	4,077,164
Retiree healthcare costs and other pension benefits	2,970,245	3,062,258
Auxiliary enterprises	<u>2,203,941</u>	<u>2,652,441</u>
Total operating expenses	<u>102,715,033</u>	<u>91,109,133</u>
Operating loss	<u>(38,972,206)</u>	<u>(33,479,627)</u>
Nonoperating revenues (expenses):		
Government of Guam appropriations:		
Operations	28,088,832	28,482,415
Student financial aid program	3,065,285	3,287,524
Guam Cancer Trust Fund	1,000,000	-
Capital expenditure loan repayment	500,000	423,739
Retiree healthcare costs and other pension benefits	2,970,245	3,062,258
Lease repayment	874,056	990,744
Net contributions (to) from Endowment Foundation	-	(100,000)
Net investment income	561,811	693,503
Loss on fixed assets disposal	(13,119)	(97,210)
Interest on capital assets - debt related	(504,518)	(485,888)
Debt service - DOA bond	(367,758)	(2,027,788)
Transfer to Agency Fund	<u>(5,000)</u>	<u>(5,000)</u>
Total nonoperating revenues, net	<u>36,169,834</u>	<u>34,224,297</u>
Change in net position	<u>(2,802,372)</u>	<u>744,670</u>
Net position at beginning of year	<u>(100,314,900)</u>	<u>(101,059,570)</u>
Net position at end of year	<u>\$ (103,117,272)</u>	<u>\$ (100,314,900)</u>

See accompanying notes to financial statements.

UNIVERSITY OF GUAM ENDOWMENT FOUNDATION, INC.

Statement of Activities
Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains and other income:			
Net investment income	\$ 1,326,536	\$ 1,097,433	\$ 2,423,969
Contributions	2,259	636,562	638,821
In-kind donations	111,570	-	111,570
Fundraising activities	(107,520)	684,284	576,764
Others	(16,290)	-	(16,290)
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>931,560</u>	<u>(931,560)</u>	<u>-</u>
Total revenues	<u>2,248,115</u>	<u>1,486,719</u>	<u>3,734,834</u>
Expenses and losses:			
Program services:			
Scholarships	<u>44,573</u>	<u>-</u>	<u>44,573</u>
Total program services	<u>44,573</u>	<u>-</u>	<u>44,573</u>
Support services:			
Management and general	338,802	-	338,802
Fundraising activities	68,660	-	68,660
In-kind expenses	<u>111,570</u>	<u>-</u>	<u>111,570</u>
Total support services	<u>519,032</u>	<u>-</u>	<u>519,032</u>
Total expenses	<u>563,605</u>	<u>-</u>	<u>563,605</u>
Change in net assets	1,684,510	1,486,719	3,171,229
Net assets at beginning of year	<u>4,635,320</u>	<u>13,085,251</u>	<u>17,720,571</u>
Net assets at end of year	<u>\$ 6,319,830</u>	<u>\$ 14,571,970</u>	<u>\$ 20,891,800</u>

See accompanying notes to financial statements.

UNIVERSITY OF GUAM ENDOWMENT FOUNDATION, INC.

Statement of Activities
Year Ended December 31, 2018
As Restated

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains and other income:			
Net investment losses	\$ (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	<u>624,941</u>	<u>(624,941)</u>	<u>-</u>
Total revenues	<u>83,564</u>	<u>130,620</u>	<u>214,184</u>
Expenses and losses:			
Program services:			
Scholarships	<u>77,458</u>	<u>-</u>	<u>77,458</u>
Total program services	<u>77,458</u>	<u>-</u>	<u>77,458</u>
Support services:			
Management and general	873,399	-	873,399
Fundraising activities	108,148	-	108,148
In-kind expenses	<u>47,500</u>	<u>-</u>	<u>47,500</u>
Total support services	<u>1,029,047</u>	<u>-</u>	<u>1,029,047</u>
Total expenses	<u>1,106,505</u>	<u>-</u>	<u>1,106,505</u>
Change in net assets	(1,022,941)	130,620	(892,321)
Net assets at beginning of year	<u>5,658,261</u>	<u>12,954,631</u>	<u>18,612,892</u>
Net assets at end of year	<u>\$ 4,635,320</u>	<u>\$ 13,085,251</u>	<u>\$ 17,720,571</u>

See accompanying notes to financial statements.

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

Statements of Cash Flows - University Only
Years Ended September 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Student tuition and fees, net	\$ 12,663,707	\$ 11,045,605
Grants, contracts and appropriations	37,961,460	34,966,744
Sales and services of education department	356,136	470,105
Auxiliary services	1,534,120	1,853,553
Other receipts	10,030,461	9,151,442
Payments to employees	(53,273,942)	(51,668,255)
Payments to suppliers	(28,645,145)	(26,348,891)
Payments to students for financial aid	(8,287,113)	(9,204,871)
	(27,660,316)	(29,734,568)
Cash flows from non-capital related financing activities:		
Government of Guam appropriations collected	33,160,415	32,258,983
Cash flows from capital and related financing activities:		
Net proceeds from advances from Endowment Foundation	1,725,000	100,000
Interest paid on capital debt	(504,518)	(485,888)
Principal paid on capital debt	(262,304)	(264,171)
Purchases of capital assets	(3,281,000)	(4,318,696)
	(2,322,822)	(4,968,755)
Cash flows from investing activities:		
Investment (loss) income	(133,879)	725,646
Sale of investments	3,498,104	3,658,272
	3,364,225	4,383,918
Net change in cash and cash equivalents	6,541,502	1,939,578
Cash and cash equivalents, beginning of year	12,437,221	10,497,643
Cash and cash equivalents, end of year	\$ 18,978,723	\$ 12,437,221
Reconciliation of cash and cash equivalents to the statements of net position:		
Current assets:		
Cash and cash equivalents	\$ 17,023,740	\$ 10,523,823
Noncurrent assets:		
Restricted cash and cash equivalents ¹	1,954,983	1,913,398
	\$ 18,978,723	\$ 12,437,221

Supplemental information on noncash activities:

During the years ended September 30, 2020 and 2019, 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, 2020 and 2019

	2020	2019
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (38,972,206)	\$ (33,479,627)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	4,626,899	4,077,164
Bad debts expense	106,516	1,137,784
Retiree healthcare costs	2,970,245	3,062,258
Noncash pension cost	4,629,990	(1,979,186)
Changes in assets and liabilities:		
Receivables, net	(1,213,588)	(75,468)
Inventories	(79,495)	(131,843)
Other current assets	(41,093)	(418,002)
Accounts payable, accrued liabilities and deposits held for others	(449,653)	408,636
Accrued annual leave	332,027	(18,061)
DCRS sick leave liability	471,363	(1,429,363)
Unearned revenues	(41,321)	(888,860)
Net cash used for operating activities	\$ (27,660,316)	\$ (29,734,568)

See accompanying notes to financial statements.

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

Notes to Financial Statements
September 30, 2020 and 2019

1. Organization and Basis of Presentation

Organization

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

Financial Statement Presentation

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

Basis of Accounting

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

Reporting Entity

The University of Guam Endowment Foundation, Inc. (the Foundation) is a legally separate, tax-exempt entity which meets the criteria set forth for component units under GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The Foundation provides financial support for the objectives, purposes and programs of the University. Although the University does not control the timing, purpose, or amount of receipts from the Foundation, the resources (and income thereon) that the Foundation holds and invests are restricted to the activities of the University. Because the resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and its Statements of Financial Position and Statements of Activities are separately presented in the University's financial statements. In addition, the Foundation's significant notes are summarized in Note 2.Z below.

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

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

Notes to Financial Statements
September 30, 2020 and 2019

1. Organization and Basis of Presentation, Continued

Reporting Entity, Continued

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

2. Summary of Significant Accounting Policies

- A. Cash and Cash Equivalents. Cash and cash equivalents include cash on hand, cash in banks, money market accounts and time certificates of deposit with original maturities of three months or less.
- B. Restricted Cash and Cash Equivalents. Cash and cash equivalents that are restricted to make debt service payments and purchases or enhance learning resources materials and technology are classified as noncurrent assets in the Statement of Net Position.
- C. Use of Restricted/Unrestricted Net Position. When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the University's policy is to apply restricted net position first.
- D. Short-term Investments. Short-term investments include time certificates of deposit with original maturities of more than three months, but less than one year.
- E. Investments. Investments 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, 2020 and 2019.
- H. Due from the U.S. Federal Government. Due from the U.S. Federal Government consist of amounts due from the federal government in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts.
- I. Other Receivables. Other receivables consist primarily of auxiliary enterprise services provided to students, faculty, staff, other departments within the University, and to the public. Other receivables also include amounts due from the local government or private sources in relation to the performance of grants and contracts.

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

Notes to Financial Statements
September 30, 2020 and 2019

2. Summary of Significant Accounting Policies, Continued

- J. Inventory. Inventory is stated at the lower of cost, determined using the first-in, first-out method, or market.
- K. Capital Assets. Depreciation is calculated using the straight-line method over estimated useful lives of 5 - 50 years for buildings and improvements and 5 - 15 years for equipment and land improvements. The University's capitalization policy requires acquisitions greater than \$5,000 to be capitalized and depreciated over their estimated useful lives. The assets are carried at cost, except for land and buildings transferred to the University, which were recorded at management's estimate of fair market value at the date of acquisition.
- L. Unearned Revenues. Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent fiscal year. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.
- M. Deferred Outflows of Resources. In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. The University has determined the differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension and other post employment benefits liability and pension contributions made subsequent to the measurement date qualify for reporting in this category.
- N. Deferred Inflows of Resources. In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. The University has determined the differences between projected and actual earnings on pension plan investments and changes in proportion and differences between the University pension and other postemployment benefit contributions and proportionate share of contributions qualify for reporting in this category.
- O. Compensated Absences. Vesting annual leave is accrued and reported as an expense and a liability in the period earned. No liability is accrued for non-vesting sick leave benefits. Annual leave expected to be paid out within the next fiscal year is accrued and is included in current liabilities. The maximum accumulation of annual leave convertible to pay upon termination of employment is limited to 320 hours. Pursuant to Public Law 27-106, employees who have accumulated annual leave in excess of three hundred twenty (320) hours as of February 28, 2003, may carry over their excess and shall use the excess amount of leave prior to retirement or termination from service. Any unused leave over 320 hours shall be lost upon retirement. Public Law 26-86 allows members of the Defined Contribution Retirement System (DCRS) to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. A liability is accrued for estimated sick leave to be paid out to DCRS members upon retirement.

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

Notes to Financial Statements
September 30, 2020 and 2019

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 2020 and 2019 was \$207,725 and \$243,047, respectively.
- R. Noncurrent Liabilities. Noncurrent liabilities include (1) long-term debt with contractual maturities greater than one year, and (2) estimated amounts for accrued compensated absences, sick leave, pension, OPEB and other liabilities that will not be paid within the next fiscal year.
- S. Net Position. The University's net position is classified as follows:

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

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

Notes to Financial Statements
September 30, 2020 and 2019

2. Summary of Significant Accounting Policies, Continued

S. Net Position, Continued

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

Restricted - expendable net position as of September 30, 2020 and 2019 are as follows:

	<u>2019</u>	<u>2018</u>
Endowment Fund	\$ 12,458,866	\$ 11,692,237
Building and Maintenance Fund	6,033,081	5,856,842
Guam Cancer Trust Fund	3,102,250	3,344,192
Debt Service Fund	1,259,739	1,593,093
Tobacco Fund	554,167	390,025
Insurance Fund	<u>230,583</u>	<u>219,148</u>
	<u>\$ 23,638,686</u>	<u>\$ 23,095,537</u>

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

Restricted - nonexpendable net position as of September 30, 2020 and 2019 are as follows:

	<u>2019</u>	<u>2018</u>
Endowment Fund	\$ 4,314,987	\$ 4,262,917
Building and Maintenance Fund	2,773,663	2,678,590
Tobacco Fund	1,725,664	1,859,756
School of Nursing Fund	194,252	184,620
Science Fund	102,088	331,776
School of Business Fund	21,355	20,296
Scholarship Fund	<u>11,219</u>	<u>10,663</u>
	<u>\$ 9,143,228</u>	<u>\$ 9,348,618</u>

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

T. Classification of Revenues. The University has classified its revenues as either operating or nonoperating according to the following criteria:

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

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

Notes to Financial Statements
September 30, 2020 and 2019

2. Summary of Significant Accounting Policies, Continued

T. Classification of Revenues, Continued:

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

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

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

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

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

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

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

UOG Endowment Foundation Pledges Receivable:

Pledges receivable consist of donations pledged to the Foundation, but not yet received as of December 31, 2019 and 2018. 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.

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September 30, 2020 and 2019

2. Summary of Significant Accounting Policies, Continued

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

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

	<u>2019</u>	<u>2018</u>
SBPA (School of Business and Public Administration) Building and Other	\$ 96,526	\$ 112,728
60 th Anniversary Capital Campaign	<u>1,742,495</u>	<u>1,772,440</u>
Total pledges receivable	1,839,021	1,885,168
Other	<u>139,433</u>	<u>106,423</u>
	1,978,454	1,991,591
Less: allowance for doubtful accounts	<u>(122,775)</u>	<u>(114,748)</u>
	\$ <u>1,855,679</u>	\$ <u>1,876,843</u>

Pledges receivable at December 31, 2019 are scheduled to be paid as follows:

Less than one year	\$ 308,751
One to five years	780,407
More than five years	<u>2,025,000</u>
	3,114,158
Less unamortized discount	<u>(1,275,137)</u>
	\$ <u>1,839,021</u>

UOG Endowment Foundation Investments:

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

Investments are carried at fair market values based on quoted market prices. Gains and losses on investments are reported in the statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. The composition of investments in securities as of December 31, 2019 and 2018, is as follows:

	<u>2019</u>	<u>2018</u>
Cash	\$ 409,760	\$ 185,669
Equities	1,073,124	815,604
Fixed income	313,415	131,216
Exchange traded funds	9,383,516	6,646,551
Mutual funds	<u>1,825,308</u>	<u>3,517,876</u>
	\$ <u>13,005,123</u>	\$ <u>11,296,916</u>

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2. Summary of Significant Accounting Policies, Continued

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

UOG Endowment Foundation Investments, Continued:

The Foundation's investment in securities balance at December 31, 2019 and 2018 include cash deposited within the cash sweep program of \$409,760 and \$185,669, 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, 2019, was as follows:

<u>Moody's Rating</u>	
AAA/AA+	\$ 104,294
AA2/AA	-
A2/A-	26,956
A3/A-	7,884
A3/BBB+	9,581
BAA1/BBB+	-
BAA2/BBB	9,574
Not rated	<u>155,126</u>
Total	\$ <u>313,415</u>

The Foundation's exposure to credit risk at December 31, 2018, was as follows:

<u>Moody's Rating</u>	
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
Not rated	-
Total	\$ <u>131,216</u>

The composition of net gains (losses) on investments in securities as of December 31, 2019 and 2018, is as follows:

	<u>2019</u>	<u>2018</u>
Net unrealized gains (losses)	\$ 1,988,555	\$ (1,348,078)
Net realized gains	29,092	176,625
Interest income	439,985	362,607
Dividends	81,936	77,855
Fees and other expenses, net	<u>(115,599)</u>	<u>(97,114)</u>
	\$ <u>2,423,969</u>	\$ <u>(828,105)</u>

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2. Summary of Significant Accounting Policies, Continued

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

Investments at December 31, 2019 and 2018, 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, 2019 and 2018. 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 2019, the Foundation sold parcels of its donated land for net proceeds of \$16,199, resulting in a loss from sale of \$18,801. Land held for sale is carried at estimated net realizable value of \$2,669,743 and \$2,704,743 at December 31, 2019 and 2018, respectively.

UOG Endowment Foundation Loan Receivable from UOG:

In May 2019, the UOG entered into an agreement with the Foundation to borrow the principal amount of \$1,400,000, plus interest on the unpaid principal balance at the rate of 1.25% plus the federal rate. The said principal and interest shall be paid in the following installments based on the following: interest only on the 5th of each quarter through July 5, 2021 and interest and principal thereafter on the 5th of each quarter (if the principal is not repaid by July 5, 2021) until the principal and interest are fully paid except that the final installment of the entire loan, if not sooner paid, shall be due and payable upon funding by BG Investment Services towards the UOG Triton Engagement Center Phase I Project (Storm Mitigation Outfall) or within five years from the date of the note. As of December 31, 2019, the outstanding receivable balance is \$1,157,057. Given the difficulty in predicting when drawdowns or funding will occur, presentation of future principal and interest amortization is not possible at this time.

AA. New Accounting Standards

During fiscal year ended September 30, 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement Nos. 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 84 will be effective for fiscal year ending September 30, 2021.

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Notes to Financial Statements
September 30, 2020 and 2019

2. Summary of Significant Accounting Policies, Continued

AA. New Accounting Standards, Continued

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

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.

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 90 will be effective for fiscal year ending September 30, 2021.

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

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Notes to Financial Statements
September 30, 2020 and 2019

3. Summary of Significant Accounting Policies, Continued

AA. New Accounting Standards, Continued

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

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*. The primary objective of this Statement is to address those and other accounting and financial reporting implications of the replacement of an IBOR. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 93 will be effective for fiscal year ending September 30, 2022.

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

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

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

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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.

(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.

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Notes to Financial Statements
September 30, 2020 and 2019

3. Deposits and Investments, Continued

(iv) Cash and Cash Equivalents

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

A. Deposits

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

At September 30, 2020 and 2019, the carrying amount of the University's cash and cash equivalents and time certificates of deposit were \$21,894,748 and \$19,796,086, respectively, and the corresponding bank balances were \$28,378,124 and \$26,665,766, respectively. Of the bank balance amounts, \$6,496,764 and \$5,641,369, 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, 2020 and 2019, the University recorded \$2,279,831 and \$2,249,781, respectively, from a tobacco settlement agreement entered into by the Government of Guam to be expended by the University for enhancement of learning resources and technology. The funds may only be expended in accordance with purposes set forth by the Guam Economic Development Authority, a component unit of the Government of Guam. Of the amount recorded, \$1,725,664 and \$1,722,323 at September 30, 2020 and 2019, 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, 2020 and 2019, the University recorded \$3,102,250 and \$3,344,192, 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 at September 30, 2020 and 2019 is invested time certificates of deposit presented as restricted investments in the statements of net position.

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Notes to Financial Statements
September 30, 2020 and 2019

3. Deposits and Investments, Continued

A. Deposits, Continued

Restricted cash and cash equivalents also include \$750,019 and \$750,073 as of September 30, 2020 and 2019, 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 \$650,797 and \$635,867, 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, 2020 consist of the following:

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

Investments at September 30, 2019 consist of the following:

	<u>Short-term</u>	<u>Restricted</u>	<u>Long-term</u>	<u>Endowment</u>	<u>Total</u>
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	-	-	<u>1,694,565</u>	<u>2,056,205</u>	<u>3,750,770</u>
	<u>\$ 7,358,865</u>	<u>\$ 4,900,974</u>	<u>\$ 12,108,206</u>	<u>\$ 14,692,237</u>	<u>\$ 39,060,282</u>

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Notes to Financial Statements
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3. Deposits and Investments, Continued

B. Investments, Continued

The University's exposure to credit risk at September 30, 2020 and 2019 follows:

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

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

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Notes to Financial Statements
September 30, 2020 and 2019

3. Deposits and Investments, Continued

B. Investments, Continued

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

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

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

<u>Investment Type</u>	<u>Fair value</u>	Less than <u>1 year</u>	1 to 5 <u>years</u>	5 to 10 <u>years</u>	More than <u>10 years</u>
Corporate bonds	\$ 4,556,819	\$ 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	<u>73,510</u>	<u>-</u>	<u>8,301</u>	<u>-</u>	<u>65,209</u>
	\$ <u>6,815,815</u>	\$ <u>66,706</u>	\$ <u>4,468,909</u>	\$ <u>1,073,539</u>	\$ <u>1,206,661</u>

Custodial risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the University will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The University's investments are held and administered by investment managers. Accordingly, these investments are exposed to custodial credit risk. Based on negotiated trust and custody contracts, all of these investments were held in the University's name at September 30, 2020 and 2019.

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, 2020 and 2019, 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, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Interest and dividends from investments	\$ 652,691	\$ 725,646
Investment fees expense	(975,820)	(206,948)
Appreciation of fair value of investments, net	<u>884,940</u>	<u>174,805</u>
	\$ <u>561,811</u>	\$ <u>693,503</u>

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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, 2020 and 2019:

	<u>Fair Value Measurements Using</u>			
	September 30, 2020	Level 1	Level 2	Level 3
Investments by fair value level:				
Fixed income securities	\$ 7,043,526	\$ -	\$ 7,043,526	\$ -
Equity securities	11,244,960	11,244,960	-	-
Mutual funds	3,064,818	3,064,818	-	-
Exchange-traded funds	<u>8,344,308</u>	<u>8,344,308</u>	-	-
Total investments by fair value level	<u>29,697,612</u>	<u>22,654,086</u>	<u>7,043,526</u>	<u>-</u>
Investments measured at cost:				
Certificates of deposit	6,094,676			
Money market funds	<u>460,580</u>			
Total investments at cost	<u>6,555,256</u>			
	<u>\$ 36,252,868</u>			
	<u>Fair Value Measurements Using</u>			
	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	<u>3,750,770</u>	<u>3,750,770</u>	-	-
Total investments by fair value level	<u>28,110,761</u>	<u>21,294,946</u>	<u>6,815,815</u>	<u>-</u>
Investments measured at cost:				
Certificates of deposit	10,537,516			
Money market funds	<u>412,005</u>			
Total investments at cost	<u>10,949,521</u>			
	<u>\$ 39,060,282</u>			

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

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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, 2020 and 2019, loans receivable are reserved in the amount of \$16,461,862 and \$17,081,635, respectively, and recoveries collected are \$385,374 and \$387,548 for the years then ended, respectively.

5. Capital Assets

Activity and balances for capital assets for the years ended September 30, 2020 and 2019 consisted of the following:

<u>2020:</u>	<u>Balance</u> <u>October 1, 2019</u>	<u>Additions/</u> <u>Transfers</u>	<u>Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>September 30, 2020</u>
<u>Depreciable:</u>				
Land improvements	\$ 335,756	\$ 1,909,315	\$ -	\$ 2,245,071
Building	87,058,649	383,715	-	87,442,364
Building improvements	6,980,030	-	-	6,980,030
Equipment	19,992,827	782,489	(34,829)	20,740,487
Library books	<u>8,302,835</u>	<u>275,017</u>	<u>-</u>	<u>8,577,852</u>
	122,670,097	3,350,536	(34,829)	125,985,804
Less accumulated depreciation	<u>(63,862,209)</u>	<u>(4,626,899)</u>	<u>21,710</u>	<u>(68,467,398)</u>
	<u>58,807,888</u>	<u>(1,276,363)</u>	<u>(13,119)</u>	<u>57,518,406</u>
<u>Nondepreciable:</u>				
Land	2,823,212	115,000	-	2,938,212
Construction in progress	<u>4,755,658</u>	<u>1,757,067</u>	<u>(1,941,602)</u>	<u>4,571,123</u>
	<u>7,578,870</u>	<u>1,872,067</u>	<u>(1,941,602)</u>	<u>7,509,335</u>
Total capital assets, net	\$ <u>66,386,758</u>	\$ <u>595,704</u>	\$ <u>(1,954,721)</u>	\$ <u>65,027,741</u>
<u>2019:</u>	<u>Balance</u> <u>October 1, 2018</u>	<u>Additions/</u> <u>Transfers</u>	<u>Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>September 30, 2019</u>
<u>Depreciable:</u>				
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	<u>8,032,381</u>	<u>270,454</u>	<u>-</u>	<u>8,302,835</u>
	121,227,506	1,667,356	(224,765)	122,670,097
Less accumulated depreciation	<u>(59,912,600)</u>	<u>(4,077,164)</u>	<u>127,555</u>	<u>(63,862,209)</u>
	<u>61,314,906</u>	<u>(2,409,808)</u>	<u>(97,210)</u>	<u>58,807,888</u>
<u>Nondepreciable:</u>				
Land	2,823,212	-	-	2,823,212
Construction in progress	<u>2,104,320</u>	<u>2,999,145</u>	<u>(347,807)</u>	<u>4,755,658</u>
	<u>4,927,532</u>	<u>2,999,145</u>	<u>(347,807)</u>	<u>7,578,870</u>
Total capital assets, net	\$ <u>66,242,438</u>	\$ <u>589,337</u>	\$ <u>(445,017)</u>	\$ <u>66,386,758</u>

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6. Current Liabilities

As of September 30, 2020, UOG has outstanding loan payable to a related party, the Foundation amounting \$1,400,000 classified as current until such time as UOG obtains permanent financing from a federal agency to term it out. The agreement entered into between UOG and the Foundation in May 2019 specified UOG to borrow the principal amount of \$1,400,000, plus interest on the unpaid principal balance at the rate of 1.25% plus the federal rate. The said principal and interest shall be paid in the following installments based on the following: interest only on the 5th of each quarter through July 5, 2021 and interest and principal thereafter on the 5th of each quarter (if the principal is not repaid by July 5, 2021) until the principal and interest are fully paid except that the final installment of the entire loan, if not sooner paid, shall be due and payable upon funding by BG Investment Services towards the UOG Triton Engagement Center Phase I Project (Storm Mitigation Outfall) or within five years from the date of the note. Given the difficulty in predicting when drawdowns or funding will occur, presentation of future principal and interest amortization is not possible at this time.

	Outstanding October 1, <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding September 30, <u>2020</u>
Loan payable to the Foundation	\$ _____-	\$ <u>1,400,000</u>	\$ _____-	\$ <u>1,400,000</u>

7. Long-Term Debt

Long-term debt at September 30, 2020 and 2019 is as follows:

Direct Borrowings:

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

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

At September 30, 2020 and 2019, UOG does not have unused lines of credit.

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7. Long-Term Debt, Continued

Direct Borrowings, Continued:

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	344,608	405,452	750,060
2026-2030	1,971,822	1,778,478	3,750,300
2031-2035	2,460,753	1,289,547	3,750,300
2036-2040	3,070,918	679,382	3,750,300
2041-2043	<u>1,457,557</u>	<u>68,230</u>	<u>1,525,787</u>
	<u>\$ 10,541,087</u>	<u>\$ 5,985,900</u>	<u>\$ 16,526,987</u>

Public Law 26-48 also provided supplemental annual funding of \$500,000 from the Government of Guam to pay for the loan. During the years ended September 30, 2020 and 2019, the University received \$500,000 and \$423,739, respectively, for this purpose.

Long-term debt activities for the years ended September 30, 2020 and 2019, were as follows:

	Outstanding October <u>1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding September <u>30, 2020</u>	Amount due within <u>one year</u>
Loans payable	\$ <u>10,803,390</u>	\$ <u>105,456</u>	\$ <u>367,759</u>	\$ <u>10,541,087</u>	\$ <u>288,646</u>
	Outstanding October <u>1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding September <u>30, 2019</u>	Amount due within <u>one year</u>
Loans payable	\$ <u>11,067,561</u>	\$ <u>-</u>	\$ <u>264,171</u>	\$ <u>10,803,390</u>	\$ <u>276,137</u>

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

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8. Changes in Other Long-Term Liabilities

Changes in UOG's other long-term liabilities for the years ended September 30, 2020 and 2019 were as follows:

	Outstanding October <u>1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding September <u>30, 2020</u>	Amount due within <u>one year</u>
Other liabilities:					
Deposits held on behalf of others	\$ 274,201	\$ 1,231,724	\$ 1,239,181	\$ 266,744	\$ -
Accrued annual leave	1,868,996	1,720,788	1,388,761	2,201,023	851,498
DCRS sick leave liability	1,512,059	800,341	328,978	1,983,422	-
Net OPEB liability	92,474,461	35,504,276	2,020,521	125,958,216	-
Net pension liability	<u>87,642,038</u>	<u>14,401,875</u>	<u>6,351,141</u>	<u>95,692,772</u>	<u>-</u>
	<u>\$ 183,771,755</u>	<u>\$ 53,659,004</u>	<u>\$ 11,328,582</u>	<u>\$ 226,102,177</u>	<u>\$ 851,498</u>
	Outstanding October <u>1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding September <u>30, 2019</u>	Amount due within <u>one year</u>
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	<u>84,724,402</u>	<u>13,331,807</u>	<u>10,414,171</u>	<u>87,642,038</u>	<u>-</u>
	<u>\$ 215,205,112</u>	<u>\$ 26,296,792</u>	<u>\$ 57,730,149</u>	<u>\$ 183,771,755</u>	<u>\$ 893,498</u>

9. Pensions

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

A. General Information About the Pension Plans:

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

Members of the DB Plan who retired prior to October 1, 1995, or their survivors, are eligible to receive annual supplemental annuity payments. In addition, retirees under the DB and DCRS Plans who retired prior to September 30, 2019 are eligible to receive an annual ad hoc cost of living allowance (COLA).

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9. Pensions, Continued

A. General Information About the Pension Plans, Continued:

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

Plan Membership: As of September 30, 2019 (the measurement date), plan membership consisted of the following:

DB members:	
Inactive employees or beneficiaries currently receiving benefits	7,360
Inactive employees entitled to but not yet receiving benefits	3,162
Active employees	<u>4,850</u>
	15,372
DCRS members:	
Active employees	<u>6,286</u>
	<u>21,658</u>

Benefits Provided: The DB Plan provides pension benefits to retired employees generally based on age and/or years of credited service and an average of the three highest annual salaries received by a member during years of credited service, or \$6,000, whichever is greater. Members who joined the DB Plan prior to October 1, 1981 may retire with 10 years of service at age 60 (age 55 for uniformed personnel); or with 20 to 24 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 25 years of service at any age. Members who joined the DB Plan on or after October 1, 1981 and prior to August 22, 1984 may retire with 15 years of service at age 60 (age 55 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 30 years of service at any age.

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

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

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9. Pensions, Continued

A. General Information About the Pension Plans, Continued:

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

The DB 1.75 Plan is open for participation by certain existing employees, new employees, and reemployed employees who would otherwise participate in the DC Plan or the new GRSP and who make election on a voluntary basis to participate in the DB 1.75 Plan by December 31, 2017. Employee contributions are made by mandatory pre-tax payroll deduction at the rate of 9.5% of the employee’s base salary while employer contributions are actuarially determined. Members of the DB 1.75 Plan automatically participate in the GovGuam deferred compensation plan, pursuant to which employees are required to contribute 1% of base salary as a pre-tax mandatory contribution. Benefits are fully vested upon attaining 5 years of credited service.

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

Contributions and Funding Policy: Contribution requirements of participating employers and active members to the DB Plan are determined in accordance with Guam law. Employer contributions are actuarially determined under the One-Year Lag Methodology. Under this methodology, the actuarial valuation date is used for calculating the employer contributions for the second following fiscal year. For example, the September 30, 2018 actuarial valuation was used for determining the year ended September 30, 2020 statutory contributions. Member contributions are required at 9.52% of base pay.

As a result of actuarial valuations performed as of September 30, 2018, 2017 and 2016, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2020, 2019 and 2018, respectively, have been determined as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Normal costs (% of DB Plan payroll)	13.86%	13.54%	15.97%
Employee contributions (DB Plan employees)	<u>9.52%</u>	<u>9.52%</u>	<u>9.55%</u>
Employer portion of normal costs (% of DB Plan payroll)	<u>4.34%</u>	<u>4.02%</u>	<u>6.42%</u>
Employer portion of normal costs (% of total payroll) 2.29%	2.39%	1.60%	1.87%
Unfunded liability cost (% of total payroll)	<u>20.70%</u>	<u>21.29%</u>	<u>22.12%</u>
Government contribution as a % of total payroll	<u>23.09%</u>	<u>23.58%</u>	<u>23.72%</u>
Statutory contribution rates as a % of DB Plan payroll:			
Employer	<u>26.28%</u>	<u>26.56%</u>	<u>27.83%</u>
Employee	<u>9.52%</u>	<u>9.52%</u>	<u>9.55%</u>

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9. Pensions, Continued

A. General Information About the Pension Plans, Continued:

The University's contributions to the DB Plan for the years ended September 30, 2020, 2019 and 2018 were \$4,420,251, \$4,717,683 and \$4,513,080, respectively, which were equal to the required contributions for the respective years then ended.

For the years ended September 30, 2020, 2019 and 2018, the University recognized ad hoc COLA and supplemental annuity payments as transfers from GovGuam, totaling \$1,245,658, \$1,137,658 and \$1,140,610, 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.

The University's contributions to the DCRS Plan for the years ended September 30, 2020, 2019 and 2018 were \$4,227,731, \$3,830,850 and \$4,330,724, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, \$3,231,732, \$2,936,601 and \$3,448,947 were contributed towards the unfunded liability of the DB Plan for the years ended September 30, 2020, 2019 and 2018, respectively.

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

Pension Liability: At September 30, 2020 and 2019, UOG reported a net pension liability for its proportionate share of the net pension liabilities measured as of September 30, 2019 and 2018, respectively, which is comprised of the following:

	<u>2020</u>	<u>2019</u>
Defined benefit plan	\$ 77,085,631	\$ 71,200,343
Ad hoc COLA/supplemental annuity plan for DB retirees	15,489,515	13,756,035
Ad hoc COLA plan for DCRS retirees	<u>3,117,626</u>	<u>2,685,660</u>
	<u>\$ 95,692,772</u>	<u>\$ 87,642,038</u>

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9. Pensions, Continued

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

The University's proportion of the GovGuam net pension liabilities was based on the University's expected plan contributions relative to the total expected contributions received by the respective pension plans for GovGuam and GovGuam's component units. At September 30, 2020 and 2019, UOG's proportionate shares of the GovGuam net pension liabilities were as follows:

	<u>2020</u>	<u>2019</u>
Defined benefit plan	6.35%	6.04%
Ad hoc COLA/supplemental annuity plan for DB retirees	4.78%	4.75%
Ad hoc COLA plan for DCRS retirees	5.21%	5.44%

Pension Expense (Benefit): For the years ended September 30, 2020 and 2019, the University recognized pension expense (benefit) for its proportionate share of pension plan expense from the above pension plans as follows:

	<u>2020</u>	<u>2019</u>
Defined benefit plan	\$ 8,292,456	\$ 8,737,200
Ad hoc COLA/supplemental annuity plan for DB retirees	1,273,296	1,447,927
Ad hoc COLA plan for DCRS retirees	<u>253,092</u>	<u>(692,785)</u>
	<u>\$ 9,818,844</u>	<u>\$ 9,492,342</u>

Deferred Outflows and Inflows of Resources: At September 30, 2020 and 2019, the University reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

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September 30, 2020 and 2019

9. Pensions, Continued

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

	2019					
	<u>Defined Benefit Plan</u>		<u>Ad Hoc COLA/SA Plan for DB</u>		<u>Ad Hoc COLA Plan for DCRS</u>	
	Deferred	Deferred	Deferred	Deferred	Deferred	Deferred
	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>
Difference between expected and actual experience	\$ 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	<u>1,018,373</u>	<u>-</u>	<u>-</u>	<u>17,019</u>	<u>108,952</u>	<u>183,439</u>
	<u>\$ 8,873,596</u>	<u>\$ 1,276,398</u>	<u>\$ 1,341,180</u>	<u>\$ 473,592</u>	<u>\$ 922,674</u>	<u>\$ 566,435</u>

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2020 will be recognized in pension expense as follows:

<u>Year Ending September 30</u>	<u>Defined Benefit Plan</u>	<u>Ad Hoc COLA/SA Plan for DB Retirees</u>	<u>Ad Hoc COLA Plan for DCRS Retirees</u>
2021	\$ 1,302,670	\$ 482,951	\$ 51,178
2022	1,263,892	599,432	51,178
2023	1,644,521	184,912	51,178
2024	1,040,086	-	51,178
2025	-	-	51,178
Thereafter	<u>-</u>	<u>-</u>	<u>267,223</u>
	<u>\$ 5,251,169</u>	<u>\$ 1,267,295</u>	<u>\$ 523,113</u>

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

Valuation Date:	September 30, 2018
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	May 1, 2033 (14.58 years remaining as of September 30, 2018)

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Notes to Financial Statements
September 30, 2020 and 2019

9. Pensions, Continued

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

Asset Valuation Method:	3-year smoothed market value (effective September 30, 2009)
Inflation:	2.75% 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.

The actuarial assumptions used in the September 30, 2018 valuation were based on the results of an actuarial experience study for the period October 1, 2011 to September 30, 2015. The rationale for each significant assumption is provided in the experience study. To the extent that actual experience differs from the assumptions, future pension costs will differ. The next experience study for the period October 1, 2015 to September 30, 2019 is scheduled to be performed prior to the next year's valuation.

The investment rate assumption as of September 30, 2018 was 7%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the expected nominal return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Nominal Return</u>
U.S. Equities (large cap)	26.0%	6.81%
U.S. Equities (small cap)	4.0%	8.12%
Non-U.S. Equities	17.0%	8.33%
Non-U.S. Equities (emerging markets)	3.0%	10.28%
U.S. Fixed Income (aggregate)	24.0%	3.87%
Risk Parity	8.0%	5.56%
High Yield Bonds	8.0%	5.45%
Global Real Estate (REITs)	5.0%	8.01%
Master Limited Partnerships	5.0%	7.44%

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9. Pensions, Continued

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

Discount Rate: The discount rate used to measure the total pension liability for the DB Plan as of September 30, 2019 and 2018 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, 2019 was 2.66% (4.18% as of September 30, 2018), which is equal to the rate of return of a high quality bond index.

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

Defined Benefit Plan:

	1% Decrease in Discount Rate <u>6.0%</u>	Current Discount Rate <u>7.0%</u>	1% Increase in Discount Rate <u>8.0%</u>
Net Pension Liability	<u>\$ 97,316,809</u>	<u>\$ 77,085,631</u>	<u>\$ 59,676,237</u>

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

	1% Decrease in Discount Rate <u>1.66%</u>	Current Discount Rate <u>2.66%</u>	1% Increase in Discount Rate <u>3.66%</u>
Net Pension Liability	<u>\$ 17,088,959</u>	<u>\$ 15,489,515</u>	<u>\$ 14,125,880</u>

Ad Hoc COLA Plan for DCRS Retirees:

	1% Decrease in Discount Rate <u>1.66%</u>	Current Discount Rate <u>2.66%</u>	1% Increase in Discount Rate <u>3.66%</u>
Net Pension Liability	<u>\$ 3,532,872</u>	<u>\$ 3,117,626</u>	<u>\$ 2,762,177</u>

C. Payables to the Pension Plans:

As of September 30, 2020 and 2019, UOG recorded payables to GGRF of \$214,475 and \$232,772, respectively, representing statutorially required contributions unremitted as of the respective year-ends.

UNIVERSITY OF GUAM
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Notes to Financial Statements
September 30, 2020 and 2019

10. Other Post Employment Benefits (OPEB)

The University participates in the retiree health care benefits program. GovGuam’s Department of Administration is responsible for administering the GovGuam Group Health Insurance Program, which provides medical, dental, and life insurance benefits to retirees, spouses, children and survivors. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only. The program covers retirees and is considered an OPEB plan.

A. General Information About the OPEB Plan:

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

Plan Membership: As of September 30, 2019 and 2018 (the respective measurement periods), OPEB plan membership consisted of the following as of September 30 2019 and 2018 (the actuarial valuation dates for both years):

	<u>2019</u>	<u>2018</u>
Inactive plan members or beneficiaries		
currently receiving benefits	7,462	7,930
Active plan members	<u>10,832</u>	<u>10,136</u>
	<u>18,294</u>	<u>18,066</u>

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

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

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

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Notes to Financial Statements
September 30, 2020 and 2019

10. Other Post Employment Benefits (OPEB), Continued

A. General Information About the OPEB Plan:

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

B. Total OPEB Liability:

As of September 30, 2020 and 2019, UOG reported a total OPEB liability of \$125,958,216 and \$92,474,461, respectively, for its proportionate share of the GovGuam total OPEB liability measured as of September 30, 2019 and 2018. The following presents the University’s proportion change since the prior measurement date:

Proportion at prior measurement date, September 30, 2018	<u>4.93%</u>
Proportion at measurement date, September 30, 2019	<u>4.93%</u>
Increase/(decrease) in proportion	<u>(0.00)%</u>

The total OPEB liability for the OPEB Plan was determined by an actuarial valuation as of September 30, 2019 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.
Healthcare cost trend rates:	For 2019, 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. Health care trend assumptions begin at current levels and grade down over a period of years to a lower level equal to some real rate plus inflation. The principal components of health trend are medical inflation, deductible erosion, cost shifting, utilization, technology and catastrophic claims. The overall effect of these components are expected to decline year by year. Medical trend rates are applied to retiree contributions, Medicare Part B and Medicare Part D premium reimbursements.
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.

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Notes to Financial Statements
September 30, 2020 and 2019

10. Other Post Employment Benefits (OPEB), Continued

B. Total OPEB Liability, Continued:

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

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Notes to Financial Statements
September 30, 2020 and 2019

10. Other Post Employment Benefits (OPEB), Continued

B. Total OPEB Liability, Continued:

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

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

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

Discount Rate: The discount rate used to measure the total OPEB liability was 2.66% as of September 30, 2019 (4.18% as of September 30, 2018). The projection of cash flows used to determine the discount rate assumed that contributions from the University will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the 2.66% municipal bond rate as of September 30, 2019 (4.18% as of September 30, 2018) was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB plan fiduciary net position: As of September 30, 2020 and 2019, an OPEB trust has not been established thus the OPEB Plan does not presently report OPEB plan fiduciary net position.

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Notes to Financial Statements
September 30, 2020 and 2019

10. Other Post Employment Benefits (OPEB), Continued

C. Changes in the Total OPEB Liability:

Changes in the University's proportionate share of the total OPEB liability for the years ended September 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Balance at beginning of the year	\$ <u>92,474,461</u>	\$ <u>125,480,519</u>
Changes for the year:		
Service cost	3,847,120	5,016,319
Interest	3,984,013	4,696,667
Expected benefit payments	(2,020,521)	(2,224,135)
Change in proportionate share	(330,379)	(6,521,115)
Differences between expected and actual experience	-	(25,762,949)
Change of assumptions	<u>28,003,522</u>	<u>(8,210,845)</u>
Net change	<u>33,483,775</u>	<u>(33,006,058)</u>
Balance at end of the year	\$ <u>125,958,216</u>	\$ <u>92,474,461</u>

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

	1% Decrease in Discount Rate <u>1.66%</u>	Current Discount Rate <u>2.66%</u>	1% Increase in Discount Rate <u>3.66%</u>
Net OPEB Liability	\$ <u>150,455,346</u>	\$ <u>125,958,216</u>	\$ <u>106,487,911</u>

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

	<u>1% Decrease</u>	Healthcare Cost Trend Rates	<u>1% Increase</u>
Net OPEB Liability	\$ <u>102,354,889</u>	\$ <u>125,958,216</u>	\$ <u>157,232,592</u>

UNIVERSITY OF GUAM
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Notes to Financial Statements
September 30, 2020 and 2019

10. Other Post Employment Benefits (OPEB), Continued

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

For the years ended September 30, 2020 and 2019, the University reported total OPEB expense of \$5,625,966 and \$2,224,436, respectively, for its proportionate share of the GovGuam total OPEB expense measured for the years ended September 30, 2019 and 2018. At September 30, 2020 and 2019, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2020</u>		<u>2019</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 16,514,592	\$ -	\$ 21,137,645
Changes of assumptions	27,456,395	11,744,425	6,697,560	15,347,450
Contributions subsequent to measurement date	1,616,587	-	1,816,600	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>173,536</u>	<u>3,815,367</u>	<u>230,998</u>	<u>4,766,225</u>
	\$ <u>29,246,518</u>	\$ <u>32,074,384</u>	\$ <u>8,745,158</u>	\$ <u>41,251,320</u>

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

<u>Year Ending September 30</u>	
2021	\$ (1,983,840)
2022	(1,983,840)
2023	(4,113,062)
2024	887,949
2025	<u>2,748,340</u>
	\$ <u>(4,444,453)</u>

11. Encumbrances

The accrual basis of accounting provides that expenses include only amounts associated with goods and services received and liabilities include only the unpaid amounts associated with such expenses. Accordingly, at September 30, 2020 and 2019, \$22,146,817 and \$11,662,652, respectively, of outstanding purchase orders and purchase commitments are not reported in the financial statements.

UNIVERSITY OF GUAM
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Notes to Financial Statements
September 30, 2020 and 2019

12. Commitments and Contingencies

Litigation

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

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 the years ended September 30, 2020 and 2019, total payments remitted to the Government of Guam's General Fund of \$367,758 and \$2,027,788, respectively, are recorded as debt service - DOA bond.

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, 2020 and 2019.

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.

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Notes to Financial Statements
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12. Commitments and Contingencies, Continued

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, 2020 are as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2021	\$ 869,736
2022	869,736
2023	869,736
2024	869,736
2025	869,736
Thereafter	<u>28,701,288</u>
Total	\$ <u>33,049,968</u>

13. Related Party

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

14. COVID-19 Pandemic

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

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

Defined Benefit Plan

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total net pension liability	\$ 1,214,462,675	\$ 1,179,192,550	\$ 1,142,249,393	\$ 1,368,645,126	\$ 1,436,814,230	\$ 1,246,306,754
UOG's proportionate share of the net pension liability	\$ 77,085,631	\$ 71,200,343	\$ 67,534,997	\$ 80,510,523	\$ 81,001,196	\$ 68,326,815
UOG's proportion of the net pension liability	6.35%	6.04%	5.91%	5.88%	5.64%	5.48%
UOG's covered-employee payroll**	\$ 32,339,363	\$ 31,027,561	\$ 30,053,044	\$ 29,784,398	\$ 28,828,564	\$ 27,682,709
UOG's proportionate share of the net pension liability as percentage of its covered employee payroll	238.36%	229.47%	224.72%	270.31%	280.98%	246.82%
Plan fiduciary net position as a percentage of the total pension liability	62.25%	63.28%	60.63%	54.62%	52.32%	56.60%

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

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

See Accompanying Independent Auditors' Report.

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

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total net pension liability***	\$ 324,192,725	\$ 289,875,668	\$ 288,147,121	\$ 229,486,687	\$ 235,799,709
UOG's proportionate share of the net pension liability	\$ 15,489,515	\$ 13,756,035	\$ 13,699,135	\$ 10,844,857	\$ 11,126,455
UOG's proportion of the net pension liability	4.78%	4.75%	4.75%	4.73%	4.72%
UOG's covered-employee payroll**	\$ 24,343,149	\$ 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	63.63%	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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total net pension liability***	\$ 59,884,407	\$ 49,342,424	\$ 62,445,490	\$ 61,688,067	\$ 52,115,736
UOG's proportionate share of the net pension liability	\$ 3,117,626	\$ 2,685,660	\$ 3,490,270	\$ 3,298,131	\$ 2,783,217
UOG's proportion of the net pension liability	5.21%	5.44%	5.59%	5.35%	5.34%
UOG's covered-employee payroll**	\$ 12,260,578	\$ 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	25.43%	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*

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

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

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

See Accompanying Independent Auditors' Report.

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability:				
Service cost	3,847,120	\$ 5,016,319	\$ 5,635,446	\$ 4,539,172
Interest	3,984,013	4,696,667	4,122,719	4,203,936
Expected benefit payments	(2,020,521)	(2,224,135)	(1,900,800)	(1,900,800)
Change in proportionate share	(330,379)	(6,521,115)	384,729	-
Differences between expected and actual experience	-	(25,762,949)	-	-
Changes of assumptions	<u>28,003,522</u>	<u>(8,210,845)</u>	<u>(12,894,012)</u>	<u>13,565,255</u>
Net change in total OPEB liability	\$ 33,483,755	\$ (33,006,058)	\$ (4,651,918)	\$ 20,407,563
Net OPEB liability - beginning	<u>92,474,461</u>	<u>125,480,519</u>	<u>130,132,437</u>	<u>109,724,874</u>
Net OPEB liability - ending	<u>\$ 125,958,216</u>	<u>\$ 92,474,461</u>	<u>\$ 125,480,519</u>	<u>\$ 130,132,437</u>
Covered-employee payroll	27,936,302	28,982,645	28,740,742	28,740,742
UOG's total OPEB liability as a percentage of covered-employee payroll	450.88%	319.07%	436.59%	452.78%
Notes to schedule				
<i>Discount rate</i>	2.66%	4.18%	3.63%	3.058%

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.

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*

	2020	2019	2018	2017
Total OPEB liability **	\$ 2,553,523,376	\$ 1,874,970,335	\$ 2,431,048,672	\$ 2,532,753,040
UOG's proportionate share of the total OPEB liability	\$ 125,958,216	\$ 92,474,461	\$ 125,480,519	\$ 130,132,437
UOG's proportionate of the total OPEB liability	4.93%	4.93%	5.16%	5.14%
UOG's covered-employee payroll	27,936,302	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	450.88%	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*

	2020	2019	2018	2017
Actuarially determined contribution	\$ 9,472,473	\$ 12,133,636	\$ 12,496,650	\$ 10,832,208
Contribution in relation to the actuarially determined contribution	<u>2,020,521</u>	<u>2,224,135</u>	<u>1,900,800</u>	<u>1,900,800</u>
Contribution deficiency	<u>\$ 7,451,952</u>	<u>\$ 9,909,501</u>	<u>\$ 10,595,850</u>	<u>\$ 8,931,408</u>
UOG's covered-employee payroll **	<u>\$ 27,936,302</u>	<u>\$ 28,982,645</u>	<u>\$ 28,740,742</u>	<u>\$ 28,740,742</u>
Contribution as a percentage of covered-employee payroll	7.23%	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, 2020 and 2019

	2020	2019
Salaries and wages:		
Funded by local funds	\$ 23,562,350	\$ 23,694,832
Federal funds	7,395,623	6,121,690
General operations and federal funds	4,202,321	4,185,435
Other funding sources	6,457,488	5,912,561
Total salaries and wages	41,617,782	39,914,518
Benefits:		
Funded by local funds	13,306,286	4,523,640
Federal funds	1,113,609	1,027,745
General operations and federal funds	1,386,549	1,433,057
Other funding sources	1,281,538	1,031,488
Total benefits	17,087,982	8,015,930
Total salaries, wages and benefits	\$ 58,705,764	\$ 47,930,448

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, 2020 and 2019

	2020		2019	
	Unrestricted	Restricted	Unrestricted	Restricted
Instruction:				
Salaries and wages	\$ 14,170,516	\$ 140,462	\$ 14,001,846	\$ 184,678
Benefits	4,933,386	38,339	3,177,046	60,521
Travel	26,556	57,118	94,242	161,648
Contracts	817,153	325,975	771,450	414,638
Supplies	54,926	90,568	229,732	28,402
Equipment	99,353	18,867	15,866	11,510
Capital outlay	436,053	-	-	-
Utilities	18,549	-	24,377	-
Miscellaneous	450,451	72,209	556,946	56,976
	<u>\$ 21,006,943</u>	<u>\$ 743,538</u>	<u>\$ 18,871,505</u>	<u>\$ 918,373</u>
Public service:				
Salaries and wages	\$ 209,957	\$ 4,366,501	\$ 174,857	\$ 4,336,182
Benefits	599,280	1,370,111	(208,417)	1,308,656
Travel	-	195,689	3,524	491,203
Contracts	827,776	1,131,952	1,884,379	960,123
Supplies	6,428	277,986	19,409	385,839
Equipment	4,552	168,977	2,345	160,991
Capital outlay	3,840	5,490	-	158,740
Utilities	-	9,880	-	8,966
Miscellaneous	718,230	611,631	18,470	787,696
	<u>\$ 2,370,063</u>	<u>\$ 8,138,217</u>	<u>\$ 1,894,567</u>	<u>\$ 8,598,396</u>
Research:				
Salaries and wages	\$ 1,531,039	\$ 6,283,621	\$ 1,576,887	\$ 5,520,452
Benefits	1,263,329	1,158,299	103,976	1,138,698
Travel	8,921	343,438	11,529	1,052,316
Contracts	304,123	1,586,560	305,369	1,271,577
Supplies	90,605	788,470	116,205	704,088
Equipment	14,244	349,446	80,077	295,234
Capital outlay	193	247,381	49,642	367,593
Utilities	90,649	1,433,026	407	5,000
Miscellaneous	-	-	64,255	1,672,152
	<u>\$ 3,303,103</u>	<u>\$ 12,190,241</u>	<u>\$ 2,308,347</u>	<u>\$ 12,027,110</u>

See Accompanying Independent Auditors' Report.

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

Schedules of Expenses by Object Category, Continued
Years Ended September 30, 2020 and 2019

	2020		2019	
	Unrestricted	Restricted	Unrestricted	Restricted
Operational and maintenance, plant:				
Salaries and wages	\$ 1,583,741	\$ -	\$ 1,718,282	\$ -
Benefits	997,473	-	418,271	-
Travel	-	-	-	-
Contracts	136,921	-	377,616	-
Supplies	509,600	-	458,693	-
Equipment	19,089	-	175,864	-
Capital outlay	1,696,069	-	460,799	-
Utilities	3,306,162	-	3,892,392	-
Miscellaneous	76,323	-	2,698	-
	<u>\$ 8,325,378</u>	<u>\$ -</u>	<u>\$ 7,504,615</u>	<u>\$ -</u>
Scholarships and fellowships:				
Miscellaneous	\$ <u>(10,189,680)</u>	<u>\$ 18,476,793</u>	<u>\$ 573,016</u>	<u>\$ 8,631,855</u>
Institutional support:				
Salaries and wages	\$ 406,671	\$ 3,550,535	\$ 3,500,163	\$ 312,027
Benefits	490,342	2,034,605	(229,577)	21,298
Travel	12,417	103,270	286,953	19,908
Contracts	175,128	2,009,808	2,104,441	127,126
Supplies	17,873	55,374	131,056	632
Equipment	108,109	32,899	115,106	42,063
Capital outlay	51,032	451,787	195,023	-
Utilities	-	379	376	-
Miscellaneous	357,400	629,290	380,701	7,274
	<u>\$ 1,618,972</u>	<u>\$ 8,867,947</u>	<u>\$ 6,484,242</u>	<u>\$ 530,328</u>

See Accompanying Independent Auditors' Report.

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

Schedules of Expenses by Object Category, Continued
Years Ended September 30, 2020 and 2019

	2020		2019	
	Unrestricted	Restricted	Unrestricted	Restricted
Academic support:				
Salaries and wages	\$ 5,640,740	\$ 563,298	\$ 5,753,738	\$ -
Benefits	2,412,793	186,702	1,493,237	-
Travel	100,831	-	341,962	-
Contracts	1,443,179	-	1,445,370	-
Supplies	241,774	-	276,324	-
Equipment	179,415	-	364,219	-
Capital outlay	310,477	-	390,130	-
Utilities	4,306	-	4,194	-
Miscellaneous	262,535	-	308,257	-
	<u>\$ 10,596,050</u>	<u>\$ 750,000</u>	<u>\$ 10,377,431</u>	<u>\$ -</u>
Student services:				
Salaries and wages	\$ 1,979,471	\$ 662,461	\$ 2,009,532	\$ 272,672
Benefits	1,279,593	37,745	569,763	39,617
Travel	49,563	-	50,440	211
Contracts	57,330	2,489	52,272	610
Supplies	53,261	12,838	49,957	3,570
Equipment	13,500	-	21,707	-
Capital outlay	-	-	-	-
Utilities	-	-	57,586	-
Miscellaneous	285,075	2,283,057	(530,535)	83
	<u>\$ 3,717,793</u>	<u>\$ 2,998,590</u>	<u>\$ 2,280,722</u>	<u>\$ 316,763</u>
Auxiliary enterprises:				
Salaries and wages	\$ 528,769	\$ -	\$ 553,202	\$ -
Benefits	285,985	-	122,841	-
Travel	10,664	-	-	-
Contracts	475,113	-	247,538	-
Supplies	24,926	-	26,789	-
Equipment	304	-	20,387	-
Capital outlay	3,545	-	-	-
Utilities	224,358	-	266,878	-
Miscellaneous	650,277	-	1,414,806	-
	<u>\$ 2,203,941</u>	<u>\$ -</u>	<u>\$ 2,652,441</u>	<u>\$ -</u>

See Accompanying Independent Auditors' Report.

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

Schedules of Employee Information
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Funded by:		
Local funds	435	464
Federal funds	285	401
General operations and federal funds	119	120
Other funding sources	314	361
	<u>1,153</u>	<u>1,346</u>

See Accompanying Independent Auditors' Report.

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

Schedules of Total Revenue Information
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
University-generated revenues:		
Tuition and fees (gross)	\$ 24,047,998	\$ 23,917,758
Scholarship and tuition discounts	(10,397,405)	(11,149,952)
Grants and contracts, net	37,678,974	35,637,604
Auxiliary enterprises and other revenues	<u>11,629,381</u>	<u>7,645,994</u>
Total University-generated revenues	62,958,948	56,051,404
Government of Guam appropriations (excluding retiree healthcare costs and other pension benefits appropriations)	<u>33,528,173</u>	<u>33,184,422</u>
Total revenues (excluding investment income, bad debts provision and retiree healthcare and other pension benefits appropriations)	\$ <u>96,487,121</u>	\$ <u>89,235,826</u>
Supplemental information:		
Net investment income (loss)	\$ <u>561,811</u>	\$ <u>693,503</u>
Provision for bad debts	\$ <u>(106,516)</u>	\$ <u>(1,137,784)</u>
Retiree healthcare costs and other pension benefits appropriations	\$ <u>2,970,245</u>	\$ <u>3,062,258</u>

See Accompanying Independent Auditors' Report.

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

Schedules of Fund Restriction Matrix
Years Ended September 30, 2020 and 2019

	2020			2019		
	Unrestricted	Restricted, expendable	Restricted, nonexpendable	Unrestricted	Restricted, expendable	Restricted, nonexpendable
Land Grant	\$ -	\$ 12,458,866	\$ 3,000,000	\$ -	\$ 11,692,237	\$ 3,000,000
Siu Lin Tan	-	-	741,076	-	-	707,090
Maman Ling's Education Fund	-	-	561,186	-	-	543,733
Mac's Corporation	-	-	152,858	-	-	145,278
Chin Ho Foundation	-	-	21,355	-	-	20,296
Governor Bill Daniel	-	-	12,725	-	-	12,094
Delores P. De Leon Memorial Fund	-	-	41,394	-	-	39,342
Harry Guthertz Memorial Scholarship	-	-	11,219	-	-	10,663
Planetarium Maintenance Fund	-	-	102,088	-	-	331,776
Tobacco Funds (BoG)	-	554,167	1,725,664	-	390,025	1,859,756
Faculty and Staff Development Fund	-	-	2,773,663	-	-	2,678,590
Campus Maintenance Fund	-	1,605,946	-	-	1,526,252	-
Dorm Renewal and Replacement Fund	809,676	150,000	-	765,864	150,000	-
Self Insurance Fund	-	230,583	-	-	219,148	-
International Accounting Institute Fund	-	4,277,135	-	-	4,180,590	-
Guam Cancer Trust Fund	-	3,102,250	-	-	3,344,192	-
Tuition and other funds	7,841,891	-	-	7,964,182	-	-
Debt Service Fund	-	1,259,739	-	-	1,593,093	-
General Fund	5,738,341	-	-	5,073,147	-	-
	\$ <u>14,389,908</u>	\$ <u>23,638,686</u>	\$ <u>9,143,228</u>	\$ <u>13,803,193</u>	\$ <u>23,095,537</u>	\$ <u>9,348,618</u>

See Accompanying Independent Auditors' Report.

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

Schedules of Fund Restriction Matrix, Continued
Years Ended September 30, 2020 and 2019

Notes to the Schedules of Fund Restriction Matrix

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

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

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

Tobacco Funds. A corpus investment amount was provided to the University. 90% of investment earnings are allowed to be expended. The remaining 10% is added to the corpus to ensure the corpus grows over time.

Land Grant Funds. \$3 million was granted to the University in 1974. There are certain restrictions on the funds such as not using the funds to construct a building, etc. The Board of Regents has established an industry standard mechanism for allowing earnings to be utilized and allowing the corpus to grow over time. The University is allowed to expend funds in excess of the inflation adjusted value of the initial \$3 million grant using the U.S. Consumer Price Index.

Guam Cancer Trust Fund. The amount is fully restricted by law.

International Accounting Institute. The Board of Regents has reserved the fund as a source for debt service for the construction loan for the School of Business and Public Administration and for building maintenance. Funds are earned by the SBPA in extending certification examinations to international students.

Endowment Funds. Funds established for the purpose of providing scholarships to students.

Planetarium maintenance Fund. Funds restricted to uses benefitting sciences.

Faculty and Staff Development Fund. Funds were set aside by the Board of Regents for the purpose of providing space for Faculty Development and Staff Development. Funds have been restricted by United States Department of Agriculture for the purpose of providing for cost overruns for the Student Success Center and Engineering Annex Construction.

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

Self-Insurance Fund. Funds set aside for insurance deductibles and self-insurance programs.

See accompanying independent auditors' report.