

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

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

*Years Ended September 30, 2024 and 2023
with Report of Independent Auditors*



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

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

Years ended September 30, 2024 and 2023

Contents

Report of Independent Auditors.....	1
Management's Discussion and Analysis	5
 Audited Financial Statements	
Statements of Net Position – University Only	17
University of Guam Endowment Foundation, Inc. Statements of Financial Position	20
Statements of Revenues, Expenses and Changes in Net Position –	
University Only.....	21
University of Guam Endowment Foundation, Inc. Statements of Activities	22
Statements of Cash Flows – University Only	24
Notes to Financial Statements.....	26
 Required Supplementary Information	
Schedule 1 - Schedule of the University's Proportionate Share of	
Net Pension Liability – Defined Benefit (DB) Plan	69
Schedule 2 - Schedule of the University's Contributions – DB Plan	70
Schedule 3 - Schedule of the University's Proportionate Share of Collective	
Total Pension Liability – Ad Hoc COLA/Supplemental Annuity Plan for DB Participants.....	71
Schedule 4 - Schedule of the University's Contributions –	
Ad Hoc COLA/Supplemental Annuity Plan for DB Participants.....	72
Schedule 5 - Schedule of the University's Proportionate Share of Collective	
Total Pension Liability – Ad Hoc COLA Plan for DCRS Participants	73
Schedule 6 - Schedule of the University's Contributions	
Ad Hoc COLA Plan for DCRS Participants	74
Schedule 7 - Schedule of the University's Proportionate Share of	
Collective Total Other Postemployment Benefit (OPEB) Liability	75
Note to Required Supplementary Information.....	76

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

Financial Statements, Required Supplementary Information, and
Supplementary Information

Contents, continued

Supplementary and Other Information

Schedule 8 - Schedule of Salaries, Wages and Benefits	77
Schedule 9 - Schedule of Expenses by Object Category	78
Schedule 10 - Schedule of Employee Information	80
Schedule 11 - Schedule of Total Revenue Information	81
Schedule 12 - Schedule of Fund Restriction Matrix	82
Notes to Fund Restriction Matrix	83
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	84

Report of Independent Auditors

The Board of Regents
University of Guam

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the discretely presented component unit of the University of Guam (the University or UOG), collectively a component unit of the Government of Guam, as of and for the years ended September 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University at September 30, 2024 and 2023, 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.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the University of Guam Endowment Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedules of the University's Proportionate Share of the Net Pension Liability, the Schedules of the University's Pension Contributions and the Schedule of the University's Proportionate Share of Collective Total OPEB Liability be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the University's basic financial statements. The Schedule of Salaries, Wages and Benefits and the Schedule of Expenses by Object Category, the Schedule of Total Revenue Information and the Schedule and Notes to Schedule of Fund Restriction Matrix are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 GAAS. In our opinion, the Schedule of Salaries, Wages and Benefits and the Schedules of Expenses by Object Category, the Schedule of Total Revenue Information and the Schedule and Notes to Schedule of Fund Restriction Matrix are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

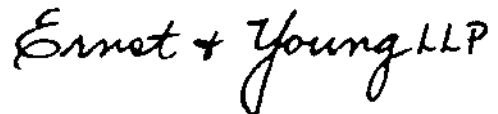
Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2025 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is fluid and cursive, with "Ernst & Young" on the top line and "LLP" on the bottom line.

June 6, 2025

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

Management's Discussion and Analysis
Years Ended September 30, 2024 and 2023

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 years ended September 30, 2024, 2023 and 2022. Management has prepared this overview as required supplemental information to the financial statements and the footnotes that follow. This MD&A should be read in conjunction with the financial statements and accompanying footnotes.

The University. Public Law 13-194, *The Higher Education Act of 1976*, established the University as a non-membership, non-profit, public corporation under a Board of Regents appointed by the Governor with the advice and consent of the Guam Legislature. The University is a public, open-admissions, four-year, land-grant institution located on Guam in the Marianas Islands that has been continuously accredited by the Western Association of Schools and Colleges Senior College and University Commission (WSCUC). In 2022, the University became the only land-grant and sea-grant institution in the Western Pacific. The University's 2,896 students (as of Fanuchanan (Fall) '24) are multicultural, multilingual and 47.3% Asian, 43.3% Pacific Islander, 9.4% other. The institution offers 16 master's and 25 bachelor's degree programs, as well as continuing education, professional development, and English language training. The University's 1,010 employees include 179 full-time faculty, 41 administrators, 377 full-time staff, and 413 part-time staff and faculty adjuncts.

The Leadership. The University is governed by a nine-member Board of Regents, with Lesley-Anne Leon Guerrero serving as the Chairperson, Agapito A. Diaz the Vice Chairperson, and Mike W. Naholowaa as the Treasurer. The University's 12th President is Anita Borja Enriquez, DBA. Sharleen Santos-Bamba, Ph.D., is the Senior Vice President for Academic and Student Affairs and Provost, while Randall V. Wiegand is the Vice President for Administration and Finance/Chief Business Officer. Additionally, there is an elected Faculty Senate.

The University's vision statement is "Transforming Lives, Advancing Communities." The University community is committed to its mission of "*Ina, Diskubre, Setbe*" (*to Enlighten, to Discover, to Serve*). The University 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. Under the leadership of President Enriquez, the University is developing a new five-year strategic plan called "Tulos Mo'na" invoking the imagery of traditional seafarers paddling together forward in unison. This new strategic plan will continue to build on the progress made under the previous Para Hulo' Strategic Plan.

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

Management's Discussion and Analysis, continued

The Financial Statements

The report contains three financial statements: i) the Statements of Financial Position; ii) the Statements of Revenues, Expenses and Changes in Net Position; and iii) the Statements of Cash Flows. These statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for public colleges and universities' external financial reporting.

The University is reported as a component unit of the Government of Guam. The University also reports the financial statements of its component unit, the UOG Endowment Foundation, Inc. (the Foundation). The Foundation is a legally separate, tax-exempt, private corporation, that operates on a fiscal year ending December 31. While the University does not control the Foundation, the resources and income of the Foundation can only be used for the benefit of the University. The financial statements also include the financial statements of the Research Corporation of the University of Guam (RCUOG). The RCUOG is a public corporation and is governed by a ten-member Board of Directors.

FINANCIAL HIGHLIGHTS

The University's overall financial position has been stable over the past years. Application of accounting standards pertaining to pensions (GASB 67,68,73) and postemployment benefits other than pension (GASB 75) continues to significantly impact the financial statements for the period ended September 30, 2024. In FY2023, the University implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Under GASB 96, these arrangements result in a right-to-use intangible asset and a corresponding subscription liability.

In March 2023, Public Law 37-3 was enacted, adjusting the government of Guam General Pay Plan (GPP) by 22%. The University adopted the increase in the latter part of FY2023 for all eligible employees.

In September 2023, \$3,600,367 was appropriated from the Government of Guam's audited excess General Fund revenues to the University for faculty salary adjustments. The University implemented this increase in October 2023.

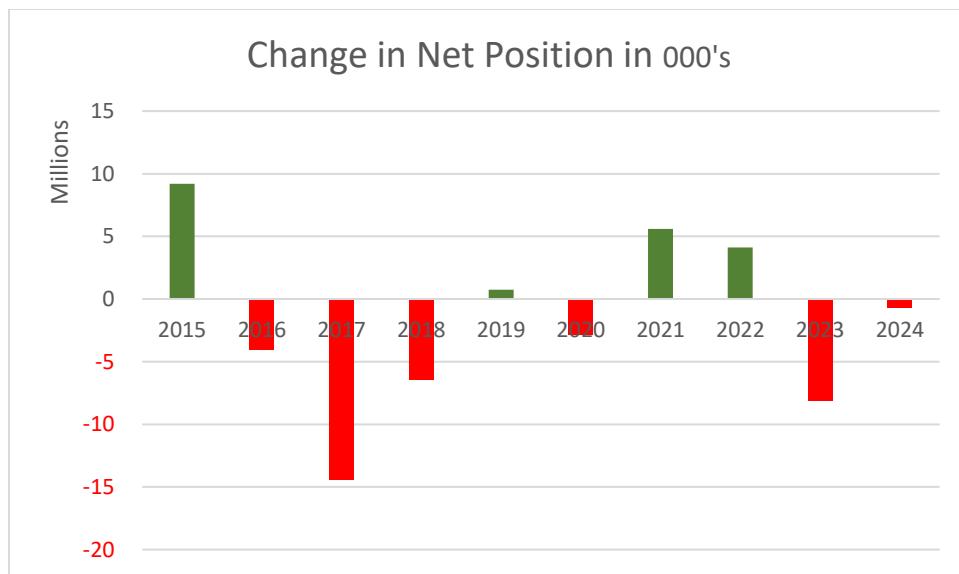
The University's financial position continues to be under pressure due to various factors such as declining government funding for general operations, a decrease in enrollment, and a hold on tuition increases since the pandemic. Since 2018, the University has experienced a continued decrease in government funding for its general operations. In FY2018, the Legislature appropriated \$30.7 million, which subsequently decreased to \$27.5 million in FY2024. Despite these challenges, the University is grateful for the efforts of the Governor of Guam, the Guam Legislature, and the Director of the Department of Administration in improving the timing and consistency of allotment payments and ensuring that the University receives the full appropriation amount. The University continues to explore alternative streams of revenue to reduce its reliance on appropriations from the local government.

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

Management's Discussion and Analysis, continued

The University's change in net position increased by \$2.7 million from the prior year due to several factors. Factors contributing to the change are as follows:

- The University continues to establish programs integral to recruitment, retention, and graduation rates.
- The new Doctor of Education (EdD) Instructional and Academic Leadership program, with a cohort of 25 students, began in Fall 2024.
- The energy-efficient project with the Guam Power Authority has been completed, and a significant portion of the costs was incurred in FY2023. The savings from the project are gradually being realized starting in FY2024 and continuing onward, helping to offset the utility rate increase.
- The fair value of the University's investment portfolio has seen a significant increase in FY2024 due to favorable market conditions and the strong performance of investments.



- Guam experienced a super typhoon in May 2023, which has resulted in damages and additional expenses that the University is currently working with its insurance company and FEMA to claim. The University received \$2.5 million from the \$4.0 million Typhoon insurance claim in FY2024.

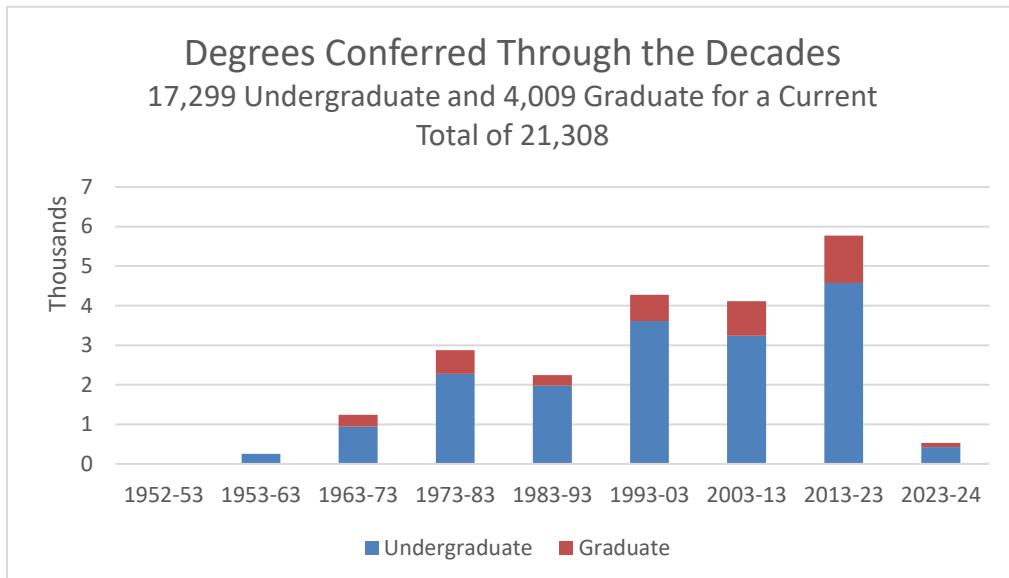
University of Guam
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Despite the challenges in enrollment, degrees conferred by the University continue to increase. 528 undergraduate and graduate degrees were conferred in Academic Year '23-24. Total degrees conferred by the University now stand at 21,308. These former students are the professional backbone and leadership of our island and region.

Academic quality, student success and institutional sustainability are evidenced by primary accreditation for eight (8) years from WSCUC and by secondary accreditation for the professional schools.

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 that it retains students after their freshman and sophomore years. Although enrollment has remained steady in recent years, the number of students graduating has been on the rise.



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

Management's Discussion and Analysis, continued

STATEMENTS OF NET POSITION

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

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Noncapital assets	\$ 72,464	\$ 74,424	\$ 80,194
Capital assets	83,851	73,197	70,912
Deferred outflows of resources	<u>62,440</u>	<u>65,007</u>	<u>41,127</u>
 Total assets and deferred outflows of resources	 <u>\$218,755</u>	 <u>\$212,628</u>	 <u>\$192,233</u>
 Current liabilities	 \$ 28,032	 \$ 21,296	 \$ 20,896
Noncurrent liabilities	256,181	239,471	222,665
Deferred inflows of resources	<u>41,441</u>	<u>53,394</u>	<u>42,073</u>
 Total liabilities and deferred inflows of resources	 <u>325,654</u>	 <u>314,161</u>	 <u>285,634</u>
 Net investment in capital assets	 72,880	 61,300	 60,946
Restricted, nonexpendable	7,888	6,824	8,821
Restricted, expendable	24,560	22,201	30,033
Unrestricted	(212,227)	(191,858)	(193,201)
 Total net position	 <u>(106,899)</u>	 <u>(101,533)</u>	 <u>(93,401)</u>
 Total liabilities, deferred inflow of resources and net position	 <u>\$218,755</u>	 <u>\$212,628</u>	 <u>\$192,233</u>

Over the last two years, the overall financial position has remained stable with a slightly positive trend. The reduction of government allotments has exerted pressure on the University's expenditures and cash reserves. The Board of Regents has adopted a plan to approve a 5% tuition increase for each of the next six semesters. The aim is to help reverse the declining cash balances. However, due to the impact of the pandemic on the island's economy and other external factors, the University deferred the planned tuition increases as long as possible.

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

Management's Discussion and Analysis, continued

The area with the most significant changes has been in the deferred outflow and inflow accounts as a result of the implementation of GASB No. 68, GASB No. 73, GASB No. 75 and GASB 87. The change in capital assets is mainly attributed to the construction-in-progress of the Dr. Lucio Chua Tan Student Success Center (SSC), School of Engineering (SENG) building, Water & Environmental Research Institute (WERI) and the Margaret Perez Hattori-Uchima School of Health (SOH) Nursing Annex, offset by the depreciation of university assets. Additionally, with the implementation of GASB 96 in FY23, the University recorded net subscription-based IT asset of approximately \$1.5 million in FY2024 and \$2.2 million in FY2023.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating Revenues, Net	\$ 62,907	\$ 48,468	\$ 56,312
Operating Expenses	(134,210)	(120,378)	(108,206)
Operating Revenues Net of Operating Expenses	(71,303)	(71,910)	(51,894)
Non-Operating and Other Revenues and Expenses	59,215	63,000	47,801
Federal Capital Grants	<u>6,722</u>	<u>778</u>	<u>8,204</u>
(Decrease) Increase in Net Position	(5,366)	(8,132)	4,111
Net Position – Beginning of Year	(101,533)	(93,401)	(97,512)
Net Position – End of Year	<u>\$ (106,899)</u>	<u>\$ (101,533)</u>	<u>\$ (93,401)</u>

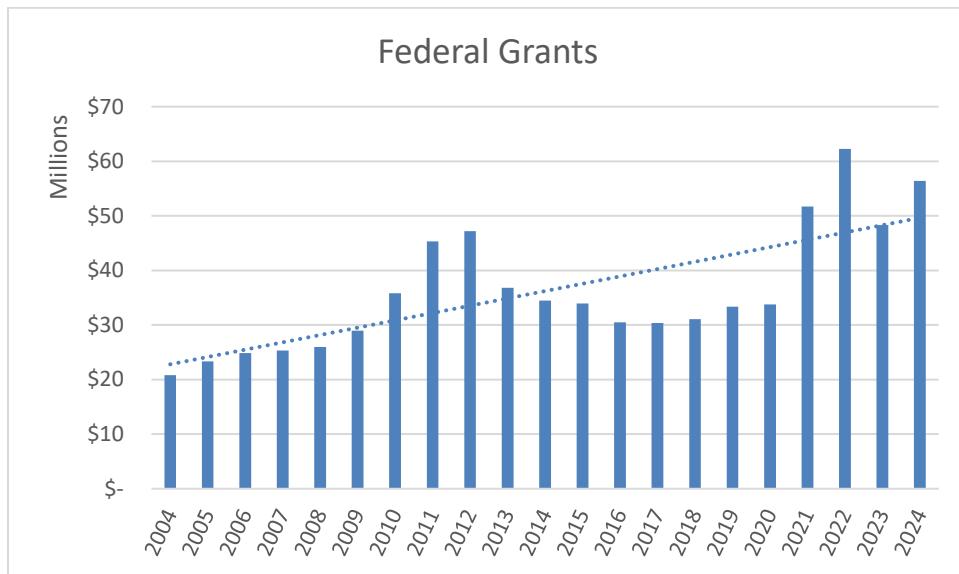
The University's operating and non-operating grants remain stable, highlighted by an increase in federal capital grants. This growth is attributable to four construction projects currently underway, funded by the U.S. Economic Development Administration (EDA), the U.S. Department of the Treasury, and the U.S. Department of the Interior. The University has been successful in achieving the goals set forth in its \$20 million grant from the National Science Foundation Experimental Program to Stimulate Competitive Research (EPSCoR). This includes the development of a database of marine life whose habitat is near and around the island. The grant period runs from July 2020 to July 2025.

In FY2023, the University was awarded a \$10 million grant from the U.S. Department of Agriculture (USDA) National Institute of Food and Agriculture's "From Learning to Leading: Cultivating the Next Generation of Diverse Food and Agriculture Professionals Program," also known as NextGen. These grant activities offset the loss of revenue due to the expiration of the the pandemic relief grant in FY2023.

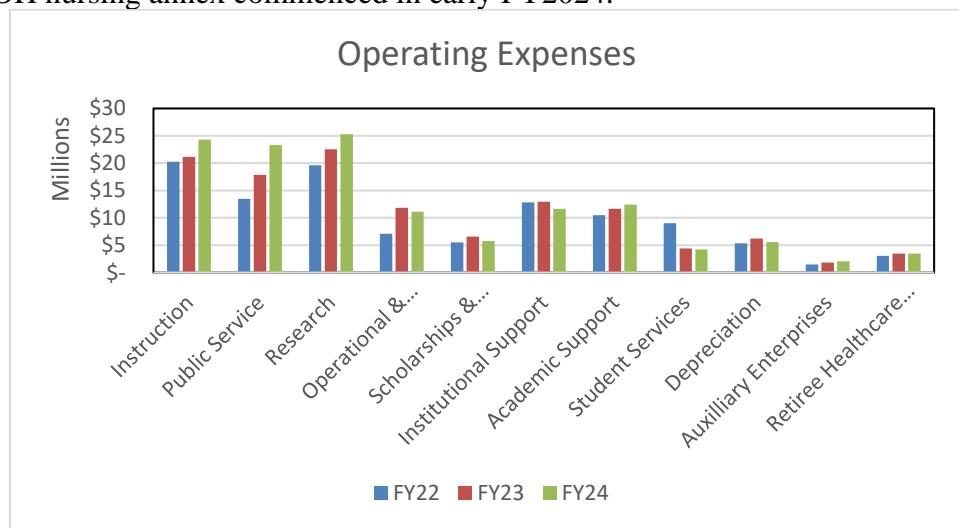
University of Guam
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

The following graph reflects grant activity since 2004:



The increase in federal grant revenue from FY2010 to FY2015 can be attributed to funding from the American Recovery and Reinvestment Act (ARRA). Between FY2021 and FY2022, federal grant revenues experienced a significant rise for the first time since the completion of the final ARRA projects. This growth is primarily due to the Higher Education Emergency Relief Fund (HEERF). The University continues to experience remarkable levels of grant activity, with the award of the five-year \$20 million EPSCoR grant in FY2020 and a \$10 million grant from the USDA National Institute of Food and Agriculture in FY2023. The University anticipates further growth in grant activities as the construction of the Dr. Lucio Chua Tan SSC and SENG began in the latter part of FY2023. Additionally, construction of the WERI and the Margaret Perez Hattori-Uchima SOH nursing annex commenced in early FY2024.



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

Management's Discussion and Analysis, continued

The University has been facing a challenge with rising expenses and declining revenues. The increase in expenses is primarily due to expenses related to the University's core mission. The University spent \$72.8 million directly on its core mission, with 33% allocated to instruction, 32% to public service, and 35% to research. Moreover, the implementation of GASB No. 75 has also contributed to the fluctuation in expenses.

STATEMENTS 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>2024</u>	<u>2023</u>	<u>2022</u>
Cash provided by (used in):			
Operating activities	\$(57,405)	\$(66,420)	\$(51,042)
Non-capital financing activities	52,327	60,799	58,813
Capital and financing activities	(4,355)	(7,053)	(799)
Investing activities	<u>1,624</u>	<u>(1,596)</u>	<u>365</u>
Net Change in Cash and Cash Equivalents	(7,809)	(14,270)	7,337
Cash and Equivalents – Beginning of Year	<u>16,364</u>	<u>30,634</u>	<u>23,297</u>
Cash and Equivalents – End of Year	<u>\$ 8,555</u>	<u>\$ 16,364</u>	<u>\$ 30,634</u>

The timing and consistency of allotment payments improved in FY2019 and have remained consistent through FY2024. Fluctuations in operating activities and non-capital financing activities can be attributed to several factors: the additional appropriation for government-mandated staff salary increases in mid-FY2023, a \$3.6 million faculty salary adjustment in FY2024, and an increase in grants and contracts. However, these factors have been offset by the completion of pandemic-related grants, changes in enrollment, and rising expenses associated with general operations. The fluctuations in capital and financing activities are primarily due to the ongoing construction of four new buildings at the University.

The cash position at the end of the fiscal year is generally higher than during the year due to the receipt of Fanuchanan (Fall) semester tuition payments in August and September, while the related costs are spread out over the semester. Tuition revenues are subsequently allocated to academic expenses throughout the academic year, which overlaps the fiscal year. Financial planning requires an adequate amount of cash on hand at the beginning of the new fiscal year to cover prior year encumbrances, insurance premiums, infrastructure, and operating needs, which are weighted toward the beginning of the fiscal year. Board policy requires cash reserves for financial stability and long-term viability. Reserve funds and sub-accounts were established and funded starting in FY2009 and had been continuously funded until 2016, when the funds were depleted due to non-payment of appropriations.

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

Management's Discussion and Analysis, continued

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets: At the end of FY2024, the University had invested \$137.7 million in depreciable capital assets. This amount is net of various depreciable equipment purchased throughout the year to support general operations and grant-related objectives. Additionally, the University recorded approximately \$2.3 million in intangible assets due to the implementation of GASB 96 in FY2023. These intangible assets are amortized over their subscription term. The University recorded an accumulated depreciation and amortization of \$82.2 million against these assets. The total net capital assets for FY2024 amounted to \$83.9 million, slightly higher than the prior year's \$73.2 million. This increase is attributed to the ongoing construction projects for the Dr. Lucio Chua Tan Student Success Center (SSC), School of Engineering (SENG) building, Water & Environmental Research Institute (WERI), and the Margaret Perez Hattori-Uchima School of Health (SOH) Nursing Annex.

Long-Term Debt: The University has an outstanding note payable 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 to fund the construction of certain facilities on campus.

In 2016, the University entered into a lease/lease-back agreement with the Foundation for the construction of 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. As a result of the leases, the Foundation entered into promissory notes with the USDA for \$21.7 million on December 5, 2016. In May 2019, the University was notified that the loan was being de-obligated due to the length of time since the initial obligation by the USDA. In FY2021, the USDA agreed to re-obligate the loan for the Student Success Center and Engineering Annex. The University amended the lease/lease-back arrangement with the Foundation to incorporate the terms of the new USDA note in September 2022. The loan was signed in October 2023, and groundbreaking ceremonies for the Engineering Annex and Dr. Lucio Chua Tan SSC were held in December 2023 and January 2024, respectively.

As of September 30, 2024, and 2023, the University had a long-term debt, net of current portion, of \$8.9 million and \$9.3 million, respectively. Refer to Note 8 of the financial statements for additional information.

LOOKING FORWARD

The Para Hulu' (ever upward) strategic planning process was launched shortly before the onset of the pandemic. As a result of the pandemic, certain initiatives, such as enhancing the capacity for online learning, were initiated. Other significant initiatives include improving the Carnegie research classification, pursuing doctoral programs, improving the ability of the University to partner with other universities to grow our capabilities, enhancing 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.

Management's Discussion and Analysis, continued

The University is developing a new five-year strategic plan called “Tulos Mo’na” invoking the imagery of traditional seafarers paddling together forward in unison and will continue UOG’s progress under the previous Para Hulo’ Strategic Plan.

Strategic Institutional Outcomes and Resources:

- The WERI is one of 12 institutes to receive the U.S. Geological Survey’s top rating of “outstanding” in the nation.
- The Bachelor of Social Work program at the Margaret Perez Hattori-Uchima School of Health has been reaffirmed for accreditation by the Commission on Accreditation of the National Council on Social Work Education (CSWE) through 2031.
- The School of Engineering, established in 2016, received approval for a four-year Bachelor of Science in Civil Engineering program in 2019. In September 2024, the University of Guam’s Bachelor of Science in Civil Engineering program earned six years of accreditation from the Engineering Accreditation Commission of ABET.
- The WASC Senior College and University Commission approved the School of Education’s Doctor of Education (EdD) in Instructional and Academic Leadership program in March 2024. The EdD officially launched in the Fanuchanan (Fall) 2024 semester with 25 students accepted into the program. These students began their first course in January 2025 during the Fanomnakan (Spring) 2025 semester.
- The School of Business and Public Administration’s graduate program expansion efforts are ongoing. In December 2023, 22 students graduated from the first Master of Accountancy (MAcc) cohort. The Master of Public Administration (MPA) is active on campus and in the region. The first MPA cohort held in Saipan graduated seven students in May 2023. There is a total of 51 graduate students from the SBPA graduate programs in December 2024. Other plans for the MPA program are underway.
- The Triton Advising Center (TAC) offers academic, financial, and career advisement to support retention and graduation. TAC has developed training programs for faculty, advisors, and staff, including culturally competent teaching and learning techniques. Additionally, TAC has introduced two virtual platforms, Triton Career Connections and Handshake, to enhance career and industry exploration, as well as networking opportunities for students. TAC has also partnered with over 48 companies and government agencies to offer internships and career opportunities to students. Most recently, TAC launched a Financial Literacy Certification program.
- The University received a \$12 million federal grant from the Department of Defense for the construction of the GCR to process bones and artifacts discovered during the military buildup. The construction of the building was completed in June 2022 and the University was awarded \$3.4 million to manage and operate it for at least three years. The GCR is a joint program between the University and the Department of Chamorro Affairs-Guam Museum.

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

Management's Discussion and Analysis, continued

- The University received an \$8.5 million federal grant from the U.S. Economic Development Administration (EDA) to construct the new WERI building and the Margaret Perez Hattori-Uchima SOH nursing annex. Additionally, the University obtained \$2.5 million from the U.S. Department of the Interior for the SOH nursing annex. The new WERI facility will include a laboratory that can provide increased testing services to the Guam Waterworks Authority and other businesses on the island. Both buildings will provide a lasting impact on the economy and will serve as a source of skilled and experienced workforce. Groundbreaking for both buildings was held in November 2023.
- In FY2023, the University was awarded a \$10 million grant from the USDA National Institute of Food and Agriculture's "From Learning to Leading: Cultivating the Next Generation of Diverse Food and Agriculture Professionals Program," also known as NextGen.
- The University and the Foundation have secured a \$21.7 million low-interest loan from the USDA to finance the construction of the SENG and Dr. Lucio Chua Tan SSC. The Office of the Governor has committed \$7.1 million in funding to support the project. The expanded center will serve as a one-stop shop for students, catering to the needs of both current and future generations of students. The SENG aims to produce graduates who will be well-equipped to enter the local workforce and alleviate the growing demand for engineering expertise in the region. The University broke ground in December 2023 for the SENG building and in January 2024 for the Dr. Lucio Chua Tan SSC. In August 2024, the University received an additional \$900,000 from the Office of the Governor to further support the project.
- The University has been awarded an additional five-year \$20 million grant from the U.S. National Science Foundation (EPSCoR) to develop research capacity in FY2020. Additionally, a new \$8 million grant from the National Science Foundation EPSCoR Research Infrastructure Improvement Program: EPSCoR Collaborations for Optimizing Research Ecosystems (E-CORE), was awarded to the University in 2025. The funding period for this grant is from July 2025 to June 2029.
- The University has been awarded an additional five-year \$7.5m grant for the National Cancer Institute-funded Pacific Island Partnership for Cancer Health Equity (U54-PIPCHE) in the same year.
- The University has entered into a lease agreement wherein the Guam Aquaculture Development and Training Facility was leased to RCUOG. RCUOG subleased the facility to a private company for 30 years to revitalize the assets and provide a share of revenues to the University. Refer to Note 5 in the financial statements for additional information.
- The University received another 8-year accreditation from the Western Association of Schools and Colleges Senior College and University Commission (WSCUC) in 2024, reaffirming its commitment to academic excellence and continual improvement.
- The University completed an economic study in 2020 that indicated that the University generates nearly \$78 million in Government of Guam taxes.

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

Management's Discussion and Analysis, continued

- Guam Open Research Exchange (GOREX) was initiated by the University in January 2018. GOREX connects the University to the University of Hawaii (UH) through a 100-gigabyte line. UH is connected to hundreds of other research universities on the mainland. This opens the door for the University to take advantage of its location and serve as a regional hub for Internet2 connectivity. This puts the University in a stronger position to be recognized as a Research and Education hub for the Pacific Rim region.

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

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

Statements of Net Position – University Only

	September 30,	
	<u>2024</u>	<u>2023</u>
Assets		
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	\$ 4,568,966	\$ 10,811,873
Short-term investments	1,623,763	3,817,344
Tuition receivable, net of an allowance for doubtful accounts of \$4,370,636 in 2024 and \$4,362,748 in 2023	6,084,441	4,874,061
Due from the US Federal government, net of an allowance for doubtful accounts of \$961,015 in 2024 and 2023	11,611,827	9,728,317
Due from the Government of Guam	---	194,576
Other receivables, net of allowance for doubtful accounts of \$2,080,078 in 2024 and \$2,097,783 in 2023	1,001,399	3,330,555
Current portion of lease receivable	40,200	40,200
Inventories	506,691	551,803
Other current assets	<u>784,716</u>	<u>931,349</u>
Total unrestricted current assets	<u>26,222,003</u>	<u>34,280,078</u>
Noncurrent assets:		
Restricted cash and cash equivalents	3,986,543	5,552,084
Lease receivables, net of current portion	1,070,221	1,101,466
Restricted investments	8,676,762	7,771,066
Investments	12,723,255	10,017,226
Endowment investments	19,784,964	15,702,085
Capital assets:		
Depreciable capital assets, net	56,944,425	60,359,008
Subscription-based IT asset, net	1,522,060	2,229,829
Non-depreciable capital assets	<u>25,384,945</u>	<u>10,607,990</u>
Total noncurrent assets	<u>130,093,175</u>	<u>113,340,754</u>
Deferred outflows of resources:		
Deferred outflows from OPEB	37,162,714	31,790,157
Deferred outflows from pension	<u>25,276,888</u>	<u>33,216,772</u>
Total deferred outflows of resources	<u>62,439,602</u>	<u>65,006,929</u>
	<u>\$218,754,780</u>	<u>\$212,627,761</u>

See accompanying notes.

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

Statements of Net Position – University Only, continued

	September 30,	
	<u>2024</u>	<u>2023</u>
Liabilities		
Current liabilities:		
Current portion of long-term debt	\$ 344,608	\$ 329,674
Accounts payable and accrued liabilities	15,112,638	8,286,091
Unearned revenues	5,976,845	5,684,946
Due to the US Federal government and other grantors	4,946,376	5,493,410
Loans payable to University of Guam Endowment Foundation, Inc. (the Foundation)	470,755	507,705
Current portion of accrued annual leave	<u>1,181,051</u>	<u>993,388</u>
 Total current liabilities	 <u>28,032,273</u>	 <u>21,295,214</u>
Non-current liabilities:		
Long-term debt, net of current portion	8,990,427	9,327,482
Loans payable to the Foundation, net of current portion	1,175,008	---
Deposits held on behalf of others	318,818	324,752
Accrued annual leave, net of current portion	1,557,378	1,573,930
Subscription-based IT liability	1,636,693	2,239,160
Defined Contribution Retirement System sick leave liability	2,373,180	2,949,307
Collective Total OPEB liability	141,426,811	118,350,876
Net pension liability	<u>98,702,330</u>	<u>104,705,282</u>
 Total noncurrent liabilities	 <u>256,180,645</u>	 <u>239,470,789</u>
Deferred inflows of resources:		
Deferred inflows from leases	1,108,512	1,139,952
Deferred inflows from OPEB	34,858,053	47,896,798
Deferred inflows from pension	<u>5,474,048</u>	<u>4,357,466</u>
 Total deferred inflows of resources	 <u>41,440,613</u>	 <u>53,394,216</u>
 Total liabilities and deferred inflows of resources	 <u>325,653,531</u>	 <u>314,160,219</u>

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

Statements of Net Position – University Only, continued

	September 30,	
	<u>2024</u>	<u>2023</u>
Net position:		
Net investment in capital assets	<u>72,879,702</u>	<u>61,300,511</u>
Restricted, nonexpendable:		
Endowments	4,657,429	4,315,722
Capital projects	1,109,321	645,996
Scholarship and fellowships	30,645	24,320
Others	<u>2,091,013</u>	<u>1,837,750</u>
Total restricted, nonexpendable	<u>7,888,408</u>	<u>6,823,788</u>
Restricted, expendable:		
Capital projects	4,870,471	4,840,871
Cancer grants	2,027,719	2,946,922
Others	<u>17,661,644</u>	<u>14,413,654</u>
Total restricted, expendable	<u>24,559,834</u>	<u>22,201,447</u>
Unrestricted	<u>(212,226,695)</u>	<u>(191,858,204)</u>
Total net position	<u>(106,898,751)</u>	<u>(101,532,458)</u>
	<u>\$218,754,780</u>	<u>\$212,627,761</u>

University of Guam Endowment Foundation, Inc.

Statements of Financial Position

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 610,248	\$ 1,490,524
Pledges and other receivables, net	1,700,098	1,713,071
Loan and interest receivable from University of Guam	<u>583,819</u>	<u>1,219,711</u>
Total current assets	2,894,165	4,423,306
Investment in Bank of Guam stock	1,838,913	1,822,663
Investments in securities at fair value	19,092,651	15,826,543
Land	2,232,894	2,232,894
Equipment, net	<u>31,330</u>	<u>18,264</u>
	<u><u>\$ 26,089,953</u></u>	<u><u>\$ 24,323,670</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 139,056	\$ 160,157
Margin loan payable	<u>287,470</u>	<u>991,587</u>
Total current liabilities	<u>426,526</u>	<u>1,151,744</u>
Net assets:		
Without donor restrictions	7,195,366	6,382,858
With donor restrictions	<u>18,468,061</u>	<u>16,789,068</u>
Total net assets	<u>25,663,427</u>	<u>23,171,926</u>
	<u><u>\$ 26,089,953</u></u>	<u><u>\$ 24,323,670</u></u>

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,	
	<u>2024</u>	<u>2023</u>
Operating revenues:		
Student tuition and fees	\$ 19,658,083	\$ 20,678,791
Less scholarship discounts and allowances	(8,278,063)	(10,424,463)
	11,380,020	10,254,328
Federal grants and contracts	37,876,745	24,675,939
Government of Guam grants and contracts	3,728,958	3,482,455
Private grants and contracts	1,942,818	1,685,853
Auxiliary enterprises	1,840,338	1,499,078
Sales and services of education department	802,988	502,968
Other revenues	<u>5,324,766</u>	<u>6,078,511</u>
Total operating revenues	62,896,633	48,179,132
Bad debts recovery	<u>10,091</u>	<u>289,123</u>
Net operating revenues	<u>62,906,724</u>	<u>48,468,255</u>
Operating expenses:		
Research	26,289,212	22,518,469
Instruction	25,228,142	21,109,030
Public service	24,088,289	17,872,502
Academic support	12,938,981	11,645,179
Institutional support	12,259,244	12,929,494
Operational and maintenance, plant	11,671,915	11,815,840
Scholarships and fellowships	5,768,702	6,553,795
Depreciation and amortization	5,566,087	6,214,086
Student services	4,449,991	4,400,680
Retiree healthcare costs and other pension benefits	3,792,337	3,464,862
Auxiliary enterprises	<u>2,156,623</u>	<u>1,854,122</u>
Total operating expenses	<u>134,209,523</u>	<u>120,378,059</u>
Operating loss	<u>(71,302,799)</u>	<u>(71,909,804)</u>
Non-operating revenues (expenses):		
Government of Guam appropriations:		
Operations	33,013,930	27,553,166
Student financial aid program	3,565,285	3,565,285
Guam Cancer Trust Fund	3,000,000	3,000,000
Capital expenditure loan repayment	500,000	500,000
Retiree healthcare costs and other pension benefits	3,792,337	3,464,862
Federal grants and contracts	8,808,111	22,842,195
Net investment income	7,124,866	2,682,607
Interest on capital assets – debt related	<u>(589,831)</u>	<u>(607,970)</u>
Total non-operating revenues, net	<u>59,214,698</u>	<u>63,000,145</u>
Federal capital grants	<u>6,721,808</u>	<u>778,155</u>
Change in net position	<u>(5,366,293)</u>	<u>(8,131,504)</u>
Net position at beginning of year	<u>(101,532,458)</u>	<u>(93,400,954)</u>
Net position at end of year	<u>\$106,898,751</u>	<u>\$101,532,458</u>

See accompanying notes.

University of Guam Endowment Foundation, Inc.

Statement of Activities

Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other income:			
Net investment income	\$ 727,129	\$ 1,455,987	\$ 2,183,116
Contributions	30,371	735,777	766,148
Fundraising activities	148,483	522,461	670,944
In-kind donations	80,505	4,082	84,587
Others	64,686	---	64,686
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>1,039,314</u>	(<u>1,039,314</u>)	<u>---</u>
Total revenues	<u>2,090,488</u>	<u>1,678,993</u>	<u>3,769,481</u>
Expenses and losses:			
Program services:			
Donations for debt service	100,000	---	100,000
Scholarships	<u>126,276</u>	<u>---</u>	<u>126,276</u>
Total program services	<u>226,276</u>	<u>---</u>	<u>226,276</u>
Support services:			
Management and general	722,609	---	722,609
In-kind expenses	84,587	---	84,587
Fundraising activities	<u>244,508</u>	<u>---</u>	<u>244,508</u>
Total support services	<u>1,051,704</u>	<u>---</u>	<u>1,051,704</u>
Total expenses	<u>1,277,980</u>	<u>---</u>	<u>1,277,980</u>
Change in net assets	812,508	1,678,993	2,491,501
Net assets at beginning of year	<u>6,382,858</u>	<u>16,789,068</u>	<u>23,171,926</u>
Net assets at end of year	\$ <u>7,195,366</u>	\$ <u>18,468,061</u>	\$ <u>25,663,427</u>

University of Guam Endowment Foundation, Inc.

Statement of Activities

Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other income:			
Net investment loss	\$(799,693)	\$(2,133,688)	\$(2,933,381)
Contributions	49,532	594,839	644,371
Fundraising activities	200,848	500,601	701,449
In-kind donations	139,736	5,537	145,273
Others	46,326	605	46,931
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>924,589</u>	(924,589)	---
Total revenues	<u>561,338</u>	(1,956,695)	(1,395,357)
Expenses and losses:			
Program services:			
Donations for debt service	100,000	---	100,000
Scholarships	<u>92,250</u>	---	<u>92,250</u>
Total program services	<u>192,250</u>	---	<u>192,250</u>
Support services:			
Management and general	784,695	---	784,695
In-kind expenses	145,273	---	145,273
Fundraising activities	<u>241,896</u>	---	<u>241,896</u>
Total support services	<u>1,171,864</u>	---	<u>1,171,864</u>
Total expenses	<u>1,364,114</u>	---	<u>1,364,114</u>
Change in net assets	(802,776)	(1,956,695)	(2,759,471)
Net assets at beginning of year	<u>7,185,634</u>	<u>18,745,763</u>	<u>25,931,397</u>
Net assets at end of year	<u>\$ 6,382,858</u>	<u>\$ 16,789,068</u>	<u>\$ 23,171,926</u>

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

Statements of Cash Flows – University Only

	Year Ended September 30,	
	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Student tuition and fees, net	\$10,471,630	\$10,075,915
Grants, contracts and appropriations	41,665,011	27,298,068
Sales and services of education department	802,988	502,968
Auxiliary services	1,840,338	1,499,078
Other revenues	7,794,426	3,079,891
Payments to employees	(73,372,595)	(68,447,109)
Payments to suppliers	(39,612,019)	(33,875,151)
Payments to students for financial aid	(5,768,702)	(6,553,795)
Net cash used for operating activities	<u>(56,178,923)</u>	<u>(66,420,135)</u>
Cash flows from non-capital related financing activities:		
Grants and contracts	8,261,076	22,910,012
Government of Guam appropriations collected	44,066,128	37,888,737
Cash provided by non-capital related financing activities	<u>52,327,204</u>	<u>60,798,749</u>
Cash flows from capital and related financing activities:		
Federal capital grants	6,721,808	778,155
Loan drawn from the Foundation	1,500,000	---
Payments of loan from the Foundation	(361,942)	(645,390)
Interest paid on capital debt	(589,831)	(607,970)
Principal paid on capital debt	(322,121)	(307,972)
Purchases of capital assets	(12,528,486)	(6,269,468)
Net cash used for capital and related financing activities	<u>(5,580,572)</u>	<u>(7,052,645)</u>
Cash flows from investing activities:		
Investment income	12,956,461	1,044,110
Net purchase of investments	(11,332,618)	(2,639,921)
Net cash provided by (used for) investing activities	<u>1,623,843</u>	<u>(1,595,811)</u>
Net change in cash and cash equivalents	(7,808,448)	(14,269,842)
Cash and cash equivalents, beginning of year	<u>16,363,957</u>	<u>30,633,799</u>
Cash and cash equivalents, end of year	<u>\$ 8,555,509</u>	<u>\$16,363,957</u>
Reconciliation of cash and cash equivalents to the statements of net position:		
Current assets:		
Cash and cash equivalents	\$ 4,568,966	\$10,811,873
Noncurrent assets:		
Restricted cash and cash equivalents	<u>3,986,543</u>	<u>5,552,084</u>
	<u>\$ 8,555,509</u>	<u>\$16,363,957</u>

See accompanying notes.

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

Statements of Cash Flows – University Only, continued

Supplemental information on noncash activities:

During the years ended September 30, 2024 and 2023, the University recorded appropriations of \$3,792,337 and \$3,464,862, respectively for retiree healthcare costs and other pension benefits paid by the Government of Guam on behalf of the University.

	<u>2024</u>	<u>2023</u>
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$(71,302,799)	\$(71,909,804)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation and amortization	5,566,087	6,214,086
Bad debts recovery	(10,091)	(289,123)
Noncash other postemployment benefit cost	8,036,742	3,941,259
Noncash pension cost	15,018,372	9,934,613
Noncash revenues	105,106	8,745
Changes in assets and liabilities:		
Receivables, net	(754,643)	(3,777,013)
Inventories	45,112	37,922
Other current assets	146,634	(29,234)
Accounts payable, accrued liabilities and deposits held on behalf of others	2,420,634	2,930,202
Accrued annual leave	171,111	295,482
DCRS sick leave liability	(576,127)	489,678
Unearned revenues	291,899	(1,994,832)
Net pension liability	(11,964,855)	(9,887,068)
Total collective OPEB liability	(3,372,105)	(2,385,048)
Net cash used for operating activities	<u>\$(56,178,923)</u>	<u>\$(66,420,135)</u>

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

Notes to Financial Statements

Years Ended September 30, 2024 and 2023

1. Organization and Summary of Accounting Policies

Organization

Administrative autonomy was granted to the University of Guam (the University or UOG) 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). The University also reports the financial statements of its discretely presented component unit, the UOG Endowment Foundation, Inc. (the Foundation). The Foundation is a legally separate, tax-exempt, private corporation, that operates on a fiscal year ending December 31. While the University does not control the Foundation, the resources and income of the Foundation can only be used for the benefit of the University. The financial statements also include the financial statements of the Research Corporation of the University of Guam (RCUOG) using blending method. The RCUOG is a public corporation incorporated on Guam and operates as an integral part of the University.

Financial Statement Presentation

The financial statement presentation is required to provide 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. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

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

Notes to Financial Statements, continued

1. Organization and Summary of Accounting Policies, continued

Cash and Cash Equivalents

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

Use of Restricted/Unrestricted Net Position

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

Short-term Investments

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

Investments

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

Accounts Receivable

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

Due from Government of Guam

Due from Government of Guam consists of the remaining balance of legislative annual appropriations and student financial aid funding that have not been received.

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

Notes to Financial Statements, continued

1. Organization and Summary of Accounting Policies, continued

Due from the U.S. Federal Government

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

Inventories

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

Capital Assets

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

Unearned Revenues

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position 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 (expense/expenditure) until then. The University reports deferred outflows of resources for pension-related and other pensions and postemployment benefits (OPEB)-related amounts: payments since the measurement date, changes in assumptions, and for differences between projected and actual earnings.

In addition to liabilities, the statements of net position report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources until then. The University reports deferred inflows of resources for pension-related and OPEB-related amounts: for its share of the difference between expected and actual earnings, for its share of the difference between its contributions and its proportionate share of contributions, and for the difference between expected and actual experience.

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

Notes to Financial Statements, continued

1. Organization and Summary of Accounting Policies, continued

Pensions and Other Postemployment Benefits (OPEB)

Pensions are required to be recognized and disclosed using the accrual basis of accounting. The University recognizes a net pension liability for the defined benefit pension plan in which it participates, which represents the University's proportional share of excess total pension liability over the pension plan assets – actuarially calculated – of a single employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. The total pension liability also includes the University's proportionate share of the liability for ad hoc cost-of-living adjustments (COLA) and supplemental annuity (SA) payments that are anticipated to be made to defined benefit plan members and for anticipated future COLA to Defined Contribution Retirement System (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 collective total OPEB liability for the defined benefit OPEB plan in which it participates, which represents the University's proportional share of total OPEB liability – actuarially calculated – of a single employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. An OPEB trust has not been established thus the OPEB plan does not presently report OPEB plan fiduciary net position. Instead, the OPEB plan is financed on a substantially “pay-as-you-go” basis.

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

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

Notes to Financial Statements, continued

1. Organization and Summary of Accounting Policies, continued

Compensated Absences

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

Noncurrent Liabilities

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

Net Position

The University's net position is classified as follows:

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

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

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.

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

Notes to Financial Statements, continued

1. Organization and Summary of Accounting Policies, continued

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, and (3) interest on institutional student loans.

Nonoperating Revenues - include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources, such as federal, state and local grants and contracts and appropriations, and investment income.

Scholarship Discounts and Allowances

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

Financial Assistance Revenue

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

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

Notes to Financial Statements, continued

1. Organization and Summary of Accounting Policies, continued

Estimates

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

Economic Dependency

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

Recently Adopted Accounting Pronouncement

During the year ended September 30, 2024, the University implemented the following pronouncements:

- GASB Statement No. 99, *Omnibus 2022*, which modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures. It also provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The implementation of this Statement did not have a material effect on the accompanying financial statements.
- GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, which enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which results in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information is provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements results in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

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

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

Notes to Financial Statements, continued

1. Organization and Summary of Accounting Policies, continued

Upcoming Accounting Pronouncements

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The primary objective of the Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid, provided the services have occurred, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or noncash means. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 101 will be effective for fiscal year ending September 30, 2025.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of this Statement is to provide users of the government financial statements with essential information about risks related to a government's vulnerabilities due to ascertain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 102 will be effective for fiscal year ending September 30, 2025.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and address certain application issues identified through pre-agenda research conducted by the GASB. This Statement establishes new accounting and financial reporting requirements or modifies existing requirements related to management's discussion and analysis (MD&A), unusual or infrequent items, presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, information about major component units in basic financial statements, budgetary comparison information and financial trends information in the statistical section. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 103 will be effective for fiscal year ending September 30, 2026.

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

Notes to Financial Statements, continued

1. Organization and Summary of Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 104 will be effective for fiscal year ending September 30, 2026.

2. Deposits and Investments

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

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.

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

Notes to Financial Statements, continued

2. Deposits and Investments, continued

- d. Holdings of any issuer shall constitute no more than 5% of the outstanding securities of such issuer.
- e. Investments in a registered mutual fund managed by the investment manager are subject to prior approval of the University.
- f. The following securities and transactions are not authorized without prior written approval from the University: letter stock and other unregistered securities; non-negotiable securities; commodities or other commodity contracts; options; futures; short sales; and margin transactions.

(ii) U.S. Fixed Income

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

(iii) Equities

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

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

Notes to Financial Statements, continued

2. 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, 2024 and 2023, the carrying amount of the University's cash and cash equivalents and time certificates of deposit were \$10,179,272 and \$20,181,301, respectively, and the corresponding bank balances were \$10,536,708 and \$21,208,068, respectively. Of the bank balance amounts, \$9,709,109 and \$19,174,678, respectively, were not insured by Federal Deposit Insurance Corporation (FDIC) insurance and National Credit Union Administration (NCUA) insurance, or uncollateralized 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.

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

Notes to Financial Statements, continued

2. Deposits and Investments, continued

B. Investments

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

The University's exposure to credit risk at September 30, 2024 and 2023 follows:

	2024							
	AAA	AA	A	BBB	BB	B	CCC	Unrated
U.S. Treasury Securities	\$ 2,032,634	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Corporate Bonds	---	114,621	364,369	102,825	---	---	---	---
Asset-backed, mortgage-backed and collateralized mortgage securities	---	---	---	---	---	---	---	2,566,679

	2023							
	AAA	AA	A	BBB	BB	B	CCC	Unrated
U.S. Treasury Securities	\$ 1,942,889	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Corporate Bonds	---	---	353,539	536,779	774,379	188,160	23,780	---
Asset-backed, mortgage-backed and collateralized mortgage securities	---	---	---	---	---	---	---	1,966,522

As of September 30, 2024 and 2023, the University's fixed income securities had the following maturities:

Investment Type	2024				
	Fair Value	Less than 1 year	1 to 5 years	5 to 10 years	More than 10 years
U.S. Treasury Securities	\$ 2,032,634	\$ ---	\$ ---	\$ 1,345,824	\$ 686,810
Corporate Bonds	581,815	228,703	---	353,112	---
Asset-backed, mortgage-backed and collateralized mortgage securities	<u>2,566,679</u>	---	---	---	<u>2,566,679</u>
	<u>\$ 5,181,128</u>	<u>\$ 228,703</u>	<u>\$ ---</u>	<u>\$ 1,698,936</u>	<u>\$ 3,253,489</u>

Investment Type	2023				
	Fair Value	Less than 1 year	1 to 5 years	5 to 10 years	More than 10 years
U.S. Treasury Securities	\$ 1,942,889	\$ ---	\$ ---	\$ 1,350,736	\$ 592,153
Corporate Bonds	1,876,637	79,269	751,711	1,034,545	11,112
Asset-backed, mortgage-backed and collateralized mortgage securities	<u>1,966,522</u>	---	---	---	<u>1,966,522</u>
	<u>\$ 5,786,048</u>	<u>\$ 79,269</u>	<u>\$ 751,711</u>	<u>\$ 2,385,281</u>	<u>\$ 2,569,787</u>

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

Notes to Financial Statements, continued

2. Deposits and Investments, continued

B. Investments, continued

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, 2024 and 2023. 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, 2024 and 2023, the University did not hold any investment in any one issuer that represented 5% or more of total investments of the University, or 10% or more of any investment manager's portfolio.

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

The 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, 2024.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:			
Fixed income securities	\$ 5,181,128	\$ 2,032,634	\$ 3,148,494
Equity securities	12,695,658	12,695,658	---
Exchange traded products and mutual funds	16,861,649	16,861,649	---
Real estate investment trusts	1,864,305	---	1,864,305
Alternative investments	<u>1,212,501</u>	<u>---</u>	<u>1,212,501</u>
Total investments by fair value level	37,815,241	\$31,589,941	\$5,012,799
			\$1,212,501
Investments measured at amortized cost:			
Cash	354,815		
Certificates of deposit	3,623,783		
Money market funds	<u>1,014,905</u>		
			<u>\$42,808,744</u>

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

Notes to Financial Statements, continued

2. Deposits and Investments, continued

B. Investments, continued

The University has the following recurring fair value measurements as of September 30, 2023.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:			
Fixed income securities	\$ 5,786,048	\$ 1,942,889	\$3,843,159
Equity securities	9,659,743	9,659,743	---
Exchange traded products and mutual funds	13,209,168	13,209,168	---
Real estate investment trusts	1,442,366	---	1,442,366
Alternative investments	<u>913,002</u>	<u>---</u>	<u>913,002</u>
Total investments by fair value level	31,010,327	<u>\$24,811,800</u>	<u>\$5,285,525</u>
			<u>\$913,002</u>
Investments measured at amortized cost:			
Certificates of deposit		<u>6,297,394</u>	
			<u>\$37,307,721</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.

3. Student Loans

The Guam Legislature appropriates funds for the student loan program available to residents of Guam who attend institutions of higher education. The University is responsible for awarding the loans and monitoring compliance with respect to repayment. Due to the uncertainty of collection and due to recipient ability to repay the loans through work credits, student loan receivables are fully reserved in the year granted, and payments are reflected as recoveries in the year received. At September 30, 2024 and 2023, loans receivable are reserved in the amount of \$17,040,909 and \$17,510,077, respectively, and recoveries collected are \$238,152 and \$206,443 for the years then ended, respectively, which are included as other revenues in the accompanying statements of revenues, expenses and changes in net position.

4. Other receivables

The University recorded receivables for auxiliary enterprise services it provides to students, faculty, staff and to the public. Other receivables also include amounts due from the local government or private sources in relation to the performance of grants and contracts, and student financial aid funding that have not been received.

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

Notes to Financial Statements, continued

5. Lease Receivables

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

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

At the 11th year of the initial lease term, 5% of the portion of the lessee's annual revenue above \$800,000 will be assessed. On September 30, 2024 and 2023, the University recorded total lease receivables of \$1,110,421 and \$1,141,666, respectively.

For the years ended September 30, 2024 and 2023, the University recognized inflow of resources as components of sales and services of education department and other revenues in the accompanying statements of revenues, expenses and changes in net position:

	<u>2024</u>	<u>2023</u>
Lease revenue	\$10,000	\$31,441
Interest revenue	<u>196</u>	<u>1,145</u>
	<u>\$10,196</u>	<u>\$32,586</u>

6. Capital Assets

Activity and balances for capital assets for the years ended September 30, 2024 and 2023 consisted of the following:

	<u>Balance</u> <u>October 1, 2023</u>	<u>Additions/</u> <u>Transfers</u>	<u>Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>September 30, 2024</u>
<u>Depreciable:</u>				
Land improvements	\$ 2,256,471	\$ 26,571	\$ ---	\$ 2,283,042
Building	95,402,202	---	---	95,402,202
Building improvements	7,740,658	19,100	---	7,759,758
Equipment	22,111,102	1,379,533	(104,994)	23,385,641
Library books	<u>8,891,975</u>	<u>---</u>	<u>---</u>	<u>8,891,975</u>
	136,402,408	1,425,204	(104,994)	137,722,618
Less accumulated depreciation	<u>(76,043,400)</u>	<u>(4,735,411)</u>	<u>618</u>	<u>(80,778,193)</u>
	<u>60,359,008</u>	<u>(3,310,207)</u>	<u>(104,376)</u>	<u>56,944,425</u>

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

Notes to Financial Statements, continued

6. Capital Assets, continued

	<u>Balance</u> <u>October 1, 2023</u>	<u>Additions/</u> <u>Transfers</u>	<u>Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>September 30, 2024</u>
<u>Subscription-based IT Asset:</u>				
Subscription-based IT asset	2,930,006	23,074	---	2,953,080
Less accumulated amortization	(700,177)	(730,843)	---	(1,431,020)
	<u>2,229,829</u>	<u>(707,769)</u>	<u>---</u>	<u>1,522,060</u>
<u>Nondepreciable:</u>				
Land	3,392,677	---	---	3,392,677
Construction in progress	7,215,313	14,822,625	(45,670)	21,992,268
	<u>10,607,990</u>	<u>14,822,625</u>	<u>(45,670)</u>	<u>25,384,945</u>
Total capital assets, net	<u>\$ 73,196,827</u>	<u>\$ 10,804,649</u>	<u>\$ (150,046)</u>	<u>\$ 83,851,430</u>
	<u>Balance</u> <u>October 1, 2022</u>	<u>Additions/</u> <u>Transfers</u>	<u>Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>September 30, 2023</u>
<u>Depreciable:</u>				
Land improvements	\$ 2,256,471	\$ ---	\$ ---	\$ 2,256,471
Building	99,486,762	10,065	(4,094,625)	95,402,202
Building improvements	7,464,914	275,744	---	7,740,658
Equipment	24,239,210	2,874,774	(5,002,882)	22,111,102
Library books	<u>8,891,975</u>	<u>---</u>	<u>---</u>	<u>8,891,975</u>
	<u>142,339,332</u>	<u>3,160,583</u>	<u>(9,097,507)</u>	<u>136,402,408</u>
Less accumulated depreciation	<u>(78,199,326)</u>	<u>(5,513,991)</u>	<u>7,669,917</u>	<u>(76,043,400)</u>
	<u>64,140,006</u>	<u>(2,353,408)</u>	<u>(1,427,590)</u>	<u>60,359,008</u>
<u>Subscription-based IT Asset:</u>				
Subscription-based IT asset	---	2,930,006	---	2,930,006
Less accumulated amortization	---	(700,177)	---	(700,177)
	<u>---</u>	<u>2,229,829</u>	<u>---</u>	<u>2,229,829</u>
<u>Nondepreciable:</u>				
Land	2,938,212	454,465	---	3,392,677
Construction in progress	3,833,397	3,667,725	(285,809)	7,215,313
	<u>6,771,609</u>	<u>4,122,190</u>	<u>(285,809)</u>	<u>10,607,990</u>
Total capital assets, net	<u>\$ 70,911,615</u>	<u>\$ 3,998,611</u>	<u>\$ (1,713,399)</u>	<u>\$ 73,196,827</u>

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

Notes to Financial Statements, continued

7. Long-Term Debt

Loans Payable to the Foundation

Loans payable to the Foundation as of September 30, 2024 and 2023 and changes for the years then ended are as follows

	Outstanding October 1, <u>2023</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding September 30, <u>2024</u>	Amount due within <u>one year</u>
Loans payable to the Foundation	<u>\$ 507,705</u>	<u>\$1,500,000</u>	<u>\$361,942</u>	<u>\$1,645,763</u>	<u>\$470,755</u>
	Outstanding October 1, <u>2022</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding September 30, <u>2023</u>	Amount due within <u>one year</u>
Loans payable to the Foundation	<u>\$1,153,095</u>	<u>\$ ---</u>	<u>\$645,390</u>	<u>\$ 507,705</u>	<u>\$507,705</u>

In September 2023, an agreement was entered into between UOG and the Foundation that specified UOG to borrow the principal amount of \$1,500,000 at the rate of 5.00% per annum. The said principal and interest shall be paid quarterly at equal amounts until September 29, 2028, based on an amendment to the agreement dated July 2024. The purpose of the loan is to provide bridge financing to UOG for the Engineering Annex project until such time the \$7,100,000 grant from the US Treasury is fully drawn and the loan amount can be reimbursed from the loan with the United States Department of Agriculture (USDA).

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>
2025	\$ 324,992	\$ 68,969	\$ 393,961
2026	341,549	52,412	393,961
2027	358,949	35,012	393,961
2028	<u>474,510</u>	<u>17,941</u>	<u>492,451</u>
	<u>\$1,500,000</u>	<u>\$174,334</u>	<u>\$1,674,334</u>

In May 2019, an agreement was entered into between UOG and the Foundation that 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. As of September 30, 2024, the unpaid balance of this loan is due and payable on demand.

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

Notes to Financial Statements, continued

7. Long-Term Debt, continued

Loan Payable to USDA

In October 2001, Public Law 26-48 authorized the University to enter into a loan with the USDA for an amount not to exceed \$13,500,000 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, 2024 and 2023, UOG does not have unused lines of credit.

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 344,608	\$ 405,452	\$ 750,060
2026	360,218	389,842	750,060
2027	376,535	373,525	750,060
2028	393,591	356,469	750,060
2029	411,420	338,640	750,060
2030-2034	2,354,116	1,396,184	3,750,300
2035-2039	2,937,840	812,460	3,750,300
2040-2043	<u>2,156,707</u>	<u>148,519</u>	<u>2,305,226</u>
	<u>\$9,335,035</u>	<u>\$4,221,091</u>	<u>\$13,556,126</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, 2024 and 2023, the University received \$500,000 for this purpose.

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

Notes to Financial Statements, continued

7. Long-Term Debt, continued

Loan Payable to USDA, continued

Long-term debt activities for the years ended September 30, 2024 and 2023 were as follows:

	Outstanding October 1, <u>2023</u>	Additions	Reductions	Outstanding September 30, <u>2024</u>	Amount due within one year
Loans payable	<u>\$ 9,657,156</u>	<u>\$ ---</u>	<u>\$ 322,121</u>	<u>\$ 9,335,035</u>	<u>\$ 344,608</u>
	Outstanding October 1, <u>2022</u>	Additions	Reductions	Outstanding September 30, <u>2023</u>	Amount due within one year
Loans payable	<u>\$9,965,128</u>	<u>\$ ---</u>	<u>\$ 307,972</u>	<u>\$ 9,657,156</u>	<u>\$ 329,674</u>

Pursuant to the Foundation's resolution 1-2002, the Foundation's Board approved donation of up to \$200,000 to the University 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 and the Foundation. During the years ended September 30, 2024 and 2023, the Foundation contributed \$100,000 towards the debt service of the loan.

8. Other Long-Term Liabilities

A summary of changes in long-term liabilities for the years ended September 30, 2024 and 2023 follows:

	Outstanding October 1, <u>2023</u>	Increase	Decrease	Outstanding September 30, <u>2024</u>	Amount due within one year	Amount due beyond one year
Deposits held on behalf of others	\$ 324,752	\$ 1,016,201	\$ 1,022,135	\$ 318,818	\$ ---	\$ 318,818
Accrued annual leave	2,567,318	2,247,823	2,076,712	2,738,429	1,181,051	1,557,378
Subscription-based IT liability	2,239,160	23,074	625,541	1,636,693	---	1,636,693
DCRS sick leave liability	2,949,307	423,901	1,000,028	2,373,180	---	2,373,180
Collective total OPEB liability	118,350,876	23,075,935	---	141,426,811	---	141,426,811
Net pension liability	<u>104,705,282</u>	<u>---</u>	<u>6,002,952</u>	<u>98,702,330</u>	<u>---</u>	<u>98,702,330</u>
	<u>\$ 231,136,695</u>	<u>\$ 26,786,934</u>	<u>\$ 10,727,368</u>	<u>\$ 247,196,261</u>	<u>\$ 1,181,051</u>	<u>\$ 246,015,210</u>

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

Notes to Financial Statements, continued

8. Other Long-Term Liabilities, continued

	Outstanding October 1, 2022	Increase	Decrease	Outstanding September 30, 2023	Amount due within one year	Amount due beyond one year
Deposits held on behalf of others	\$ 246,299	\$ 1,357,615	\$ 1,279,162	\$ 324,752	\$ ---	\$ 324,752
Accrued annual leave	2,271,837	1,915,847	1,620,366	2,567,318	993,388	1,573,930
Subscription-based IT liability	---	2,239,160	---	2,239,160	---	2,239,160
DCRS sick leave liability	2,459,629	1,346,672	856,994	2,949,307	---	2,949,307
Collective total OPEB liability	131,486,215	---	13,135,339	118,350,876	---	118,350,876
Net pension liability	<u>77,438,815</u>	<u>27,266,467</u>	<u>---</u>	<u>104,705,282</u>	<u>---</u>	<u>104,705,282</u>
	<u>\$ 213,902,795</u>	<u>\$ 34,125,761</u>	<u>\$ 16,891,861</u>	<u>\$ 231,136,695</u>	<u>\$ 993,388</u>	<u>\$ 230,143,307</u>

9. Employee Benefits

General Pension Plan Descriptions

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

Defined Benefit Plan (DB Plan)

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

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

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

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

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

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

Notes to Financial Statements, continued

9. Employee Benefits, continued

General Pension Plan Descriptions, continued

Defined Benefit Plan (DB Plan), continued

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

The University's statutory contribution rate was 29.43% and 28.43%, respectively, for the years ended September 30, 2024 and 2023. Employees are required to contribute 9.5% of their annual pay for the years ended September 30, 2024 and 2023.

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

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

Inflation:	2.50% per year
Investment rate of return:	7.0%
Payroll growth:	4.00% for Fiscal Year 2023; 2.50% per year thereafter
Salary increases:	6.0% per year in the first 5 years, 4.5% for years 6-10, 3.0% for years 11 to 15, and 3.0% for service after 15 years
Retirement age:	40% of employees assumed to retire when first eligible for unreduced retirement, 20% per year thereafter until age 75, at which time all remaining employees are assumed to retire
Investment rate of return:	The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best estimate range 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.
Mortality:	Based on the PUB-2010 General Employees Amount-Weighted and PUB-2010 General Healthy Retiree Amount-Weighted mortality table, set forward by 4 years for males and 2 years for females, respectively then increased by 30% for ages less than 80

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

Notes to Financial Statements, continued

9. Employee Benefits, continued

General Pension Plan Descriptions, continued

Defined Benefit Plan (DB Plan), continued

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

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

Asset Class	Target Allocation	Nominal Return	Component Return
U.S. Equities (large cap)	26.0%	7.88%	2.05%
U.S. Equities (small cap)	4.0%	9.44%	0.38%
Non-U.S. Equities	17.0%	10.16%	1.73%
Non-U.S. Equities (emerging markets)	3.0%	12.09%	0.36%
U.S. Fixed Income (aggregate)	22.0%	4.71%	1.04%
Risk Parity	8.0%	6.64%	0.53%
High Yield Bonds	8.0%	6.52%	0.52%
Global Real Estate (REITs)	2.5%	9.38%	0.23%
Global Equity	7.5%	8.73%	0.65%
Global Infrastructure	2.0%	8.20%	0.16%
Expected arithmetic mean (1 year)			7.66%
Expected geometric mean (30 years)			6.94%

The investment rate of return assumption of 7.0% is about equal to the geometric mean over 30 years, but lower than the average arithmetic return for one year. The geometric mean is lower than the arithmetic mean due to the expected volatility of investments. If investments fail to achieve the assumed interest rate, future required contributions will increase.

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

Notes to Financial Statements, continued

9. Employee Benefits, continued

General Pension Plan Descriptions, continued

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

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

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

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

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

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

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

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

Inflation:	2.50% per year
Payroll growth:	4.00% for Fiscal Year 2023; 2.50% per year thereafter
Salary increases:	6.0% per year in the first 5 years, 4.5% for years 6-10, 3.0% for years 11 to 15, and 3.0% for service after 15 years
Retirement age:	40% of employees assumed to retire when first eligible for unreduced retirement, 20% per year thereafter until age 75, at which time all remaining employees are assumed to retire

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

Notes to Financial Statements, continued

9. Employee Benefits, continued

General Pension Plan Descriptions, continued

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

Mortality:

Based on the PUB-2010 General Employees Amount-Weighted and PUB-2010 General Healthy Retiree Amount-Weighted mortality table, set forward by 4 years for males and 2 years for females, respectively then increased by 30% for ages less than 80

Discount Rate: The discount rate used to measure the Ad Hoc COLA/SA for the years ended September 30, 2024 and 2023 was a municipal bond rate of 4.09% and 4.02%, respectively. This rate was used as the benefits are not funded with the accumulation of assets; they have been funded historically through appropriations from the Government of Guam.

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

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

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

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

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

Notes to Financial Statements, continued

9. Employee Benefits, continued

General Pension Plan Descriptions, continued

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

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

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

Inflation:	2.50% per year
Payroll growth:	4.00% for Fiscal Year 2023; 2.50% per year thereafter
Salary increases:	6.0% per year in the first 5 years, 4.5% for years 6-10, 3.0% for years 11 to 15, and 3.0% for service after 15 years
Retirement age:	5% of employees assumed to retire each year for ages 55 to 64, 10% of employees per year thereafter from age 65 until age 74, at which time all remaining employees are assumed to retire
Mortality:	Based on the PUB-2010 General Employees Amount-Weighted and PUB-2010 General Healthy Retiree Amount-Weighted mortality table, set forward by 4 years for males and 2 years for females, respectively then increased by 30% for ages less than 80

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

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

Notes to Financial Statements, continued

9. Employee Benefits, continued

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

Net pension liability as of September 30, 2024 and 2023 for the aforementioned plans were measured on and was determined by actuarial valuations as of the following dates:

	<u>2024</u>	<u>2023</u>
Reporting Date:	September 30, 2024	September 30, 2023
Measurement Date:	September 30, 2023	September 30, 2022
Valuation Date:	September 30, 2022	September 30, 2021

Net pension liability as of September 30, 2024 and 2023 for the aforementioned plans are as follows:

	<u>2024</u>	<u>2023</u>
Defined benefit plan	\$ 81,636,265	\$ 89,331,752
Ad hoc COLA/supplemental annuity		
plan for DB participants	13,249,820	12,294,418
Ad hoc COLA plan for DCRS participants	<u>3,816,245</u>	<u>3,079,112</u>
	<u>\$ 98,702,330</u>	<u>\$104,705,282</u>

Proportionate share of net pension liabilities at September 30, 2024 and 2023 for the aforementioned plans are as follows:

	<u>2024</u>	<u>2023</u>
Defined benefit plan	5.84%	6.01%
Ad hoc COLA/supplemental annuity		
plan for DB participants	4.93%	4.79%
Ad hoc COLA plan for DCRS participants	4.87%	5.12%

Pension expense for the years ended September 30, 2024 and 2023 for the aforementioned plans are as follows:

	<u>2024</u>	<u>2023</u>
Defined benefit plan	\$12,783,179	\$9,509,315
Ad hoc COLA/supplemental annuity		
plan for DB participants	1,487,723	157,462
Ad hoc COLA plan for DCRS participants	<u>747,470</u>	<u>267,836</u>
	<u>\$15,018,372</u>	<u>\$9,934,613</u>

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

Notes to Financial Statements, continued

9. Employee Benefits, continued

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

As of September 30, 2024, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Defined Benefit Plan		Ad Hoc COLA/SA Plan for DB		Ad Hoc COLA Plan for DCRS	
	Deferred Outflows of	Deferred Inflows of	Deferred Outflows of	Deferred Inflows of	Deferred Outflows of	Deferred Inflows of
Difference between expected and actual experience	\$ 838,239	\$ 918,281	\$ ---	\$ 536,624	\$ 373,892	\$ 49,096
Net difference between projected and actual earnings on pension plan investments	10,624,842	---	---	---	---	---
Changes of assumptions	---	492,660	202,988	675,054	738,827	675,605
Contributions subsequent to the measurement date	10,730,481	---	1,154,933	---	147,400	---
Changes in proportion and difference between UOG contributions and proportionate share of contributions	---	<u>1,770,357</u>	<u>344,742</u>	---	<u>120,544</u>	<u>356,371</u>
	<u>\$22,193,562</u>	<u>\$3,181,298</u>	<u>\$1,702,663</u>	<u>\$1,211,678</u>	<u>\$1,380,663</u>	<u>\$1,081,072</u>

As of September 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Defined Benefit Plan		Ad Hoc COLA/SA Plan for DB		Ad Hoc COLA Plan for DCRS	
	Deferred Outflows of	Deferred Inflows of	Deferred Outflows of	Deferred Inflows of	Deferred Outflows of	Deferred Inflows of
Difference between expected and actual experience	\$ 1,731,885	\$ 238,880	\$ ---	\$ 105,072	\$ 380,804	\$ 60,985
Net difference between projected and actual earnings on pension plan investments	20,132,308	---	---	---	---	---
Changes of assumptions	---	---	20,067	1,334,037	640,237	824,787
Contributions subsequent to the measurement date	8,688,593	---	1,154,933	---	147,400	---
Changes in proportion and difference between UOG contributions and proportionate share of contributions	---	<u>1,510,950</u>	<u>176,702</u>	<u>18,773</u>	<u>143,843</u>	<u>263,982</u>
	<u>\$30,552,786</u>	<u>\$1,749,830</u>	<u>\$1,351,702</u>	<u>\$1,457,882</u>	<u>\$1,312,284</u>	<u>\$1,149,754</u>

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

Notes to Financial Statements, continued

9. Employee Benefits, continued

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

Deferred outflows of resources at September 30, 2024 and 2023 resulting from the University's employer contributions for the following plans are as follows:

	<u>2024</u>	<u>2023</u>
DB Plan	\$10,730,481	\$8,688,593
Ad hoc COLA/SA Plan for DB Participants	1,154,933	1,154,933
Ad hoc COLA Plan for DCRS Participants	<u>147,400</u>	<u>147,400</u>
	<u><u>\$12,032,814</u></u>	<u><u>\$9,990,926</u></u>

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

2025	2,767,825
2026	2,112,546
2027	4,867,409
2028	(972,028)
2029	(62,086)
Thereafter	<u>(943,640)</u>
	<u><u>\$ 7,770,026</u></u>

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

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

DB Plan

	1% Decrease <u>6.00%</u>	Current Discount <u>Rate 7.00%</u>	1% Increase <u>8.00%</u>
Net pension liability	<u><u>\$100,258,891</u></u>	<u><u>\$81,636,265</u></u>	<u><u>\$65,695,099</u></u>

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

Notes to Financial Statements, continued

9. Employee Benefits, continued

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

Ad Hoc COLA/SA for DB Participants

	1% Decrease <u>3.09%</u>	Current Discount <u>Rate 4.09%</u>	1% Increase <u>5.09%</u>
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Collective total pension liability

<u>\$14,456,587</u>	<u>\$13,249,820</u>	<u>\$12,195,876</u>
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Ad Hoc COLA for DCRS Participants

	1% Decrease <u>3.09%</u>	Current Discount <u>Rate 4.09%</u>	1% Increase <u>5.09%</u>
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Collective total pension liability

<u>\$ 4,307,087</u>	<u>\$ 3,816,245</u>	<u>\$ 3,401,215</u>
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Detailed information about the DB Plan's fiduciary net position is available in the separately issued GGRF financial report.

DCRS

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

Statutory employer contributions into the DCRS for the years ended September 30, 2024 and 2023 are determined using the same rates as the DB plan. Of the amount contributed by the employer, only 6.2% of the member's regular base pay is deposited into the member's individual annuity account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

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

During the years ended September 30, 2024 and 2023, contributions made and amounts accrued under the DCRS amounted to \$5,526,501 and \$5,730,176, respectively.

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

Notes to Financial Statements, continued

9. Employee Benefits, continued

Accrued Sick Leave

Public Law 26-86 allows members of the DCRS to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. As of September 30, 2024 and 2023, the University has accrued an estimated liability of \$2,373,180 and \$2,949,307, respectively. However, this amount is an estimate and actual payout could differ from those estimates.

Payable to the Pension Plan

As of September 30, 2024 and 2023, the University recorded payable to GGRF of \$327,812 and \$243,675, respectively, which represents statutorily required contributions unremitted as of year-end.

Other Post-employment benefit (OPEB) plan

OPEB Plan Description

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

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

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

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

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

Notes to Financial Statements, continued

9. Employee Benefits, continued

OPEB plan, continued

OPEB Plan Description, continued

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

Inflation:	2.50% per year
Discount rate:	4.09%, compounded annually, based on a tax-exempt, high quality municipal bond rate. Previously 4.02%, as of September 30, 2022.
Amortization rate:	Level dollar amount over 30 years on an open amortization period for pay-as-you-go funding.
Salary increases:	6.0% per year for the first 5 years of service, 4.5% for 6-10 years, 3% for over 10 years. (Previously, 7.5% for the first 5 years of service, 6% for 6-10 years, 5% for 11-15 years, and 4% for service after 15 years.)
Healthcare cost trend rates:	Non-Medicare, Medicare claims and retiree contributions - 8% for FY2023, then 26%, 14% and 0% for FY2024, for non-medicare, medicare claims, and retiree contributions, respectively. 7% for FY2025, decreasing 0.5% per year to 4.5% in FY2030 and an ultimate rate of 4.1% for FY2031 and later years.
	The trend rates reflect actual changes in plan costs and retiree contributions through October 1, 2024. Trend assumptions for health care 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

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

Notes to Financial Statements, continued

9. Employee Benefits, continued

OPEB plan, continued

OPEB Plan Description, continued

Actuarial Assumptions, continued

claims. The overall effect of these component are expected to decline year by year. Medical trend rates are applied to claims cost and retiree contributions. The trend rates for Medicare Part B and Part D reimbursements are assumed to be 4.25% in year 1 and 3.64% in year 2 to reflect the actual changes in costs through October 1, 2024 and 4.25% per year in subsequent years.

Dental trend rates:

For claims and retiree contributions, 4.25% for year 1 and 8.21% and 0% for claims and retiree contributions, respectively for year 2. For subsequent years, rate will be 4.25%, based on a blend of historical retiree premium rate increases as well as observed U.S. national trends.

Mortality rates:

PUB-2010 Head-count Weighted Mortality Table, set forward 4 years for males and 2 years for females, with 130% of rates prior to age 80. Projected generationally using 50% of scale MP-2020.

Participation rates:

Medical - 100% of active employees covered under a GovGuam medical plan will elect to participate at retirement. Dental - 100% of active employees 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.

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

Notes to Financial Statements, continued

9. Employee Benefits, continued

OPEB plan, continued

OPEB Plan Description, continued

Actuarial Assumptions, continued

Medicare enrollment:

Based on current over-65 retiree data, 55% 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 28, 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 post-employment Normal. The costs of each employee's 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.

Employee data:

Employee and retiree data as of September 30, 2022 were submitted by GovGuam. Reasonable adjustments for missing or invalid data were made.

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

Notes to Financial Statements, continued

9. Employee Benefits, continued

OPEB plan, continued

OPEB Plan Description, continued

Discount Rate: The discount rate used to measure the total OPEB liability was 4.09% and 4.02% for the years ended September 30, 2024 and 2023, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from the University will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the municipal bond rate at each year was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB liabilities, OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

Total OPEB liability as of September 30, 2024 and 2023 for the OPEB Plan was measured on and was determined by actuarial valuations as of the following dates:

	<u>2024</u>	<u>2023</u>
Reporting Date:	September 30, 2024	September 30, 2023
Measurement Date:	September 30, 2023	September 30, 2022
Valuation Date:	September 30, 2022	September 30, 2022

Collective total OPEB liability as of September 30, 2024 and 2023 is \$141,426,811 and \$118,350,876, respectively.

Proportionate share of total OPEB liability at September 30, 2024 and 2023 is 5.17% and 5.15%, respectively.

OPEB expense for the years ended September 30, 2024 and 2023 is \$8,036,742 and \$3,941,259, respectively. At September 30, 2024 and 2023, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2024</u>	<u>2023</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$21,639,517	\$ 5,972,807	\$ 9,229,662
Changes of assumptions	4,778,940	27,098,851	10,511,577
Contributions subsequent to measurement date	2,476,588	---	2,162,529
Changes in proportion and difference between employer contributions and proportionate share of contributions	<u>8,267,669</u>	<u>1,786,395</u>	<u>9,886,389</u>
	<u><u>\$37,162,714</u></u>	<u><u>\$34,858,053</u></u>	<u><u>\$31,790,157</u></u>
			<u><u>\$47,896,798</u></u>

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

Notes to Financial Statements, continued

9. Employee Benefits, continued

OPEB plan, continued

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

Deferred outflows of resources at September 30, 2024 and 2023, resulting from the University's employer contributions totaled \$2,476,588 and \$2,162,529, respectively.

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

Year Ending <u>September 30</u>	
2025	\$ 775,769
2026	(1,291,466)
2027	(14,323)
2028	(1,016,694)
2029	(1,016,694)
Thereafter	<u>2,391,481</u>
	<u><u>\$ (171,927)</u></u>

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

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>3.09%</u>	Current Discount Rate <u>4.09%</u>	1% Increase in Discount Rate <u>5.09%</u>
Total OPEB Liability	<u>\$163,880,642</u>	<u>\$141,426,811</u>	<u>\$123,118,061</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:

	Healthcare Cost <u>1% Decrease</u>	Trend Rates	1% Increase
Total OPEB Liability	<u>\$120,328,743</u>	<u>\$141,426,811</u>	<u>\$168,335,038</u>

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

Notes to Financial Statements, continued

10. Encumbrances

The accrual basis of accounting provides that expenses include only amounts associated with goods and services received and liabilities include only the unpaid amounts associated with such expenses. Accordingly, at September 30, 2024 and 2023, \$52,902,055 and \$42,614,762, respectively, of outstanding purchase orders and purchase commitments are not reported in the financial statements.

11. Commitments and Contingencies

Litigation

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

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, 2024 and 2023.

Medicare

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

Lease Agreement with UOG Endowment Foundation (the Foundation)

On October 6, 2016, the University signed a facilities lease agreement with the Foundation for the lease of UOG Student Success Center College of Natural and Applied Sciences – Engineering Annex (the Facilities), for a period of forty-years up to August 25, 2056. In 2022, the University and the Foundation signed amendments to the lease agreement which extend the agreement until September 30, 2064 and changed the monthly lease payment to \$90,109. In 2023, the University and the Foundation signed an amendment to change the monthly lease payment to \$94,829. The construction of the Facilities is to be financed by the Foundation from a loan with the USDA. The loan was signed in October 2023, and groundbreaking ceremonies for the Engineering Annex and Dr. Lucio Chua Tan SSC were held in December 2023 and January 2024, respectively.

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

Notes to Financial Statements, continued

11. Commitments and Contingencies, continued

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

Future minimum lease payments as of September 30, 2024 are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Amount</u>
2026	\$ 1,137,948
2027	1,137,948
2028	1,137,948
2029	1,137,948
2030	1,137,948
2031 - 2035	5,689,740
2036 - 2040	5,689,740
2041 - 2045	5,689,740
2046 - 2050	5,689,740
2051 - 2055	5,689,740
2056 - 2060	5,689,740
2061 - 2065	<u>5,689,740</u>
Total	<u>\$45,517,920</u>

12. Guam Cultural Repository

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

On September 30, 2021, the Department of Chamorro Affairs (DCA) was tasked with the operation and management of the GCR. In June 2022, the OOG has re-tasked the operation and management of the GCR to the University for at least the first three years of its operations. The University recorded the GCR as part of its capital assets as of September 30, 2024 and 2023.

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

Notes to Financial Statements, continued

13. Related Party Transactions

The University engages in transactions with related parties. As of and for the year ended September 30, 2024, the name and location of the related parties, and the nature and amount of transactions between the University and the related parties are presented as follows.

Related Party	Location	Nature	Revenue (Expense)	Receivable (Payable)
Guam Power Authority	Mangilao, Guam	Utilities, Operation	\$ (5,646,601)	\$ (363,072)
Guam Power Authority	Mangilao, Guam	Siemen's Project	(262,143)	---
Guam Waterworks Authority	Mangilao, Guam	Utilities, Operation	(1,438,212)	(132,796)
Treasurer of Guam	Tamuning, Guam	Permit and Withholding Assessment Fee	(57,831)	(2,680)
Workers' Compensation Commission	Hagatna, Guam	Worker's Compensation	(27,581)	(24,514)
Department of Labor	Hagatna, Guam	Services	2,200	---
Department of Public Health & Social Services	Mangilao, Guam	Room Rental Fee	3,050	---
Department of Public Health & Social Services	Mangilao, Guam	Services	1,535,013	---
Division of Vocational Rehabilitation	Tamuning, Guam	Scholarship	2,245	---
Division of Vocational Rehabilitation	Tamuning, Guam	Services	2,723	---
Guam Behavioral Health and Wellness Center	Tamuning, Guam	Event Management	---	43,000
Guam Behavioral Health and Wellness Center	Tamuning, Guam	Fellowship Program	28,441	---
Guam Behavioral Health and Wellness Center	Tamuning, Guam	Services	50,777	---
Guam Commission for Educators	Mangilao, Guam	Room Rental Fee	2,100	---
Guam Commission for Educators	Mangilao, Guam	Teacher Certification Fee	750	---
Guam Community College	Mangilao, Guam	Room Rental Fee	6,050	---
Guam Community College	Mangilao, Guam	Teacher Certification Fee	750	---
Guam Department of Education	Tiyan, Guam	College Fair	---	43,500
Guam Department of Education	Tiyan, Guam	Counselor Certification	16,800	---
Guam Department of Education	Tiyan, Guam	Fellowship Program	47,400	---
Guam Department of Education	Tiyan, Guam	First Generation Trust Fund (Sunset Law) reimbursement	1,201,870	---
Guam Department of Education	Tiyan, Guam	Publishing	166,000	---
Guam Department of Education	Tiyan, Guam	Room Rental Fee	31,000	---
Guam Department of Education	Tiyan, Guam	Services	1,154,474	220,211
Guam Department of Education	Tiyan, Guam	Teacher Certification Fee	---	237,834
Guam Department of Education	Tiyan, Guam	Training	57,624	---
Guam Election Commission	Tamuning, Guam	Room Rental Fee	---	10,000
Guam Housing and Urban Renewal Authority	Sinajana, Guam	Services	---	15,300
Guam Solid Waste Authority	Harmon, Guam	Scholarship	3,467	---
Serve Guam Commission	Hagatna, Guam	Services	76,448	---
The Bureau of Statistics and Plans Guam	Hagatna, Guam	Room Rental Fee	225	---
The Bureau of Statistics and Plans Guam	Hagatna, Guam	Services	140,095	52,625
			\$ (2,902,866)	\$ 99,408

14. University of Guam Endowment Foundation, Inc.

Reporting Entity

The University of Guam Endowment Foundation, Inc. (the Foundation) is a legally separate, tax-exempt entity which meets the criteria set forth for component units. The Foundation provides financial support for the objectives, purposes and programs of the University. Although the University does not control the timing, purpose, or amount of receipts from the Foundation, the resources (and income thereon) that the Foundation holds and invests are restricted to the activities of the University. Because the resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and its Statements of Financial Position and Statements of Activities are separately presented and its significant notes are separately summarized in the University's financial statements.

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

Notes to Financial Statements, continued

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

Reporting Entity, continued

The Foundation is a private organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Accounting Standards Codification Topic ASC 958 ("ASC 958"). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences. The Foundation's fiscal year end is December 31. Copies of the Foundation's report can be obtained by contacting the Foundation or visit its website at www.uogendowment.org.

Pledges Receivable

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

	<u>2023</u>	<u>2022</u>
School of Business and Public Administration (SBPA)		
Building and Other	\$ 9,763	\$ 9,763
Scholarship	---	12,000
60th Anniversary Capital Campaign	<u>1,672,269</u>	<u>1,672,269</u>
Total pledges receivable	1,682,032	1,694,032
Other receivables	<u>209,892</u>	<u>210,865</u>
	1,891,924	1,904,897
Allowance for credit losses	<u>(191,826)</u>	<u>(191,826)</u>
	<u>\$1,700,098</u>	<u>\$1,713,071</u>

Pledges receivable at December 31, 2023 and 2022 are scheduled to be paid as follows:

	<u>2023</u>	<u>2022</u>
Less than one year	\$ 205,000	\$ 217,000
One to five years	705,408	705,408
More than five years	<u>1,725,000</u>	<u>1,725,000</u>
	2,635,408	2,647,408
Less unamortized discount	<u>(953,376)</u>	<u>(953,376)</u>
	<u>\$1,682,032</u>	<u>\$1,694,032</u>

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

Notes to Financial Statements, continued

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

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. For equity securities without readily determinable fair values, the Foundation has elected the measurement alternative under which they measure these investments at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The cost of investments sold is determined by the specific identification method.

Gains and losses on investments are reported in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. The composition of investments in securities as of December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Equities	\$ 3,672,017	\$ 3,314,330
Fixed income	250,755	241,561
Exchange traded funds	9,980,748	11,501,209
Money market funds	1,559,654	---
Certificate of time deposit	2,411,027	---
Cash and cash equivalents	290,465	---
Mutual funds	<u>2,766,898</u>	<u>2,592,106</u>
	<u><u>\$20,931,564</u></u>	<u><u>\$17,649,206</u></u>

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

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

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

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

Notes to Financial Statements, continued

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

Investments, continued

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

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

The Foundation has the following recurring fair value measurements as of December 31, 2023:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
Fixed income securities	\$ 250,755	\$ 34,400	\$216,355	\$ ---
Equity securities	2,775,603	2,730,823	44,780	---
Exchange traded products and mutual funds	<u>12,747,646</u>	<u>12,747,646</u>	---	---
Total investments by fair value level	\$15,774,004	\$15,512,869	\$261,135	\$ ---
Investments measured at cost:				
Equity securities	\$ 896,414			
Cash and cash equivalents	290,465			
Certificate of time deposits	2,411,027			
Money market funds	<u>1,559,654s</u>			
	<u>\$20,931,564</u>			

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

Notes to Financial Statements, continued

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

Investments, continued

The Foundation has the following recurring fair value measurements as of December 31, 2022:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
Fixed income securities	\$ 241,561	\$ 33,491	\$208,070	\$ ---
Equity securities	2,417,917	2,417,917	---	---
Exchange traded products and mutual funds	<u>14,093,315</u>	<u>14,093,315</u>	---	---
Total investments by fair value level	16,752,793	\$16,544,723	\$208,070	\$ ---
Investments measured at cost:				
Equity securities	<u>896,413</u>			
	<u>\$17,649,206</u>			

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

Investments at December 31, 2023 and 2022 include shares of common stock in Bank of Guam (BOG). It also includes 1,000 shares of preferred stock in BOG measured at cost minus impairment of \$896,413 at December 31, 2023 and 2022. Dividends received from these shares are to be used for SBPA debt service payments. The BOG shares contain no restrictions and are classified as net assets without donor restrictions.

Margin Loan

At December 31, 2023 and 2022, investment in exchange traded fund excludes \$287,470 and \$991,587, respectively, of margin loan entered into by the Foundation with a brokerage firm in March 2019. The annual rate of interest will be calculated by means of a formula based on the Fidelity Advisor Base Lending Rate (FABLR). As of December 31, 2023 and 2022, this loan is collateralized by the Foundation's General Endowment Account with a reported fair value of \$7,219,360 and \$6,117,531, respectively. The Foundation is required to maintain margins in accordance with the brokerage firm's discretion from time to time, and the Foundation will pay on demand any debit balance with respect to the Foundation's accounts. As of December 31, 2023 and 2022, the margin loan is presented as a current liability in the Foundation's statements of financial position.

Land

In 2014, the Foundation received a donation of land comprising approximately 1.24 million square meters, which was recorded at appraised value of \$5,616,469 at the time of receipt. Land held for use is carried at cost, net of impairment, of \$2,232,894 at December 31, 2023 and 2022.

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

Notes to Financial Statements, continued

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

Loan Receivable from UOG

In May 2019, the University of Guam entered into an agreement with the Foundation to borrow the principal amount of \$1,400,000, plus interest on the unpaid principal balance at the rate of 1.25% plus the federal rate. The principal and interest shall be paid in installments based on the following: interest only on the 5th of each quarter through July 5, 2021 and interest and principal thereafter on the 5th of each quarter (if the principal is not repaid by July 5, 2021) until the principal and interest are fully paid except that the final installment of the entire loan, if not sooner paid, shall be due and payable upon funding by BG Investment Services towards the UOG Triton Engagement Center Phase I Project (Storm Mitigation Outfall) or within five years from the date of the note. As of December 31, 2023 and 2022, the outstanding receivable and interest balance is \$583,819 and \$1,219,711, respectively. Given the difficulty in predicting when drawdowns or funding will occur, presentation of future principal and interest amortization is not possible at this time.

Required Supplementary Information

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

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

Defined Benefit Plan
(Unaudited)

Last 10 Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
UOG's proportionate share of the net pension liability	\$ 81,636,265	\$ 89,331,752	\$ 59,394,212	\$ 78,217,138	\$ 77,085,631	\$ 71,200,343	\$ 67,534,997	\$ 80,510,523	\$ 81,001,196	\$ 68,326,815
UOG's proportion of the net pension liability	5.84%	6.01%	6.16%	6.28%	6.35%	6.04%	5.91%	5.88%	5.64%	5.48%
UOG's covered payroll	\$ 40,476,941	\$ 34,963,087	\$ 33,375,481	\$ 32,821,708	\$ 32,799,897	\$ 32,339,363	\$ 31,027,561	\$ 30,053,044	\$ 29,784,398	\$ 28,828,564
UOG's proportionate share of the net pension liability as percentage of its covered payroll	201.69%	255.50%	177.96%	238.31%	232.37%	231.44%	222.29%	270.31%	280.98%	246.82%
Plan fiduciary net position as a percentage of the total pension liability	59.17%	54.45%	70.14%	61.48%	62.25%	63.28%	60.63%	54.62%	52.32%	56.60%

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

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

Defined Benefit Plan
(Unaudited)

Last 10 Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 8,646,086	\$ 8,111,843	\$ 7,757,897	\$ 7,467,007	\$ 7,715,563	\$ 8,202,746	\$ 7,406,814	\$ 7,318,972	\$ 7,582,871	\$ 7,352,199
Contribution in relation to the statutorily determined contribution	<u>10,730,481</u>	<u>8,688,593</u>	<u>8,278,982</u>	<u>7,778,668</u>	<u>7,651,993</u>	<u>7,654,284</u>	<u>7,962,027</u>	<u>7,904,757</u>	<u>7,535,442</u>	<u>7,796,236</u>
Contribution deficiency (excess)	<u>\$ (2,084,395)</u>	<u>\$ (576,750)</u>	<u>\$ (521,085)</u>	<u>\$ (311,661)</u>	<u>\$ 63,570</u>	<u>\$ 548,462</u>	<u>\$ (555,213)</u>	<u>\$ (585,785)</u>	<u>\$ 47,429</u>	<u>\$ (444,037)</u>
UOG's covered-employee payroll	<u>\$ 40,476,941</u>	<u>\$ 34,963,087</u>	<u>\$ 33,375,481</u>	<u>\$ 32,821,708</u>	<u>\$ 32,799,897</u>	<u>\$ 32,339,363</u>	<u>\$ 31,027,561</u>	<u>\$ 30,053,044</u>	<u>\$ 29,784,398</u>	<u>\$ 28,828,564</u>
Contribution as a percentage of covered-employee payroll	26.51%	24.85%	24.81%	23.70%	23.33%	23.67%	25.66%	26.30%	25.30%	27.04%

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

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

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

Last 10 Fiscal Years*

	2024	2023	2022	2021	2020	2019	2018	2017
UOG's proportionate share of the collective total pension liability	\$ 13,249,820	\$ 12,294,418	\$ 14,511,322	\$ 15,194,399	\$ 15,489,515	\$ 13,756,035	\$ 13,699,135	\$ 10,844,857
UOG's proportion of the collective total pension liability	4.93%	4.79%	4.71%	4.72%	4.78%	4.75%	4.75%	4.73%

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

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

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

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

Last 10 Fiscal Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 1,154,933	\$ 1,154,933	\$ 1,052,495	\$ 1,052,495	\$ 1,245,658	\$ 1,137,658	\$ 1,140,610	\$ 1,138,186	\$ 1,147,164	\$ 1,167,964
Contribution in relation to the contractually required contribution	<u>1,154,933</u>	<u>1,154,933</u>	<u>1,052,495</u>	<u>1,052,495</u>	<u>1,245,658</u>	<u>1,137,658</u>	<u>1,140,610</u>	<u>1,138,186</u>	<u>1,147,164</u>	<u>1,167,964</u>
Contribution excess	<u>\$ ---</u>	<u>\$ -</u>	<u>\$ -</u>							

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

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

Ad Hoc COLA Plan for DCRS Participants
(Unaudited)

Last 10 Fiscal Years*

	2024	2023	2022	2021	2020	2019	2018	2017
UOG's proportionate share of the collective total pension liability	\$ 3,816,245	\$ 3,079,112	\$ 3,533,281	\$ 3,272,630	\$ 3,117,626	\$ 2,685,660	\$ 3,490,270	\$ 3,298,131
UOG's proportion of the collective total pension liability	4.87%	5.12%	5.01%	4.93%	5.21%	5.44%	5.59%	5.35%

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

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

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

Ad Hoc COLA Plan for DCRS Participants
 (Unaudited)

Last 10 Fiscal Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 147,400	\$ 147,400	\$ 130,000	\$ 130,000	\$ 108,000	\$ 108,000	\$ 100,000	\$ 92,000	\$ 76,000	\$ 64,000
Contribution in relation to the contractually required contribution	<u>147,400</u>	<u>147,400</u>	<u>130,000</u>	<u>130,000</u>	<u>108,000</u>	<u>108,000</u>	<u>100,000</u>	<u>92,000</u>	<u>76,000</u>	<u>64,000</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						

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

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

Last 10 Fiscal Years*

	2024	2023	2022	2021	2020	2019	2018
UOG's proportion of the collective total other postemployment benefit liability	\$ 141,426,811	\$ 118,350,876	\$ 131,486,215	\$ 118,284,474	\$ 125,958,216	\$ 92,474,461	\$ 125,480,519
UOG's proportionate share of the collective total other postemployment benefit liability	5.17%	5.15%	4.74%	4.70%	4.93%	4.93%	5.16%
UOG's covered-employee payroll	32,677,541	32,710,767	37,207,992	29,496,054	27,936,302	28,982,645	28,740,742
UOG's proportionate share of the collective total other postemployment benefit as a percentage of its covered-employee payroll	432.80%	361.81%	353.38%	401.02%	450.88%	319.07%	436.59%

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

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

Note to Required Supplementary Information
(Unaudited)

Changes of Assumptions – Pension Plans

Amounts reported in 2023 actuarial valuation reflected an assumption related to administrative expenses remained at \$6,798,000 per year.

Amounts reported in 2022 actuarial valuation reflected an assumption related to administrative expenses to remain at \$6,565,000 per year.

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

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

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

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

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

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

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

Other Postemployment Benefit Plan

The information presented has no assets accumulated in a trust to pay related benefits.

Supplementary and Other Information

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

Schedule 8
Salaries, Wages and Benefits

Years ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Salaries and wages:		
Funded by local funds	\$ 28,424,129	\$ 24,987,504
Federal funds	13,844,708	12,132,905
General operations and federal funds	5,545,222	4,561,371
Other funding sources	<u>7,373,096</u>	<u>7,015,094</u>
 Total salaries and wages	 <u>55,187,155</u>	 <u>48,696,874</u>
 Benefits:		
Funded by local funds	15,271,951	15,198,965
Federal funds	1,851,000	2,000,549
General operations and federal funds	1,600,818	1,739,106
Other funding sources	<u>1,368,272</u>	<u>1,714,801</u>
 Total benefits	 <u>20,092,041</u>	 <u>20,653,421</u>
 Total salaries, wages and benefits	 <u>\$ 75,279,196</u>	 <u>\$ 69,350,295</u>

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

Schedule 9
Expenses by Object Category

Years ended September 30, 2024 and 2023

	<u>2024</u>		<u>2023</u>	
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Restricted</u>
Research:				
Salaries	\$ 2,172,235	\$ 11,278,711	\$ 1,812,273	\$ 9,329,896
Benefits	1,441,814	(220,797)	976,885	1,718,053
Travel	20,054	1,655,024	21,260	1,273,802
Contractual	197,267	2,598,091	9,407	2,850,304
Supplies	67,111	992,900	78,206	1,043,121
Equipment	13,087	484,289	6,751	419,248
Capital Outlay	56,586	704,090	16,675	1,272,250
Utilities	---	5,268	---	3,966
Miscellaneous	<u>100,096</u>	<u>4,723,386</u>	<u>225,212</u>	<u>1,461,160</u>
	<u>\$ 4,068,250</u>	<u>\$ 22,220,962</u>	<u>\$ 3,146,669</u>	<u>\$ 19,371,800</u>
Instruction:				
Salaries	\$ 15,733,547	\$ 143,324	\$ 13,852,527	\$ 146,248
Benefits	6,825,972	46,715	4,683,727	42,395
Travel	130,826	113,276	150,786	129,591
Contractual	826,508	99,561	200,780	77,557
Supplies	57,947	42,885	55,042	39,187
Equipment	13,830	7,104	20,184	4,952
Capital Outlay	---	---	10,526	---
Utilities	28,522	---	36,200	---
Miscellaneous	<u>1,068,647</u>	<u>89,478</u>	<u>1,586,402</u>	<u>72,926</u>
	<u>\$ 24,685,799</u>	<u>\$ 542,343</u>	<u>\$ 20,596,174</u>	<u>\$ 512,856</u>
Public Service:				
Salaries	\$ 355,696	\$ 8,230,885	\$ 304,505	\$ 6,712,206
Benefits	558,803	2,717,537	396,046	2,153,415
Travel	14,860	736,711	20,731	542,059
Contractual	4,360,372	3,001,375	2,784,277	2,272,091
Supplies	36,310	986,504	31,826	370,005
Equipment	5,829	490,070	4,097	203,848
Capital Outlay	---	351,538	---	195,321
Utilities	---	103,278	---	94,082
Miscellaneous	<u>172,374</u>	<u>1,966,147</u>	<u>289,404</u>	<u>1,498,589</u>
	<u>\$ 5,504,244</u>	<u>\$ 18,584,045</u>	<u>\$ 3,830,886</u>	<u>\$ 14,041,616</u>
Academic Support:				
Salaries	\$ 6,605,559	\$ 166,247	\$ 6,085,601	\$ 244,153
Benefits	3,222,338	63,670	2,209,244	99,715
Travel	240,457	8,193	342,834	6,680
Contractual	1,744,831	32,176	1,391,276	45,048
Supplies	168,615	2,281	211,580	5,761
Equipment	90,915	---	169,493	---
Capital Outlay	111,025	245,000	264,068	---
Utilities	2,025	---	1,902	---
Miscellaneous	<u>235,149</u>	<u>500</u>	<u>563,972</u>	<u>3,852</u>
	<u>\$ 12,420,914</u>	<u>\$ 518,067</u>	<u>\$ 11,239,970</u>	<u>\$ 405,209</u>

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

Schedule 9
Expenses by Object Category, continued

Years ended September 30, 2024 and 2023

	<u>2024</u>		<u>2023</u>	
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Restricted</u>
Student Services:				
Salaries	\$ 2,640,696	\$ 69,728	\$ 2,282,255	\$ 823,589
Benefits	1,331,335	24,300	992,240	60,541
Travel	60,954	---	48,171	---
Contractual	48,029	---	64,508	---
Supplies	36,573	3,805	(489,930)	5,035
Equipment	5,738	1,599	30,213	798
Utilities	68,692	---	50,050	
Miscellaneous	<u>142,539</u>	<u>16,003</u>	<u>174,764</u>	<u>358,446</u>
	<u><u>\$ 4,334,556</u></u>	<u><u>\$ 115,435</u></u>	<u><u>\$ 3,152,271</u></u>	<u><u>\$ 1,248,409</u></u>
Institutional Support:				
Salaries	\$ 4,365,770	\$ 757,373	\$ 4,040,235	\$ 627,983
Benefits	2,257,792	167,263	2,572,003	112,648
Travel	363,197	32,216	326,653	17,006
Contractual	2,449,839	96,324	1,781,249	143,503
Supplies	170,096	8,313	112,023	16,754
Equipment	18,674	6,722	30,535	173,088
Capital Outlay	14,043	30,942	745,375	966,281
Miscellaneous	<u>1,460,265</u>	<u>60,415</u>	<u>991,643</u>	<u>272,515</u>
	<u><u>\$ 11,099,676</u></u>	<u><u>\$ 1,159,568</u></u>	<u><u>\$ 10,599,716</u></u>	<u><u>\$ 2,329,778</u></u>
Operational and maintenance, plant:				
Salaries	\$ 2,078,466	\$ ---	\$ 1,875,142	\$ ---
Benefits	1,375,584	---	914,854	---
Contractual	214,671	1,704,858	39,622	2,246,805
Supplies	333,740	---	514,260	---
Equipment	15,236	---	24,244	---
Capital Outlay	45,727	14,506,293	113,194	224,560
Utilities	6,075,659	---	5,715,284	---
Miscellaneous	<u>(12,269)</u>	<u>(14,666,050)</u>	<u>147,875</u>	---
	<u><u>\$ 10,126,814</u></u>	<u><u>\$ 1,545,101</u></u>	<u><u>\$ 9,344,475</u></u>	<u><u>\$ 2,471,365</u></u>
Scholarships and Fellowships:				
Miscellaneous	\$ 427,015	\$ 5,341,687	\$ 141,511	\$ 6,412,284
	<u><u>\$ 427,015</u></u>	<u><u>\$ 5,341,687</u></u>	<u><u>\$ 141,511</u></u>	<u><u>\$ 6,412,284</u></u>
Auxiliary:				
Salaries	\$ 588,918	\$ ---	\$ 560,261	\$ ---
Benefits	279,715	---	256,793	---
Travel	13,201	---	6,089	---
Contractual	202,953	---	(154,687)	---
Supplies	118	---	89,264	---
Equipment	8,904	---	15,459	---
Capital Outlay	---	---	89,177	---
Utilities	212,894	---	251,055	---
Miscellaneous	<u>849,920</u>	<u>---</u>	<u>740,711</u>	---
	<u><u>\$ 2,156,623</u></u>	<u><u>\$ ---</u></u>	<u><u>\$ 1,854,122</u></u>	<u><u>\$ ---</u></u>
	<u><u>\$ 74,823,891</u></u>	<u><u>\$ 50,027,208</u></u>	<u><u>\$ 63,905,794</u></u>	<u><u>\$ 46,793,317</u></u>

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

Schedule 10 Employee Information (Unaudited)

Years ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Funded by:		
Local funds	403	411
Federal funds	436	446
General operations and federal funds	124	115
Other funding sources	341	344
	<hr/>	<hr/>
	1,304	1,316
	<hr/>	<hr/>

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

Schedule 11
Total Revenue Information

Years ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
University-generated revenues:		
Tuition and fees (gross)	\$ 19,658,083	\$ 20,678,791
Scholarship and tuition discounts	(8,278,063)	(10,424,463)
Grants and contracts, net	59,078,440	53,464,597
Auxiliary enterprises and other revenues	<u>7,968,092</u>	<u>8,080,557</u>
Total University-generated revenues	78,426,552	71,799,482
Government of Guam appropriations (excluding retiree healthcare costs and other pension benefits appropriations)	<u>40,079,215</u>	<u>34,618,451</u>
Total revenues (excluding investment income, bad debts provision and retiree healthcare and other pension benefits appropriations)	<u>\$ 118,505,767</u>	<u>\$ 106,417,933</u>
Supplemental information:		
Net investment income	\$ 7,124,866	\$ 2,682,607
Bad debt recovery	<u>\$ 10,091</u>	<u>\$ 289,123</u>
Retiree healthcare costs and other pension benefits appropriations	<u>\$ 3,792,337</u>	<u>\$ 3,464,862</u>

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

Schedule 12
Fund Restriction Matrix

Years ended September 30, 2024 and 2023

		Restricted, expendable	Restricted, nonexpendable
Land Grant	Granted in lieu of property. Treated as an endowment in accordance with industry standards. Corpus grows each year with inflation. May not be used for the purchase, erection, preservation, or repair and any building or buildings.	\$ 16,784,964	\$ 3,000,000
Siu Lin Tan	Irrecoverable endowment to the University for the purpose of educating students with interests in China or from SBPA.	---	947,707
Maman Ling's Education Fund	Endowment to educate descendants	---	709,722
Mac's Corporation	Amounts in excess of corpus to be utilized for School of Nursing	---	195,635
Chin Ho Foundation	School of Business Textbooks	---	27,331
Governor Bill Daniel	Never established	---	16,286
Delores P. De Leon Memorial Fund	For SNHS purposes	---	52,979
Harry Guthertz Memorial Scholarship	Scholarship in Public Service and Entrepreneurship	---	14,359
Planetarium Maintenance Fund	To be utilized for planetarium or science purposes	---	5,162
Tobacco Funds (BoG)	90% of earnings can be used to develop learning resources	581,596	1,815,067
Faculty and Staff Development Fund	Restricted for funding shortfalls for Student Center and Engineering Annex shortfalls	---	1,104,160
Campus Maintenance Fund	Restricted for funding of deferred maintenance projects on campus.	1,440,049	---
Dorm Renewal and Replacement Fund	Fund established to provide an additional source of funding for the dormitories. Board will increase corpus amount.	150,000	---
Self Insurance Fund	To help pay for damages and loss prevention in light of the significant deductibles in the University's insurance programs.	295,111	---
International Accounting Institute Fund	Restricted for the purposes of making bond payments on the SBPA Bldg and for maintenance and improvements of the SBPA Bldg.	954,448	---
Guam Cancer Trust Fund	May be used for specific cancer related purposes.	2,027,719	---
Debt Service Fund	Use for facilitating the financing of design, construction or renovation of LG Building, UOG Student Center, Engineering Annex	2,325,947	---
		<hr/> <u>\$ 24,559,834</u>	<hr/> <u>\$ 7,888,408</u>

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

Notes to Fund Restriction Matrix

Years ended September 30, 2024 and 2023

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 the University's best practice 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.

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

Management and the Board of Regents
University of Guam

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the basic financial statements of University of Guam (the University) and its discretely presented component unit, which comprise the statement of financial position as of September 30, 2024, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”), and have issued our report thereon dated June 6, 2025.

Report on Internal Control Over Financial Reporting

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

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

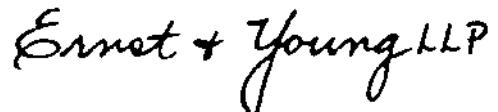
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of this Report

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

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten-style font.

June 6, 2025