

AUDITED FINANCIAL STATEMENTS AND  
REPORTS AND SCHEDULE REQUIRED BY  
THE UNIFORM GUIDANCE

University of Puerto Rico  
Year Ended June 30, 2023  
With Reports of Independent Auditors



University of Puerto Rico

Audited Financial Statements and  
Reports and Schedule Required by the Uniform Guidance

Year Ended June 30, 2023

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# Financial Statements



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## Report of Independent Auditors

Governing Board  
University of Puerto Rico

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the University of Puerto Rico (the University), as of and for the year ended June 30, 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 "basic financial statements").

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University at June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Molecular Sciences Research Center, Inc. as of and for the year ended June 30, 2023, which financial statements reflect total assets constituting 0.181%, total net position constituting 0.228% and total revenues constituting 0.235% of the related University's Primary Government totals as of and for the year then ended. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Molecular Sciences Research Center, Inc. is based solely on the report of other auditors. In addition, we did not audit the financial statements of Servicios Médicos Universitarios, Inc. (the "Hospital"), University of Puerto Rico Parking System, Inc., and Material Characterization Center, Inc., which represent 100% of the aggregate discretely presented component units, as of June 30, 2023. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements of Molecular Sciences Research Center, Inc., Servicios Médicos Universitarios, Inc. (the "Hospital"), University of Puerto Rico Parking System, Inc. and Material Characterization Center, Inc. were not audited in accordance with Governmental Auditing Standards.

### ***The University's Ability to Continue as a Going Concern***

The accompanying financial statements have been prepared assuming that the University will continue as a going concern. As discussed in Note 23 to the financial statements, the University is highly dependent of the Commonwealth of Puerto Rico (the Commonwealth) appropriations to finance its operations, has net capital deficiency, its debt is under a standstill agreement, and has stated that substantial doubt exists about the University's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plan regarding these matters are also described in Note 23. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-24, schedule of changes in the University's net pension liability and related ratios on page 104, schedule of the University's contributions- pension plan on page 105, and the schedule of changes in the University's total postemployment benefits other than pensions (OPEB) liability and related ratios on page 109 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.

### **Other Financial Information**

Management is responsible for the other financial information included in the annual report. The other financial information comprises the schedule of changes in the University's sinking fund reserve 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 financial 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 financial information and consider whether a material inconsistency exists between the other financial information and the basic financial statements, or the other financial information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other financial 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 March 26, 2024 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 University's internal control over financial reporting and compliance.

*Ernst + Young LLP*

March 26, 2024

Stamp No. E538468 of the Puerto Rico Society of Certified Public Accountants was affixed to original of this report.



**University of Puerto Rico**  
**(A Component Unit of the Commonwealth of Puerto Rico)**  
**Management's Discussion and Analysis (Unaudited)**  
**For the year ended June 30, 2023**

## **Overview of the Basic Financial Statements**

This management's discussion and analysis section ("MD&A") provides a narrative overview and analysis of the financial activities of the University of Puerto Rico (the "University") for the fiscal year ended June 30, 2023. The MD&A is intended to serve as an introduction to the University's financial statements, which have the following components: (i) statement of net position; (ii) statement of revenues, expenses and changes in net position; (iii) statement of cash flows; and (iv) notes to the financial statements. The University also includes additional information to supplement the basic financial statements.

The MD&A is designed to (a) assist the reader in focusing on significant matters; (b) provide an overview of the University's financial activities; and (c) present an overview of operating results. The following presentation is, by necessity, highly summarized, and therefore, in order to gain a thorough understanding of the University's financial position, the financial statements, notes, and required supplementary information should be reviewed in their entirety.

The accounting and reporting policies of the University conform to accounting principles generally accepted in the United States of America, as applicable to governmental entities, as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position and cash flows.

For financial reporting purposes, the University is considered a special purpose governmental agency engaged only in business type activities, as defined by GASB Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*. Business type activities are those financed in whole or in part by fees charged to external parties for goods or services. 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.

The statement of net position presents information on all the University's assets, liabilities and deferred outflows and inflows of resources. Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the University is improving or deteriorating. The net position is displayed in three parts, net investment in capital assets, restricted and unrestricted. Restricted net position may either be expendable or nonexpendable, and are those assets that are restricted by law on third-party agreements or by an external donor. Unrestricted net position, while it is generally designated for specific purposes, is available for use by the University to meet current expenses for any purpose. Assets and liabilities included in the statements of net position are classified as current or noncurrent.



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The statement of revenues, expenses and changes in net position presents information on how the University's net position changed during the reporting periods. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The purpose of this statement is to present the revenues earned, both operating and nonoperating, and the expenses incurred and any other revenues, expenses, gains, and losses earned or spent by the University during the reporting periods. Generally, operating revenues are used to provide goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided.

The statement of cash flows shows changes in cash and cash equivalents, resulting from operating, non-capital and capital financing and investing activities, which include cash receipts and cash disbursements information. The notes to the basic financial statements provide additional information that is essential for a full understanding of the data provided in the basic financial statements.

The required supplementary information consists of three schedules concerning the following: (i) the supplementary information (two schedules) of the University's Employees Retirement Plan as required by the GASB Statement No. 68, *Accounting and Financial Reporting for Pensions- an Amendment of GASB Statement No. 27*; and (ii) the supplementary information (one schedule) of the University's Postemployment Benefits Other Than Pensions Program as required by the GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). The other financial information consists of the University's Schedule of Changes in Sinking Fund Reserves.

### **The University of Puerto Rico**

The University, founded in 1903, is a state supported university system created by Law No. 1 of January 20, 1966, "Law of the University of Puerto Rico" ("Act No. 1"), as amended, with the mission to serve the people of Puerto Rico and contribute to the development and enjoyment of the fundamental, ethical and esthetic values of Puerto Rican culture, and committed to the ideals of a democratic society. To advance its mission, the University strives to provide high quality education and create new knowledge in the Arts, Sciences and Technology.

The University is a public corporation of the Commonwealth of Puerto Rico (the "Commonwealth") governed by a fourteen-member Governing Board, of which eight members are appointed by the Governor of Puerto Rico and confirmed by the Senate of Puerto Rico for a term of six years. The remaining members of the Governing Board consist of two tenured professors and two full-time students. The Secretary of the Department of Education of the Commonwealth and the Executive Director of the Puerto Rico Fiscal Agency and Financial Advisory Authority (FAFAA) or their designees are ex-officio members of the Governing Board. The terms for the students and professors are one year.

The University is exempt from the payment of taxes on its revenues and properties. The University is a discretely presented major component unit of the Commonwealth.



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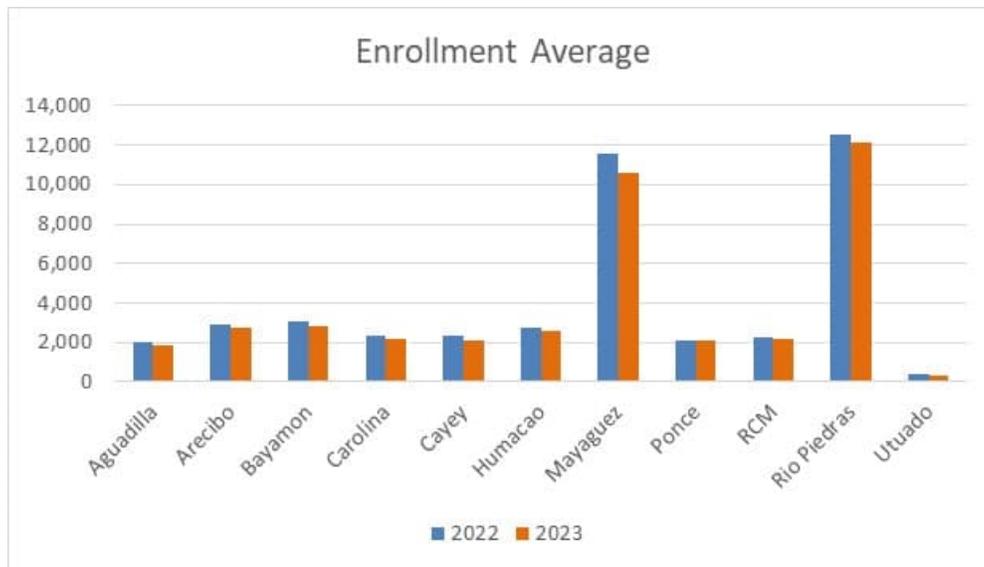
The University is the oldest and largest institution of higher education in Puerto Rico with a history of academic excellence. Commonwealth appropriations are the principal source of the University revenues. Additional revenues are derived from tuitions, federal grants, patient services, auxiliary enterprises, interest income, and other sources.

The University capacity to attract federal funding for research, training, public service, and other endeavors to advance its mission and priorities is certainly a premier strength. A broad range of federal agencies currently sponsor the University research activity in the Sciences, Health Sciences, Engineering, Technology, and the Arts. Efforts continue to increase and diversify sources of funding.

The University of Puerto Rico system includes all the campuses at Río Piedras, Mayagüez, Medical Sciences, Cayey, Humacao, Ponce, Bayamón, Aguadilla, Arcibo, Carolina and Utuado. The Middle States Commission on Higher Education is the regional accreditation entity of the eleven campuses of the University.

The average annual enrollment for years 2023 and 2022 per campus were the following:

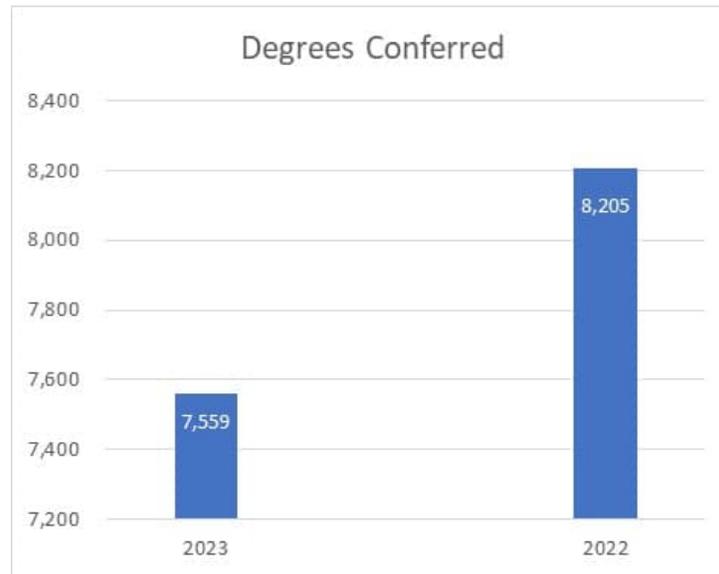
	<u>Aguadilla</u>	<u>Arecibo</u>	<u>Bayamon</u>	<u>Carolina</u>	<u>Cayey</u>	<u>Humacao</u>	<u>Mayaguez</u>	<u>Ponce</u>	<u>RCM</u>	<u>Rio Piedras</u>	<u>Utuado</u>	<u>Total</u>
<b>2022</b>	2,052	2,925	3,049	2,320	2,365	2,741	11,547	2,096	2,289	12,554	396	<b>44,334</b>
<b>2023</b>	1,875	2,729	2,828	2,187	2,107	2,550	10,633	2,085	2,223	12,111	303	<b>41,631</b>





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The average degrees conferred for years 2023 and 2022 were the following:



### **The Financial Reporting Entity**

#### **Reporting Entity**

Represents the University of Puerto Rico with its blended component units and discretely presented component units for which the University is financially accountable.

#### **Primary Government**

Represents the University of Puerto Rico with its blended component units. The definition of the reporting entity is based primarily on the notion of financial accountability. The University is financially accountable for the organizations that make up its reporting entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the University. The University is financially accountable for all of its component units.

#### **Blended Component Units**

The operation of Desarrollos Universitarios and Molecular Science Research Center are blended component units that, despite being legally separate from the University, are so intertwined with the University that are in substance part of the University. Although legally separate, they are reported as if they were part of the University because their debts are expected to be repaid entirely or almost entirely with the resources of the University. These component units are blended with the University.



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### **Discretely Presented Component Units**

The operation of Servicios Medicos Universitarios, University of Puerto Rico Parking System and Material Characterization Center are discretely presented component units. All discretely presented component units are legally separate from the University. These entities are reported as discretely presented component units because the University appoints a majority of these organization's boards, is able to impose its will on them, or a financial benefit/burden situation exists. The discretely presented component units are presented separately from the Primary Government.

### **Financial Highlights**

The Primary Government reported a net deficit of \$1.3 billion as of June 30, 2023, which was comprised of \$1.6 billion in total assets plus \$265.8 million in deferred outflows of resources, less \$2.7 billion in total liabilities and \$539.1 million in deferred inflows of resources.

The Primary Government total revenue of \$1.2 billion for fiscal year 2023, was lower than prior year's \$1.3 billion. Total operating expenses of \$785.1 million for fiscal year 2023 were lower than prior year's \$857.5 million.

The net deficit decreased by \$416.5 million during fiscal year 2023. The net deficit decrease is mainly due to a pension credit compounded by revenue increases (e.g., Commonwealth appropriations, CARES act) and by Commonwealth's endowment.

The Primary Government net deficit composition of \$1.3 billion, was comprised of \$444.8 million net investment in capital assets, \$412 million in restricted net position and an unrestricted deficit of \$2.2 billion.

Decrease on cash of \$220.2 million, offset by increased on investments of \$272.8 million, is due to the University's strategy to maximize return on investments.

Operating loss of the University was approximately \$413.0 million for the fiscal year ended June 30, 2023, compared to an operating loss of approximately \$506 million for the fiscal year ended June 30, 2022. The total operating revenues increased to approximately \$369.9 million in fiscal year 2023 from approximately \$352.0 million in fiscal year 2022. Total operating expenses decreased to approximately \$785.1 million in fiscal year 2023 from approximately \$858.0 million in fiscal year 2022.

The University received \$51.0 million from the Commonwealth under Act No. 4 of 2022, "Law of the Scholarship Fund to Mitigate the Increase in Tuition Costs of the Fiscal Plan". Between the fiscal year 2023 and 2022, the University has received \$213.7 million related to Act No.4.

On January and May 2023, the University received advances from FEMA amounting to approximately \$915 thousand and \$73.4 million, respectively. As of June 30, 2023 the University has recognized an unearned revenue of \$74.9 million related to such advances and other advances related to small projects. These advances are part of the \$752.2 million that the University expects to receive from FEMA during the following fifteen years.



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**Overall Financial Position and Results of Operations**

We provide the readers of these basic financial statements with the following summary discussion and analysis of the relevant facts that affected the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position (Deficit):

*Condensed Statement of Net Position (in thousands)*

	<b>June 30</b>	
	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 158,710	\$ 233,930
Investments	206,463	130,717
Accounts receivable, net	23,461	13,032
Due from Federal Government	58,047	49,034
Due from related parties, net	13,168	10,739
Other assets	10,571	3,562
<b>Total current assets</b>	<b>470,420</b>	<b>441,014</b>
Noncurrent assets:		
Cash and cash equivalents	19,686	164,699
Investments	400,442	203,335
Capital assets, net	740,007	750,326
Other assets	14,052	15,878
<b>Total noncurrent assets</b>	<b>1,174,187</b>	<b>1,134,238</b>
<b>Total assets</b>	<b>1,644,607</b>	<b>1,575,252</b>
<b>Deferred outflows of resources</b>	<b>265,795</b>	<b>244,698</b>
<b>Total assets and deferred outflows of resources</b>	<b>1,910,402</b>	<b>1,819,950</b>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	114,920	97,083
Unearned revenue	100,428	35,227
Long-term debt	32,893	31,373
Other current liabilities	33,375	29,243
<b>Total current liabilities</b>	<b>281,616</b>	<b>192,926</b>
Noncurrent liabilities:		
Long-term debt, net of current portion	282,954	316,987
Other long-term liabilities	193,418	198,405
Net pension liability	1,752,230	1,530,764
OPEB liability	198,788	250,387
<b>Total noncurrent liabilities</b>	<b>2,427,390</b>	<b>2,296,543</b>
<b>Total liabilities</b>	<b>2,709,006</b>	<b>2,489,469</b>
<b>Deferred inflows of resources</b>	<b>539,054</b>	<b>1,084,684</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>3,248,060</b>	<b>3,574,153</b>
<b>Net position (deficit)</b>		
Net investment in capital assets	444,796	424,263
Restricted:		
Nonexpendable	338,181	283,219
Expendable	73,803	67,536
Unrestricted (deficit)	(2,194,438)	(2,529,221)
<b>Total net position (deficit)</b>	<b>\$ (1,337,658)</b>	<b>\$ (1,754,203)</b>



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Total assets were approximately \$1.6 billion as of June 30, 2023. Total liabilities were approximately \$2.7 billion as of June 30, 2023, for a deficit of approximately \$1.3 billion for the fiscal year ended June 30, 2023. The net position has been broken down into a net investment in capital assets of approximately \$444.8 million, \$412.0 million is the restricted component of the net position and a deficit of approximately \$2.2 billion.

The total aggregate amount of investments was approximately \$607.0 million as of June 30, 2023, and, together with cash and cash equivalents of approximately \$178.4 million and Capital Assets amounting to \$740.0 million, account for most of the assets held by the University.

The decrease in cash and equivalents amounting to \$220.2 million is highly correlated to the increase in investments amounting to \$273 million. Near the end of fiscal year 2022, the University received \$163 million related to Act No. 4 for the creation of an endowment fund for scholarships. Such funds were held in cash as of June 30, 2022 and used for purchases of investments in fiscal year 2023 together with an additional \$51 million that were received for the same purpose in fiscal year 2023.

The increase in unearned revenues amounting to \$65.0 million is primarily due to the receipt of a \$73.0 million advance from FEMA which is largely unspent as of June 30, 2023.

Net pension liability increased \$221.0 million in fiscal year 2023, which is related predominately to a decrease in the fair value of the investments held by the plan for the payment of benefits.



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***Condensed Statement of Revenues, Expenses and Changes in Net Position (Deficit) (in thousands)***

	<b>Years Ended June 30</b>	
	<b>2023</b>	<b>2022</b>
<b>Operating revenues:</b>		
Tuition and fees, net	\$ 81,445	\$ 78,400
Governmental grants and contracts, net	157,459	160,340
Net patient services revenue and other	91,784	81,487
Other operating revenues, net	39,215	31,278
<b>Total operating revenues</b>	<b>369,903</b>	<b>351,505</b>
<b>Operating expenses:</b>		
Salaries	519,143	522,635
Benefits:		
Pension (credit) and OPEB expense	(241,982)	(266,880)
Other benefits	139,771	113,317
Scholarships and fellowships	117,388	232,152
Supplies and other services and utilities	139,740	195,602
Other operating expenses	111,078	60,692
<b>Total operating expenses</b>	<b>785,138</b>	<b>857,518</b>
<b>Operating loss</b>	<b>(415,235)</b>	<b>(506,013)</b>
<b>Nonoperating revenues (expenses):</b>		
Commonwealth and other appropriations	554,748	520,602
Federal grants:		
Federal Pell Grant program	150,917	149,826
CARES Act	45,510	294,111
Federal Emergency Management Agency (FEMA) and other disaster relief funds	4,719	696
Net other nonoperating (expenses) revenues	22,774	(18,016)
<b>Net nonoperating revenues</b>	<b>778,668</b>	<b>947,219</b>
<b>Income before other changes in net position</b>	<b>363,433</b>	<b>441,206</b>
<b>Other changes in net position:</b>		
Capital grant contributions	2,072	6,308
Additions to term and permanent endowments - Commonwealth	51,040	162,652
<b>Total other changes in net position</b>	<b>53,112</b>	<b>168,960</b>
<b>Change in net position</b>	<b>416,545</b>	<b>610,166</b>
<b>Net position (deficit):</b>		
Beginning of year	(1,754,203)	(2,364,369)
<b>End of year</b>	<b>\$ (1,337,658)</b>	<b>\$ (1,754,203)</b>



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***Revenues***

Approximately 83% of operating revenues and nonoperating revenues of the University are Commonwealth and Federal appropriations, grants, and contracts. The remainder consists primarily of tuition, fees and patient services.

Decrease in revenues of \$146.9 million is mainly related to the net effect of the decrease in revenues of \$248.6 million under the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") and \$1.8 million in net other non-operating revenues offset by increases in tuition (\$3.0 million), patient service revenue (\$10.3 million), Commonwealth's appropriations (\$34.1 million).

Tuition and fees increased by \$3.0 million. Even though the student population decreased from the prior fiscal year, such decrease was mitigated by the increase in the cost per credit to undergraduates and graduate students.

The tuition fees per credit are the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Undergraduate	\$ 157	\$ 145
Masters	205	195
Doctoral (PhD)	215	205
Juris Doctor	305	280

Degree of Doctor of Medicine (MD) is approximately \$17.5 thousand annually.

In 2019, the University started to gradually increase the tuitions cost and fees in accordance with its certified fiscal plans. In fiscal year 2023, the tuition cost per credit increased as follows: (i) undergraduate student from \$145 in 2022 to \$157 in 2023; (ii) graduate student (master's programs) from \$195 in 2022 to \$205 in 2023; (iii) graduate student (doctoral programs) from \$205 in 2022 to \$215 in 2023; and (iv) Bachelor of Medicine ("MD") programs, the average annual tuition has been \$17.5 thousand in 2022 and 2023. The student body decreased by 2,703 students, from 44,334 students for fiscal year 2022 to 41,631 students for fiscal year 2023.

Net patient services revenue and other amounted to \$91.7 million and \$81.4 million for the years ended June 30, 2023 and 2022, respectively, an increase of approximately \$10.3 million or 11.1%. Patient service revenue depends on medical services, including laboratories, rendered by the University's Medical Sciences Campus faculty members.

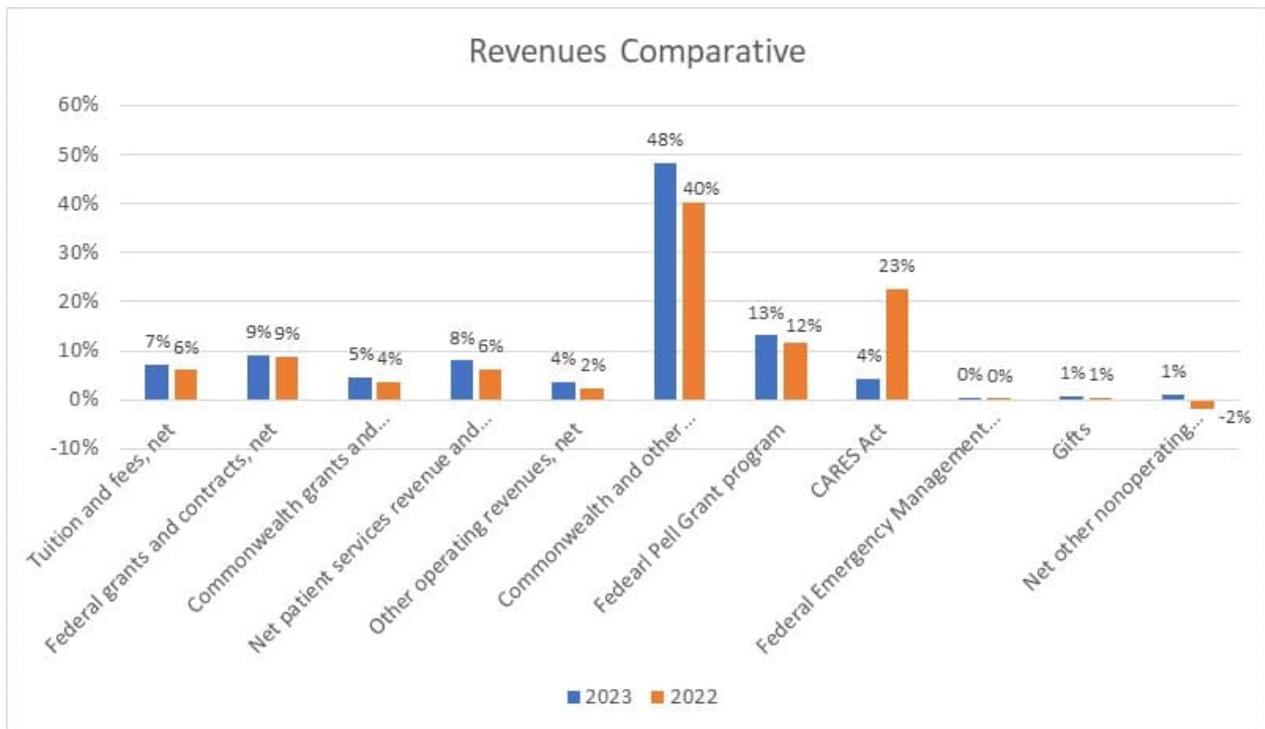


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**Net Non-operating Revenues**

Commonwealth Appropriations increased by \$34.1 million from fiscal year 2022. Appropriations received by the University from the Commonwealth are mainly supported by Act No. 2 of 1966. These Commonwealth appropriations support the University’s operational expenses. The Commonwealth appropriations for the operational expenses of the University amounted to approximately \$511.3 million for the year ended June 30, 2023. Act No. 53 of 2021 (Act 53) fixed all the Commonwealth’s appropriations for the University at \$500 million in each of the five fiscal years from 2023 to 2027. After fiscal year 2027, the Commonwealth appropriations for the operational expenses of the University will be indexed to inflation.

The following illustrations of the Primary Government’s revenues (both operating and nonoperating) for the years ended June 30, 2023 and 2022 are presented for ease of comparisons:





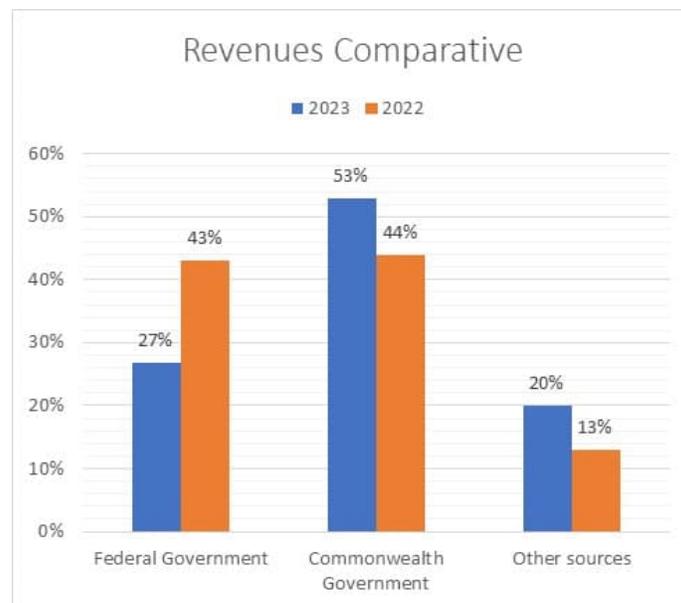
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	<u>2023</u>		<u>2022</u>	
Tuition and fees, net	\$ 81,445	7%	\$ 78,400	6%
Federal grants and contracts, net	105,697	9%	112,889	9%
Commonwealth grants and contracts, net	51,762	5%	47,451	4%
Net patient services revenue and other	91,784	8%	81,487	6%
Other operating revenues, net	41,465	4%	31,278	2%
Commonwealth and other appropriations	554,748	48%	520,602	40%
Federal Pell Grant program	150,917	13%	149,826	12%
CARES Act	45,510	4%	294,111	23%
FEMA and other disaster-relief funds	4,719	0%	696	0%
Gifts	8,829	1%	6,698	1%
Net other nonoperating (expenses) revenues	11,695	1%	(24,714)	-2%
	<u>\$ 1,148,571</u>	<u>100%</u>	<u>\$ 1,298,724</u>	<u>100%</u>

Major sources of revenues are the following:

	<u>2023</u>		<u>2022</u>	
Federal Government	\$ 306,843		\$ 557,522	
Commonwealth Government	606,510		568,053	
Internal sources and others	235,218		173,149	
	<u>\$ 1,148,571</u>		<u>\$ 1,298,724</u>	





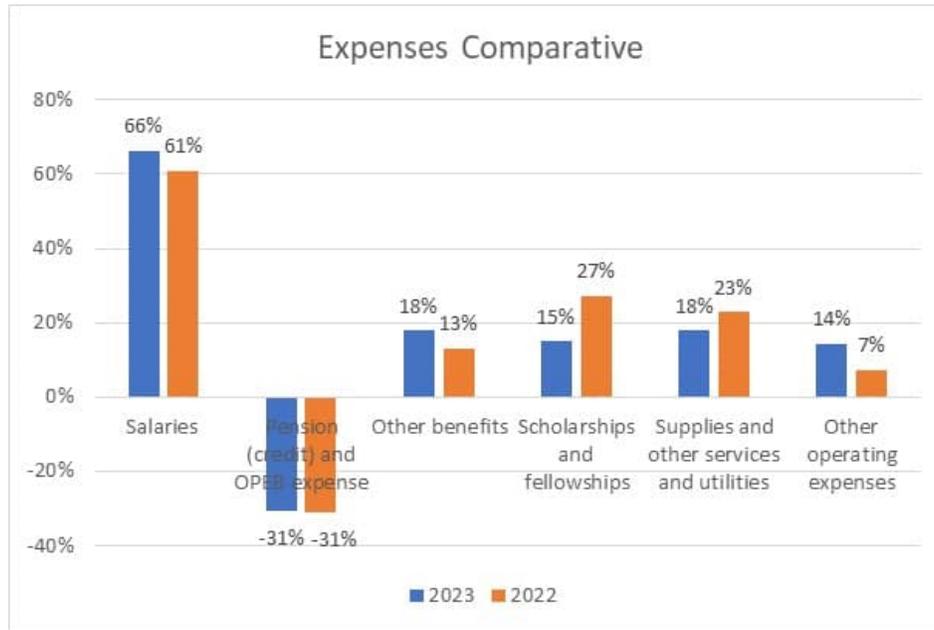
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**Operating Expenses**

Salaries amounted to \$519.1 million and \$522.6 million for the years ended June 30, 2023 and 2022, respectively, a decrease of \$3.5 million or less than 1% for 2023. Average salary and benefits \$53,722 and \$54,178 for the year ended June 30 2023 and 2022, respectively. The University’s total headcount decreased by 398 positions from approximately 9,646 employees as of June 2022, to 9,248 employees as of June 2023.

Decrease of scholarships and fellowships expense of \$117.3 million for 2023 as compared to 2022 is related to the decrease in CARES Act funds available of \$240.9 million for the same periods.

The following illustration presents the Primary Government’s major operating expenses, using natural classification, for the year ended June 30, 2023 and 2022:

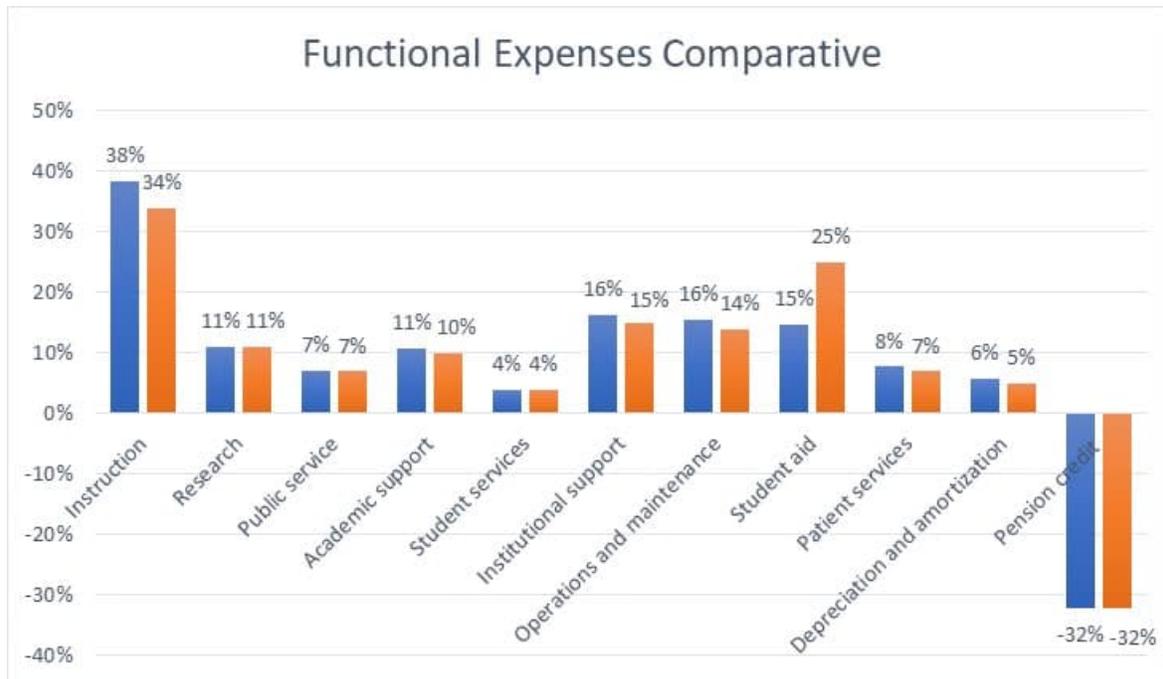


	<u>2023</u>		<u>2022</u>	
Salaries	\$ 519,143	66%	\$ 522,635	61%
Pension (credit) and OPEB expense	(241,982)	-31%	(266,880)	-31%
Other benefits	139,771	18%	113,317	13%
Scholarships and fellowships	117,388	15%	232,152	27%
Supplies and other services and utilities	139,740	18%	195,602	23%
Other operating expenses	111,078	14%	60,692	7%
	<u>\$ 785,138</u>	<u>100%</u>	<u>\$ 857,518</u>	<u>100%</u>



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Functional expense classification presents the University expenses in the operational categories they benefit. The following illustration presents the major uses of the University expenses on a functional basis for the year ended June 30, 2023:



	<b>2023</b>		<b>2022</b>	
Instruction	\$ 295,205	38%	\$ 292,150	34%
Research	88,665	11%	97,614	11%
Public service	56,322	7%	56,299	7%
Academic support	86,078	11%	88,099	10%
Student services	31,894	4%	31,852	4%
Institutional support	129,434	16%	129,300	15%
Operations and maintenance	124,053	16%	121,696	14%
Student aid	113,040	15%	217,230	25%
Patient services	61,473	8%	60,479	7%
Depreciation and amortization	46,482	6%	44,608	5%
Pension credit	(247,508)	-32%	(281,809)	-32%
	<b>\$ 785,138</b>	<b>100%</b>	<b>\$ 857,518</b>	<b>100%</b>



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***Capital Grant Contributions and Additions to Term and Permanent Endowments***

Capital grant contributions amounted to \$2.1 million in fiscal year 2023 and were received from federal funds designated by FEMA and other disaster-relief funds. \$6.3 million was received in fiscal year 2022.

The University received from the Commonwealth \$51 million for a UPR Endowment Fund for the benefit of the students of the University as required by Act No. 4 of 2022, “Law of the Scholarship Fund to Mitigate the Increase in Tuition Costs of the Fiscal Plan”. During fiscal year 2022 a total of \$162.7 million was received.

**Analysis of Net Position**

The major classifications of the net position (deficit) as of June 30, 2023 are shown in the following illustration:



Net investment in capital assets consists of the University’s capital assets less accumulated depreciation, reduced by outstanding debt obligations that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are required to be included in this component of net position. To the extent proceeds from issuance of debt have been received but not yet expended for capital assets or deferred inflow of resources attributable to the unspent amount, such amounts are not included as a component of net investment in capital assets.

Restricted, nonexpendable net position consists of restricted, nonexpendable assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted, nonexpendable assets include endowment and similar type funds 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.



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Restricted, expendable net position consists of restricted, expendable assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted, expendable assets include resources that the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted net position is the net position (deficit) amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted components of net position. It represents resources derived from student tuition and fees, state appropriations, sales and services of educational activities and auxiliary enterprises. Auxiliary enterprises are substantially self-supporting activities that provide services for students, faculty, and staff. While unrestricted net position may be designated for specific purposes by action of management or the Governing Board, they are available for use, at the discretion of the Governing Board, to meet current expenses for any purpose.

### **Going Concern**

These financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) assuming the university will continue as a going concern. The University faces risks and uncertainties, including liquidity risk, which is the risk of not having sufficient liquid financial resources to meet obligations when they come due. The risks and uncertainties facing the University together with other factors further described below, have led management to conclude that there is substantial doubt as to the ability of the University to continue as a going concern in accordance with GASB Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards, Going Concern Considerations Section.

Prior to implementation of the Commonwealth's Plan of Adjustment under Title III of PROMESA, the Commonwealth was in the midst of a profound fiscal, economic and liquidity crisis, which was the culmination of many years of significant governmental deficits, a prolonged economic recession (which commenced in 2006), high unemployment, population decline, and high levels of debt and pension obligations. As the Commonwealth's tax base shrunk and its revenues affected by prevailing economic conditions, health care, pension and debt service costs have become an increasing portion of the General Fund budget, which has resulted in reduced funding available for other essential services.

The Commonwealth's very high level of debt and unfunded pension liabilities and the resulting required allocation of revenues to service debt and pension obligations contributed to significant budget deficits in the past, which deficits the Commonwealth financed, further increasing the amount of its debt. These matters and the Commonwealth's liquidity constraints, among other factors, have adversely affected its credit ratings and its ability to obtain financing at reasonable interest rates. Similarly, and pursuant to a series of legislations and executive orders during fiscal year 2016 and 2017, the Commonwealth and certain other public corporations also delayed the debt service payments on some of its debt, including the general obligation bonds of the Commonwealth.



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In response to the Commonwealth's fiscal crisis, the United States Congress enacted the Puerto Rico Oversight and Management and Economic Stability Act (PROMESA) on June 30, 2016 establishing the Financial Oversight and Management Board for Puerto Rico (the "Oversight Board") with certain powers to exercise budgeting and financial controls over the Commonwealth's fiscal affairs, and to review and approve certain governmental actions while reorganizing the Commonwealth's and certain public corporation's debt.

Given the high dependency of the University on the Commonwealth appropriations and lack of available financing sources at reasonable interest rates, the University's financial condition and liquidity is being adversely affected. Consequently, the University may not be able to avoid future defaults on its obligations. Management has plans to address the University's liquidity situation and continue providing services. However, there can be no assurance that the Commonwealth will be able to continue to provide adequate appropriations or funding alternatives or that the creditors will be able and willing to refinance or modify the terms (e.g., refinance, extension) of the University's obligations.

The University is: (i) dependent upon Commonwealth's appropriations to finance its operations; (ii) exposed to contractual debt maturity acceleration due to covenant violations; and (iii) encumbered to provide liquid resources for retired and non-retired vested employees.

However, the University considers that: (i) Commonwealth appropriations to the University were fixed at \$500 million are secured thru 2027 in accordance with Act 53; (ii) risk of debt acceleration is minimal due to the Stand Still Agreement that provides for a sinking fund reserve in excess of debt service for 12 months; and (iii) pension liability increase risk is mitigated thru to the conversion of the defined benefit plan to a defined contribution plan for new hires effective August 1, 2023.

The University is constantly evaluating strategies to obtain additional revenue sources for future operations. These strategies may include grants and contracts, issuing debt or entering into other financing arrangements and restructuring operations to grow revenues and decrease expenses. However, due to the local economic downturn and population migration, the University may be unable to access new or additional revenue sources. The University has seen a decline trend in its student enrollment. The student body decreased from 61,747 students in academic year 2016-2017 to 46,120 students in academic year 2022-2023, a decrease of 16,200 students or 23% in the last five years.

### ***Management's Plan***

Pursuant to PROMESA and the requirements imposed by the Oversight Board, the Oversight Board has certified the fiscal plans for the University since 2017. Considering the many variables in the forecasts, the Oversight Board has chosen to annually update and certify a Fiscal Plan for accuracy and to serve as the most updated information for the purposes of certifying an annual budget. The University's Fiscal Plans, in accordance with PROMESA, have outlined a path to achieve fiscal responsibility, maintain access to capital markets, and provide adequate funding for the University's Retirement System.



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The Oversight Board recognizes that the University has made progress on implementing some measures (e.g., increased undergraduate and graduate tuition costs). However, on other measures, the University is in the process to comply with previous fiscal plan requirements. The University is in the process to: (i) reform its pension plan; (ii) adjust benefits to sustainable levels; and (iii) implement adjustment measures to capture the required procurement savings.

The certified fiscal plan for the University includes four core elements centered primarily on improving operations and increasing revenues, while maintaining student access and experience benefits from the improved university system:

***Operational Efficiencies***

The University's existing operational model, with eleven semi-autonomous campuses, creates unnecessary complexity and drives higher costs. The Fiscal Plan continues to identify personnel and non-personnel efficiencies, prioritizing the latter, to make sure all campuses remain operational while reinvesting in core faculty. The Fiscal Plan calls for a decrease in total operating disbursements. These cost reductions are paired with operational improvements, such as the transition to shared administrative service hubs and an optimization of academic offerings-pairing resources with greatest academia needs. The fiscal plan mainly includes the following expense measures:

- Attrition: Lower overall headcount via means of attrition by reducing non-faculty and other administrative personnel, including trust and senior positions. Increase faculty in order to maintain the highest level of institutional quality.
- Centralized procurement efforts and contract negotiations.
- Benefits adjustments: Reduce the employer monthly contribution to the medical insurance plans to \$390 per month to each faculty members and to \$125 per month to each non-faculty members plans, while keeping baseline contributions to employees with preexisting conditions; and reduce prospective pay out of non-payroll compensation (e.g., sick days, union charges).

***Revenue Enhancement***

The certified Fiscal Plan for the University aims to maximize opportunities to increase revenue from the following.

- Non-tuition sources: Maximizing opportunities to increase revenue from non-tuition sources including federal grants and awards, intellectual property, and patent monetization, increase in dues and charges and ancillary service fees for providing training to external institutions (e.g., additional revenue by offering tutorial and training services to the Department of Education and other government agencies).



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- Tuition sources:
  - Gradual increase in the student cost per credit from fiscal year 2021 to 2023. Thereafter, tuition will be indexed to public 4-year tuition inflation (estimated to be 3.1% for fiscal year 2024).
  - Increase cost per credit for graduate programs to be more in line with local and nationwide benchmarks, indexing the increase first to the average public higher education tuition growth over the past decade (3.1%), then to the Puerto Rico inflation (1%).
  - Actual tuition cost per credit for years 2023 and 2022 are the following:

	2023		2022
Undergraduate	\$ 157	\$	145
Masters	205		195
Doctoral (PhD)	215		205
Juris Doctor	305		280

Degree of Doctor of Medicine (MD) is approximately \$17.5 thousand annually.

***Pension Reform***

The University's pension fund faces significant challenges, with about 53% of liabilities unfunded as of June 30, 2023. PROMESA requires that the Commonwealth's pension systems, including the University's pension plan to be adequately funded and responsibly managed. The Fiscal Plan outlines options to ensure pension obligations can be paid without requiring significantly higher revenues or lower expenses, while still allowing the University to achieve operating surplus within the fiscal plan period.

The Fiscal Plan requires the University to make full actuarially required contribution to its pension plan. The University's contributions to its pension plan amounted to \$143.7 million in fiscal year 2023. The Oversight Board of PROMESA offered the University the following options:

- Option 1: Freeze its current defined benefit plan and move to a defined contribution plan without cutting accrued benefits.
- Option 2: Freeze its current defined plan, move to a defined benefit contribution plan, and progressively cut accrued benefits in a manner similar to other Commonwealth's pension plans. Eliminate \$250 minimum benefits and \$400 holiday bonus. This option does not require additional savings or revenue measures to this Fiscal Plan.

The Oversight Board strongly believes that Option 2 is the most responsible course of action for the University. If the University's pension plan remains in its current status and no measures are implemented, the University will need to find additional savings above what is presented in the certified fiscal plans to avoid operating at a deficit and maintain the solvency of its retirement system.



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The University has already taken a significant step forward by certifying a plan for a pension plan reform. In its plan, the University closes the plan to new members and moves them to a defined contribution plan. Plan closure was effective July 31, 2023. Nonetheless, vested and non-vested participants will continue to accrue benefits and the University has not made a final decision with respect to the options presented by the Oversight Board.

***Fiscal Governance and Controls***

The University has been facing difficulties maintaining adequate central control and transparency of campus finances. The Fiscal Plan includes fiscal governance reforms such as cross-campus and component unit controls on how revenues are collected, and expenditures reported.

There is no certainty that the fiscal plan or any subsequently certified fiscal plan for the University will be fully implemented or if fully implemented will ultimately provide the intended results. As such, management does not believe that its ability to continue as a going concern has been fully alleviated.

**Capital Assets**

Capital assets are comprised of buildings used to provide high quality education and create new knowledge in the Arts, Sciences and Technology and equipment and assets under capital lease. Significant capital assets additions for the year ended June 30, 2023, consisted mainly of renovation and rehabilitation of existing facilities, restoration of historic buildings, and modifications of existing facilities in light of new technology, educational standards, and the requirements of modern building codes. The University's investment in capital assets as of June 30, 2023, and June 30, 2022, amounted to approximately \$740 and \$755 million, respectively, net of accumulated depreciation and amortization.

Construction commitments as of June 30, 2023, entered by the University, amounted to approximately \$41.4 million.

**University Debt**

Long-term debt obligations include the University's revenue bonds (the "Revenue Bonds") which amounted to approximately \$268.4 million as of June 30, 2023. This represents a decrease of \$29 million from the prior year due to scheduled debt service payments. The University issued revenue bonds designated as "University System Revenue Bonds", the proceeds of which were used mainly to finance new activities in connection with its educational facilities construction program and to cancel and refinance previous debts incurred. These bonds were rated "CC" by Standard & Poor's Ratings Services (S&P) on January 2021. There has not been a rating revision since then.



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In addition, long-term debt obligations include the Desarrollos Universitarios, Inc's AFICA bonds (the "AFICA bonds") which amount to \$47.3 million as of June 30, 2023 a decrease of \$3.1 million from fiscal year 2022 due to scheduled debt service payments. The AFICA bonds are currently rated "CC" by S&P. The AFICA bonds were principally issued to finance the development, construction, and equipment of the Plaza Universitaria Project (the "Project"), a residential and commercial facility for the use of students and other persons or entities conducting business with the University.

### **University's Standstill Agreement**

On June 29, 2017, the University and the trustee for the Revenue Bonds entered into a standstill agreement (the "Standstill Agreement"), pursuant to which the University agreed to transfer to a segregated account, for the benefit of the holders of the Revenue Bonds, certain amounts in respect of revenue pledged for the repayment on the condition that during the covered period of the Standstill Agreement the trustee would not institute, commence, or continue any legal proceeding against the University, the Commonwealth, or any of its agencies, instrumentalities, or municipalities thereof, to enforce rights related to the Revenue Bonds. The Standstill Agreement has been subject to twenty extensions. The latest extension is through May 31, 2024. Pursuant to the Standstill Agreement, as extended, during the compliance period, holders of the majority in amount of the bonds and the Trustee at the direction of the University's bondholders will negotiate in good faith towards a restructuring of the bonds.

The Trust Agreements governing the Revenue Bonds and the DUT's AFICA bonds require a ratio of total pledged revenues plus interest earned on reserve account to principal and interest requirements for the Revenue Bonds of at least 1.5 to 1 (total debt service coverage ratio). As of June 30, 2023, the University's total debt service coverage ratio was 4.22.

The University has complied with and has made all transfers due under the Standstill Agreement, as extended.

### **Request for Information**

This financial report is designed to provide a general overview of the University's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer. The executive offices of the University are located at 1187 Flamboyán Street, Jardín Botánico Sur, San Juan, Puerto Rico 00926.



**University of Puerto Rico**  
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**Statement of Net Position (Deficit)**  
**As of June 30, 2023 (in thousands)**

	<b>Primary Government</b>	<b>Component Units</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 75,248	\$ 5,826
Restricted cash and cash equivalents	83,462	-
Short-term investments at fair value	119,083	-
Restricted investments at fair value deposited with trustees and others	87,380	-
Accounts receivable, net	23,461	10,974
Due from Federal Government	58,047	-
Due from related parties, net	13,168	-
Lease receivable	760	-
Inventories	1,614	1,027
Other assets	8,197	915
<b>Total current assets</b>	<b>470,420</b>	<b>18,742</b>
Noncurrent assets:		
Restricted cash and cash equivalents	19,686	11,438
Restricted investments:		
Endowment funds	316,406	-
Deferred Compensation Plan	82,824	-
Other long-term investments at fair value	1,212	-
Lease receivable	1,585	-
Notes receivable, net	8,101	-
Right of use subscription assets, net	3,945	-
Capital assets:		
Land and other nondepreciable assets	75,275	-
Depreciable assets (net of accumulated depreciation and amortization)	664,732	23,405
Other assets	421	264
<b>Total noncurrent assets</b>	<b>1,174,187</b>	<b>35,107</b>
<b>Total assets</b>	<b>1,644,607</b>	<b>53,849</b>
Deferred outflows of resources:		
Deferred outflows from pension activities	239,519	-
Deferred outflows from OPEB activities	25,706	-
Deferred refunding loss	570	-
<b>Total deferred outflows of resources</b>	<b>265,795</b>	<b>-</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 1,910,402</b>	<b>\$ 53,849</b>

*(Continued)*



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**Statement of Net Position (Deficit)**  
**As of June 30, 2023 (in thousands)**

	<u>Primary Government</u>	<u>Component Units</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 114,920	\$ 12,874
Unearned revenues	100,428	-
Current portion of long-term debt:		
Notes payable and others	58	1,577
Bonds payable	32,835	-
Other current liabilities:		
Lease liability	1,639	91
Subscription liability	1,890	-
Claims liability	312	-
Compensated absences	29,534	-
<b>Total current liabilities</b>	<b>281,616</b>	<b>14,542</b>
Noncurrent liabilities:		
Long-term debt, net of current portion:		
Notes payable and others	58	5,061
Bonds payable	282,896	-
Due to University	-	3,454
Other long-term liabilities, net of current portion:		
Lease liability	1,200	218
Subscription liability	1,842	-
Deferred compensation plan	82,824	-
Claims liability	7,058	2,429
Compensated absences	100,494	-
Net pension liability	1,752,230	-
Other postemployment benefits (OPEB) liability	198,788	-
<b>Total noncurrent liabilities</b>	<b>2,427,390</b>	<b>11,162</b>
<b>Total liabilities</b>	<b>2,709,006</b>	<b>25,704</b>
Deferred inflows of resources:		
Deferred inflows from pension activities	493,321	-
Deferred inflows from OPEB activities	43,581	-
Deferred inflows related to leases	2,152	-
<b>Total deferred inflows of resources</b>	<b>539,054</b>	<b>-</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>3,248,060</b>	<b>25,704</b>
<b>Net position (deficit)</b>		
Net investment in capital assets	444,796	23,405
Restricted, nonexpendable:		
Scholarships and fellowships	246,277	-
Research	50,324	-
Other	41,580	-
Restricted, expendable:		
Loans	14,861	-
Capital projects	6,183	-
Debt service	52,759	-
Others	-	15
Unrestricted (deficit)	(2,194,438)	4,725
<b>Total net position (deficit)</b>	<b>\$ (1,337,658)</b>	<b>\$ 28,145</b>

*See accompanying notes to financial statements.*



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**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2023 (in thousands)**

	<b>Primary Government</b>	<b>Component Units</b>
<b>Operating revenues:</b>		
Tuitions and fees, net	\$ 81,445	\$ -
Net patient services revenue and other	91,784	56,859
Federal grants and contracts	105,697	1,358
Commonwealth grants and contracts, net	51,762	-
Nongovernmental grants and contracts, net	7,434	-
Sales and services of educational departments	9,552	-
Auxiliary enterprises, net	781	-
Other operating revenues	21,448	7,253
<b>Total operating revenues</b>	<b>369,903</b>	<b>65,470</b>
<b>Operating expenses:</b>		
Salaries:		
Faculty	333,802	-
Exempt staff	183,821	21,158
Nonexempt wages	1,520	8,844
Benefits:		
Pension credit	(247,508)	-
OPEB expense	5,526	-
Other benefits	139,771	3,942
Scholarships and fellowships	117,388	-
Supplies and other services	139,740	19,143
Utilities	50,727	4,004
Depreciation and amortization	46,482	2,679
Other expenses	13,869	4,870
<b>Total operating expenses</b>	<b>785,138</b>	<b>64,640</b>
<b>Operating income (loss)</b>	<b>(415,235)</b>	<b>830</b>
<b>Nonoperating revenues (expenses):</b>		
Commonwealth and other appropriations	554,748	-
Federal grants:		
Federal Pell Grant program	150,917	-
CARES Act	45,510	-
Federal Emergency Management Agency (FEMA) and other disaster-relief funds	4,719	-
Gifts	8,829	-
Net investment income	28,426	-
Interest expense - debt related	(16,333)	(760)
Net other nonoperating revenues	1,852	-
<b>Net nonoperating revenues</b>	<b>778,668</b>	<b>(760)</b>
<b>Income before other changes in net position</b>	<b>363,433</b>	<b>70</b>
<b>Other changes in net position:</b>		
Capital grant contributions	2,072	-
Additions to term and permanent endowments	51,040	-
<b>Total other changes in net position</b>	<b>53,112</b>	<b>-</b>
<b>Change in net position</b>	<b>416,545</b>	<b>70</b>
<b>Net position (deficit):</b>		
Beginning net position (deficit)	(1,754,203)	28,075
End of year	\$ (1,337,658)	\$ 28,145

*See accompanying notes to financial statements.*



**University of Puerto Rico**  
**(A Component Unit of the Commonwealth of Puerto Rico)**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2023 (in thousands)**

	<b>Primary Government</b>
<b>Cash flows from operating activities</b>	
Tuition and fees	\$ 82,625
Grants and contracts	228,164
Patient services	85,354
Payments to employees	(523,762)
Payments for benefits	(301,470)
Payments for scholarships and fellowships	(121,243)
Payments to suppliers	(133,301)
Payments for utilities	(50,715)
Collection of loans, net of loans issued to students	(850)
Auxiliary enterprises	795
Sales and services educational departments and others	25,496
Net cash used in operating activities	(708,907)
<b>Cash flows from noncapital financing activities</b>	
Commonwealth and other appropriations	554,748
Federal grants:	
Federal Pell Grant program	150,917
CARES Act	45,510
FEMA and other disaster-relief funds	4,263
Endowment gifts	51,040
Federal direct student loan program receipts	56,123
Federal direct student loan program disbursements	(56,123)
Gifts and grants for other than capital purposes	8,829
Other non-operating receipts, net	1,477
Net cash provided by noncapital financing activities	816,784
<b>Cash flows from capital and related financing activities</b>	
Purchases of capital assets	(29,831)
Disbursements for subscription based information technology	(1,498)
Federal Government capital contributions	2,072
Principal paid on capital debt and financed purchases	(31,189)
Interest paid on capital debt and financed purchases	(16,945)
Principal and interest received on leases	1,296
Principal and interest paid on leases	(4,424)
Decrease in deposits with trustees and others	(1,618)
Net cash used in capital and related financing activities	(82,137)
<b>Cash flows from investing activities</b>	
Proceeds from sales and maturities of investments	268,407
Purchases of investments	(533,485)
Collections of interest and dividend income on investments	18,989
Advances to the University of Puerto Rico Retirement System	116
Net cash used in investing activities	(245,973)
Net change in cash and cash equivalents	(220,233)
Cash and cash equivalents:	
Beginning of year	398,629
End of year	\$ 178,396

*(Continued)*



**University of Puerto Rico**  
**(A Component Unit of the Commonwealth of Puerto Rico)**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2023 (in thousands)**

	<u>Primary Government</u>
<b>Reconciliation of operating loss to net cash used in operating activities</b>	
Operating loss	\$ (415,235)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	46,482
Provision for allowances doubtful accounts	14,917
Changes in operating assets and liabilities and deferred outflows and inflows of resources:	
Decrease (increase) in:	
Accounts receivables, net	(32,533)
Prepaid expenses, inventories and other	(7,591)
Deferred outflows of resources from pension activities	(27,725)
Deferred outflows of resources from OPEB activities	6,449
Increase (decrease) in:	
Accounts payable and accrued liabilities	28,600
Unearned revenue	63,754
Accrued salaries, wages, benefits and other liabilities	(11,588)
Net pension liability	221,466
OPEB liability	(51,600)
Deferred inflows of resources from pension activities	(585,054)
Deferred inflows of resources from OPEB activities	40,134
Deferred inflows related to leases	617
Net cash used in operating activities	<u>\$ (708,907)</u>
<b>Supplemental schedule of noncash investing, capital and financing activities</b>	
Increase in fair value of investments	<u>\$ 8,187</u>
Amortization of:	
Bonds premiums, net of discounts	<u>\$ 1,290</u>
Deferred refunding loss	<u>\$ 179</u>

*See accompanying notes to financial statements.*



**University of Puerto Rico**  
**(A Component Unit of the Commonwealth of Puerto Rico)**  
**Notes to Financial Statements**  
**June 30, 2023**

## **1. Reporting Entity**

The University of Puerto Rico (the “University”), founded in 1903, is a state supported university system created by Law No. 1 of January 20, 1966, “Law of the University of Puerto Rico” (“Act No. 1”), as amended, with the mission to serve the people of Puerto Rico and contribute to the development and enjoyment of the fundamental values of Puerto Rican culture, and committed to the ideals of an ethical and democratic society. To advance its mission, the University strives to provide high quality education and create new knowledge in the Arts, Sciences and Technology. The University is the oldest and largest institution of higher education on the island of Puerto Rico with a history of academic excellence.

The University is a public corporation of the Commonwealth of Puerto Rico (the “Commonwealth”) governed by a fourteen-member Governing Board, of which eight members are appointed by the Governor of Puerto Rico and confirmed by the Senate of Puerto Rico. The remaining members of the Governing Board consist of two tenured professors and two full-time students. The Secretary of the Department of Education of the Commonwealth and a member of the Puerto Rico Fiscal Agency and Financial Advisory Authority (“FAFAA”) are ex-officio members of the Governing Board. The Governor appointed the original members for a term of six years. The terms for the students and professors are one year.

The University is exempt from the payment of taxes on its revenues and properties. The University is a discretely presented major component unit of the Commonwealth.

The University system includes all the campuses at Río Piedras, Mayagüez, Medical Sciences (“MSC”), Cayey, Humacao, Ponce, Bayamón, Aguadilla, Arecibo, Carolina and Utuado, and the Central Administration.

The financial reporting entity consists of the University and its Component Units which are legally separate organizations for which the University is financially accountable. The University of Puerto Rico consists of the University and its blended component units (hereafter referred as the “University”). The definition of the reporting entity is based primarily on the notion of financial accountability. The University is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the University. The University may also be financially accountable for organizations that are fiscally dependent on it if there is a potential for the organizations to provide specific financial benefits to the University or impose specific financial burdens on the University regardless of whether the organizations have separate elected governing boards, governing boards appointed by higher levels of government or jointly appointed boards. The University is financially accountable for all of its Component Units.

Most Component Units are included in the financial reporting entity by discrete presentation. Two of the component units, despite being legally separate from the University, are so integrated with the University that are in substance part of the University. These component units are blended with the University.



**University of Puerto Rico**  
**(A Component Unit of the Commonwealth of Puerto Rico)**  
**Notes to Financial Statements (continued)**  
**June 30, 2023**

## **1. Reporting Entity (continued)**

*Blended Component Units:* The following component units, although legally separate, are reported as if they were part of the University because their debts are expected to be repaid entirely or almost entirely with resources of the University:

### **Desarrollos Universitarios, Inc.**

Desarrollos Universitarios, Inc. (“DUI”) is a legally separate entity from the University and a nonstock corporation that is governed by a separate board. DUI was organized on January 22, 1997, under the laws of the Commonwealth, as a not-for-profit organization. DUI was organized to develop, construct, and operate academic, residential, administrative, office, commercial, and maintenance facilities for the use of students and other persons or entities conducting business with the University. DUI is fiscally dependent on the University and its debt is expected to be repaid entirely or almost entirely with resources of the University. Complete financial statements of DUI can be obtained directly by contacting DUIs administrative offices.

### **Molecular Sciences Research Center, Inc.**

Molecular Sciences Research Center, Inc. (“MSRC”) is a legally separate entity from the University and a nonstock corporation that is governed by a separate board. MSRC is a not-for-profit corporation, organized under the Laws of the Commonwealth, on March 23, 2011, to operate and administer the University’s Molecular Science Building (“MSB”). Commencing in August 2019, MSRC functions as a separate component unit of the University. MSRC is an advanced research facility of the University with laboratories conducting basic and translational biomedical research in the areas of protein structure and dynamics, molecular biology, genomics, proteomics, bio-imaging, pharmacogenetics, and neurosciences. MSRC is fiscally dependent on the University and its debt is expected to be repaid entirely or almost entirely with resources of the University. Complete financial statements of MSRC can be obtained directly by contacting MSRC's administrative offices.

*Discretely Presented Component Units:* All discretely presented component units are legally separate from the University. These entities are reported as discretely presented component units because the University appoints a majority of these organization’s boards, is able to impose its will on them, or a financial benefit/burden situation exists. They include the following:

### **Servicios Médicos Universitarios, Inc.**

Servicios Médicos Universitarios, Inc. (“SMU”) is a legally separate entity from the University and a nonstock corporation that is governed by a separate board. SMU is a not-for-profit acute care corporation, organized under the Laws of the Commonwealth on February 11, 1998 to operate and administer healthcare units. The principal objectives of SMU are to constitute it as the principal medical education institution of the University and to offer healthcare services to the residents of Puerto Rico. The University appoints a voting majority of SMU board and is also financially accountable for SMU. Complete financial statements of SMU can be obtained directly by contacting SMU's administrative offices.



**University of Puerto Rico**  
**(A Component Unit of the Commonwealth of Puerto Rico)**  
**Notes to Financial Statements (continued)**  
**June 30, 2023**

## **1. Reporting Entity (continued)**

### **University of Puerto Rico Parking System, Inc.**

University of Puerto Rico Parking System, Inc. (“UPRPS”) is a legally separate entity from the University and a nonstock corporation that is governed by a separate board. UPRPS was organized on May 5, 2000, under the laws of the Commonwealth, as a not-for-profit organization. UPRPS was organized to operate the parking facilities of the Medical Sciences and Río Piedras campuses. The University appoints a voting majority of UPRPS board and is also financially accountable for UPRPS. Starting in January 2021, UPRPS is the administrative agent, responsible for the maintenance, repairs and operation of Plaza Universitaria. Plaza Universitaria is a facility which consists of student housing, a multi-story parking building, and an institution building to house administrative, student services and support functions, and to a lesser extent, to lease commercial space. Complete financial statements of UPRPS can be obtained directly by contacting the UPRPS's administrative offices.

### **Materials Characterization Center, Inc.**

Materials Characterization Center, Inc. (“MCC”) is a legally separate entity from the University and a nonstock corporation that is governed by a separate board. MCC was organized on April 15, 1999, under the laws of the Commonwealth, as a not-for-profit organization. The University appoints a voting majority of MCC board and is also financially accountable for MCC. MCC was organized to provide a much-needed accessible and reliable center to chemically and physically characterize materials from the pharmaceutical as well as other manufacturing endeavors. MCC is administrated in conjunction with the College of Natural Sciences of the Río Piedras Campus of the University. Complete financial statements of MCC can be obtained directly by contacting the MCCs administrative offices.

The financial statements of the discretely presented component units have a June 30 year-end, except for MCC, which has a December 31 year-end.

## **2. Summary of Significant Accounting Policies**

The following is a summary of the significant accounting policies followed by the University:

### **Measurement Focus and Basis of Accounting**

The accounting and reporting policies of the University conform to accounting principles generally accepted in the United States of America (“U.S. GAAP”), as applicable to governmental entities as prescribed by the Governmental Accounting Standards Board (“GASB”).



**University of Puerto Rico**  
**(A Component Unit of the Commonwealth of Puerto Rico)**  
**Notes to Financial Statements (continued)**  
**June 30, 2023**

## **2. Summary of Significant Accounting Policies (continued)**

### **Measurement Focus and Basis of Accounting (continued)**

For financial reporting purposes, the University is considered a special purpose governmental agency engaged only in business type activities, as defined by GASB Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*, an Amendment of GASB Statement No. 34. 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 transactions within the University and its blended component units such as lease and notes payable obligations have been eliminated.

### **Estimates and Assumptions**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Cash Equivalents**

Cash equivalents include all highly liquid debt instruments with original maturities of three months or less from the date of acquisition.

### **Investments**

Investments are reported at fair value, except for money market investments and deposits held in banks which are carried at cost, in the statement of net position. Fair value is determined based on quoted market prices and quotations received from independent broker/dealers or pricing service organizations. Investments in publicly traded securities are stated at fair value as established by major securities markets. Nonpublic traded investments are valued based on independent appraisals and estimates considering market prices of similar investments. The changes in the fair value of investments are reported in the statement of revenues, expenses and changes in net position as a component of net investment income (loss) (non-operating activities).

Donated investments are recorded at their fair value at the date of donation. Investments of the Deferred Compensation Plan are valued at fair value, except for nonparticipating guaranteed investment contracts and money investments which are carried at cost.



**University of Puerto Rico**  
**(A Component Unit of the Commonwealth of Puerto Rico)**  
**Notes to Financial Statements (continued)**  
**June 30, 2023**

## **2. Summary of Significant Accounting Policies (continued)**

### **Restricted Cash, Cash Equivalents, and Investments**

Restricted cash, cash equivalents and investments includes funds restricted for capital expenditures or set aside for payments to bondholders because their use is limited by applicable bond covenants; endowment and similar type funds which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal; funds that the University is legally or contractually obligated to spend in accordance with restrictions imposed by external source or entity such as: creditors, laws or regulations of other governments, or by constitutional provisions or enabling legislation; and funds held in escrow based on terms and conditions of agreements.

### **Receivables**

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. This also includes amounts due from the federal government, state and local governments or private sources in connection with reimbursement of allowable expenditures made pursuant to the University's sponsored agreements. In addition, accounts receivable includes unpaid medical services provided by the faculty members of the MSC of the University to the Commonwealth's health reform program patients; contracted services provided by the faculty members of the MSC to the Commonwealth and to SMU; and unremitted distributions of income to be received by the University from the Commonwealth under the Gambling Law by virtue of Act No. 36 of 2005.

Other receivables mainly consist of due from Commonwealth's and municipalities, due from the University Retirement System which includes uncollected advances given to the Retirement System; and notes receivable which includes institutional loans.

Receivables are stated net of estimated allowances for uncollectible accounts. The University maintains an allowance for doubtful accounts for estimated losses inherent in its nature and expectations of repayment. In establishing the required allowance, management considers one or more of the following: type of receivables, Commonwealth guidelines, historical losses adjusted to consider current market conditions, the amounts of receivable in dispute, the current receivables aging, and current payment patterns. The University has significant amounts receivable from the Commonwealth. There is significant uncertainty regarding the collection of such receivables due to the financial challenges these entities are facing. The University has considered this in its estimate of the specific governmental allowance for uncollectible accounts and fully reserved for all receivables from the Commonwealth that are not expected to be collected in the twelve months period post the balance sheet date. The University reviews its allowance for doubtful accounts annually. Past due balances over a specified amount are reviewed individually for collectability. Because of uncertainties inherent in the estimation process, management's estimate of credit losses inherent in the existing accounts receivable and related allowance may change in the future.

### **Lease Receivable**

Lease receivable presents value of lease payments anticipated to be received during the lease term.



**University of Puerto Rico**  
**(A Component Unit of the Commonwealth of Puerto Rico)**  
**Notes to Financial Statements (continued)**  
**June 30, 2023**

## 2. Summary of Significant Accounting Policies (continued)

### Inventories

Inventories are valued at the lower of cost (first-in, first-out method) or net realizable value and consist primarily of books.

### Right of Use Lease Assets

As per GASB Statement No. 87, *Leases* (“GASB 87”), a lessee is required to recognize a lease liability and an intangible right of use lease asset, and the lessor is required to recognize a lease receivable and a deferred inflow of resources. Right of use lease asset represents the University’s right over an asset over the life of a lease in which it is the lessee. The asset is calculated as the initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus any initial direct costs incurred, minus any lease incentives received. Right of use assets are amortized over the shorter of the asset useful life or the term of the lease.

### Right of Use Subscription Asset

The University recognizes a Right of Use Subscription Asset for subscription-based information technology arrangements (“SBITA”) over a year. The subscription asset is initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term, if any. Right of use assets are amortized over the term of the subscription.

### Capital Assets

All capital expenditures of \$5,000 or more and having a useful life of two or more years are capitalized at cost at the date of acquisition. Donated assets are recorded at estimated fair value at the date of donation. Depreciation and amortization expense are computed using the straight-line method over the estimated useful lives of the assets, or in the case of assets under finance lease, over the term of the lease, whichever is shorter. Depreciation policy is the following:

<u>Capital Assets</u>	<u>Years</u>
Buildings and infrastructure	25 to 50
Land improvements	7 to 30
Equipment and library materials	5 to 20
Software	5 to 20

Renovations to buildings and other assets that significantly increase the value or extend the useful life of the asset are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense has been incurred.



**University of Puerto Rico**  
**(A Component Unit of the Commonwealth of Puerto Rico)**  
**Notes to Financial Statements (continued)**  
**June 30, 2023**

## **2. Summary of Significant Accounting Policies (continued)**

### **Impairment of Capital Assets**

A capital asset generally should be considered impaired if both (i) the decline in service utility of the capital asset is large in magnitude and (ii) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the University are reported at the lower of carrying value or fair value.

### **Long-term Debt, Debt Issuance Costs and Deferred Loss on Debt Refunding**

Long-term debt on the statement of net position is reported net of related discounts and premiums. Premium and discounts incurred in the issuance of long-term debts are deferred and amortized using the effective interest method. DUI amortize long-term debt premium and/or discount using a method which approximates the effective interest method. Debt issuance costs, except portions related to prepaid insurance, are expensed as nonoperating expenses.

For debt refunding, the excess of reacquisition cost over the carrying value of long-term debt is recorded as a deferred outflow of resources and amortized to operating expenses using the effective interest method over the remaining life of the original debt or the life of the new debt, whichever is shorter.

### **Unearned Revenue**

Unearned revenue consists primarily of cash received from grants and contract sponsors that has not been earned under the terms of the agreement.

### **Deferred Compensation Plan**

The University offered to certain employees of the Medical Sciences Campus a non-qualified deferred compensation plan which was created pursuant to Certification No. 94 of the Council of Higher Education, dated February 13, 1984. The plan, which is managed by independent plan administrators, permits certain employees to defer a portion of their salary until future years. At the participant's election, such amounts may be invested in mutual funds and other securities, which represent varying levels of risk and return. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to these amounts, are (until paid or made available to the participant or other beneficiary) solely the property and rights of the University, subject only to the claims of the University's general creditors in the event of the University's insolvency, as defined in the Trust Agreements. Participants' rights under the plan are equal to that of general creditors of the University in an amount equal to the fair value of the deferred account for each participant. It is the opinion of the University's legal counsel that the University has no liability for the losses under the plan but does have the duty of care that would be required of an ordinary prudent investor.



**University of Puerto Rico**  
**(A Component Unit of the Commonwealth of Puerto Rico)**  
**Notes to Financial Statements (continued)**  
**June 30, 2023**

## **2. Summary of Significant Accounting Policies (continued)**

### **Compensated Absences**

The vacation policy of the University generally provides for the accumulation of 2.5 days per month. Unpaid vacation time accumulated is fully vested to the employees from the first day of work up to a maximum of 60 days. Employees accumulate sick leave generally at a rate of 1.5 days per month up to a maximum of 90 days. Upon retirement, termination or death, an employee receives compensation for all accumulated unpaid vacation leave at the current rate regardless of years of service; and for all accumulated unpaid sick if the employee has at least 10 years of service with the University. An accrual for earned sick leaves is made only to the extent it is probable that the benefits will result in termination benefits, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals. This liability, which is based on the termination payment method, is an estimate based on the University's experience of making termination payments for sick leave, adjusted for the effect of changes in its termination payment policy and other current factors. Accrued compensated absences liabilities include an additional amount for salary-related payments directly and incrementally associated with the payment of compensated absences.

### **Lease Liability**

At the commencement of a lease, the University initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

### **Subscription Liability**

At the commencement of a subscription, the University initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made.

### **Deferred Outflows and Inflows of Resources**

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents an increase in net position (a consumption of assets) applicable to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. Similarly, the University reports deferred inflows of resources in the Statement of Net Position in a separate section following Liabilities. This separate financial statement element, *deferred inflows of resources*, represents a reduction of net position and resources (an acquisition of assets) applicable to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Deferred outflows and inflows of resources mainly affect the unrestricted (deficit) net position.



**University of Puerto Rico**  
**(A Component Unit of the Commonwealth of Puerto Rico)**  
**Notes to Financial Statements (continued)**  
**June 30, 2023**

## **2. Summary of Significant Accounting Policies (continued)**

### **Classification of Net Position**

The University's net position is classified as follows:

- *Net investment in capital assets* is the net position that consists of capital assets, net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted nonexpendable* is the net position that consist mainly of assets (e.g., endowments) with externally imposed restrictions, that must be retained in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to the corpus.
- *Restricted expendable* is the net position that is legally or contractually obligated to be spent in accordance with restrictions imposed by external parties.
- *Unrestricted* is the net position that is not subject to externally imposed restrictions governing its use. While unrestricted net position may be designated for specific purposes by action of management or the Governing Board, they are available for use, at the discretion of the Governing Board, to meet current expenses for any purpose.

When both restricted and unrestricted resources are available for use, it is the University's policy to use restricted resources first and then use unrestricted resources as they are needed.

### **Classification of Revenues**

The University and its component units have classified their revenues as either operating or nonoperating revenues. Operating revenues include activities that have the characteristics of exchange transactions such as student tuition and fees, services of auxiliary enterprises, grants, contracts and medical services; net of allowances, discounts and adjustments. Non-operating revenues include activities that have the characteristics of non-exchange transactions: (i) gifts, contributions, Pell Grants; (ii) other federal grants (e.g., CARES act, disaster relief); and (iii) other revenue sources (e.g., Commonwealth appropriations, investment income, gifts).

### **Scholarship Allowances and Student Financial Aid**

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



**University of Puerto Rico**  
**(A Component Unit of the Commonwealth of Puerto Rico)**  
**Notes to Financial Statements (continued)**  
**June 30, 2023**

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## **2. Summary of Significant Accounting Policies (continued)**

### **Net Patient Service Revenue**

The University and SMU have agreements with third-party payers that provide for payments to the University and SMU at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

### **Grants and Contracts**

The University has been awarded grants and contracts for which the funds have not yet been received or expenditures made for the purpose specified in the award. These awards have not been reflected in the financial statements but represent commitments of sponsors to provide funds for specific research or training. For grants that have allowable cost provisions, the revenue is recognized as the related expenditures are made. For grants with work completion requirements, the revenue is recognized as the work is completed, and for grants without either of the above requirements, the revenue is recognized as it is received.

### **Gifts and Pledges**

Pledges of financial support from organizations and individuals representing unconditional promises to give are recognized in the financial statements once all eligibility requirements, including time requirements, have been met. In the absence of such promises, revenue is recognized when the gift is received. Endowment pledges generally do not meet eligibility requirements, as defined, and are not recorded as assets until the related gift has been received. Unconditional promises that are expected to be collected in future years are recorded at the present value of the estimated future cash flows.



**University of Puerto Rico**  
**(A Component Unit of the Commonwealth of Puerto Rico)**  
**Notes to Financial Statements (continued)**  
**June 30, 2023**

## **2. Summary of Significant Accounting Policies (continued)**

### **Pension**

Pension cost is recognized and disclosed using the accrual basis of accounting. The University recognizes a net pension liability for its qualified pension plan, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, measured as of the University's prior year-end. 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 average of the remaining service life of all participants including retirees, in the qualified pension plan and recorded as a component of pension expense beginning with the period in which they arose. 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 outflows of resources or deferred inflows of resources and 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. Employer's contributions made after the measurement date of the net pension liability are recorded as a deferred outflow of resources.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information of the fiduciary net position of the University of Puerto Rico Retirement System and additions to/deductions from the employees' pension plan's fiduciary net position have been determined on the same basis as they are reported by the University of Puerto Rico Retirement System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

### **Postemployment Benefits Other Than Pensions**

Other postemployment benefits ("OPEB") expenses are recognized and disclosed using the accrual basis of accounting. The University recognizes the total OPEB liability since the University's OPEB program is funded on a pay-as-you-go basis, measured as of the University's prior year-end. Changes in the total 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 total 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 average of the remaining service life of all participants including retirees and recorded as a component of OPEB expense beginning with the period in which they arose. Employer's contributions made after the measurement date of the total OPEB liability are recorded as a deferred outflow of resources.



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**Notes to Financial Statements (continued)**  
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## **2. Summary of Significant Accounting Policies (continued)**

### **New Accounting Standard Adopted**

Effective on July 1, 2022, the University changed its method of accounting for Subscription-Based Information Technology Arrangements with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB Statement No 96: (i) defines an SBITA; (ii) establishes that SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (iii) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of an SBITA; and (iv) requires note disclosures regarding an SBITA. Refer to Note 18 for SBITA disclosures.

### **Future Adoption of Accounting Pronouncements**

The GASB has issued the following Statements:

- GASB Statement No. 99, *Omnibus 2022*, This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during the implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:
  - Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument;
  - Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition, and measurement of a lease liability and a lease asset, and identification of lease incentives;
  - Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset;
  - Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of an SBITA as a short-term SBITA, and recognition and measurement of a subscription liability;
  - Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt;
  - Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP);
  - Disclosures related to nonmonetary transactions;



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## **2. Summary of Significant Accounting Policies (continued)**

### **Future Adoption of Accounting Pronouncements (continued)**

- Pledges of future revenues when resources are not received by the pledging government;
- Clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements;
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this Statement are effective as follows:

- The requirements related to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
  - The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
  - The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.
  - Earlier application is encouraged and is permitted by topic.
- GASB Statement No. 100, *Accounting Changes and Errors Corrections* – an Amendment of GASB No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.
  - GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.



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## **2. Summary of Significant Accounting Policies (continued)**

### **Future Adoption of Accounting Pronouncements (continued)**

- GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

The University is evaluating the impact that these statements will have on its financial statements.

## **3. Transactions between the University and its Component Units**

Significant transactions of the University and its component units are summarized as follows:

### **Desarrollos Universitarios**

DUI's main responsibility is the maintenance, repairs and operation of Plaza Universitaria a residential and commercial facility for the use of students, clients or entities conducting business within the University.

#### ***Operations and Management Agreement***

On December 21, 2000, DUI executed the Qualified Operations and Management Agreement (the "Operations and Management Agreement") with the University for the operation, maintenance, and management of Plaza Universitaria. The Operations and Management Agreement had a term of 15 years, originally commencing on the earliest of January 1, 2003 or six months prior to the Opening Date, as defined, and might be extended for three additional five-year terms at the University's option. On April 7, 2008, DUI and the University formally agreed to amend certain clauses contained in the Operations and Management Agreement, including the commencement date, which was set as October 1, 2006. The Operations and Management Agreement was terminated by the University effective October 31, 2020.

Under the terms of the Operations and Management Agreement, DUI received a monthly fixed management fee of \$75,000 until January 2021, DUI was reimbursed for disbursements made in operating and maintaining Plaza Universitaria, at actual cost, and was not to be used to pay expenses that should otherwise be covered by the fixed management fee. The amount to be paid was determined by an annual operating budget prepared by DUI and approved by the University. The University had also fund non-routine capital expenditures.



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**Notes to Financial Statements (continued)**  
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**3. Transactions between the University and its Component Units (continued)**

**Desarrollos Universitarios (continued)**

***Finance Agreement***

The University and DUI entered in October 2007, into a finance agreement. The University makes payments, payable monthly, in amounts sufficient to pay principal of and interest on the DUI's Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority ("AFICA") bonds and are pledged to guarantee such payments. In addition, the University pays as supplemental payments, such amounts as may be required under the management contract then in effect for the cost of maintaining and repairing Plaza Universitaria. Under the terms of the agreement, the University makes payments directly to the AFICA bonds trustee. At the expiration date of the agreement, the University may purchase Plaza Universitaria for \$1.

***Loan Agreement and Trust Agreement***

On December 19, 2018, DUI notified the Trustee of its AFICA bonds that the University is taking the position that its Operations and Management Agreement with the University for the operation, maintenance, and management of Plaza Universitaria is no longer in force. According to DUI, the University has not made a payment to DUI pursuant to the Operations and Management Agreement since July 2018, which now constitutes an event of default under the lease agreement, the loan agreement, and the trust agreement. On January 3, 2019, the Trustee of the AFICA bonds notified the University that its failure to comply with the terms of the Operations and Management Agreement may constitute a default under the lease agreement, the loan agreement, and the trust agreement. On January 11, 2019, the University and FAFAA notified the Trustee of the DUI's AFICA bonds that they dispute several of the statements set forth in the DUI letter, including the obligation of the University to satisfy certain of the payments DUI alleges are outstanding under the Operations and Management Agreement.

On May 22, 2020, DUI notified the Trustee of its AFICA bonds that the University has repeatedly failed to pay contractual sums due to DUI since July 1, 2018 under the Operations and Management Agreement. In a subsequent communication to the Trustee of the AFICA bonds, DUI stated that it will close the Plaza Universitaria and that it will no longer operate, manage, and maintain the Plaza Universitaria.

On June 22, 2020, the Trustee of the AFICA bonds notified the University that the University's failure to comply with the terms of the Operations and Management Agreement may constitute a default under paragraph 7.1(b) of the lease agreement, and that a default under the lease agreement could lead to an event of default under section 7.01(g) of the loan agreement, which causes an event of default under section 801(d) of the trust agreement.

On October 28, 2020, the University formally notified DUI the termination of the Operations and Management Agreement effective October 31, 2020, pursuant to Section 3.01 (iii) thereof. After October 2020, all operating activities as contemplated in the Operations and Management Agreement were assumed by the University.



**University of Puerto Rico**  
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**Notes to Financial Statements (continued)**  
**June 30, 2023**

**3. Transactions between the University and its Component Units (continued)**

**Molecular Sciences Research Center, Inc.**

The University and MSRC have a collaboration agreement for a \$10.0 million contribution payable on instalments from fiscal year 2020 through fiscal year 2025. The agreement obliges MSRC to pay off 75% of the contribution within a 15-year period beginning in the fiscal year 2026. The MSRC records a 25% share as revenue. The long-term liability to the University is \$5.6 million as of June 30, 2023.

**Servicios Médicos Universitarios**

SMU is engaged in shared services with the University's Medical Sciences Campus ("MSC"). The MSC provides medical services while the SMU leases space for the MSC's odontology program and other clinics. As of June 30, 2023, net amount due from SMU to the University is \$3.4 million. Related revenues for medical services and leased space were \$1.5 million and \$38 thousand respectively.

SMU is considered an instrumentality of the Commonwealth as per Act 98-1994, which provided for malpractice claims immunity. The maximum claim risk is limited to \$75,000 per plaintiff within the same case and cause of action and \$150,000 with multiple plaintiffs within the same case and cause of action.

**University of Puerto Rico Parking System**

Effectively on January 22, 2021, the University assigned the responsibility for the operation, maintenance and management of Plaza Universitaria to the UPRPS thru various Memorandum of Understanding ("MOU"). The University pays a fixed monthly fee of \$15,000 plus reimbursable expenses while the UPRPS: (i) collects rents and renders monthly income statements; and (ii) maintains, cleans, decorates, and provides security and repairs up to the maximum amount established in the MOU. The current MOU expires on June 30, 2024.



**University of Puerto Rico**  
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**Notes to Financial Statements (continued)**  
**June 30, 2023**

#### 4. University Only Financial Statements

The following table presents the financial information pertaining only to the University as of June 30, 2023 (excluding its blended component units):

##### Statement of Net Position (Deficit) as of June 30, 2023 (In thousands)

###### Assets

###### Current assets:

Cash and cash equivalents	\$ 73,317
Restricted cash and cash equivalents	83,405
Unrestricted investments at fair value	119,083
Restricted investments at fair value	70,338
Accounts receivable, net	22,702
Due from Federal Government	58,047
Due from related parties, net	13,440
Lease receivable	760
Inventories	1,614
Other assets	8,176

###### **Total current assets**

450,882

###### Noncurrent assets:

Restricted cash and cash equivalents	19,686
Restricted investments:	
Endowment funds	316,406
Deferred compensation plan	82,824
Other long-term investments at fair value	1,212
Lease receivable	1,585
Notes receivable, net	8,101
Due from MSRC	5,625
Right of use subscription assets, net	3,945
Capital assets (net of accumulated depreciation and amortization):	
Land and other nondepreciable assets	75,275
Depreciable assets	664,449
Other assets	298

###### **Total noncurrent assets**

1,179,406

###### **Total assets**

1,630,288

###### Deferred outflows of resources:

Deferred outflows from pension activities	239,519
Deferred outflows from OPEB activities	25,706
Deferred refunding loss	570

###### **Total deferred outflows of resources**

265,795

###### **Total assets and deferred outflows of resources**

\$ 1,896,083



**University of Puerto Rico**  
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**Notes to Financial Statements (continued)**  
**June 30, 2023**

**4. University Only Financial Statements (continued)**

**Liabilities**

Current liabilities:

Accounts payable and accrued liabilities	\$ 117,354
Unearned revenues	100,428
Current portion of long-term debt:	
Notes payable and others	58
Bonds payable	29,505
Due to DUI	3,302
Other current liabilities:	
Lease liability	1,639
Subscription liability	1,890
Claims liability	312
Compensated absences	29,534
<b>Total current liabilities</b>	<u>284,022</u>

Noncurrent liabilities:

Long-term debt, net of current portion:	
Notes payable and others	58
Bonds payable	238,930
Due to DUI	35,599
Other long-term liabilities:	
Lease liability	1,200
Subscription liability	1,842
Deferred compensation plan	82,824
Claims liability	7,058
Compensated absences	100,494
Net pension liability	1,752,230
Other postemployment benefits (OPEB) obligation	198,788
<b>Total noncurrent liabilities</b>	<u>2,419,023</u>

<b>Total liabilities</b>	<u>2,703,045</u>
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**Deferred inflows of resources:**

Deferred inflows from pension activities	493,321
Deferred inflows from OPEB activities	43,581
Deferred inflows related to leases	2,152
<b>Total deferred inflows of resources</b>	<u>539,054</u>

<b>Total liabilities and deferred inflows of resources</b>	<u>3,242,099</u>
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**Net position (deficit)**

Net investment in capital assets	444,513
Restricted, nonexpendable:	
Scholarships and fellowships	246,277
Research	50,324
Other	41,580
Restricted, expendable:	
Loans	14,861
Capital projects	2,887
Debt service	40,197
Unrestricted (deficit)	(2,186,655)
<b>Total net position (deficit)</b>	<u>\$ (1,346,016)</u>



**University of Puerto Rico**  
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**Notes to Financial Statements (continued)**  
**June 30, 2023**

**4. University Only Financial Statements (continued)**

**Statement of Revenues, Expenses, and Change in Net Position (Deficit) (In thousands)**

**For the Year Ended June 30, 2023**

**Operating revenues:**

Tuitions and fees, net	\$ 81,445
Net patient services revenue and other (net of allowance of \$5,969)	91,784
Federal grants and contracts	105,697
Commonwealth grants and contracts, net (net of allowance of \$14,969)	51,762
Nongovernmental grants and contracts (net of allowance of \$2,219)	7,434
Sales and services of educational departments	9,552
Auxiliary enterprises, net	781
Other operating revenues	21,335
<b>Total operating revenues</b>	<b>369,790</b>

**Operating expenses:**

Salaries:	
Faculty	333,345
Exempt staff	183,821
Nonexempt wages	1,520
Benefits:	
Pension credit	(247,508)
OPEB expense	5,526
Other benefits	139,771
Scholarships and fellowships	117,388
Supplies and other services	139,693
Utilities	50,224
Depreciation and amortization	46,437
Other expenses	13,291
<b>Total operating expenses</b>	<b>783,508</b>
<b>Operating income (loss)</b>	<b>(413,718)</b>

**Nonoperating revenues (expenses):**

Commonwealth and other appropriations	554,748
Federal grants:	
Federal Pell Grant program	150,917
CARES Act	45,510
Federal Emergency Management Agency (FEMA) and other disaster-relief funds	4,719
Gifts	8,829
Net investment income (loss)	27,861
Interest expense - debt related	(16,483)
Contributions to MSRC	(375)
Net other nonoperating revenues	(23)
<b>Net nonoperating revenues</b>	<b>775,703</b>
<b>Income before other changes in net position</b>	<b>361,985</b>

**Other changes in net position:**

Capital grant contributions	2,072
Additions to term and permanent endowments	51,040
<b>Total other changes in net position</b>	<b>53,112</b>
<b>Change in net position</b>	<b>415,097</b>

<b>Net position (deficit) - beginning of year</b>	<b>(1,761,113)</b>
<b>Net position (deficit) - end of year</b>	<b>\$ (1,346,016)</b>



**University of Puerto Rico**  
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**Notes to Financial Statements (continued)**  
**June 30, 2023**

**4. University Only Financial Statements (continued)**

**Statement of Cash Flows for the Year Ended June 30, 2023 (In thousands)**

**Cash flows from operating activities**

Tuition and fees	\$ 82,625
Grants and contracts	228,164
Patient services	85,354
Payments to employees	(523,302)
Payments for benefits	(301,470)
Payments for scholarships and fellowships	(121,243)
Payments to suppliers	(132,410)
Payments for utilities	(50,224)
Collection of loans, net of loans issued to students	(850)
Auxiliary enterprises	796
Sales and services educational departments and others	25,383
Net cash used in operating activities	<u>(707,177)</u>

**Cash flows from noncapital financing activities**

Commonwealth and other appropriations	554,748
Federal grants:	
Federal Pell Grant program	150,917
CARES Act	45,510
FEMA and other disaster-relief funds	4,263
Endowment gifts	51,040
Federal direct student loan program receipts	56,123
Federal direct student loan program disbursements	(56,123)
Gifts and grants for other than capital purposes	8,829
Other non-operating disbursements, net	(23)
Net cash provided by noncapital financing activities	<u>815,284</u>

**Cash flows from capital and related financing activities**

Purchases of capital assets	(29,765)
Disbursements for subscription based information technology	(1,498)
Federal Government capital contributions	2,072
Principal paid on capital debt and financed purchases	(31,189)
Interest paid on capital debt and financed purchases	(16,945)
Principal and interest received on leases	1,095
Principal and interest paid on leases	(4,424)
Decrease in deposits with trustees and others	(1,618)
Net cash used in capital and related financing activities	<u>(82,272)</u>

**Cash flows from investing activities**

Proceeds from sales and maturities of investments	268,407
Purchases of investments	(532,910)
Collections of interest and dividend income on investments	18,423
Collections of advances to the University of Puerto Rico Retirement System	116
Contributions paid to a component unit (MSRC)	(375)
Loan granted to a component unit (MSRC)	(1,125)
Net cash used in investing activities	<u>(247,464)</u>
Net change in cash and cash equivalents	(221,629)

Cash and cash equivalents - beginning of year	398,037
Cash and cash equivalents - end of year	<u>\$ 176,408</u>



**University of Puerto Rico**  
**(A Component Unit of the Commonwealth of Puerto Rico)**  
**Notes to Financial Statements (continued)**  
**June 30, 2023**

**4. University Only Financial Statements (continued)**

**Reconciliation of operating loss to net cash used in operating activities**

Operating loss	\$ (413,718)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	46,437
Provision for allowances of doubtful accounts	14,917
Changes in operating assets and liabilities and deferred outflows and inflows of resources:	
Decrease (increase) in:	
Accounts receivables, net	(32,158)
Prepaid expenses, inventories and other	(7,636)
Deferred outflows of resources from pension activities	(27,725)
Deferred outflows of resources from OPEB activities	6,449
Increase (decrease) in:	
Accounts payable and accrued liabilities	28,525
Unearned revenue	63,754
Accrued salaries, wages, benefits and other liabilities	(11,585)
Net pension liability	221,466
Deferred inflows related to leases	617
OPEB liability	(51,600)
Deferred inflows of resources from pension activities	(585,054)
Deferred inflows of resources from OPEB activities	40,134
Net cash used in operating activities	<u>\$ (707,177)</u>

**Supplemental schedule of noncash investing, capital and financing activities**

Increase in fair value of investments	<u>\$ 8,187</u>
Amortization of:	
Bonds premiums, net of discounts	<u>\$ 1,290</u>
Deferred refunding loss	<u>\$ 179</u>



**University of Puerto Rico**  
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**Notes to Financial Statements (continued)**  
**June 30, 2023**

**5. Condensed Financial Information Blended Component Units (in thousands)**

	<b>DUI</b>	<b>MSRC</b>	<b>Total</b>
<b>Condensed Statements of Net Position</b>			
Current assets, excluding Due from UPR	\$ 20,340	\$ 2,688	\$ 23,028
Due from UPR	4,370	-	4,370
Capital assets, net	-	283	283
Other non current assets	35,722	-	35,722
Total assets	<u>60,432</u>	<u>2,971</u>	<u>63,403</u>
Current liabilities:			
Accounts payable, accrued liabilities and others, excluding Due to UPR	1,728	212	1,940
Due to UPR	-	184	184
Current portion of bond payable	3,330	-	3,330
Noncurrent liabilities:			
Bond payable	43,966	-	43,966
Due to the University	-	5,625	5,625
Total liabilities	<u>49,024</u>	<u>6,021</u>	<u>55,045</u>
Net investment in capital assets	-	283	283
Restricted expendable	15,858	-	15,858
Unrestricted deficit	(4,450)	(3,333)	(7,783)
Total net position	<u>\$ 11,408</u>	<u>\$ (3,050)</u>	<u>\$ 8,358</u>
<b>Condensed Statements of Revenues, Expenses and Changes in Net Position</b>			
Operating revenues	\$ -	\$ 113	\$ 113
Operating expenses	332	1,673	2,005
Operating income (loss)	<u>(332)</u>	<u>(1,560)</u>	<u>(1,892)</u>
Nonoperating income	3,263	2,625	5,888
Nonoperating expenses	(2,548)	-	(2,548)
Nonoperating income (loss)	<u>715</u>	<u>2,625</u>	<u>3,340</u>
Change in net position	383	1,065	1,448
Net position - beginning of year	11,025	(4,115)	6,910
Net position - end of year	<u>\$ 11,408</u>	<u>\$ (3,050)</u>	<u>\$ 8,358</u>
<b>Condensed Statements of Cash Flows</b>			
Net cash (used in)/provided by:			
Operating activities	\$ (182)	\$ (1,547)	\$ (1,729)
Noncapital financing activities	-	1,875	1,875
Capital and related financing activities	201	1,059	1,260
Investing activities	<u>(11)</u>	<u>-</u>	<u>(11)</u>
Net change in cash and cash equivalents	8	1,387	1,395
Cash and cash equivalents - beginning of year	56	536	592
Cash and cash equivalents - end of year	<u>\$ 64</u>	<u>\$ 1,923</u>	<u>\$ 1,987</u>



**University of Puerto Rico**  
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**Notes to Financial Statements (continued)**  
**June 30, 2023**

**6. Condensed Financial Information Discretely Presented Component Units (in thousands)**

	SMU	UPRPS	MCC	Total
<b>Condensed Statements of Net Position</b>				
Current assets	\$ 15,434	\$ 2,538	\$ 770	\$ 18,742
Capital assets, net	22,306	201	898	23,405
Other non-current assets	11,687	–	15	11,702
Total assets	<u>49,427</u>	<u>2,739</u>	<u>1,683</u>	<u>53,849</u>
Current liabilities:				
Accounts payable, accrued liabilities and others	10,274	2,671	20	12,965
Current portion of long-term debt	1,526	–	51	1,577
Noncurrent liabilities:				
Long term debt	5,024	47	208	5,279
Due to UPR	3,454	–	–	3,454
Claims liability	2,429	–	–	2,429
Total liabilities	<u>22,707</u>	<u>2,718</u>	<u>279</u>	<u>25,704</u>
Net investment in capital assets	22,306	201	898	23,405
Restricted net assets, expendable	–	–	15	15
Unrestricted net position	4,414	(180)	491	4,725
Total net position	<u>\$ 26,720</u>	<u>\$ 21</u>	<u>\$ 1,404</u>	<u>\$ 28,145</u>
<b>Condensed Statements of Revenues, Expenses and Changes in Net Position</b>				
Operating revenues	\$ 61,010	\$ 3,461	\$ 999	\$ 65,470
Operating expenses	59,280	4,570	790	64,640
Operating income (loss)	1,730	(1,109)	209	830
Interest expense	(739)	–	(21)	(760)
Change in net position	991	(1,109)	188	70
Net position - beginning of year	25,729	1,130	1,216	28,075
Net position - end of year	<u>\$ 26,720</u>	<u>\$ 21</u>	<u>\$ 1,404</u>	<u>\$ 28,145</u>
<b>Condensed Statements of Cash Flows</b>				
Net cash (used in)/provided by:				
Operating activities	\$ 4,644	\$ 366	\$ 243	\$ 5,253
Noncapital financing activities	(417)	–	–	(417)
Capital and other financing activities	(8,059)	(67)	(17)	(8,143)
Investing activities	–	–	–	–
Net change in cash and cash equivalents	(3,832)	299	226	(3,307)
Cash and cash equivalents - beginning of year	19,134	1,233	204	20,571
Cash and cash equivalents - end of year	<u>\$ 15,302</u>	<u>\$ 1,532</u>	<u>\$ 430</u>	<u>\$ 17,264</u>



**University of Puerto Rico**  
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**Notes to Financial Statements (continued)**  
**June 30, 2023**

## 7. Cash and Cash Equivalents

The UPR cash and cash equivalents as of June 30, 2023 consisted of the following (in thousands):

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<b>The University Only</b>			
Cash:			
Cash on hand	\$ 40	\$ –	\$ 40
Deposit accounts with commercial banks	<u>59,438</u>	<u>80,642</u>	<u>140,080</u>
Total cash	<u>59,478</u>	<u>80,642</u>	<u>140,120</u>
Cash equivalents:			
Deposit accounts with commercial banks	13,839	19,178	33,017
Money market funds	<u>–</u>	<u>3,271</u>	<u>3,271</u>
Total cash equivalents	<u>13,839</u>	<u>22,449</u>	<u>36,288</u>
Total University's cash and cash equivalents	<u>73,317</u>	<u>103,091</u>	<u>176,408</u>
<b>DUI</b>			
Deposit accounts with commercial banks	<u>8</u>	<u>57</u>	<u>65</u>
Total DUI cash and cash equivalents	<u>8</u>	<u>57</u>	<u>65</u>
<b>MSRC</b>			
Deposit accounts with commercial banks	<u>1,923</u>	<u>–</u>	<u>1,923</u>
Total MSRC cash and cash equivalents	<u>1,923</u>	<u>–</u>	<u>1,923</u>
Total primary government	<u>\$ 75,248</u>	<u>\$ 103,148</u>	<u>\$ 178,396</u>
Current portion	\$ 75,248	\$ 83,462	158,710
Noncurrent portion	<u>–</u>	<u>19,686</u>	<u>19,686</u>
Total	<u>\$ 75,248</u>	<u>\$ 103,148</u>	<u>\$ 178,396</u>

Custodial credit risk related to deposits is the risk that in the event of a financial institution failure, the University's deposits might not be recovered. The UPR bank balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to the applicable statutory limits. The UPR and some of its component units are authorized to deposit only in institutions approved by the Department of the Treasury of the Commonwealth ("Treasury"), and such deposits are maintained in separate bank accounts in the name of the University. Authorized depositories collateralize the amount deposited in excess of the federal depository insurance of \$250,000 with securities that are pledged with the Department of the Treasury. The UPR does not have exposure to foreign currency risk in demand deposits.

As of June 30, 2023, the carrying amount of the UPR demand deposits is \$175.1 million compared to bank balances of \$182.0 million. Deposits and disbursements in transit are the primary differences. The balances in money market funds which amounted to \$3.3 million as of June 30, 2023, are uninsured and uncollateralized, thus, exposed to custodial credit risk.



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## 7. Cash and Cash Equivalents (continued)

Restricted cash mainly includes approximately \$78.1 million of unearned cash advances from a Hurricane Maria FEMA Grant received during fiscal year 2023. In addition to this, the restricted cash of the University's permanent endowment fund include approximately \$19.1 million to the benefit of the students at the University as required under Act No. 4 of 2022.

## 8. Investments

The University investments held as of June 30, 2023, are summarized in the following table (in thousands):

	Restricted Investments					Unrestricted Investments	Total
	Permanent Endowment Funds	Sinking Funds	Deferred Compensation Plan	Construction Fund	Others		
<b>University:</b>							
U.S. Treasury securities:							
Bills	\$ 197,346	\$ –	\$ –	\$ –	\$ 25,274	\$ 118,582	\$ 341,202
Notes	20,834	–	–	–	–	–	20,834
Bonds	2	–	–	–	–	501	503
U.S. sponsored agencies bonds and notes:							
Federal Farm Credit Bank (FFCB)	297	–	–	–	–	–	297
Federal Home Loan Bank (FHLB)	397	–	–	–	–	–	397
Federal National Mortgage Association (FNMA)	362	–	–	–	–	–	362
Federal Home Loan Mortgage Corporation (FHLMC)	1,185	–	–	–	–	–	1,185
Tennessee Valley Authority (TVA)	2,125	–	–	–	–	–	2,125
U.S. municipal bonds	494	–	–	–	–	1,108	1,602
Mortgage-backed securities:							
Government National Mortgage Association (GNMA)	838	–	–	–	–	–	838
FNMA	8,443	–	–	–	–	–	8,443
FHLMC	6,266	–	–	–	–	–	6,266
Small Business Administration (SBA)	909	–	–	–	–	–	909
Corporate bonds	16,281	–	–	–	–	–	16,281
Nonparticipating guaranteed investment contracts	–	–	59,213	–	–	–	59,213
Certificates of deposit	153	–	–	–	5	–	158
Money market funds and others	–	45,059	–	–	–	–	45,059
External investment pools	–	–	23,488	–	–	104	23,592
Common stock and convertibles	60,474	–	122	–	–	–	60,596
Total University's investments	<u>316,406</u>	<u>45,059</u>	<u>82,823</u>	<u>–</u>	<u>25,279</u>	<u>120,295</u>	<u>589,862</u>
<b>DUI:</b>							
U.S. sponsored agency notes - FNMA	–	5,848	–	–	–	–	5,848
Money market funds	–	7,898	–	3,296	–	–	11,194
Total DUI's Investments	–	13,746	–	3,296	–	–	17,042
Total Primary Government	<u>\$ 316,406</u>	<u>\$ 58,805</u>	<u>\$ 82,823</u>	<u>\$ 3,296</u>	<u>\$ 25,279</u>	<u>\$ 120,295</u>	<u>\$ 606,904</u>
Current portion	\$ 1	\$ 58,805	\$ –	\$ 3,296	\$ 25,279	\$ 119,083	\$ 206,464
Noncurrent portion	316,405	–	82,823	–	–	1,212	400,440
Total	<u>\$ 316,406</u>	<u>\$ 58,805</u>	<u>\$ 82,823</u>	<u>\$ 3,296</u>	<u>\$ 25,279</u>	<u>\$ 120,295</u>	<u>\$ 606,904</u>

## Restricted Investments in Permanent Endowment Funds

Restricted investments held in the University's permanent endowment funds as of June 30, 2023 amounted to approximately \$316.4 million. The corpus of these funds may not be expended and must remain with the University in perpetuity. Only the earnings from these funds may be expended.



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## **8. Investments (continued)**

### **Restricted Investments in Permanent Endowment Funds (continued)**

For each permanent endowment fund, the University is mainly authorized by the donor to invest a percentage of total assets, with certain limitations, in the following types of investments: not less than 50% and no more than 80% in fixed income securities and not less than 20% and no more than 50% in equity securities. No international equity, private equity, and non-U.S. income security investments other than foreign government bonds are held by the University.

If a donor has not provided specific instructions, state law permits the Governing Board to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the Governing Board is required to consider the University's "long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions". Any net appreciation that is spent must be used for the purposes for which the endowment was established.

As of June 30, 2023, almost all of the private donors of the University's endowment funds only authorize the realized portion of the net appreciation of their investments (including interest and dividend income on investment and cash equivalents) to be spent in amounts that range from 75% to 100% in accordance with the donor specific instructions. Unrealized net appreciation on investments of the endowment funds is not available for authorization for expenditure by the Governing Board. As of June 30, 2023, net appreciation of approximately \$12.0 million was restricted to specific purposes.

Act No. 4 of 2022, "Law of the Scholarship Fund to Mitigate the Increase in Tuition Costs of the Fiscal Plan" established the UPR Endowment Fund. The UPR Endowment Fund allows the use of the investment income up to \$10 million per year. Funds available for granting scholarships must be distributed among graduate and undergraduate students, at a rate of seventy-five percent (75%) in favor of undergraduate students and at a rate of twenty-five percent (25%) in favor of graduate students.

### **Restricted Investments in Sinking Funds**

The University and DUI are required to maintain sinking funds held by trustees for the retirement of the Revenue Bonds and the AFICA bonds. The Trustees shall, upon receipt of the pledged revenues, make deposits to the credit of the sinking fund accounts.

The University funds held by trustee as of June 30, 2023 amounted to approximately \$45.1 million and consisted of money market funds.

DUI's funds held by trustee as of June 30, 2023 amounted to approximately \$13.7 million and consisted of money market funds and a U.S. sponsored agency note (Federal National Mortgage Association discounted note) purchased with remaining maturities of six months or less.



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**8. Investments (continued)**

**Deferred Compensation Plan Investments**

Investments held in the University's Deferred Compensation Plan consisted of external investment pools and nonparticipating guaranteed investment contracts amounting to approximately \$82.8 million as of June 30, 2023. Such investments include the Voya Retirement Insurance and Annuity Company ("Voya") Fixed Account, a nonparticipating guaranteed investment contract, which amounted to approximately \$59.2 million as of June 30, 2023.

The deferred compensation is not available to participant until termination, retirement, death, or unforeseeable emergency. These investments are (until paid or made available to the participant or other beneficiary) solely the property and rights of the University, subject only to the claims of the University's general creditors in the event of the University's insolvency, as defined in the Trust Agreements. Participants' rights under the plan are equal to that of general creditors of the University in an amount equal to the fair value of the deferred account for each participant.

**Restricted Investments in Construction Fund**

Although the construction of Plaza Universitaria was terminated in September 2006, DUI maintains a Construction Fund account held by trustee, related to the issuance of the AFICA bonds. As of June 30, 2023, the account balance amounted to approximately \$3.3 million and consisted of a money market fund.

**Restricted Investments Others**

These investments of approximately \$25.3 million are related to appropriations advanced from the Commonwealth for training and technical services to its agencies.

**Credit Risk**

Issuer credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.



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**Notes to Financial Statements (continued)**  
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## 8. Investments (continued)

### Credit Risk (continued)

As of June 30, 2023, the University credit quality distribution for securities is as follows (in thousands):

	Carrying Value	Quality Rating						
		AAA	AA+ to AA	A+ to A-	BBB+ to BBB-	BB-	Not Rated	No Risk
U.S. Treasury securities:								
Bills	\$ 341,202	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 341,202
Notes	20,834	-	-	-	-	-	-	20,834
Bonds	503	-	-	-	-	-	-	503
U.S. sponsored agencies bonds and notes:								
FFCB	297	-	297	-	-	-	-	-
FHLB	397	-	397	-	-	-	-	-
FNMA	6,210	301	5,909	-	-	-	-	-
FHLMC	1,185	131	1,054	-	-	-	-	-
TVA	2,125	311	1,814	-	-	-	-	-
U.S. municipal bonds	1,602	-	1,130	347	-	125	-	-
Mortgage-backed securities:								
GNMA	838	-	-	-	-	-	-	838
FNMA	8,443	8,390	53	-	-	-	-	-
FHLMC	6,266	6,077	189	-	-	-	-	-
SBA	909	-	-	-	-	-	-	909
Corporate bonds	16,281	2,668	4,880	8,733	-	-	-	-
Nonparticipating guaranteed investment contracts	59,213	-	-	-	-	-	-	59,213
Certificates of deposit	158	-	-	-	-	-	158	-
Money market funds	56,253	11,194	-	45,059	-	-	-	-
Total interest-earning securities	522,716	\$ 29,072	\$ 15,723	\$ 54,139	\$ -	\$ 125	\$ 158	\$ 423,499
External investment pools	23,592							
Common stock and convertibles	60,596							
Total	\$ 606,904							

### Custodial Credit Risk

Custodial credit risk related to investments is the risk that, in the event of failure of the counterparty to a transaction, the University and DUI may not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The balances in certificates of deposit of approximately \$158 thousand as of June 30, 2023 is uninsured and uncollateralized. These deposits are exposed to custodial credit risk. As of June 30, 2023, the custody of these investments is held by the trust departments of commercial banks in the name of the University and DUI and the portfolios are managed by brokerage firms.

### Impaired Deposits with Governmental Bank

Deposits held with the Commonwealth's Governmental Development Bank are impaired and considered not realizable. Balance amounted to approximately \$7.1 million as of June 30, 2023.



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**Notes to Financial Statements (continued)**  
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**8. Investments (continued)**

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. Expected maturities will differ from contractual maturities, because counterparties may have the right to call or prepay obligations with or without call or prepayment penalties. No investment in any one issuer other than the US Bank money market account (\$45.0 million) and the Voya Retirement Insurance and Annuity Company Fixed Account, a nonparticipating guaranteed investment contract, (\$59.2 million), represented 5% or more of the total investment portfolio as of June 30, 2023. As of June 30, 2023, the UPR had variable rate interest investments amounting to approximately \$2.7 million.

The following table summarizes the type and maturity of investments held by the University as of June 30, 2023 (in thousands):

	<u>Within</u> <u>One Year</u>	<u>After One</u> <u>to Five Years</u>	<u>After Five</u> <u>to Ten Years</u>	<u>After Ten</u> <u>Years</u>	<u>No Stated</u> <u>Maturity Date</u>	<u>Total</u>
U.S. Treasury securities:						
Bills	\$ 341,202	\$ —	\$ —	\$ —	\$ —	\$ 341,202
Notes	2,087	5,441	13,306	—	—	20,834
Bonds	501	2	—	—	—	503
U.S. sponsored agencies bonds and notes:						
FFCB	—	297	—	—	—	297
FHLB	—	115	282	—	—	397
FNMA	5,909	301	—	—	—	6,210
FHLMC	—	1,185	—	—	—	1,185
TVA	—	1,519	606	—	—	2,125
U.S. municipal bonds	10	722	870	—	—	1,602
Mortgage-backed securities:						
GNMA	—	59	360	419	—	838
FNMA	—	1,206	1,502	5,735	—	8,443
FHLMC	1,003	2,062	1,126	2,075	—	6,266
SBA	—	—	287	622	—	909
Corporate bonds	1,010	7,986	7,285	—	—	16,281
Nonparticipating guaranteed investment contracts	—	—	—	—	59,213	59,213
Certificates of deposit	158	—	—	—	—	158
Money market funds	56,253	—	—	—	—	56,253
External investment pools	133	273	420	—	22,766	23,592
Common stock and convertibles	—	—	—	—	60,596	60,596
<b>Total</b>	<b>\$ 408,266</b>	<b>\$ 21,168</b>	<b>\$ 26,044</b>	<b>\$ 8,851</b>	<b>\$ 142,575</b>	<b>\$ 606,904</b>



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**8. Investments (continued)**

**Fair Value Hierarchy**

The UPR categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs (the UPR does not value any of its investments using level 3 inputs). Investments in nonparticipating guaranteed investment contracts, certificates of deposit and money market funds amounting to approximately \$115.6 million as of June 30, 2023, are not classified in the fair value hierarchy below because they are carried at cost.

The following is a summary of the fair value hierarchy of the fair value of investments of the UPR as of June 30, 2023 (in thousands):

<u>Investments by Fair Value Level</u>	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Other Unobservable Inputs (Level 3)</u>
U.S. Treasury securities:				
Bills	\$ 341,202	\$ 341,202	\$ -	\$ -
Notes	20,834	20,834	-	-
Bonds	503	503	-	-
U.S. sponsored agencies bonds and notes:				
FFCB	297	-	297	-
FHLB	397	-	397	-
FNMA	6,210	-	6,210	-
FHLMC	1,185	-	1,185	-
TVA	2,125	-	2,125	-
U.S. municipal bonds	1,602	-	1,602	-
Mortgage-backed securities:				
GNMA	838	-	838	-
FNMA	8,443	-	8,443	-
FHLMC	6,266	-	6,266	-
SBA	909	-	909	-
Corporate bonds	16,281	-	16,281	-
Common stock and convertibles	60,596	60,596	-	-
External investment pools measured at fair value	23,592	-	-	23,592
<b>Total investments by fair value level</b>	<b>\$ 491,280</b>	<b>\$ 423,135</b>	<b>\$ 44,553</b>	<b>\$ 23,592</b>



**University of Puerto Rico**  
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## 8. Investments (continued)

### Fair Value Hierarchy (continued)

Investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets. Investment income securities, including U.S. sponsored agencies bonds and notes, U.S. municipal bonds, foreign government bonds, mortgage-backed securities, asset-backed securities, and corporate bonds, classified in Level 2 of the fair value hierarchy are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodian bank.

External investment pools measured at fair value classified in Level 3 of the fair value hierarchy are valued using cash value, or account value when discussing variable annuities, is the total current value of an annuity contract at a specific point in time. It represents the value of an annuity contract before any withdrawals are contemplated and any charges are applied.

The UPR holds shares or interests in investment companies where the fair value of the investments is measured on a recurring basis using fair value of the investment companies as a practical expedient. Investments measured at fair value mainly include open-end mutual funds held in an insurance company separate account. The fair value of the account's assets is based on the NAVs of the mutual fund investments. The NAV is calculated daily upon the closing of the New York Stock Exchange and is based on the fair values of the underlying securities.

## 9. Tuition Revenues, Scholarship Allowance and Scholarship Expense

Student tuition and fees, and certain other revenues from students, are recorded net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net position. Scholarship allowance is the difference between the stated charge for goods and services provided by the University, and the amount that is paid by the students (or third parties on their behalf).

For the year ended June 30, 2023, net student tuition consisted of the following components (in thousands):

Student tuition and fees	\$ 219,363
Less: scholarship allowances	<u>(137,918)</u>
Net student tuition and fees revenue	<u>\$ 81,445</u>

Amounts paid directly to students are reported as scholarship expenses. Scholarships for the year ended June 30, 2023, are summarized as follows (in thousands):

Scholarships paid directly to students	\$ 117,388
Scholarships applied to tuition and fees	<u>137,918</u>
	<u>\$ 255,306</u>



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### 10. Accounts Receivable

The University's accounts receivable, net of allowance for doubtful accounts as of June 30, 2023, are as follows (in thousands):

	<b>Gross Balance</b>	<b>Allowance</b>	<b>Net Balance</b>
Due from medical plans	\$ 140,300	\$ (127,403)	\$ 12,897
Student tuition and fees	14,753	(12,142)	2,611
Other	24,764	(16,811)	7,953
Total accounts receivable	179,817	(156,356)	23,461
Due from Federal Government	58,047	–	58,047
Due from related parties	44,285	(31,117)	13,168
Total	\$ 282,149	\$ (187,473)	\$ 94,676

### 11. Related-Party Transactions

The University's related-party accounts receivable, net of allowance for doubtful accounts as of June 30, 2023, are as follows (in thousands):

	<b>Gross Balance</b>	<b>Allowance</b>	<b>Net Balance</b>
Due from Commonwealth's:			
Agencies and component units	\$ 36,063	\$ (23,835)	\$ 12,228
Municipalities	3,773	(3,380)	393
Due from Servicios Médicos Universitarios, Inc.	4,370	(3,902)	468
Due from the University Retirement System	79	–	79
Total	\$ 44,285	\$ (31,117)	\$ 13,168

### Appropriations from Commonwealth

Appropriations from the Commonwealth are the principal source of revenues of the University and are mainly supported by Act No. 2 of January 20, 1966. These Commonwealth appropriations support the University's operational expenses. The Commonwealth appropriations for the operational expenses of the University amounted to \$551.6 million for the year ended June 30, 2023.

The Commonwealth has appropriated amounts of \$441.2 million to cover operational expenses of the University, \$50.8 million to cover the University's new endowment fund, and \$59.6 million to cover expenses for several other activities such as salaries of the residents and interns of the Medical Sciences Campus, trainings and tutorials to salaried teachers and directors, scholarships and financial aid for qualifying students, among others. In addition to these, there are other special appropriations of \$5 million assigned to cover medical residents' expenses in the custody of the Oversight Management Board (OMB).



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## 11. Related-Party Transactions (continued)

### Appropriations from Commonwealth (continued)

The Puerto Rico Gaming Commission appropriations for the year ended June 30, 2023, amounted to \$71.3 million and are included as part of Commonwealth appropriations in the accompanying statements of revenues, expenses, and changes in net position for the year ended June 30, 2023. These appropriations are received by virtue of Act No. 36 of 2005 an amendment of Act No. 221 of May 15, 1948, known as the "Games of Chance Act".

The Commonwealth has appropriated amounts for an UPR Endowment Fund for the benefit of the students of the University as required by Act No. 4 of 2022, "Law of the Scholarship Fund to Mitigate the Increase in Tuition Costs of the Fiscal Plan". The UPR Endowment Fund's returns would be used to provide scholarships to students with financial needs. Funds available for granting scholarships under the UPR Endowment Fund must be distributed among graduate (25%) and undergraduate students (75%). These Commonwealth appropriations amounted to \$50.8 million for the year ended June 30, 2023, of which approximately \$10 million was distributed for student scholarships as permitted by Act 4 of 2022.

### Other Transactions

The University's accounts payable and accrued liabilities include the following related-party transactions as of June 30, 2023 (in thousands):

Due to:

Commonwealth and its component units:	
Puerto Rico Medical Service Administration ("PRMSA")	\$ 2,606
Commonwealth of Puerto Rico	27,121
Puerto Rico Aqueduct and Sewer Authority ("PRASA")	857
Servicios Médicos Universitarios, Inc.	869
University's Retirement System	344
Total	<u>\$ 31,797</u>

Act No. 106-2017 established the PayGo mechanism effective July 1, 2017 for all the Commonwealth's pension plans, including the ERS. Thus, its benefits are no longer funded by a pension trust. The University is a cost sharing employer of the ERS for retirees of a unit of the University. Accounts payable to the Commonwealth are unpaid PayGo charges billed by the Commonwealth to the University corresponding to retirees of a unit of the University, who are members of the Employees' Retirement System of the Commonwealth. The PayGo charges billed by the Commonwealth to the University amounted to \$4.2 million in fiscal year 2023. The PayGo charges for fiscal years 2019 to 2023 amounting to \$22.6 million are unpaid thus recorded as accounts payable and accrued liabilities as of June 30, 2023.



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## 12. Federal Government Grants and Contracts

### The University

The University's due from Federal Government as of June 30, 2023, is as follows (in thousands):

CARES Act grants, mainly for institutional support	\$ 14,981
FEMA and other disaster-relief funds	4,591
Others, mainly research activity grants and contracts	<u>38,475</u>
Total	<u>\$ 58,047</u>

The University's grants and contracts from the Federal Government are mainly related to: (i) grants and contracts for research activity in the Sciences, Health Sciences, Engineering, Technology and Arts; (ii) Pell Grants; (iii) CARES act grants; and (iv) Federal Emergency Management Agency (FEMA) and other disaster-relief grants.

Grants and contracts awarded by federal and other sponsors, which are generally considered non-exchange transactions restricted by sponsors for certain purposes, are recognized as revenue when qualifying expenditures are incurred and conditions under the agreement are met.

Substantially all federal grants and contracts are subject to financial and compliance audits by the grantor agencies of the federal government. Such federal agencies have the authority to recoup, as well as to limit, suspend, or terminate the federal financial assistance programs. If any unallowed cost is detected as a result of such compliance audits, the University may be required to reimburse such amounts to the corresponding federal agencies from its own non-federal resources. Disallowances, if any, as a result of these audits may become liabilities of the University. The University management believes that no material disallowances will result from audits by the grantor agencies.

The University's nonoperating revenues from federal grants for the years ended June 30, 2023, are as follows (in thousands):

Federal Pell Grant program:	
Tuition costs	\$ 109,805
Student financial aids	<u>41,112</u>
Total Federal Pell Grant program	<u>150,917</u>
CARES Act grants:	
Student financial aid	1,079
Institutional support	34,925
Assistance to first responders (pass-through)	<u>9,506</u>
Total CARES Act grants	45,510
FEMA and other disaster-relief funds	<u>4,719</u>
Total	<u>\$ 201,146</u>



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## **12. Federal Government Grants and Contracts (continued)**

### **Federal Pell Grant Program**

Pell Grants are direct grants awarded by U.S. Department of Education through participating institutions, like the University, to students with financial need who have not received their first bachelor's degree or who are enrolled in certain postbaccalaureate programs that lead to teacher certification or licensure. Participating institutions either credit the Pell Grant funds to the student's school account, pay the student directly (usually by check) or combine these methods. Students must be paid at least once per term (semester, trimester, or quarter); schools that do not use formally defined terms must pay the student at least twice per academic year.

Grant amounts are dependent on several factors, including the student's expected family contribution (EFC), the cost of attendance (as determined by the institution), the student's enrollment status (full-time or part-time), and whether the student attends for a full academic year or less. Financial need is determined by the U.S. Department of Education using a standard formula, established by U.S. Congress. The Pell Grant maximum annual amount was \$6,895 per student in fiscal year 2023.

### **CARES and American Rescue Plan Act Grants**

The Federal Government has approved several economic stimulus measures, including the CARES Act and the American Rescue Plan ("ARP") Act of 2021 to provide economic relief from the COVID-19 pandemic. Under these acts the University has received approximately \$571.2 million.

Among the allowable uses of the awards are as follows: to support students with exceptional needs; to help retain students by providing academic or mental health support systems for students; to reengage students by discharging student debts at their institution accrued during the pandemic so students can re-enroll, continue their education, or obtain their official transcript to continue their education, transfer to another postsecondary institution, and/or secure employment; to implement evidence-based practices to monitor and suppress coronavirus in accordance with the public health guidelines; to use the institutional portion of their awards to cover a variety of institutional costs, including lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll; and to use a portion of their institutional award to conduct direct outreach to financial aid applicants about the opportunity to receive a financial aid adjustment due to recent unemployment of a family member or of the independent student.

The University used the awards for financial aid grants to students, student support activities, and to cover a variety of institutional costs, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll.

The U.S. Department of Education requires institutions to report on usage of their CARES Act funds for both student financial aid grants and for institutional support. Funds available under the CARES Act grants amounted to approximately \$25 million as of June 30, 2023.



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## 12. Federal Government Grants and Contracts (continued)

### Federal Emergency Management Agency (FEMA and other disaster-relief funds) Grants

The emergency orders for Hurricanes Irma, Maria and Fiona and the earthquake events mandate federal assistance through the Department of Homeland Security and the Federal Emergency Management Agency (FEMA) be made available to assist in local and territorial recovery efforts. The University developed a formal Disaster Recovery Program to address the damages caused by both events. The University expects to receive from FEMA and other disaster-relief funds, during the following fifteen years \$826 million, for conducting permanent projects approved by FEMA. This will require the University, at first, to incur and spend the programmed costs for each project, and afterwards, request from FEMA, the corresponding federal share granted amount. Capital grant contributions from FEMA and other disaster-relief funds amounted to \$2.1 million for the year ended June 30, 2023. On January and May 2023, the University received advances from FEMA amounting to \$915 thousand and \$73.4 million, respectively. As of June 30, 2023 the University has recognized an unearned revenue of \$74.9 million related to such advances and other advances related to small projects.

## 13. Capital Assets

Changes in the University and blended component units capital assets, for the year then ended June 30, 2023, are as follows (in thousands):

	Beginning Balance	Additions	Transfers	Disposals and Others	Ending Balance
Capital assets not being depreciated:					
Land	\$ 49,616	\$ –	\$ –	\$ –	\$ 49,616
Construction in progress and others	16,782	11,509	(2,632)	–	25,659
	66,398	11,509	(2,632)	–	75,275
Capital assets being depreciated:					
Land improvements	44,280	–	268	–	44,548
Buildings, fixed equipment, improvements and infrastructure	1,134,621	–	2,364	–	1,136,985
Right to use leased assets - building	4,144	67	–	–	4,211
Right to use leased assets - equipment	4,414	8	–	–	4,422
Equipment, software and library materials	360,166	18,257	–	(5,277)	373,146
Building and equipment under financed purchase obligations	99,974	–	–	–	99,974
	1,647,599	18,332	2,632	(5,277)	1,663,286
Less accumulated depreciation and amortization for:					
Land improvements	(31,497)	(739)	–	–	(32,236)
Buildings, fixed equipment, improvements and infrastructure	(578,534)	(27,058)	–	–	(605,592)
Right to use leased assets - building	(1,832)	(1,501)	–	–	(3,333)
Right to use leased assets - equipment	(1,606)	(1,050)	–	–	(2,656)
Equipment, software and library materials	(300,502)	(12,172)	–	5,222	(307,452)
Building and equipment under financed purchase obligations	(44,580)	(2,705)	–	–	(47,285)
	(958,551)	(45,225)	–	5,222	(998,554)
Capital assets being depreciated, net	689,048	(26,893)	2,632	(55)	664,732
Capital assets, net	\$ 755,446	\$ (15,384)	\$ –	\$ (55)	\$ 740,007



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#### 14. Unearned Revenues

The amounts reported as unearned revenues as of June 30, 2023 are detailed as follows (in thousands):

FEMA and other disaster-relief funds (see Note 12)	\$ 74,943
Commonwealth appropriations (see Note 11)	22,860
Others	<u>2,625</u>
	<u>\$ 100,428</u>

Unearned revenues from Commonwealth appropriations are related to advances from the Commonwealth for training and technical services yet to be provided to its agencies.

#### 15. Finance Agreement with Desarrollos Universitarios, Inc.

DUI maintains a Debt Service Reserve Fund with the trustee at its required level to make payments of the AFICA bonds whenever and to the extent that moneys to the credit of the Bond Fund are insufficient for such purpose. The initial required amount deposited in the Debt Service Reserve Fund was \$5.7 million.

The agreement began on October 1, 2006, and expires on June 25, 2033 (the "Finance Agreement"). The outstanding liability as of June 30, 2023 under the Finance Agreement was \$38.9 million. The effective interest rate was 6.41% as of June 30, 2023.

The activity of the principal balance of the obligation for the years ended June 30, 2023, is as follows (in thousands):

Beginning balance	\$ 41,996
Reductions	<u>(3,095)</u>
Ending balance	38,901
Less: current portion	<u>3,302</u>
Total noncurrent portion	<u>\$ 35,599</u>

During the year ended June 30, 2023, the University paid \$5.7 million under the Finance Agreement. The trustee also established that the required amount deposited in the Debt Service Reserve Fund of \$5.7 million (which amount is similar to the loan repayments and basic lease payments) would be credited to DUI as loan payment and to the University as basic payment commencing in July 2032.



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**15. Finance Agreement with Desarrollos Universitarios, Inc. (continued)**

As of June 30, 2023, the future payments under the finance agreement are as follows (in thousands):

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 5,701
2025	5,701
2026	5,697
2027	5,699
2028	5,702
2029-2033 <sup>(1)</sup>	<u>22,801</u>
Total future payments	51,301
Less amounts representing interest costs	<u>(12,400)</u>
Present value of payments	<u><u>\$ 38,901</u></u>

<sup>(1)</sup> Payments were reduced by \$5.7 million in fiscal year 2033 of the required amount of the Debt Service Reserve Fund.

DUI's due from the University amounted to \$3 million as of June 30, 2023, and mainly includes reimbursable expenditure fees receivable and tenant improvement receivable under the operations and management agreement. In addition, during the year ended June 30, 2023, the University did not incur in reimbursable expenditures under the operations and management agreement.

**16. Noncurrent Liabilities**

Changes in the University's noncurrent liabilities for the year ended June 30, 2023, are as follows (in thousands):

	<u>Beginning</u>					<u>Ending</u>	<u>Less Due</u>	<u>Noncurrent</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Other</u>		<u>Balance</u>	<u>Within</u>	<u>Liabilities</u>
							<u>One Year</u>	
<b>Long-term debt</b>								
The University Only:								
Financed purchase obligations	\$ 219	\$ -	\$ (103)	\$ -	\$ 116	\$ 58	\$ 58	
Bonds payable	297,717	-	(28,095)	(1,187)	268,435	29,505	238,930	
Total University's long-term debt	297,936		(28,198)	(1,187)	268,551	29,563	238,988	
DUI's long-term debt- bonds payable	50,424	-	(3,128)	-	47,296	3,330	43,966	
Total long-term debt	<u>\$ 348,360</u>	<u>\$ -</u>	<u>\$ (31,326)</u>	<u>\$ (1,187)</u>	<u>\$ 315,847</u>	<u>\$ 32,893</u>	<u>\$ 282,954</u>	
<b>The University's other long-term liabilities</b>								
Lease liability	\$ 5,295	\$ 42	\$ (2,498)	\$ -	\$ 2,839	\$ 1,639	\$ 1,200	
Subscription liability	-	5,230	(1,498)	-	3,732	1,890	1,842	
Deferred compensation payable	82,823	5,649	(5,648)	-	82,824	-	82,824	
Claims liability	8,102	1,122	(1,854)	-	7,370	312	7,058	
Compensated absences	131,428	95,757	(97,157)	-	130,028	29,534	100,494	
Net pension liability	1,530,764	414,376	(192,910)	-	1,752,230	-	1,752,230	
OPEB obligation	250,387	9,029	(60,628)	-	198,788	-	198,788	
Total University's other long-term liabilities	<u>\$ 2,008,799</u>	<u>\$ 531,205</u>	<u>\$ (362,193)</u>	<u>\$ -</u>	<u>\$ 2,177,811</u>	<u>\$ 33,375</u>	<u>\$ 2,144,436</u>	



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## 17. Bonds Payable

### University's Bonds

The Revenue Bonds were issued under certain Trust Agreement. The Trust Agreement is dated June 1, 1971 (collectively, with all related resolutions, amendments and supplements thereto, the "Trust Agreement"), among UPR, U.S. Bank Trust National Association solely in its capacity as successor to First National City Bank (the "Trustee"), and Banco Popular de Puerto Rico as co-trustee. The proceeds of which have been used mainly to finance new activities related to its educational facilities construction program and to cancel and refinance previous debts incurred.

The following is the balance of the Revenue Bonds payable as of June 30, 2023 (in thousands):

<u>Series</u>	<u>Amount</u>	<u>Annual Interest Rate (%)</u>	<u>Due Dates as of June 30, 2023</u>
P - Serial	\$ 52,365	5.00%	2024-2026
P - Term	47,645	5.00%	2027-2030
Q - Serial	28,670	5.00%	2024-2026
Q - Term	<u>132,415</u>	5.00%	2027-2036
	261,095		
Plus unamortized premium	<u>7,340</u>		
Total	<u>\$ 268,435</u>		

Interest on the Revenue Bonds payable each June 1 and December 1. Bonds maturing after June 1, 2016, may be redeemed, at the option of the University in whole or in part, at a redemption price equal to 100% of the principal amount plus accrued interest, without premium.

### Desarrollos Universitarios, Inc. Bonds

The AFICA bonds (i.e., Educational Facilities Revenue Bonds 2000 Series A) were issued on December 21, 2000, for the amount of \$86.7 million. The DUJ's AFICA bonds were mainly issued to finance the development, construction, and equipment of Plaza Universitaria and to repay a portion of certain advances made by the Government Development Bank for Puerto Rico under a line of credit facility for the purpose of paying certain costs of the development and construction of the Plaza Universitaria. The principal and interest on the bonds are insured by a financial guaranty insurance policy issued by MBIA Insurance Corporation, and by the assignment of the finance agreement with the University.



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**17. Bonds Payable (continued)**

**Desarrollos Universitarios, Inc. Bonds (continued)**

The DUI's AFICA bonds payable as of June 30, 2023, consist of (in thousands):

<u>Description</u>	<u>Amount</u>	<u>Annual Interest Rate (%)</u>	<u>Due Dates</u>
Term bonds	\$ 47,345	5.00%	July 1, 2023-2033
Less: amortized discount	<u>(49)</u>	5.00%	
Total	<u>\$ 47,296</u>		

Interest on DUI's AFICA bonds is payable each January 1 and July 1. Bonds maturing after July 1, 2011, may be redeemed, at the option of the University in whole or in part, at a redemption price equal to 100% of the principal amount plus accrued interest, without premium. Bonds are subject to mandatory redemption in part commencing on July 1, 2022, to the extent of the sinking fund requirement at a redemption price equal to 100% of the principal amount plus accrued interest.

<u>Redemption Period</u>	<u>Amount</u> (In thousands)
July 1, 2023	\$ 3,330
July 1, 2024	3,500
July 1, 2025	3,675
July 1, 2026	3,855
July 1, 2027	4,050
July 1, 2028	4,255
July 1, 2029	4,465
July 1, 2030	4,690
July 1, 2031	4,925
July 1, 2032	5,170
July 1, 2033	<u>5,430</u>
Total	<u>\$ 47,345</u>



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**17. Bonds Payable (continued)**

**Debt Service Payments on the University Revenue Bonds and the DUI's AFICA Bonds**

As of June 30, 2023, the University revenue bonds and the DUI's AFICA bonds payable require payments of principal and interest as follows (in thousands):

Fiscal Year Ending June 30	UPR Revenues Bonds			DUI's AFICA Bonds			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 29,505	\$ 13,055	\$ 42,560	\$ 3,330	\$ 2,284	\$ 5,614	\$ 32,835	\$ 15,339	\$ 48,174
2025	30,975	11,579	42,554	3,500	2,113	5,613	34,475	13,692	48,167
2026	20,555	10,031	30,586	3,675	1,934	5,609	24,230	11,965	36,195
2027	21,585	9,003	30,588	3,855	1,745	5,600	25,440	10,748	36,188
2028	22,660	7,924	30,584	4,050	1,548	5,598	26,710	9,472	36,182
2029 to 2033	89,115	23,496	112,611	23,505	4,411	27,916	112,620	27,907	140,527
2034 to 2036	46,700	4,746	51,446	5,430	136	5,566	52,130	4,882	57,012
	<u>\$ 261,095</u>	<u>\$ 79,834</u>	<u>\$ 340,929</u>	<u>\$ 47,345</u>	<u>\$ 14,171</u>	<u>\$ 61,516</u>	<u>\$ 308,440</u>	<u>\$ 94,005</u>	<u>\$ 402,445</u>

**Pledged Revenues and Debt Covenants**

The Revenue Bonds are collateralized by the pledge of, and a first lien on, certain revenues derived or to be derived by the University (excluding appropriations and contributions,) as further defined in the Trust Agreement governing the Revenue Bonds. If the pledged revenues are insufficient to pay the principal of, and the interest on, the Revenue Bonds, the University agrees to provide any additional required monies from other funds available to the University for such purposes, including funds appropriated by the Commonwealth.

The AFICA Bonds are subordinated to the Revenue Bonds and are collateralized by the pledge of, and a second lien on, all revenues derived or to be derived by the University, except for appropriations and contributions, as defined in the Trust Agreement governing the bonds issued.



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**17. Bonds Payable (continued)**

**Pledged Revenues and Debt Covenants (continued)**

The University's revenues pledged were as follows for the year ended June 30, 2023 (in thousands):

Pledged revenues:

Tuition and other fees (1)	\$ 159,254
Student fees	9,335
Stabilization fee	66
Rental and other charges received for the right of use and occupancy of the facilities in the University system	2,160
Interest on investment of University funds, excluding funds invested pursuant to Article VI of the Trust Agreement	5,515
Funds paid to the University in respect to overhead allowance on federal research projects	19,868
Other income	4,726
Total pledged revenues	200,924
Sinking fund reserve interest	2,325
Total pledged revenues plus interest	\$ 203,249
Aggregate debt service:	
Principal and interest requirement	\$ 42,555
Senior debt service coverage ratio	4.78
DUI's AFICA Bonds (Subordinate to the University's Bonds)	\$ 5,622
Aggregate debt service	\$ 48,177
Total debt service ratio	4.22

(1) Student economic assistance and tuition exemptions of \$20.9 million were deducted.

The Trust Agreements governing the Revenue Bonds and the AFICA Bonds require a ratio of total pledged revenues plus interest earned on reserve account to principal and interest requirements of at least 1.5 to 1 (total debt service coverage ratio). As of June 30, 2023, the University was in compliance with the total debt service coverage ratio requirement.

The University is required to maintain the funds for retirement of indebtedness consisting of a sinking fund which includes three separate accounts designated as Bond Service, Redemption and Reserve. The Trustee shall, upon the receipt of the pledged revenues, make deposits to the credit of the following accounts in the amounts specified as follows:

- *Bond Service Account* – Equal value (as necessary) to the: (i) interest (bonds outstanding) then due, or to become due, within the next ensuing six (6) months; and (ii) principal (serial bonds) then due, or to become due, within the next ensuing twelve (12) months.



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**17. Bonds Payable (continued)**

**Pledged Revenues and Debt Covenants (continued)**

- *Reserve Account* (bonds outstanding) - Equal value (as necessary) to the maximum interest and principal (less any federal debt service grant payments), whenever the Bond Service Account is insufficient.
- *Redemption Account* (term bonds outstanding) - Equal value (as necessary) to the amortization requirements and redemption premium, whenever pledged revenues are insufficient.

Bond Service Account and the Redemption Account shall be continuously invested and reinvested in direct obligations of, or obligations which are unconditionally guaranteed by, the United States Government. Reserve Account may be invested in a broader range of investments including interest bearing bank accounts, federal agency obligations, repurchase agreements, commercial paper, and other highly rated obligations.

The Trust Agreement defines the following as events of default:

- the University failure to pay principal, redemption premium, if any, when due or any installment of interest within 30 days;
- the University failure for 30 days (or such longer period if said default cannot be cured within said thirty (30) day period and the University has exercised reasonable diligence in remedying said defaults) after written notice by the Trustee (which is required to give such notice at the written request of the holders of 10% of the aggregate principal amount of the bonds then outstanding) to perform any covenant, condition, agreement or provision contained in the bonds or the Trust Agreement, including meeting any Amortization Requirement;
- the University's being rendered incapable of fulfilling its obligations under the Trust Agreement, if so, provided in the resolution authorizing the issuance of a particular series of bonds;
- the receipt of notice by the Trustee and the University that an event of default has occurred under the agreement providing for the issuance of a letter of credit or similar credit or liquidity facility relating to any bonds or if the provider thereof has failed to make the facility available or to reinstate the interest component of the facility in accordance with its terms;
- the entry of a decree appointing a receiver with or without the consent or acquiescence of the University; and,
- the institution of proceedings with the consent or acquiescence of the University for the purpose of adjusting the claims of creditors pursuant to any Federal or state statute, in each case within or for the specified period of grace.



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**17. Bonds Payable (continued)**

**Pledged Revenues and Debt Covenants (continued)**

In the event of any default, the Trustee may on its own initiative and shall, upon satisfactory indemnification and the request of the holders of not less than 20% in aggregate principal amount of the bonds then outstanding, declare the principal of all the bonds then outstanding to be due and payable. In the event of any default, the Trustee may on its own initiative and shall, upon satisfactory indemnification and the request of the holders of not less than 10% in aggregate principal amount of the bonds then outstanding, proceed either at law or in equity to protect and enforce any and all rights of the Trustee and the bondholders under the laws of the Commonwealth or the Trust Agreement and may enforce and compel the performance of all duties required under the laws of the Commonwealth or the Trust Agreement to be performed by the University.

The Trust Agreement governing the Revenue Bonds requires the University to comply with other covenants. As of June 30, 2023, the University was not in compliance with the following covenants: (i) provide its audited financial statements not later than six months after the end of each fiscal year; and (ii) file within 305 days after the end of each fiscal year, core financial information and operating data (including audited financial statements) for the prior year to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System ("EMMA"), and previously to each Nationally Recognized Municipal Securities Information Repository ("NRMSIR") and with any State Information Depository ("SID") in compliance with its continuing disclosure requirements. The latest filed continuing disclosure report by the University is for fiscal year 2015. No action has ever been taken by the Trustee in regards with the University's noncompliance with the above-mentioned covenants.

In compliance with Executive Order 31 signed by the Governor of Puerto Rico on June 30, 2016, the University suspended the monthly payments to the trustee of the Trust Agreement and the monthly payments of the Lease Agreement with DUI from July 2016 to May 2017. On August 19, 2016, the U.S. Bank Trust National Association, in its capacity as Trustee for the University of Puerto Rico System Revenue Bonds (Series P and Q Bonds), filed a civil lawsuit under the United States Court, District of Puerto Rico against the Commonwealth and its Governor, the University and its President. The lawsuit sought relief from the stay imposed by PROMESA, or Executive Orders related thereto, and a preliminary injunction against the Commonwealth's diversion and expropriation of pledged revenues, which constitute the Revenue Bonds collateral. On June 29, 2017, the Trustee and the University, at the direction of FAFAA, entered into a letter agreement (the "Standstill Agreement") providing that the University will transfer certain amounts in respect of pledged revenue, as defined in the Trust Agreement, to the Trustee on condition, among others, that through the compliance period, as defined, the Trustee not institute, commence, or continue certain legal proceedings against the University, the Commonwealth or any other agency, instrumentality, or municipality thereof during the compliance period, except in certain enumerated circumstances. Pursuant to the Standstill Agreement, during the compliance period, holders of the majority in amount of the bonds and the Trustee at the direction of the University's bondholders will negotiate in good faith towards a restructuring of the bonds. As part of the Standstill Agreement, the University makes monthly payments to the Trustee on account of pledged revenues, as set forth in a schedule to the Standstill Agreement. The Trustee has in custody \$45 million of pledge revenues as of June 30, 2023.



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**17. Bonds Payable (continued)**

**Pledged Revenues and Debt Covenants (continued)**

The Standstill Agreement has been extended twenty times and the new expiration date, unless further extended, is May 31, 2024. Pursuant to the Letter Agreement and the twentieth standstill extension agreements, during the compliance period, holders of the majority in amount of the bonds and the Trustee at the direction of the University's bondholders will negotiate in good faith towards a restructuring of the bonds. In addition, the Trustee agreed not to institute or commence certain legal proceedings.

The University and FAFAA shall provide the Trustee with detailed plans and specifications for repairing, replacing, or reconstructing the University's property that was damaged or destroyed by Hurricane Maria as these plans are approved by the University. The University shall deposit all proceeds of casualty insurance policies or direct federal aid (the "Repair Funds") in segregated accounts of the University at a commercial bank. The University shall deposit proceeds of casualty insurance in a separate account and shall deposit proceeds of direct federal aid in one or more separate accounts to facilitate the audit of the expenditure of such funds. All Repair Funds in excess of \$1 million shall be used pursuant to a written requisition. On or before the fifteenth (15th) calendar day of each month, the University will submit the preceding month's Requisitions to the Trustee, as set forth below. Pursuant to extended Letter Agreement, the majority bondholders expand their direction to instruct the Trustee not to call a default during the pendency of the new compliance period if by the fifteenth (15th) calendar day of each month the University sends to the Trustee copies of the preceding month's Requisitions. On the fifteenth (15th) calendar day of each month the University or FAFAA will provide, or cause relevant agencies to provide, the trustee with all project requests, progress or other reports provided to the Federal Emergency Management Agency (FEMA) or to any casualty insurance company with respect to the expenditure of Repair Funds during the preceding month.

The parties agree to use commercially reasonable efforts during the compliance period to arrive at a permanent resolution of the disputes which have given rise to the Letter Agreement and the various Standstill Extension Agreements prior to May 31, 2024.

The University has complied with and has made all transfers due under the Standstill Agreement, as extended. The Trustee on behalf of the University has paid as agreed, the scheduled principal and interest payments on its outstanding Series P and Q Bonds.

DUI is required to maintain three accounts, where all the Finance Agreement (which are paid by the University directly to the trustee of the DUI's AFICA bonds) payments are to be deposited in the following order:

- *Interest Account* – Each month, 1/6 of the amount due and payable on the next interest payment date.
- *Principal Account* (serial bonds) - Each month, 1/12 of the principal amount payable maturing on the next July 1.
- *Sinking Fund Account* (term bonds outstanding) – Beginning on July 25, 2021 and each month thereafter, 1/12 of the sinking fund requirement for each bond year; and any remaining amounts after attaining the required balances in the Interest and Principal Accounts.



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## **17. Bonds Payable (continued)**

### **Pledged Revenues and Debt Covenants (continued)**

DUI is required to maintain a *Debt Service Reserve* fund with a required balance of \$5.7 million which was created from the bond proceeds. Funds are to be used to cure deficiencies in any of the accounts, thereafter, they must be replenished. In the event funds decline in value below 90% of the required balance, the fund must be replenished in monthly installments of 1/12 of the deficiency.

DUI's AFICA term bonds are subject to mandatory redemption in part commencing on July 1, 2022, to the extent of the sinking fund requirement at a redemption price equal to 100% of the principal amount plus accrued interest. DUI complied with the sinking fund requirements as of June 30, 2023.

The Trust Agreements governing the DUI's AFICA bonds defines the following as events of default:

- AFICA failure to pay principal, redemption premium, when due or any installment of interest within 30 days;
- DUI failure for 30 days (or such longer period if said default cannot be cured within said thirty (30) day period and the University has exercised reasonable diligence in remedying said defaults) after written notice by the Trustee (which is required to give such notice at the written request of the holders of 10% of the aggregate principal amount of the outstanding bonds) to perform any covenant, condition, agreement, or provisions contained in the Trust Agreement or any agreement supplemental thereto; and,
- An event of default, as defined, shall have occurred under the Loan Agreement or the Lease Agreement and such default shall not have been remedied or waived.

In the event of any default, the Trustee may on its own initiative and shall, upon satisfactory indemnification and the request of the holders of not less than 25% in aggregate principal amount of the outstanding bonds declare the principal to be due and payable. Such declaration may be rescinded under circumstances specified in the Trust Agreement.

On August 5, 2016, and monthly thereafter until April 2017, the Bank of New York Mellon, in its capacity as Trustee of the DUI's AFICA bonds, notified to the University that it failed to make the basic payment to the trustee since July 25, 2016 and that a default under the finance agreement with DUI constitutes an event of default under the DUI's AFICA bonds Trust Agreement. As such, the University was in default of this obligation until April 2017. The trustee was not seeking any indebtedness from, enforce any judgment, or obtain possession of, or exercise control over, any property of or from, the Commonwealth or any of its instrumentalities, including DUI and the University, or exercise any act that is stayed by PROMESA, the Act No. 21 (known as the Puerto Rico Emergency Moratorium and Rehabilitation Act). In May 2017, the University reestablished the monthly payments to the trustee of the DUI's AFICA Bonds of \$475,000 and paid all the basic payments due from July 2016 until May 2017 (\$5.2 million). Presently, the University has paid as agreed, the monthly payments to the trustee of the DUI's AFICA Bonds and the trustee on behalf of DUI has paid as agreed, the scheduled principal and interest payments on its outstanding AFICA bonds.



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## **17. Bonds Payable (continued)**

### **Pledged Revenues and Debt Covenants (continued)**

- the University's dispute with DUI regarding the Qualified Operations and Management Agreement (the "Operations and Management Agreement") with the University for the operation, maintenance, and management of Plaza Universitaria is no longer in force;
- a notification to the University dated June 22, 2020, from the Trustee of the DUI's AFICA Bonds that the University's failure to comply with the terms of the Operations and Management Agreement may constitute a default under the finance agreement, and that a default under the finance agreement could lead to an event of default the loan agreement, which causes an event of default under the trust agreement;
- the assumption by the University of all operating activities as contemplated in the Operations and Management Agreement after October 2020; and,
- the appointment of the UPRPS, as administrative agent, responsible for the maintenance, repairs, and operation of Plaza Universitaria.

The Trust Agreement governing the DUI's AFICA bonds required DUI to comply with other covenants. As of June 30, 2023, DUI was not in compliance with the filing of core financial information and operating data, including its audited financial statements, not later than 120 days after the end of each fiscal year. DUI's last compliance with this requirement was in fiscal year 2019. DUI has not filed its core financial information and operating data, including its audited financial statements since then. No action has ever been taken by the Trustee in regards with the DUI's noncompliance with the above-mentioned covenants.

## **18. Leases**

A lease is defined as a contractual agreement that conveys control of the right to use another entity's nonfinancial asset, for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction.

### **Lessor Activity**

The University leases owned buildings and communication towers to others under long-term, noncancelable lease agreements recorded in accordance with GASB 87. During the year ended June 30, 2023, the amount recognized as lease revenue and lease interest amounted to \$860 thousand and \$328 thousand, respectively.



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**18. Leases (continued)**

**Lessor Activity (continued)**

As of June 30, 2023, the University had minimum principal and interest lease receivable payment requirements in its lessor activity as follows (in thousands):

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 761	\$ 237	\$ 998
2025	641	154	795
2026	427	87	514
2027	118	53	171
2028	65	44	109
2029 to 2033	154	140	294
2034 to 2038	165	58	223
2039	9	1	10
	<u>\$ 2,340</u>	<u>\$ 774</u>	<u>\$ 3,114</u>

Deferred inflows of resources related to leases amounted to \$2.2 million as of June 30, 2023.

**Lessee Activity**

The University leases facilities, office equipment, and other assets under long-term, noncancelable lease agreements recorded in accordance with GASB 87.

Right of use assets as of June 30, 2023 amounts to \$8.6 million and has an accumulated amortization of \$6 million for a net amount of \$2.6 million.

Lease liability as of June 30, 2023 amounts to \$2.8 million. Principal and interest requirements to maturity as of June 30, 2023 are as follows (in thousands):

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,639	\$ 215	\$ 1,854
2025	705	101	806
2026	415	35	450
2027	80	3	83
2028	—	—	—
	<u>\$ 2,839</u>	<u>\$ 354</u>	<u>\$ 3,193</u>



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## 18. Leases (continued)

### Subscription Liability

The University has entered into subscription-based information technology long-term arrangements for administrative tools. These arrangements have met the criteria established by GASB 96 “*Subscription-Based Information Technology Arrangements*” thus the University has recorded a right to use subscription asset and a subscription liability.

Right to use subscription asset as of June 30, 2023 amounts to \$5.2 million and has an accumulated amortization of \$1.3 million for a net amount of \$3.9 million.

Subscription liability as of June 30, 2023 amounts to \$3.7 million. Principal and interest requirements to maturity as of June 30, 2023 are as follows (in thousands):

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,890	\$ 400	\$ 2,290
2025	1,173	221	1,394
2026	316	80	396
2027	353	42	395
2028	—	—	—
	<u>\$ 3,732</u>	<u>\$ 743</u>	<u>\$ 4,475</u>

## 19. Commitments and Contingent Liabilities

### Claims Liability

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The University was insured through January 1993 under claims-made insurance policies with respect to medical malpractice risks for \$250,000 per occurrence up to an annual aggregate of \$500,000. The University has been a self-insured for such risks since that date. Under Law Number 98 of August 24, 1994, the responsibility of the University is limited to a maximum amount of \$75,000 per person, or \$150,000 if it involves actions for damages to more than one person or where a single injured party is entitled to several causes of action. Self-insured risk liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The process used in computing claims liabilities does not necessarily result in an exact amount, because actual claims liabilities depend upon such complex factors as inflation, changes in legal doctrines, and damage awards. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.



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**19. Commitments and Contingent Liabilities (continued)**

**Claims Liability (continued)**

Changes in the claim's liability amount in the year ended June 30, 2023 were (in thousands):

Claims liability - July 1	\$ 8,102
Incurred claims and changes in estimates	1,122
Payments for claims and adjustments expenses	<u>(1,854)</u>
Claims payable - June 30 (Including \$6.5 million for medical malpractice)	<u>\$ 7,370</u>

In addition, the University is a defendant in several lawsuits other than medical malpractice arising out of the normal course of business. Management has recorded an accrual of \$304 thousand as of June 30, 2023, to cover claims and lawsuits that may be assessed against the University. The University continues to carry commercial insurance for these risks of loss.

**Servicios Medicos Universitarios**

SMU is a defendant in several claims and lawsuits mostly related to medical malpractice and employee's unjust dismissal, among others, arising out of the normal course of business. SMU has recorded an accrual of \$2.4 million as of June 30, 2023, to cover claims and lawsuits that may be assessed against SMU.

**Federal Assistance Programs**

Since 1946, the University obtained and maintains institutional accreditation by the Middle States Commission on Higher Education (the "MSCHE" or the "Commission"), the regional accreditation entity, as its leading credential to validate and strengthen the quality and integrity of its endeavors in the framework of internationally recognized standards.

**The University**

Each campus of the University agreed to participate in the Title IV of the Higher Education Act of 1965 (i.e., Title IV HEA Programs) under the U.S. Department of Education's cash monitoring payment method and comply with the provisions under the Zone alternative. Starting with academic year 2017-2018, the eleven campuses of the University are operating on limited Title IV eligibility and are placed on the Heightened Cash Monitoring I (HCM-1) method of payment requiring enhanced reporting and documentation until further written notice from the U.S. Department of Education. Under the HCM-1 method payment, each campus of the University must first make disbursements to eligible students and parents and pay any credit balances due before it requests or receives funds for the amount of those disbursements from the U.S. Department of Education in accordance with 34 CFR 668.162 (d). The funding request may not exceed the amount of the actual disbursements that were made to the students and parents included in the funding request. Expenditures of Federal Awards under Title IV HEA programs amounted to \$214.6 million for the year ended June 30, 2023. The University was in compliance with various program requirements for the year ended June 30, 2023.



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**19. Commitments and Contingent Liabilities (continued)**

**The University (continued)**

In January 2019, the U.S. Department of Justice notified a researcher (faculty member) employed by the University about a potential civil action for violations under Title 21 as a result of a Drug Enforcement Administration (“DEA”) inspection in the research activities. The DEA inspection denoted that as an Authorized DEA Registrant and Researcher, the faculty member employed by the University failed in the responsibilities regarding controlled substances’ accountability, recordkeeping, licensing and reporting requirements, maintaining complete and accurate receiving, production, and distribution records, and have also failed in maintaining and complying with effective security controls and procedures as required by certain statutes of Title 21. In October 2019, the U.S. Department of Justice notified the University, that as a grant recipient, it is the legal entity responsible for compliance with the terms and conditions of the grant award of the National Institutes of Health. The claim seeks civil penalties amounting to \$1.2 million as of June 30, 2023. Management has recorded an accrual for this claim.

Civil penalties (Title 21)	\$ 1,300
Medical malpractice	5,766
Others	304
Claims payable - June 30	<u>\$ 7,370</u>

The University participates in a number of federal financial assistance programs. These programs are subject to audits in accordance with the provisions of the Office of Management and Budget (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) or to compliance audits by grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The University management believes the impact will not be material to the University’s financial statements.

**Construction Commitments**

Construction commitments entered by the University and SMU amounted to \$41.4 million and \$3.1 million as of June 30, 2023, respectively.

**Lease Agreements**

Servicios Médicos Universitarios, Inc. (“SMU”) leases to physicians and other third parties, office facilities located in the SMU’s premises under operating rent agreements, some of which are renewed annually. Rent income for the year ended June 30, 2023 amounted to \$38 thousand.

**Guaranty Commitment**

The University guarantees the SMU’s long-term debt (a term loan and a line of credit) with the GDB Debt Recovery Authority amounting to \$926 thousand as of June 30, 2023, which matures on June 30, 2025.



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## 20. University of Puerto Rico Retirement System

### Plan Description and Membership

The University's Retirement System (the "Retirement System") is a single employer, defined benefit pension plan that covers all employees of the University except for hourly, temporary, part-time, contract and substitute employees, visiting professors and employees of its blended component units and discretely presented component units. It is qualified and exempt from Puerto Rico and United States income taxes. The System is not subject to the requirements of the Employees Retirement Income Security Act of 1974 ("ERISA"). The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the University of Puerto Rico Retirement System at P.O. Box 21769, San Juan, Puerto Rico 00931-1769 or at [www.retiro.upr.edu](http://www.retiro.upr.edu).

On February 16, 2022, the Governing Board of the University approved that the University's Retirement System will be closed effectively October 31, 2022 to all non-vested participants and new employees after that date.

On October 27, 2022, the Governing Board of the University rescinded previous certifications related to the establishment of its defined contribution plan and the closing of its defined benefit plan to all non-vested participants and new employees after October 31, 2022 and established the following: 1) the University's Retirement System will be closed only to all new employees effectively May 1, 2023; and 2) only new employees will participate in a defined contribution plan beginning May 1, 2023. Vested and non-vested employees and retirees of the University's Retirement System are not impacted with this prospective change.

On May 8, 2023 the Governing Board of the University moved the closing date to the University's Retirement System to May 31, 2024.

On July 21, 2023, the Governing Board of the University moved the closing date to the University's Retirement System to July 31, 2023. Non-vested participants and new employees will participate in a defined contribution plan beginning August 1, 2023. Vested employees and retirees of the University's Retirement System are not impacted with this reorganization.

The Retirement System is a mature retirement system with a significant retiree population. As of June 30, 2022 (i.e., valuation date) membership in the Retirement System consisted of the following:

Retirees and beneficiaries currently receiving benefits	9,390
Terminated plan participants entitled to but not yet receiving benefits	6,336
Current participating employees	<u>8,304</u>
Total membership	<u><u>24,030</u></u>



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**20. University of Puerto Rico Retirement System (continued)**

**Plan Description and Membership (continued)**

The Retirement System provides retirement, disability and death benefits to participants and beneficiaries. The benefits provided to members of the Retirement System are established by the Governing Board of the University (the “Governing Board”). Directions of the Governing Board are communicated through a document named “Certification”. Benefit provisions vary depending on the date of membership.

The University Retirement Board (the “Retirement System’s Board”) is the administrator of the Retirement System, and its Executive Director manages the everyday affairs of the Retirement System in accordance with the faculties and provisions of Certification Number 27 (1973-74), as amended, of the Governing Board. The Retirement System has functioned pursuant to the terms and conditions of Act No. 1 and Certification Number 27 of the Governing Board. The Executive Director and the Retirement System’s Board will communicate to the Governing Board of the University any decisions made related to the Retirement System.

The Governing Board was the trustee of the Retirement System until October 1, 2020. On that date, the Puerto Rico Court of Appeals issued a judgment and the University’s Governing Board was removed as Trustee of the University’s Retirement System Trust, and consequently, the Retirement System’s Board is the substitute trustee. On October 16, 2020, the University requested a reconsideration of this judgement in the Puerto Rico Court of Appeals, but it was denied by the Court in November 2020. Then, the University requested to the Puerto Rico Supreme Court the revision of the judgement of Puerto Rico Court of Appeals, however, it was denied by the Puerto Rico Supreme Court on February 5, 2021.

The Trust of the University Retirement System is a “de facto trust” since 1945. In July 2016, the University filed the Deed of Confirmation and Acknowledgement of Trust of the University Retirement System in which the University as the Original Settlor and the University through its Governing Board as the Original Trustee hereby confirm, restate, and acknowledge the inception of the Pension Plan and its Trust Fund in accordance with the provisions of the laws of the Commonwealth, specifically, the provisions of Act No. 219-2012.

**Retirement Benefits**

Participants are entitled to annual retirement benefits at any age after 30 years of service; or at age 58 after 10 years of service; or at age 55 after 25 years of service. No cost-of-living adjustments have been granted by the Governing Board since July 1, 2007.



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## **20. University of Puerto Rico Retirement System (continued)**

### **Retirement Benefits (continued)**

The amount of service retirement annuity is as follows:

- For those participants who have completed 20 years of service by July 1, 1979:
  - Before age 65 – For participants with at least 30 years of service: 75% of average compensation if age 55 at beginning date; 65% if under age 55. If the participant completed 30 years of service before July 1973, the annuity is increased by 2% of average compensation for each year of service beyond 30 and before July 1973, but to no more than 85% of average compensation.
  - Before age 65 – For participants with less than 30 years of service: 1.5% of average compensation per year of service for participants with 20 or fewer years. Percentage increases by .05% for each year in excess of 20 years up to maximum of 1.95% per year. Amount is reduced by .5% for each month the participant is under age 58 at the time the annuity begins.
  - After age 65 – Same as before age 65.
  - Average compensation – The average of the highest-paid 36 months of service without limit on compensation.
  - Minimum annuity – \$250 per month.
- For all participants who were affected under Certification No. 37 (1978-79) and who have not completed 20 years of service by July 1, 1979 and for those participants who entered into the Retirement System on or after July 1, 1978 until December 31, 1989, including those participants that later elected Certification No. 54 (1989-90) or Certification No. 55 (1989-90) of the Governing Board:
  - Before age 65 – For participants with at least 30 years of service: 75% of average compensation. Amount is reduced by .5% for each month the member of Certification No. 37 is under age 58 at time annuity begins or reduced by 1/3% for each month the participant of Certification No. 54 or Certification No. 55 is under age 55 at time annuity begins if the member had less than 25 years of service as of July 1, 2015 and reduced from age 55 for members with 25 or more years of service as of July 1, 2015.
  - Before age 65 – For participants with less than 30 years of service: 1.5% of average compensation per year of service for the participants with 20 or fewer years. Percentage increases by .05% for each year in excess of 20 years up to a maximum of 1.95% of average compensation per year of service. Amount is reduced by .5% for each month the participant who did not elect Certification No. 54 or Certification No. 55 is under age 58 at time annuity begins. Amount is reduced by 1/3% for each month the participant of Certification No. 54 or Certification No. 55 is under age 58 at time annuity begins if member had less than 25 years of service as of July 1, 2015 and reduced from age 55 for members with 25 or more years of service as of July 1, 2015.



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**20. University of Puerto Rico Retirement System (continued)**

**Retirement Benefits (continued)**

- After age 65 – For a participant who elected Certification 54 or Certification No. 55, if the participant elected full supplement (Certification No. 54), the annuity is the same as before age 65; otherwise, the annuity is reduced by .5% of average compensation for each year of service up to 30 years. If the participant did not elect Certification 54 or Certification No. 55, the benefit is coordinated and the annuity is reduced by .5% of average compensation in excess of Social Security wage base in effect at the retirement date for each year of service up to 30 years; if the participant had less than 30 years of service and was under age 58 at the beginning date, coordination adjustment is made before application of .5% reduction per month under age 58.
  - Average compensation – The average of the highest-paid 36 months of service, with a compensation cap of \$35,000 per year.
  - Minimum annuity – \$250 per month.
- For all participants entering into the Retirement System on or after January 1, 1990:
    - Before age 65 – For participants with at least 30 years of service: 75% of average compensation. Amount is reduced by 1/3% for each month the member is under age 55 at time annuity begins if the member had less than 25 years of service as of July 1, 2015 and reduced from age 55 for members with 25 or more years of service as of July 1, 2015.
    - Before age 65 – For participants with less than 30 years of service: 1.5% of average compensation per year of service for participants with 20 or fewer years. Percentage increases by .05% for each year in excess of 20 years up to a maximum of 1.95% of average compensation per year of service. Amount is reduced by 1/3% for each month the participant is under age 58 at time annuity begins if the member had less than 25 years of service as of July 1, 2015 and reduced from age 55 for members with 25 or more years of service as of July 1, 2015.
    - After Age 65 – Same as for before age 65.
    - Average compensation – The average of the highest-paid 36 months of service, with a compensation cap of \$35,000 per year.
    - Minimum annuity – \$250 per month.

Effective July 1, 1998, the Retirement System was amended by Certification No. 94 (1997-98) of the Governing Board, to offer participants an increase from \$35,000 to \$50,000 in the maximum compensation subject to withholding contributions. The participants who elected this benefit paid retroactively to July 1, 1979 or to their first day of employment, if later, the differences in withholding contributions for prior year compensations exceeding \$35,000 and up to a maximum of \$35,000 plus 8% interest. Effective July 1, 1998, all new participants contribute 9% of their compensation up to \$50,000.



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## **20. University of Puerto Rico Retirement System (continued)**

### **Retirement Benefits (continued)**

Effective July 1, 2002, the Retirement System was amended, by Certification No. 139 (2001-2002) of the Governing Board, to offer participants an increase from \$50,000 to \$60,000 in the maximum compensation subject to withholding contribution. The participants who elected this benefit paid retroactively to July 1, 1979 or their first day of employment, if later, the differences in withholding contributions for prior year compensations exceeding \$35,000 or \$50,000, as applicable, and up to a maximum of \$60,000. The \$60,000 compensation limit was increased by 3% every two years until June 30, 2014. Effective July 1, 2014, the maximum compensation for Certification No. 139 (2001-2002) of the Governing Board was frozen at \$69,556 by Certification No. 70 (2013-14) of the Governing Board.

### **Disability Benefits**

Employees who become disabled receive annual disability benefits regardless of service if disability is due to occupational causes or after 15 years of service if disability is due to non-occupational causes. If the employee is also eligible for a retirement annuity, the benefit payable is the higher of the two. Disability benefit annuity is paid as follows:

- Before age 65 – If service related, 50% of final compensation (subject to applicable compensation cap). If not, services related, 90% of member's regular retirement benefit payable by the applicable retirement formula above.
- After age 65 – Reduced to amount payable by the applicable retirement annuity; however, if that amount plus primary Social Security benefit is less than disability retirement annuity, then the retirement annuity is increased by the amount necessary to match the disability annuity.
- Minimum annuity – \$250 per month.

### **Death Benefits**

- Pre-retirement death benefits – If the death of an employee is service related, a death benefit annuity equals to 50% of the final annual compensation plus \$120 (\$240 if widow not receiving benefit) per year for each child under age 18 (21 if at school) is paid to the employee's beneficiaries. Maximum family benefit is 75% of the employee's final annual compensation. If death is non-service related, a lump-sum is paid equal to the employee's contributions plus one year's final compensation, but not less than \$6,000.
- Post retirement death benefits – Employee's contributions are refunded to the extent that they exceed retirement payments already made, unless reversionary annuity was elected. Minimum payment is \$600. In addition, 50% of retirement annuity is payable to surviving spouse until death or remarriage or until they become eligible for Social Security benefits. The minimum annuity is \$75 per month and the maximum annuity is \$150 per month.



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## **20. University of Puerto Rico Retirement System (continued)**

### **Reversionary Annuity**

Member may elect to receive a reduced annuity in order to provide a lifetime benefit after death to a spouse or relative. The benefit to the spouse or relative may be as low as \$25 per month or as high as 100% of the member's reduced annuity. This option is not permitted if member retires on a disability annuity.

### **Christmas Bonus**

- A \$400 annual bonus is given to all retired participants.

If a participant terminates after rendering 10 years of service, and does not withdraw his contributions, the participant receives a retirement annuity payable beginning at age 60 based on the applicable retirement benefit formula.

### **Non-vested Termination Benefits**

If a participant terminates before rendering 10 years of service, the right to receive the portion of his accumulated plan benefits attributable to the University's contributions is forfeited. However, the employee is entitled to receive, in a lump-sum payment, the value of his accumulated contributions. Refund of a participant's own contributions may also be obtained after 10 years of service, but the vested benefit is lost.

### **Funding Policy**

The contribution requirements of participants and the University are established and may be amended by the Governing Board. Plan members are required to contribute as follows:

1. Participants who have completed 20 years of service by July 1, 1979:
  - If full supplement election: 7% of the monthly compensation.
  - If no full supplement election: 4% of the monthly compensation up to \$350, plus 6.5% of the excess.
2. For all participants who were affected under Certification No. 37 (1978-79) and who have not completed 20 years of service by July 1, 1979 and for those participants who entered into the Retirement System on or after July 1, 1978 until December 31, 1989 and who did not elect Certification No. 54 (1989-90) or Certification No. 55 (1989-90) of the Governing Board:
  - Only no full supplement election: 5% of the monthly compensation up to \$2,916.67 for members with 25 years of service as of July 1, 2015, and 6% of the monthly compensation up to \$2,916.67 of the monthly compensation up to \$2,916.67 for members with less than 25 years of service as of July 1, 2015.



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## **20. University of Puerto Rico Retirement System (continued)**

### **Funding Policy (continued)**

3. For all participants who were affected under Certification No. 37 (1978-79) and who have not completed 20 years of service by July 1, 1979 and for those participants who entered into the Retirement System on or after July 1, 1978 until December 31, 1989 and later elected Certification No. 54 (1989-90) or Certification No. 55 (1989-90) of the Governing Board:
  - If full supplement election: 7% of the monthly compensation up to \$2,916.67 for members with 25 or more years of service as of July 1, 2015 and 8% of the monthly compensation up to \$2,916.67 for members with less than 25 years of service as of July 1, 2015.
  - If no full supplement election: 4% of the monthly compensation up to \$350.00, plus 6.5% of the monthly compensation in excess up to \$2,916.67 for members with 25 or more years of service as of July 1, 2015 and 5% of the monthly compensation up to \$350.00, plus 6.5% of the monthly compensation in excess up to \$2,916.67 for members with less than 25 years of service as of July 1, 2015.
4. For all participants entering into the Retirement System on or after January 1, 1990:
  - Only full supplement election: 8% of the monthly compensation up to \$2,916.67 for members with 25 or more years of service as of July 1, 2015 and 9% of the monthly compensation up to \$2,916.67 for members with less than 25 years of service as of July 1, 2015.
  - If Certification No. 94 (1997-98) of the Governing Board election: 9% of the monthly compensation up to \$4,166.67 for members with 25 or more years of service as of July 1, 2015 and 10% of the monthly compensation up to \$4,166.67 for members with less than 25 years of service as of July 1, 2015.
  - If Certification No. 139 (2001-2002) of the Governing Board election: 11% of monthly compensation up to \$5,796.42 for members with 25 or more years of service as of July 1, 2015 and 12% of the monthly compensation up to \$5,796.42 for members with less than 25 years of service as of July 1, 2015.
  - Effective July 1, 2015, all new participants will be covered under Certification No. 139 (2001-2002) of the Governing Board and will pay 12% of the monthly compensation up to \$5,796.

Contribution rates to the Retirement System are annually established by the Governing Board of the University in its certified fiscal plan and they are mainly based on an actuarially determined rate recommended by an independent actuary at the beginning of the fiscal year. The actuarially determined rate is the estimated amount to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded liability. The University is required to contribute the difference between the total contribution rate approved by the Governing Board of the University and the contribution rate of employees.



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**20. University of Puerto Rico Retirement System (continued)**

**Funding Policy (continued)**

For the year ended June 30, 2023, the average active employee contribution rate was 9% of annual pay, and the University's average contribution rate was 39.2% of annual payroll. The actuarially determined employer contribution rate considers payment of administrative expenses. Therefore, administrative expenses are paid out of the trust fund. The University contributed 41.2% of covered-employee payroll in 2023. The University's contributions to the Retirement System amounted to approximately \$143.7 million for the year ended June 30, 2023.

The contributions of the University were originally designed to fund, together with the contributions of the participants, the current service cost on a current basis and the estimated accrued benefit cost attributable to qualifying service prior to the establishment of the Retirement System over a 40-year period, but as a result of increasing benefits without a correlative increase in employer's contributions, they fall short of accomplishing the necessary funding.

**Net Pension Liability**

As permitted by GASB, the University's net pension liability as of June 30, 2023 was measured as of June 30, 2022, (the "2022 Actuarial Valuation"). The total pension liability used to calculate the net pension liability was determined by an actuarial valuation with census data as of June 30, 2022 and an experience study for the five-year period ended June 30, 2017.

The results of the actuarial valuation report are only for financial reporting and may not be appropriate for funding purposes or other types of analysis. Calculations for purposes other than satisfying the requirements of GASB Statement No. 68 may produce significantly different results. Future actuarial results may differ significantly from the current results presented in the reports due to such factors as changes in plan experience or changes in economic or demographic assumptions.

The components of the employer's net pension liability as of June 30, 2023 were as follows (in thousands):

Total pension liability	\$ 3,306,633
Less: Plan's fiduciary net position	<u>1,554,403</u>
Employer's net pension liability	<u>\$ 1,752,230</u>
Plan's fiduciary net position as a percentage of the total pension liability	 <u>47.01%</u>



**University of Puerto Rico**  
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**June 30, 2023**

**20. University of Puerto Rico Retirement System (continued)**

**Net Pension Liability (continued)**

Changes in the net pension liability for the year ended June 30, 2023 are as follows (in thousands):

	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
Balance at beginning of year	\$ 3,303,351	\$ 1,772,587	\$ 1,530,764
Changes for the year:			
Service cost	32,693	–	32,693
Interest	215,473	–	215,473
Benefit changes	2,648	–	2,648
Difference between expected and actual experience	(25,218)	–	(25,218)
Changes in assumptions or other inputs	–	–	–
Contributions - employer	–	161,705	(161,705)
Contributions - participants	–	31,205	(31,205)
Net investment loss	–	(185,059)	185,059
Benefit payments, including refunds of employee contributions	(222,314)	(222,314)	–
Administrative expenses and others	–	(3,721)	3,721
Net changes	3,282	(218,184)	221,466
Balance at end of year	\$ 3,306,633	\$ 1,554,403	\$ 1,752,230

For the year ended June 30, 2023, the University recognized pension credit of approximately \$247.5 million.

As of June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources from pension activities as follows (in thousands):

<b>Source</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Employer contributions made subsequent to the measurement date	\$ 143,700	\$ –
Differences between expected and actual experience	–	45,855
Changes in assumptions or other inputs	–	447,466
Net difference between projected and actual earnings on plan investments	95,819	–
Total	\$ 239,519	\$ 493,321



**University of Puerto Rico**  
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**Notes to Financial Statements (continued)**  
**June 30, 2023**

**20. University of Puerto Rico Retirement System (continued)**

**Net Pension Liability (continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources from pension activities as of June 30, 2023 will be recognized in the pension expense (credit) as follows (in thousands):

<u>Year Ending June 30:</u>	<u>Amount</u>
2024	\$ (306,980)
2025	(161,814)
2026	10,573
2027	60,719
2028	—
Total	<u>\$ (397,502)</u>

**Actuarial Methods and Assumptions**

The actuarial cost method used to measure the total pension liability as of June 30, 2023 was the Entry Age Normal Actuarial Cost Method. Assumptions other than mortality are based on the results of the experience study for the five-year period ended June 30, 2017. The actuarial valuations used the following actuarial method and assumptions:

Measurement Date	June 30, 2022
Valuation Date	June 30, 2022
Reporting Date	June 30, 2023
Actuarial Accrued Liability Amortization Method	Level percentage of payroll, closed 30-year period
Remaining Amortization Period	23 years
Asset Valuation Method	5-year smoothed market
Inflation	2.40% per year
Projected Salary Increases	2.40% and wage growth rate of 0.35% per year, including inflation
Investment Rate of Return	6.75% per annum, compounded annually, net of investment expenses
Municipal Bond Index	4.09%
Discount Rate	6.75% per annum, compounded annually

The mortality tables used in fiscal year 2023 (the 2022 Actuarial Valuation) were as follows:

- Pre-retirement Mortality: Pub 2010 Teachers Employees Amount-Weighted Mortality Table, projected generationally using scale MP-2021.
- Post-retirement Healthy Mortality: Pub 2010 Teachers Retirees Amount-Weighted Mortality Table, projected generationally using scale MP-2021.
- Post-retirement Disabled Mortality: Pub 2010 Teachers Disabled Retirees Amount-Weighted Mortality Table, projected generationally using scale MP-2021.



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**Notes to Financial Statements (continued)**  
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**20. University of Puerto Rico Retirement System (continued)**

**Actuarial Methods and Assumptions (continued)**

- Survivor and Contingent Beneficiary Mortality: Pub 2010 Teachers Amount-Weighted Contingent Survivors Mortality Table, projected generationally using scale MP-2021.

Changes in the mortality tables and other actuarial assumptions for the June 30, 2022 actuarial valuation were based on an experience study of economic and demographic experience for the University's Retirement System for the five-year-period ended June 30, 2017 performed by an independent consultant.

*Changes of Actuarial Assumptions*

In the 2022 Actuarial Valuation, the discount rate was consistent at 6.75%.

*Changes of Benefit Terms*

In fiscal year 2023 (the 2022 Actuarial Valuation), the University's Retirement System will be closed effectively October 31, 2022 to all non-vested participants and new employees after that date as approved by the Governing Board of the University on February 16, 2022. Non-vested participants and new employees will participate in a defined contribution plan beginning November 1, 2022. Vested employees and retirees of the University's Retirement System are not impacted with this closing.

The following changes in benefits occurred after the measurement date of June 30, 2022:

On October 27, 2022, the Governing Board of the University rescinded previous certifications related to the establishment of its defined contribution plan and the closing of its defined benefit plan to all non-vested participants and new employees after October 31, 2022 and established the following: 1) the University's Retirement System will be closed only to all new employees effectively May 1, 2023; and 2) only new employees will participate in a defined contribution plan beginning May 1, 2023. Vested and non-vested employees and retirees of the University's Retirement System are not impacted with this prospective change.

On May 8, 2023 the Governing Board of the University moved the closing date to the University's Retirement System to May 31, 2024.

On July 21, 2023, the Governing Board of the University moved the closing date to the University's Retirement System to July 31, 2023. Non-vested participants and new employees will participate in a defined contribution plan beginning August 1, 2023. Vested employees and retirees of the University's Retirement System are not impacted with this reorganization.

The estimated impacts of these changes in benefits is an increase in the University's TPL of approximately \$1.5 million in the fiscal years 2024 and 2025 (the 2023 and 2024 Actuarial Valuations).



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**Notes to Financial Statements (continued)**  
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**20. University of Puerto Rico Retirement System (continued)**

**Actuarial Methods and Assumptions (continued)**

***Long-term Expected Rate of Return***

The long-term expected rate of return on pension plan investments was determined using log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Broad U.S. equity	32.0%	6.20%
Global ex U.S. equity	24.0%	6.91%
Domestic fixed	30.0%	2.46%
High Yield	7.5%	4.56%
Real Estate	5.0%	5.01%
Private Equity	1.5%	10.30%
Total	<u>100.0%</u>	

***Discount Rate***

The discount rate used to measure the total pension liability in fiscal year 2023 (the 2022 Actuarial Valuation with measurement date June 30, 2022) was equal to the Single Equivalent Interest Rate ("SEIR") of 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that employer contributions will be made according to the five-year average of actual contributions as of June 30, 2022. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments of 6.75% was applied to all periods of projected benefit payments. The long term expected rate of return was based on the Survey of Capital Market Assumptions (2023 edition) published by Horizon Actuarial Services. The SEIR at the beginning of the measurement period was 6.75%.



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**Notes to Financial Statements (continued)**  
**June 30, 2023**

**20. University of Puerto Rico Retirement System (continued)**

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability as of June 30, 2023, calculated using the discount rate of 6.75%, as well as what it would be if it were calculated using a discount rate of 1 percentage point lower or 1 percentage point higher than the current rate (in thousands):

1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
\$ 2,088,980	\$ 1,752,230	\$ 1,464,845

**Other Pension Costs**

Certain retirees of a unit of the University, who are not members of the University Retirement System, are members of the Employees’ Retirement System of the Commonwealth (“ERS”), a blended component unit of the Commonwealth. ERS is a cost sharing, multiple employers defined benefit pension plan, which covers all regular employees of the Commonwealth and its instrumentalities and of certain municipalities and component units not covered by their own retirement systems.

On May 21, 2017, the Oversight Board of PROMESA, at the request of the Governor of Puerto Rico, commenced a Title III Case for the ERS by filing a petition for relief under Title III of PROMESA in the United States District Court for the District of Puerto Rico. On June 30, 2017, the United States Trustee appointed the Official Committee of Retired Employees of Puerto Rico in the Commonwealth’s Title III cases. On August 23, 2017, the Governor of Puerto Rico signed into law the “Act to Guarantee the Payment to our Pensioners and Establish a New Plan of Defined Contributions for Public Servants” (Act No. 106-2017). Act No. 106-2017 established the PayGo mechanism effective July 1, 2017 for all the Commonwealth’s pension plans, including the ERS. Thus, its benefits are no longer funded by a pension trust. On January 18, 2022, the Title III Court entered an order confirming the Commonwealth Plan of Adjustment (the “Plan of Adjustment”). The Plan of Adjustment preserves all accrued pension benefits for current retirees at ERS.

The University is a cost sharing employer of the ERS for the above retirees of a unit of the University. The method used by the Commonwealth to allocate the proportional share of the ERS’s total pension liability and the related pension amounts is based on the proportional share of the overall projected long-term contribution effort relative to that of all the participating government employers until June 30, 2018 and based on the proportional share of each employer’s actual benefit payments to the total actual benefit payments paid during the year ending on the measurement date from June 30, 2019 and thereafter. Because of the method used by the Commonwealth to allocate the proportional share of the ERS’s net pension liability and the related pension amounts, no share of the ERS’s net pension liability and the related pension amounts were allocated to the University.



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**Notes to Financial Statements (continued)**  
**June 30, 2023**

**21. Post-Employment Benefits Other Than Pensions (“OPEB”)**

**Program Description and Membership**

The University provides other than pension post-employment benefits (“OPEB”) (i.e., health benefits or medical subsidy) for its retired employees (the “Program”). Substantially all of the employees may become eligible for these benefits if they are eligible to retire under the University Retirement System (30 years of service, age 58 with 10 years of service or age 55 with 25 years of service). Employees are also eligible on disability with 10 years of service. The cost of providing such benefits is recognized when paid.

The University also provides a fixed subsidy of \$125 per month (\$1,500 per year) per retiree (\$0 for spouse), paid by the University for the life of the retiree (with proof of coverage).

As of June 30, 2022, the date of the most recent actuarial valuation, membership in the Program consisted of the following:

Retirees and beneficiaries currently receiving benefits	7,174
Current participating employees	<u>8,304</u>
Total membership	<u><u>15,478</u></u>

The benefits provided to members of the University’s Program are established by the Governing Board of the University. The Program meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the payment of these benefits. The University’s Program is funded on a pay-as-you-go basis. Retiree benefits are paid out of the University’s general assets each year.

**Total OPEB Liability**

As permitted by GASB, the University’s unfunded total liability (TOL) as of June 30, 2023 of approximately \$198.8 million was measured at June 30, 2022, by actuarial valuations as of June 30, 2022 (the “Program 2022 Actuarial Valuation”).



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**Notes to Financial Statements (continued)**  
**June 30, 2023**

**21. Post-Employment Benefits Other Than Pensions (“OPEB”) (continued)**

**Total OPEB Liability (continued)**

Changes in the total Program liability for the year ended June 30, 2023 are as follows (in thousands):

Balance at beginning of year	<u>\$ 250,387</u>
Changes for the year:	
Service cost	4,454
Interest	5,338
Benefit changes	–
Difference between expected and actual experience	(763)
Changes in assumptions or other inputs	(49,597)
Benefit payments	<u>(11,031)</u>
Net changes	<u>(51,599)</u>
Balance at end of year	<u>\$ 198,788</u>

For the year ended June 30, 2023, the University recognized a Program expense of approximately \$5.5 million.

As of June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources from the Program activities as follows (in thousands):

<u>Source</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer contributions made subsequent to the measurement date	\$ 10,197	\$ –
Differences between expected and actual experience	–	2,840
Changes in assumptions or other inputs	15,509	40,741
Total	<u>\$ 25,706</u>	<u>\$ 43,581</u>

Deferred outflows of resources related to OPEB resulting from the University’s contributions subsequent to the measurement date which amounted to approximately \$10.2 million as of June 30, 2023, are recognized as a reduction of the total OPEB liability in the year ending June 30, 2023.



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**Notes to Financial Statements (continued)**  
**June 30, 2023**

**21. Post-Employment Benefits Other Than Pensions (“OPEB”) (continued)**

**Total OPEB Liability (continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources from Program activities as of June 30, 2023 will be recognized in the Program expense as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2024	\$ (4,463)
2025	(4,431)
2026	(6,165)
2027	(7,618)
2028	(5,395)
Total	\$ (28,072)

**Actuarial Methods and Assumptions**

The actuarial cost method used to measure the total Program liability as of June 30, 2022 (i.e., valuation and measurement date) was the Entry Age Normal Actuarial Cost Method. The actuarial valuation used the following actuarial method and assumptions:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2022
Percentage Electing to Receive Medical Subsidy	85% of future retirees (current retirees based on actual elections)
Tuition Remission	Not applicable
Inflation	2.40%
Payroll Growth	Not applicable
Salary Increases	Not applicable
Discount Rate – Municipal Bond Index	4.09% as per SP Municipal Bond 20 Year High Grade Index

The mortality tables used in fiscal year 2023 (the Program 2022 Actuarial Valuations) were as follows:

- Mortality for Healthy Retirees - Pub 2010 Teachers Retirees Amount-Weighted Mortality Table, projected generationally using scale MP-2021.
- Mortality for Disabled Retirees - Pub 2010 Teachers Disabled Retirees Mortality Table, projected generationally using scale MP-2021.



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**Notes to Financial Statements (continued)**  
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**21. Post-Employment Benefits Other Than Pensions (“OPEB”) (continued)**

**Actuarial Methods and Assumptions (continued)**

*Changes of Actuarial Assumptions*

In fiscal year 2023 (the Program 2022 Actuarial Valuation), the discount rate increased from 2.18% to 4.09%.

*Changes of Benefit Terms*

In fiscal year 2023 (the Program 2022 Actuarial Valuations), there was no change in the benefit terms that affected the measurement of the total Program liability since the prior measurement date.

**Sensitivity of the Total Program Liability to Changes in the Discount Rate**

The following presents the total Program liability as of June 30, 2023, calculated using the discount rate of 4.09%, as well as what it would be if it were calculated using a discount rate of 1 percentage point lower or 1 percentage point higher than the current rate (in thousands):

	<b>Current</b>	
<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
<b>(3.09%)</b>	<b>(4.09%)</b>	<b>(5.09)</b>
\$ 222,597	\$ 198,788	\$ 178,804

**22. Functional Information**

The University’s operating expenses by functional classification during the year ended June 30, 2023 were as follows (in thousands):

<b>Functional Classification</b>	<b>Salaries and Benefits</b>	<b>Scholarships and Fellowships</b>	<b>Supplies and Other Services</b>	<b>Utilities</b>	<b>Depreciation and Amortization</b>	<b>Other Expenses</b>	<b>Total</b>
Instruction	\$ 282,126	\$ 1,937	\$ 10,268	\$ 171	\$ —	\$ 703	\$ 295,205
Research	48,205	6,679	23,236	1,377	—	9,168	88,665
Public service	42,554	598	12,266	562	—	342	56,322
Academic support	58,364	1,420	25,117	372	—	805	86,078
Student services	26,626	188	4,973	95	—	12	31,894
Institutional support	98,336	94	26,178	3,054	—	1,772	129,434
Operations and maintenance	44,819	1	34,140	44,955	—	138	124,053
Student aid	4,050	106,459	2,361	—	—	170	113,040
Patient service	59,360	12	1,201	141	—	759	61,473
Depreciation and amortization	—	—	—	—	46,482	—	46,482
Pension credit	(247,508)	—	—	—	—	—	(247,508)
	<u>\$ 416,932</u>	<u>\$ 117,388</u>	<u>\$ 139,740</u>	<u>\$ 50,727</u>	<u>\$ 46,482</u>	<u>\$ 13,869</u>	<u>\$ 785,138</u>



**University of Puerto Rico**  
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**Notes to Financial Statements (continued)**  
**June 30, 2023**

### **23. Going Concern**

These financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) assuming the University will continue as a going concern. The University faces risks and uncertainties, including liquidity risk—which is the risk of not having sufficient liquid financial resources to meet obligations when they come due. The risks and uncertainties facing the University together with other factors further described below, have led management to conclude that there is substantial doubt as to the ability of the University to continue as a going concern in accordance with GASB Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards, Going Concern Considerations Section.

Prior to implementation of the Commonwealth's Plan of Adjustment under Title III of PROMESA, the Commonwealth was in the midst of a profound fiscal, economic and liquidity crisis, which was the culmination of many years of significant governmental deficits, a prolonged economic recession (which commenced in 2006), high unemployment, population decline, and high levels of debt and pension obligations. As the Commonwealth's tax base shrunk and its revenues affected by prevailing economic conditions, health care, pension and debt service costs have become an increasing portion of the General Fund budget, which has resulted in reduced funding available for other essential services.

The Commonwealth's very high level of debt and unfunded pension liabilities and the resulting required allocation of revenues to service debt and pension obligations contributed to significant budget deficits during the past several years, which deficits the Commonwealth financed, further increasing the amount of its debt. These matters and the Commonwealth's liquidity constraints, among other factors, adversely affected its credit ratings and its ability to obtain financing at reasonable interest rates. Similarly, and pursuant to a series of legislations and executive orders during fiscal year 2016 and 2017, the Commonwealth and certain other public corporations also delayed the debt service payments on some of its debt, including the general obligation bonds of the Commonwealth.

In response to the Commonwealth's fiscal crisis, the United States Congress enacted PROMESA on June 30, 2016, establishing the Oversight Board with certain powers to exercise budgeting and financial controls over the Commonwealth's fiscal affairs, and to review and approve certain governmental actions while reorganizing the Commonwealth's and certain public corporation's debt.

Given the high dependency of the University on the Commonwealth appropriations and lack of available financing sources at reasonable interest rates, the University's financial condition and liquidity is being adversely affected. Consequently, the University may not be able to avoid future defaults on its obligations. Management has plans to address the University's liquidity situation and continue providing services. However, there can be no assurance that the Commonwealth will be able to continue to provide adequate appropriations or funding alternatives or that the creditors will be able and willing to refinance or modify the terms of the University's obligations.

The University is: (i) dependent upon Commonwealth's appropriations to finance its operations; (ii) exposed to contractual debt maturity acceleration due to covenant violations; and (iii) encumbered to provide liquid resources for retired and non-retired vested employees.



**University of Puerto Rico**  
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**Notes to Financial Statements (continued)**  
**June 30, 2023**

### **23. Going Concern (continued)**

However, the University believes that (i) Commonwealth appropriations are secured thru 2027 in accordance with Act 53; (ii) risk of debt acceleration is minimal due to the Standstill Agreement that provides for a sinking fund reserve in excess of debt service for 12 months; and (iii) pension liability increase risk is mitigated thru to the conversion of the defined benefit plan to a defined contribution plan for new hires, effective as of August 1, 2023.

The University is constantly evaluating strategies to obtain additional revenue sources for future operations. These strategies may include grants and contracts, issuing debt or entering into other financing arrangements, and restructuring operations to grow revenues and decrease expenses. However, due to the local economic downturn and population migration, the University may be unable to access new or additional revenue sources. The University has seen a decline trend in its student enrollment. The student body decreased from 61,747 students in academic year 2016-2017 to 46,120 students in academic year 2022-2023, a decrease of 16,200 students or 23% in the last five years.

#### **Management's Plan**

Pursuant to PROMESA and the requirements imposed by the Oversight Board, the Oversight Board certified the Fiscal Plans for the Commonwealth and the University. The certified Fiscal Plan commits to fiscal responsibility and implements specific revenue enhancements and targeted expenditure reductions to return to fiscal stability and economic growth.

The Oversight Board has certified the fiscal plans for the University since 2017. Considering the many variables in the forecasts, the Oversight Board of PROMESA has chosen to annually update and certify a Fiscal Plan for accuracy and to serve as the most updated information for the purposes of certifying an annual budget. The Fiscal Plans, in accordance with PROMESA, have outlined a path to achieve fiscal responsibility, maintain access to capital markets, and provide adequate funding for the University's Retirement System.

The Oversight Board recognizes that the University has made progress on implementing some measures (e.g., increased undergraduate and graduate tuition costs). However, on other measures, the University is in the process to comply with previous fiscal plan requirements. The University is in the process to: (i) reform its pension plan; (ii) adjust benefits to sustainable levels; and (iii) implement adjustment measures to capture the required procurement savings.

The Fiscal Plan for the University includes four core elements centered primarily on improving operations and increasing revenues, while maintaining student access and experience benefits from the improved university system:



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**Notes to Financial Statements (continued)**  
**June 30, 2023**

## **23. Going Concern (continued)**

### **Management's Plan (continued)**

#### ***Operational Efficiencies***

The University's existing operational model, with eleven semiautonomous campuses, creates unnecessary complexity, and drives higher costs. The Fiscal Plan continues to identify personnel and non-personnel efficiencies, prioritizing the latter, to make sure all campuses remain operational while reinvesting in core faculty. The Fiscal Plan calls for decrease in total operating disbursements. These cost reductions are paired with operational improvements, such as the transition to shared administrative service hubs and an optimization of academic offerings-pairing resources with greatest academia needs. The fiscal plan includes the following expense measures:

- Attrition: Lower overall headcount via means of attrition by reducing non-faculty and other administrative personnel, including trust and senior positions. Increase faculty in order to maintain the highest level of institutional quality.
- Centralized procurement efforts and contract negotiations.
- Benefits adjustments: Reduce the employer monthly contribution to the medical insurance plans to \$390 per month to each faculty members and to \$125 per month to each non-faculty members plans, while keeping baseline contributions to employees with preexisting conditions; and reduce prospective pay out of non-payroll compensation (e.g., sick days, union charges).

#### ***Revenue Enhancement***

The certified Fiscal Plan for the University aims to maximize opportunities to increase revenue from non-tuition and tuition sources.

- Non-tuition sources: maximizing opportunities to increase revenue from non-tuition sources such as: federal grants and awards, intellectual property, and patent monetization, increase in dues and charges and ancillary service fees for providing training to external institutions (e.g., additional revenue by offering tutorial and training services to the Department of Education and other government agencies).
- Tuition sources:
  - Gradual increase in the student cost per credit from fiscal year 2021 to 2023. Thereafter, tuition will be indexed to public 4-year tuition inflation (estimated to be 3.1% for fiscal year 2024).
  - Increase cost per credit for graduate programs to be more in line with local and nationwide benchmarks, indexing the increase first to the average public higher education tuition growth over the past decade (3.1%), then to the Puerto Rico inflation (1%).
  - Actual tuition cost per credit for years 2023 and 2022 are the following:



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**Notes to Financial Statements (continued)**  
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**23. Going Concern (continued)**

**Management's Plan (continued)**

***Revenue Enhancement (continued)***

	<u>2023</u>		<u>2022</u>
Undergraduate	\$ 157	\$	145
Masters	205		195
Doctoral (PhD)	215		205
Juris Doctor	305		280

Degree of Doctor of Medicine (MD) is approximately \$17.5 thousand annually.

***Pension Reform***

The University's pension fund faces significant challenges, with about 53% of liabilities unfunded as of June 30, 2023. PROMESA requires that the Commonwealth's pension systems, including the University's pension plan to be adequately funded and responsibly managed. The Fiscal Plan outlines options to ensure pension obligations can be paid without requiring significantly higher revenues or lower expenses, while still allowing the University to achieve operating surplus within the fiscal plan period.

The Fiscal Plan requires the University to make full actuarially required contributions to its pension plan. The University's contributions to its pension plan amounted to \$144 million in fiscal year 2023. The Oversight Board of PROMESA offered the University the following options:

- Option 1: Freeze its current defined benefit plan and move to a defined contribution plan without cutting accrued benefits.
- Option 2: Freeze its current defined plan, move to a defined benefit contribution plan, and progressively cut accrued benefits in a manner similar to other Commonwealth's pension plans. Eliminate \$250 minimum benefits and \$400 holiday bonus. This option does not require additional savings or revenue measures to this Fiscal Plan.

The Oversight Board strongly believes that Option 2 is the most responsible course of action for the University. If the University's pension plan remains in its current status and no measures are implemented, the University will need to find additional savings above what is presented in the certified Fiscal Plan to avoid operating at a deficit and maintain the solvency of its retirement system.

The University has already taken a significant step forward by certifying a plan for a pension plan reform. In accordance with its plan, the University closed the plan, effective August 1, 2023, to new members and moved them to a defined contribution plan. Nonetheless, vested and non-vested participants will continue to accrue benefits and the University has not made a decision over the options presented by the Oversight Board.



**University of Puerto Rico**  
**(A Component Unit of the Commonwealth of Puerto Rico)**  
**Notes to Financial Statements (continued)**  
**June 30, 2023**

### **23. Going Concern (continued)**

#### **Management's Plan (continued)**

##### *Fiscal Governance and Controls*

The University has been facing difficulties with maintaining adequate central control and transparency of campus finances. The Fiscal Plan includes fiscal governance reforms such as cross-campus and component unit controls on how revenues are collected, and expenditures reported.

There is no certainty that the Fiscal Plan or any subsequently certified fiscal plan for the University will be fully implemented or if fully implemented will ultimately provide the intended results. As such, management does not believe that substantial doubt about its ability to continue as going concern has been fully alleviated.

### **24. Subsequent Events**

The University evaluated subsequent events through March 26, 2024, the date the financial statements were available to be issued.

The Standstill Agreement has been extended twenty times and the new expiration date, unless further extended, is May 31, 2024. Pursuant to the Standstill Agreement, during the compliance period, holders of the majority in amount of the bonds and the Trustee at the direction of the University's bondholders will negotiate in good faith towards a restructuring of the bonds. In addition, the Trustee agreed not to institute or commence certain legal proceedings.

The University defined benefit pension plan was closed to new employees effective August 1, 2023. Refer to Note 20 for further discussion.

A complaint (the "Complaint") was filed by the UPR Retirement Board acting as fiduciary to the UPR Retirement System Trust. The plaintiffs claim that the University owes \$59 million for the actuarial deficiencies due from fiscal years 2015 to 2022, and the payment of reimbursements of \$68 thousand and \$100 thousand, for professional services paid to prepare actuarial reports and schedules of pension amounts, respectively, and the payment of reimbursement of \$105 thousand for salaries of the Executive Director while providing services to the UPR. On October 23, 2023, the UPR and its Governing Board filed a motion to dismiss the Complaint. The UPR Retirement Board filed a motion in opposition to the requested dismissal on November 16, 2023, and the matter is pending before the Court.

In the case of the \$59 million for the actuarial deficiencies due from fiscal years 2015 to 2022, these amounts are already included in the Net Pension Liability.



**University of Puerto Rico**  
**(A Component Unit of the Commonwealth of Puerto Rico)**  
**Notes to Financial Statements (continued)**  
**June 30, 2023**

**24. Subsequent Events (continued)**

TSA General Fund Appropriations of \$40.0 million were available on June 30, 2023, conditional upon the achievement of a defined set of milestones. After this date, the University partially achieved these milestones and received \$30.0 million in return. The main achievements were the implementation of the pension reform and the completion of half of the administrative transformation plan. The remaining balance of \$10.0 million is expected to be received before June 30, 2024, upon the achievement of the second half of the administrative transformation plan.

# Required Supplementary Information



**University of Puerto Rico**  
**(A Component Unit of the Commonwealth of Puerto Rico)**  
**Schedule of Changes in the University's Net Pension Liability and Related Ratios**  
**Last Nine Years**  
*(Dollars in thousands) (Unaudited)*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability:</b>									
Service cost	\$ 32,693	\$ 54,863	\$ 74,909	\$ 72,823	\$ 74,827	\$ 52,000	\$ 46,571	\$ 48,107	\$ 49,499
Interest	215,473	187,307	164,223	164,920	167,015	191,144	194,184	177,334	173,630
Changes in benefit terms	2,648	(25,509)	-	-	-	-	(14,671)	(45,209)	-
Differences between expected and actual experience	(25,218)	(60,878)	(24,716)	(11,902)	(2,678)	(24,376)	(4,733)	(323,974)	-
Changes in assumptions	-	(814,007)	(536,078)	271,633	31,859	989,905	160,911	32,269	(24,034)
Benefit payments, including refunds of member contributions	<u>(222,314)</u>	<u>(220,633)</u>	<u>(218,290)</u>	<u>(207,823)</u>	<u>(198,247)</u>	<u>(188,311)</u>	<u>(182,614)</u>	<u>(176,872)</u>	<u>(169,163)</u>
Net change in total pension liability	3,282	(878,857)	(539,952)	289,651	72,776	1,020,362	199,648	(288,345)	29,932
Total pension liability, beginning	<u>3,303,351</u>	<u>4,182,208</u>	<u>4,722,160</u>	<u>4,432,509</u>	<u>4,359,733</u>	<u>3,339,371</u>	<u>3,139,723</u>	<u>3,428,068</u>	<u>3,398,136</u>
Total pension liability, ending (a)	<u>\$3,306,633</u>	<u>\$3,303,351</u>	<u>\$4,182,208</u>	<u>\$4,722,160</u>	<u>\$4,432,509</u>	<u>\$4,359,733</u>	<u>\$3,339,371</u>	<u>\$3,139,723</u>	<u>\$3,428,068</u>
<b>Fiduciary Net Position:</b>									
Contributions - employer	\$ 161,705	\$ 160,356	\$ 161,411	\$ 75,263	\$ 73,360	\$ 79,491	\$ 78,004	\$ 88,251	\$ 91,689
Contributions - member	31,205	29,154	34,252	32,849	35,864	39,042	38,640	35,594	37,900
Net investment income	(185,059)	348,056	81,796	98,788	110,357	132,950	59,009	76,684	206,595
Benefit payments	(222,314)	(220,633)	(218,290)	(207,823)	(198,247)	(188,311)	(182,614)	(176,872)	(169,163)
Administrative expenses and others	<u>(3,721)</u>	<u>(3,578)</u>	<u>(3,639)</u>	<u>(3,751)</u>	<u>(4,458)</u>	<u>(4,340)</u>	<u>(3,367)</u>	<u>(4,689)</u>	<u>(4,566)</u>
Net change in plan net position	(218,184)	313,355	55,530	(4,674)	16,876	58,832	(10,328)	18,968	162,455
Fiduciary net position, beginning	<u>1,772,587</u>	<u>1,459,232</u>	<u>1,403,702</u>	<u>1,408,376</u>	<u>1,391,500</u>	<u>1,332,668</u>	<u>1,342,996</u>	<u>1,324,028</u>	<u>1,161,573</u>
Fiduciary net position, ending (b)	<u>\$1,554,403</u>	<u>\$1,772,587</u>	<u>\$1,459,232</u>	<u>\$1,403,702</u>	<u>\$1,408,376</u>	<u>\$1,391,500</u>	<u>\$1,332,668</u>	<u>\$1,342,996</u>	<u>\$1,324,028</u>
<b>Employer's Net Pension Liability - Ending (a) - (b)</b>	<u>\$1,752,230</u>	<u>\$1,530,764</u>	<u>\$2,722,976</u>	<u>\$3,318,458</u>	<u>\$3,024,133</u>	<u>\$2,968,233</u>	<u>\$2,006,703</u>	<u>\$1,796,727</u>	<u>\$2,104,040</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	47.01%	53.66%	34.89%	29.73%	31.77%	31.92%	39.91%	42.77%	38.62%
<b>Covered-Employee Payroll</b>	\$ 392,499	\$ 406,676	\$ 428,086	\$ 453,802	\$ 478,529	\$ 488,775	\$ 515,994	\$ 516,226	\$ 515,856
<b>Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll</b>	445.75%	376.41%	636.08%	731.26%	631.96%	607.28%	388.90%	348.05%	407.87%

**Notes to Required Supplementary Information**

1. The schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.
2. The amounts presented were determined by an actuarial valuation as of June 30, 2022, the measurement date.



**University of Puerto Rico**  
**(A Component Unit of the Commonwealth of Puerto Rico)**  
**Schedule of the University's Contributions – Pension Plan**  
**Last 10 Years**  
*(Dollars in thousands) (Unaudited)*

Fiscal Year Ended June 30	Actuarial Determined Contribution (ADC) (1)	Contributions in Relation to the Actuarial Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll (2)
2022	\$ 153,977	\$ 161,705	\$ (7,728)	\$ 392,499	41.20%
2021	163,240	160,356	2,884	406,676	39.43%
2020	138,914	161,411	(22,497)	428,086	37.71%
2019	127,609	75,263	52,346	453,802	16.58%
2018	96,089	73,360	22,729	478,529	15.33%
2017	85,829	79,491	6,338	488,775	16.26%
2016	86,635	78,004	8,631	515,994	15.12%
2015	89,255	88,251	1,004	516,226	17.10%
2014	78,204	91,689	(13,485)	515,856	17.77%
2013	77,772	88,481	(10,709)	491,291	18.01%



**University of Puerto Rico**  
**(A Component Unit of the Commonwealth of Puerto Rico)**  
**Notes to Schedule of the University's Contributions – Pension Plan**  
**Last 10 Years (Unaudited)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Valuation date	June 30, 2021 (Lag)	June 30, 2020 (Lag)	June 30, 2019 (Lag)	June 30, 2018 (Lag)	June 30, 2017 (Lag)
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Actuarial accrued liability amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed			
Remaining amortization period	23 years- constant (open basis)	24 years- constant (open basis)	25 years- constant (open basis)	26 years- constant (open basis)	27 years- constant (open basis)
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market
Inflation	2.5% per year	2.5% per year	2.5% per year	2.5% per year	3.0% per year
Projected salary increases	2.75% per year, including inflation	3.75% per year, including inflation			
Investment rate of return	6.75% per annum, compounded annually, net of investment expenses	6.75% per annum, compounded annually, net of investment expenses and including inflation	6.75% per annum, compounded annually, net of investment expenses and including inflation	6.75% per annum, compounded annually, net of investment expenses and including inflation	7.75% per annum, compounded annually, net of investment expenses and including inflation
Mortality:					
Pre-retirement Mortality	Pub 2010 Teachers Employees Amount-Weighted Mortality Table, projected generationally using scale MP-2021.	Pub 2010 Teachers Employees Amount-Weighted Mortality Table, projected generationally using scale MP-2021.	Pub 2010 Teachers Employees Amount-Weighted Mortality Table, projected generationally using scale MP-2020.	RP-2014 White Collar Headcount-weighted Mortality Table with rates adjusted by 98.2% for males and by 98.2% for females, projected generationally using scale MP-2017.	RP-2014 White Collar Headcount-weighted Mortality Table with rates adjusted by 98.2% for males and by 98.2% for females, projected generationally using scale MP-2017.
Post-retirement Healthy Mortality	Pub 2010 Teachers Retirees Amount-Weighted Mortality Table, projected generationally using scale MP-2021.	Pub 2010 Teachers Retirees Amount-Weighted Mortality Table, projected generationally using scale MP-2020.	Pub 2010 Teachers Retirees Amount-Weighted Mortality Table, projected generationally using scale MP-2020.	RP-2014 White Collar Headcount-weighted Mortality Table with rates adjusted by 103.8% for males and by 98.2% for females, projected generationally using scale MP-2017.	RP-2014 White Collar Headcount-weighted Mortality Table with rates adjusted by 103.8% for males and by 98.2% for females, projected generationally using scale MP-2017.
Post-retirement Disabled Mortality	Pub 2010 Teachers Disabled Retirees Amount-Weighted Mortality Table, projected generationally using scale MP-2021.	Pub 2010 Teachers Disabled Retirees Amount-Weighted Mortality Table, projected generationally using scale MP-2020.	Pub 2010 Teachers Disabled Retirees Amount-Weighted Mortality Table, projected generationally using scale MP-2020.	RP-2014 Disabled Retiree Mortality Table with rates adjusted by 93.4% for males and by 94.3% for females, projected to 2019 using scale MP-2017.	RP-2014 Disabled Retiree Mortality Table with rates adjusted by 93.4% for males and by 94.3% for females, projected to 2019 using scale MP-2017.



**University of Puerto Rico**  
**(A Component Unit of the Commonwealth of Puerto Rico)**  
**Notes to Schedule of the University's Contributions – Pension Plan**  
**Last 10 Years (Unaudited)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Valuation date	June 30, 2016 (Lag)	June 30, 2015 (Lag)	June 30, 2014 (Lag)	June 30, 2013 (Lag)	June 30, 2013 (Lag)
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Actuarial accrued liability amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, open	Level percentage of payroll, open
Remaining amortization period	28 years- constant (open basis)	29 years- constant (open basis)	30 years- constant (open basis)	30 years- constant (open basis)	30 years- constant (open basis)
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market
Inflation	3.0% per year	3.00% per year	3.00% per year	3.50% per year	3.50% per year
Projected salary increases	3.75% per year, including inflation	3.75% per year, including inflation	3.75% per year, including inflation	5.00% per year, including inflation	5.00% per year, including inflation
Investment rate of return	7.75% per annum, compounded annually, net of investment expenses and including inflation	7.75% per annum, compounded annually, net of investment expenses and including inflation	7.75% per annum, compounded annually, net of investment expenses and including inflation	8.00% per annum, compounded annually, net of investment expenses and including inflation	8.00% per annum, compounded annually, net of investment expenses and including inflation
Mortality:					
Pre-retirement Mortality	RP-2000 Healthy Annuitant Mortality Table for ages 50 and greater and the RP-2000 Combined Mortality Table for ages less than 50 projected for future mortality improvements to 2020 using Scale BB, set back 5 years for males and set forward 1 year for females	RP-2000 Healthy Annuitant Mortality Table for ages 50 and greater and the RP-2000 Combined Mortality Table for ages less than 50 projected for future mortality improvements to 2020 using Scale BB, set back 5 years for males and set forward 1 year for females	RP-2000 Healthy Annuitant Mortality Table for ages 50 and greater and the RP-2000 Combined Mortality Table for ages less than 50 projected for future mortality improvements to 2020 using Scale BB, set back 5 years for males and set forward 1 year for females	RP-2000 Employee Mortality Table, projected to 2026 using Scale AA	RP-2000 Employee Mortality Table, projected to 2026 using Scale AA
Post-retirement Healthy Mortality	RP-2000 Healthy Annuitant Mortality Table for ages 50 and greater and the RP-2000 Combined Mortality Table for ages less than 50 projected for future mortality improvements to 2020 using Scale BB, set back 5 years for males and set forward 1 year for females	RP-2000 Healthy Annuitant Mortality Table for ages 50 and greater and the RP-2000 Combined Mortality Table for ages less than 50 projected for future mortality improvements to 2020 using Scale BB, set back 5 years for males and set forward 1 year for females	RP-2000 Healthy Annuitant Mortality Table for ages 50 and greater and the RP-2000 Combined Mortality Table for ages less than 50 projected for future mortality improvements to 2020 using Scale BB, set back 5 years for males and set forward 1 year for females	RP-2000 Healthy Annuitant Mortality Table, projected to 2018 using Scale AA	RP-2000 Healthy Annuitant Mortality Table, projected to 2018 using Scale AA
Post-retirement Disabled Mortality	RP-2000 Disabled Mortality Table projected for future mortality improvements to 2020 using Scale BB, set back 5 years for males and set forward 2 years for females	RP-2000 Disabled Mortality Table projected for future mortality improvements to 2020 using Scale BB, set back 5 years for males and set forward 2 years for females	RP-2000 Disabled Mortality Table projected for future mortality improvements to 2020 using Scale BB, set back 5 years for males and set forward 2 years for females	100% of disabled life mortality rates from Social Security Actuarial Study No. 75	100% of disabled life mortality rates from Social Security Actuarial Study No. 75



**University of Puerto Rico**  
**(A Component Unit of the Commonwealth of Puerto Rico)**  
**Notes to Schedule of the University's Contributions – Pension Plan**  
**Last 10 Years (Unaudited)**

### **Changes of Actuarial Assumptions Itemized by Actuarial Valuation Date**

#### **2017**

- Rates of mortality were changed to the RP-2014 White Collar Headcount-Weighted Mortality Table with rates adjusted by 103.8% for males and by 98.2% for females, projected generationally using scale MP-2017 for retired healthy pensioners.
- Rates of mortality for the period after disability retirement are according to the RP-2014 Disabled Retiree Mortality Table with rates adjusted by 93.4% for males and by 94.3% for females, projected to 2019 using scale MP-2017.
- Rates of withdrawal, retirement, disability and salary increase were adjusted to more closely reflect actual experience.

#### **2018**

- Discount rate was changed from 3.92% to 3.81%.
- Mortality projected scale was changed from MP-2017 to MP-2019.

#### **2019**

- Discount rate was changed from 3.81% to 3.56%.
- Assumed inflation was reduced from 2.50% to 2.40%.
- Rates of mortality were changed to the Pub 2010 Teachers Retirees Amount-Weighted Mortality Table, projected generationally using scale MP-2020 for retired healthy pensioners.
- Rates of mortality for the period after disability retirement are according to the Pub 2010 Teachers Disabled Retirees Amount-Weighted Mortality Table, projected generationally using scale MP-2020.
- Rates of mortality for survivors and contingent beneficiaries are according to the Pub 2010 Teachers Amount-Weighted Contingent Survivors Mortality Table, projected generationally using scale MP-2020.

#### **2020**

- Discount rate was changed from 3.56% to 4.60%.
- Mortality projection scale was changed from MP-2020 to MP-2021.

#### **2021**

- Discount rate was changed from 4.60% to 6.75%.

### **Subsequent Events**

The University's Retirement System defined benefit plan was closed effective July 31, 2023 to new employees. Beginning August 1, 2023, new employees were eligible to participate in a defined contribution plan. Participant employees as of July 31, 2023 and retirees of the University were not impacted with this closing.



**University of Puerto Rico**  
**(A Component Unit of the Commonwealth of Puerto Rico)**  
**Schedule of Changes in the University's Total Postemployment**  
**Benefits Other than Pensions (OPEB) Liability and Related Ratios**  
**Last Six Years**  
*(Dollars in thousands) (Unaudited)*

	2023	2022	2021	2020	2019	2018
<b>Total OPEB Liability:</b>						
Service cost	\$ 4,454	\$ 3,902	\$ 3,928	\$ 3,805	\$ 3,945	\$ 4,560
Interest	5,338	6,207	6,415	6,596	7,064	6,091
Changes in benefit terms	-	-	-	-	(3,097)	-
Differences between expected and actual experience	(762)	(1,711)	-	(2,382)	(2,978)	-
Changes in assumptions	(49,598)	14,548	4,365	11,405	2,680	1,775
Benefit payments	(11,031)	(11,833)	(10,704)	(10,998)	(12,885)	(10,119)
Net change in total OPEB liability	(51,599)	11,113	4,004	8,426	(5,271)	2,307
Total OPEB liability, beginning	250,387	239,274	235,270	226,844	232,115	229,808
Total OPEB liability, ending	<u>\$ 198,788</u>	<u>\$ 250,387</u>	<u>\$ 239,274</u>	<u>\$ 235,270</u>	<u>\$ 226,844</u>	<u>\$ 232,115</u>
<b>Covered-Employee Payroll</b>	\$ 396,438	\$ 324,970	\$ 406,676	\$ 428,086	\$ 453,802	\$ 478,529
<b>Total OPEB Liability as a Percentage of Covered-Employee Payroll</b>	50.14%	77.05%	58.84%	54.96%	49.99%	48.51%



**University of Puerto Rico**  
**(A Component Unit of the Commonwealth of Puerto Rico)**  
**Notes to Schedule of Changes in the University's Total Postemployment**  
**Benefits Other than Pensions (OPEB) Liability and Related Ratios**  
**Last Six Years**  
*(Dollars in thousands) (Unaudited)*

**Changes of Actuarial Assumptions itemized by Actuarial Valuation Date**

**2017**

- The rates of separation from active service and the rates of post-retirement mortality have been changed based on an experience study performed for the five-year period ending June 30, 2017.
- The discount rate was changed from 2.71% to 3.13%.

**2018**

- The mortality projection scale was changed from MP-2017 to MP-2019.
- The discount rate was changed from 3.13% to 2.98%.

**2019**

- Rates of mortality for the period after retirement were changed from RP-2014 White Collar Headcount-Weighted Mortality Table with rates adjusted by 103.8% for males and by 98.2% for females, projected generationally using scale MP-2019 to Pub 2010 Teachers Retirees Amount-Weighted Mortality Table, projected generationally using scale MP-2020 for retired healthy pensioners.
- Rates of mortality for the period after disability retirement were changed from RP-2014 Disabled Retiree Mortality Table with rates adjusted by 93.4% for males and by 94.3% for females, projected generationally using scale MP-2019 to Pub 2010 Teachers Disabled Retirees Amount-Weighted Mortality Table, projected generationally using scale MP-2020.
- The discount rate was changed from 2.98% to 2.79%.
- The assumed inflation was reduced from 2.50% to 2.40%.

**2020**

- The mortality projection scale was changed from MP-2020 to MP-2021.
- The discount rate was changed from 2.79% to 2.66%.

**2022 (fiscal year)**

- The discount rate was changed from 2.66% to 2.18%.

**2022**

- The discount rate was changed from 2.18% to 4.09%.



**University of Puerto Rico**  
**(A Component Unit of the Commonwealth of Puerto Rico)**  
**Notes to Schedule of Changes in the University's Total Postemployment**  
**Benefits Other than Pensions (OPEB) Liability and Related Ratios**  
**Last Six Years**  
*(Dollars in thousands) (Unaudited)*

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**Changes in Benefit Terms**

**2018**

- The tuition remission provision was eliminated.

# Other Financial Information



**University of Puerto Rico**  
**(A Component Unit of the Commonwealth of Puerto Rico)**  
**Schedule of Changes in the University's Sinking Fund Reserve**  
**Year Ended June 30, 2023**  
*(In thousands) (Unaudited)*

	<b>Bond Service Account</b>	<b>Bond Reserve Account</b>	<b>Total</b>
<b>Additions:</b>			
Contributions	\$ 42,555	\$ –	\$ 42,555
Purchases of securities	1,449	243	1,692
Total additions	44,004	243	44,247
<b>Deductions:</b>			
Distributions	42,554	–	42,554
Sales of securities	–	83	83
Total deductions	42,554	83	42,637
Net decrease for the year	1,450	160	1,610
Balance at beginning of year	34,227	9,222	43,449
Balance at end of year	<u>\$ 35,677</u>	<u>\$ 9,382</u>	<u>\$ 45,059</u>

Note: The University's Sinking Fund assets as of June 30, 2023 mainly consisted of investments in money market funds.

# Report on Internal Control and on Compliance

## 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*

Governing Board  
University of Puerto Rico

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, the financial statements of the business-type activities and the aggregate discretely presented component units of the University of Puerto Rico (the “University”), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the University’s basic financial statements and have issued our report thereon dated March 26, 2024.

Our report includes a reference to other auditors who audited financial statements of Molecular Sciences Research Center, Inc., Servicios Médicos Universitarios, Inc. (the “Hospital”), University of Puerto Rico Parking System, Inc., and Materials Characterization Center, Inc., (the “Component Units”) as described in our report on the University’s financial statements. The financial statements of the Component Units were not audited in accordance with *Government Auditing Standards*, and accordingly this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Component Units or that are reported separately by those auditors who audited the financial statements of the Component Units.

### **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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University’s internal control. Accordingly, we do not express an opinion on the effectiveness of the University’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

## **Compliance and Other Matters**

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

## **University’s Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the University’s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The University’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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.



March 26, 2024

Stamp No. E538469 of the Puerto Rico  
Society of Certified Public Accountants  
was affixed to original of this report.

# Reports and Schedule Required by the Uniform Guidance



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## Report of Independent Auditors on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Directors of  
University of Puerto Rico

### **Report of Independent Auditors on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited the University of Puerto Rico's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2023. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University of Puerto Rico complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (Government Auditing Standards); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University of Puerto Rico and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University of Puerto Rico's compliance with the compliance requirements referred to above.

### *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the University of Puerto Rico's federal programs.

### *Auditor's Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University of Puerto Rico's compliance based on our audit. 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, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University of Puerto Rico's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023-003 through 2023-004.

<b>Finding No.</b>	<b>Assistance Listing No.</b>	<b>Program or Cluster Name</b>	<b>Compliance Requirement</b>
2023-003	Various	Student Financial Assistance Cluster	Special Tests and Provisions: Return of Title IV Funds
2023-004	Various	Student Financial Assistance Cluster	Special Tests and Provisions: Enrollment Reporting

Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the University’s response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The University of Puerto Rico’s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

We performed audit procedures with respect to the Student Financial Assistance Cluster major federal program related to compliance requirements in Special Tests and Provisions N12, Gramm-Leach Bliley Act – Student Information Security as outlined in the OMB Compliance Supplement for the year ended June 30, 2023. We determined whether the University has designated a “Qualified Individual,” as described in the OMB Compliance Supplement, to be responsible for implementing and monitoring the information security program in accordance with 16 CFR 314.4(a). We determined whether University of Puerto Rico has a written information security program and that the written information security program documents the seven minimum elements required by 16 CFR 314.4(a)-(g). Our audit procedures did not evaluate whether the designated Qualified Individual is competent to oversee the implementation and monitoring of the information security program nor whether the Qualified Individual possessed the adequate authority to carry out those duties. Our audit procedures also did not determine whether the written information security program sufficiently and completely addressed the seven minimum elements required by 16 CFR 314.4(a)-(g). Our opinion on the Student Financial Assistance Cluster major federal program is not modified with respect to this matter.

## Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-002 through 2023-004 to be material weaknesses.

<b>Finding No.</b>	<b>Assistance Listing No.</b>	<b>Program or Cluster Name</b>	<b>Compliance Requirement</b>
2023-002	Various	Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) – 21.027  COVID-19 Higher Education Emergency Relief Fund (HEERF) - 84.425  Family Planning Services - 93.217	Reporting
2023-003	Various	Student Financial Assistance Cluster	Special Tests and Provisions: Return of Title IV Funds
2023-004	Various	Student Financial Assistance Cluster	Special Tests and Provisions: Enrollment Reporting



*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the University of Puerto Rico's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The University of Puerto Rico's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

We have audited the financial statements of the University of Puerto Rico's as of and for the year ended June 30, 2023, and have issued our report thereon dated March 26, 2024 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

March 26, 2024

Stamp No. E538470 of the Puerto Rico Society of Certified Public Accountants was affixed to original of this report.

University of Puerto Rico  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2023

FEDERAL SPONSOR / FEDERAL PROGRAM TITLE / PROJECT TITLE	ASSISTANCE LISTING NO.	DIR/PASS	PASS THROUGH ENTITY ID	PASS THROUGH ENTITY	DIRECT FEDERAL AWARD EXPENDITURES	INDIRECT FEDERAL AWARD EXPENDITURES	TOTAL EXPENDITURES	AMOUNT PROVIDED TO SUBRECIPIENTS
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER:</b>								
UNITED STATES DEPARTMENT OF EDUCATION (ED)								
FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS	84.007	DIR			\$ 4,461,760	\$ -	\$ 4,461,760	\$ -
FEDERAL WORK-STUDY PROGRAM	84.033	DIR			3,877,227	-	3,877,227	-
FEDERAL PELL GRANT PROGRAM	84.063	DIR			150,120,997	-	150,120,997	-
FEDERAL DIRECT STUDENT LOANS	84.268	DIR			56,123,330	-	56,123,330	-
<b>TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER</b>					<b>214,583,314</b>	<b>-</b>	<b>214,583,314</b>	<b>-</b>
<b>TRIO CLUSTER:</b>								
UNITED STATES DEPARTMENT OF EDUCATION (ED)								
TRIO STUDENT SUPPORT SERVICES	84.042	DIR			1,281,623	-	1,281,623	-
TRIO TALENT SEARCH	84.044	DIR			528,000	-	528,000	-
TRIO UPWARD BOUND	84.047	DIR			695,392	-	695,392	-
<b>TOTAL TRIO CLUSTER</b>					<b>2,505,015</b>	<b>-</b>	<b>2,505,015</b>	<b>-</b>
<b>RESEARCH AND DEVELOPMENT CLUSTER:</b>								
UNITED STATES DEPARTMENT OF AGRICULTURE (USDA)								
AGRICULTURAL RESEARCH BASIC AND APPLIED RESEARCH	10.001	DIR			610,952	-	610,952	-
AGRICULTURAL RESEARCH BASIC AND APPLIED RESEARCH	10.001	PASS	58-2090-2-025	THE UNIVERSITY OF ARKANSAS	-	3,595	3,595	-
AGRICULTURAL RESEARCH BASIC AND APPLIED RESEARCH	10.001	PASS	58-6090-3-001	USDA	-	307	307	-
<b>TOTAL FOR ASSISTANCE LISTING NUMBER 10.001</b>					<b>610,952</b>	<b>3,902</b>	<b>614,854</b>	<b>-</b>
COOPERATIVE FORESTRY RESEARCH								
PAYMENTS TO AGRICULTURAL EXPERIMENT STATIONS UNDER THE HATCH ACT	10.202	DIR			76,640	-	76,640	-
ANIMAL HEALTH AND DISEASE RESEARCH	10.203	DIR			4,870,324	-	4,870,324	-
ANIMAL HEALTH AND DISEASE RESEARCH	10.207	DIR			4,066	-	4,066	-
SUSTAINABLE AGRICULTURE RESEARCH AND EDUCATION	10.215	DIR			36	-	36	-
SUSTAINABLE AGRICULTURE RESEARCH AND EDUCATION	10.215	PASS	072090939	TROY UNIVERSITY	-	2,200	2,200	-
SUSTAINABLE AGRICULTURE RESEARCH AND EDUCATION	10.215	PASS	NNFQH1JJAPEP3	UNIVERSITY OF FLORIDA	-	27,019	27,019	-
SUSTAINABLE AGRICULTURE RESEARCH AND EDUCATION	10.215	PASS	586001998	UNIVERSITY OF GEORGIA	-	54,311	54,311	-
SUSTAINABLE AGRICULTURE RESEARCH AND EDUCATION	10.215	PASS	58-1353149	UNIVERSITY OF GEORGIA OF RESEARCH FOUNDATION	-	909	909	-
<b>TOTAL FOR ASSISTANCE LISTING NUMBER 10.215</b>					<b>36</b>	<b>84,439</b>	<b>84,475</b>	<b>-</b>
1890 INSTITUTION CAPACITY BUILDING GRANTS								
HISPANIC SERVING INSTITUTIONS EDUCATION GRANTS	10.216	PASS	71222780	LANGSTON UNIVERSITY	-	17,339	17,339	-
HISPANIC SERVING INSTITUTIONS EDUCATION GRANTS	10.223	DIR			659,638	-	659,638	-
HISPANIC SERVING INSTITUTIONS EDUCATION GRANTS	10.223	PASS	868154089	TEXAS A&M UNIVERSITY - KINGSVILLE	-	24,648	24,648	-
HISPANIC SERVING INSTITUTIONS EDUCATION GRANTS	10.223	PASS	QN8KZSQMCJH6	UNIVERSITY OF TEXAS	-	27,128	27,128	-
HISPANIC SERVING INSTITUTIONS EDUCATION GRANTS	10.223	PASS	746001530	TAMUK	-	29,179	29,179	-
<b>TOTAL FOR ASSISTANCE LISTING NUMBER 10.223</b>					<b>659,638</b>	<b>80,955</b>	<b>740,593</b>	<b>-</b>
SECONDARY AND TWO-YEAR POSTSECONDARY AGRICULTURE EDUCATION CHALLENGE GRANTS								
RESIDENT INSTRUCTION GRANTS FOR INSULAR AREA ACTIVITIES	10.226	DIR			2,506	-	2,506	-
SPECIALTY CROP RESEARCH INITIATIVE	10.308	DIR			617,038	-	617,038	-
SPECIALTY CROP RESEARCH INITIATIVE	10.309	PASS	386005984	MICHIGAN STATE UNIVERSITY	-	21,435	21,435	-
SPECIALTY CROP RESEARCH INITIATIVE	10.309	PASS	59-6002052	UNIVERSITY OF FLORIDA	-	3,167	3,167	-

University of Puerto Rico  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2023

FEDERAL SPONSOR / FEDERAL PROGRAM TITLE / PROJECT TITLE	ASSISTANCE LISTING NO.	DIR/PASS	PASS THROUGH ENTITY ID	PASS THROUGH ENTITY	DIRECT FEDERAL AWARD EXPENDITURES	INDIRECT FEDERAL AWARD EXPENDITURES	TOTAL EXPENDITURES	AMOUNT PROVIDED TO SUBRECIPIENTS
SPECIALTY CROP RESEARCH INITIATIVE	10.309	PASS	45-2865351	SYNERGISTIC HAWAII AGRICULTURE COUNCIL	-	48,745	48,745	-
TOTAL FOR ASSISTANCE LISTING NUMBER 10.309					-	73,347	73,347	-
AGRICULTURE AND FOOD RESEARCH INITIATIVE (AFRI)	10.310	DIR		UNIVERSITY OF MICHIGAN- NATIONAL SCIENCE FOUNDATION	754,444	-	754,444	221,980
AGRICULTURE AND FOOD RESEARCH INITIATIVE (AFRI)	10.310	PASS	386006309	THE BOARD OF REGENTS OF THE UNIVERSITY OF GEORGIA	-	7,806	7,806	-
AGRICULTURE AND FOOD RESEARCH INITIATIVE (AFRI)	10.310	PASS	586001998		-	5,822	5,822	-
AGRICULTURE AND FOOD RESEARCH INITIATIVE (AFRI)	10.310	PASS	DM2CDWR8LAG3	TEXAS A&M AGRILIFE EXTENSION SERVICES	-	12,649	12,649	-
AGRICULTURE AND FOOD RESEARCH INITIATIVE (AFRI)	10.310	PASS	451556038	UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE	-	15,656	15,656	-
TOTAL FOR ASSISTANCE LISTING NUMBER 10.310					754,444	41,933	796,377	221,980
EQUIPMENT GRANTS PROGRAM (EGP)	10.519	DIR			430,000	-	430,000	-
FORESTRY RESEARCH	10.652	DIR			15,136	-	15,136	-
WOOD UTILIZATION ASSISTANCE	10.674	DIR			54,884	-	54,884	-
SOIL AND WATER CONSERVATION	10.902	DIR			310,920	-	310,920	-
SOIL AND WATER CONSERVATION	10.902	PASS	746001530	TAMUK	-	3,975	3,975	-
TOTAL FOR ASSISTANCE LISTING NUMBER 10.902					310,920	3,975	314,895	-
SOIL SURVEY	10.903	DIR			650	-	650	-
ENVIRONMENTAL QUALITY INCENTIVES PROGRAM	10.912	DIR			9,770	-	9,770	-
ENVIRONMENTAL QUALITY INCENTIVES PROGRAM	10.912	PASS	990260710	UNIVERSITY OF HAWAII	-	83,442	83,442	-
TOTAL FOR ASSISTANCE LISTING NUMBER 10.912					9,770	83,442	93,212	-
TOTAL UNITED STATES DEPARTMENT OF AGRICULTURE (USDA)					8,417,004	389,332	8,806,336	221,980
UNITED STATES DEPARTMENT OF COMMERCE (DOC)								
INTEGRATED OCEAN OBSERVING SYSTEM (IOOS)	11.012	DIR			628,691	-	628,691	-
INTEGRATED OCEAN OBSERVING SYSTEM (IOOS)	11.012	PASS	DYZNJGLTHMR9	HOWARD UNIVERSITY	-	450,234	450,234	-
TOTAL FOR ASSISTANCE LISTING NUMBER 11.012					628,691	450,234	1,078,925	-
ECONOMIC DEVELOPMENT TECHNICAL ASSISTANCE	11.303	DIR			138,734	-	138,734	-
SEA GRANT SUPPORT	11.417	DIR			1,286,620	-	1,286,620	114,127
SEA GRANT SUPPORT	11.417	PASS	DYZNJGLTHMR9	HOWARD UNIVERSITY	-	1,130	1,130	-
SEA GRANT SUPPORT	11.417	PASS	03-0179440	UNIVERSITY OF VERMONT	-	20,919	20,919	-
TOTAL FOR ASSISTANCE LISTING NUMBER 11.417					1,286,620	22,049	1,308,669	114,127
CLIMATE AND ATMOSPHERIC RESEARCH	11.431	DIR			121,538	-	121,538	42,356
CLIMATE AND ATMOSPHERIC RESEARCH	11.431	PASS	1860196696AI	ARIZONA BOARD OF REGENTS FOR AND ON BEHAL FF ARIZONA STATE UNIVERSITY	-	12,404	12,404	-
TOTAL FOR ASSISTANCE LISTING NUMBER 11.431					121,538	12,404	133,942	42,356
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA) COOPERATIVE INSTITUTES	11.432	PASS	ZCYDBE8H7L13	CUNY (CITY UNIVERSITY OF NEW YORK)	-	21,543	21,543	-

University of Puerto Rico  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2023

FEDERAL SPONSOR / FEDERAL PROGRAM TITLE / PROJECT TITLE	ASSISTANCE LISTING NO.	DIR/PASS	PASS THROUGH ENTITY		DIRECT FEDERAL AWARD	INDIRECT FEDERAL AWARD	TOTAL EXPENDITURES	AMOUNT PROVIDED TO SUBRECIPIENTS
			ID	PASS THROUGH ENTITY	EXPENDITURES	EXPENDITURES		
SOUTHEAST AREA MONITORING AND ASSESSMENT PROGRAM	11.435	DIR			122,677	-	122,677	-
SPECIAL OCEANIC AND ATMOSPHERIC PROJECTS	11.460	DIR			85,563	-	85,563	-
METEOROLOGIC AND HYDROLOGIC MODERNIZATION DEVELOPMENT	11.467	DIR			443,795	-	443,795	-
OFFICE FOR COASTAL MANAGEMENT	11.473	DIR			63,053	-	63,053	26,307
EDUCATIONAL PARTNERSHIP PROGRAM	11.481	PASS	DYZNJGLTHMR9	HOWARD UNIVERSITY	-	210,957	210,957	-
EDUCATIONAL PARTNERSHIP PROGRAM	11.481	PASS	ZCYDBE8H7L13	CUNY (CITY UNIVERSITY OF NEW YORK)	-	64,370	64,370	-
TOTAL FOR ASSISTANCE LISTING NUMBER 11.481					-	275,327	275,327	-
TOTAL UNITED STATES DEPARTMENT OF COMMERCE (DOC)					2,890,671	781,557	3,672,228	182,790
UNITED STATES DEPARTMENT OF DEFENSE (DOD)								
BASIC AND APPLIED SCIENTIFIC RESEARCH	12.300	DIR			781	-	781	-
MILITARY MEDICAL RESEARCH AND DEVELOPMENT	12.420	DIR			393,815	-	393,815	-
BASIC SCIENTIFIC RESEARCH	12.431	DIR			78,775	-	78,775	35,463
BASIC, APPLIED, AND ADVANCED RESEARCH IN SCIENCE AND ENGINEERING	12.630	DIR			240,876	-	240,876	-
AIR FORCE DEFENSE RESEARCH SCIENCES PROGRAM	12.800	DIR			164,816	-	164,816	22,574
TOTAL UNITED STATES DEPARTMENT OF DEFENSE (DOD)					879,063	-	879,063	58,037
UNITED STATES DEPARTMENT OF THE INTERIOR (DOI)								
COOPERATIVE ENDANGERED SPECIES CONSERVATION FUND	15.615	DIR			100	-	100	-
ASSISTANCE TO STATE WATER RESOURCES RESEARCH INSTITUTES	15.805	DIR			86,374	-	86,374	-
EARTHQUAKE HAZARDS RESEARCH GRANTS	15.807	DIR			420	-	420	-
U.S. GEOLOGICAL SURVEY RESEARCH AND DATA COLLECTION	15.808	DIR			74,241	-	74,241	-
TOTAL UNITED STATES DEPARTMENT OF THE INTERIOR (DOI)					161,135	-	161,135	-
UNITED STATES DEPARTMENT OF JUSTICE (DOJ)								
GRANTS TO REDUCE DOMESTIC VIOLENCE, DATING VIOLENCE, SEXUAL ASSAULT, AND STALKING ON CAMPUS	16.525	DIR			16,704	-	16,704	-
NATIONAL INSTITUTE OF JUSTICE RESEARCH, EVALUATION, AND DEVELOPMENT PROJECT GRANTS	16.560	PASS	1912864	RUTGERS STATE UNIV	-	5,987	5,987	-
TOTAL UNITED STATES DEPARTMENT OF JUSTICE (DOJ)					16,704	5,987	22,691	-
UNITED STATES DEPARTMENT OF TRANSPORTATION (DOT)								
HIGHWAY TRAINING AND EDUCATION	20.215	DIR			21,000	-	21,000	-
HIGHWAY TRAINING AND EDUCATION	20.215	PASS	660433808	DEPARTAMENTO DE TRANSPORTACIÓN Y OBRAS PÚBLICAS (DTOP)	-	47,488	47,488	-
UNIVERSITY TRANSPORTATION CENTERS PROGRAM	20.701	PASS	623950474	IOWA STATE UNIVERSITY	-	198,870	198,870	-
UNIVERSITY TRANSPORTATION CENTERS PROGRAM	20.701	PASS	NKAZLXL7291	THE UNIVERSITY OF SOUTH FLORIDA	-	182,473	182,473	-
UNIVERSITY TRANSPORTATION CENTERS PROGRAM	20.701	PASS	660433808	DTOP	-	58,510	58,510	-
TOTAL FOR ASSISTANCE LISTING NUMBER 20.701					-	439,853	439,853	-
TOTAL UNITED STATES DEPARTMENT OF TRANSPORTATION (DOT)					21,000	487,341	508,341	-
UNITED STATES NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA)								
SCIENCE	43.001	DIR			445,793	-	445,793	10,130
SCIENCE	43.001	PASS	860196696	ARIZONA STATE UNIVERSITY	-	17,153	17,153	-
TOTAL FOR ASSISTANCE LISTING NUMBER 43.001					445,793	17,153	462,946	10,130

University of Puerto Rico  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2023

FEDERAL SPONSOR / FEDERAL PROGRAM TITLE / PROJECT TITLE	ASSISTANCE LISTING NO.	DIR/PASS	PASS THROUGH ENTITY ID	PASS THROUGH ENTITY	DIRECT FEDERAL AWARD EXPENDITURES	INDIRECT FEDERAL AWARD EXPENDITURES	TOTAL EXPENDITURES	AMOUNT PROVIDED TO SUBRECIPIENTS
EXPLORATION EDUCATION	43.003	PASS	136406357	NATIONAL SPACE GRANT FOUNDATION	-	216	216	
EDUCATION	43.008	DIR		UNIVERSITY OF ARIZONA BOARD OF REGENTS	2,688,964	-	2,688,964	27,424
EDUCATION	43.008	PASS	742652689		-	50,478	50,478	-
TOTAL FOR ASSISTANCE LISTING NUMBER 43.008					2,688,964	50,478	2,739,442	27,424
TOTAL UNITED STATES NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA)					3,134,757	67,847	3,202,604	37,554
UNITED STATES NATIONAL ENDOWMENT FOR THE HUMANITIES (NHE)								
PROMOTION OF THE ARTS_PARTNERSHIP AGREEMENTS	45.025	PASS	090363250	INSTITUTO DE CULTURA PUERTORRIQUEÑA	-	4,932	4,932	-
TOTAL UNITED STATES NATIONAL ENDOWMENT FOR THE HUMANITIES (NHE)					-	4,932	4,932	-
UNITED STATES NATIONAL SCIENCE FOUNDATION (NSF)								
ENGINEERING	47.041	DIR			337,706	-	337,706	-
ENGINEERING	47.041	PASS	097394084	GA TECH RESEARCH CORP., GA INSTITUTE OF TECHNOLOGIES	-	312,568	312,568	-
ENGINEERING	47.041	PASS	SMV4HJLNJLP3	THE BOARD OF REGENTS OF THE UNIVERSITY SYSTEM OF GEORGIA	-	127,260	127,260	-
ENGINEERING	47.041	PASS	080967286	CLEANCULT, LLC	-	542	542	-
TOTAL FOR ASSISTANCE LISTING NUMBER 47.041					337,706	440,370	778,076	-
MATHEMATICAL AND PHYSICAL SCIENCES	47.049	DIR			3,927,413	-	3,927,413	617,643
MATHEMATICAL AND PHYSICAL SCIENCES	47.049	PASS	828007646	CORNELL UNIVERSITY	-	258,460	258,460	-
MATHEMATICAL AND PHYSICAL SCIENCES	47.049	PASS	186192829	THE REGENTS OF THE UNIV OF COLORADO	-	416	416	-
MATHEMATICAL AND PHYSICAL SCIENCES	47.049	PASS	FPU6XGFXMBE9	UNIVERSITY OF NOTRE DAME	-	108,626	108,626	-
TOTAL FOR ASSISTANCE LISTING NUMBER 47.049					3,927,413	367,502	4,294,915	617,643
GEOSCIENCES	47.050	DIR			432,137	-	432,137	-
GEOSCIENCES	47.050	PASS	111089470	UNIVERSITY OF NEW HAMPSHIRE	-	387	387	-
GEOSCIENCES	47.050	PASS	FCKMS9TMD6F4	HASKELL FOUNDATION	-	53,296	53,296	-
GEOSCIENCES	47.050	PASS	SMV4HJLNJLP3	THE BOARD OF REGENTS OF THE UNIVERSITY SYSTEM OF GEORGIA	-	31,502	31,502	-
GEOSCIENCES	47.050	PASS	61-1417308	SOCIEDAD AMBIENTE MARINO SAM	-	5,235	5,235	-
TOTAL FOR ASSISTANCE LISTING NUMBER 47.050					432,137	90,420	522,557	-
COMPUTER AND INFORMATION SCIENCE AND ENGINEERING	47.070	DIR			248,901	-	248,901	-
COMPUTER AND INFORMATION SCIENCE AND ENGINEERING	47.070	PASS	02484665	THE TRUSTEES OF PRINCETON UNIVERSITY	-	67,192	67,192	-
COMPUTER AND INFORMATION SCIENCE AND ENGINEERING	47.070	PASS	QN8KZSQMCJH6	UNIVERSITY OF TEXAS	-	21,546	21,546	-
COMPUTER AND INFORMATION SCIENCE AND ENGINEERING	47.070	PASS	NHZFG4TEXYT3	UNIVERSITY OF TEXAS AT EL PASO	-	230,424	230,424	-
TOTAL FOR ASSISTANCE LISTING NUMBER 47.070					248,901	319,162	568,063	-
BIOLOGICAL SCIENCES	47.074	DIR			2,556,988	-	2,556,988	590,060
BIOLOGICAL SCIENCES	47.074	PASS	15-2652764	RESEARCH FOUNDATION OF THE CITY UNIVERSITY OF NEW YORK	-	12,000	12,000	-

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			ID		EXPENDITURES	EXPENDITURES		SUBRECIPIENTS
				RESEARCH FOUNDATION FOR THE STATE				
BIOLOGICAL SCIENCES	47.074	PASS	14-1368361	UNIVERSITY OF NEW YORK	-	37,664	37,664	-
BIOLOGICAL SCIENCES	47.074	PASS	NNFQH1JAPEP3	UNIVERSITY OF FLORIDA	-	21,681	21,681	-
BIOLOGICAL SCIENCES	47.074	PASS	YRXVL4JYCEFS	PURDUE UNIVERSITY	-	84,809	84,809	-
TOTAL FOR ASSISTANCE LISTING NUMBER 47.074					2,556,988	156,154	2,713,142	590,060
SOCIAL, BEHAVIORAL, AND ECONOMIC SCIENCES	47.075	PASS	386006309	REGENTS OF THE UNIVERSITY OF MICHIGAN	-	49,640	49,640	-
EDUCATION AND HUMAN RESOURCES	47.076	DIR			3,308,260	-	3,308,260	182,971
EDUCATION AND HUMAN RESOURCES	47.076	PASS	ZCYDBE8H7L13	CUNY (CITY UNIVERSITY OF NEW YORK)	-	8,000	8,000	-
EDUCATION AND HUMAN RESOURCES	47.076	PASS	586001998	THE BOARD OF REGENTS OF THE UNIVERSITY OF GEORGIA	-	36,611	36,611	-
TOTAL FOR ASSISTANCE LISTING NUMBER 47.076					3,308,260	44,611	3,352,871	182,971
OFFICE OF INTERNATIONAL SCIENCE AND ENGINEERING INTEGRATIVE ACTIVITIES	47.079	DIR			372,690	-	372,690	19,902
	47.083	DIR			3,352,020	-	3,352,020	178,650
INTEGRATIVE ACTIVITIES	47.083	PASS	M1T9PNB1LMB8	BOARD OF REGENTS, UNIVERSITY OF NEBRASKA, LINCOLN	-	60,410	60,410	-
TOTAL FOR ASSISTANCE LISTING NUMBER 47.083					3,352,020	60,410	3,412,430	178,650
TOTAL UNITED STATES NATIONAL SCIENCE FOUNDATION (NSF)					14,536,115	1,528,269	16,064,384	1,589,226
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY (EPA) NATIONAL CLEAN DIESEL EMISSIONS REDUCTION PROGRAM	66.039	DIR			1,098,967	-	1,098,967	-
TOTAL FOR ASSISTANCE LISTING NUMBER 66.039					1,098,967	-	1,098,967	-
SURVEYS, STUDIES, INVESTIGATIONS, DEMONSTRATIONS, AND TRAINING GRANTS AND COOPERATIVE AGREEMENTS - SECTION 104(B)(3) OF THE CLEAN WATER ACT	66.436	DIR			12,107	-	12,107	-
RESEARCH, DEVELOPMENT, MONITORING, PUBLIC EDUCATION, TRAINING, DEMONSTRATIONS, AND STUDIES	66.716	PASS	204781422	EXTENSION FOUNDATION	-	9,733	9,733	-
TOTAL UNITED STATES ENVIRONMENTAL PROTECTION AGENCY (EPA)					1,111,074	9,733	1,120,807	-
UNITED STATES NUCLEAR REGULATORY COMMISSION (NRC) U.S. NUCLEAR REGULATORY COMMISSION SCHOLARSHIP AND FELLOWSHIP PROGRAM	77.008	DIR			161,693	-	161,693	-
TOTAL UNITED STATES NUCLEAR REGULATORY COMMISSION (NRC)					161,693	-	161,693	-
UNITED STATES DEPARTMENT OF ENERGY (DOE) OFFICE OF SCIENCE FINANCIAL ASSISTANCE PROGRAM	81.049	DIR			54,852	-	54,852	3,130
OFFICE OF SCIENCE FINANCIAL ASSISTANCE PROGRAM	81.049	PASS	FDLEQSJ8FF63	UNIVERSITY OF ALASKA FAIRBANKS	-	143,057	143,057	-
OFFICE OF SCIENCE FINANCIAL ASSISTANCE PROGRAM	81.049	PASS	FTMTDMBR29C7	JOHNS HOPKINS UNIVERSITY	-	46,252	46,252	-
TOTAL FOR ASSISTANCE LISTING NUMBER 81.049					54,852	189,309	244,161	3,130
RENEWABLE ENERGY RESEARCH AND DEVELOPMENT	81.087	PASS	742652689	UNIVERSITY OF ARIZONA BOARD OF REGENTS	-	69,366	69,366	-
NUCLEAR ENERGY RESEARCH, DEVELOPMENT AND DEMONSTRATION	81.121	DIR			177,681	-	177,681	-

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NATIONAL NUCLEAR SECURITY ADMINISTRATION (NNSA) MINORITY SERVING INSTITUTIONS (MSI) PROGRAM	81.123	PASS	636001097	ALABAMA A&M UNIVERISTY	-	191,856	191,856	-
NATIONAL NUCLEAR SECURITY ADMINISTRATION (NNSA) MINORITY SERVING INSTITUTIONS (MSI) PROGRAM	81.123	PASS	KSPKNZ673H55	ANA G.MENDEZ	-	241,833	241,833	-
TOTAL FOR ASSISTANCE LISTING NUMBER 81.123					-	433,689	433,689	-
ADVANCED RESEARCH PROJECTS AGENCY - ENERGY	81.135	PASS	175303262	MARINE BIOLOGICAL LABORATOY	-	16,089	16,089	-
ADVANCED RESEARCH PROJECTS AGENCY - ENERGY	81.135	PASS	KSPKNZ673H55	ANA G. MENDEZ	-	1,015	1,015	-
TOTAL FOR ASSISTANCE LISTING NUMBER 81.135					-	17,104	17,104	-
TOTAL UNITED STATES DEPARTMENT OF ENERGY (DOE)					232,533	709,468	942,001	3,130
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) CHRONIC DISEASES: RESEARCH, CONTROL, AND PREVENTION	93.068	PASS	58-2106707	CDC FOUNDATION	-	34,946	34,946	-
FOOD AND DRUG ADMINISTRATION RESEARCH	93.103	DIR			2,513	-	2,513	-
FOOD AND DRUG ADMINISTRATION RESEARCH	93.103	PASS	RKVKGV1CJDB8	NIPTE (NATIONAL INSTITUTE FOR PHARMACEUTICAL TECHNOLOGY AND EDUCATION)	-	51,906	51,906	-
FOOD AND DRUG ADMINISTRATION_RESEARCH	93.103	PASS	990073524	QUEENS MEDICAL CENTER	-	11,572	11,572	-
TOTAL FOR ASSISTANCE LISTING NUMBER 93.103					2,513	63,478	65,991	-
MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	93.110	PASS	521800436	ASSOCIATION OF PUBLIC HEALTH LABORATORIES	-	158,646	158,646	-
MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	93.110	PASS	623950474	IOWA STATE UNIVERSITY	-	2,110	2,110	-
MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	93.110	PASS	136171197	THE MOUNT SINAI SCHOOL OF MEDICINE	-	78,458	78,458	-
MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	93.110	PASS	062761671	UNIVERSITY OF IOWA STEAD FAMILY CHILDRENS HOSPITAL	-	709	709	-
MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	93.110	PASS	20-0738248	WESCHESTER UNIVERSITY INSTITUTE HUMAN DEVELOPMENT	-	11,689	11,689	-
MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	93.110	PASS	623950474	UNIVERSITY OF IOWA	-	4,061	4,061	-
TOTAL FOR ASSISTANCE LISTING NUMBER 93.110					-	255,673	255,673	-
ORAL DISEASES AND DISORDERS RESEARCH	93.121	DIR			533,101	-	533,101	-
ORAL DISEASES AND DISORDERS RESEARCH	93.121	PASS	660654313	UNIVERSITY OF PUERTO RICO COMPREHENSIVE CANCER CENTER	-	3,083	3,083	-
TOTAL FOR ASSISTANCE LISTING NUMBER 93.121					533,101	3,083	536,184	-
NIEHS SUPERFUND HAZARDOUS SUBSTANCES BASIC RESEARCH AND EDUCATION	93.143	PASS	HLMV52JZB56	NORTHEASTERN UNIVERSITY	-	350,150	350,150	-
AIDS EDUCATION AND TRAINING CENTERS	93.145	PASS	F4N1QNPB95M4	THE TRUSTEES OF COLUMBIA UNIVERSITY IN THE CITY OF NEW YORK	-	29,709	29,709	-
AIDS EDUCATION AND TRAINING CENTERS	93.145	PASS	660654313	UNIVERSITY OF PUERTO RICO COMPREHENSIVE CANCER CENTER	-	18,466	18,466	-
AIDS EDUCATION AND TRAINING CENTERS	93.145	PASS	13-5598093	COLUMBIA UNIVERSITY CITY OF NEW YORK	-	261,271	261,271	-

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TOTAL FOR ASSISTANCE LISTING NUMBER 93.145					-	309,446	309,446	-
COORDINATED SERVICES AND ACCESS TO RESEARCH FOR WOMEN, INFANTS, CHILDREN, AND YOUTH	93.153	DIR			378,553	-	378,553	-
HUMAN GENOME RESEARCH	93.172	DIR			153,279	-	153,279	-
HUMAN GENOME RESEARCH	93.172	PASS	160743209	UNIVERSITY OF ROCHESTER	-	14,101	14,101	-
TOTAL FOR ASSISTANCE LISTING NUMBER 93.172					153,279	14,101	167,380	-
MENTAL HEALTH RESEARCH GRANTS	93.242	DIR			789,166	-	789,166	-
MENTAL HEALTH RESEARCH GRANTS	93.242	PASS	741613878	BAYLOR COLLEGE OF MEDICINE	-	14,362	14,362	-
MENTAL HEALTH RESEARCH GRANTS	93.242	PASS	06-0646973	YALE UNIVERSITY	-	113,367	113,367	-
MENTAL HEALTH RESEARCH GRANTS	93.242	PASS	660559418	ASSMCA	-	338,007	338,007	167,841
MENTAL HEALTH RESEARCH GRANTS	93.242	PASS	590624458	UNIVERSITY OF MIAMI	-	5,116	5,116	-
MENTAL HEALTH RESEARCH GRANTS	93.242	PASS	231352685	TRUSTEES OF THE UNIVERSITY OF PENNSYLVANIA	-	26,219	26,219	-
TOTAL FOR ASSISTANCE LISTING NUMBER 93.242					789,166	497,071	1,286,237	167,841
OCCUPATIONAL SAFETY AND HEALTH PROGRAM	93.262	DIR			126,011	-	126,011	-
OCCUPATIONAL SAFETY AND HEALTH PROGRAM	93.262	PASS	136171197	ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI	-	(96)	(96)	-
TOTAL FOR ASSISTANCE LISTING NUMBER 93.262					126,011	(96)	125,915	-
ALCOHOL RESEARCH PROGRAMS	93.273	DIR			295,065	-	295,065	-
DRUG ABUSE AND ADDICTION RESEARCH PROGRAMS	93.279	DIR			578,534	-	578,534	-
DRUG ABUSE AND ADDICTION RESEARCH PROGRAMS	93.279	PASS	F4N1QNPB95M4	TRUSTEES OF COLUMBIA UNIVERSITY IN THE CITY OF NEW YORK	-	320	320	-
DRUG ABUSE AND ADDICTION RESEARCH PROGRAMS	93.279	PASS	060646973	YALE UNIVERSITY	-	207,946	207,946	37,838
TOTAL FOR ASSISTANCE LISTING NUMBER 93.279					578,534	208,266	786,800	37,838
CENTERS FOR DISEASE CONTROL AND PREVENTION INVESTIGATIONS AND TECHNICAL ASSISTANCE	93.283	PASS	362167817	NORTHWESTERN UNIVERSITY	-	34,360	34,360	-
MINORITY HEALTH AND HEALTH DISPARITIES RESEARCH	93.307	DIR			4,438,761	-	4,438,761	-
MINORITY HEALTH AND HEALTH DISPARITIES RESEARCH	93.307	PASS	231352630	DREXEL UNIVERSITY	-	716,531	716,531	-
MINORITY HEALTH AND HEALTH DISPARITIES RESEARCH	93.307	PASS	581438873	MOREHOUSE SCHOOL OF MEDICINE, INC.	-	33,322	33,322	-
MINORITY HEALTH AND HEALTH DISPARITIES RESEARCH	93.307	PASS	362167817	NORTHWESTERN UNIVERSITY	-	2,368	2,368	-
MINORITY HEALTH AND HEALTH DISPARITIES RESEARCH	93.307	PASS	050258954	RHODE ISLAND HOSPITAL	-	372,395	372,395	-
MINORITY HEALTH AND HEALTH DISPARITIES RESEARCH	93.307	PASS	MQE2JHHJW9Q8	UNIVERSITY OF MASSACHUSETTS, WORCESTER	-	501,198	501,198	-
TOTAL FOR ASSISTANCE LISTING NUMBER 93.307					4,438,761	1,625,814	6,064,575	-
TRANS-NIH RESEARCH SUPPORT	93.310	DIR			945,140	-	945,140	26,700
TRANS-NIH RESEARCH SUPPORT	93.310	PASS	HLMV52JZBS6	NORTHEASTERN UNIVERSITY	-	341,503	341,503	-
TRANS-NIH RESEARCH SUPPORT	93.310	PASS	14-1410842	RESEARCH FOUNDATION FOR MENTAL HYGII	-	666,979	666,979	-
TRANS-NIH RESEARCH SUPPORT	93.310	PASS	75-6064033	UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER AT FORTH WORTH	-	210,838	210,838	-
TRANS-NIH RESEARCH SUPPORT	93.310	PASS	581438873	MOREHOUSE SCHOOL OF MEDICINE	-	30,403	30,403	-
TOTAL FOR ASSISTANCE LISTING NUMBER 93.310					945,140	1,249,723	2,194,863	26,700

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NATIONAL CENTER FOR ADVANCING TRANSLATIONAL SCIENCES RESEARCH INFRASTRUCTURE PROGRAMS	93.350	PASS	060646973	YALE UNIVERSITY	-	39,062	39,062	-
SELECTED RESERVE EDUCATIONAL ASSISTANCE PROGRAM	93.351	DIR			8,804,931	-	8,804,931	-
NATIONAL CENTER FOR RESEARCH RESOURCES	93.375	DIR			(30)	-	(30)	-
CANCER CAUSE AND PREVENTION RESEARCH	93.389	DIR			(11,200)	-	(11,200)	-
CANCER CAUSE AND PREVENTION RESEARCH	93.393	PASS	416011702	MAYO CLINIC	-	39,724	39,724	-
CANCER CAUSE AND PREVENTION RESEARCH	93.393	PASS	660654313	UNIVERSITY OF PUERTO RICO COMPREHENSIVE CANCER CENTER	-	28,712	28,712	-
TOTAL FOR ASSISTANCE LISTING NUMBER 93.393					-	68,436	68,436	-
CANCER DETECTION AND DIAGNOSIS RESEARCH	93.394	DIR			563,191	-	563,191	507,874
CANCER TREATMENT RESEARCH	93.395	DIR			53,048	-	53,048	-
CANCER TREATMENT RESEARCH	93.395	PASS	74-6001118	THE UNIVERSITY OF TEXAS MD ANDERSON C	-	23,463	23,463	-
TOTAL FOR ASSISTANCE LISTING NUMBER 93.395					53,048	23,463	76,511	-
CANCER BIOLOGY RESEARCH	93.396	DIR			70,439	-	70,439	5,760
CANCER CENTERS SUPPORT GRANTS	93.397	DIR			1,037,181	-	1,037,181	-
CANCER CENTERS SUPPORT GRANTS	93.397	PASS	74-6001118	UNIVERSITY OF TEXAS MD ANDERSON CENCER CENTER	-	315	315	-
TOTAL FOR ASSISTANCE LISTING NUMBER 93.397					1,037,181	315	1,037,496	-
CANCER RESEARCH MANPOWER	93.398	PASS	660654313	UNIVERSITY OF PUERTO RICO COMPREHENSIVE CANCER CENTER	-	3,727	3,727	-
CANCER CONTROL	93.399	PASS	YNT8TCJH8FQ8	JOAN AND SANFORD I. WEILL MEDICAL COLLEGE OF CORNELL UNIVERSITY	-	70,321	70,321	-
FAMILY VIOLENCE PREVENTION AND SERVICES/DISCRETIONARY	93.592	PASS	66-0707858	DEPARTAMENTO DE LA FAMILIA	-	19,318	19,318	-
UNIVERSITY CENTERS FOR EXCELLENCE IN DEVELOPMENTAL	93.632	DIR			696,938	-	696,938	-
DISABILITIES EDUCATION, RESEARCH, AND SERVICE	93.647	DIR			570	-	570	-
SOCIAL SERVICES RESEARCH AND DEMONSTRATION	93.647	PASS	952856725	THE NATIONAL ALLIANCE FOR HISPANIC HEALTH AWARD AGREEMENT	-	40,442	40,442	-
TOTAL FOR ASSISTANCE LISTING NUMBER 93.647					570	40,442	41,012	-
EXTRAMURAL RESEARCH FACILITIES RESTORATION PROGRAM:								
HURRICANES HARVEY, MARIA, AND IRMA – CONSTRUCTION	93.662	DIR			334,284	-	334,284	-
CARDIOVASCULAR DISEASES RESEARCH	93.837	DIR			19,921	-	19,921	-
CARDIOVASCULAR DISEASES RESEARCH	93.837	PASS	FLJ7DQKLL226	MASSACHUSETTS GENERAL HOSPITAL	-	22,637	22,637	-
CARDIOVASCULAR DISEASES RESEARCH	93.837	PASS	RQMFJIGDTQ5V3	UNIVERSITY OF MIAMI	-	8,146	8,146	-
TOTAL FOR ASSISTANCE LISTING NUMBER 93.837					19,921	30,783	50,704	-
LUNG DISEASES RESEARCH	93.838	PASS	05-0258954	RHODE ISLAND HOSPITAL	-	117,365	117,365	-
LUNG DISEASES RESEARCH	93.838	PASS	MNL4D3VQUWA5	WEST VIRGINIA UNIVERSITY	-	223,260	223,260	-
TOTAL FOR ASSISTANCE LISTING NUMBER 93.838					-	340,625	340,625	-
ARTHRITIS, MUSCULOSKELETAL AND SKIN DISEASES RESEARCH	93.846	PASS	RCNJEH283EV6	UNIVERSITY OF ALABAMA	-	4,093	4,093	-
DIABETES, DIGESTIVE, AND KIDNEY DISEASES EXTRAMURAL RESEARCH	93.847	PASS	S9LHLCWJ6A17	SIL TECHNOLOGIES LLC	-	48,168	48,168	-

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DIABETES, DIGESTIVE, AND KIDNEY DISEASES EXTRAMURAL RESEARCH	93.847	PASS	04-2103580	HARVARD T.H. CHAN SCHOOL OF PUBLIC HEALTH	-	130,997	130,997	-
DIABETES, DIGESTIVE, AND KIDNEY DISEASES EXTRAMURAL RESEARCH	93.847	PASS	951644600	CEDARS SINAI MEDICAL CENTER	-	34,604	34,604	-
TOTAL FOR ASSISTANCE LISTING NUMBER 93.847					-	213,769	213,769	-
EXTRAMURAL RESEARCH PROGRAMS IN THE NEUROSCIENCES AND NEUROLOGICAL DISORDERS	93.853	DIR			1,871,987	-	1,871,987	59,399
EXTRAMURAL RESEARCH PROGRAMS IN THE NEUROSCIENCES AND NEUROLOGICAL DISORDERS	93.853	PASS	415960780	JANSSEN VACCINES & PREVENTION, B.V.	-	72,469	72,469	-
TOTAL FOR ASSISTANCE LISTING NUMBER 93.853					1,871,987	72,469	1,944,456	59,399
ALLERGY, IMMUNOLOGY AND TRANSPLANTATION RESEARCH	93.855	DIR			1,159,767	-	1,159,767	95,246
ALLERGY, IMMUNOLOGY AND TRANSPLANTATION RESEARCH	93.855	PASS	030811269	BRIGHMAN AND WOMENS HOSPITAL	-	40,825	40,825	-
ALLERGY, IMMUNOLOGY AND TRANSPLANTATION RESEARCH	93.855	PASS	580566256	EMORY UNIVERSITY	-	52,263	52,263	-
ALLERGY, IMMUNOLOGY AND TRANSPLANTATION RESEARCH	93.855	PASS	521336656	INSTITUTE FOR CLINICAL RESEARCH	-	90	90	-
ALLERGY, IMMUNOLOGY AND TRANSPLANTATION RESEARCH	93.855	PASS	FTMTDMBR29C7	JOHNS HOPKINS UNIVERSITY	-	6,365	6,365	-
ALLERGY, IMMUNOLOGY AND TRANSPLANTATION RESEARCH	93.855	PASS	RN64EPNH8JC6	REGENTS OF UNIVERSITY OF CALIFORNIA WOMENS HOSPITAL, INC/ NATIONAL	-	201,687	201,687	-
ALLERGY, IMMUNOLOGY AND TRANSPLANTATION RESEARCH	93.855	PASS	043230035	INSTITUTE	-	1,315	1,315	-
ALLERGY, IMMUNOLOGY AND TRANSPLANTATION RESEARCH	93.855	PASS	95-6006143	UCLA	-	7,659	7,659	-
ALLERGY, IMMUNOLOGY AND TRANSPLANTATION RESEARCH	93.855	PASS	ECR5E2LU5BL6	THE GEORGE WASHIGTON UNIVERSITY	-	21,837	21,837	-
TOTAL FOR ASSISTANCE LISTING NUMBER 93.855					1,159,767	332,041	1,491,808	95,246
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859	DIR			14,484,521	-	14,484,521	250,203
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859	PASS	MKAGLD59JRL1	UNIVERSITY OF PITTSBURGH	-	38,031	38,031	-
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859	PASS	64-6008520	UNIVERSITY OF MISSISSIPPI MEDICAL CENTER	-	420	420	-
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859	PASS	M7PNRH24BBM8	WEST VIRGINIA UNIVERSITY RESEARCH CORPORATION	-	102,918	102,918	-
TOTAL FOR ASSISTANCE LISTING NUMBER 93.859					14,484,521	141,369	14,625,890	250,203
CHILD HEALTH AND HUMAN DEVELOPMENT EXTRAMURAL RESEARCH	93.865	DIR			33,522	-	33,522	-
CHILD HEALTH AND HUMAN DEVELOPMENT EXTRAMURAL RESEARCH	93.865	PASS	04-2103580	HARVARD T.H. CHAN SCHOOL OF PUBLIC HEALTH	-	309,375	309,375	-
CHILD HEALTH AND HUMAN DEVELOPMENT EXTRAMURAL RESEARCH	93.865	PASS	1042103580A6	PHACS HARVARD	-	(4,257)	(4,257)	-
TOTAL FOR ASSISTANCE LISTING NUMBER 93.865					33,522	305,118	338,640	-
AGING RESEARCH	93.866	DIR			4,009	-	4,009	-
AGING RESEARCH	93.866	PASS	1860196696AI	ARIZONA BOARD OF REGENTS FOR AND ON BEHAL OF ARIZONA STATE UNIVERSITY	-	33,681	33,681	-
AGING RESEARCH	93.866	PASS	FLJ7DQKLL226	THE GENERAL HOSPITAL CORPORATION/MASSACHUSETTS GENERAL HOSPITAL	-	42,207	42,207	-

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AGING RESEARCH	93.866	PASS	F4N1QNPB95M4	TRUSTEES OF COLUMBIA UNIVERSITY IN THE CITY OF NEW YORK	-	68,574	68,574	-
AGING RESEARCH	93.866	PASS	YND4PLMC9AN7	UNIVERSITY OF ALABAMA AT BIRMINGHAM	-	401,359	401,359	-
AGING RESEARCH	93.866	PASS	FLJ7DQKLL226	MASSACHUSETTS GENERAL HOSPITAL HARVARD T.H. CHAN SCHOOL OF PUBLIC HEALTH	-	76,489	76,489	-
AGING RESEARCH	93.866	PASS	04-2103580	HEALTH	-	68,881	68,881	-
AGING RESEARCH	93.866	PASS	NX9PXMKW5KW8	NEW YORK UNIVERSITY	-	20,715	20,715	-
AGING RESEARCH	93.866	PASS	YY46Q97AEZA8	RAND CORPORATION	-	66,801	66,801	-
AGING RESEARCH	93.866	PASS	RN64EPNH8JC6	REGENTS OF THE UNIVERSITY OF CALIFORNIA	-	122,837	122,837	-
AGING RESEARCH	93.866	PASS	L6NFUM28LQM5	THE WASHINGTON UNIVERSITY IN ST LOUIS	-	63,294	63,294	-
TOTAL FOR ASSISTANCE LISTING NUMBER 93.866					4,009	964,838	968,847	-
EPIDEMIOLOGIC RESEARCH STUDIES OF ACQUIRED IMMUNODEFICIENCY SYNDROME (AIDS) AND HUMAN IMMUNODEFICIENCY VIRUS (HIV) INFECTION IN SELECTED POPULATION GROUPS	93.943	DIR			325,409	-	325,409	32,598
TOTAL UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)					37,688,611	7,316,204	45,004,815	1,183,459
UNITED STATES DEPARTMENT OF HOMELAND SECURITY (DHS)								
CENTERS FOR HOMELAND SECURITY	97.061	PASS	HLMVMS2JZBS6	NORTHEASTERN UNIVERSITY UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL	-	175,564	175,564	-
CENTERS FOR HOMELAND SECURITY	97.061	PASS	D3LHU66KBLD5		-	73,771	73,771	-
TOTAL FOR ASSISTANCE LISTING NUMBER 97.061					-	249,335	249,335	-
HOMELAND SECURITY RESEARCH, DEVELOPMENT, TESTING, EVALUATION, AND DEMONSTRATION OF TECHNOLOGIES RELATED TO NUCLEAR THREAT DETECTION	97.077	DIR			192,680	-	192,680	-
TOTAL UNITED STATES DEPARTMENT OF HOMELAND SECURITY (DHS)					192,680	249,335	442,015	-
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT								
USAID FOREIGN ASSISTANCE FOR PROGRAMS OVERSEAS	98.001	PASS	YRXVL4JYCEF5	PURDUE UNIVERSITY	-	15,483	15,483	-
TOTAL UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT					-	15,483	15,483	-
AGENCY NOT IDENTIFIED								
CFDA NOT IDENTIFIED	N/A	PASS	472539971	NOUR, LLC	-	21,621	21,621	-
CFDA NOT IDENTIFIED	N/A	PASS	R85KZ9JP3NM3	BROOKHAVEN NATIONAL LABS	-	23,930	23,930	-
TOTAL AGENCY NOT IDENTIFIED					-	45,551	45,551	-
<b>TOTAL RESEARCH AND DEVELOPMENT CLUSTER:</b>					<b>69,443,040</b>	<b>11,611,039</b>	<b>81,054,079</b>	<b>3,276,176</b>
<b>OTHER PROGRAMS:</b>								
UNITED STATES DEPARTMENT OF AGRICULTURE (USDA)								
PLANT AND ANIMAL DISEASE, PEST CONTROL, AND ANIMAL CARE	10.025	DIR			221,289	-	221,289	-
PLANT AND ANIMAL DISEASE, PEST CONTROL, AND ANIMAL CARE	10.025	PASS	NNFQH1JAPEP3	UNIVERSITY OF FLORIDA	-	10,462	10,462	-

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TOTAL FOR ASSISTANCE LISTING NUMBER 10.025					221,289	10,462	231,751	—
HIGHER EDUCATION - INSTITUTION CHALLENGE GRANTS PROGRAM	10.217	PASS	Y8CWNJRCNN91	UNIVERSITY OF ILLINOIS	—	15,899	15,899	—
HOMELAND SECURITY AGRICULTURAL DISTANCE EDUCATION GRANTS FOR INSTITUTIONS OF HIGHER EDUCATION IN INSULAR AREAS	10.304	PASS	NNFQH1JAPEP3	UNIVERSITY OF FLORIDA	—	6,204	6,204	—
NATIONAL FOOD SAFETY TRAINING, EDUCATION, EXTENSION, OUTREACH, AND TECHNICAL ASSISTANCE COMPETITIVE GRANTS PROGRAM	10.322	DIR			195,484	—	195,484	—
CROP PROTECTION AND PEST MANAGEMENT COMPETITIVE GRANTS PROGRAM	10.328	PASS	NNFQH1JAPEP3	UNIVERSITY OF FLORIDA	—	2,103	2,103	—
CROP PROTECTION AND PEST MANAGEMENT COMPETITIVE GRANTS PROGRAM	10.329	DIR			165,569	—	165,569	15,119
CROP PROTECTION AND PEST MANAGEMENT COMPETITIVE GRANTS PROGRAM	10.329	PASS	U3NVH931QJ3	NORTH CAROLINA STATE UNIVERSITY	—	7,702	7,702	—
TOTAL FOR ASSISTANCE LISTING NUMBER 10.329					165,569	7,702	173,271	15,119
OUTREACH AND ASSISTANCE FOR SOCIALLY DISADVANTAGED AND VETERAN FARMERS AND RANCHERS	10.443	DIR			274,049	—	274,049	—
COOPERATIVE EXTENSION SERVICE	10.500	DIR			356,007	—	356,007	—
COOPERATIVE EXTENSION SERVICE	10.500	PASS	MECEHTM8DB17	UNIVERSITY OF ARKANSAS SYNERGISTIC HAWAII AGRICULTURE COUNCIL	—	48,688	48,688	—
COOPERATIVE EXTENSION SERVICE	10.500	PASS	45-2865351		—	17,619	17,619	—
TOTAL FOR ASSISTANCE LISTING NUMBER 10.500					356,007	66,307	422,314	—
SMITH-LEVER FUNDING (VARIOUS PROGRAMS)	10.511	DIR			6,307,923	—	6,307,923	—
EXPANDED FOOD AND NUTRITION EDUCATION PROGRAM	10.514	DIR			1,267,015	—	1,267,015	—
RENEWABLE RESOURCES EXTENSION ACT AND NATIONAL FOCUS FUND PROJECTS	10.515	DIR			13,772	—	13,772	—
CHILD AND ADULT CARE FOOD PROGRAM	10.558	PASS	660433481	DEPARTAMENTO DE EDUCACIÓN DE PR	—	7,000	7,000	—
TECHNICAL ASSISTANCE FOR SPECIALTY CROPS PROGRAM	10.604	DIR			46,347	—	46,347	—
COOPERATIVE FORESTRY ASSISTANCE	10.664	PASS	DYZNJGLTHMR9	HOWARD UNIVERSITY	—	4,092	4,092	—
URBAN AND COMMUNITY FORESTRY PROGRAM	10.675	DIR			33,599	—	33,599	—
FOREST STEWARDSHIP PROGRAM	10.678	DIR			1,363	—	1,363	—
FOREST HEALTH PROTECTION	10.680	DIR			59,938	—	59,938	—
INTERNATIONAL FORESTRY PROGRAMS	10.684	DIR			6,000	—	6,000	—
PARTNERSHIP AGREEMENTS	10.699	DIR			350	—	350	—
AGRICULTURAL STATISTICS REPORTS	10.950	DIR			135,483	—	135,483	—
TRANSPORTATION AND LEASE	10.999	DIR			1,200	—	1,200	—
TOTAL UNITED STATES DEPARTMENT OF AGRICULTURE (USDA)					9,085,388	119,769	9,205,157	15,119
UNITED STATES DEPARTMENT OF TREASURY (TREAS)								
CORONAVIRUS RELIEF FUND	21.019	PASS	091089615	OFICINA DE GERENCIA Y PRESUPUESTO - GOBIERNO DE PUERTO RICO	—	278,143	278,143	—
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	PASS	091089615	OFICINA DE GERENCIA Y PRESUPUESTO - GOBIERNO DE PUERTO RICO	—	9,481,400	9,481,400	44,711
TOTAL UNITED STATES DEPARTMENT OF TREASURY (TREAS)					—	9,759,543	9,759,543	44,711

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UNITED STATES DEPARTMENT OF COMMERCE (DOC)								
BIPARTISAN BUDGET ACT OF 2018	11.022	DIR			29,719	–	29,719	–
ECONOMIC ADJUSTMENT ASSISTANCE	11.307	DIR			1,318,183	–	1,318,183	17,028
ECONOMIC ADJUSTMENT ASSISTANCE	11.307	PASS	521089260	THE SOLAR FOUNDATION	–	157,293	157,293	–
TOTAL FOR ASSISTANCE LISTING NUMBER 11.307					1,318,183	157,293	1,475,476	17,028
SCIENCE, TECHNOLOGY, BUSINESS AND/OR EDUCATION OUTREACH	11.620	PASS	ECR5E2LU5BL6	THE GEORGE WASHINGTON UNIVERSITY	–	64,500	64,500	–
TOTAL UNITED STATES DEPARTMENT OF COMMERCE (DOC)					1,347,902	221,793	1,569,695	17,028
UNITED STATES DEPARTMENT OF DEFENSE (DOD)								
SELECTED RESEARCH EDUCATIONAL ASSISTANCE	12.609	DIR			10,900	–	10,900	–
TOTAL UNITED STATES DEPARTMENT OF DEFENSE (DOD)					10,900	–	10,900	–
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)								
COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS	14.218	PASS	660558579	DEPARTAMENTO DE VIVIENDA DE PR	–	1,356,790	1,356,790	–
COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII	14.228	PASS	660558579	DEPARTAMENTO DE VIVIENDA DE PR	–	1,985,342	1,985,342	–
EMERGENCY SOLUTIONS GRANT PROGRAM	14.231	PASS	660433514	MUNICIPIO DE HUMACAO	–	62,522	62,522	–
TOTAL UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)					–	3,404,654	3,404,654	–
UNITED STATES DEPARTMENT OF THE INTERIOR (DOI)								
COASTAL PROGRAM	15.630	DIR			80,984	–	80,984	–
COASTAL PROGRAM	15.630	PASS	66-0433627	DEPARTAMENTO DE RECURSOS NATURALES Y AMBIENTALES (DRNA)	–	60,852	60,852	–
TOTAL FOR ASSISTANCE LISTING NUMBER 15.630					80,984	60,852	141,836	–
TOTAL UNITED STATES DEPARTMENT OF THE INTERIOR (DOI)					80,984	60,852	141,836	–
UNITED STATES DEPARTMENT OF JUSTICE (DOJ)								
GRANTS TO REDUCE DOMESTIC VIOLENCE, DATING VIOLENCE, SEXUAL ASSAULT, AND STALKING ON CAMPUS	16.525	DIR			61,924	–	61,924	–
CRIME VICTIM ASSISTANCE	16.575	PASS	66-0506252	DEPARTAMENTO DE JUSTICIA DE PUERTO RICO	–	97,020	97,020	–
VIOLENCE AGAINST WOMEN FORMULA GRANTS	16.588	PASS	660637549	OFICINA DE LA PROCURADORA DE LAS MUJERES	–	16,593	16,593	–
POSTCONVICTION TESTING OF DNA EVIDENCE TO EXONERATE THE INNOCENT	16.820	DIR			95,246	–	95,246	–
TOTAL UNITED STATES DEPARTMENT OF JUSTICE (DOJ)					157,170	113,613	270,783	–
UNITED STATES DEPARTMENT OF TRANSPORTATION (DOT)								
FEDERAL TRANSIT FORMULA GRANTS	20.507	PASS	52-1877475	DEPARTMENT OF TRANSPORTATION	–	254,665	254,665	–
BUSES AND BUS FACILITIES FORMULA, COMPETITIVE, AND LOW OR NO EMISSIONS PROGRAMS	20.526	PASS	52-1877475	DEPARTMENT OF TRANSPORTATION	–	44,880	44,880	–
STATE AND COMMUNITY HIGHWAY SAFETY	20.600	PASS	660476947	COMISIÓN PARA LA SEGURIDAD EN EL TRÁNSITO	–	14,126	14,126	–

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ALCOHOL OPEN CONTAINER REQUIREMENTS	20.607	PASS	660476947	COMISIÓN PARA LA SEGURIDAD EN EL TRÁNSITO	-	140,772	140,772	-
MINIMUM PENALTIES FOR REPEAT OFFENDERS FOR DRIVING WHILE INTOXICATED	20.608	PASS	660476947	COMISIÓN PARA LA SEGURIDAD EN EL TRÁNSITO	-	146,434	146,434	-
NATIONAL PRIORITY SAFETY PROGRAMS	20.616	DIR			(276)	-	(276)	-
NATIONAL PRIORITY SAFETY PROGRAMS	20.616	PASS	660476947	COMISIÓN PARA LA SEGURIDAD EN EL TRÁNSITO	-	265,995	265,995	-
TOTAL FOR ASSISTANCE LISTING NUMBER 20.616					(276)	265,995	265,719	-
TOTAL UNITED STATES DEPARTMENT OF TRANSPORTATION (DOT)					(276)	866,872	866,596	-
UNITED STATES NATIONAL ENDOWMENT FOR THE ARTS PROMOTION OF THE ARTS GRANTS TO ORGANIZATIONS AND INDIVIDUALS	45.024	DIR			43,836	-	43,836	-
TOTAL UNITED STATES NATIONAL ENDOWMENT FOR THE ARTS					43,836	-	43,836	-
UNITED STATES NATIONAL ENDOWMENT FOR THE HUMANITIES (NHE) PROMOTION OF THE HUMANITIES FEDERAL/STATE PARTNERSHIP	45.129	DIR			48,205	-	48,205	-
PROMOTION OF THE HUMANITIES FEDERAL/STATE PARTNERSHIP	45.129	PASS	660359285	FUNDACIÓN PUERTORRIQUEÑA DE LAS HUMANIDADES	-	41,575	41,575	-
TOTAL FOR ASSISTANCE LISTING NUMBER 45.129					48,205	41,575	89,780	-
PROMOTION OF THE HUMANITIES DIVISION OF PRESERVATION AND ACCESS	45.149	DIR			168,377	-	168,377	-
PROMOTION OF THE HUMANITIES FELLOWSHIPS AND STIPENDS	45.160	DIR			4,162	-	4,162	-
PROMOTION OF THE HUMANITIES OFFICE OF DIGITAL HUMANITIES	45.169	DIR			251,364	-	251,364	-
TOTAL UNITED STATES NATIONAL ENDOWMENT FOR THE HUMANITIES (NHE)					472,108	41,575	513,683	-
UNITED STATES INSTITUTE OF MUSEUM AND LIBRARY SERVICES (IMLS) LAURA BUSH 21ST CENTURY LIBRARIAN PROGRAM	45.313	DIR			6,762	-	6,762	-
TOTAL UNITED STATES INSTITUTE OF MUSEUM AND LIBRARY SERVICES (IMLS)					6,762	-	6,762	-
UNITED STATES VETERANS AFFAIRS (VA) ALL-VOLUNTEER FORCE EDUCATIONAL ASSISTANCE	64.124	DIR			444	-	444	-
OTHER UNSPECIFIED GRANTS AND CONTRACTS	64.999	DIR			1,492	-	1,492	-
TOTAL UNITED STATES VETERANS AFFAIRS (VA)					1,936	-	1,936	-
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY (EPA) PERFORMANCE PARTNERSHIP GRANTS	66.605	PASS	90469086	DEPARTAMENTO DE RECURSOS NATURALES DE PUERTO RICO	-	379,074	379,074	-
NATIONAL ENVIRONMENTAL EDUCATION TRAINING PROGRAM	66.950	DIR			25,387	-	25,387	-
TOTAL UNITED STATES ENVIRONMENTAL PROTECTION AGENCY (EPA)					25,387	379,074	404,461	-
UNITED STATES DEPARTMENT OF EDUCATION (ED) HIGHER EDUCATION INSTITUTIONAL AID	84.031	DIR			2,650,037	-	2,650,037	10,000
HIGHER EDUCATION INSTITUTIONAL AID	84.031	PASS	660191965	PONTIFICIA UNIVERSIDAD CATÓLICA DE PR	-	77,030	77,030	-

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					FEDERAL AWARD EXPENDITURES	FEDERAL AWARD EXPENDITURES		PROVIDED TO SUBRECIPIENTS
HIGHER EDUCATION INSTITUTIONAL AID	84.031	PASS	66-0433481	DEPARTAMENTO DE EDUCACIÓN DE PUERTO RICO	-	837	837	-
TOTAL FOR ASSISTANCE LISTING NUMBER 84.031					2,650,037	77,867	2,727,904	10,000
FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION	84.116	DIR			91,297	-	91,297	-
MINORITY SCIENCE AND ENGINEERING IMPROVEMENT	84.120	DIR			1,239,874	-	1,239,874	-
REHABILITATION LONG-TERM TRAINING	84.129	DIR			189,593	-	189,593	-
CHILD CARE ACCESS MEANS PARENTS IN SCHOOL	84.335	DIR			65,164	-	65,164	-
ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	PASS	DLWBLSLWJWR1	THE OHIO STATE UNIVERSITY	-	34,621	34,621	-
EDUCATION STABILIZATION FUND	84.425E	DIR			1,035,397	-	1,035,397	-
EDUCATION STABILIZATION FUND	84.425F	DIR			28,321,832	-	28,321,832	-
EDUCATION STABILIZATION FUND	84.425F	PASS	66-0707858	DEPARTAMENTO DE LA FAMILIA	-	47,335	47,335	-
TOTAL FOR ASSISTANCE LISTING NUMBER 84.425F					28,321,832	47,335	28,369,167	-
EDUCATION STABILIZATION FUND	84.425L	DIR			5,414,131	-	5,414,131	-
DISASTER RECOVERY ASSISTANCE FOR EDUCATION	84.938	DIR			26,260	-	26,260	-
DISASTER RECOVERY ASSISTANCE FOR EDUCATION	84.938T	DIR			279,005	-	279,005	-
TOTAL UNITED STATES DEPARTMENT OF EDUCATION (ED)					39,312,590	159,823	39,472,413	10,000
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)								
ENVIRONMENTAL HEALTH	93.113	DIR			45,074	-	45,074	-
ENVIRONMENTAL HEALTH	93.113	PASS	14-1410842	RESEARCH FOUNDATION FOR MENTAL HYGIENE	-	21,965	21,965	-
ENVIRONMENTAL HEALTH	93.113	PASS	386006309	REGENTS OF THE UNIVERSITY OF MICHIGAN	-	21,120	21,120	-
TOTAL FOR ASSISTANCE LISTING NUMBER 93.113					45,074	43,085	88,159	-
ACQUIRED IMMUNODEFICIENCY SYNDROME (AIDS) ACTIVITY	93.118	PASS	ECR5E2LUSBL6	THE GEORGE WASHINGTON UNIVERSITY	-	70,932	70,932	-
NURSE ANESTHETIST TRAINEESHIPS	93.124	DIR			16,653	-	16,653	-
EMERGENCY MEDICAL SERVICES FOR CHILDREN	93.127	DIR			102,634	-	102,634	-
CENTERS OF EXCELLENCE	93.157	DIR			680,828	-	680,828	-
DISABILITIES PREVENTION	93.184	PASS	136171197	ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI	-	25,977	25,977	-
HANSEN'S DISEASE NATIONAL AMBULATORY CARE PROGRAM	93.215	DIR			46,329	-	46,329	-
FAMILY PLANNING SERVICES	93.217	DIR			3,392,397	-	3,392,397	1,553,363
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243	DIR			485,497	-	485,497	8,331
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243	PASS	660731885	INTERCAMBIOS PR, INC	-	33,235	33,235	-
TOTAL FOR ASSISTANCE LISTING NUMBER 93.243					485,497	33,235	518,732	8,331
CONSTRUCTION SUPPORT	93.352	DIR			1,950,892	-	1,950,892	-
NURSE EDUCATION, PRACTICE QUALITY AND RETENTION GRANTS	93.359	DIR			170,403	-	170,403	-
ACL ASSISTIVE TECHNOLOGY	93.464	DIR			692,759	-	692,759	-
CHILD CARE AND DEVELOPMENT BLOCK GRANT	93.575	PASS	66-0707858	DEPARTAMENTO DE LA FAMILIA	-	169,191	169,191	-

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					FEDERAL AWARD EXPENDITURES	FEDERAL AWARD EXPENDITURES		
CHILD CARE AND DEVELOPMENT BLOCK GRANT	93.575	PASS	660433481	ADMINISTRACIÓN PARA EL CUIDADO Y DESARROLLO DE LA NIÑEZ (ACUDEN)	-	11,044	11,044	-
TOTAL FOR ASSISTANCE LISTING NUMBER 93.575					-	180,235	180,235	-
FAMILY VIOLENCE PREVENTION AND SERVICES/STATE DOMESTIC VIOLENCE COALITIONS	93.591	PASS	66-0550935	COORDINADORA PAZ DE LAS MUJERES ADMINISTRACIÓN PARA EL CUIDADO Y DESARROLLO DE LA NIÑEZ (ACUDEN)	-	16,089	16,089	-
ARRA ð CHILD CARE AND DEVELOPMENT BLOCK GRANT	93.713	PASS	660433481	DESARROLLO DE LA NIÑEZ (ACUDEN)	-	1,546	1,546	-
MEDICAL LIBRARY ASSISTANCE	93.879	DIR			199,587	-	199,587	-
MEDICAL LIBRARY ASSISTANCE	93.879	PASS	57-6000722	MEDICAL UNIVERSITY OF SOUTH CAROLINA	-	9,091	9,091	-
TOTAL FOR ASSISTANCE LISTING NUMBER 93.879					199,587	9,091	208,678	-
HIV EMERGENCY RELIEF PROJECT GRANTS	93.914	PASS	660427034	MUNICIPIO DE SAN JUAN	-	171,088	171,088	-
HIV EMERGENCY RELIEF PROJECT GRANTS	93.914	PASS	37580294	RYAN WHITE-MUNICIPIO DE SAN JUAN	-	62,089	62,089	-
TOTAL FOR ASSISTANCE LISTING NUMBER 93.914					-	233,177	233,177	-
RYAN WHITE HIV/AIDS DENTAL REIMBURSEMENT AND COMMUNITY BASED DENTAL PARTNERSHIP GRANTS	93.924	DIR			27,673	-	27,673	-
SCHOLARSHIPS FOR HEALTH PROFESSIONS STUDENTS FROM DISADVANTAGED BACKGROUNDS	93.925	DIR			1,345,940	-	1,345,940	-
SPECIAL PROJECTS OF NATIONAL SIGNIFICANCE	93.928	PASS	04-2679824	JSI RESEARCH AND TRAINING INSTITUTE	-	431	431	-
BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	93.958	PASS	660559418	ASSMCA	-	116,501	116,501	-
PPHF GERIATRIC EDUCATION CENTERS	93.969	DIR			558,630	-	558,630	-
PPHF GERIATRIC EDUCATION CENTERS	93.969	PASS	806345617	NATIONAL INSTITUTE OF ENVIROMENTAL HEALTH SCIENCE	-	85,530	85,530	-
TOTAL FOR ASSISTANCE LISTING NUMBER 93.969					558,630	85,530	644,160	-
TOTAL UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)					9,715,296	815,829	10,531,125	1,561,694
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE (CNCS) AMERICORPS	94.006	DIR			3,126	-	3,126	-
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE (CNCS)					3,126	-	3,126	-
UNITED STATES DEPARTMENT OF HOMELAND SECURITY (DHS) DISASTER GRANTS - PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)	97.036	PASS	660433481	COR3	-	6,311,520	6,311,520	-
HAZARD MITIGATION GRANT	97.039	DIR			24,334	-	24,334	-
HAZARD MITIGATION GRANT	97.039	PASS	660433481	COR3	-	282,101	282,101	82,237
TOTAL FOR ASSISTANCE LISTING NUMBER 97.039					24,334	282,101	306,435	82,237
TOTAL UNITED STATES DEPARTMENT OF HOMELAND SECURITY (DHS)					24,334	6,593,621	6,617,955	82,237
UNITED STATES DEPARTMENT OF STATE (DOS)								
ACADEMIC EXCHANGE PROGRAMS - UNDERGRADUATE PROGRAMS	19.009	DIR			9,852	-	9,852	-
TOTAL UNITED STATES DEPARTMENT OF STATE (DOS)					9,852	-	9,852	-
<b>TOTAL OTHER PROGRAMS</b>					<b>60,297,295</b>	<b>22,537,018</b>	<b>82,834,313</b>	<b>1,730,789</b>
<b>TOTAL EXPENDITURES</b>					<b>\$ 346,828,664</b>	<b>\$ 34,148,057</b>	<b>\$ 380,976,721</b>	<b>\$ 5,006,965</b>

# University of Puerto Rico

## Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

### **1. General**

The accompanying Schedule of Expenditures of Federal Awards presents the expenditures of all Federal Awards Programs of the University of Puerto Rico (the “University”). The University’s reporting entity is defined in the notes to the financial statements.

### **2. Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards (“Schedule” or “SEFA”) is presented using the accrual basis of accounting.

Expenditures awarded from the Federal Emergency Management Agency (FEMA) under Assistance Listing 97.036 must be presented on the schedule of expenditures of federal awards when FEMA approves the Project Worksheet (PW) and expenditures are incurred.

### **3. Matching Costs**

Matching costs, such as the nonfederal share of certain program costs, are not included in the accompanying Schedule.

### **4. Relationship to Federal Financial Reports**

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the federal financial reports do not necessarily agree with the amounts reported in the accompanying schedule, which is prepared on the basis of accounting explained in Note 2.

Office of Management and Budget (“OMB”) Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) require that federal financial reports for claims for advances and reimbursements contain information that is supported by the books and records from which the basic financial statements have been prepared. The University prepares the federal financial reports and claims for reimbursements primarily based on information from the internal accounting records of the respective Campuses of the University.

# University of Puerto Rico

## Notes to Schedule of Expenditures of Federal Awards (continued)

### **5. Relationship to Financial Statements**

Federal awards revenues and expenses are reported in the University's statement of revenues, expenses and changes in net position in accordance with standards issued by the Government Accounting Standards Board ("GASB") No. 35, as amended. Because the Schedule of Expenditures of Federal Awards presents only federal activities of the University, it is not intended to and does not present the financial position, assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows of the University, as a whole.

### **6. Program Clusters**

Uniform Guidance defines a cluster of programs as a grouping of closely related programs that share common compliance requirements. According to this definition, TRIO, Research and Development, Student Financial Assistance, Economic Development, Highway Safety, CDBG-Entitlement Grants, Federal Transit, and CCDF were identified as clusters.

### **7. Loan Programs**

The University did not receive or disburse federal funds to students under the Nursing Student Loans Program (Assistance Listing No. 93.364) for the fiscal year ended June 30, 2023. The outstanding loan balance on July 1, 2022 of \$46,201 is considered current year federal expenditures since these loans have continuing compliance requirements. The outstanding loan balance as of June 30, 2023 remains at \$46,201.

During the fiscal year ending June 30, 2023, the University processed \$56,123,330 of new loans under the Federal Direct Student Loans Program (Assistance Listing No. 84.268). Since the University does not make the loans, the new loans made in the fiscal year that ended June 30, 2023, relating to this program are considered current year federal expenditures, whereas the outstanding loan balances are not. The new loans made in the fiscal year ending June 30, 2023, are reported in the Schedule of Expenditures of Federal Awards.

## University of Puerto Rico

### Notes to Schedule of Expenditures of Federal Awards (continued)

#### **8. Contingencies**

The grant amounts received are subject to audit and adjustment. If any expenditure is disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the University. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal laws and regulations.

#### **9. Indirect Cost Rate**

The University used the ten percent de minimis indirect cost rate allowed by the Uniform Guidance for some units.



# University of Puerto Rico

## Schedule of Findings and Questioned Costs (continued)

### Section II – Financial Statement Findings

#### **Finding Number: 2023-001 - Financial Statement Close Process**

##### ***Criteria***

A fundamental element of a sound system of internal controls is an effective financial statement close process. Such a process is essential in enabling organizations to prepare timely and accurate financial statements. This process helps ensure that all financial transactions are properly recorded, appropriately supported, and subjected to supervisory review. The financial statement close process begins with accounting data recorded in the University's general ledger and culminates in the preparation of the University's financial statements, including identification and documentation of the relevant disclosures that are required under generally accepted accounting principles.

##### ***Condition***

During our audit, we noted deficiencies in the University's financial statement close process, including the following:

- Multiple post-closing entries were not initially completed by the University during its closing process. These post-closing entries were necessary to properly record revenue and expense activity, accounts receivable activity, cash activity, prepaid expenses activity and certain liabilities. These entries, when aggregate, were considered material to the financial statements.
- The compilation of financial data and reconciliation processes for several areas are not completed in a timely manner. The lack of procedures and controls in these areas resulted in inefficiencies during the financial statements preparation process.
- The preliminary pension plan actuarial report incorrectly considered changes to benefits that were approved prior to the plan measurement date. The corrected actuarial report was issued on February 5, 2024.
- Draft of the financial statements required multiple corrections in the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position (Deficit), Statement of Cash Flows. The notes to the financial statements also required multiple changes, including missing disclosures.
- The accounting and financial reporting operations of certain units of the University, specifically the Medical Sciences Campus and Mayagüez Campus, are not able to detect or prevent accounting errors effectively nor efficiently which resulted in multiple post-closing adjustments.

# University of Puerto Rico

## Schedule of Findings and Questioned Costs (continued)

### Section II – Financial Statement Findings (continued)

#### **Finding Number: 2023-001 - Financial Statement Close Process (continued)**

##### *Cause*

The lack of adequate controls has resulted in an ineffective and inefficient financial statements close process. In addition, the lack of integration between the units and the central administration finance and accounting functions has an adverse impact in the financial reporting of the University as a whole.

##### *Effect*

The post-closing entries recorded by the University resulted in a delayed financial statement close process, thus affecting the audit process and the timing of issuance of the audited financial statements.

##### *Recommendations*

Management should continue to improve the annual closing process, including more effective monitoring controls over financial information. All general ledger accounts should be supported by reconciliations, roll-forward schedules and other appropriate documentation which are timely reviewed at two levels and evidenced by supervisory approval. Journal entries should be supported by complete documentation and timely reviewed for the processing of financial statements at year end.

All accounting judgments and estimates should also be properly supported and reviewed. In reviewing and developing the closing process, the University should ensure that it has sufficient accounting personnel with the appropriate experience and training to effectively perform the financial statement close process. Additionally, there is a need for key accounting personnel to develop and review the draft financial statements for correctness of accounting, presentation and disclosure prior to its presentation to the auditors. This may include holding internal training programs for the preparers and first level reviewers related to the financial statement close process.

The University should consider changing or reinforcing the organizational structure to improve monitoring controls over the accounting and financial reporting functions of units. The accounting and financial reporting responsibilities should be centralized, and units should report directly, timely and effectively to the Central Administration Finance Director and Controller. The University should also enforce a standardized financial statement close process for all campuses.

University of Puerto Rico

Schedule of Findings and Questioned Costs (continued)

Section II – Financial Statement Findings (continued)

**Finding Number: 2023-001 - Financial Statement Close Process (continued)**

***Recommendations (continued)***

An effective control environment requires that those in charge of governance monitor the accounting and financial reporting functions effectively. By implementing these recommendations, the monitoring of the accounting and financial reporting activities of the University will be reinforced.

***Management's Response***

The University of Puerto Rico concurs with this finding. Management response is included in a separate document.

University of Puerto Rico

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs

**Finding Number: 2023-002**

***Federal Program***

Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) – 21.027  
COVID-19 Higher Education Emergency Relief Fund (HEERF) - 84.425  
Family Planning Services - 93.217

***Category***

Internal Control

***Internal Control over Compliance Requirement***

Reporting

***Criteria***

Recipients must use the standard reporting forms and submit them in a timely manner as prescribed by the federal award agency and/or the Compliance Supplement.

***Condition***

It was observed that there are ineffective internal controls in place to ensure timely filing of reports within the established timeline. Specifically, there is a lack of formalized procedures and monitoring mechanisms to track and enforce adherence to reporting deadlines.

***Cause***

Processes and controls over the reporting requirements are not in place to ensure that the University complies with the submission of required reports timely.

***Effect***

The University could not provide evidence supporting the internal control operated effectively during the period. Lack of proper controls increases the risk of delayed reporting, potentially leading to regulatory non-compliance.

***Questioned Costs***

Not applicable.

***Context***

The programs mentioned above have different frequencies and types of reports. When combined, reports for the programs totaled 97 from which we selected 10 samples to test.

University of Puerto Rico

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

**Finding Number: 2023-002 (continued)**

*Identification as a repeat finding, if applicable*

2022-003 and 2022-004 (internal control portion only)

*Recommendation*

We recommend the University implements internal controls and/or monitoring procedures to ensure reports are completed and filed timely, and that such procedures include requirements for the supporting documentation to be retained as evidence of the control operation.

*Management's Response*

The University of Puerto Rico concurs with this finding. Management response is included in a separate document.

University of Puerto Rico

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

**Finding Number: 2023-003**

***Program***

Student Financial Assistance (SFA) Cluster - Various Assistance Listing Numbers

***Category***

Internal Control / Compliance

***Compliance Requirement***

Special Tests and Provisions – Return of Title IV Funds

***Criteria***

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began the attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs.

The amount earned Title IV grant or loan assistance is calculated by determining the percentage of Title IV grant or loan assistance that has been earned by the student and applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student's withdrawal date.

A student earns 100 percent if his or her withdrawal date is on or after the completion of 60 percent. Otherwise, the percentage earned by the student is equal to the percentage (less than 60 percent) of the payment period or period of enrollment that was completed as of the student's withdrawal date.

The unearned amount of Title IV assistance to be returned is calculated by subtracting the amount of Title IV assistance earned by the student from the amount of Title IV aid that was disbursed to the student as of the date of the institution's determination that the student withdrew (34 CFR 668.22(e)).

University of Puerto Rico

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

**Finding Number: 2023-003 (continued)**

***Criteria (continued)***

Returns of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to ED as soon as possible, but no later than 45 days after the date institution determines that the student withdrew.

***Condition***

We noted two transactions selected for testing whereas the return of payment check was issued 45 days after the withdrawal date of the student.

<b>Item Number</b>	<b>Check Issue Date</b>	<b>Withdrawal Date</b>
24	2/9/2023	9/1/2022
714	7/12/2023	2/12/2023

***Cause***

Processed and controls over the return of payment requirements are not in place to ensure that the University issues payments timely.

***Effect***

The University did not comply with return of title IV funds requirements, which could lead to funds disallowance.

***Questioned Costs***

Not applicable.

***Context***

Our sample consisted of 40 items from a population that consisted of 789 withdrawn students.

***Identification as a repeat finding, if applicable***

Not applicable.

***Recommendation***

We recommend the University establishes procedures to ensure payments are issued timely and accurately, and that compliance with timeliness requirements is monitored.

University of Puerto Rico

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

**Finding Number: 2023-003 (continued)**

***Management's Response***

The University of Puerto Rico concurs with this finding. Management response is included in a separate document.

University of Puerto Rico

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

**Finding Number: 2023-004**

***Program***

Student Financial Assistance (SFA) Cluster – Various Assistance Listing Numbers

***Category***

Internal Control / Compliance

***Compliance Requirement***

Special Tests and Provisions – Enrollment Reporting

***Criteria***

Under the Pell Grant and Education Department (ED) loan programs, institutions must complete and return within 15 days the Enrollment Reporting roster file placed in their Student Aid Internet Gateway (SAIG) (OMB No. 1845-0002) mailboxes sent by ED via NSLDS (OMB No.1845-0035). The institution determines the Enrollment Reporting roster file with the default set at minimum of every 60 days. Once received, the institution must update for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method, spreadsheet submittal, or the NSLDS website. Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer.

A student's enrollment status determines eligibility for in-school status, deferment, and grace periods, as well as for the payment of interest subsidies to FFEL Program loan holders by ED. Enrollment Reporting in a timely and accurate manner is critical for effective management of the programs. Enrollment information must be reported in the next updated Enrollment Reporting Roster file (due within 60 days). These changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves-of-absence. As explained in the NSLDS Enrollment Reporting Guide, the Enrollment Reporting roster file is due within 15 days from the creation of the file that is placed in the institution's SAIG (PELL, 34 CFR section 690.83(b)(2); FFEL, 34 CFR section 682.610; Direct Loan, 34 CFR section 685.309).

Per 34 CFR Section 682.610 for the Federal Family Education Loan (FFEL) and 34 CFR Section 685.309 for the Direct Loans Program, schools must complete and return within 60 days the Enrollment Reporting roster file placed in their Student Aid Internet Gateway (SAIG) mailboxes sent by U.S Department of Education (ED) via National Student Loan Data System (NSLDS) (OMB No. 1845-0035). The institution determines how often it receives the Enrollment Reporting roster file with the default set at a minimum of every 60 days.

University of Puerto Rico

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

**Finding Number: 2023-004 (continued)**

**Criteria (continued)**

Once received, the institution must update for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS website. Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer.

**Condition**

We noted that for 22 students selected for testing, the status change reported to the National Student Loan Data System (NSLDS) was past the 60 days established threshold.

<b>Item Number</b>	<b>Campus</b>
185	RRP
195	RRP
222	RRP
232	RRP
1126	Bayamon
1136	Bayamon
1625	RRP
1711	RRP
1761	RRP
1765	RRP
1795	RRP
1855	RRP
1904	RRP
1940	RRP
1990	RRP
2011	RRP
2018	RRP
2122	RRP
2135	RRP
3004	Bayamon
3066	Bayamon
3393	RCM

University of Puerto Rico

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

**Finding Number: 2023-004 (continued)**

***Cause***

Processes and controls over the reporting of the student status change to the Department of Education are not in place to ensure that the University timely complies with this requirement.

***Effect***

This condition prevents the University from reporting a student's status in a timely manner to the NSLDS, which can cause funds being awarded to individuals who are not entitled to receive student financial assistance. Also, an incorrect enrollment status and/or status date reported could cause a student's loan to be inappropriately delayed in being converted in repayment status.

***Questioned Costs***

Not applicable.

***Context***

Our sample consisted of 60 items (out of a population of 4,201 students that had a reduction or increase in attendance levels, dropped out, withdrew, never attended, or requested graduation for fiscal year 2023). Since several exceptions were identified, we concluded that the items do represent systematic occurrences.

***Identification as a repeat finding, if applicable***

2022-002

***Recommendation***

We recommend that the University establishes procedures to ensure that enrollment status changes are updated and accurately reported in a timely manner in the NSLDS database.

***Management's Response***

The University of Puerto Rico concurs with this finding. Management response is included in a separate document.

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