

UNIVERSITY OF RHODE ISLAND
(a Component Unit of the State of Rhode Island)

FINANCIAL STATEMENTS

JUNE 30, 2023

UNIVERSITY OF RHODE ISLAND
(a Component Unit of the State of Rhode Island)

Financial Statements

June 30, 2023

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
University of Rhode Island
Kingston, Rhode Island

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 University of Rhode Island (a component unit of the State of Rhode Island) (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.

In our opinion, based on our audit and the reports of other auditors, the 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 the University as of June 30, 2023, and the 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 the discretely presented component units, (the University of Rhode Island Foundation & Alumni Engagement and the University of Rhode Island Research Foundation), which represents 100% of the assets, net position, and revenues of the discretely presented component units as of June 30, 2023. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for the University of Rhode Island Foundation & Alumni Engagement and University of Rhode Island Research Foundation, are 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. Our responsibilities under those standards are further described in the Auditors' 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 opinions.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the University adopted new accounting guidance, Governmental Accounting Standards Board Statement Number 96, *Subscription-based Information Technology Arrangements*. The adoption of this pronouncement did not require the University to restate beginning net position. 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 from 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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.

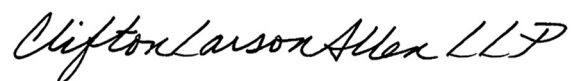
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of pension contributions, the notes to the pension required supplementary information, the schedule of proportionate share of the net OPEB liability, the schedule of OPEB contributions, and the notes to the OPEB required supplementary information 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2023, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Cranston, Rhode Island
October 3, 2023

UNIVERSITY OF RHODE ISLAND

(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited)

June 30, 2023

Introduction

The following management's discussion and analysis ("MD&A") provides management's view of the financial position of the University of Rhode Island ("the University") as of June 30, 2023 and the results of operations for the year then ended, with selected comparative information for the year ended June 30, 2022. The purpose of the MD&A is to assist readers in understanding the accompanying financial statements by providing an objective and understandable analysis of the University's financial activities based on currently known facts, decisions, and conditions. This analysis has been prepared by management, which is responsible for the completeness and fairness of the information contained therein. The MD&A consists of highly summarized information, and it should be read in conjunction with the University's financial statements and notes thereto that follow this section.

The University had its beginning as the State Agricultural School chartered in 1888. The federal Morrill Act of 1862 provided the framework within which the school became the land-grant institution of the State of Rhode Island (the "State") and in 1892, the school became the Rhode Island College of Agricultural and Mechanic Arts. The first class of 17 members was graduated two years later. In 1909 the name of the College was changed to Rhode Island State College and the program of study was revised and expanded. In 1951, the college became known as the University of Rhode Island by act of the State's General Assembly.

The University of Rhode Island is the State's flagship land and sea grant research institution, with a commitment to urban initiatives. A student-centered research institution, URI actively partners with other organizations globally and locally to advance knowledge and to develop informed residents and leaders. URI is committed to high-quality education, community engagement, and solving the world's most important challenges. Situated on the traditional land and territories of the Narragansett Nation and the Niantic People, URI strives to create a diverse and inclusive environment for researchers, teachers, learners, and community members.

UNIVERSITY OF RHODE ISLAND

(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2023

Introduction – Continued

- Strategic Priority 1: Broaden the University's impact through a reinvigorated commitment to its land- and sea-grant missions and the State of Rhode Island
- Strategic Priority 2: Enhance student achievement by cultivating an engaged and inclusive learning environment
- Strategic Priority 3: Foster an inclusive, people-centered culture
- Strategic Priority 4: Implement leading-edge administrative and financial systems and practices to power the University of the future

The University's main campus in Kingston, RI encompasses approximately 1,400 acres in Kingston, 30 miles south of Providence in the northeastern metropolitan corridor between New York and Boston. The 165-acre Narragansett Bay Campus (the "Bay Campus"), located six miles to the east overlooking the west passage of the Narragansett Bay, is home to the Graduate School of Oceanography and the Ocean Engineering Department of the College of Engineering. In Providence, the University offers degree programs and non-credit courses and workshops in various locations. In the western section of the State, 20 miles from Kingston, the 2,300 acres of woods, fields, streams and ponds on the W. Alton Jones Campus are the site of research by various principal investigators.

The University offers degree programs through the doctoral level with a combined enrollment of 17,473. First year applications for fall 2022 were once again at record levels with 25,481 applications. The University has received over 25,300 first-year applications for admission for Fall 2023 to date.

The University of Rhode Island is governed by a Board of Trustees consisting of 17 members appointed by the Governor with the advice and consent of the Rhode Island Senate. The board oversees employment, and the University's property, purchases, and procurement. The University president reports to the Board of Trustees.

UNIVERSITY OF RHODE ISLAND

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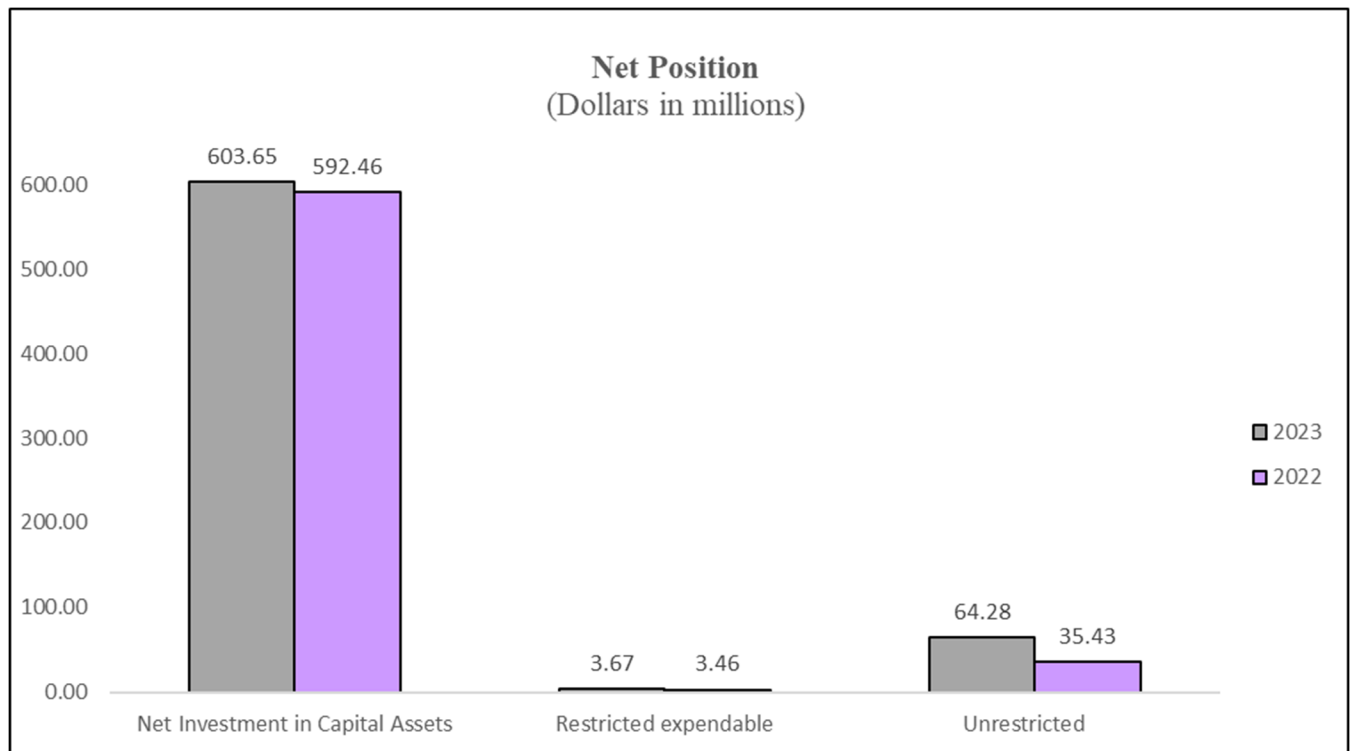
Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2023

Financial Highlights

The University's financial position for the fiscal year ended June 30, 2023, shows an increase in net position before capital appropriations and gifts of \$3.76 million, compared to an increase of \$17.69 million in fiscal year 2022, the decrease is primarily a result of HEERF funds received in fiscal year 2022. Operating revenues increased by \$19.22 million or 3.96%, and operating expenses increased by \$3.99 million or 0.65%.

The following chart displays the components of the University's net position for the fiscal years ended June 30, 2023, and 2022.



UNIVERSITY OF RHODE ISLAND

(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited) - Continued

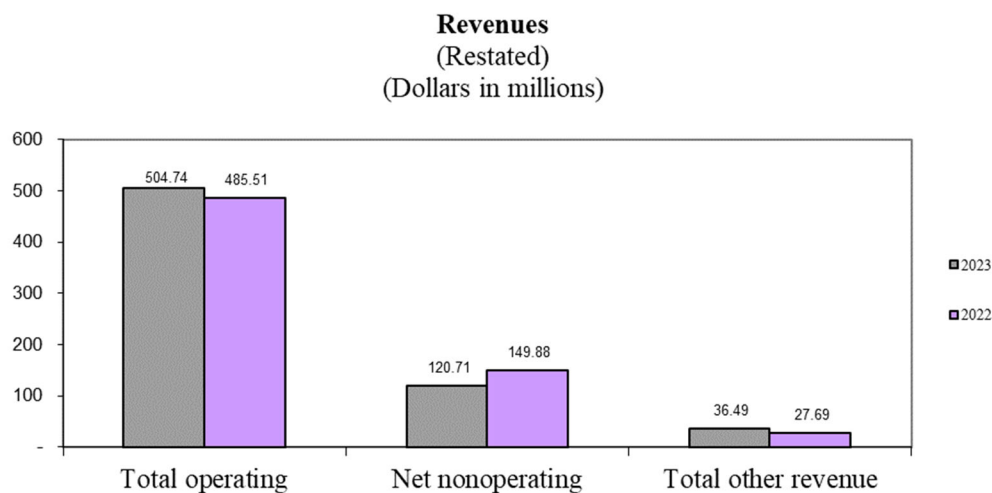
June 30, 2023

Financial Highlights – Continued

On June 30, 2023, and 2022, the University's total assets of \$1.18 billion, and \$1.14 billion, and deferred outflows of resources of \$25.14 million, and \$24.69 million exceeded its total liabilities of \$503.03 million and \$476.31 million, and deferred inflows of resources of \$26.29 million and \$52.06 million resulting in net position of \$671.60 million and \$631.35 million, respectively. The resulting net position is summarized in the following categories (dollars in millions):

		<u>2023</u>	<u>2022</u>
Net Investment in Capital Assets	\$	603.65	592.46
Restricted expendable		3.67	3.46
Unrestricted		64.28	35.43
Total net position	\$	<u>671.60</u>	<u>631.35</u>

The following chart provides a graphical breakdown of total revenues by category for the fiscal years ending June 30, 2023, and 2022.



UNIVERSITY OF RHODE ISLAND

(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2023

Overview of the Financial Statements

The University's financial statements have two primary components: 1) the financial statements and 2) the notes to the financial statements. Additionally, the financial statements focus on the University as a whole, rather than upon individual funds or activities.

The University of Rhode Island Foundation & Alumni Engagement (the "Foundation") and the University of Rhode Island Research Foundation and its Non-Profit Affiliated Corporation, 401 Tech Bridge (the "Research Foundation") are legally separate tax-exempt component units of the University.

The University of Rhode Island Foundation & Alumni Engagement acts as an independent charitable corporation with the purpose of encouraging and providing support from private sources through development activities for the University of Rhode Island and is responsible for managing and administering assets donated to the Foundation for the use and benefit of the University. The Board of the Foundation is self-perpetuating and primarily consist of graduates and friends of the University. Although the University does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of the University by the donors. Because these resources held by the Foundation can only be used by or are for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Research Foundation's mission is to promote industry and University collaboration and new technology ventures for economic growth and job creation. The Research Foundation's unique private, not-for-profit status allows it to support a broad range of investments and intellectual property protection. The Research Foundation is affiliated with the University by common management; however, each organization has its own independent board of trustees/directors. The Research Foundation obtains significant managerial and financial support from the University, including the salaries for the University Executive Director for Intellectual Property Management and Economic Development, other support staff, and the provision of operational costs. Because of the relationship, the Research Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

Management's Discussion and Analysis is required to focus on the University, and not on its component units.

UNIVERSITY OF RHODE ISLAND

(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2023

The Financial Statements

The financial statements are designed to provide readers with a broad overview of the University's finances and are comprised of three basic statements.

The ***Statement of Net Position*** presents information on all of the University's assets, deferred outflows of resources, liabilities, and the deferred inflows of resources along with the resulting net financial position. 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 ***Statement of Revenues and Expenses and Changes in Net Position*** presents information showing how the University's net position changed during the most recent fiscal year. 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. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (e.g., the payment for accrued compensated absences or the receipt of amounts due from students and others for services rendered).

The ***Statement of Cash Flows*** is reported using the direct method. The direct method of cash flow reporting portrays net cash flows from operations as major classes of operating receipts (e.g., tuition and fees) and disbursements (e.g., cash paid to employees for services).

The financial statements can be found on pages 26 to 30 of this report.

The University reports its operations as a business-type activity using the economic measurement focus and full accrual basis of accounting. As a component unit of the State of Rhode Island, the results of the University's operations, its net position, and cash flows are also summarized in the State's Comprehensive Annual Financial Report derived from its government-wide financial statements.

Notes to the Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the financial statements. They also provide information regarding both the accounting policies and procedures the University has adopted as well as additional detail of certain amounts contained in the financial statements. The notes to the financial statements can be found on pages 31 to 80 of this report.

UNIVERSITY OF RHODE ISLAND

(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2023

Financial Analysis

As mentioned earlier, net position may serve over time as a useful indicator of the University's financial position. Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$671.60 million and \$631.35 million at the close of fiscal years 2023 and 2022, respectively.

The University's condensed statement of net position is presented below (dollars in millions).

	<u>2023</u>	<u>2022</u>
Current assets	\$ 273.10	251.47
Noncurrent assets	902.68	883.56
Total assets	1,175.78	1,135.03
Deferred outflows of resources	25.14	24.69
Total assets and deferred outflows of resources	\$ 1,200.92	1,159.72
Current liabilities	\$ 85.62	79.53
Noncurrent liabilities	417.41	396.78
Total liabilities	503.03	476.31
Deferred inflows of resources	26.29	52.06
Total liabilities and deferred inflows of resources	\$ 529.32	528.37
Net position:		
Net investment in capital assets	\$ 603.65	592.46
Restricted, expendable	3.67	3.46
Unrestricted	64.28	35.43
Total net position	\$ 671.60	631.35

UNIVERSITY OF RHODE ISLAND

(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2023

Financial Analysis – Continued

By far the largest portion of the University's net position, \$603.65 million and \$592.46 million, as of June 30, 2023, and 2022, respectively, reflects its investment in capital assets (such as land, buildings, machinery, and equipment), net of any related outstanding debts used to acquire, construct, improve, or rehabilitate those assets. This represents approximately 90% for fiscal year 2023 and 94% for fiscal year 2022 net position. The University uses these capital assets to provide services to students, faculty, and administration; consequently, these assets are not available for future spending. Although the University's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the related debt. Financing for certain capital projects is also provided by the issuance of revenue bonds by the Rhode Island Health and Educational Building Corporation, a quasi-public state agency. In addition to the debts noted above, which are reflected in the University's financial statements, the State regularly provides financing for certain capital projects through the issuance of general obligation bonds and capital appropriations from the Rhode Island Capital Plan Fund. Borrowings by the State are not reflected in these financial statements.

The restricted expendable net position consists of resources that are subject to external restrictions on how they must be used. These resources represent approximately 0.5% of the University's net position at June 30, 2023, and 2022.

Net positions that are not subject to restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation are classified as unrestricted net position. As of June 30, 2023, and 2022, the University's unrestricted net position represents 9.5% and 5.6% of the net position, respectively. At year end, this net position is designated or committed for goods and services that have not yet been received, working capital for auxiliary enterprise, and departmental activities, payment of annual debt service, capital improvements, equipment replacement, scholarships, and new faculty startup costs, including lab renovation and matching funds. During fiscal year 2023, the University's net position increased by \$40.25 million due to the \$3.76 million increase in net position prior to capital contributions, as well as the \$36.49 million of capital contributions.

UNIVERSITY OF RHODE ISLAND

(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2023

Financial Analysis – Continued

The University's current assets include cash and equivalents, cash held by the State Treasurer, accounts receivable, inventories, and prepayments, while current liabilities consist of accounts payable and accrued expenses, unearned revenues, funds held for others, and the current portion of compensated absences and current portion of long-term debts. Compensated absences represent accumulated vacation, sick leave, and deferred compensation that will be used or paid in future years. The current ratio (current assets divided by current liabilities), which measures the University's liquidity, remains positive: 3.19 to 1 and 3.16 to 1 as of June 30, 2023, and 2022, respectively.

UNIVERSITY OF RHODE ISLAND

(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2023

The University's condensed statements of revenues, expenses and, changes in net position are presented below (dollars in millions).

	<u>2023</u>	<u>2022</u>
Operating revenues		
Tuition and fees, net of tuition waivers and remissions	\$ 330.89	331.12
Operating grants and contributions	117.20	108.06
Other sources	56.65	46.33
Total operating revenues	<u>504.74</u>	<u>485.51</u>
Operating expenses		
Salaries and benefits	356.94	339.37
Scholarships, grants and contracts	33.16	58.10
Other operating expense	177.76	173.87
Depreciation and amortization	53.83	46.36
Total operating expenses	<u>621.69</u>	<u>617.70</u>
Net operating loss	<u>(116.95)</u>	<u>(132.19)</u>
Nonoperating revenues (expenses)		
State appropriation	92.88	90.39
Federal grants	17.00	48.07
Net investment income	6.23	0.32
Private gifts	15.21	13.20
Other non operating activity	-	5.17
Interest expense	(10.61)	(7.27)
Total nonoperating revenues	<u>120.71</u>	<u>149.88</u>
Increase (decrease) in net position Before capital contributions	<u>3.76</u>	<u>17.69</u>
Capital appropriations	12.62	11.01
State contributed capital	15.90	7.31
Capital gifts	7.97	9.37
Increase in net position	40.25	45.38
Net position – beginning of year	631.35	585.97
Net position – ending of year	\$ <u>671.60</u>	<u>631.35</u>

UNIVERSITY OF RHODE ISLAND

(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2023

Operating Revenues

The total operating revenues increased by \$19.23 million or 3.96% in fiscal year 2023, compared to an increase of \$53.71 million or 12.44% in fiscal year 2022. The 2023 increase is primarily attributable to the increase of \$9.14 million in Federal, state, local and private grants and contracts and \$6.74 million pandemic-related FEMA monies received in 2023. The 2022 increase was driven by the student population living on campus returning to pre-pandemic levels.

Tuition and fees received by the University included the following (dollars in millions):

	<u>2023</u>	<u>2022</u>
Tuition	\$ 363.38	349.46
Student service fees	24.78	22.69
Health service fees	9.61	8.52
Housing fees	48.20	45.70
Dining service fees	20.13	19.28
Miscellaneous student fees	4.54	4.42
Total	<u>470.64</u>	<u>450.07</u>
Tuition waived or remitted	<u>(139.75)</u>	<u>(118.95)</u>
Net	\$ <u>330.89</u>	<u>331.12</u>

UNIVERSITY OF RHODE ISLAND
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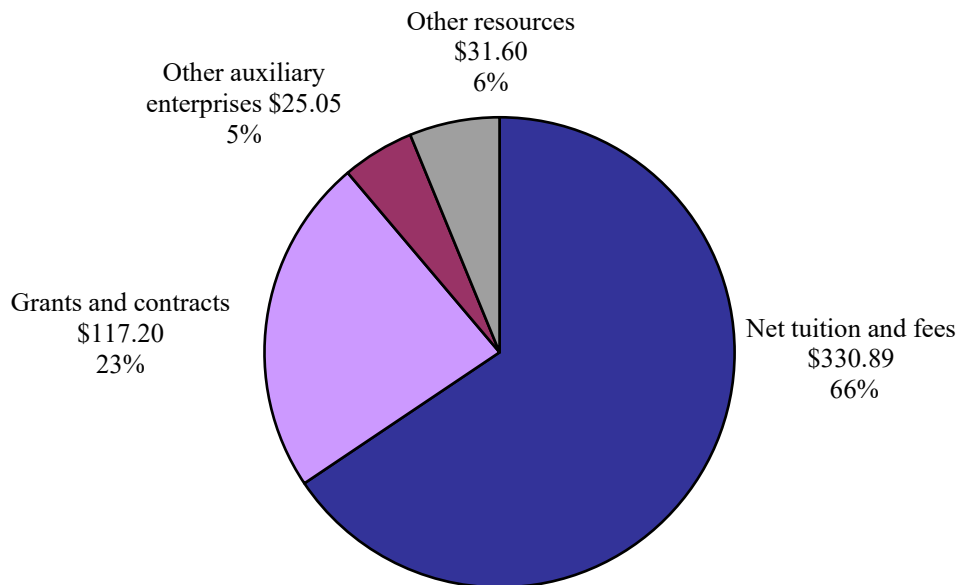
Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2023

Operating Revenues - Continued

The following provides a graphical breakdown of operating revenues by category for the year ended June 30, 2023.

Operating Revenue of \$504.74 by Category
(Dollars in millions)



UNIVERSITY OF RHODE ISLAND

(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited) - Continued

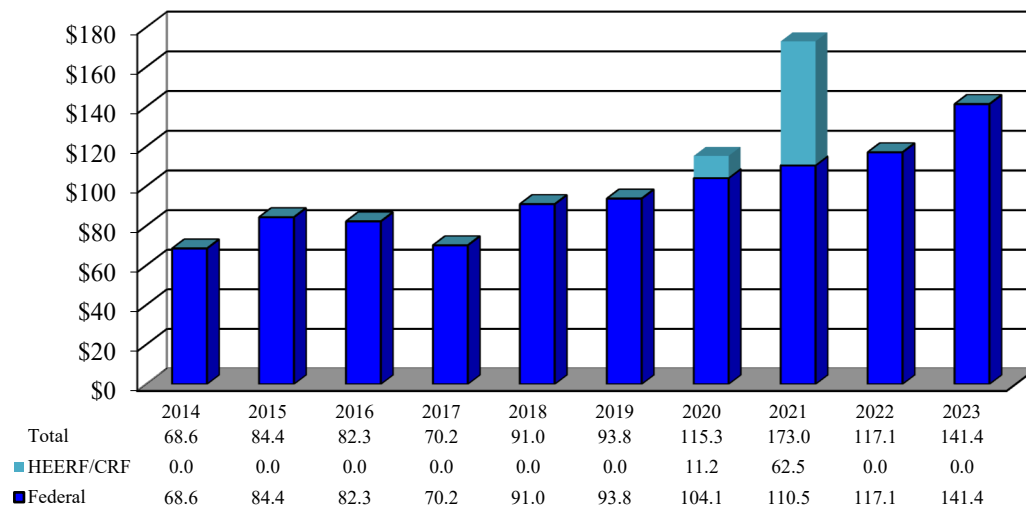
June 30, 2023

Grant and Contract Revenue

The recognition of revenue from grants and contracts is deferred until services have been performed to fulfill the requirements of the grants and contracts. Hence, awards received are not reflected in the statement of revenues and expenses and changes in net position.

The bar chart below shows the amount of grants awarded (not necessarily recognized as revenue) to the University during the last ten years, from a total of \$68.6 million in 2014 to \$141.4 million in 2023 or an 105.89% increase. The large increase in 2021 relates to the Higher Education Emergency Relief Funds (HEERF) and Coronavirus Relief Funds (CRF) funding.

Awards for Competitive Sponsored Programs
(Dollars in millions)



UNIVERSITY OF RHODE ISLAND

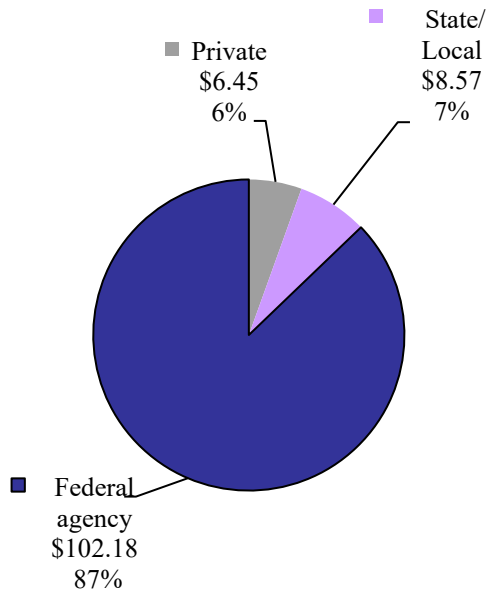
(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2023

Grant and Contract Revenue – Continued

The following summary shows the breakdown of grants received from sponsoring agencies during fiscal year 2023, with chart detailing federal and nonfederal awards (dollars in millions).



Agency	Award
Department of Commerce	\$ 24.18
Department of Health and Human Services	23.89
National Science Foundation	14.10
Department of Defense	12.07
Agency for International Development	9.04
Department of Agriculture	6.76
Other Federal Agencies	5.83
Department of Interior	1.98
Department of Energy	1.63
Department of Homeland Security	1.46
The Office of Education	1.24
Federal agency	102.18
State/Local	8.57
Private	6.45
Total	<u>\$117.20</u>

UNIVERSITY OF RHODE ISLAND

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Management's Discussion and Analysis (Unaudited) - Continued

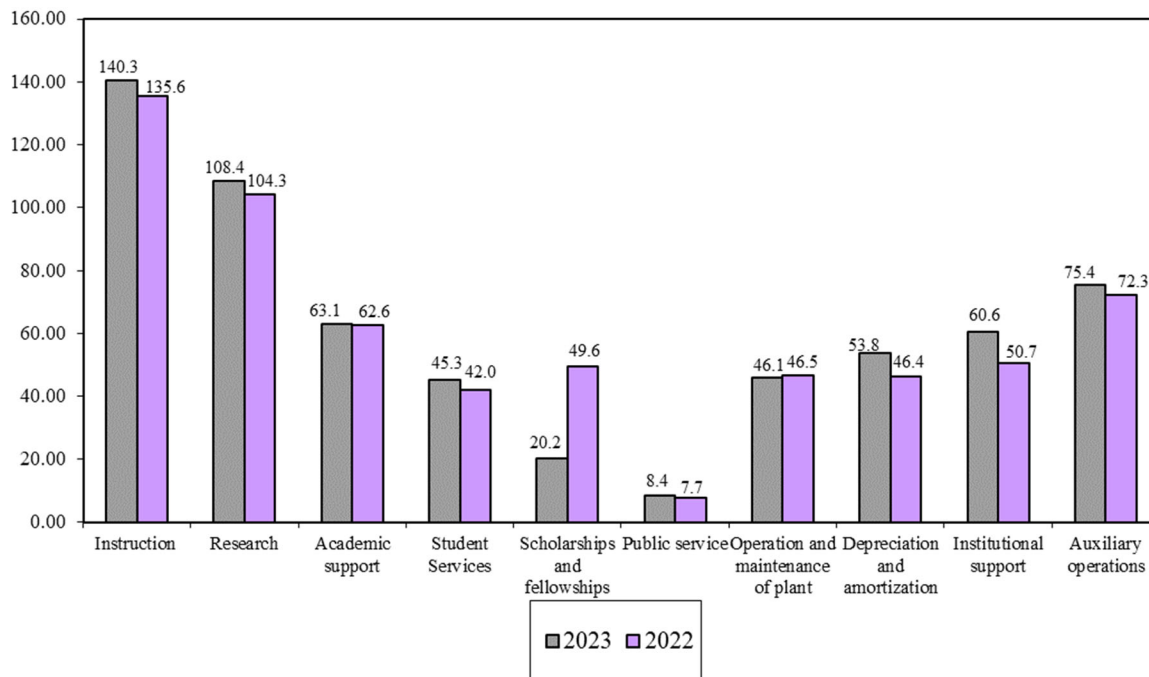
June 30, 2023

Operating Expenses

The operating expenses for fiscal years 2023 and 2022 totaled \$621.69 million and \$617.70 million, respectively, which represents a change from prior year of an increase of \$3.99 million or .65%.

The bar chart below illustrates the University's operating expenses by function for the fiscal years ended June 30, 2023 and 2022, excluding scholarship allowances applied against tuition and fee revenues.

Operating Expenses by Function
(Dollars in millions)



UNIVERSITY OF RHODE ISLAND

(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2023

Operating Expenses - Continued

The following summary shows where major grant and contract expenditures, including indirect cost charges, occurred (dollars in millions):

Agency	Amount	
	2023	2022
Department of Commerce (NOAA)	\$ 24.18	20.35
Department of Health and Human Services	23.89	21.22
National Science Foundation	14.10	19.68
Department of Defense	12.07	7.74
Agency for International Development	9.04	7.75
Department of Agriculture	6.76	7.47
Other Federal Agencies	5.05	4.76
Department of Interior	1.98	1.80
Department of Energy	1.63	1.32
Department of Homeland Security	1.46	0.87
National Aeronautic and Space Administration	1.24	0.69
US Small Business	0.78	1.12

Nonoperating Revenues and Expenses

The State's unrestricted appropriation is the largest component of the University's nonoperating revenues. The amount requested for fiscal year 2023 was \$93.24 million. The amount appropriated by the State was \$92.88 million which was \$359 thousand less than requested. For FY24, the final legislative appropriation included \$105.4 million in state appropriation for the University's operating budget, an increase of \$14.1 million over FY23, \$65.8 million for the athletics complex renewal (Rhode Island Capital Asset Protection funding), and \$20 million in State Fiscal Resiliency Funding (SRFS) funding for a new water supply treatment system. Overall, the increase in state appropriations signals a positive, renewed investment by the state in its flagship research university.

UNIVERSITY OF RHODE ISLAND

(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2023

Nonoperating Revenues and Expenses - Continued

The University has a long tradition of using the State appropriation to support its operating expenses. During fiscal years 2023 and 2022 the University received State appropriations of \$92.88 million and \$90.39 million, respectively, for operations. The student tuition and fees along with other operating revenue have played an increasingly important role in funding of the University's operations. These sources do not fully cover operating losses by \$24.07 million in fiscal year 2023 and \$41.80 million in fiscal year 2022. A summary of net loss after State appropriation is presented below (dollars in millions).

	<u>2023</u>	<u>2022</u>
Net student fees	\$ 330.89	331.12
Other operating revenue	173.85	154.39
Operating expenses	<u>(621.69)</u>	<u>(617.70)</u>
Operating loss	(116.95)	(132.19)
State direct appropriations	92.88	90.39
Net loss after state appropriation	\$ <u><u>(24.07)</u></u>	<u><u>(41.80)</u></u>

UNIVERSITY OF RHODE ISLAND

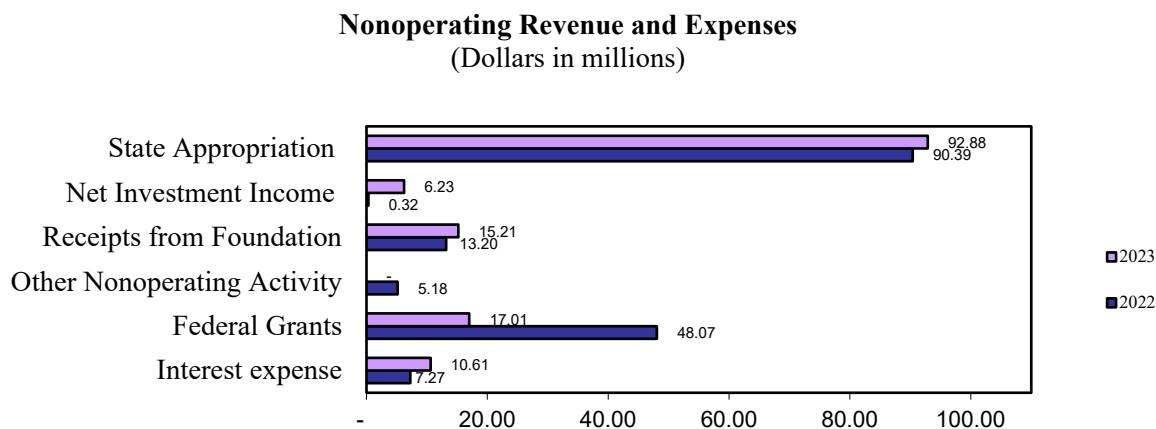
(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2023

Nonoperating Revenues and Expenses - Continued

The following chart provides a graphical breakdown of the University's nonoperating revenues and expenses.



Capital Assets and Debt Administration

Capital Plan

The University generally has funded its capital plans through a combination of funds received from University operations, bonds issued by the Rhode Island Health and Educational Building Corporation, State appropriations, general obligation bonds, federal appropriations, and private fundraising. The execution of the University's capital improvement plan is contingent upon approval from the State and sufficient funding.

UNIVERSITY OF RHODE ISLAND

(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2023

Capital Assets and Debt Administration - Continued

The Board of Trustees submits a running five-fiscal-year capital improvement plan to the General Assembly and State each year. The plan for the period fiscal year 2023-2027 for the University totals \$1.03 billion and includes all continuing and planned projects over \$1 million, whether funded or not. This plan forms the basis for discussions on funding the various projects from all available funding sources.

The University's investment in capital assets as of June 30, 2023, and 2022 net of accumulated depreciation amounts to \$847.22 million and \$851.55 million, respectively. This investment in capital assets includes land, buildings (including improvements), and furnishings and equipment (including capital leases). Capital assets decreased during fiscal year 2023 year by \$4.33 million and \$10.30 million in fiscal year 2022. This decrease is largely due to the lack of any major capital improvements during 2023 and 2022. Legal title to all land and real estate assets is vested in the University of Rhode Island, Board of Governors, Board of Trustees or the State. A summary of net capital asset balances is presented below (dollars in millions).

	2023	2022
Land and improvements	\$ 46.58	48.93
Major capital additions to building and improvements	719.82	739.52
Furnishings and equipment	37.68	35.41
Construction in progress	43.14	27.69
Total	\$ 847.22	851.55

Major capital additions in fiscal year 2023 included improvements to Narragansett Bay Campus Pier replacement (\$9.3 million), Tootell Basketball Facility (\$6.5 million) and Fine Arts Building (\$4.5 million).

Additional information about the University's capital assets can be found in Note 5 to the financial statements.

UNIVERSITY OF RHODE ISLAND

(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2023

Capital Assets and Debt Administration - Continued

Debt

As of June 30, 2023, and 2022, the University had \$294.89 million and \$284.07 million, respectively, in outstanding debt, an increase of \$10.82 million in 2023 and a decrease of \$14.44 million in 2022. The increase in 2023 is attributable to the June 2023 issuance of Series 2023 RIHBEC bonds in the amount of \$15.44 million. The proceeds are to be used for engineering and construction of upgrades and component replacements to five municipal-level utility systems on the University's Kingston campus. The table below summarizes the types of debt instruments (dollars in millions).

	<u>2023</u>	<u>2022</u>
Loans payable	\$ 0.15	0.22
Lease obligations	7.01	3.96
Subscription obligations	8.56	-
Due to primary government	15.79	17.59
Revenue bonds	<u>263.38</u>	<u>262.30</u>
Total	\$ <u>294.89</u>	<u>284.07</u>

The University has no independent bonding authority. All revenue bonds must be approved by and arranged through the Rhode Island Health and Education Building Corporation. Debt related to revenue bonds is reported on the University's financial statements. Debt related to general obligations bonds is reflected on the State's financial statements. As of June 30, 2023, the University's general revenue bonds are rated by Moody's as Aa3, and Standard and Poor's rating services have given rates of A+.

UNIVERSITY OF RHODE ISLAND

(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2023

Economic Factors that Will Affect the Future

The University is a tuition-dependent institution, thus attention to strategic enrollment management is a critical element of the University's financial stability and self-sufficiency. Over the past eight years, the University has experienced near/record enrollment driven by record number of applications. Recognizing an increased competition for students and demographic trends of fewer college age students, the University has expanded its recruitment to include growth areas throughout the country, for example, in the Mid-Atlantic and Northern Virginia. Furthermore, the University's in-state and out-of-state tuition rates are among the lowest for both in-state and out-of-state New England competitors.

The University is sensitive to the rising costs of higher education and strives to achieve efficiencies to limit the size of tuition and fee increases. The University approved an increase in tuition from 2022 to 2023 of 3.9% for in-state students and 4.5% for out-of-state students.

To support strategic priorities and continue record enrollment, the University continues to enhance its faculty and facilities to meet demand and to support world-class education and research. In July 2018, for example, the National Science Foundation selected the East Coast Oceanographic Consortium, led by the University of Rhode Island, to operate a new \$125 million oceanography research ship named the R/V Resolution. The R/V Resolution will support such scientific studies as the tracking of ocean currents and fish migration, seafloor surveys in earthquake-prone regions of the world, conservation of marine mammals, and the food-web dynamics in the deep ocean. The new ship is expected to be launched in 2025.

Fiscal Planning

To protect the long-term financial health of the institution, the University is embarking on a budget model transformation effort that will result in an incentive-based budget philosophy once fully implemented. This will allow the University to execute on the bold vision and strategic priorities as outlined in our recently completed 'Focus URI' Strategic Plan. The intention is that this transition will allow for greater P&L transparency, empowerment of decision-makers across the institution, alignment of accountability and responsibility, and the ability to plan more effectively. In turn, this should unlock revenue potential while also more clearly identifying ways to streamline services, where appropriate.

UNIVERSITY OF RHODE ISLAND

(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2023

Fiscal Planning - Continued

Institutional fund balance, in addition to traditional sources of revenue such as tuition & fees, state appropriations, etc., will continue to support approved strategic initiatives until sufficient incremental resources are able to be generated. A multi-year financial plan is currently under development and will provide University leadership the ability to better understand long-term financial implications of investments being considered.

Requests for Information

This financial report is designed to provide a general overview of the University's finances for all those with an interest in the University's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Office of the Vice President for Administration and Finance, University of Rhode Island, Carlotti Administration Building, Room 108, 75 Lower College Road, Kingston, RI 02881.

UNIVERSITY OF RHODE ISLAND
(a Component Unit of the State of Rhode Island)

Statement of Net Position

June 30, 2023

Assets and Deferred Outflows of Resources

	University of Rhode Island	Component Units
Current Assets:		
Cash and equivalents (Note 2)	\$ 213,911,325	\$ 22,588,132
Net funds on deposit with primary government	370,293	-
Accounts receivable, net (Note 3)	51,360,214	1,957,050
Due from primary government	2,388,438	-
Current portion of pledges receivable	-	7,269,137
Inventory and other current assets	<u>5,071,692</u>	<u>452,698</u>
Total Current Assets	<u>273,101,962</u>	<u>32,267,017</u>
Noncurrent Assets:		
Cash and equivalents – restricted (Note 2)	2,486,366	-
Funds on deposit with bond trustee	30,231,140	-
Investments (Note 2)	-	256,395,884
Pledges receivable, net of current portion	-	4,664,164
Loans receivable, net (Note 4)	5,050,187	-
Charitable remainder trusts	-	184,772
Other noncurrent assets (Note 6)	852,161	-
Capital assets, being depreciated, net (Note 5)	818,736,818	3,185,363
Capital assets, not being depreciated (Note 5)	<u>45,328,116</u>	<u>712,723</u>
Total Noncurrent Assets	<u>902,684,788</u>	<u>265,142,906</u>
Total Assets	<u>1,175,786,750</u>	<u>297,409,923</u>
Deferred Outflows of Resources:		
Deferred loss on debt refunding	5,147,491	-
Deferred outflows of resources related to pension (Note 8)	11,374,404	-
Deferred outflows of resources related to OPEB (Note 9)	<u>8,616,560</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>25,138,455</u>	<u>-</u>

See accompanying notes to the financial statements.

UNIVERSITY OF RHODE ISLAND
(a Component Unit of the State of Rhode Island)

Statement of Net Position

June 30, 2023

Liabilities, Deferred Inflows of Resources and Net Position

	University of Rhode Island	Component Units
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 47,038,077	\$ 1,943,669
Compensated absences (Note 7)	2,252,948	-
Unearned revenue	15,836,272	-
Current portion of due to primary government (Note 7)	1,665,000	-
Current portion of bonds and loans payable (Note 7)	13,373,706	-
Other current liabilities (Note 6)	<u>5,453,915</u>	<u>5,775,140</u>
Total Current Liabilities	<u>85,619,918</u>	<u>7,718,809</u>
Noncurrent Liabilities:		
Compensated absences (Note 7)	22,009,742	-
Due to primary government (Note 7)	14,120,000	-
Bonds and loans payable (Note 7)	250,157,399	-
Gift annuity payable	-	1,243,621
Grant refundable (Note 7)	3,873,176	-
Net pension liability (Note 8)	95,757,748	-
Net OPEB liability (Note 9)	21,377,051	-
Other noncurrent liabilities (Note 6)	<u>10,120,694</u>	<u>876,995</u>
Total Noncurrent Liabilities	<u>417,415,810</u>	<u>2,120,616</u>
Total Liabilities	<u>503,035,728</u>	<u>9,839,425</u>
Deferred Inflows of Resources:		
Deferred inflows of resources related to pension (Note 8)	9,191,519	-
Deferred inflows of resources related to OPEB (Note 9)	16,219,134	-
Deferred inflows of resources related to leases (Note 6)	<u>874,389</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>26,285,042</u>	<u>-</u>
Net Position:		
Net investment in capital assets	603,650,722	3,185,363
Restricted:		
Expendable (Note 11)	3,674,312	138,431,013
Nonexpendable	-	133,127,029
Unrestricted	<u>64,279,401</u>	<u>12,827,093</u>
Total Net Position	<u>\$ 671,604,435</u>	<u>\$ 287,570,498</u>

See accompanying notes to the financial statements.

UNIVERSITY OF RHODE ISLAND
(a Component Unit of the State of Rhode Island)

Statement of Revenues and Expenses and Changes in Net Position

For the Year Ended June 30, 2023

	University of Rhode Island	Component Units
Operating Revenues:		
Tuition and fees	\$ 377,678,933	\$ -
Residence, dining, student union, and health fees	92,961,406	-
Less: scholarship allowances	<u>(139,754,179)</u>	<u>-</u>
Net Student Fees	330,886,160	-
Federal, state, local, and private grants and contracts	117,198,882	6,773,310
Other auxiliary enterprises	25,058,978	-
Other sources	<u>31,597,007</u>	<u>1,422,094</u>
Total Operating Revenues	<u>504,741,027</u>	<u>8,195,404</u>
Operating Expenses (Note 13):		
Instruction	140,314,640	-
Research	108,439,854	8,420,916
Academic support	63,142,704	-
Student services	45,297,524	-
Scholarships and fellowships	20,150,482	-
Public service	8,363,189	-
Operation and maintenance of plant	46,132,082	740,713
Depreciation and amortization	53,825,623	220,980
Institutional support	60,639,715	5,137,326
Auxiliary operations	<u>75,384,130</u>	<u>-</u>
Total Operating Expenses	<u>621,689,943</u>	<u>14,519,935</u>
Net Operating Loss	<u>(116,948,916)</u>	<u>(6,324,531)</u>
Nonoperating Revenues (Expenses):		
State appropriation (Note 14)	92,879,330	-
Federal grants	17,008,244	-
Net investment income	6,228,169	1,061,103
Endowment income	-	18,054,587
Private gifts and contributions	-	17,979,863
Payments (to)/from component units	15,210,476	(17,558,777)
Other Non-operating activity	-	2,507,178
Interest expense	<u>(10,613,226)</u>	<u>-</u>
Net Nonoperating Revenues	<u>120,712,993</u>	<u>22,043,954</u>
Increase (Decrease) in Net Position Before Capital Contributions	3,764,077	15,719,423
Capital Contributions:		
Capital appropriations (Note 14)	28,518,381	-
Capital gifts	<u>7,968,796</u>	<u>(7,968,796)</u>
Increase in Net Position	40,251,254	7,750,627
Net Position, Beginning of Year	<u>631,353,181</u>	<u>279,819,871</u>
Net Position, End of Year	<u>\$ 671,604,435</u>	<u>\$ 287,570,498</u>

See accompanying notes to the financial statements.

UNIVERSITY OF RHODE ISLAND
(a Component Unit of the State of Rhode Island)

Statement of Cash Flows

For the Year Ended June 30, 2023

	<u>University of Rhode Island</u>
Cash Flows From Operating Activities:	
Tuition and fees	\$ 332,033,795
Federal, state, local, and private grants	113,129,149
Payments to suppliers	(181,634,935)
Payments to employees	(361,243,525)
Payments for scholarships, fellowships, and sponsored programs	(34,267,368)
Other auxiliary enterprises	24,275,242
Other sources	<u>39,867,247</u>
Net Cash Used by Operating Activities	<u>(67,840,395)</u>
Cash Flows from Noncapital Financing Activities:	
State appropriations	92,879,330
Federal grants	17,008,244
Payments from component units	<u>15,210,476</u>
Net Cash Provided by Noncapital Financing Activities	<u>125,098,050</u>
Cash Flows from Capital and Related Financing Activities:	
Capital appropriations	28,518,381
Purchase of capital, including right of use assets	(43,734,436)
Proceeds from issuance of loans	24,296,310
Principal paid on capital debt, leases and subscriptions	(25,093,253)
Interest paid on capital debt, leases, subscriptions	(9,672,479)
Bond funds sent by Trustee to the University	<u>(11,140,076)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(36,825,553)</u>
Cash Flows from Investing Activity:	
Net investment income	<u>6,228,169</u>
Net Increase in Cash and Equivalents	26,660,271
Cash and Equivalents, Beginning of the Year	<u>189,737,420</u>
Cash and Equivalents, End of the Year	<u>\$ 216,397,691</u>

UNIVERSITY OF RHODE ISLAND
(a Component Unit of the State of Rhode Island)

Statement of Cash Flows - Continued

For the Year Ended June 30, 2023

**University of
Rhode Island**

Reconciliation of Net Operating Loss to Net Cash Applied to

Operating Activities:

Net operating loss	\$ (116,948,916)
Adjustments to reconcile net operating loss to net cash used by operating activities:	
Depreciation and amortization	53,825,623
Loss on disposal of assets	598,880
Bad debt expense	767,367
Changes in assets and liabilities:	
Net funds on deposit with primary government	5,420,723
Accounts receivable	(461,789)
Due from primary government	952,543
Inventory and other current assets	(858,841)
Other noncurrent assets	(581,359)
Loans receivable	482,877
Accounts payable and accrued liabilities	(565,120)
Net pension activity	(8,213,493)
Net OPEB activity	(4,335,264)
Compensated absences	1,064,587
Unearned revenue	1,899,757
Other noncurrent liabilities	219,763
Grant refundable	<u>(1,107,733)</u>

Net Cash Used by Operating Activities **\$ (67,840,395)**

Noncash Transactions:

Capital gifts	\$ 7,968,796
Accounts Payable and retainage related to capital assets	<u>665,241</u>

Cashflow from Noncash Transactions **\$ 8,634,037**

Cash Flow Information

For purposes of the statement of cash flows, cash and equivalents are comprised of the following at June 30, 2023:

Cash and equivalents	\$ 213,911,325
Restricted cash and equivalents	<u>2,486,366</u>
	\$ <u>216,397,691</u>

See accompanying notes to the financial statements.

UNIVERSITY OF RHODE ISLAND

(a Component Unit of the State of Rhode Island)

Notes to the Financial Statements

For the Year Ended June 30, 2023

Note 1 - **Summary of Significant Accounting Policies**

Organization

The University of Rhode Island (the "University") is a State Land-Sea-and-Urban-Grant University. Chartered in 1951, the University offers undergraduate and graduate degree programs of study and also confers doctoral degrees. The University has three campuses throughout Rhode Island in addition to the main campus located in Kingston. The University is accredited by the New England Commission of Higher Education. In addition, certain courses and programs of study have been approved by national accrediting agencies. The University is supported by the State of Rhode Island (the "State") and is a component unit of the State of Rhode Island. Effective February 1, 2020, the University is governed by the Board of Trustees of the University of Rhode Island.

The Board of Trustees, consisting of 17 members, was appointed by the Governor with the advice and consent of the Rhode Island Senate. The Board of Trustees is dedicated solely to the University and exercises similar powers and authority as was previously exercised by the Council on Postsecondary Education, including oversight of employment and the University's property, purchases, and procurement. The University President reports to the Board of Trustees.

Prior to February 2020, the University was governed by the Rhode Island Board of Education (the "BOE") (successor to the Board of Governors for Higher Education effective January 1, 2013), a body politic and corporate established under Chapter 97 of Title 16 of the General Laws of Rhode Island. The BOE consists of public members appointed by the Governor.

Basis of Presentation

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB"). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements have been met. The University has determined that it functions as a business-type activity, as defined by GASB. The effect of interfund activity has been eliminated from these financial statements.

UNIVERSITY OF RHODE ISLAND

(a Component Unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

The University's policies for defining operating activities in the statement of revenues and expenses and change in net position are those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Certain other transactions are reported as nonoperating activities. These nonoperating activities include the University's operating and capital appropriations from the State, net investment income, gifts, certain federal financial aid grants, and interest expense.

The accompanying statement of revenues and expenses, and changes in net position demonstrate the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues primarily include charges to students or others who enroll or directly benefit from services that are provided by a particular function. Items not meeting the definition of program revenues are instead reported as general revenue.

Component Units

The University of Rhode Island Foundation & Alumni Engagement (the "Foundation") and the University of Rhode Island Research Foundation and its Non-Profit Affiliated Corporation, 401 Tech Bridge, (the "Research Foundation") are legally separate tax-exempt component units of the University. In September 2020, the Board Members of The Research Foundation incorporated a non-profit entity named 401 Tech Bridge for the purpose of creating a subsidiary to participate in certain grant activity.

The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. The board of the Foundation is self-perpetuating and primarily consist of graduates and friends of the University. Although the University does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of the University by the donors. Because these resources held by the Foundation can only be used by, or are for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

UNIVERSITY OF RHODE ISLAND

(a Component Unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

The Research Foundation's mission is to promote industry and University collaboration and new technology ventures for economic growth and job creation. The Research Foundation's unique private, not-for-profit status allows it to support a broad range of technology transfer activities, including licensing, startup company formation, equity investments, and intellectual property protection. The Research Foundation is affiliated with the University by common management; however, each organization has its own independent board of trustees/directors. The Research Foundation obtains significant managerial and financial support from the University, including the salaries for the University Associate Vice President for Intellectual Property and Economic Development, who also serves as the Executive Director of the Research Foundation; other support staff, and the provision of operational costs. Because of this relationship, the Research Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

During the year ended June 30, 2023, the Foundation distributed \$26,038,061 to the University for both restricted and unrestricted purposes.

As of June 30, 2023, the component units have a liability to the University of \$5,383,249 which is reflected in other current liabilities. The University has an offsetting receivable recorded for the same amount included in accounts receivable.

The University has a fundraising agreement with the Foundation and paid \$7,273,200. The University has a support agreement with the Research Foundation and paid \$147,000.

The Foundation and the Research Foundation are private not-for-profit organizations that report under FASB standards, including ASC 958-205, *Presentation of Financial Statements for Not-for-Profit Entities*, and ASC 958-605, *Revenue Recognition for Not-for-Profit Entities*. Accordingly, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation or Research Foundation's financial information in the University's financial reporting entity for these differences.

UNIVERSITY OF RHODE ISLAND
(a Component Unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

The condensed statements of net position of the Foundation and the Research Foundation as of June 30, 2023 are as follows:

	Foundation	Research Foundation	Eliminations	Total
Current assets	\$ 30,258,288	\$ 2,902,392	\$ (893,663)	\$ 32,267,017
Noncurrent assets	261,567,243	3,575,663	-	265,142,906
Total assets	<u>291,825,531</u>	<u>6,478,055</u>	<u>(893,663)</u>	<u>297,409,923</u>
Current liabilities	7,388,627	1,223,845	(893,663)	7,718,809
Noncurrent liabilities	1,243,621	876,995	-	2,120,616
Total liabilities	<u>8,632,248</u>	<u>2,100,840</u>	<u>(893,663)</u>	<u>9,839,425</u>
Net position:				
Net investment in capital assets	1,694,613	1,490,750	-	3,185,363
Restricted:				
Expendable	138,431,013	-	-	138,431,013
Nonexpendable	132,778,332	348,697	-	133,127,029
Unrestricted	10,289,325	2,537,768	-	12,827,093
Total net position	<u>\$ 283,193,283</u>	<u>\$ 4,377,215</u>	<u>\$ -</u>	<u>\$ 287,570,498</u>

UNIVERSITY OF RHODE ISLAND

(a Component Unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

The condensed statements of revenues, expenses and changes in net position of the Foundation and the Research Foundation for the year ended June 30, 2023 are as follows:

	Foundation	Research Foundation	Total
Operating Revenues:			
Federal, state, local, and private grants and contracts	\$ -	\$ 6,773,310	\$ 6,773,310
Other sources	-	1,422,094	1,422,094
Total Operating Revenues	-	8,195,404	8,195,404
Operating Expenses:			
Research	-	8,420,916	8,420,916
Operation and maintenance of plant	-	740,713	740,713
Depreciation	116,630	104,350	220,980
Institutional support	5,137,326	-	5,137,326
Total Operating Expenses	5,253,956	9,265,979	14,519,935
Net Operating Loss	(5,253,956)	(1,070,575)	(6,324,531)
Nonoperating Revenues (Expenses):			
Net investment income (loss)	909,492	151,611	1,061,103
Endowment income	18,054,587	-	18,054,587
Private gifts	17,883,089	96,774	17,979,863
Gifts from (to) the University	(17,965,584)	406,807	(17,558,777)
Miscellaneous receipts	2,503,254	3,924	2,507,178
Net Nonoperating Revenues	21,384,838	659,116	22,043,954
Increase in Net Position Before Capital Gifts	16,130,882	(411,459)	15,719,423
Capital Gifts	(7,968,796)	-	(7,968,796)
Increase in Net Position	8,162,086	(411,459)	7,750,627
Net Position, at Beginning of Year,	275,031,197	4,788,674	279,819,871
Net Position, at End of Year	\$ 283,193,283	\$ 4,377,215	\$ 287,570,498

Complete financial statements for the Foundation can be obtained from 79 Upper College Road, Kingston, RI 02881. Complete financial statements for the Research Foundation can be obtained from 75 Lower College Road, Kingston, RI 02881.

UNIVERSITY OF RHODE ISLAND

(a Component Unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

Net Position

Resources are classified for accounting purposes into the following three net position categories:

Net Investment in Capital Assets: Capital assets, net of accumulated depreciation, accounts payable, accrued expenses, and of outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.

Restricted – Nonexpendable: The portion of net position subject to externally imposed conditions requiring that they be maintained in perpetuity.

Restricted – Expendable: Net position whose use is subject to externally imposed conditions that can be fulfilled by the actions of the University or by the passage of time.

Unrestricted: All other categories of net position. Unrestricted net position may be designated by the University.

The University has adopted a policy of generally utilizing restricted – expendable funds, when available, prior to unrestricted funds.

Cash and Equivalents

Cash and equivalents consist entirely of highly liquid financial instruments with an original maturity date of three months or less.

Allowance for Doubtful Accounts

Accounts receivable are periodically evaluated for collectability based on past history with students. Provisions for losses on receivables are determined on the basis of loss experience, known and inherent risks in the receivables portfolio, the estimated value of underlying collateral, and current economic conditions.

Inventories

Inventories are stated at the lower of cost (first-in, first-out, and retail inventory method) or market, and consist primarily of bookstore, dining, health, and residential life services items. Inventory for the year ended June 30, 2023 totaled \$3,649,140.

UNIVERSITY OF RHODE ISLAND

(a Component Unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

Capital Assets

Real estate assets, including improvements, are generally stated at cost. Furnishings and equipment are stated at cost at date of acquisition or, in the case of gifts, at acquisition value at date of donation. In accordance with the Board of Trustees' capitalization policy, all land is capitalized, regardless of value. Vehicles, equipment, computer software for internal use, and works of art and historical treasures with a unit cost of \$5,000 or more are capitalized. Building, leasehold, and infrastructure improvements with a unit cost of \$50,000 or more are capitalized. University capital assets, with the exception of land and construction in progress are depreciated on a straight-line basis over their estimated useful lives, which range from 5 to 50 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Leases - Lessee

The University determines if an arrangement is a lease at inception. Leases are included in right-of-use assets and other current and noncurrent liabilities in the Statement of Net Position.

Right-of-use assets represent the University's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Right-of-use assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Right-of-use assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lease liabilities represent the University's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

The lease term may include options to extend or terminate the lease when it is reasonably certain that the University will exercise that option.

The University has elected to recognize payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the Statement of Net Position.

UNIVERSITY OF RHODE ISLAND
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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the University has elected to use its incremental borrowing rate to calculate the present value of expected lease payments.

The University accounts for contracts containing both lease and non-lease components as separate contracts.

Leases – Lessor

The University determines if an arrangement is a lease at inception. Leases are included in other current and noncurrent assets and deferred inflows of resources related to leases in the Statement of Net Position.

Lease receivables represent the University's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term. Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term.

The University has elected to recognize payments received for short-term leases with a lease term of 12 months or less as revenue as the payments are received. These leases are not included as lease receivables or deferred inflows of resources related to leases on the Statement of Net Position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the University has elected to use their incremental borrowing rate to calculate the present value of expected lease payments.

UNIVERSITY OF RHODE ISLAND

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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

Compensated Absences

University employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for those accumulated vacation and sick days allowable in accordance with the applicable union contract or, in the case of non-union personnel, according to State or University policy.

Amounts of vested and accumulated vacation and sick leave are reported as accrued compensation and benefits. Amounts are determined based upon the compensation rates in effect as of the statement of net position date.

Pensions

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

Post-employment Benefits

For purposes of measuring the net post-employment benefits other than pension obligations ("OPEB") liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State Employees' OPEB Cost-Sharing Plan ("SEP") and the Board of Education Cost-Sharing OPEB Plan ("BOEP") (collectively referred to as the "Plans") and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, the Plans recognize benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

UNIVERSITY OF RHODE ISLAND

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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

Health Insurance

The State offers various State paid health plans to each of its participating agencies. The premiums for these plans are divided among the agencies based upon the number of eligible employees. All employees share in healthcare costs. Employee contributions ranged from 15% to 25% of healthcare premiums for non-classified and classified staff. Part-time employee contributions are based on part-time salary. The costs are automatically deducted through the payroll system on a biweekly basis. The University pays the balance of the healthcare costs. Expenses incurred by the University for the 2023 healthcare premiums amounted to \$43,624,039. Employee contributions for the 2023 fiscal year were \$8,103,793.

Assessed Fringe Benefit Administrative Fund

In July 2000, the State established the Assessed Fringe Benefit Administrative Fund. This fund is used to make all payments relating to workers' compensation charges, unemployment compensation payments, and payments to employees for unused vacation and sick leave at the time of retirement or termination from State service. The State funds this account by assessing a charge based on biweekly payrolls of all State agencies. The weighted average fringe benefit assessment rates for 2023 were 4.69% for non-faculty and 3.29% for faculty. The assessed fringe benefit cost for the University was approximately \$7,930,000 for fiscal 2023.

Student Deposits and Unearned Revenue

Student deposits and advance payments received for tuition and fees for the following academic year are recorded as unearned revenue in the current year and as earned revenue in the following year.

Student Fees

Student tuition, dining, residence, health, and other fees are presented net of scholarships and fellowships applied to students' accounts. Certain other scholarship amounts are paid directly to, or refunded to, the student and are generally reflected as expenses.

Tax Status

The University is a component unit of the State of Rhode Island and is therefore generally exempt from income taxes under Section 115 of the Internal Revenue Code.

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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of estimating an allowance for doubtful accounts, depreciation and amortization, compensated absences, and determining the net pension liability and the net OPEB liability.

Risk Management

The University is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, unemployment, and employee health insurance claims.

The University is insured for general liability with policy limits of \$1 million per claim and \$2 million in the aggregate with a \$500,000 deductible and Excess Liability Coverage with limits of \$20 million. Coverage under the General Liability Policy extends to faculty, staff, students, and volunteers acting within the scope of their duties on behalf of the University. Employed healthcare providers are covered under an institutional medical malpractice policy, including a separate policy covering physicians. This policy does not apply to actions relating to federal/civil rights, eminent domain, and breach of employment contract. Such claims are covered under the Educator's Legal Liability policy which provides \$10 million of coverage to directors, officers and the Board of Trustees, and covers claims of discrimination, wrongful termination, and failure to grant tenure.

UNIVERSITY OF RHODE ISLAND

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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

Crime coverage for University employees is carried with a limit of \$10 million and a deductible of \$100,000.

Buildings and contents are insured against fire, theft, and natural disaster to the extent that losses exceed \$200,000 per incident and do not exceed \$260 million. A separate inland marine policy insures specifically listed property items such as computer equipment, valuable papers, fine arts, contractors' equipment, and miscellaneous property at various limits of insurance and deductibles. The University also maintains Hull, Property & Indemnity coverage on a specific schedule of watercraft. This policy has a limit of \$15 million. The hull limits vary by vessel with various deductibles and includes the University's 184-foot research vessel.

All vehicles are insured for liability through a State run insurance program. Automobile coverage consists of a \$500,000 deductible and a \$500,000 excess policy, providing a total of \$1 million of coverage. Claims within the \$500,000 deductible are paid for by the University and adjusted by a third party administrator. Workers' compensation, unemployment, and employee health and life insurance claims are self-insured and managed by the State.

The amount of settlements has not exceeded insurance coverage in the years ended June 30, 2021, 2022, or 2023.

Adoption of New Accounting Standards:

In May 2020, GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. This standard requires the recognition of certain information technology software subscription assets and subscription liabilities for SBITAs that previously were classified as operating expenses and as inflows of resources or outflows of resources recognized based on the payment provisions of the subscription arrangement. It establishes a single model for SBITA accounting based on the foundational principle that SBITAs are financings of the right to use an underlying asset. Under this standard, a government entity is required to recognize a SBITA liability and an intangible right-to-use SBITA asset.

The University adopted the requirements of the guidance effective July 1, 2022. The implementation of GASB Statement No. 96 had no impact on beginning net position.

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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

Subscription Based Information Technology Arrangements:

The University determines if a subscription arrangement is a SBITA at inception. SBITAs are included in right-of-use assets and other current and noncurrent liabilities in the Statement of Net Position.

Right-of-use assets represent the University's control of the right to use an underlying asset for the subscription term, as specified in the arrangement, in an exchange or exchange-like transaction. Right-of-use assets are recognized at the commencement date based on the initial measurement of the SBITA liability, plus any payments made to the SBITA vendor at or before the commencement of the subscription term and certain direct costs. Right-of-use assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying asset.

SBITA liabilities represent the University's obligation to make subscription payments arising from the arrangement. SBITA liabilities are recognized at the commencement date based on the present value of expected subscription payments over the subscription term. Interest expense is recognized ratably over the subscription term.

The subscription term may include options to extend or terminate the subscription arrangement when it is reasonably certain that the University will exercise that option.

The University recognizes payments for short-term SBITAs with a term of 12 months or less as expenses as incurred, and these SBITAs are not included as SBITA liabilities or right-to-use SBITA assets on the Statement of Net Position.

The individual subscription arrangements do not provide information about the discount rate implicit in the arrangement. Therefore, the University has elected to use its incremental borrowing rate to calculate the present value of expected subscription payments.

The University accounts for subscriptions containing both subscription and non-subscription components as separate arrangements.

UNIVERSITY OF RHODE ISLAND

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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

Note 2 - **Cash, Equivalents, and Investments**

Cash and Equivalents

The University's policy is in accordance with Chapter 35-10.1 of the Rhode Island General Laws dealing with the Public Finance, which states that any depository institution holding public deposits shall insure or pledge eligible collateral equal to one hundred percent (100%) with any time deposit with maturities greater than sixty (60) days. If any depository institution does not meet its minimum capital standards as prescribed by its federal regulator, they shall insure or pledge eligible collateral equal to one hundred percent (100%) of all public deposits. None of the University's cash deposits were required to be collateralized by law since there are no time deposits that exceed 60 days.

The University does not have a policy for custodial credit risk associated with deposits. At June 30, 2023, the carrying amount of the University's cash deposits was \$156,823,834, and the bank balance was \$158,520,795. Deposits are exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are:

- a) Uncollateralized,
- b) Collateralized with securities held by the pledging financial institution, or
- c) Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

Of the bank balance, \$109,763,296 was covered by federal depository insurance ("FDIC"), and \$48,697,899 was collateralized with securities held by the pledging financial institution in the University's name as of June 30, 2023. The remaining amount, \$59,600, was uninsured and uncollateralized. The insured balance reflects FDIC insurance and guarantee programs in effect during 2023.

At June 30, 2023, the University had investments (cash equivalents) consisting of \$59,584,301 in the Ocean State Investment Pool Trust ("OSIP"), an investment pool established by the State General Treasurer. The University's investment accounted for 4.0% of the total investment in OSIP at June 30, 2023. Agencies, authorities, commissions, boards, municipalities, political subdivisions, and other public units of the State may invest in OSIP. OSIP has met the criteria outlined in GASB Statement

UNIVERSITY OF RHODE ISLAND

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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

No. 79 – *Certain External Investment Pools and Pool Participants*, to permit election to report its investments at amortized cost which approximates fair value. The OSIP is not rated and the weighted average maturity of investments held in the pool, by policy, is not to exceed 60 days. OSIP transacts with its participants at a stable net asset value ("NAV") per share. Investments reported at the NAV are not subject to the leveling categorization. There are no participant withdrawal limitations. OSIP issues a publicly available financial report that can be obtained by writing to the Office of the General Treasurer, Finance Department, 50 Service Avenue – 2nd Floor, Warwick, RI 02886.

Funds on Deposit with Bond Trustee

The deposit with bond trustee is invested in money market funds with First American Treasury Obligations Fund. These funds are uninsured but invest exclusively in short-term U.S. Treasury obligations, including repurchase agreements secured by U.S. Treasury obligations. As of June 30, 2023, the First American Treasury Obligations Fund had a rating of A by Standard and Poor's and A3 by Moody's.

Component Units

The Foundation and the Research Foundation's investments at June 30, 2023 are reported at fair market value and are composed of the following:

	Foundation	Research Foundation	Total
Equity Securities	\$ 119,793,541	\$	\$ 119,793,541
Fixed Income	60,811,620		60,811,620
Capital Funds	24,723,589		24,723,589
Hedge Funds	49,647,165		49,647,165
Real Assets Funds	47,779		47,779
Equity Investment in Private Company	-	1,372,190	1,372,190
	<u>\$ 255,023,694</u>	<u>\$ 1,372,190</u>	<u>\$ 256,395,884</u>

Promulgations of the Financial Accounting Standards Board have established a framework for measuring fair value of the investments, which provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Please refer to the financial statements of the respective component unit for more information.

UNIVERSITY OF RHODE ISLAND
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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

Note 3 - **Accounts Receivable**

Accounts receivable, which are anticipated to be collected within one year, include the following at June 30, 2023:

Student accounts receivable	\$	13,919,020
Grants receivable		9,019,445
Unbilled grants receivables		24,588,715
Other receivables		12,067,561
		<u>59,594,741</u>
Less: allowance for doubtful accounts		<u>(8,234,527)</u>
	\$	<u><u>51,360,214</u></u>

Note 4 - **Loans Receivable**

The University participates in the Federal Perkins Loan, Nursing Loan, and Health Profession Loan Programs. These programs are funded through a combination of federal and institutional resources. The portion of these programs that has been funded with federal funds is ultimately refundable to the U.S. Government upon the termination of the University's participation in the programs.

Loans receivable include the following at June 30, 2023:

Perkins loans	\$	1,053,784
Nursing loans		1,743,461
Health profession loans		2,104,110
Other		<u>387,670</u>
		5,289,025
Less: allowance for doubtful accounts		<u>(238,838)</u>
	\$	<u><u>5,050,187</u></u>

The Federal Perkins Loan Program Extension Act of 2015 (the "Extension Act"), enacted on December 18, 2015, extended the Perkins Loan Program through September 30, 2017. The Extension Act states that new Perkins loans cannot be disbursed to students after September 30, 2017. Students that received a fall semester Perkins Loan disbursement before October 1, 2017 were eligible to receive a spring semester Perkins Loan disbursement. No further extensions were granted for the program as of the date of issuance of these financial statements.

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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

Note 5 - Capital Assets

Capital assets of the University consist of the following at June 30, 2023:

	Estimated lives/term (in years)	Beginning balance (restated)	Additions	Reductions	Reclassifi- cations	Ending balance
Capital assets not depreciated:						
Land	-	\$ 2,187,121	\$ -	\$ -	\$ -	\$ 2,187,121
Construction in progress	-	27,691,092	34,251,790	-	(18,801,887)	43,140,995
Total not depreciated		29,878,213	34,251,790	-	(18,801,887)	45,328,116
Capital assets depreciated and amortized:						
Land improvements	15-25	95,597,473	-	-	1,291,471	96,888,944
Buildings, including improvements	10-50	1,219,568,822	-	(550,000)	17,510,416	1,236,529,238
Furnishings and equipment	5-15	130,778,449	9,467,187	(2,965,617)	-	137,280,019
Right of use assets amortized:						
Land	20	23,214	74,613	-	-	97,827
Buildings	3-35	4,912,109	3,461,439	(469)	-	8,373,079
Equipment	2-6	116,208	157,919	-	-	274,127
SBITAs	1-17	11,564,542	4,118,282	-	-	15,682,824
Total depreciated and amortized		1,462,560,817	17,279,440	(3,516,086)	18,801,887	1,495,126,058
Less accumulated depreciation and amortization:						
Land improvements		48,857,644	3,634,905	-	-	52,492,549
Building, including improvements		480,052,428	36,658,482	-	-	516,710,910
Furnishings and equipment		95,367,149	7,154,213	(2,916,737)	-	99,604,625
Land lease		13,266	8,474	-	-	21,740
Building leases		1,150,388	669,859	-	-	1,820,247
Equipment leases		39,481	71,342	-	-	110,823
SBITAs		-	5,628,346	-	-	5,628,346
Total accumulated depreciation and amortization		625,480,356	53,825,621	(2,916,737)	-	676,389,240
Capital assets, net		\$ 866,958,674	\$ (2,294,391)	\$ (599,349)	\$ -	\$ 864,064,934

UNIVERSITY OF RHODE ISLAND
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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

Note 6 - **Leases and SBITAs**

Leases

The University leases land and equipment as well as certain operating and office facilities for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2035.

Total future minimum lease payments under lease agreements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years Ending June 30:			
2024	\$ 654,598	\$ 234,232	\$ 888,830
2025	645,385	210,635	856,020
2026	654,945	187,928	842,873
2027	664,259	164,792	829,051
2028	623,970	142,533	766,503
2029-2033	3,326,469	372,300	3,698,769
2034 and thereafter	442,396	4,426	446,822
Total minimum lease payments	\$ <u>7,012,022</u>	\$ <u>1,316,846</u>	\$ <u>8,328,868</u>

The University, acting as lessor, leases building space under long-term, non-cancelable lease agreements. The leases expire at various dates through 2035 and certain leases provide for renewal options of five years. During the year ended June 30, 2023, the University recognized \$116,082 and \$55,552 in lease revenue and interest revenue, respectively, pursuant to these contracts.

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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

Total future minimum lease payments to be received by the University as rental income under lease agreements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years Ending June 30:			
2024	\$ 93,096	\$ 31,258	\$ 124,354
2025	64,100	28,423	92,523
2026	69,121	25,998	95,119
2027	71,037	23,513	94,550
2028	73,532	20,997	94,529
2029-2033	470,602	57,652	528,254
2034 and thereafter	103,770	3,540	107,310
Total minimum lease payments	<u>\$ 945,258</u>	<u>\$ 191,381</u>	<u>\$ 1,136,639</u>

SBITAs

The University has entered into various SBITAs under long-term, non-cancelable subscription arrangements. The SBITAs expire at various dates through 2033.

Total future minimum SBITA payments under subscription arrangements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years Ending June 30:			
2024	\$ 4,799,317	\$ 180,279	\$ 4,979,596
2025	2,201,527	75,817	2,277,344
2026	847,206	29,704	876,910
2027	545,426	9,676	555,102
2028	85,563	3,532	89,095
2029-2033	83,548	1,353	84,901
Total minimum SBITA payments	<u>\$ 8,562,587</u>	<u>\$ 300,361</u>	<u>\$ 8,862,948</u>

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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

Note 7 - Long-Term Liabilities

Long-term liabilities consist of the following at June 30, 2023:

	Beginning balance (restated)	Additions	Reductions	Ending balance	Current portion
Leases, subscriptions and bonds payable:					
Lease obligations	\$ 3,962,774	\$ 3,673,214	\$ 623,966	\$ 7,012,022	\$ 654,598
SBITA obligations	11,392,072	3,830,371	6,659,856	8,562,587	4,799,317
Due to primary government					
Certificate of participation (COP)	17,589,000	-	1,804,000	15,785,000	1,665,000
Revenue bonds payable	246,639,224	15,440,000	13,599,678	248,479,546	11,314,546
Premium on bonds payable	15,662,928	1,327,197	2,087,208	14,902,917	1,958,695
Loans payable - direct borrowing	221,895	25,528	98,781	148,642	100,465
Total leases, SBITAs and bonds payable	<u>295,467,893</u>	<u>24,296,310</u>	<u>24,873,489</u>	<u>294,890,714</u>	<u>20,492,621</u>
Other long-term liabilities:					
Compensated absences	23,198,103	3,171,985	2,107,398	24,262,690	2,252,948
Grant refundable	4,980,909	-	1,107,733	3,873,176	-
Net pension liability	88,413,739	7,344,009	-	95,757,748	-
Net OPEB liability	14,139,833	7,237,218	-	21,377,051	-
Total other long-term liabilities	<u>130,732,584</u>	<u>17,753,212</u>	<u>3,215,131</u>	<u>145,270,665</u>	<u>2,252,948</u>
Total long-term liabilities	<u>\$ 426,200,477</u>	<u>\$ 42,049,522</u>	<u>\$ 28,088,620</u>	<u>\$ 440,161,379</u>	<u>\$ 22,745,569</u>

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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

Bonds Payable

The revenue bonds consist of the following:

Series 2008 B University of Rhode Island Auxiliary Enterprise Revenue Issue, 8%, interest due semiannually through 2024, all principal is due 2024	\$ 3,830,000
Series 2009 B University of Rhode Island Auxiliary Revenue Issue, 3% to 5.25%, due semiannually through 2029	8,490,000
Series 2010 A University of Rhode Island Educational and General Revenue Issue, 3% to 5%, due semiannually through 2041	9,115,000
Series 2013 A University of Rhode Island Educational and General Revenue Refunding Issue, 2% to 3%, due semiannually through 2024	120,000
Series 2013 B University of Rhode Island Educational and General Revenue Refunding Issue, 2% to 3%, due semiannually through 2024	568,050
Series 2013 C University of Rhode Island Auxiliary Revenue Issue, 2% to 5%, due semiannually through 2025	4,850,000
Series 2013 D University of Rhode Island Auxiliary Revenue Issue, 2% to 5%, due semiannually through 2024	851,496
Series 2016 A University of Rhode Island Educational and General Revenue Refunding Issue, 3% to 5%, due semiannually through 2036	22,415,000
Series 2016 B University of Rhode Island Auxiliary Revenue Issue, 4% to 5%, due semiannually through 2035	46,875,000
Series 2017 A University of Rhode Island Auxiliary Revenue Issue, 4% to 5%, due semiannually through 2047	76,895,000
Series 2017 B University of Rhode Island Auxiliary Revenue Refunding Issue, 4% to 5%, due semiannually through 2040	33,665,000
Series 2017 C University of Rhode Island Educational and General Revenue Issue, 3% to 3.5%, due semiannually through 2047	3,940,000
Series 2017 D University of Rhode Island Educational and General Revenue Refunding Issue, 3% to 5%, due semiannually through 2024	4,250,000
Series 2018 A University of Rhode Island Educational and General Revenue Issue, 4% to 5%, due semiannually through 2039	15,200,000
Series 2018 B University of Rhode Island Auxiliary Revenue Issue, 3% to 5%, due semiannually through 2039	1,975,000
Series 2023 University of Rhode Island Educational and General Revenue Issue, 4.125% to 5.250%, due semiannually through 2044	15,440,000
	\$ 248,479,546

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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

The bonds issued by the Rhode Island Health and Education Building Corporation (the "Corporation") are special limited obligations of the BOE acting on behalf of the University. The refunding and general and educational bonds are secured by all available revenues of the BOE derived from the University and State appropriations for the University. The auxiliary enterprise revenue bonds are secured by all auxiliary enterprise revenue of the University.

On November 14, 2008, the Corporation issued the University of Rhode Island Auxiliary Enterprise Revenue Issue Series 2008 B Bonds, par amount of \$3,830,000 to pay expenses relating to the 2004 B swap termination. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,105,000. The University entered into the bond refunding with the goal to achieve cost savings primarily through the reduction of interest expense. There was an economic gain (difference between the present value of the old and new debt service payments) of approximately \$2.6 million. Payment on this bond will be made September 2024.

On June 18, 2009, the Corporation issued the University of Rhode Island Auxiliary Enterprise Revenue Issue, Series 2009 B Bonds with a par amount of \$18,205,000. The proceeds of the Series 2009 B Bonds were used to finance fire protection and life safety improvements.

On February 17, 2010, the Corporation issued the University of Rhode Island Educational and General Revenue Issue, Series 2010 A Bonds with a par amount of \$13,725,000. The proceeds of the Series 2010 A Bonds were used to repave and reconstruct major parking facilities, internal roadways, and walkways across three of its four campuses.

On June 18, 2013, the Corporation issued the Higher Education Facility Revenue Bonds, University of Rhode Island Educational and General Revenue Refunding Issue, Series 2013 A with a par amount of \$6,195,000. The proceeds of the Series 2013 A Bonds were used to refund all Higher Education Facility Revenue Bonds, University of Rhode Island, Series 1997, and to refund all University of Rhode Island Educational and General Revenue, Series 2002 bonds. The University entered into the bond refunding with the goal to achieve cost savings primarily through the reduction of interest expense.

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For the Year Ended June 30, 2023

On June 18, 2013, the Corporation issued the Higher Education Facility Revenue Bonds, University of Rhode Island Educational and General Revenue Refunding Issue, Series 2013 B with a par amount of \$5,464,231. The proceeds of the Series 2013 B Bonds were used to refund all Higher Education Facility Revenue Bonds, University of Rhode Island, Series 2003 C Bonds. The University entered into the bond refunding with the goal to achieve cost savings primarily through the reduction of interest expense.

On June 18, 2013, the Corporation issued the Higher Education Facility Revenue Bonds, University of Rhode Island Auxiliary Enterprise Revenue Refunding Issue, Series 2013 C Bonds with a par amount of \$23,695,000. The proceeds of the Series 2013 C Bonds were used to advance refund all Higher Education Facility Revenue Bonds, University of Rhode Island, Series 2004 A bonds. The University entered into the bond refunding with the goal to achieve cost savings primarily through the reduction of interest expense.

On June 18, 2013, the Corporation issued the Higher Education Facility Revenue Bonds, University of Rhode Island Auxiliary Enterprise Revenue Refunding Issue, Series 2013 D with a par amount of \$7,538,244. The proceeds of the Series 2013 D Bond were used to refund all Higher Education Facility Revenue Bonds, University of Rhode Island, Series 2003 B bonds. The University entered into the bond refunding with the goal to achieve cost savings primarily through the reduction of interest expense.

On September 28, 2016, the Corporation issued the Higher Education Facility Revenue Bonds, University of Rhode Island Educational and General Revenue Refunding Issue, Series 2016 A with a par amount of \$35,155,000. The proceeds of the Series 2016 A Bonds were used to finance and refinance the design, construction, renovation, improvement, and equipping of certain utility systems and other infrastructure, including wastewater, electrical, telecommunications, natural gas connections, and storm water management systems, as well as roadways, walkways, and parking facilities of the University. The University refunded all Higher Education Facility Revenue Bonds, University of Rhode Island, Series 2005 A, B, F, and G bonds. The University entered into the bond refunding with the goal to achieve cost savings primarily through the reduction of interest expense.

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On September 28, 2016, the Corporation issued the Higher Education Facility Revenue Bonds, University of Rhode Island Auxiliary Enterprise Revenue Refunding Issue, Series 2016 B with a par amount of \$53,355,000. The proceeds of the Series 2016 B Bonds were used to refund all Higher Education Facility Revenue Bonds, University of Rhode Island, Series 2005 C and D Bonds, and Series 2008 A Bonds. The University entered into the bond refunding with the goal to achieve cost savings primarily through the reduction of interest expense.

On October 17, 2017, the Corporation issued the Higher Education Facility Revenue Bonds, University of Rhode Island Auxiliary Enterprise Revenue Issue, Series 2017 A with a par amount of \$76,895,000. The proceeds of the Series 2017 A Bonds were used for the design and construction of a new, multi-story apartment-style student residence building with 500 beds, located west of White Horn Brook on the University's Kingston Campus.

On October 17, 2017, the Corporation issued the Higher Education Facility Revenue Bonds, University of Rhode Island Auxiliary Enterprise Revenue Refunding Issue, Series 2017 B with a par amount of \$35,560,000. The proceeds of the Series 2017 B Bonds were used to refund the Higher Education Facility Revenue Bonds, University of Rhode Island, Series 2010 B bonds. The University entered into the bond refunding with the goal to achieve cost savings primarily through the reduction of interest expense.

On October 17, 2017, the Corporation issued the Higher Education Facility Revenue Bonds, University of Rhode Island Educational and General Revenue Issue, Series 2017 C with a par amount of \$4,235,000. The proceeds of the Series 2017 C Bonds were used for site-enabling facility relocation, utility and hardscape and landscape infrastructure, and site work related to the design and construction of a new, multi-story apartment-style student residence building.

On October 17, 2017, the Corporation issued the Higher Education Facility Revenue Bonds, University of Rhode Island Educational and General Revenue Refunding Issue, Series 2017 D with a par amount of \$6,525,000. The proceeds of the Series 2017 D Bonds were used to refund the Higher Education Facility Revenue Bonds, University of Rhode Island, Series 2009 A Bonds. The University entered into the bond refunding with the goal to achieve cost savings primarily through the reduction of interest expense.

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On November 28, 2018, the Corporation issued the Higher Education Facility Revenue Bonds, University of Rhode Island Educational and General Revenue Issue, Series 2018 A with a par amount of \$17,500,000. The proceeds of the Series 2018 A Bond were used for engineering and construction of upgrades and component replacements to five municipal-level utility systems on the University's Kingston Campus, the repaving and reconstruction of major parking facilities, internal roadways and walkways and associated infrastructure on the Kingston, Narragansett Bay and W. Alton Jones campuses of the University.

On November 28, 2018, the Corporation issued the Higher Education Facility Revenue Bonds, University of Rhode Island Auxiliary Enterprise Revenue Issue, Series 2018 B with a par amount of \$2,300,000. The proceeds of the Series 2018 B Bonds were used for the installation of upgraded fire alarm and sprinkler systems as well as life safety improvements in the University's auxiliary enterprise buildings, in accordance with the State Fire Code.

On June 15, 2023, the Corporation issued the Higher Education Facility Revenue Bonds, University of Rhode Island Educational and General Revenue Issue, Series 2023 with a par amount of \$15,440,000. The proceeds of the Series 2023 Bond were used for engineering and construction of upgrades and component replacements to five municipal-level utility systems on the University's Kingston Campus.

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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

Principal and interest on bonds payable for the next five years and in subsequent five-year periods are as follows:

	Fixed-Rate Bonds		
	Principal	Interest	Total
Years ending June 30:			
2024	\$ 11,314,546	\$ 10,787,880	\$ 22,102,426
2025	13,855,000	10,302,956	24,157,956
2026	11,825,000	9,608,384	21,433,384
2027	13,825,000	8,969,706	22,794,706
2028	14,535,000	8,261,494	22,796,494
2029-2033	65,645,000	30,754,450	96,399,450
2034-2038	49,290,000	18,561,519	67,851,519
2039-2043	38,125,000	9,592,575	47,717,575
2044-2048	30,065,000	2,988,706	33,053,706
	<u>\$ 248,479,546</u>	<u>\$ 109,827,670</u>	<u>\$ 358,307,216</u>

Amortization of the bond premium and deferred loss on debt refunding are included with interest expense. Interest costs on all debt for the year ended June 30, 2023 were \$9,253,916.

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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

Due to Primary Government - Certificate of Participation ("COP") Energy Conservation

The Certificate of Participation consists of the following:

Certificate of participation (COP) Energy Conservation - 2011 A payable to the State of Rhode Island. Original amount of debt issued - \$5,590,000, 2% to 4.5% due annually through 2026	\$ 1,990,000
Certificate of participation (COP) Energy Conservation - 2017 B payable to the State of Rhode Island. Original amount of debt issued - \$6,910,000, 3% to 5% due annually through 2032	5,230,000
Certificate of participation (COP) Energy Conservation Refunding - 2018 A payable to the State of Rhode Island. Original amount of debt issued - \$10,195,000 5% due annually through 2034	8,565,000
	\$ 15,785,000

Principal and interest on Certificates of Participation ("COP") for the next five years and in subsequent five-year periods are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years ending June 30:			
2024	\$ 1,665,000	\$ 728,075	\$ 2,393,075
2025	1,790,000	648,500	2,438,500
2026	1,930,000	563,075	2,493,075
2027	1,250,000	469,400	1,719,400
2028	1,310,000	406,025	1,716,025
2029-2033	6,865,000	983,675	7,848,675
2034	975,000	19,500	994,500
	\$ 15,785,000	\$ 3,818,250	\$ 19,603,250

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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

Loans Payable-Direct Borrowing

The University obtained a loan from the Rhode Island Alpha Chapter of Sigma Alpha Epsilon fraternity in November 2009 in the amount of \$850,000 for the financing of the acquisition and renovations of Sigma Alpha Epsilon fraternity house for use as student housing for the International Engineering Program. The loan is payable in monthly installments of \$7,173 that includes interest at 6.0%, through September 15, 2024. Also included in Loans Payable are miscellaneous automobile loans.

Principal and interest of loans payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years ending June 30:			
2024	\$ 100,465	\$ 3,971	\$ 104,436
2025	39,668	213	39,881
2026	8,509	-	8,509
	<u>\$ 148,642</u>	<u>\$ 4,184</u>	<u>\$ 152,826</u>

Note 8 - Pension

Plan Description

Certain employees of the University participate in a cost-sharing, multiple-employer, defined benefit pension plan - the Employees' Retirement System plan - administered by the Employees' Retirement System of the State of Rhode Island (the "System"). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment of its pension obligation to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.ersri.org>.

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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

Benefit Provisions

The level of benefits provided to participants is established by Chapter 36-10 of the General Laws, which is subject to amendment by the General Assembly. Member benefit provisions vary based on service credits accumulated at dates specified in various amendments to the General Laws outlining minimum retirement age, benefit accrual rates, and maximum benefit provisions. In general, members accumulate service credits for each year of service subject to maximum benefit accruals of 80% or 75%. For those hired after June 30, 2012, the benefit accrual rate is 1% per year with a maximum benefit accrual of 40%. Members eligible to retire at September 30, 2009 may retire with 10 years of service at age 60 or after 28 years of service at any age.

The retirement eligibility age increases proportionately for other members reflecting years of service and other factors until it aligns with the Social Security Normal Retirement Age, which applies to any member with less than 5 years of service as of July 1, 2012. Members are vested after 5 years of service.

The plan provides for survivors benefits for service-connected death and certain lump-sum death benefits. Joint and survivor benefit provision options are available to members.

Cost-of-living adjustments are provided but are currently suspended until the collective plans covering State employees and teachers (Employee's Retirement System Plan, State Police Retirement Benefits Trust, and Judicial Retirement Benefits Trust) reach a funded status of 80%. Until the plans reach an 80% funded status, interim cost-of-living adjustments are provided at four-year intervals.

The plan also provides nonservice-connected disability benefits after five years of service and service-connected disability benefits with no minimum service requirement.

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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

Contributions

The funding policy, as set forth in the General Laws, Section 36-10-2, provides for actuarially determined periodic contributions to the plan. For fiscal 2023, University employees, with less than 20 years of service as of July 1, 2012, were required to contribute 3.75% of their annual covered salary. Employees with more than 20 years of service as of July 1, 2012 were required to contribute 11% of their annual covered salary. The University is required to contribute at an actuarially determined rate; the rate was 28.01% of annual covered payroll for the fiscal year ended June 30, 2023. The University contributed \$10,611,339, \$10,586,937, and \$10,144,593 for the fiscal years ended June 30, 2023, 2022 and 2021, respectively, equal to 100% of the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions

At June 30, 2023, the University reported a liability of \$95,757,748 for its proportionate share of the net pension liability related to its participation in ERS. The net pension liability was measured as of June 30, 2022, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to the June 30, 2022 measurement date. The University's proportion of the net pension liability was based on its share of contributions to the ERS for fiscal year 2022 relative to the total contributions of all participating employers for that fiscal year. At the June 30, 2022 measurement date, the University's proportion was 4.85%, a decrease of 0.12% from the University's proportion of 4.97%, at the June 30, 2021 measurement date.

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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

For the year ended June 30, 2023, the University recognized pension expense of \$2,397,845. At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources

Difference between expected and actual experience	\$ 763,065
Contributions subsequent to measurement date	<u>10,611,339</u>
Total Deferred Outflows of Resources	<u>\$ 11,374,404</u>

Deferred Inflows of Resources

Difference between expected and actual experience	\$ 40,362
Changes in assumptions	1,129,672
Net difference between projected and actual investment earnings	733,673
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>7,287,812</u>
Total Deferred Inflows of Resources	<u>\$ 9,191,519</u>

Contributions of \$10,611,339 are reported as deferred outflows of resources related to pensions resulting from the University's contributions in fiscal year 2023 subsequent to the measurement date and will be recognized as a reduction of the net pension liability determined in the subsequent period.

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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

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

Year ended June 30:	Net Deferred Outflows (Inflows) of Resources:
2024	\$ (4,058,863)
2025	(3,363,934)
2026	(3,069,628)
2027	2,083,445
2028	<u>(19,474)</u>
	<u>\$ (8,428,454)</u>

Actuarial Methods and Assumptions

The total pension liability was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal - Individual Entry Age Actuarial Cost methodology
Amortization method	Level Percent of Payroll - Closed
Inflation	2.50%
Salary increases	3.25% to 6.25%
Investment rate of return	7.00%
Mortality	Variants of the PUB (10) Tables for Healthy and Disabled Retirees, projected with Scale Ultimate MP16.

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For the Year Ended June 30, 2023

The actuarial assumptions used in the June 30, 2021 valuation rolled forward to June 30, 2022 and the calculation of the total pension liability at June 30, 2022 were consistent with the results of an actuarial experience investigation study performed as of June 30, 2019 for the six year period ended June 30, 2019 as approved by the System's Board on May 22, 2020.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 40 sources. The June 30, 2022 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Target Asset Allocation</u>	<u>Long-Term Expected Arithmetic Real Rate of Return</u>
GROWTH		
Global Equity		
U.S. Equity	24.30%	5.52%
International Developed Equity	11.10%	6.04%
Emerging Markets Equity	4.60%	7.83%
<i>Sub-total</i>	40.00%	
Private Growth		
Private Equity	12.50%	9.42%
Non-Core Real Estate	2.50%	4.80%
<i>Sub-total</i>	15.00%	
Income		
Equity Options	2.00%	5.25%
EMD (50/50 Blend)	2.00%	1.82%
Liquid Credit	3.00%	2.95%
Private Credit	3.00%	2.95%
Collateralized Loan Obligations (CLO)	2.00%	2.95%
<i>Sub-total</i>	12.00%	

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For the Year Ended June 30, 2023

<u>Asset Class</u>	<u>Long-Term Target Asset Allocation</u>	<u>Long-Term Expected Arithmetic Real Rate of Return</u>
STABILITY		
Crisis Protection Class		
Treasury Duration	5.00%	-0.44%
Systematic Trend	5.00%	3.33%
<i>Sub-total</i>	10.00%	
Inflation Protection		
Core Real Estate	4.00%	4.80%
Private Infrastructure	4.00%	5.65%
<i>Sub-total</i>	8.00%	
Volatility Protection		
IG Corp Credit	3.25%	1.18%
Securitized Credit	3.25%	1.18%
Absolute Return	6.50%	3.33%
Cash	2.00%	0.44%
<i>Sub-total</i>	15.00%	
Total	100.00%	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. 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 was applied to all periods of projected benefit payments to determine the total pension liability.

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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

Net Pension Liability		
1% Decrease <u>(6.0% Discount Rate)</u>	<u>(7.0% Discount Rate)</u>	1% Increase <u>(8.0% Discount Rate)</u>
\$ 118,725,643	\$ 95,757,747	\$ 74,888,599

Pension Plan Fiduciary Net Position

As noted earlier, ERS issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.ersri.org>. The report contains detailed information about the pension plan's fiduciary net position.

Note 9 - **Other Post-Employment Benefits**

Plan Description

Certain employees of the University participate in one of two OPEB plans: the State Employees' OPEB Cost-Sharing Plan ("SEP") and the Board of Education Cost-Sharing OPEB Plan ("BOEP") (collectively referred to as the "Plans"). The Plans are cost-sharing, multiple-employer, defined benefit OPEB plans included within the State Employees' and Electing Teachers OPEB System (the "OPEB System").

Under a cost sharing plan, OPEB obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing OPEB benefits through the plan, regardless of the status of the employers' payment of its OPEB obligation to the plan. The Plans provide health care benefits to plan members.

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The OPEB System is administered by the OPEB Board and was authorized, created, and established under Chapter 36-12.1 of the RI General Laws. The OPEB Board was established under Chapter 36-12.1 as an independent board to hold and administer, in trust, the funds of the OPEB System. The four members of the OPEB Board are: the State Controller, the State Budget Officer, the State Personnel Administrator, and the General Treasurer, or their designees.

The OPEB System issues a separate publicly available financial report that includes financial statements and required supplementary information for each plan. The reports may be obtained at <http://www.oag.ri.gov/reports.html>.

Membership and Benefit Provisions

The Plans within the OPEB System generally provide healthcare coverage to pre-Medicare eligible retirees and health reimbursement account contributions or Medicare supplement coverage for members who are Medicare eligible. Members may purchase coverage for spouses and dependents. Dental and vision coverage may be purchased by these groups with no state subsidy.

Members of the OPEB System must meet the eligibility and services requirements set forth in the RI General Laws or other governing documents. RIGL Sections 16-17.1-1 and 2, 36-10-2, 36-12.1, 36-12-2.2 and 36-12-4 govern the provisions of the OPEB System, and they may be amended in the future by action of the General Assembly.

Contributions

SEP

The funding policy, as set forth in the General Laws and which may be amended at any time, provides for actuarially determined periodic contributions to the plans. The University is required to contribute at an actuarially determined rate; the rate was 4.48% of annual covered payroll for the fiscal year ended June 30, 2023. The University contributed \$1,697,098, \$1,995,682 and \$2,038,323 for the fiscal years ended June 30, 2023, 2022 and 2021, respectively, equal to 100% of the required contributions for each year.

Active employees do not make contributions to the plan. Retired member contributions consist of the required retiree share of coverage based on the time of retirement and years of service.

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BOEP

The funding policy, as set forth in the General Laws and which may be amended at any time, provides for actuarially determined periodic contributions to the plans. The University is required to contribute at an actuarially determined rate; the rate was 1.83% of annual covered payroll for the fiscal year ended June 30, 2023. The University contributed \$1,159,194, \$2,097,676, and \$1,731,739 for the fiscal years ended June 30, 2023, 2022 and 2021, respectively, equal to 100% of the required contributions for each year.

Active employees contribute 0.9% of payroll to the plan. Retired employees have varying co-pay percentages ranging from 0% to 50% based on age and years of service at retirement.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2023, the University reported liabilities of \$13,256,313 and \$8,120,738 for its proportionate share of the net OPEB liability related to its participation in the SEP and BOEP, respectively. The net OPEB liability was measured as of June 30, 2022, the measurement date, and the total OPEB liability used to calculate the net OPEB liability was determined for each plan by a separate actuarial valuation as of June 30, 2021, rolled forward to the June 30, 2022 measurement date.

The University's proportion of the net OPEB liability was based on its share of contributions to the Plans for fiscal year 2022 relative to the total contributions of all participating employers for that fiscal year. At the June 30, 2022 measurement date, the University's proportion was 4.84% and 44.13% for the SEP and the BOEP, respectively, a decrease of 0.13% and an increase of 0.19% for the SEP and the BOEP, respectively, from the prior year's proportions of 4.97% and 43.94%, respectively.

For the year ended June 30, 2023, the University recognized an OPEB credit of \$571,869 and \$907,103 for the SEP and the BOEP, respectively. At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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For the Year Ended June 30, 2023

	<u>SEP</u>	<u>BOEP</u>	<u>Total</u>
Deferred Outflows of Resources Related to OPEB			
Changes in assumptions	\$ 323,418	\$ 1,069,723	\$ 1,393,141
Differences between expected and actual experience	122,751	2,809,251	2,932,002
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	478,370	478,370
Net difference between projected and actual investment earnings	355,151	601,604	956,755
Contributions subsequent to measurement date	1,697,098	1,159,194	2,856,292
Total Deferred Outflows of Resources	<u>\$ 2,498,418</u>	<u>\$ 6,118,142</u>	<u>\$ 8,616,560</u>
Deferred Inflows of Resources Related to OPEB			
Difference between expected and actual experience	\$ 3,311,510	\$ 4,376,906	\$ 7,688,416
Changes in assumptions	1,903,030	4,435,679	6,338,709
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,145,272	46,737	2,192,009
Total Deferred Inflows of Resources	<u>\$ 7,359,812</u>	<u>\$ 8,859,322</u>	<u>\$ 16,219,134</u>

Contributions of \$2,856,292 are reported as deferred outflows of resources related to OPEB expense resulting from the University's contributions in fiscal year 2023 subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the subsequent period.

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

Net Deferred Outflows (Inflows) of Resources:

Year Ended				
June 30:		SEP	BOEP	Total
2024	\$	(1,711,021)	\$ (1,280,630)	\$ (2,991,651)
2025		(1,643,309)	(1,062,413)	(2,705,722)
2026		(1,491,498)	(1,077,959)	(2,569,457)
2027		(658,180)	84,243	(573,937)
2028		(811,607)	(730,434)	(1,542,041)
Thereafter		(242,877)	166,819	(76,058)
	\$	<u>(6,558,492)</u>	<u>\$ (3,900,374)</u>	<u>\$ (10,458,866)</u>

Actuarial Methods and Assumptions

The demographic assumptions used in the calculation of total OPEB liability at the June 30, 2022 measurement date were consistent with the Actuarial Experience Study for the six years ended June 30, 2019 performed for the Employees' Retirement System of Rhode Island. The rationale for other assumptions, including the investment return assumption, were consistent with the OPEB Valuation Assumption Review issued August 28, 2017 and adopted by the Board September 15, 2017. The total OPEB liability was determined using the following significant actuarial methods and assumptions:

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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

Actuarial cost method	Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used
Amortization method	Level Percent of Payroll - Closed
Inflation	2.50%
Salary increases	3.25% to 6.25%
Investment rate of return	5.00%
Health Care Cost Trend Rate	6.25% to 7.5% in fiscal 2022 decreasing annually to 3.5% in fiscal year 2033 and later

Mortality rates for male plan members were based on PUB-10 Median Table for Generally Healthy Retiree Males, loaded by 115%, projected with Scale Ultimate MP16. Mortality rates for female plan members were based on the PUB-10 Median Table for Generally Healthy Retiree Females, loaded by 111%, projected with Scale Ultimate MP16.

The long-term expected rate of return best-estimate on the Plans' investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of OPEB plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 40 nationally recognized investment consulting firms.

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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

The June 30, 2023 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table for the Plans:

<u>Asset Class</u>	<u>Allocation</u>	<u>Long-Term Expected Arithmetic Real Rate of Return</u>
Domestic Equity	65%	4.10%
Fixed Income	35%	0.28%

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

Discount Rate

The discount rate used to measure the total OPEB liability for the Plans was 5.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members, if any, will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the 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 the Plans' investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability calculated using the discount rate of 5.0% as well as what the net OPEB liability would be if they were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Net OPEB Liability Discount Rate Sensitivity				
	1 % Decrease (4.0% Discount Rate)		1 % Increase (6.0% Discount Rate)	
		(5.0% Discount Rate)		
SEP	\$	17,064,435	\$	13,256,313
BOEP	\$	13,087,746	\$	8,120,738

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following table presents the net OPEB liability calculated using the healthcare cost trend rate baseline (defined in the actuarial assumptions table above), as well as what the employers' net OPEB liability would be if they were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Net OPEB Liability						
Health Care Trend Rate Sensitivity						
	1 % Lower		Baseline		1 % Higher	
SEP	\$	9,261,148	\$	13,256,313	\$	18,253,047
BOEP	\$	3,041,882	\$	8,120,738	\$	14,567,478

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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

OPEB Plan Fiduciary Net Position

The OPEB System issues separate publicly available financial reports that include financial statements and required supplementary information for each plan. The reports may be obtained at <http://www.oag.ri.gov/reports.html>. The report contains detailed information about the OPEB plans' fiduciary net position.

Note 10 - Other Retirement Plans

State of Rhode Island Employees Retirement System ("ERS") Defined Contribution

Plan Description

Certain employees participating in the defined benefit plan (those with less than 20 years of service as of July 1, 2012), as described in Note 8, also participate in a defined contribution plan of the Employees' Retirement System as authorized by General Law Chapter 36-10.3. The defined contribution plan was established under IRS section 401(a) and is administered by TIAA-CREF. The Retirement Board is the plan administrator and plan trustee. The employees may choose among various investment options available to plan participants. The State Investment Commission is responsible for implementing the investment policy of the plan and selecting the investment options available to members.

Contributions

Certain employees (those with less than 20 years of service as of July 1, 2012) contribute 5% of their annual covered salary and employers contribute at the following percentages of annual covered salary for these employees based on their years of service as of July 1, 2012:

Years of Service <u>As of 7/1/2012</u>	Employer <u>Contribution Rate</u>
15 - 20 Years	1.50%
10 - 15 Years	1.25%
0 - 10 Years	1.00%

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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

Employee contributions are immediately vested while employer contributions are vested after three years of contributory service. Contributions required under the plan by both the employee and employer are established by the Rhode Island General Laws, which are subject to amendment by the General Assembly.

The University contributed and recognized as pension expense \$378,841 for the fiscal year ended June 30, 2023, equal to 100% of the required contributions for that year.

Plan Vesting and Contribution Forfeiture Provisions

The total amount contributed by the member, including associated investment gains and losses, shall immediately vest in the member's account and is non-forfeitable. The total amount contributed by the employer, including associated investment gains and losses, vests with the member and is non-forfeitable upon completion of three (3) years of contributory service. Non-vested employer contributions are forfeited upon termination of employment. Such forfeitures can be used by employers to offset future remittances to the plan.

Retirement Benefits

Benefits may be paid to a member after severance from employment, death, plan termination, or upon a deemed severance from employment for participants performing qualified military service. At a minimum, retirement benefits must begin no later than April 1 of the calendar year following the year in which the member attains age 70½ or terminates employment, if later.

The ERS issues a publicly available financial report that includes financial statements and required supplementary information for plans administered by the system. The report may be obtained at <http://ersri.org>.

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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

Rhode Island Board of Education Alternate Retirement Plan Plan Description

Certain employees of the University (principally faculty and administrative personnel) are covered by individual annuity contracts under a defined contribution retirement plan, Alternate Retirement Plan, established by the BOE, which is also responsible for amending it. Eligible employees who have reached the age of 30 and who have two (2) years of service are required to participate in the Teachers' Insurance and Annuity Association ("TIAA"). The BOE establishes and amends contribution rates. Eligible employees must contribute at least 5% of their gross biweekly earnings. These contributions may be made on a pre-tax basis.

Funding Policy

The University contributes 9% of the employee's gross biweekly earnings. Total expenditures by the University for such 403(b) annuity contracts amounted to \$14,262,170 during 2023. The employee contribution amounted to \$7,923,428, during 2023.

Note 11 - Restricted Net Position

The University is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. These funds are composed of the following at June 30, 2023:

Restricted – expendable:

Student loans	\$	3,670,562
Capital programs		<u>3,750</u>
	\$	<u><u>3,674,312</u></u>

Note 12 - Contingencies

Environmental Remediation

Hazardous waste found at a former drum storage site on property owned by the University polluted the ground and water in the area. The University entered into a "Consent Decree" agreement with the United States District Court on behalf of the U.S. Environmental Protection Agency (the "EPA"), the U.S. Justice Department, and the Rhode Island Department of Environmental Management (the "RIDEM") on July 2, 2008 with regards to the West Kingston Town Dump/URI Disposal Area Superfund

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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

Site (the "Site"). A cap was placed to cover the Site and parties are now monitoring the ground water over an extended period of time through a system of monitoring wells. The University shares fiscal responsibility with the towns of South Kingstown and Narragansett. The University has accrued a liability of \$803,319 relating to the remediation project, operation and maintenance costs, and site reviews. The related costs for the year ended June 30, 2023 were \$74,400.

Other

In 2020, two purported class action lawsuits seeking refunds of tuition and mandatory student fees were filed against the University following the University's transition to remote and on-line learning during the Spring 2020 semester. The two cases were consolidated for decision and all claims were eventually dismissed. Both plaintiffs have appealed, and those appeals remain pending. The impact of these matters, if any, cannot presently be determined.

In addition to the noted above, various lawsuits are pending or threatened against the University that arose from the ordinary course of operations. In the opinion of management, no other litigation is now pending, or threatened, that has a probability of materially affecting the University's financial position.

The University receives significant financial assistance from federal and state agencies in the form of grants. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit. Any disallowed expenditures resulting from such audits become a liability of the University. In the opinion of management, such adjustments, if any, are not expected to materially affect the financial condition of the University.

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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

Note 13 - **Operating Expenses**

The University's operating expenses, as presented on a natural classification basis, are as follows for the year ended June 30, 2023:

	<u>2023</u>
Compensation and benefits	\$ 356,942,660
Supplies and services	177,762,025
Depreciation and amortization	53,825,623
Scholarships and fellowships	<u>33,159,635</u>
	<u>\$ 621,689,943</u>

Note 14 - **State Appropriation**

Direct Appropriations

Pursuant to the Rhode Island General Law Section 16-59-9, the legislative-enacted budget reflects the budget passed by the General Assembly and signed by the Governor as well as any subsequent re-appropriations. The Board reviews and approves the unrestricted and restricted budgets and makes recommendations to the Governor and General Assembly for revisions to the current year's budget and the ensuing year's budget for the entities it oversees. As part of the University's annual budget process for unrestricted and restricted funds, the Board allocates specific amounts in the budget, which are allocated for the following categories: (1) salaries and wages; (2) operating expenditures; and (3) outlays for personnel costs, utilities, repairs, capital and student aid, as well as the overall budget allocation.

State Capital Plan Funds

The Rhode Island Capital Plan Fund ("RICAP") was modeled on a financial technique originating in the State of Delaware. In fiscal year 2023, the State reserved 3% of its general revenues to fund a Budget Reserve and Cash Stabilization Fund. Once the fund reaches a maximum threshold (5% of fiscal year financial resources), the balance is transferred to RICAP. RICAP is used for capital expenditures. The technique is a "pay-as-you-go" process that avoids increasing the state's debt burden. Higher education has received allocations through this program since fiscal year 1995.

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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

The University's State Capital Plan Allocations are composed of the following for the year ended June 30, 2023:

Fire Protection	\$	845,767
Mechanical, Engineering & Plumbing Improvements		293,819
Fine Arts Center		(14,094)
Asset Protection		<u>11,492,900</u>
	\$	<u><u>12,618,392</u></u>

State Contributed Capital

In November 2018, the Rhode Island voters approved the issuance of \$70 million General Obligations Bonds for higher education facilities. The bond provides \$45 million for the new Ocean Technology building and an infrastructure upgrade to the Pier. The bond also provided \$25 million to Rhode Island College for enhancements to Horace Mann Hall. During fiscal year 2023, the University spent \$10.2 million.

In March 2021, the Rhode Island voters approved the issuance of \$57.3 million General Obligations Bonds for higher education facilities. The bond provides funding for the continuing upgrades of the Fine Arts Center. During fiscal year 2023, the University spent \$5.6 million.

The expenditures funded from the proceeds of the above-mentioned general obligation bonds and capitalized as fixed assets during fiscal year 2023 totaled \$15.8 million.

The University's State appropriations are composed of the following for the year ended June 30, 2023:

	<u>2023</u>
Direct Appropriations	\$ 92,879,330
State Capital Plan Funds	12,618,392
State Contributed Capital	<u>15,899,989</u>
	<u><u>\$ 121,397,711</u></u>

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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

In accordance with Rhode Island State law, unexpended capital plan appropriations lapse after June 30th of the fiscal year in which appropriated. Such funds may be applied for again in the subsequent fiscal year.

Note 15 - Related Parties

The University of Rhode Island Student Senate (the “Student Senate”) is a legally separate tax-exempt entity associated with the University.

The Student Senate accounts for various student organizations and receives the student activity fees collected by the University. The Student Senate also operates the Memorial Union Board which generates revenue from its own activities including Ram Tours and the 193 Degrees Coffee House. The University transferred \$1,713,202 to the Student Senate during the 2023 fiscal year representing student fees collected on the Student Senate’s behalf. At June 30, 2023, \$3,294 was due to the Student Senate and no amounts were due from the Student Senate. Revenues of the Student Senate for fiscal year 2023 were \$2,819,626, and expenses totaled \$2,756,161. Net position of the Student Senate at June 30, 2023 totaled \$4,906,882.

Note 16 - Joint Venture

Municipal joint ventures pool resources to share the costs, risks, and rewards of providing services to their participants, the general public, or others. The University, in coordination with the Towns of South Kingstown and Narragansett, shares in the maintenance costs of the regional wastewater system, which was constructed during the late 1970s. Each is responsible for its share of the net capital and administrative costs of the project. The University’s fiscal 2023 share of capital expenditures amounted to \$7,607.

In addition to capital costs, the University is responsible for its proportionate share of the total operating costs of the regional wastewater system. Its share of the operating costs is in proportion to its share of the total flow into the common facilities as determined by metering devices and a predetermined percentage of operating costs of certain other facilities. The University’s share of operating costs amounted to \$761,231 in 2023. Financial information may be obtained at the Town of South Kingstown, 180 High Street, Wakefield, Rhode Island 02879.

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Notes to the Financial Statements - Continued

For the Year Ended June 30, 2023

Note 17 - **Pass-Through Loans**

The University distributed \$81,978,092 during fiscal 2023, for student loans through the U.S. Department of Education federal direct lending program. These distributions and related funding sources are not included as expenses and revenues or as cash disbursements and cash receipts in the accompanying financial statements.

UNIVERSITY OF RHODE ISLAND
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Schedule of the University's Proportionate Share of the Net Pension Liability (Unaudited)

Employees' Retirement System Plan

Year ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
University's proportion of the net pension liability	4.85%	4.97%	5.08%	5.25%	5.50%	5.64%	5.80%	5.69%	5.63%
University's proportionate share of the net pension liability	\$ 95,757,747	\$ 88,413,739	\$ 115,631,541	\$ 118,982,224	\$ 123,705,037	\$ 127,132,520	\$ 123,019,948	\$ 113,015,599	\$ 100,312,100
University's covered payroll (at measurement date)	\$ 37,796,990	\$ 36,835,850	\$ 38,444,631	\$ 37,736,267	\$ 38,327,209	\$ 39,083,540	\$ 39,018,501	\$ 38,019,134	\$ 36,798,276
University's proportionate share of the net pension liability as a percentage of its covered payroll	253.35%	240.02%	300.77%	315.30%	322.76%	325.28%	315.29%	297.26%	272.60%
Plan fiduciary net position as a percentage of the total pension liability	59.60%	63.20%	52.60%	52.80%	52.53%	51.83%	51.88%	55.03%	55.03%

Notes:

1.) The amounts presented for each fiscal year were determined as of June 30 measurement date prior to the fiscal year-end.

2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

See accompanying notes to the required supplemental information.

UNIVERSITY OF RHODE ISLAND
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Schedule of the University's Contributions - Pension (Unaudited)

Employees' Retirement System Plan

For the Years Ended June 30,

Year Ended	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily determined contribution	\$ 10,611,339	\$ 10,586,937	\$ 10,144,593	\$ 10,145,538	\$ 9,917,091	\$ 9,531,977	\$ 9,903,769	\$ 9,223,974	\$ 8,869,864
Contributions in relation to the statutorily determined contribution	(10,611,339)	(10,586,937)	(10,144,593)	(10,145,538)	(9,917,091)	(9,531,977)	(9,903,769)	(9,223,974)	(8,869,864)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 37,884,109	\$ 37,796,990	\$ 36,835,850	\$ 38,444,631	\$ 37,736,267	\$ 38,327,209	\$ 39,083,540	\$ 39,018,501	\$ 38,019,134
Contribution as a percentage of covered payroll	28.01%	28.01%	27.54%	26.39%	26.28%	24.87%	25.34%	23.64%	23.33%

Notes:

1.) Employers participating in the State Employee's Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year.

2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

See accompanying notes to the required supplemental information.

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Notes to the Pension Required Supplementary Information (Unaudited) - Continued

Pension Schedules

Note 1 - **Factors Affecting Trends for Amounts Related to the Net Pension Liability**

Measurement Date - June 30, 2022

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability as of the June 30, 2022 measurement dates compared to the June 30, 2021 measurement date.

Measurement Date - June 30, 2021

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability as of the June 30, 2021 measurement dates compared to the June 30, 2020 measurement date.

Measurement Date - June 30, 2020

As part of the 2020 Actuarial Experience Study for the six-year period ending June 30, 2020 as approved by the System Board on May 22, 2020, certain assumptions were modified and reflected in the determination of net pension liability (asset) at the June 30, 2020 measurement date. The following summarizes the more significant changes in assumptions:

- Updated the underlying mortality tables from the RP-2014 set of tables to the public sector-based PUB (10) tables.
- Increased slightly the probabilities of turnover.
- Decreased slightly the probabilities of retirement.
- Modified slightly the probabilities of disability, including adding material incidence of disability for members in the age ranges that historically have been eligible to retire but under prospective provisions are not.

Measurement Date - June 30, 2019

There were no changes in actuarial methods or assumptions or benefits reflected in the calculation of the net pension liability as of the June 30, 2020, 2019 and 2018 measurement dates compared to the June 30, 2019, 2018 and 2017 measurement dates. Benefits were also unchanged between these measurement dates.

Measurement Date - June 30, 2018

There were no changes in benefits reflected in the calculation of net pension liability as of the June 30, 2018 measurement date compared to the June 30, 2017 measurement date. Benefits were also unchanged between these measurement dates.

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Notes to the Pension Required Supplementary Information (Unaudited) - Continued

Pension Schedules

Measurement Date - June 30, 2017

There were no changes in actuarial methods or assumptions or benefits reflected in the calculation of the net pension liability as of the June 30, 2017 measurement date compared to the June 30, 2016 measurement date. Benefits were also unchanged between these measurement dates.

Measurement Date - June 30, 2016

There were no changes in actuarial methods or assumptions or benefits reflected in the calculation of the net pension liability as of the June 30, 2016 measurement date compared to the June 30, 2015 measurement date. Benefits were also unchanged between these measurement dates.

Measurement Date - June 30, 2015

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability as of the June 30, 2015 measurement date compared to the June 30, 2014 measurement date.

Benefit changes, which resulted from the settlement of the pension litigation and the subsequent enactment of those settlement provisions by the General Assembly, are reflected in the calculation of the net pension liability at the June 30, 2015 measurement date. Significant benefit changes are summarized below:

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rates to 11% for State employees and participate solely in the defined benefit plan effective July 1, 2015 – service credit accruals will increase from 1% to 2% per year.
- Members are eligible to retire upon the attainment of: age 65 with 30 years of service, 64 with 31 years of service, 63 with 32 years of service, or 62 with 33 years of service. Members may retire earlier if their RI Retirement Security Act date is earlier or are eligible under a transition rule.
- The COLA formula was adjusted to 50% of the COLA and is calculated by taking the previous 5-year average investment return, less the discount rate (5 year return – 7.5%, with a max of 4%) and 50% calculated using the previous year's CPI-U (max of 3%) for a total max COLA of 3.5%. The COLA is calculated on the first \$25,855, effective, 01/01/2016, and indexed as of that date as well.

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**Notes to the Pension Required Supplementary Information (Unaudited) -
Continued**

Pension Schedules

- Other changes included providing interim cost-of-living increases at four rather than five-year intervals, providing a one-time cost-of-living adjustment of 2% (applied to first \$25,000), two \$500 stipends, and minor adjustments.

UNIVERSITY OF RHODE ISLAND
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Schedule of the University's Proportionate Share of the Net OPEB Liability (Unaudited)

State Employees' and Electing Teachers OPEB System Plan

State Employees' Cost-Sharing OPEB Plan

Year ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	June 30, 2020	June 30, 2019	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2017
University's proportion of the net OPEB liability	4.88%	4.97%	5.09%	5.27%	5.47%	5.63%
University's proportionate share of the net OPEB liability	\$ 13,256,313	\$ 11,524,843	\$ 18,379,522	\$ 23,020,969	\$ 27,863,116	\$ 29,240,408
University's covered payroll	\$ 37,797,008	\$ 37,127,923	\$ 38,602,617	\$ 38,681,990	\$ 38,664,465	\$ 40,292,278
University's proportionate share of the net OPEB liability as a percentage of its covered payroll	35.07%	31.04%	47.61%	59.51%	72.06%	72.57%
Plan fiduciary net position as a percentage of the total OPEB liability	55.09%	60.52%	42.51%	33.57%	26.25%	22.38%

Board of Education OPEB Cost-Sharing Plan

Year ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	June 30, 2020	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2017
University's proportion of the net OPEB liability	44.13%	43.94%	43.76%	43.92%	43.65%	41.84%
University's proportionate share of the net OPEB liability	\$ 8,120,738	\$ 2,614,978	\$ 15,640,310	\$ 16,315,488	\$ 22,067,270	\$ 21,947,067
University's covered payroll	\$ 59,933,600	\$ 59,103,720	\$ 58,786,324	\$ 56,413,096	\$ 54,963,670	\$ 52,620,675
University's proportionate share of the net OPEB liability as a percentage of its covered payroll	13.55%	4.42%	26.61%	28.92%	40.15%	41.71%
Plan fiduciary net position as a percentage of the total OPEB liability	76.58%	91.42%	57.32%	51.60%	38.59%	32.05%

Notes:

- 1.) The amounts presented for each fiscal year were determined as of June 30 measurement date prior to the fiscal year-end.
- 2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

See accompanying notes to the required supplemental information.

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Schedule of the University's Contributions - OPEB (Unaudited)

State Employees' and Electing Teachers OPEB System Plan

State Employees' Cost-Sharing OPEB Plan

Year ended	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Statutorily determined contribution	\$ 1,697,098	\$ 1,995,682	\$ 2,038,323	\$ 2,567,074	\$ 2,313,183	\$ 2,312,135
Contributions in relation to the statutorily determined contribution	<u>(1,697,098)</u>	<u>(1,995,682)</u>	<u>(2,038,323)</u>	<u>(2,567,074)</u>	<u>(2,313,183)</u>	<u>(2,312,135)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 35,064,008	\$ 37,797,008	\$ 37,127,923	\$ 38,602,617	\$ 38,681,990	\$ 38,664,465
Contributions as a percentage of covered payroll	4.84%	5.28%	5.49%	6.65%	5.98%	5.98%

Board of Education OPEB Cost-Sharing Plan

Year ended	<u>June 30, 2022</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Statutorily determined contribution	\$ 1,159,194	\$ 2,097,676	\$ 1,731,739	\$ 2,398,482	\$ 2,459,611	\$ 2,396,416
Contributions in relation to the statutorily determined contribution	<u>(1,159,194)</u>	<u>(2,097,676)</u>	<u>(1,731,739)</u>	<u>(2,398,482)</u>	<u>(2,459,611)</u>	<u>(2,396,416)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 63,343,934	\$ 59,933,600	\$ 59,103,720	\$ 58,786,324	\$ 56,413,096	\$ 54,963,670
Contributions as a percentage of covered payroll	1.83%	3.50%	2.93%	4.08%	4.36%	4.36%

Notes:

1.) Employers participating in the State Employee's Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year.

2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

See accompanying notes to the required supplemental information.

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Notes to the OPEB Required Supplementary Information (Unaudited)

OPEB Schedules

Note 1 - **Factors Affecting Trends for Amounts Related to the Net OPEB Liability**

The actuarial methods and assumptions used to calculate the net OPEB liability of the participating employers are described in Note 9 to the financial statements. The following information is presented about factors that significantly affect trends in the amounts reported between years.

Measurement date – June 30, 2022

There were no changes in actuarial methods reflected in the calculation of the net OPEB liability (asset) of the plans as of the June 30, 2022 measurement date compared to the June 30, 2021 measurement date. Changes in actuarial assumptions were limited to the update of healthcare trend assumptions.

Measurement Date – June 30, 2021

Assumption changes included updated rates of mortality, retirement, withdrawal, disability and salary increases consistent with the Employees' Retirement System of Rhode Island, as applicable.

Measurement Date – June 30, 2020

The "Cadillac tax", which was a tax provision from the federal Affordable Care Act (ACA), was repealed in December 2019. As a result, liability amounts previously included for the "Cadillac tax" within the development of the total OPEB liability has been removed as of the June 30, 2020 measurement date.

Measurement Date - June 30, 2019

The June 30, 2018 actuarial valuation rolled forward to the June 30, 2019 measurement date reflected a change in excise tax load on pre-65 liabilities from 11.0% to 9.5%.

Measurement Date - June 30, 2018

There were no changes in actuarial methods and assumptions reflected in the calculation of the net OPEB liability as of June 30, 2018 measurement date compared to the June 30, 2017 measurement date.

Measurement Date - June 30, 2017

Certain actuarial assumptions for the State Employees' OPEB Cost-Sharing Plan ("SEP") and the Board of Education Cost-Sharing OPEB Plan ("BOEP") (collectively referred to as the "Plans") were updated to match the assumptions used for State Employees in the pension valuation for the Employees' Retirement System of Rhode

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OPEB Schedules

Island ("ERSRI") and the results of an actuarial experience investigation performed for ERSRI at June 30, 2016. Changes were made to the following assumptions:

- Merit and longevity portion of the salary increase assumption
- Rates of separation from active membership
- Rates of retirement
- Rates of disability
- The rate of wage inflation
- The mortality assumption
- The trend assumption
- Aging factors and health and inflation trends

The excise tax load on pre-65 liabilities was changed from 13.8% to 11.0%. The Patient Protection and Affordable Care Act includes an excise tax on high cost health plans beginning in 2022. The excise tax is 40% of costs above a threshold. The actual actuarial assumptions used in the most recent valuations assume that the Plans will be subject to the excise tax in 2022.

Note 2 - **Actuarially Determined Contributions**

The annual required contributions for fiscal year 2023 were determined based on the June 30, 2021 valuation of the Plans.



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

Board of Trustees
University of Rhode Island
Kingston, Rhode Island

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of University of Rhode Island (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 October 3, 2023. Our report includes a reference to other auditors who audited the financial statements of the University of Rhode Island Foundation & Alumni Engagement and University of Rhode Island Research Foundation, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Cranston, Rhode Island
October 3, 2023