



University of Guam FY 2012 Financial Highlights

March 11, 2013

The University of Guam (UOG) closed Fiscal Year (FY) 2012 with an \$8.2 million (M) increase in net assets, which is an increase of \$3.8M over FY 2011's \$4.5M increase in net assets. The increase is primarily due to American Recovery and Reinvestment Act (ARRA)'s \$6.5M capital contributions and UOG having a surplus from ongoing operations and unrealized investment gains.

Independent auditors Deloitte & Touche, LLP, rendered UOG an unqualified (clean) opinion on the financial statements. However, the auditors gave a qualified opinion on compliance for two of UOG's major federal programs, pertaining to ARRA and U.S. Department of Health and Human Services grants. Auditors also identified one significant deficiency in internal control over financial reporting. There were no questioned costs identified.

Investments

Over the past 10 years, UOG and Endowment investments have nearly doubled. In FY 2002, UOG investments were \$9.3M, and have grown to \$17.4M in FY 2012. Similarly, Endowment investments, which are restricted, were \$4.8M in FY 2002, and have grown to \$9.6M in FY 2012. UOG has been able to grow its investments due to the financial surpluses it's had for nine of the last ten years, averaging \$2.8M (3%) of revenues. Return on investments was 20% in FY 2012, with cumulative average return on investment of 8% over 23 years.

Government of Guam Appropriation and Guam Cancer Trust Fund

Overall appropriations (excluding retiree healthcare) from the Government of Guam (GovGuam) increased by \$2.3M or 7%, going from \$31.9M in FY 2011 to \$34.2M in FY 2012, which was primarily due to the assignment of the Guam Cancer Trust Fund (GCTF) to UOG. Public Law 30-80 assigned UOG oversight responsibility for the GCTF, in which UOG acts as a pass through agency for the GCTF. The GCTF increased by \$1.9M or 536% from \$363 thousand (K) in the prior year to \$2.3M. While GovGuam appropriations make up 32% of UOG's total revenues, the FY 2012 operational appropriation to UOG only increased by \$505K or 2%.

Total Revenues and Expenses Increased

In FY 2012, total revenues (exclusive of investments, retiree healthcare insurance, and provision for bad debt) increased by 7%, going from \$97.6M to \$104.3M. This was primarily due to net student tuition and fees, which increased by 33% or \$3.2M, going from \$9.5M in FY 2011 to \$12.7M in FY 2012. Tuition rates have remained the same since 2009. While total revenues increased, operating revenues decreased by \$1M, down from \$64.5M in FY 2011 to \$63.5M in FY 2012.

UOG experienced a \$1.5M increase in Federal, GovGuam, and Private grants and contracts, its main funding source. The Federal, GovGuam, and Private grants and contracts comprise 47% of UOG's revenues, and went from \$48.6M to \$50.1M, primarily due to ARRA funds being expended. In addition, net investment income increased by \$2.4M, going from \$198K in FY 2011 to \$2.6M in FY 2012.

The increase in revenues was enough to offset the increase in expenses, which increased by \$2.8M or 3% from \$95.8M in FY 2011 to \$98.4M in FY 2012. The increase in expenses was mainly attributed to the increase in Plant Operations and Maintenance and Institutional Support, which was mainly funded by ARRA grants. Plant Operations and Maintenance expenses increased by \$6.2M or 72%, up from \$8.7M in FY 2011 to \$14.9M in FY 2012. Institutional Support increased by \$1.1M or 15%, going from \$7.5M in FY 2011 to \$8.7M in FY 2012. However, Scholarships and Fellowships decreased by \$5.4M or 35%, down from \$15.5M in FY 2011 to \$10M in FY 2012 due to a delay in the receipt of financial aid awards.

UOG Endowment Foundation

The UOG Endowment Foundation (Foundation) is a legally separate, tax-exempt entity, which provides financial support for the objectives, purposes and programs of UOG. As of December 31, 2011, the Foundation statements reflect total assets of \$8M and total revenues of \$709K. Although UOG does not control the timing, purpose, or amount of receipts from the Foundation, the resources that the Foundation holds and invests are restricted to the activities of UOG. Management and general expenses totaled \$321K in calendar year 2011.

Government of Guam Merit System

In 1991, Public Law 21-59 was enacted to establish a bonus system GovGuam employees, autonomous and semi-autonomous agencies, public corporations, and other public instrumentalities of GovGuam who earn a superior performance grade. The bonus is calculated at 3.5% of the employee's base salary beginning in 1991. UOG recorded estimated merit bonuses of \$1.1M as of September 30, 2012. As of report issuance, the merit bonuses have not been paid out.

Compliance Report

Independent auditors issued a qualified opinion on compliance. They identified two findings (material weaknesses) where UOG did not comply with the following requirements:

- Equipment and real property management – lack of updated capital assets identification and register, and lack of physical inventory of capital assets.
- Sub recipient monitoring – lack of sub recipient monitoring to ensure sub recipients are in compliance.

The auditors also identified one significant deficiency pertaining to the lack of collective monitoring of capital project status.

Management Letter

In a separate management letter issued, the auditors made 11 recommendations such as: strengthening control policies and procedures for fixed assets and following established annual leave request policies; performing periodic analysis and monitoring of accounts and construction; and revisiting its procurement regulations to determine whether changes need to be made to maintain compliance.

For a more detailed commentary of UOG's operations, refer to the Management Discussion and Analysis in the audit report or visit our website at www.guamopa.org or UOG's website at www.uog.edu.