



University of Guam FY 2013 Financial Highlights

February 26, 2014

The University of Guam (UOG) closed Fiscal Year (FY) 2013 with a \$3.5 million (M) increase in net position (net income). This is a 57% or \$4.7M decrease from FY 2012, which had the benefit of receiving a one-time \$6.5M in American Recovery and Reinvestment Act (ARRA) capital projects. Independent Auditors, Deloitte & Touche, LLP, rendered an unmodified (clean) opinion on UOG's financial statements, internal control over financial reporting, and compliance for each major federal program. However, five significant deficiencies were identified, pertaining to the United States (U.S.) Department of Education (DOE) and the U.S. Department of Agriculture. Questioned costs identified increased from \$0 in FY 2012 to \$23,756 in FY 2013.

Decreased Revenues and Expenses

Total revenues decreased by 11% or \$12M from \$106.9M in FY 2012 to \$94.9M in FY 2013. The revenue decrease was primarily due to decreases in the ARRA federal grants and the timing of federal financial aid awards. Federal grants and contracts decreased by \$5.3M from \$40.7M to \$35.4M. Although UOG's Fall 2013 enrollment was a record 3,853 students, net student tuition and fees decreased by \$2.7M from \$12.7M in FY 2012 to \$10M in FY 2013, due to the timing of receipts of federal financial aid awards.

Capital contributions to UOG also decreased by 78.7% or \$5.1M from \$6.5M in FY 2012 to \$1.4M in FY 2013. All of the \$6.5M in capital contributions received in FY 2012 was for the benefit of one-time ARRA capital projects.

Expense levels were largely unchanged year to year. The largest decreases in expenses were for plant operations and maintenance (\$7.8M ARRA from \$14.9M to \$7.1M), instruction (\$1.9M from \$20.1M to \$18.2M), and institutional support (\$887K from \$8.7M to \$7.8M).

Despite the increase in the number of personnel from 824 in FY 2012 to 840 in FY 2013, total salaries, wages and benefits decreased from \$46.1M in FY 2012 to \$44.8M in FY 2013.

Government of Guam Appropriations

Government of Guam (GovGuam) appropriations for UOG decreased by 3.4% or \$1.2M from \$35.3M to \$34.1M. As appropriations for retiree healthcare costs increased by \$326 thousand (K), appropriations for the Guam Cancer Trust Fund and operations both decreased by \$760K and \$776K, respectively. Appropriations for both the student financial aid program and capital expenditure loan repayment remained unchanged from the prior year. In all, GovGuam appropriations made up 36% of UOG's total revenues in FY 2013.

Tuition Rates

While revenues from student tuition and fees decreased by \$844K, scholarship discounts and allowances increased by \$1.9M in FY 2013. Since 2009, tuition rates have remained unchanged.

Investments

UOG investments and Endowment investments have more than doubled since FY 2002. UOG investments have increased by 115% or \$10.7M from \$9.3M in FY 2002 to \$20M in FY 2013. Similarly, Endowment investments, which are restricted, grew by 134% or \$6.4M from \$4.8M in FY 2002 to \$11.2M in FY 2013. With the U.S. economy showing increasing strength, the nation's top 500 delivered a banner year of 30% returns on investments in 2013. UOG's return of investments amounted to 16% in FY 2013.

UOG Endowment Foundation

Although the UOG Endowment Foundation (Foundation) is a component unit of UOG, it is a legally separate, tax-exempt entity, whose fiscal year ends on December 31. As of December 31, 2012, the Foundation possessed a total net worth of \$8.6M, which is an increase from \$7.8M in calendar year (CY) 2011. The Foundation's investments in securities increased by \$192K from \$7.1M in CY 2011 to \$7.3M in CY 2012.

For Statement of Activities (income statement), the Foundation increased its net assets by \$756K in CY 2012, in comparison to a loss of \$142K in CY 2011. This increase in net assets can be attributed to the increase in the Foundation's total revenues earned from \$841K in CY 2011 to \$1.8M in CY 2012. Fundraising activities significantly increased from \$468K to \$1.08M in CY 2012. Though nominal, expenses of support services increased by \$12K from \$768K to \$780K.

Government of Guam Merit System

In 1991, Public Law 21-59 was enacted to establish a bonus system for employees of the Government of Guam, autonomous and semi-autonomous agencies, public corporations, and other public instrumentalities of 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 liabilities of \$1.1M and \$410K as of September 30, 2012 and 2013, respectively. As of November 2013, UOG paid out \$711K in retroactive merit bonuses.

Compliance and Internal Controls

Although the independent auditors issued an unmodified opinion on compliance and internal control, five significant deficiencies were identified: (1) \$4,774 or 50% of a direct loan was not returned to the U.S. DOE, (2) time and effort payroll documentation did not have allocation of actual hours worked, (3) a complete inventory reconciliation has not been finalized for the past two years, (4) no documentation was available to support federal matching, and (5) lack of supporting procurement documentation. A total of \$23K was identified in questioned costs, which is 0.07% of UOG's total federal grant expenditures of \$36.3M.

Management Letter

In a separate management letter issued, the auditors identified three deficiencies concerning UOG's (1) fixed assets that were untagged and missing, as well asset register which did not reflect the theft of an asset (reported in 2011) and the replacement of another, (2) lack of proper, certified time and effort documentation, and (3) nonmoving and inactive accounts.

For a more detailed discussion on UOG's operations, see the Management's Discussion and Analysis in the audit report at www.guamopa.org and www.uog.edu.