



University of Guam FY 2014 Financial Highlights

March 29, 2015

The University of Guam (UOG) closed fiscal year (FY) 2014 with a \$4.1 million (M) increase in net position (net income). This is a 16.6% or \$590 thousand (K) increase from FY 2013, and brought UOG's cumulative net position to \$109.3M. Independent auditors, Deloitte & Touche, LLP, rendered unmodified (clean) opinions on UOG's financial statements and compliance over major federal programs. However, one significant deficiency was identified with no questioned cost.

Decrease in Total Revenues

UOG derived its revenues from three major sources: (1) grants, contracts, and contributions made up 39.5% (or \$36.7M); (2) Government of Guam (GovGuam) Appropriations made up 38% (or \$35.3M); and (3) Student Tuition and Fees of \$22.7M net of Scholarship Discounts and Allowances of \$11.1M made up 12.4% (or \$11.5M). As net tuition and fees provides only 12.4%, UOG relies heavily on GovGuam to fund operations.

The \$1.2M increase in GovGuam appropriations and \$1.5M increase in net Student Tuition and Fees were offset by the \$2.7M decrease in grants, contracts, and contributions from \$39.4M in FY 2013 to \$36.7M in FY 2014. UOG attributed the decrease in grants, contracts, and contributions to the completion of several large grants. Overall, total revenues decreased by \$1.8M from \$94.7M in FY 2013 to \$92.9M in FY 2014.

GovGuam Appropriations

GovGuam appropriations for Operations increased by \$1.5M from \$27M in FY 2013 to \$28.5M in FY 2014. Retiree Healthcare Costs of \$1.3M was paid directly by the General Fund.

Decrease in Total Expenses

Total expenses decreased by \$2.4M from \$91.2M in FY 2013 to \$88.8M in FY 2014. Although operating expenses remained slightly unchanged from \$88.6M in FY 2013 to \$88.2M in FY 2014, there were large variations in expenses for Public Service and Plant Operational and Maintenance.

The \$1.7M increase in Plant Operational and Maintenance expenses from \$7.1M in FY 2013 to \$8.8M in FY 2014, was offset by the \$1.6M decrease in Public Service expenses from \$12.1M in FY 2013 to \$10.4M in FY 2014. Plant Operational and Maintenance expenses increased by \$1.7M from \$546K to \$2.3M for contract repairs of the Fieldhouse roof, dorms, and the nursing/science building annex.

The \$2.4M decrease in total expenses was attributed mainly to the \$2M decrease in debt service from FY 2013's payment of \$2M. Public Law 32-068 exempted UOG from making payment in FY 2014 for the debt service of the General Obligation Bonds, Series 1993 A. The \$2M exempted from debt service was paid directly by the General Fund.

While the number of personnel increased by 36 employees from 840 in FY 2013 to 876 in FY 2014, total salaries and wages decreased by \$49K, and total benefits increased by \$399K.

Investments

Endowment investments which are restricted and other investments continue to grow, reflecting the gains in the stock market. Endowment investments and other restricted investments grew by \$990K and \$49K, respectively, to a cumulative total of \$13M. Other investments which are not restricted also grew by 8.4% (or \$764K) to \$9.9M.

Government Accounting Statement – Pension Liability

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, to be implemented in FY 2015. This will have a material effect on the financial statements because UOG will be required to record its pro rata share of GovGuam's unfunded net pension liability of \$1.3 billion. UOG's pro rata share of this long-term liability is \$79.6M.

Uncorrected Misstatement

There was one uncorrected misstatement identified, which will not affect the net position.

Compliance and Internal Controls

The independent auditors issued a clean opinion on compliance for each major federal program, but one significant deficiency was identified pertaining to matching requirements of a federal grant. No questioned cost was identified with this finding, in comparison to FY 2013's total questioned cost of \$24K. This is a significant improvement over the prior year which reported five significant deficiencies, of which one pertained to matching requirements.

Management Letter

In a separate management letter issued, the auditors identified two deficiencies concerning UOG's (1) delay in reconciliations and (2) fixed assets that were untagged, missing, unused, or disposed of without prior approval (similar to a prior year deficiency). Other matters highlighted by the independent auditors pertained to UOG's (1) misclassification of a grant's revenue, (2) delay in travel clearances, and (3) nonmoving and inactive accounts, which was also a prior audit comment.

UOG Endowment Foundation

The UOG Endowment Foundation (Foundation) is a legally separate, tax-exempt entity. For calendar year (CY) 2013 the Foundation had an increase in net assets (net income) of \$2.4M. This increase came primarily from restricted fundraising activities of \$3.1M. However, a significant portion of this increase was not paid in, as pledge receivables increased to \$2.9M from \$683K. The Foundation's investments now total \$7.6M.

Management and General expenses also increased by \$165K from \$350K in CY 2012 to \$515K in CY 2013 because fundraising activities were not allocated a share of total salaries, unlike the previous year, and recognition of bad debts increased.

For more details, refer to the Management's Discussion and Analysis in the audit report at www.opaguam.org and www.uog.edu.