



OFFICE OF THE PUBLIC AUDITOR

**University of Guam  
FY 2008 Financial Highlights**

April 1, 2009

The University of Guam (UOG) closed Fiscal Year (FY) 2008 with a \$3.9 million (M) decrease in net assets, compared to the prior year's \$3.9M increase in net assets. This decrease is mainly due to a \$2.6M unrealized investment loss impacted by the global economic recession and a \$1.3M increase in expenses net of revenue increases. Independent auditors Burger & Comer, P.C. rendered UOG an unqualified or clean opinion and qualified the University as a low risk auditee for the fourth consecutive fiscal year.

***Revenue Composition and Cash Flows***

UOG's revenue is comprised of three main sources: government of Guam appropriations, grants and contracts, and student tuition and fees net of scholarship discounts and allowances. Government of Guam appropriations, representing 43% decreased nominally from \$32.2M to \$31.8M. Grants and contracts, representing 37%, increased \$1.4M from \$26M to \$27.5M. Student tuition and fees net of scholarship discounts and allowances, representing 12%, increased \$224,000 from \$8.9M to \$9.1M. Other Revenues decreased \$1.2M from \$6.5M to \$5.3M.

UOG recorded a \$4.7M accounts receivable due from the government of Guam, which is the balance of their FY 2008 appropriations. The \$4.7M is included as part of UOG's \$31.8M appropriation. As of March 2009, all but \$1.1M of the FY 2008 appropriations has been provided to UOG.

Given the government of Guam's financial deficit of over half a billion dollars as of FY 2007 and the recent federal court-ordered weekly payments from the General Fund of \$1M towards the closure of the Ordot landfill and the opening of a new landfill, allotments to UOG have been unsteady. UOG's heavy reliance on General Fund appropriations (43% of its revenues in 2008 and 44% in 2007) may affect its ability to operate.

***Operating Expenses Increased by \$3.2M***

Operating expenses increased by \$3.2M, going from \$69.2M in 2007 to \$72.4M in 2008. While student enrollment increased by 105 from 3,282 students in fall semester 2007 to 3,387 in 2008, Instruction expenses increased \$1.1M, going from \$16.7M to \$17.8M. Other increases in expenses were due to Academic Support (\$6.8M versus \$8.7M); Research (\$8.9M versus \$9.8M), and Public Service (\$6.5M versus \$7.2M). At September 30, 2008, there were 714 employees, compared to 759 in FY 2007. Despite the decrease in employees and similar to FY 2007, there was a \$1.8M increase in total salaries, wages, and benefits, bringing the total personnel expenses to \$39M.

### ***UOG Investments***

Due to the global economic crisis, UOG experienced a \$2.6M unrealized investment loss. UOG has two investment categories: Investments and Land Grant Endowment Investments. Regular investments are funds received as gifts to the University, while Land Grant Endowment Investments consist primarily of land grant endowment trust fund established pursuant to Public Law 19-40 and requires that the principal amount be held in trust in perpetuity. Regular investments decreased \$1.2M from \$7M to \$5.8M and Land Grant Endowment Investments decreased \$1.6M from \$9.5M to \$7.8M. These investments are comprised of money market funds (\$1.2M or 9%), fixed income securities (\$4.3M or 31%), and common stock (\$8.2M or 60%). UOG has two investment consultants to advise management on its investment portfolio.

### ***Compliance Report***

For the fourth year, UOG qualified as a low-risk auditee because it did not have any audit findings pertaining to federal grants for the past four years and there were no current or prior year unresolved audit findings. UOG is to be commended for this achievement, particularly since UOG has over 100 federal grants.

### ***Management Letter***

In a separate management letter, the auditors had two areas of concern pertaining to advances to vendors and travel advances. Certain mainland vendors require UOG to pay for goods in advance and the balance in the vendor advances account has reached over \$800,000 at September 30, 2008. UOG accounting staff analyzed the account and found that adjustments and reclassifications were necessary to reduce the prepaid balance to its proper level. The auditors noted instances where travel advances were not cleared for several months after the trip was completed, when UOG policy requires a traveler to file the travel clearance within 10 working days of returning from travel and clear the advance.

### ***UOG Endowment Foundation***

The UOG Endowment Foundation is a legally separate, private corporation that meets the criteria for reporting as a component unit of the University. The Foundation, audited by Deloitte and Touche, LLP, recorded an increase in investment in securities, going from \$7.4M to \$8.9M, a \$1.4M increase. Overall revenues increased \$1M from \$1.7M to \$2.7M. Expenses increased from \$625,000 to \$835,000, an increase of \$211,000.

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](http://www.guamopa.org).