



University of Guam FY 2015 Financial Highlights

March 22, 2016

The University of Guam (UOG) is to be congratulated for qualifying as a low-risk auditee. The last time UOG qualified as low-risk auditee was in fiscal year (FY) 2011. No material weaknesses or significant deficiencies were identified pertaining to federal funds in FY 2015. Independent auditors, Deloitte & Touche, issued unmodified (clean) opinions on UOG's FY 2015 financial statements and report on compliance for major federal programs. However, five findings were identified by the auditors in a separate management letter.

UOG closed FY 2015 with a \$9.2 million (M) increase in net position (net income), which is an increase from FY 2014's restated net income of \$6.8M. Of the \$9.2M increase, \$7.4M was due mainly to the pension adjustment that resulted from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, which requires the reporting of net pension liability. The implementation of GASB 68 resulted in the restatement of UOG's FY 2014 financial statements increasing the net position by \$2.6M, and the recognition of UOG's pro rata share of the Government of Guam's (GovGuam) \$1.2 billion net pension liability. UOG's pro rata share in FY 2015 was \$68.3M, which is a decrease from \$78M in FY 2014.

Dependence on GovGuam Appropriations

UOG derived its revenues from the following three major categories: (1) net Grants and Contracts made up 41.1% (or \$38.1M) of total revenues, (2) GovGuam appropriations made up 39.2% (or \$36.3M) and (3) Student Tuition and Fees of \$22.9M net of Scholarship Discounts and Allowances of \$12.3M made up 11.4% (or \$10.6M). With net Student Tuition and Fees bringing in less than 12% of total revenues, UOG is dependent on GovGuam to fund operations.

In addition to Scholarship Discounts and Allowances increasing by \$1.1M and GovGuam appropriations increasing by \$2.3M over the prior year, Federal Capital Contributions increased from \$719 thousand (K) to \$2.6M due to renovations at the Calvo Fieldhouse with funding from the U.S. Department of Interior.

As part of its Good-to-Great initiative, UOG's plans for program prioritization and resource allocation include the future implementation of a School of Engineering and the construction of the Engineering Annex.

In addition, UOG's tuition rates increased in Fall 2015 from \$190 per credit to \$200 per credit. This 5% increase is the first tuition increase in six years, and another 5% tuition increase to \$210 is planned for the Fall 2016 semester.

Research Corporation of the University of Guam

The Research Corporation of the University of Guam (RCUOG) is a component unit of UOG, newly created by Public Law 32-114. RCUOG employees are unclassified public employees not entitled to GovGuam benefits relating to civil service and public service, and pension and

retirement systems. The law allows RCUOG greater flexibility to hire staff to conduct research for grants and contracts. In FY 2015, UOG received federal awards from over 100 grants and contracts totaling \$35M. Moving forward, RCUOG will continue to administer some of the grants and contracts awarded to UOG.

Compliance and Internal Controls

The independent auditors issued a clean opinion on compliance for major federal programs with no material weaknesses and no significant deficiencies. Additionally, UOG qualified as a low-risk auditee for the first time in four years. The last time UOG qualified as a low-risk auditee was in FY 2011.

Management Letter

In a separate management letter issued, the auditors identified three deficiencies concerning UOG's need for (1) timely bank reconciliations (similar to a prior year deficiency), (2) reconciliation between notes receivables and confirmations, and (3) competitive procurement. Other matters highlighted were prior year audit comments referring to UOG's need for (1) timely travel clearances and (2) periodic assessment of nonmoving and inactive accounts.

Audit Adjustments and Uncorrected Misstatements

Six audit adjustments were made that cumulatively increased UOG's net position by \$7.4M. Six uncorrected misstatements were identified that would have decreased UOG's FY 2015 net position by \$76K.

UOG Endowment Foundation

The UOG Endowment Foundation (Foundation) is a legally separate, tax-exempt entity that is a component unit of UOG. As of December 31, 2014, the Foundation had an increase in net assets (net income) of \$7.5M due primarily to an increase in Contributions to \$6.8M. Compared to only \$101K in 2013, Contributions in 2014 made up 82.3% of total revenues due primarily to the donation of 1.24M square meters of land from Linda Look, which was valued at \$5.6M at the time of receipt. The Foundation intends to sell the 1.24M square meters of land – which consists of several parcels of land located in Inarajan, Ordot-Chalan Pago, Piti, Talofofu, Yigo, and Yona – to be used for UOG's 60th Anniversary Capital Campaign.

Compared to \$3.2M in 2013 when net Fundraising income was 94% of total revenues, net Fundraising income was 10% or \$808K in 2014. Additionally, Cash and Cash Equivalents, as well as Investments increased by more than \$1M each.

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