



## OFFICE OF PUBLIC ACCOUNTABILITY

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### University of Guam – FY 2022 Financial Highlights

August 23, 2023

Hagåtña, Guam – Although the University of Guam (UOG) has been dealing with a continued decline in enrollment and the reduction in its budgeted appropriations from the government of Guam (GovGuam), UOG has been able to maintain a stable overall financial position for the last two years.

UOG's change in net position decreased from a gain of \$5.6 million (M) in fiscal year (FY) 2021 to a gain of \$4.1M in FY 2022. UOG closed FY 2022 with an improved negative net position of \$93.4M, from FY 2021's negative net position of \$97.5M. Factors contributing to the gain include recovery of expenses related to operational disruptions through COVID-19 federal funds; increased grant activity; improvement in auxiliary activities due to the lifting of pandemic-related restrictions; and strict spending control by UOG. The implementation of new government accounting standards relative to pensions, other postemployment benefits, and leases further affected UOG's FY 2022 financial position.

Independent auditors Ernst & Young LLP (EY) rendered an unmodified (clean) opinion on UOG's financial statements and report on compliance for major federal programs. The independent auditors did not identify any material weaknesses in its report on compliance over major federal programs. Additionally, there were no findings and questioned costs reported with regards to its federal awards; however, EY issued a separate management letter noting deficiencies in internal control over financial reporting. UOG is commended for qualifying as a low-risk auditee for the eighth consecutive year.

#### **Increase in Total Revenues**

UOG's total revenues increased by \$1.6M, going from \$111.2M in FY 2021 to \$112.8M in FY 2022. Of the \$112.8M in total revenues, \$83.2M was generated by UOG. The largest source of University-generated revenues is \$64.8M in grants and contracts, net; followed by \$20.6M in gross tuition and fees; and \$5.7M in auxiliary enterprises and other revenues. The remaining revenues are attributed to GovGuam appropriations.

Federal grants and contracts increased by \$10.6M from \$51.7M in FY 2021. This was due to increased grant activity during FY 2022 – particularly from the National Science Foundation's Experimental Program to Stimulate Competitive Research; Economic Adjustment Assistance (funding the construction of the Water and Environmental Research Institute and School of Health annex); and the CARES Act Higher Education Emergency Relief Fund (HEERF). Net student tuition and fees increased slightly by \$232 thousand (K), going from \$12.4M in FY 2021 to \$12.7M in FY 2022.

#### **Increase in Operating Expenses**

UOG's operating expenses in FY 2022 totaled \$108.3M, a \$393K decrease from \$108.6M in FY 2021. Changes in operating expenses were largely a result of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and direct aid and grants awarded to students through the HEERF. The following operating expenses increased during FY 2022: (1) operational and maintenance, plant by \$1.8M (or 33%); (2) student services by \$1M (or 13%); (3) depreciation by \$872K (or 19%); and (4) retiree healthcare costs and other pension benefits by \$297K (or 11%). Institutional support expenses saw the biggest reduction at \$1.9M (or 13%) from FY 2021.

### **Implementation of GASB Statement No. 87, Leases**

In FY 2022, UOG implemented GASB Statement No. 87, *Leases*, which establishes a single model for lease accounting – thereby increasing the usefulness of financial statements and enhancing the relevance and consistency of information about governments’ leasing activities. The Statement establishes a reporting model for lease accounting based on the principle that leases are financings of the right to use an asset. UOG recorded about \$1.2M of deferred inflow from leases and about \$366K in lease assets.

### **Guam Cultural Repository**

UOG received a \$12M grant from the Office of the Governor (OOG) in FY 2019 to construct the Guam Cultural Repository (GCR) on the UOG campus. The facility was completed in June 2022, and was recorded by UOG as a capital asset – UOG’s first major fixed asset in more than a decade. The OOG initially designated the operations of the GCR facility to the Department of CHamoru Affairs; however, in October 2022, the OOG re-tasked and awarded UOG \$3.4M for the management and operation of the GCR for a period of at least three years.

### **Report on Compliance and Internal Controls and Management Letter**

EY did not note any material weaknesses or significant deficiencies in its report on compliance and internal control over major federal programs; however, EY noted seven deficiencies in internal control over financial reporting in a separate management letter concerning UOG’s need to:

- (1) Ensure that terms grant agreements are considered when recognizing revenues.
- (2) Improve the financial statement closing process and periodically monitor and close long-outstanding accounts.
- (3) Establish review and reconciliation procedures over capital asset registers; regularly perform physical verification of its fixed assets and adjust underlying accounting records as necessary.
- (4) Eliminate all internal revenues and costs as part of its financial statement close process.
- (5) Accrue liability where products or services are received, and reconcile accounts payable balances to suppliers’ statements on a regular basis.
- (6) Ensure completeness of all lease transactions and accuracy of monthly lease payments in calculating leased assets and liabilities.
- (7) Regularly communicate with the Government of Guam Retirement Fund to ensure that employee information is up to date.

### **UOG Endowment Foundation**

The UOG Endowment Foundation (Foundation) is a legally separate, tax-exempt entity that is a discretely presented component unit of UOG. In calendar year (CY) 2021, the Foundation reported \$3.6M in net assets (net income), a \$1.9M increase from \$1.6M in CY 2020. The increase is attributed to an additional \$907K in net investment income and \$1.1M in contributions received during CY 2021.

Furthermore, in 2022, UOG and the Foundation amended its agreement for the 2016 lease/leaseback of the UOG Student Success Center and College of Natural and Applied Sciences – Engineering Annex. The amendment extends the agreement’s expiration from August 2056 to September 2064 and changes the monthly lease payment to \$90,109. The construction of these facilities is funded by the Foundation from a loan with the United States Department of Agriculture, and will commence in October 2024.

For a more detailed discussion on UOG’s operations, refer to the Management’s Discussion and Analysis or view the reports in their entirety on our website at [www.opaguam.org](http://www.opaguam.org).