



University of Guam FY 2010 Financial Highlights

February 25, 2011

The University of Guam (UOG) closed Fiscal Year (FY) 2010 with a \$4.9 million (M) increase in net assets, a 271% improvement compared to the \$1.3M increase in FY 2009. The increase in net assets is mainly attributed to the increases in Investment income and UOG's on going financial and cash management controls, Federal grants and contracts, Student tuition and fees, and government of Guam appropriations. Although total revenues increased by \$9M, from \$81.3M to \$90.3M, total expenditures also increased by \$5.4M, from \$80M to \$85.4M.

Independent auditors Eide Bailly, LLP, rendered UOG an unqualified (clean) opinion on the financial statements and compliance report; however, there were two significant deficiencies on audit adjustments and student financial aid that were identified. For the sixth consecutive year UOG is to be congratulated for maintaining "low-risk" audit status.

Increasing Revenues covered Operating Expenses

In FY 2010, UOG experienced substantial revenue growth due to increased Federal grants, Student tuition and fees, and government of Guam appropriations. Federal grants increased by \$6.8M or 24% from \$28.9M to \$35.8M stemming from multi-year grants for cancer research, regional health education, master's program for the blind/visually impaired, alternative energy and green projects, and the American Recovery and Reinvestment Act funds. Student tuition and fee revenues increased by \$2.2M or 12%, from \$18.5M to \$20.7M. This increase is attributed to UOG experiencing its highest student enrollment over the last ten years, which reached 3,639 in Fall 2010. Government of Guam appropriations also increased during the year by \$1.1M or 4%, from \$27.8M to \$28.9M. These three revenue streams account for almost 95% of UOG's total revenues. Other notable increases in revenues stemmed from the \$720 thousand (K) increase in other revenues and the \$262K increase in Auxiliary Enterprises.

Increase in Cash and Investments

UOG's cash and investments increased by \$5M, from \$15.1M to \$20.1M. UOG's net investment income increased by \$1.5M or 3,332% from \$47K in FY 2009 to \$1.6M in FY 2010. These increases are attributed to UOG's adherence to a cash-based financial management plan, successful management of investments, and surplus of revenues over expenses of \$4.9M including prior year surpluses. The University holds an \$8.5M investment in its Land Grant Endowment since 1974, originating from cash donation by the U.S. government restricted for endowment and maintenance of colleges to benefit agriculture and mechanic arts.

Operating Expenses Increased

Operating expenses increased by \$7M, or 9% from \$77.4M in 2009 to \$84.4M in 2010. Research, Scholarships and Fellowships, and Auxiliary enterprises were among the increased categories. Auxiliary enterprises expenses increased by 51% or \$1.3M from \$2.5M to \$3.8M

resulting from expense reclassifications of Student services. Scholarships and Fellowships expenses increased by 31%, or \$3.2M from \$10.4M to \$13.6M of which, \$3.8M was scholarships funded by the government of Guam. Research expenses increased by 18%, or \$1.7M from \$9.5M to \$11.3M. At September 30, 2010, there were 788 employees, compared to 766 in FY 2009 resulting in a \$1.4M increase in total salaries, wages, and benefits, for a total of \$42M.

UOG Endowment Foundation

The UOG Endowment Foundation (Foundation) is a legally separate, tax-exempt, private corporation whose main mission is to support the UOG. The Foundation, audited by Deloitte and Touche, LLP, recorded a 14% increase in investment in securities, going from \$6M to \$6.9M. Overall, the Foundation ended calendar year (CY) 2009 with an \$823K increase in net assets compared to a \$3.5M decrease in net assets in CY 2008.

Compliance Report

For the sixth year, UOG qualified as a low-risk auditee. UOG expended \$35.8M in federal grants, of which 80% of the funding was received from U.S. Department of Education (\$20M), U.S. Department of Health and Human Services (\$4.8M) and U.S. Department of Agriculture (\$4M). Independent auditors noted two significant deficiencies, which are both noted in the management letter as well:

- **Audit Adjustments.** Audit adjustments related to incomplete recording of fixed assets, which resulted in an understatement of depreciation expense.
- **Student Financial Aid Cluster.** One instance of missing documentation with a student's file to verify critical information.

Management Letter

The management letter disclosed the following areas of concerns pertaining to: (1) audit adjustments, (2) student financial aid cluster, and (3) travel reimbursements. The concerns related to audit adjustments and student financial aid are mentioned above. Travel reimbursements, where the auditor found four out of ten travel advances were not cleared within the required 10 days travel policy, some of which were over 100 days. UOG failed to offset outstanding travel advances against the traveler's paycheck.

The Auditor's Communication with Those Charged with Governance

The auditors identified five uncorrected misstatements and classification errors to the financial statements, which had a cumulative effect by \$462K. Management determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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 and at UOG's website at www.uog.edu.