



Financial Highlights
Guam Visitors Bureau Financial Audit
Fiscal Year 2023

May 10, 2024

The Guam Visitors Bureau (GVB) received an unmodified (clean) opinion in its Fiscal Year (FY) 2023 financial statements from independent auditors Ernst & Young LLP (EY). EY identified two deficiencies in internal control, including one material weakness and one significant deficiency, in the Report on Internal Control Over Financial Reporting and On Compliance. GVB closed FY 2023 with an increase in net position of \$6.2 million (M), bringing its cumulative net position to \$14.9M in FY 2023, up from the \$8.8M in FY 2022.

Revenues Increased by \$6.1M

GVB's total revenues increased by \$6.1M, from \$21.5M in FY 2022 to \$27.6M in FY 2023, which was mainly due to a significant increase of \$12.2M in non-operating revenues from the Government of Guam (GovGuam) appropriations. Total GovGuam appropriations of \$26.7M in FY 2023 consisted of \$5.8M received from the General Fund, \$13.1M received from the Tourist Attraction Fund (TAF) normal appropriations, and \$7.8M received in excess appropriations from TAF. The increased appropriation reflects the improvement in tourism arrivals, a driver of the financial viability of GVB and TAF. As of September 30, 2023, GVB has receivables due from GovGuam amounting to \$4M associated with the FY 2023 appropriations.

The increase in GovGuam appropriations was offset by the significant decrease in federal contributions by \$5.89M, from \$5.92M in FY 2022 to \$27 thousand (K) in FY 2023. Unlike the previous year, GVB did not receive new federal grants in FY 2023. Federal revenue in FY 2023 reflects reimbursements received from the Federal Emergency Management Agency (FEMA) for eligible COVID-19 protective measures. As of FY2023, GVB has an unexpended balance of \$14.5M in advances from grantor (Coronavirus State and Local Fiscal Recovery Fund) that was received in FY 2022. In March 2024, GVB and the Office of the Governor (pass-through entity) finalized and agreed on utilizing the unexpended balance for the restoration of Matapang Beach Park.

FY 2023 operating revenues increased by \$305K, from \$281K in FY 2022 to \$587K in FY 2023. This is mainly attributed to the increase from Consumption Tax Refunds, which went from \$126K in FY 2022 to \$369K in FY 2023. This increase was expected and driven by the resurgence of marketing activities in Japan, especially after outbound travel restrictions were lifted by the Japanese government in May 2023. As marketing activities continue to rise, consumption tax refunds are expected to follow suit. GVB has also initiated opportunities in other core markets such as South Korea to pursue consumption tax refunds, with initial filings to be submitted in FY 2024.

Membership fees also increased by \$37K, going from \$17K in FY 2022 to \$55K in FY 2023. The increase was driven by participation in the 2023 election for GVB's Board of Directors, with

members paying a \$100 membership renewal fee to participate. The election, held every two years, naturally results in increased revenue, while non-election years see an opposite trend.

Operating Expenses Increased by \$958K

GVB's total operating expenses increased by \$958K, from \$20.4M in FY 2022 to \$21.4M in FY 2023. Most of the increase was due to Grants and Sponsorships totaling \$3M in FY 2023, of which \$2M was for the Tourism Assistance Program (TAP). The TAP was a grant program to address the immediate financial impact of Typhoon Mawar on Guam's tourism value chain, and aimed to provide up to \$25K to small-sized tourism-related businesses. Personnel costs also increased by \$884K due to the implementation of GVB's new compensation model, which updated salaries for all classified employees to be in line with the 20th percentile of the industry average for comparable positions within visitor bureaus in the United States. Travel expenses also increased by \$284K, from \$227K to \$510K in FY 2023, due to GVB conducting more frequent travel to core markets.

These significant increases were offset by the \$3.4M decrease in professional services expenses, which went from \$14.6M in FY 2022 to \$11.3M in FY 2023. The decrease was primarily driven by the timing of project implementation with the impact of Typhoon Mawar and the delayed re-opening of Japanese outbound travel requiring GVB to re-strategize the timing of its marketing and destination projects. Projects affected by the aforementioned events were implemented in the latter quarter of FY 2023 and will continue into FY 2024. Additional decreases were in promotional in-kind contributions expense of \$572K and rent/lease expenses of \$115K.

Tourism Arrivals and Forecasts

Total tourism arrivals for FY 2023 were 603K, an increase of 178% from the prior fiscal year. Visitor arrivals for FY 2024 are projected to reach around 900K or about 56% of pre-pandemic levels. Korea is still expected to retain its place as the largest market in the recovery with around 70% of 2019 levels recaptured in 2024, while Japan and Taiwan are expected to lag behind with only 30% and 11% respectively. Seat capacity to Guam for FY 2024 is recorded at 1.5M seats from all markets. This represents only 68% of the total seats to the island in 2019 (pre-pandemic). Total arrivals anticipate a load factor across all markets of around 59% of available seats to the island.

Report on Internal Control Over Financial Reporting and Management Letter

In the Report on Internal Control Over Financial Reporting, EY identified one material weakness related to GVB management not obtaining responses from all Board of Directors in determining complete disclosure of related party transactions. EY also identified one significant deficiency related to GVB not publishing notice of three sole source procurements.

EY issued a separate management letter that identified eight recommendations on deficiencies in internal control related to GVB's operations for management to consider:

- (1) **TAP:** Comply with grant application memorandum and disburse awards when all required documentation are submitted; design and implement a strict after-action plan to determine program objectives are met; and, implement and document the formal determination and approval when awards are outside the tier thresholds for the TAP. This was a similar finding identified in the Office of Public Accountability's Performance Audit Report No. 24-04 on GVB's TAP issued in February 2024.

- (2) **Other Grants and Sponsorships:** Design and implement a process for the application of grants and sponsorship requests, which should include guidelines for submission, evaluation, approval, and follow-up monitoring. Additionally, application or letter should include how such will fulfill the mission of GVB, and GVB should issue checks to the organization requesting the sponsorship or grant.
- (3) **Non-Employee Travel:** Comply with reporting requirements for non-employee travel specified in Public Law 36-107, Chapter XIII, Part II, Section 17, GVB's Travel and Transportation Standard Operating Procedures and Policy, and Government Travel Law, Title 5 Guam Code Annotated Chapter 23, §23112.
- (4) **Compensatory Time-Off (CTO) for Non-Exempt Employees:** Implement internal controls for CTO for non-exempt employees to comply with Section 8.3 of GVB's Personnel Policies and Guidelines.
- (5) **Country Manager Contracts:** Consider provisions of GovGuam laws, policies, rules and regulations, or consult with legal counsel to determine compliance with procuring services for an out-of-country marketing manager.
- (6) **Procurement:** Determine compliance with procurement policies and regulations before approving reimbursement to a contracted third-party vendor to organize or perform services on behalf of GVB.
- (7) **IT User Access Management:** Include a policy that requires a quarterly review of information technology user access.
- (8) **Cultural and Sports Ambassador Grants:** Process the cultural and sports ambassador grants in accordance with the stated requirements.

For more details, refer to the GVB's FY 2023 Financial Statements, Report on Internal Control Over Financial Reporting and On Compliance, Management Letter, and Auditor's Communication With Those Charged with Governance at www.opaguam.org and www.guamvisitorsbureau.com.