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University of Guam – FY 2019 Financial Highlights

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Hagåtña, Guam – The Office of Public Accountability (OPA) has released the University of Guam’s (UOG) financial statements, report on compliance and internal control, management letter, and the auditor’s communication with those charged with governance for fiscal year (FY) 2019.

UOG closed FY 2019 with a negative net position of \$100.3 million (M), a \$745 thousand (K) increase from UOG’s negative net position of \$101.1M in FY 2018. This gain reversed UOG’s three-year trend. Independent auditors Deloitte & Touche, LLP issued an unmodified (clean) opinion on UOG’s financial statements and report on compliance for major federal programs. However, the independent auditors identified three deficiencies on internal control over financial reporting. UOG is commended for qualifying as a low-risk auditee for the fifth consecutive year.

Investments

UOG has been a good steward by investing prior year surpluses into certificates of deposits, money market funds, fixed income securities, mutual funds, and common stock. In FY 2019, UOG’s investments earned \$693K, a \$1.0M decrease from the \$1.7M earned in FY 2018. As of FY 2019, total investments of \$39.1M decreased by \$3.7M from the prior year.

Decrease in Revenues

UOG’s revenues decreased by \$1.2M or 1%, from \$95.7M in FY 2018 to \$94.6M in FY 2019. UOG’s revenues in FY 2019 consisted mainly of: (1) Government of Guam (GovGuam) appropriations of \$36.2M or 38%; (2) federal grants and contracts of \$33.4M or 35%; and (3) net student tuition and fees of \$12.8M or 14%. GovGuam appropriations decreased by \$509K, from \$36.8M in FY 2018 as GovGuam revenues continue to be negatively impacted by the passage of the Tax Cuts and Jobs Act of 2017. Federal grants and contracts increased by \$2.3M, from \$31.1M in FY 2018. This was due to increased grant activity in FY 2019, as well as the closure of most federal grants from FY 2018. Tuition revenue declined as a result of decreased enrollment, which for the Fall 2019 semester was 3,509.

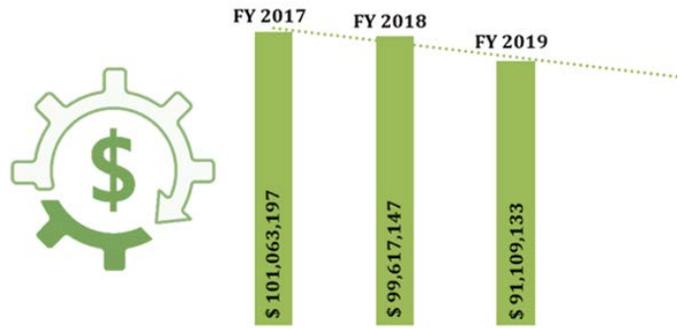


Expenditures of Federal Awards

In FY 2019, UOG’s Schedule of Expenditures of Federal Awards showed 108 grant activities totaling \$29.9M. The largest federal expenditure was \$7.3M for the Pell Grant Program, followed by \$5.6M for the Direct Student Loans. Meanwhile, 52% of the grant activities were below \$50K.

Decrease in Operating Expenses

In FY 2019, UOG's operating expenses totaled \$91.1M, 9% or \$8.5M less than reported in FY 2018. The changes to operating expenses fluctuated largely as a result of the implementation of the Governmental Accounting Standards Board (GASB) No. 75. This was due mainly to the decreases in the following operating expenses: (1) instruction by \$2.7M or 12%; (2) institutional support by \$2.5M or 26%; and (3) student services by \$1.1M or 31%. For these accounts, there was a decrease in salaries and benefits, as well as contracts due to the declining appropriation.



Report on Compliance and Internal Controls and Management Letter

The independent auditors issued a clean opinion on UOG's compliance for major federal programs. In a separate management letter, independent auditors identified three deficiencies concerning UOG's need to (1) monitor accounts for delinquency and consider writing-off long outstanding notes receivable, (2) periodically assess non-moving and inactive other receivable accounts, and (3) maintain vendor selection documentation. Independent auditors also highlighted one other matter finding regarding UOG's need to revisit policies and procedures on timesheet preparation and approval. All noted deficiencies and other matters are repeat comments from FY 2018.

Audit Adjustments and Uncorrected Misstatements

For FY 2019, six audit adjustments were made relative to providing allowance for long outstanding and non-moving receivables, retiree healthcare costs and pension benefits, pension adjustments (GASB 67 and 68/73), and other post-employment benefits adjustments (GASB 75). There were two uncorrected misstatements that would have cumulatively decreased UOG's net position by approximately \$241K.

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) 2018, the Foundation adopted FASB No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The implementation resulted in the restatement of the Foundation's CY 2017 financial statements, decreasing its net assets of \$20.5M by \$1.9M.

In CY 2018, the Foundation reported a net loss of \$892K, which is a \$2.7M decrease from its \$1.8M net income in CY 2017. The Foundation received \$163K more in contributions in CY 2018. However, the Foundation reported a loss of \$828K on its investments, \$2.4M less than CY 2017 due to market downturn in the 4th quarter of 2018. Cash and cash equivalents decreased by \$713K, from \$1.2M in CY 2017 to \$535K in CY 2018. In order to maximize the potential to earn money on idle funds, the Foundation moved excess funds into investment accounts. Investments in Bank of Guam increased by \$48K in CY 2018, from \$1.7M in CY 2017 due to adjustments in fair market value of the investment.

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.