



University of Guam FY 2009 Financial Highlights

February 23, 2010

The University of Guam (UOG) closed Fiscal Year (FY) 2009 with a \$1.3 million (M) increase in net assets, a 134% improvement compared to the \$3.9M loss in FY 2008. This increase is mainly attributed to increases in enrollment, tuition and fees, grants and contracts, and government of Guam (GovGuam) appropriations. Total revenues increased by \$7.6M, from \$73.7M to \$81.3M, with corresponding increase in expenses of \$2.4M, from \$77.6M to \$80M.

Independent auditors Eide Bailly, LLC, rendered UOG an unqualified or “clean opinion” on the financial statements and compliance reports. With having to administer 110 federal grants (i.e., by Catalog of Federal Domestic Assistance number) totaling \$29M in FY 2009, UOG is to be congratulated for maintaining “low-risk” audit status for the fifth consecutive year. In the compliance report, the auditors reported two significant deficiencies pertaining to: 1) the financial close process and 2) charging 100% of an employee’s salary to a federal grant resulting in questioned costs totaling \$15,709. Management letter comments were related to management approval of checks over \$5,000 and timelier bank reconciliation.

Increases in Revenues and Student Enrollment

All revenue sources increased in FY 2009. UOG’s revenues comprise the following: GovGuam appropriations (41%), grants and contracts (38%), and student tuition and fees net of scholarship discounts and allowances (13%), and other revenues (8%). GovGuam appropriations increased by \$1.2M, from \$31.8M to \$33M. Grants and contracts increased by \$3.3M from \$27.5M to \$30.8M. Student tuition and fees, net of scholarship discounts and allowances, increased by \$1.8M from \$9.1M to \$10.9M due to higher tuition rates and enrollment. Other revenues increased by \$1.3M from \$5.3M to \$6.6M. In addition, in Academic Year (AY) 2009-2010, UOG reached record student enrollment levels at 3,550 students that were registered for Fall Semester 2009, a 4.8% growth from AY 2008-2009 at 3,387 students for Fall Semester 2008.

Operating Expenses Increased by \$3.2M

Operating expenses increased by \$5M, from \$72.4M in 2008 to \$77.4M in 2009. Student Services, Institutional Support, and Scholarships and Fellowships were among the increased categories. Student Services expenses increased by 38%, or \$1.3M from \$3.6M to \$4.9M. Institutional Support expenses increased by 37%, or \$1.6M from \$4.3M to \$5.9M. Scholarships and Fellowships expenses increased by 15%, or \$1.4M from \$9M to \$10.4M. At September 30, 2009, there were 766 employees, compared to 714 in FY 2008 resulting in a \$1.6M increase in total salaries, wages, and benefits, totaling \$40.6M.

UOG Investments and ARRA Funding

UOG experienced a modest gain on investments of \$47,000, compared to the \$2.6M unrealized loss in FY 2008. UOG's short-term investments increased to \$5.1M from \$118,000, or 4,223%. The UOG Board earmarked non-appropriated funds for academic programs that will provide for various capital and equipment projects to build the University's infrastructure capacity and institutional sustainability required by the Western Association of Schools and Colleges for educational effectiveness. Utilization of the funds will start in FY 2010 and will supplement the American Recovery Reinvestment Act (ARRA) funds for infrastructure projects.

As of December 2009, UOG has been awarded \$206,000 in ARRA funds. GovGuam is awaiting approval of approximately \$108M in ARRA monies under of the State Fiscal Stabilization Fund program. Of this, UOG is expecting to receive \$17M to be used to fund overdue improvements in the physical and technology infrastructure.

Compliance Report

For the fifth year, UOG qualified as a low-risk auditee. UOG expended \$29M in federal grants, of which 86% of the funding were received from U.S. Department of Education (\$17.6M), U.S. Department of Agriculture (\$3.8M), and U.S. Department of Health and Human Services (\$3.4M). Independent Auditors noted the following two significant deficiencies

- **Financial Close Process.** Certain accounting adjustments were discovered due to changes in accounting personnel, implementation of a quicker close, and an earlier audit schedule.
- **Payments to Agriculture Experimental Stations Under Hatch Act.** One employee was reimbursed under said federal grant for 100% of the salary, when the individual did not spend 100% of his or her time on this grant, resulting in \$15,709 in questioned costs.

Management Letter

The management letter disclosed two areas of concern pertaining to checks over \$5,000 not being manually signed as required in UOG procedures and some bank reconciliation not completed within 60 days. In addition, a separate document to the Board was issued outlining audit strategies, emphasis, required communications, audit differences, and adjustments.

UOG Endowment Foundation

The UOG Endowment Foundation (Foundation) is a legally separate, private corporation whose main mission is to support UOG. The worldwide economic recession took its toll on the Foundation. As a result, the Foundation, audited by Deloitte and Touche, LLP, recorded a 32% decrease in investment in securities, going from \$8.9M to \$6M. Overall, the Foundation ended calendar year (CY) 2008 with a \$3.5M decrease in net assets compared to a \$1.8M increase in net assets in CY 2007.

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