



University of Guam FY 2011 Financial Highlights

February 29, 2012

The University of Guam (UOG) closed Fiscal Year (FY) 2011 with a \$4.5 million (M) increase in net assets, a decline of \$449 thousand (K) or 9.2% compared to the \$4.9M increase in FY 2010. In FY 2011 net assets grew due to increased revenues from higher student enrollment and significantly increased federal grants, offset by associated increases in operating expenditures. UOG's diversified revenue streams increased by \$5.9M to \$97.8M in 2011, which covered the related \$6.3M increase in expenditures to \$93.3M.

Independent auditors Eide Bailly, LLP, rendered UOG an unqualified (clean) opinion on the financial statements. However, UOG received a qualified opinion on compliance for one major program. Auditors identified one material non compliance finding and one significant deficiency within the Student Financial Aid major program cluster. As a result, UOG will remain a low risk auditee for FY 2011, but will lose that designation in FY 2012.

Total Expenses Increased by \$6.3M

Record student enrollment and Federal grants and contracts set the stage for revenue increases that in turn, drove UOG's expenses to increase. In FY 2011, total expenses increased significantly by \$6.3M or 7.3%, from \$87M in 2010 to \$93.3M in 2011.

UOG's notable increases stems from the \$2.8M or 35.2% increase paid to Public Service, the \$1.4M or 18.8% increase paid to Operations and Maintenance, and the \$1.1M or 5.8% increase paid to Instruction. The rise in total expenses continues on an upward trend going from \$80M in 2009 to \$87M in 2010 and \$93.3M in 2011. The increase in expenditures can also be attributable to facility upgrades, employee merit increases, and retirement contribution increases. UOG increased expenditures for salaries, wages and benefits by \$3.5M, from \$42M in 2010 to \$45.5M in 2011. The increase is primarily due to the hiring of 31 new employees in FY 2011. While total expenses increased, revenues of \$97.8M covered increased expenditure levels of \$93.3M.

Despite Reduced Appropriations, Revenue Growth Covers Increasing Expenses

Government of Guam appropriations was reduced during the year by \$1.2M or (4.3%), from \$28.9M in 2010 to \$27.6M in 2011. Despite the reduction, UOG experienced substantial revenue growth. This was primarily due to increased Federal grants of which \$3.9M are American Recovery and Reinvestment Act (ARRA). Federal grants increased by \$9.5M or 26.6% from \$35.8M in 2010 to \$45.3M in 2011 resulting from multi-year grants such as for Federal Direct Student Loans, Cancer Centers Support Grants, and Cooperative Extension Service. Student tuition and fee revenues increased by \$890K or 4.3%, from \$20.7M to \$21.6M. This increase is attributed to UOG experiencing its highest student enrollment over the last 12 years, which reached 3,721 in Fall 2011. The growth also resulted from increases in student enrollment per credit hour production as tuition and fee rates remain unchanged. Other notable increases in revenues derived from Government of Guam grants and contracts which increased by \$1.9M, going from \$420K in 2010 to \$2.4M in 2011.

Improvement in Cash Position

UOG continues to maintain a strong cash position. In FY 2011 UOG cash and investments increased by \$500K, from \$13.9M in 2010 to \$14.4M in 2011. Non-current investments declined by \$500K from \$8.2M to \$7.7M. Endowment investments decline by nearly \$400K in FY 2011, going from \$8.5M to \$8.1M. Net investment income also declined by \$1.4M to \$198K from \$1.6M in the prior year. Decline was due to continued volatility and uncertainty in global equity markets.

UOG Endowment Foundation

The UOG Endowment Foundation (Foundation) is a legally separate, tax-exempt entity whose main mission is to support the UOG. The Foundation statements reflect total assets of \$8.2M as of December 31, 2010 and total revenues of \$1.1M for the year ended. While UOG does not control the foundation, however, income generated by the foundation can only be used for the benefit of the University. The Foundation issued its 2010 audit 14 months after the year end. Guam Code Annotated (GCA) §1909 requires government of Guam agencies to issue audit reports no later than nine months after year end. As the Foundation is a component unit of UOG, it should therefore endeavor to issue its audit within the nine month period.

Compliance Report

Independent auditors issued a qualified opinion in one area of compliance. As a result, UOG will not qualify as a “low-risk” auditee in FY 2012. Auditors identified two findings; one was a significant deficiency and the other was a material non compliance on the Student Financial Aid Cluster, both of which are noted in the report on compliance with laws and regulations:

- There were 12 instances out of 120 students tested wherein credit balance was not reimbursed to the student within the required 14 day time period.
- Fiscal Operations Report and Application to Participate (FISAP) lacked controls to verify that financial numbers that were reported matched supporting documents, which resulted as a misstatement upon submission to Department of Education.

UOG expended \$45.3M in federal grants, which grew \$9.5M (26.6%), including the ARRA stimulus. The top three grantors were from U.S. Department of Education (\$30.2M), U.S. Department of Health and Human Services (\$5.2M) and U.S. Department of Agriculture (\$4M).

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.