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University of Guam – FY 2020 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, and the auditor’s communication with those charged with governance for fiscal year (FY) 2020.

UOG closed FY 2020 with a negative net position of \$103.1 million (M), a \$2.8M increase in UOG’s negative net position of \$100.3M in FY 2019. 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 one significant deficiency on internal control over compliance. UOG is commended for qualifying as a low-risk auditee for the sixth consecutive year. There was also no management letter issued for FY 2020.

Coronavirus (COVID-19) Pandemic

In March 2020, the Governor of Guam issued Executive Order 2020-03, declaring a state of emergency in response to the COVID-19 Pandemic. This led to the closure of non-essential government services, private businesses, and schools for an extended period, including UOG’s offices. The COVID-19 pandemic has taken a toll on the UOG’s funding, as they faced challenges similar to those faced by other colleges and universities, including the loss in revenue due to cancellation of on campus activities and reductions in room and board. Due to uncertainty surrounding the duration of the COVID-19 pandemic, UOG is unable to reasonably estimate its ultimate financial impact.

UOG was allocated \$4.5M of the Coronavirus Aid, Relief, and Economic Security (CARES) Act Higher Education Emergency Relief Fund. Fifty percent of the amount is to be awarded directly to students to provide emergency financial aid grants for expenses related to the disruptions of campus operations due to COVID-19 and the other half is for institutional use. UOG has been achieving the goals set forth in the terms of the grant, which is set to expire in FY 2021. In December 2020, Congress approved additional COVID-19 relief which included another \$2.28M for student financial assistance and \$4.67M for institutional needs. This additional funding is targeted towards mitigating costs related to UOG’s response to the virus and has not helped offset operational shortfalls.

Increase in Revenues

UOG’s revenues increased by 7%, from \$95M in FY 2019 to \$101M in FY 2020. UOG’s revenues in FY 2020 consisted mainly of: (1) Government of Guam (GovGuam) appropriations of \$36.5M or 36%; (2) federal grants and contracts of \$33.7M or 33%; and (3) net student tuition and fees of \$13.7M or 14%. GovGuam appropriations slightly increased by \$252 thousand (K), from \$36.2M in FY 2019. Federal grants and contracts increased by \$372K, going from \$33.4M in FY 2019. This was due to increased grant activity in FY 2020. Net student tuition and fees increased by \$883K, going from \$12.8M in FY 2019.

Increase in Operating Expenses

In FY 2020, UOG's operating expenses totaled \$102.7M, a 13% or \$11.6M increase from \$91.1M in FY 2019. The increase in operating expenses was largely due to the implementation of GASB 75 and awarding of CARES ACT Higher Education Emergency Relief Fund to students. As a result, the following operating expenses increased: (1) student services by \$4.1M or 159%; (2) institutional support by \$3.5M or 50%; (3) instruction by \$2M or 10%; and (4) research by \$1.2M or 8%. These increases were offset by the \$918K or 10% decrease in scholarships and fellowships and \$449K or 17% decrease in auxiliary enterprises.

Report on Compliance and Internal Controls

Independent auditors identified one significant deficiency related to potential noncompliance with special tests and conditions for the Small Business Development Center's agreed upon goals. However, no questioned cost is presented since program goals are dependent upon economic impact.

In FY 2020, UOG's Schedule of Expenditures of Federal Awards showed 91 grant activities totaling \$32.6M. The largest federal expenditure was \$7.6M for the Pell Grant Program, followed by \$5.2M for the Direct Student Loans.

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) 2019, the Foundation reported \$3.2M in net assets (net income), which is a \$4.1M increase compared to its reported net loss of \$892K in CY 2018. The Foundation reported \$2.4M in net investment income, which is a \$3.3M increase compared to the \$828K loss in CY 2018. Revenue from fundraising activities also increased by \$377K, going from \$200K in CY 2018 to \$577K in CY 2019. However, there was a \$155K decrease in contributions in CY 2019. UOG entered into promissory notes with the Foundation in the amount of \$1.4 million to pay for the construction of a new water line.

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.