



Guam Community College FY 2017 Financial Highlights

April 26, 2018

The Guam Community College (GCC) received unmodified (clean) opinions on its fiscal year (FY) 2017 financial statements and reports on compliance and internal control from independent auditors, Deloitte & Touche, LLP. Certain accounts from the prior year were restated due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 73 resulting in a net loss of \$320 thousand (K) in FY 2016 compared to the previously reported surplus of \$864K. No material weaknesses or significant deficiencies were identified. GCC is commended for achieving a significant milestone by qualifying as a low-risk auditee for the 17th consecutive year. GCC is the only Government of Guam (GovGuam) agency to do so. Additionally, no management letter was deemed necessary.

GCC closed FY 2017 with a net loss of \$2.7 million (M) compared to FY 2016's restated net loss of \$320K. In FY 2017, operating and nonoperating revenues totaled \$35.5M, a decline of \$2.7M or 7% from FY 2016's restated \$38.2M due to decreases in student tuition and fees, as well as federal grants and contracts. Operating expenditures also declined by \$3.0M, from FY 2016's restated \$38.4M to FY 2017's \$35.3M, due in part to GCC's cost saving measures.

Contribution to GCC Foundation

GCC's FY 2017 net loss of \$2.7M was due mainly to the \$2.8M contribution to the GCC Foundation, for the purpose of obtaining a \$5.0M Community Facilities Direct loan from the United States Department of Agriculture (USDA) for the renovation and construction of Building 100 and the Forensic Lab extension. Had it not been for the contribution to the GCC Foundation, GCC would have closed FY 2017 with an increase in net position (net income) of \$46K.

Continued Dependence on GovGuam Appropriations

A majority of the \$35.5M in revenues includes (1) GovGuam appropriations of \$18.3M or 52%, (2) federal grants and contracts of \$11.6M or 33%, and (3) net student tuition and fees of \$2.4M or 7%.

Gross student tuition and fees was \$6.4M in FY 2017, a decrease of 11% or \$837K from \$7.3M in FY 2016, due to slight decreases in the post-secondary enrollment seats for academic year 2017. Prior trends have shown that increases in the global economy, increases in the local minimum wage, decreases in H2-B workers, and decreases in unemployment rates usually lead to decreases in post-secondary enrollment, because people tend to work instead of going to school. Of the \$6.4M in student tuition and fees, \$4.1M was received through federal Pell Grants, shown as scholarship discounts and allowances in the financial statements. In FY 2017, federal grants and contracts decreased by 16% or \$2.3M due to grant fund ending for the College Access Grant Program of \$1.5M and a reduction in Pell Grant awards.

As GovGuam appropriations contribute over half of GCC's revenues, GCC continues to rely heavily on GovGuam to pay for personnel costs at the GCC campus, the six secondary high schools, and the post-secondary programs. Public Law 31-99 mandates GCC to provide career and technical education programs in Guam's public high schools, hence, 49 instructional and non-instructional faculty at each of the six public schools are under GCC's funding and pay structure.

Investment in Capital Assets

GCC continues to successfully obtain federal grants and loans to expand and improve its capital facilities. As of FY 2017, net property, plant and equipment of \$33.4M makes up GCC's largest asset at 55%.

In September 2016, GCC broke ground on the renovation and expansion of GCC's Building 100 project with expected completion in July 2018. The USDA loan and the GCC Capital Improvement Fund are the combined funding sources for the construction of the \$4.8M project. The construction will expand Building 100 into a two-story concrete structure with Leadership in Energy and Environmental Design (LEED) features, house the Criminal Justice Program, and connect Building E.

Audit Adjustments and Uncorrected Misstatements

Seven audit adjustments were made that cumulatively decreased GCC's net position by \$4.3M pertaining to GovGuam appropriations, cost-of-living adjustments (COLA) and supplemental payments, interest on USDA loan, GASB 68/73 pension adjustments, and construction in progress. Six uncorrected misstatements were identified that would have decreased net position by \$50K.

GCC Foundation

The GCC Foundation is a non-profit, public benefit corporation, which operates under a separate Board of Governors from that of GCC. The GCC Foundation closed FY 2017 with an increase in net assets (net income) of \$3.9M, compared to \$685K in FY 2016. This was due primarily to the contribution of \$2.8M for the construction of Building 100. Total investments amounted to \$11.5M as of FY 2017 which is 78% of the Foundation's total assets.

In addition, expenditures amounted to \$235K in FY 2017, a 53% increase compared to \$153K in FY 2016 due to increases in transfers to GCC and fundraising expenses.

For more details, refer to GCC's Management's Discussion and Analysis in the audit report at www.opaguam.org and www.guamcc.edu.