



Guam Community College FY 2010 Financial Highlights

March 30, 2011

The Guam Community College (GCC) closed Fiscal Year (FY) 2010 with a \$4.4 million (M) increase in net assets (revenues minus expenses), a 33% or \$1.1M improvement from FY 2009's \$3.3M increase in net assets. This was mainly due to increases in Pell grants and other federal grants, and an increase in student enrollment.

Independent auditors Deloitte & Touche, LLP rendered an unqualified or clean opinion on GCC's Financial Statements; however, in order to receive the unqualified opinion, 10 audit adjustments were made, which had a negative cumulative effect on net assets of \$1.1M. GCC also received an unqualified opinion on the auditor's report on Compliance and Internal Controls resulting in the independent auditor's designating them as a "low-risk" auditee. GCC is to be congratulated for maintaining its low-risk status for the 10th consecutive fiscal year. A separate management letter was issued identifying three findings.

Increase in Revenues

GCC realized a \$3.9M increase in revenues, which was a result of increases in all but one revenue category. Federal grants and contracts increased \$1.8M from \$8.1M to \$9.9M due to Pell grant increases, which comprise 66% of student tuition and fees. Capital contributions from the U.S. government increased \$1.4M, from \$943 thousand (K) to \$2.3M. Other revenues increased 108%, or \$904K, from \$841K to \$1.7M mainly due to a Memorandum of Agreement with the Department of Public Health and Social Services to provide training and technical assistance, and outreach support for child care providers.

After adjusting for bad debts of \$929K, tuition and fees of \$1.7M dropped to \$844K compared to \$1.6M in FY 2009. Bad debts allowance was not recognized in prior years. Tuition and fees represented just five percent of total revenues. GCC places heavy reliance on Government of Guam appropriations as it represents 49% of total revenues. Government of Guam appropriations increased five percent, from \$15.7M to \$16.5M. The next highest revenue source was from the federal government, representing 36% of which federal grants and contracts represents 29% and capital contributions represents 7%.

In FY 2010 the maximum federal full-time award per student per academic year increased from \$4,731 to \$5,350 as the American Recovery and Reinvestment Act (ARRA) has greatly assisted students who are struggling to go back to school. Combined with the increase in the maximum allowable Pell awards, GCC also suspended increases to its tuition rate of \$110 per credit resulting in marked increases in enrollment seats and headcounts. GCC also cited the decline in the global economy for the increase in post-secondary enrollment as prior trends has shown that people return to school to obtain degrees to get higher paying jobs during economic declines. In academic year 2010, student enrollment for post-secondary students increased by 568 students from 4,574 in academic year 2009 to 5,142.

Increase in Expenses

The increase in GCC's revenues of \$3.9M was offset by a \$2.8M increase in total expenses, which rose from \$26.7M in FY 2009 to \$29.4M in FY 2010. With the increase in student enrollment and federal funding, GCC hired adjunct instructors increasing instruction expenses by \$758K from \$9M to \$9.8M. GCC also incurred more equipment and supply costs resulting in the overall increase in expenditures. Scholarships and fellowships increased \$1.4M from \$3.5M to \$4.9M. Student services increased \$551K, from \$2.4M to \$3.0M. Other categories of expenses also increased but were offset by decreases in academic support and planning. Additionally, prior year cost of living allowances to retirees of \$574K was paid in FY 2010.

GCC has 227 full-time employees, 13 of whom are funded by federal grants excluding adjunct instructors hired to teach post-secondary courses. Full-time employees increased in FY 2010 by eight employees. As a result, total salaries and wages increased by \$414K from \$15M to \$15.4M.

Construction In Progress

The Learning Resource Center, which is the first Government of Guam Leadership in Energy and Environmental Design certified building, completed construction in December 2010 with a total construction and Architectural and Engineering (A&E) cost of \$4.5M. In September 2010, GCC awarded the ARRA funded Student Center project, for \$3.9M with A&E costs of \$365K. As of March 2011, the project is 20% complete and expected completion date is September 2011. GCC also recently awarded a \$3.9M contract for the hardening and renovation of the existing Foundation Building with A&E cost of \$352K. GCC continues to invest prior-year surpluses into capital improvement projects.

GCC Foundation

The GCC Foundation is a legally separate, private corporation that meets the criteria for reporting as a component unit of the College. The Foundation, audited by Deloitte and Touche, LLP, recorded an increase in net assets of \$499K, a 300% improvement from the prior year's negative \$250K. This increase resulted from gains in investment income and other additions which totaled \$937K in FY 2010 compared to \$114K in FY 2009.

Expenditures slightly increased by \$74K from \$364K to \$438K. The increase was due primarily to a \$362K transfer to GCC during the year, compared to \$253K in FY 2009. The Foundation had fundraising proceeds of \$301K, fundraising expenses of \$500, resulting in net proceeds of \$300K.

Report on Compliance and Management Letter

The Independent Auditor's Reports on Compliance and Internal Controls did not identify any deficiencies that were considered material weaknesses. A separate Management Letter identified three findings: (1) GCC implemented a new system in 2007 which a network penetration test should be performed; (2) pre-printed fixed asset tags for certain property equipment was not utilized; and (3) there was no centralized filing of journal entries made during the year. A separate document to the Board was also issued by the independent auditors outlining strategies, emphasis, required communication, audit deficiencies, and adjustments. For more details, refer to the Management Discussion and Analysis in the audit report at www.guamopa.org.