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Guam Visitors Bureau – Fiscal Year 2019 Financial Highlights

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Hagåtña, Guam – The Office of Public Accountability released the Guam Visitors Bureau (GVB) financial statements and report on compliance and internal controls, management letter, and letter to those charged with governance for fiscal year (FY) 2019. Independent auditors Deloitte & Touche, LLP rendered an unmodified (clean) opinion on GVB’s financial statements and identified six deficiencies in its internal control.

GVB closed FY 2019 with a decrease in net position (net loss) of \$2.6 million (M). This decreased GVB’s cumulative net position to \$11.6M, from GVB’s FY 2018 restated net position of \$14.2M. In FY 2019, GVB restated its FY 2018 financial statements to consolidate the Special Tourist Attraction Projects Fund with GVB’s financial statements as it was reported separately.

Success in Tourism Growth

GVB continues its efforts in promoting the Guam brand. FY 2019 marked a historical celebration for Guam with visitor arrivals equating to 1.6M visitors, the most in Guam’s history, resulting in \$45M into the Tourist Attraction Fund (TAF). In addition, visitor arrivals infused an estimated \$946.5M into the local economy.

GVB’s airline incentive program proved to be a success with the rise in seat capacity serving Guam’s leading source markets, Japan and South Korea. The South Korea market continues to be Guam’s number one source market with tourist arrivals amounting to 734 thousand (K) in FY 2019. These arrival numbers were achieved and maintained through close partnership and cooperation with Guam’s travel trade partners, GVB South Korea’s hardworking staff, and innovative projects. In FY 2019, Japan tourist arrivals increased by 25.4% to 665K. As a result, air seat capacity continued to grow with over 860K from the main gateways of Tokyo, Osaka, Fukuoka, and Nagoya, and an additional increase in 142K seats from other qualified air service providers.

Efforts in Enhancing Guam’s Tourist Experience

GVB works closely with other government of Guam (GovGuam) agencies and the private sector to enhance the image of our island. GVB entered various beautification projects to include island road maintenance, bus shelter maintenance, Tumon landscaping, sidewalk cleaning, holiday illumination projects, and the design and building of medians.

GVB’s programs in ensuring a safe and satisfying experience for Guam’s visitors include the Visitor Safety Office Program, Tour Guide Certification Program, Airport Ambassador Program, Welcome Service Program, and Hospitality Employees aRe Outstanding (HERO) Awards Program.

Overseas Marketing Activities

In FY 2019, GVB continued two key digital platform partnerships with TripAdvisor and Google to help promote #instaGuam and the Shop Guam campaign. Shop Guam’s year-end sales and

special offers promoted on a global scale garnered \$34.2M worth of publicity for Guam. GVB also increased its total social media following by 34% to 518K and continues to invest in other social media platforms. Through social media monitoring, GVB identified 22K international visitors who passionately promote Guam and recommend the destination to their online peers.

Revenues and Expenses

GVB's revenues are primarily appropriations from the TAF, funded by the Hotel Occupancy Tax (HOT). Although HOT and average room rates increased in FY 2019, GVB received total appropriations of \$22.3M, which decreased by \$4.7M in FY 2019.

GVB's operating expenses slightly increased by \$694K to \$26.4M in FY 2019. This increase was mainly due to increases in salaries of \$457K and miscellaneous expenses of \$2.5M. Increases in salaries were a result of increases in pension and Other Post-Employment Benefits (OPEB), while miscellaneous expense nearly doubled due to aggressive marketing in Japan through air service development programs, supporting charter flights, and sales campaigns. These increases were offset by a \$1.5M decrease in GVB's largest expense, professional services, as a result of the Japan Overseas market restructuring.

Other Post-Employment Benefits

GASB No. 75 pertains to post-employment benefits other than pensions. These benefits provided by GovGuam include medical, dental, and life insurance to retirees, spouses, children, and survivors. For FY 2019, GVB's proportionate share of GovGuam's OPEB liability of approximately \$1.9 billion amounted to \$5.3M or 0.28%. GVB's OPEB expenses for FY 2019 amounted to \$421K.

Outlook and Impact of COVID-19

GVB projects continued growth of arrivals to the island, but remains mindful of the global industry's fragile nature and sensitivity to global issues that may deter potential visitors from traveling to Guam at this time. Prior to the issuance of the FY 2019 GVB Financial Audit, the Governor declared a Public Health Emergency due to the COVID-19 outbreak. This pandemic severely impacted visitor arrivals and directly affected the TAF dollars, which GVB is a primary grant recipient. The overall financial impact of this unprecedented global crisis cannot be ascertained at this time. As a result, GVB placed a taskforce to address the issue and is working on a robust tourism industry recovery plan.

Report on Internal Control and Management Letter

The auditors did not identify any material weaknesses in GVB's report on internal control over financial reporting and compliance. However, the auditors issued a management letter that identified six deficiencies, including: (1) the lack of accounting for 38 receipts; (2) \$32K of in-kind donations not timely recorded and lack of acknowledgment for receipt of \$35K in in-kind donations; (3) \$716 for food and beverage expenditures not supported with receipts; (4) overstatement of accounts payable and expenditures by \$644K; (5) various professional services payments to advertising agencies totaling \$1.7M not supported by documented evidence; and (6) lack of Board approval available to support transactions in excess of \$1K and severance payments of \$362K to Japan personnel. Three of the six were repeat deficiencies from prior year audits.

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