

*Financial Statements, Required Supplementary
Information, and Supplementary and Other
Information*

Guam Visitors Bureau

(A Component Unit of the Government of Guam)

*Year Ended September 30, 2023
with Report of Independent Auditors*



Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Financial Statements, Required Supplementary Information, and
Supplementary and Other Information

Year Ended September 30, 2023

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Report of Independent Auditors

The Board of Directors
Guam Visitors Bureau

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Guam Visitors Bureau (GVB), a component unit of the Government of Guam, as of and for the years ended September 30, 2023, and the related notes to the financial statements, which collectively comprise GVB's basic financial statements, as listed in the table of contents ("collectively referred to as the basic financial statements").

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of GVB as of September 30, 2023, and the changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of GVB, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about GVB's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GVB's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about GVB's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 27 as well as the Schedule of Proportionate Share of the Net Pension Liability on pages 59 through 61, and the Schedule of Pension Contributions on page 62, the Schedule of Proportionate Share of the Total Collective Total OPEB Liability on page 63, and the Schedule of OPEB Contributions on page 64, be presented to supplement the basic financial statements. Such information, is the responsibility of management and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers

it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise GVB's basic financial statements. The supplementary information included in page 66 is presented for additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the Schedule of Employees and Salaries on page 66 but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2024 on our consideration of GVB's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of GVB's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GVB's internal control over financial reporting and compliance.

Ernst + Young LLP

May 8, 2024

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Management's Discussion and Analysis

Year Ended September 30, 2023

ABOUT THE GUAM VISITORS BUREAU

The Guam Visitors Bureau (GVB), a non-profit membership corporation, is the official tourism agency for the U.S. Territory of Guam. Among its responsibilities, GVB is charged with setting tourism policy and direction; developing and implementing Guam's tourism strategic and marketing plans; managing programs and activities that enhance and showcase Guam's people, place and culture in order to deliver an incomparable visitor experience; and coordinating tourism-related research, planning, events and outreach activities. GVB serves as a critical bridge linking government, the tourism industry, visitors and the local community, and aims to contribute successfully to a good quality of life for residents through tourism.

MANAGEMENT HIGHLIGHTS

Highlight Points

GVB entered FY2023 with a focus on the ongoing resurgence of Guam's tourism economy, centering its strategy on the outbound tourism market in Asia-Pacific and enhancement of the Guam destination experience. Particular focus was placed on capturing vital market share of outbound travel from key source markets in Japan and Korea, and investing in the revitalization of destination development programs that were halted due to funding constraints caused by the pandemic. With a goal to recapture 40% of pre-pandemic arrivals, GVB received support from the Government of Guam through sufficient appropriations, including an additional \$10 million in funding which were derived from surplus revenue from the Tourist Attraction Fund ("TAF"), a measurable achievement tracking our recovery forecast. In FY2023, GVB received 80% of all tax collections by the TAF, with an additional 9% expected to be received, a testament of the Government of Guam's commitment to support the revitalization of the island's tourism industry.

As part of its ongoing efforts to promote the Guam destination experience, GVB invested \$8.8 million to marketing campaigns in FY2023. GVB implemented strategic campaigns throughout its various source markets, with a keen focus in Japan and Korea, incorporating a combination of traditional and digital marketing. Marketing activities in Japan was boosted, particularly after the Japanese government lifted outbound travel restrictions in May 2023. A measurable achievement in Japan's FY2023 marketing activities is the increase in air service availability, with a combined total of 53 weekly flights as of September 2023. Marketing activities in Korea have remained robust, with Korean visitor arrivals constituting 60% of the total market share. Korea continued its successful marketing campaigns and included new programs to further boost exposure. Success of GVB's marketing campaigns is evidence in the increase of tourism arrivals, notably with Japan and Korea visitor arrivals increasing by 651.2% and 230.6%, respectively. Overall, total visitor arrivals for FY2023 were 602,594, or 3% below our pre-COVID forecast due to Typhoon Mawar.

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Management's Discussion and Analysis, continued

Enhancing the visitor experience is critical to achieve full recovery from the pandemic, and GVB's commitment is evident through its investment of \$6.9 million in FY2023 to programs that support this initiative. GVB's destination development programs shifted focus in 2023, with the resurgence of tourism arrivals providing the opportunity to restore pre-pandemic destination development services. Programs that were halted due to funding constraints such as the holiday illumination, firework displays, drone shows, and the visitor concierge program were restarted. More investments were also made to promote safety and increase visibility of security officers, particularly in highly visited areas throughout Tumon, Tumon beach, and Plaza de Espana. Improvement to the Guam destination experience is a continuous effort, and GVB looks forward to collaboration with the Government of Guam and private organizations to continue these programs in 2024 and onwards.

Based on first quarter trends, our arrivals forecast for FY2024 is estimated at 55.6% of pre-COVID numbers, or about 900,000 visitors. This guarded expectation, however, is facing headwinds from Japan such as weaker yen, higher cost of fuel adjustment surcharge, and the persistent consumer reluctance for overseas travel. The November 2023 report from Japan Tourism Authority revealed strong inbound travel matching pre-COVID volume but only 30% of pre-COVID volume traveling overseas (our market).

Some 2 million Koreans traveled to Japan last year buoyed by a strong Won-Yen relationship and this trend is likely to continue in the months ahead. Finally, Guam is increasingly disadvantaged by scale and cost of travel when competing for airlift with neighboring destinations in Asia having larger populations and lower cost in their destination value chain.

Various overall highlights of fiscal year 2023 are detailed as follows:

GVB continued its successful digital marketing campaigns, integrating digital advertisement, coupons and Web 3.0 technology to boost exposure and demand. In November 2022, over 100 Japanese influencers travelled to Guam and promoted the island through digital marketing platforms such as TikTok and Instagram.

In the South Korea market, GVB launched the digital ambassador program further highlighting Guam's unique culture. With South Korea as the current largest core market share in arrivals, GVB initiated marketing campaigns to increase exposure and diversity into new audiences with a keen focus on sports tourism and the senior market. This resulted in over 602,000 visitor arrivals in FY2023, a 178% increase from the prior year.

Through partnership with the Mayors Council of Guam, GVB restarted the Guam Island Fiesta Tour, an immersive experience bringing tourism and local together. The program began 10 years ago with a focus in sharing the village fiestas and culture to Guam's visitors. The grass-roots approach allows visitors to experience Guam at an intimate level and give the local communities the opportunity to share our CHamoru culture.

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Typhoon Mawar made landfall on May 25, 2023, becoming the first Category 4 typhoon to impact Guam in over 20 years. The typhoon's aftermath resulted in substantial damage to the island's infrastructure and businesses, including those vital to support the tourism value chain. GVB, in collaboration with several Government of Guam agencies, mobilized a workforce of approximately 200 volunteers, and dedicated over 140 hours toward cleanup/recovery efforts focused on the rapid restoration and reopening of public parks and beaches. GVB also aided over 4,000 stranded visitors impacted by the typhoon. Working with local tour agents, bus companies, hotels and industry partners, stranded visitors were provided with a sense of security and assisted with lodging, meals and transportation to medical facilities as they waited for return flights.

Recognizing the typhoon's negative impact, GVB launched the Tourism Assistance Program with the objective of mitigating further damages by providing financial aid to the island's tourism destination value chain. Overall, GVB issued \$2 million in financial aid to over 260 local businesses. As a result, the majority of businesses in Tumon and the island's tourism value chain restarted operations within two weeks after the typhoon. Tourism arrivals shortly followed, resulting in over 172,000 arrivals in the succeeding three months. The typhoon's damage was contained, and Guam is back on its recovery trajectory.

Business Risk Compliance and Control

The General Manager (GM) is the Bureau's chief administrator with primary responsibility for development, operation, maintenance, and administration of the Bureau's business affairs. The GM created the Business Risk Compliance and Control Committee (BRCC) to help oversee ultimate administrative responsibility on behalf of the Bureau. The BRCC provides oversight for the Bureau's corrective actions.

Corrective Action Planning is used by the BRCC as a control oversight of material risks to the Bureau. It identifies specific corporate, administrative, regulatory, legal, and compliance/control risks and assigns a level of materiality to them. Higher-level risks need ongoing monitoring and immediate corrective action. Lower-level risks are less so.

Individual matters undergoing Corrective Action Planning (such individual matters referred to herein as "CAPs") fall within the administrative oversight of the BRCC. Individual CAPs are formally designated for purposes of internal administrative review and disposition. CAPs, therefore, provide the bureau's position on identified risks, issues, and corrective action to be taken on them. As part of the planning process, CAPs schedule target dates for important milestones to controlling risks, including the date that a control over the identified risk is implemented. The BRCC assists the GM in his chief administrative officer role by creating continuing oversight of the Bureau's control over its CAPs.

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The BRCC does not play a direct role in the members' governance over issues, risks, or corrective action associated with director elections and the Board's bylaws. Any such undertaking is the membership's, within the corporate structure provided for in the enabling act. Corporate governance through GVB's bylaws and its board of directors begins and ends with the members. The enabling law permits members to meet to conduct membership business. That business includes elections of 4 Directors to the Board. Members are also authorized to adopt, amend, repeal, and enact bylaws. However, members may delegate this authority to a Board of Directors by a 2/3 vote.

Visitor Forecasts

Visitor Arrivals for FY2024 are projected to reach around 900,000 or about 56% of pre-pandemic levels. Korea is still expected to retain its place as the largest market in the recovery with around 70% of 2019 levels recaptured in 2024, while Japan and Taiwan are expected to lag behind with only 30% and 11% respectively. Seat capacity to Guam for FY2024 is recorded at 1.5M seats from all markets. This represents only 68% of the total seats to the island in 2019 (pre-pandemic). Total arrivals anticipate a load factor across all markets of around 59% of available seats to the island.

REVENUE

This section provides a comparative discussion of GVB's operating and non-operating revenues for the two-year period ended September 30, 2023. The significant accounting policies impacting revenue are detailed in Note 2 of the Notes to Financial Statements. Unless specified otherwise, comparisons noted are for the full fiscal year 2023 compared against the full fiscal year 2022.

Fiscal year ended September 30,	2023	2022	Change
Operating revenues	\$ 586,702	\$ 281,459	108%
Non-operating revenues (expenses):			
Grants-in-aid from Government of Guam	26,704,337	14,528,287	84%
Federal Contributions	26,922	5,919,554	-100%
In-kind contributions from members and others	230,534	802,368	-71%
Interest income	71,213	7,533	845%
Other non-operating expenses, net	(79,425)	(65,708)	21%
Total non-operating revenues, net	\$ 26,953,581	\$ 21,192,034	

Consumption Tax Refund

Revenue recorded as consumption tax refund represents the 10% tax refund on all eligible marketing expenditures incurred in Japan. With the assistance of GVB's Japan team, tax refunds documents are filed to the Japanese government for review. Once approved, the Japanese government issues a 10% cash refund on all eligible expenditures.

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In FY2023 consumption tax refunds increased by 193% from the prior year. This increase is expected and was driven by the resurgence of marketing activities in Japan, especially after outbound travel restrictions were lifted by the Japanese government in May 2023. As marketing activities continue to rise, consumption tax refunds are expected to follow suit. GVB has also initiated opportunities in other core markets such as South Korea to pursue consumption tax refunds, with initial filings to be submitted in FY2024.

Other Income

Other income increased by 18% from the prior year. This revenue stream includes tour guide certification fees, race fee collections from the Ko'Ko' Road Race, guidebook participation fees and booth participation fees. As GVB is a non-profit and semi-autonomous governmental entity, the purpose of this revenue is not to generate profit, but rather to offset the cost of its related activities.

Membership

Membership fees collections increased by 218% from the prior year. The increased revenue was driven by participation in the 2023 election for GVB's Board of Directors, with members paying a \$100 membership renewal fee to participate. The election, conducted every 2 years, naturally results in increased revenue, while non-election years see an opposite trend.

Grants-in-aid from Government of Guam

GVB's main revenue source is derived from legislative appropriations, recorded in the financial statements as Grants-in-aid from the Government of Guam. Total appropriations received in FY2023 was \$26,704,337, an 84% increase from the prior year. The appropriations consisted of \$5,814,293 received from the General Fund, \$13,119,254 received from the Tourist Attraction Fund normal appropriations, and \$7,770,790 received in excess appropriations from the Tourist Attraction Fund. The increased appropriation reflects the improvement in tourism arrivals, a driver of the financial viability of GVB and the Tourist Attraction Fund, with total arrivals increasing by 178% in FY2023.

Federal Contributions

Revenue from federal contributions decreased by approximately 100% from the prior year. Unlike the prior year, GVB did not receive new federal grants. Federal revenue in FY2023 reflects reimbursements received from the Federal Emergency Management Agency (FEMA) for eligible COVID-19 protective measures.

Expenditures

This section provides a comparative discussion of GVB's professional services expenditures for the two-year period ended September 30, 2023. Analysis on GVB's other expense line items are

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Management's Discussion and Analysis, continued

detailed in page 17. Unless specified otherwise, comparisons noted are for the full fiscal year 2023 compared against the full fiscal year 2022.

Professional services

Professional services have historically been the highest expense category and these expenses pertain to the cost of in-country marketing in various source markets and destination development projects. Professional services, however, does not reflect the total expenditures for marketing and destination development projects, as other related expenditures such as travel, materials, supplies and equipment are recorded in other expense categories within the financial statements.

Total professional services expenditure decreased by 23% from the prior year. The decrease was primarily driven by the timing of project implementation, with the impact of Typhoon Mawar and the delayed re-opening of Japanese outbound travel requiring GVB to re-strategize the timing of its marketing and destination projects. Projects affected by the forementioned events were implemented in the latter quarter of FY2023 and will continue into FY2024.

The following section provides further comparative discussion and analysis on GVB's professional services expenditures, with a particular focus on marketing activities in core source markets and notable destination development projects.

Professional Services			
year ended September 30,	2023	2022	Change
<i>Marketing</i>			
Japan	\$ 3,923,978	\$ 2,883,400	36%
Korea	3,009,280	3,998,183	-25%
Taiwan	577,687	852,927	-32%
Website Marketing	216,245	199,060	9%
Philippines	125,509	101,962	23%
Social Media Marketing	98,395	26,094	277%
New Market Development	-	238,456	-100%
Pacific Micronesia	-	6,320	-100%
	<u>7,951,094</u>	<u>8,306,402</u>	
<i>Destination Development</i>			
Destination Management	1,386,268	5,043,958	-73%
Visitor Safety	1,153,307	820,726	41%
Sports & Events	480,562	2,945	16218%
Culture & Branding	16,574	-	100%
	<u>3,036,711</u>	<u>5,867,629</u>	
<i>Others</i>			
Research	261,801	160,061	64%
Administration	21,948	214,744	-90%
Capital Improvements	-	92,000	-100%
	<u>283,749</u>	<u>466,805</u>	
Total	<u>\$ 11,271,554</u>	<u>\$ 14,640,836</u>	

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Management's Discussion and Analysis, continued

Professional Services - Marketing

GVB's marketing in FY2023 was focused on the continuing recovery of Guam's tourism economy. Marketing dollars were carefully planned based on travel conditions from each core market to maximize exposure of promotional and campaign efforts. Professional services - marketing includes heavy digital promotions in SNS platforms, cooperative support with the airlines to resume direct air service and/or increase capacity, as well as tie-ins with online and traditional travel agencies to boost FIT and group/MICE travels.

Global travel has resumed but post-pandemic travel attitudes are changing in that consumers are much savvier in their search for destinations offering that unique experience. Weakening currencies relative to the U.S. dollar play a dominant role for core markets when deciding which destination is most beneficial for travel. In FY2023, outbound travel within the Asia market shifted to Japan as boarder restrictions were further lifted, opening the country to receive tourism over 3 years since the pandemic lockdowns. Rising airfare cost is another factor for Guam's core markets, with other destinations such as Japan, Korea and Singapore capable of offering lower airfare. Guam must compete with this and therefore needs to elevate its marketing efforts and continue to work to deliver the promise to assure a culturally centric destination offering amazing experiences.

Professional Services - Japan

Professional services expenditures for Japan increased by 36% from the prior fiscal year. FY2023 was a year in which GVB took steps to revitalize arrivals from the Japanese market. Restrictions on overseas travel were lifted on May 8, 2023, and the country's travel associations worked together to revive overseas travel, with the Japan Tourism Agency and the Japan Association of Travel Agents ("JATA") holding press conferences and running campaigns. Guam is designated as a recommended overseas travel destination by JATA and became a promotional destination market consistently ranked among the top destinations for overseas travel and flight search by travel agents. This provides evidence of the effectiveness of digital marketing campaigns, which have been intensively implemented by GVB since FY2021.

Notable marketing activities in Japan include:

- 1) Promoting digitalization in Guam, utilizing digital coupons and Web 3.0 technology to create new demand and revenue streams, including the element of gamification in travel.
- 2) Building recognition and positioning of Guam as a trade focus and Group and MICE destination.
- 3) Over 100 influencers from Japan traveled to Guam with the purpose of promoting the island as the number 1 travel destination for post-COVID19 travel. The influencers also showcased Guam through their posts and promoted new attractions throughout the island. Overall, a total of 103 influencers engaged in the program and resulted in 40,290,493 in follower exposure.

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- 4) Here We Guam Road Show in Tokyo, Osaka and Nagoya to promote latest information on Guam, including the GOGOGUAM campaign. In Osaka, we also held an industry mixer, where we were able to create deep ties with travel agents in various regions and firmly promote our support system to strengthen sales. GVB members were also participants of the event, with notable participation by the Baldyga Group, Dusit Thani Guam Resort, T Galleria Guam by DFS, United Airlines and the Premier Hotel Group.
- 5) GVB held the GoGo! Guam Summer Press Event in April 2023 to promote summer travel. The event resulted in an estimated advertising value of ¥182,658,486 or \$1,369,048.
- 6) On May 2023, the Japan National Tourism Organization (JTA) and JATA have released the "Now is the Time to Travel Abroad Declaration" to promote overseas travel. GVB was present in the press conference to announce the declaration. Both press events were attended by many media outlets, including major TV stations, and was a great promotional opportunity for Guam.

These activities resulted in 97,823 Japanese visitor arrivals, a 651.2% increase from the previous fiscal year. Japanese visitors comprise 13% of total visitor arrival in Guam for FY2023.

Japan's overseas tourists is gradually returning despite the many barriers to travel, such as the weak yen, and rising airfares. The weak yen is expected to stabilize over time. Until then, the high cost of airfares is a significant factor, as UA dominates the market for travel between Japan and Guam at Narita, UA at KIX/NGO/ FUK at regional international airports. Although JAL flies to NRT, UA has a near monopoly on this market. The game changer will be the launch of new airlines, including LCCs. We will approach airlines in various countries, including Japan, Korea, Southeast Asia, the USA, and Hawaii, to strengthen Guam's aviation strategy.

Marketing activities will be continuously strengthened from FY2024 and onwards, with evolved communication to ensure demand development and reap the rewards. Aim to become the #1 overseas travel destination.

Professional Services - Korea

Professional services expenses for Korea decreased by 25% from the prior year. The decrease is primarily to due timing, with impacts of Typhoon Mawar delaying the implementation of certain projects to the latter half of FY2023 and early FY2024. Guam welcomed 602,594 Korean visitors in FY2023 which is a 178% increase from last year and 38.0% of pre-pandemic levels. South Korean arrivals accounted for 359,831 visitors, capturing the largest market share at 59.6%. Due to the support of our airline and travel trade partners, Korea's outbound numbers to Guam showed a marked recovery; 49.0% of pre-pandemic levels.

Notable marketing activities in Korea include:

- 1) In an effort to diversify the target markets, GVB Korea implemented successful projects such as the New Grey project to target the senior market and created a unique sports

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Management's Discussion and Analysis, continued

familiarization tour covering the areas of cycling, scuba diving, yoga and other engaging activities of interest to further develop a growing sports market.

- 2) For social media and digital marketing efforts, GVB Korea launched the Guam digital ambassador program, further highlighting Guam's unique culture, delicious cuisine, natural beauty and diverse activities in authentic user generated content. With this project, more than 1.8k photos and 103 video assets were delivered to GVB Korea for marketing purposes.
- 3) GVB signed a memorandum of understanding with CHA University & Hospital, Baekseok University, and Jeju Tourism Organization for market development and to exchange market insight and experiences. GVB later invited the partners to Guam, wherein the respective management and university students were able to experience Guam and engage in deeper discussion about future initiatives.
- 4) Korean Air, Jin Air, Jeju Air, and T'way continue to operate Guam routes and as of FY2023, a total of 484,702 seats have been provided out of Incheon and Busan. Korean Air (KE) provided 124,879 seats from Incheon, Jin Air (LJ) provided 141,312 seats from Incheon and 56,889 seats from Busan, Jeju Air (7C) provided 119,826 seats from Incheon and 35,910 seats from Busan, and T'way (TW) provided 56,889 seats from Incheon.

Professional Services - Taiwan

FY2023 professional services expenses in Taiwan decreased by 32% decrease from the prior year. At the onset of FY2023, the Taiwanese travel industry faced significant hurdles due to the far-reaching effects of the COVID-19 pandemic.

Notable marketing activities in Taiwan include:

- 1) Successfully organizing two familiarization tours to Guam in July and August, encompassing a KOL familiarization trip along with media representatives from both television and online platforms.
- 2) Raise consumer awareness and prepare for the eventual reopening of international travel, GTO actively participated in various trade shows, including the Taipei International Travel Fair (ITF), Taipei International Winter Travel Expo (TIWTE), Taipei Travel Expo (TTE), and Taiwan International Tourism Expo (TITE). During these events, GVB collected an impressive total of over 4,000 surveys from attendees. To draw more visitors to our booth and introduce them to Guam, we conducted on-site lucky draw events on weekends.
- 3) Due to the challenges posed by the COVID-19 pandemic, direct flights from Taiwan to Guam were unavailable. In response, GTO made diligent efforts to facilitate charter flights between Taipei (TPE) and Guam (GUM) through travel agencies. During the Chinese New Year (CNY) period, we successfully organized four charter flights operated by Spunk Tour, Phoenix Tour, and Lion Travel. To incentivize consumer interest and boost sales, we

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provided activity vouchers, resulting in the participation of over 700 passengers during CNY.

- 4) Additionally, Lion Travel played a significant role by arranging 31 charter flights from April to July. Unfortunately, six of these charter flights had to be canceled due to the impact of Typhoon Mawar. Nonetheless, a substantial number of more than 3,000 travelers were able to journey to Guam through Lion Travel's charter flight services, demonstrating the resilience and dedication of both GTO and its partners in promoting travel to Guam during challenging times.

Total visitor arrivals from the Taiwanese market was 5,371 in FY2023, a 1,170% increase from prior year. GVB continues to invest in marketing campaigns in Taiwan, with the expectation that direct flights will resume in FY2024.

Professional Services - Philippines

FY2023 expenditures related to Philippine marketing increased by 23% from the prior year. In the dynamic realm of global tourism, GVB Philippines has consistently showcased its commitment to innovation, collaboration, and strategic vision. Over the past seven months, the organization has embarked on a myriad of initiatives that emphasize its dedication to positioning Guam as a top-tier travel destination.

Notable marketing activities in Philippines include:

- 1) Airlines collaborations with United Airlines and Philippine Airlines play a crucial role in ensuring seamless communication and coordination, enhancing the travel experience for visitors to Guam. GVB Philippines has maintained a proactive engagement with Philippine Airlines, especially in addressing challenges like the impact of Typhoon Mawar on flight schedules. This collaboration ensures that both tourists and residents have consistent and reliable flight options between the Philippines and Guam.
- 2) GVB Philippines has forged strong ties with these entities. The joint efforts for the 1st Travel Sale Expo 2023 and Global Tourism Conference Trade Fair emphasize the organization's dedication to enhancing Guam's presence in major travel events. The dialogue with Klik 'n Fly Travel and Tours further underscores the commitment to fostering meaningful partnerships in the travel sector.
- 3) The recent visit of GVB President Carl Gutierrez to Manila was monumental. His engagements with leaders of the House of Representatives and Senate of the Philippines aimed to advocate for a resolution urging the Philippine National Government to request a visa waiver for Filipinos wishing to enter Guam.
- 4) GVB Philippines made a significant impact at the Global Tourism Conference Trade Fair, 1st Travel Sale Expo 2023, and the International Travel Tour Expo (ITTE) last February. These platforms provided opportunities for networking, brand enhancement, and industry insights, ensuring that Guam remains a top choice for travelers and industry stakeholders.

Guam Visitors Bureau
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Management's Discussion and Analysis, continued

- 5) GVB Philippines has been proactive in leveraging the power of social media to promote Guam as a premier travel destination. Through targeted campaigns, engaging content, and regular updates, the organization has successfully reached a broader audience, driving interest and engagement. Collaborations with influencers, hosting virtual events, and sharing user-generated content have further amplified Guam's digital footprint. These efforts not only enhance brand visibility but also foster a sense of community among followers, making them ambassadors of Guam's tourism appeal.
- 6) GVB Philippines, through its strategic collaborations, high-level engagements, knowledge-sharing forums, and active event participation, has set the gold standard in the tourism sector over the past seven months. As the organization looks ahead, it is poised to continue its journey of elevating Guam's stature in the global travel and tourism arena.

Professional Services - Destination Management

The Destination Management division of the Guam Visitors Bureau each year is tasked to enhance the Guam visitor experience while also helping to improve the quality of life for our island residents. In 2023, the Bureau continued to service the island community and its vital tourism industry through the maintenance and upkeep of Guam's tourism infrastructure and resources throughout the island.

Professional services expenditure for Destination Management decreased by 73% from the prior year. The main driver of the decrease is due to isolated expenditures in FY2022 for COVID-related programs such as PCR testing.

Notable FY2023 programs include:

- GVB's annual holiday illumination display.
- Beach-cleaning maintenance of Hagåtña and Tumon Bay.
- Village metal signs along southern villages to promote tourism.
- Tumon landscape maintenance.
- Tumon streetlights.

The Destination Management division of the Guam Visitors Bureau each year is tasked to enhance the Guam visitor experience while also helping to improve the quality of life for our island residents.

In 2023, the Bureau continued to service the island community and its vital tourism industry through the maintenance and upkeep of Guam's tourism infrastructure and resources throughout the island.

The Guam Visitors Bureau's annual beach-cleaning maintenance of Hagåtña and Tumon Bay recorded major improvements in 2023 despite suffering beach & coastal shore damage in Hagåtña and Tumon Bay caused by Typhoon Mawar.

Guam Visitors Bureau
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Management's Discussion and Analysis, continued

The Bureau was able to quickly amass community support to restore Governor Joseph Flores Memorial Park (Ypao Beach) and Matapang Beach, two of the islands coveted and popularly frequented beaches.

The Bureau's road maintenance and upkeep of Rt. 1 (Dededo Flea Market to Naval Station), Rt. 2A and 2 (Naval Station to Cetti Bay), Rt. 16 (Rt. 1 to Harmon McDonald's), Rt. 4 (Rt. 1-Chalan Laman, Inarajan) and Rt. 34 (Two Lovers Point) continued in 2023. The road maintenance program consists of trash collection, grass cutting, scraping, edging and trimming as primary responsibilities and services.

The reintroduction of the Guam Visitors Bureau's Holiday Illumination program continued to bring great joy to the local community and visitors alike in 2023. Once again, the program provided much needed holiday spirit in the island capitol city of Hagåtña and tourism district of Tumon as the event coincided with Christmas themed activities and events held though out the month of December.

Professional Services - Visitor Safety

Professional service related to GVB's visitor safety program increased by 41% from the prior year. The increase was driven by the revival of the GVB concierge program in May 2023. The program provides visitor comfort through a 24-hour hotline available for various needs, including emergency circumstances, with call agents capable of speaking English, Japanese and Korean. The program was first available in FY2019 but was halted due to the pandemic and funding restrictions.

Other notable expenses related to the visitor safety officer contract for Tumon and Plaza de Espana. The Visitor Safety Officer (VSO) program was established in 2014 to provide the presence of concierge and safety to the foot traffic of Tumon, our tourism district. Throughout the years, the program has seen great success in perpetuating the Håfa Adai spirit to both residents and visitors while also serving as a crime deterrent.

The VSO program is a community program that serves to uphold Guam's reputation as a safe and family friendly destination. The VSOs work to support the efforts of the Guam Police Department and the Department of Parks & Recreation's Park Patrol unit. In FY2023, the VSOs assisted in over 78,800 safety and security incidents. The program prides itself in the VSO's level of professionalism with many VSOs upholding skillsets that range from customer service, tourism relations, military and law enforcement training. They are frontline Håfa Adai ambassadors who demonstrate our island's renowned spirit of hospitality through their presence as demonstrated by over 207,600 recorded community advisory and assistance in FY2023.

The Visitor Concierge Program was conceptualized to provide a support system offering visitors care, communication and resources necessary to navigate them through difficult periods. The program's assistance includes but is not limited to assisting with translation services, interpretation services and assisting visitors who have been victimized by crime. The program remains a key vital communication tool that reinforces Guam as a safe destination.

Guam Visitors Bureau
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Management's Discussion and Analysis, continued

Professional Services - Sports & Events

Professional services related to sports and events total increased by 16,218% from the prior year. The increase was driven by the resumption of programs that were previously halted due to the pandemic. Such programs include New Year's Day and Liberation Day drone shows, fireworks, and the Ko'Ko Road Race.

FY2023 recorded the revival of the Guam Ko'ko' Road race. The GVB signature event resurfaced once again with the popular family-fun-filled Ko'ko' Kids events held Saturday April 15th and the 10 Kilometer run held the day after on April 16th.

The Guam Ko'ko' Road Race is Guam's elite running event, so named to raise awareness of the plight of Guam's territorial bird, the Guam rail or commonly known as the Ko'ko'. A flightless bird endemic to Guam, the Ko'ko' population was decimated to near extinction by the brown tree snake, pesticides and other introduced detractors. Efforts to save the Ko'ko' from extinction are ongoing and public awareness and community involvement inspired by events such as the Guam Ko'ko' Road Race and the Guam Ko'ko' Kids Fun Run have made a remarkable impact.

A signature visitor attraction, the race was first held in 2006. However, due to the COVID-19 Pandemic the event was postponed and recently resurrected in 2023.

EXPENDITURES

The following provides a comparative discussion and analysis of GVB's expenditures for the two-year period ended September 30, 2023. Detailed discussion on professional services are included in page 10 to 17 and therefore not repeated.

Fiscal year ended September 30,	2023	2022	Change
Expenses:			
Professional services	\$ 11,271,554	\$ 14,640,836	-23%
Personnel	4,050,172	3,165,813	28%
Grants and sponsorships	3,241,738	371,220	773%
Travel	510,444	226,906	125%
Amortization & Depreciation	495,440	188,941	162%
Miscellaneous	466,590	390,902	19%
Equipment	352,498	114,570	208%
Repairs and maintenance	258,915	27,154	854%
Promotional in-kind contributions	230,534	802,368	-71%
Materials and supplies	218,327	143,360	52%
Utilities	152,940	117,711	30%
Rent/lease	52,081	166,738	-69%
Foreign currency loss (gain)	26,159	23,344	12%
Advertising	23,598	17,453	35%
Printing	17,984	13,473	33%
Total operating expenses	\$ 21,368,974	\$ 20,410,789	

Guam Visitors Bureau
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Management's Discussion and Analysis, continued

Personnel

Personnel expenditures represents salaries and fringe benefits for GVB's 58 personnel in FY2023. Personnel expenditure increased by 28% from the prior year. The increase was driven by the implementation of the new GVB compensation model which updated salaries for all classified employees to be in line with the 20th percentile of industry average for comparable positions within visitor bureaus in the United States.

Grants and sponsorship

Grants and sponsorships in FY2023 increased by 773% from the prior year. Notable grants include the Tourism Assistance Program, a grant program launched to address the immediate financial impact of Typhoon Mawar to Guam's tourism value chain. The Tourism Assistance Program, aimed to provide up to \$25,000 to small sized tourism-related business, distributed funds to over 260 local establishment impacted by the typhoon. A total of \$2 million was expended for the assistance program.

GVB Cultural and Sports Ambassador Program Grant

In 2023 approximately 28 separate entities were granted funding support for the Bureau's Cultural and Sports Ambassador Program.

The program provided opportunities for sports and cultural ambassadors to promote Guam's rich and unique culture abroad with the goal to raise awareness and educate other communities of our island paradise as a safe, clean, and pleasant destination of choice.

The program also provides opportunities for ambassadors to achieve national and international media recognition and exposure; attract visitors to Guam; provide residents with opportunities to attend and participate in approved sports and cultural activities abroad, which add to Guam's quality of life and generates public relations marketing value toward key markets and increases diversification value.

Promotional in-kind contributions

In-kind contributions decreased by 71% in FY2023. This decrease was expected as GVB experienced an increase in cash flow and appropriations, minimizing the need to seek donations from local businesses.

Miscellaneous

Miscellaneous expenditures for FY2023 increased by 19% from the prior year. These expenditures include cost for various marketing events held in Guam and the United States, trade booths, insurance premiums, postal services, dues and memberships to professional organizations and fuel. The increase was driven by renewal of dues and membership fees to trade and travel organizations which were halted in previous years due to the pandemic and funding constraints.

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Management's Discussion and Analysis, continued

Travel

Travel for FY2023 increased by 125% increase from the prior year. As Guam's governmental agency tasked with promoting tourism, GVB conducts frequent travel to core markets for the purpose of increasing tourism arrivals, conducting formal meetings with key stakeholders, and developing new markets. Expenditures in FY2022 are not representative of GVB's average cost as travel restrictions, primarily in core markets within Asia, heavily reduced activity. Note that travel expenditures prior to the pandemic, particularly in FY2019 and FY2018 were \$711,305 and \$844,689, respectively.

Amortization & Depreciation

Expenditures for amortization and depreciation for FY2023 increased by 162% from the prior year. The increase is due to the implementation of Governmental Accounting Standards Board ("GASB") Statement No. 96 which requires capitalization of subscription-based information technology agreements and amortization throughout the term of the agreement. Amortization related to GASB Statement No. 96 was \$240,808 in FY2023.

Rent/Lease

Rent expenditures decreased by 69% due to the relocation of GVB's Japan office from Ginza, Tokyo to Nihonbashi, Tokyo. The relocation was intended as a cost savings strategy, enabling more funds to be directed to Japan marketing activities. This strategy was implemented successfully, resulting in cost savings without negative impact to office efficiency.

Materials & Supplies

Expenditures related to the purchase of materials and supplies increased by 52%. This was driven by the increased marketing activities and the need for items to support those campaigns. Other drivers include the increased projects for destination development such as the beach clean-ups and beautification projects.

Utilities

Utilities expenditures for FY2023 increased by 30% increase from prior year. These costs include electricity, water and telephone bills used by GVB in its normal course of business. The increase was driven by higher utility rates in FY2023.

Equipment

Expenditures related to equipment purchases in FY2023 increased by 208% from the prior year. The increase was driven by purchases of equipment to support destination development projects, notably within Tumon, replacement of aged computer equipment, and purchase of computer software within GVB's main office.

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Management's Discussion and Analysis, continued

Repairs & Maintenance

Expenditures related to repairs and maintenance increased by 854% increase from the prior year. Drivers include participation of the government's adopt-a-park program, with GVB adopting Triangle Park in Agana Heights and investing in beautification projects to promote the park to tourists and residents. Other drivers include repair expenditures for damage sustained in GVB's main office during Typhoon Mawar.

Foreign currency loss (gain)

GVB holds bank accounts in Guam, Japan and Korea, with some accounts denominated in Japanese Yen and Korean Won. Transacting with accounts denominated in foreign currencies subjects GVB to foreign currency translation as it conducts its normal course of business. Fluctuation in exchange rates is beyond the control of GVB, and it has been determined that the benefits of transacting in foreign currencies outweigh its cost. In FY2023, foreign currency translation loss increased by 12% from the prior year.

Advertising

Advertising expenditure increased by 35% from the prior year. The increase was driven by the increased frequency of GVB official meetings and procurement bids, as Guam law mandates for these events to be published in a local printed newspaper.

Printing

Printing expenditure increased by 33% increase from the prior year. This was driven by the increased marketing activities, primarily with the printing of GVB business cards in various languages to include English, Japanese and Korean.

ASSETS & DEFERRED OUTFLOWS OF RESOURCES

This section provides a comparative discussion of GVB's assets and deferred outflows of resources for the two-year period ended September 30, 2023. The significant accounting policies impacting assets are detailed in Note 2 of the Notes to Financial Statements. Unless specified otherwise, comparisons noted are for the full fiscal year 2023 compared against the full fiscal year 2022.

Guam Visitors Bureau
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Management's Discussion and Analysis, continued

Statement of Net Position
September 30, 2023 and 2022

Fiscal year ended September 30,	2023	2022	Change
<u>ASSETS</u>			
Current assets	\$ 23,061,616	\$ 16,292,172	42%
Security deposit	45,078	178,308	-75%
Cash - restricted	14,768,765	14,703,764	0%
Capital assets	7,021,336	6,489,602	8%
Total assets	<u>\$ 44,896,795</u>	<u>\$ 37,663,846</u>	
Deferred outflows of resources:	3,422,171	2,823,364	21%
Total	<u>\$ 48,318,966</u>	<u>\$ 40,487,210</u>	

Current Assets

Current assets increased by 42% from prior year and was driven by the timing of excess TAF funds received by the Bureau as part of a provision in P.L. 36-107 Chapter XIII, Section 11. GVB will make full use of these funds, giving due consideration to the nature of marketing and destination projects which necessitate thorough planning and execution to ensure that funds are maximized.

Security Deposit

Security deposit decreased by 75% and was driven by the relocation of GVB Japan's office location from Ginza, Tokyo to Nihonbashi, Tokyo in FY2023. Japanese real-estate laws require for a security deposit equivalent to three months of rent. The relocation to Nihonbashi resulted in cost savings and reduced security deposit. This was achieved without impacting the efficiency of the Japan office.

Cash – Restricted

Restricted cash primarily reflects the balance of the Coronavirus State and Local Fiscal Recovery Fund. GVB did not incur expenditures for the grant in FY2023. As required by Governmental Accounting Standard Board ("GASB"), these monies are recorded as Cash – Restricted and Advances from Grantor - Restricted. Other notable restricted cash balances are detailed in Note 12.

Capital Assets - Nondepreciable

Amount recorded for capital assets – nondepreciable represents the value of GVB's main office location in Tumon. The land was granted to GVB under public law and is used to house GVB's main office, employee parking lot, and equipment storage.

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Management's Discussion and Analysis, continued

Capital assets – Net of Accumulated Amortization & Depreciation

Capital assets net of accumulated amortization and depreciation increased by 8% and driven by the implementation of GASB 96, which requires GVB to record the value of subscription-based information technology agreements. In accordance with GASB requirements, GVB recorded the total cost for two (2) contracts which met the criteria for recognition.

Deferred Outflow of Resources

Deferred outflow of resources from other post-employment benefits (“OPEB”) and pension represent GVB’s future value, based on a third party actuarial valuations, of plan assets. These valuations include retirees’ health and life insurance and pension plan assets of the GovGuam Defined Benefit and Defined Contribution Retirement System Plan. Please refer to Note 6 and 7 of the Notes to Financial Statements for more information regarding OPEB and pension.

LIABILITIES & NET POSITION

This section provides a comparative discussion of GVB’s liabilities, deferred inflows of resources and net position for the two-year period ended September 30, 2023. The significant accounting policies impacting assets are detailed in note 2 of the Notes to Financial Statements. Unless specified otherwise, comparisons noted are for the full fiscal year 2023 compared against the full fiscal year 2022.

Statement of Net Position
September 30, 2023 and 2022

Fiscal year ended September 30,	2023	2022	Change
<u>LIABILITIES & NET POSITION</u>			
Current liabilities	\$ 3,638,513	\$ 3,244,862	12%
OPEB liability	5,483,000	7,323,969	-25%
Net pension liability	5,987,362	4,022,867	49%
Advances from grantor - restricted	14,525,279	14,525,279	0%
Pass through appropriations payable - restricted	65,001	-	100%
Accrued sick leave	141,344	57,257	147%
Lease liability - net of current portion	26,844	51,595	-48%
Subscription liability - net of current portion	354,447	-	100%
Total liabilities	<u>\$ 30,221,790</u>	<u>\$ 29,225,829</u>	
Deferred inflows of resources	<u>3,154,187</u>	<u>2,489,701</u>	
Net position:			
Net investments in capital assets	7,021,336	6,489,602	8%
Restricted - expendable	247,304	346,786	-29%
Unrestricted	7,674,349	1,935,292	297%
Total net position	<u>\$ 14,942,989</u>	<u>\$ 8,771,680</u>	
Total	<u>\$ 48,318,966</u>	<u>\$ 40,487,210</u>	

Guam Visitors Bureau
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Management's Discussion and Analysis, continued

Current Liabilities

Current liabilities increased by 12% from prior year and was driven by the implementation of GASB 96 and the recognition of \$238,381 for current subscription liability as of fiscal year end 2023. Other items contained in current liabilities include accounts payable, accrued annual leave and current portion of lease liability. GVB's accounts payable saw minimal change with a decrease of 1% as vendor invoices are paid within 30 days after verification.

Advances from Grantor – Restricted

Advances from Grantor – Restricted reflects the unexpended balance of the Coronavirus State and Local Fiscal Recovery Fund. GVB did not incur expenditures for the grant in FY2023. As required by GASB, the unexpended balance is recorded as Cash – Restricted and Advances from Grantor - Restricted.

Accrued Sick Leave

Accrued sick leave increased by 147% and was driven by fewer leave hours taken in FY2023. The liability represents the estimated 50% sick leave payout as required under the Government of Guam Defined Contribution Retirement System Plan. Employees under the plan are eligible to receive a one-half lump sum payment of their total accumulated sick leave balance upon retirement.

Lease Liability – Net of Current Portion

This liability reflects the non-current portion of GASB 87 lease liability. Please refer to Note 10 of the Notes to Financial Statements for the lease liability summary of changes.

Subscription Liability – Net of Current Portion

The non-current portion of the subscription liability increased by 100% and driven by the implementation of GASB 96, which requires GVB to record the value of subscription-based information technology agreements. In accordance with GASB requirements, GVB recorded the total cost for two (2) contracts which met the criteria for recognition. Please refer to Note 9 of the Notes to Financial Statements for more information regarding the subscription liability and schedule of payments.

Deferred Inflows of Resources

Deferred inflow of resources from OPEB and pension represent GVB's future expenditures as calculated by third party actuarial valuations. These valuations include the future cost to fund retirees' health and life insurance and pension plans for employees and retiree's under the GovGuam Defined Benefit and Defined Contribution Retirement System Plan. Please refer to Note 6 and 7 of the Notes to Financial Statements for more information regarding OPEB and pension.

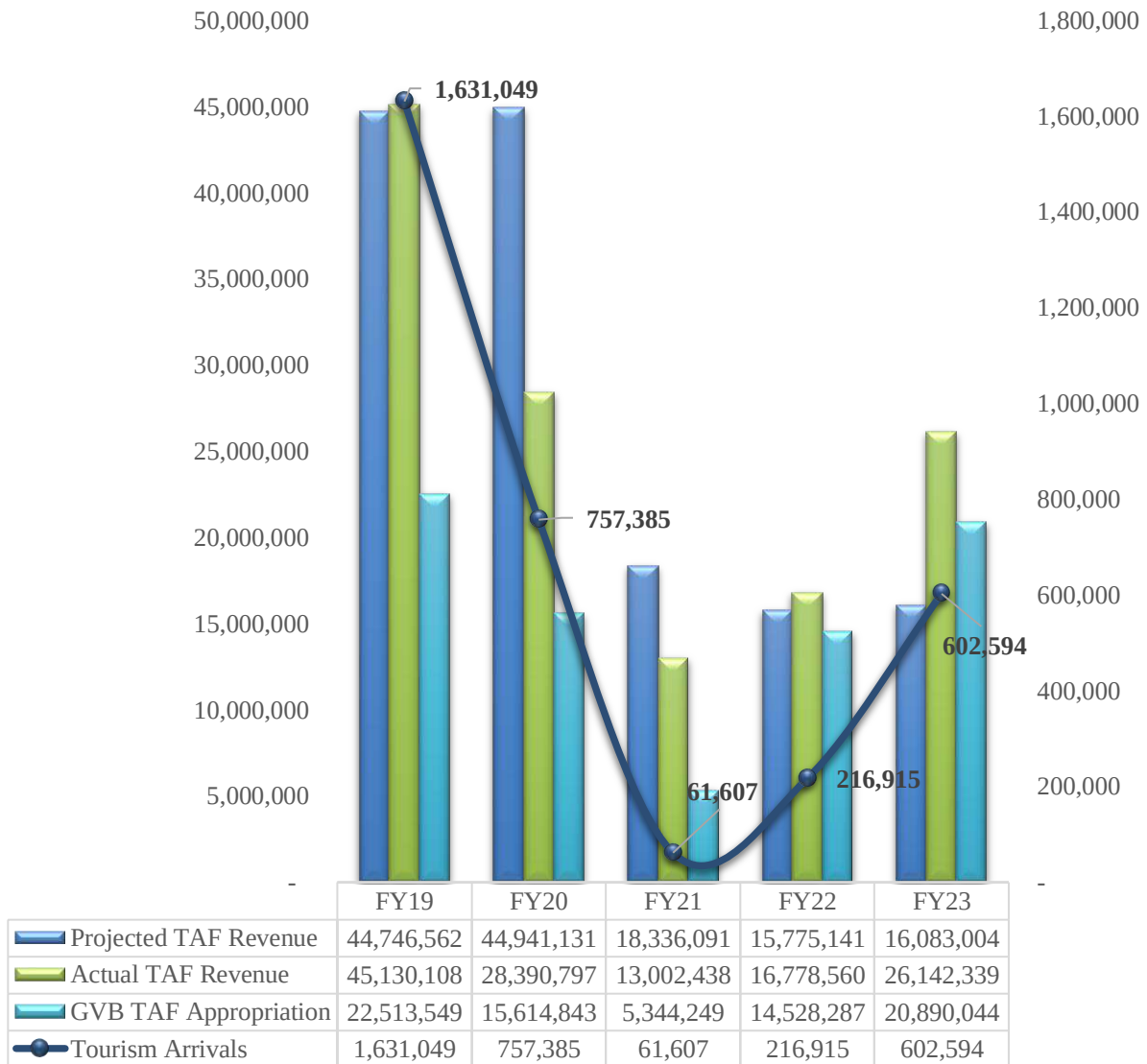
Guam Visitors Bureau
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Management's Discussion and Analysis, continued

OTHER FINANCIAL HIGHLIGHTS

Tourist Attraction Fund & Visitor Arrivals

The chart below displays the correlating movement between TAF revenue, GVB appropriations derived from the TAF, and tourism arrivals.



The Bureau's financial position is dependent on appropriations from the Government of Guam, which are recorded in the financial statements as Grants-in-aid from the Government of Guam. Historical data indicate that the Bureau's annual appropriation is correlated with the success of tourism arrivals and tax collections of the Tourist Attraction Fund. The Tourist Attraction Fund is financed by the 11% hotel occupancy tax, a statutory mandated excise tax on transient occupants of a room in hotels, lodging houses or similar facilities in Guam.

Guam Visitors Bureau
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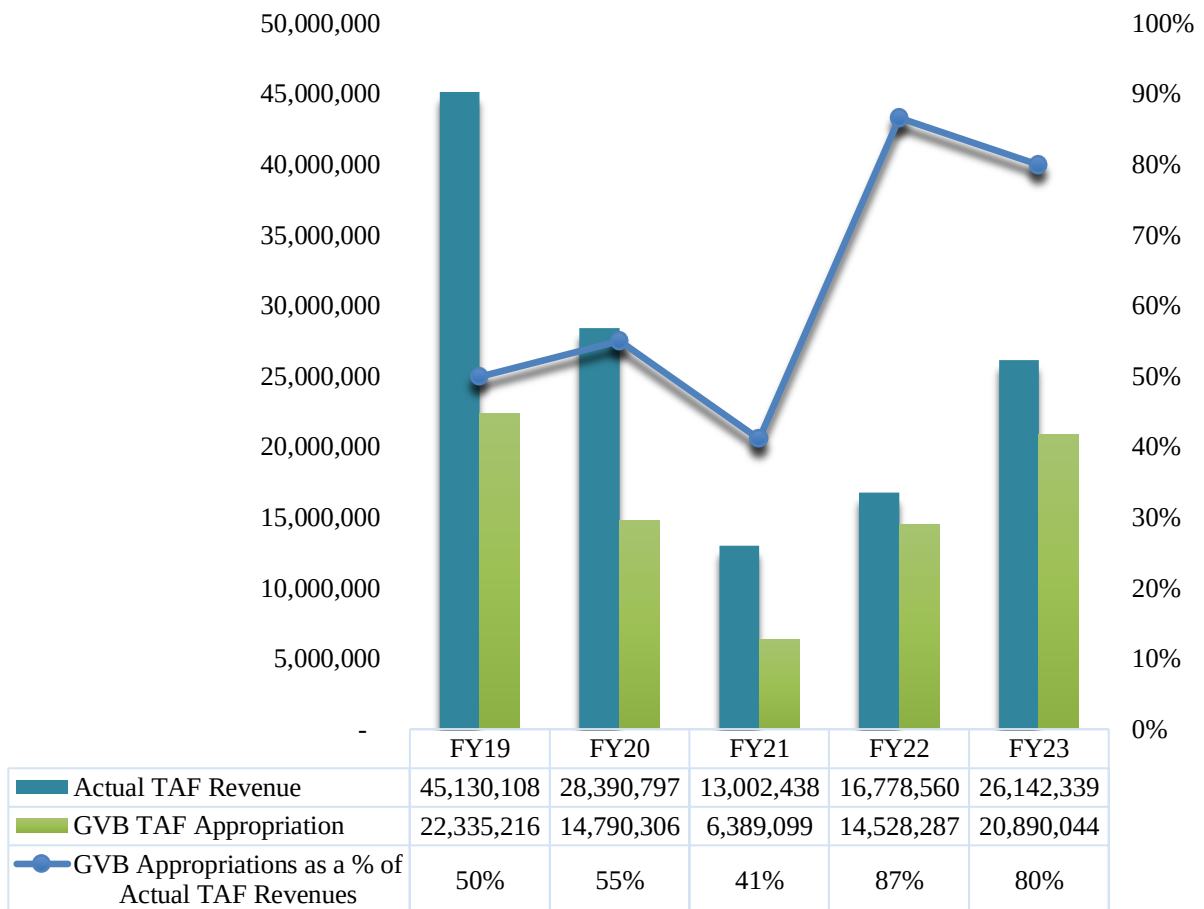
Management's Discussion and Analysis, continued

Total tourism arrivals for FY2023 were 602,594, an increase of 178% from the prior fiscal year. This resulted in a favorable year for both GVB and the Tourist Attraction Fund, with TAF tax collections of \$26.1 million far exceeding projections. Of this amount, GVB received \$20.9 million in appropriations, an increase of 44% from the prior fiscal year.

While GVB experienced an increase in appropriations, it is important to highlight that \$6.8 million, or 30% of the appropriations, was received in the final three months of FY2023 and \$4 million was pending collection as of September 30, 2023. The timing of collections led to an increase in cash and receivable balances at fiscal year-end. Plans have been put in place by GVB to make full use of these funds in FY2024.

GVB Appropriation As A Percentage of TAF Revenue

The chart below displays the levels of TAF revenue, GVB appropriations from the TAF, and the percentage of GVB appropriations when compared to the total TAF revenue.



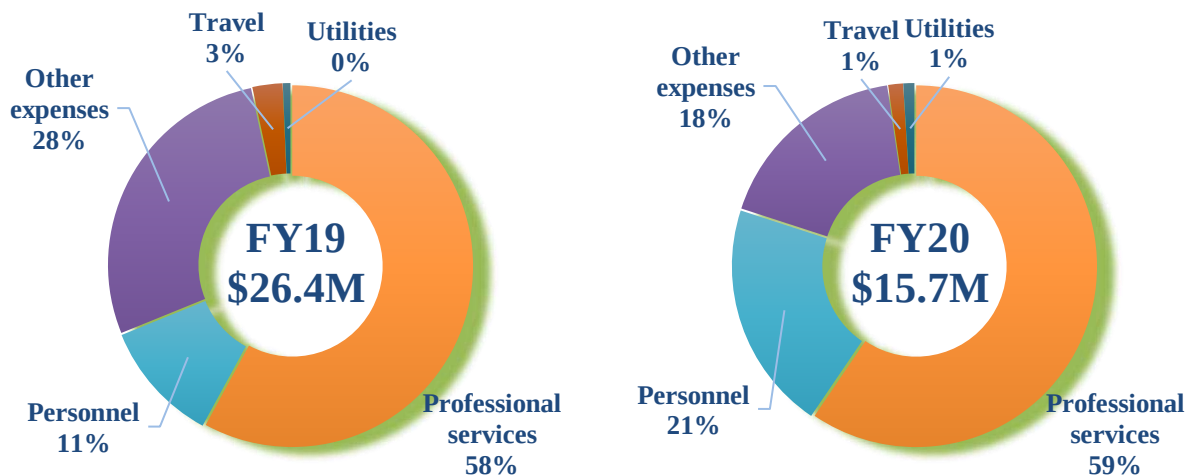
Guam Visitors Bureau
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Management's Discussion and Analysis, continued

GVB continues to move forward and aid in the recovery of Guam's tourism economy. The lingering impacts of the COVID-19 impact, exacerbated by global inflation, weakening currencies within core markets, and rising airfare cost, continue to prolong Guam's recovery period. Despite this, GVB, in collaboration with the Government of Guam, is committed to regaining pre-pandemic arrival numbers. This commitment is evident in the financial support provided by the Government of Guam to allocate 80% and 87% of the Tourist Attraction Funds annual collection for FY2023 and FY2022, respectively, to support GVB's destination development and marketing efforts.

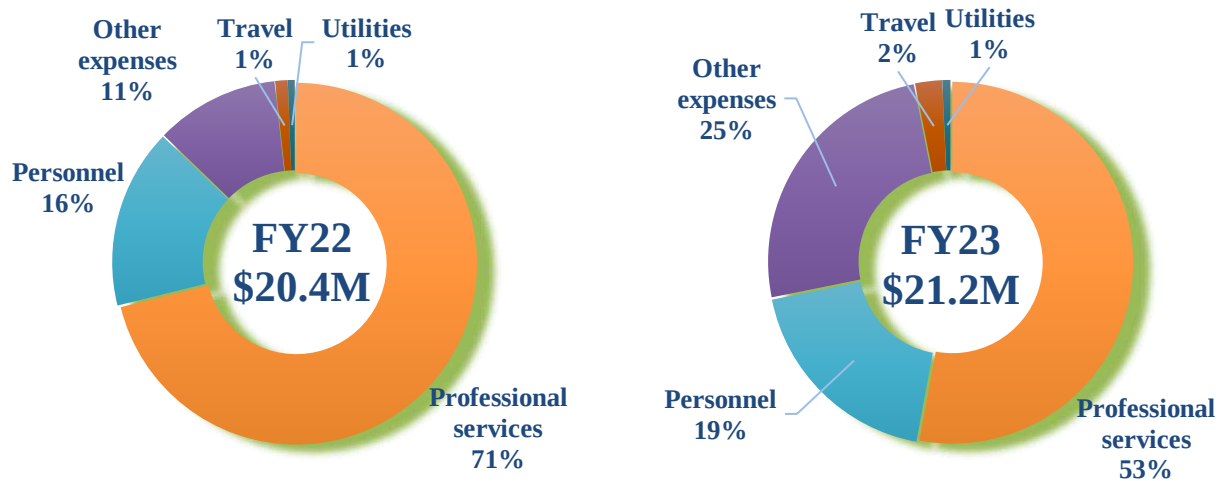
GVB Fiscal Year Expenditures Allocation

The chart below illustrates the distribution of expenses for the current and previous fiscal years. Data for FY2021 is omitted as expenditures were significantly reduced due to the pandemic.



Guam Visitors Bureau
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Management's Discussion and Analysis, continued



In FY2023, the Bureau invested \$11.2M, or 53% of total FY2023 expenditures, on marketing initiatives and destination development projects. Recorded as professional services, these expenses are aimed on strategic marketing campaigns to bolster exposure in core markets, primarily in South Korea and Japan, and continue the enhancement and beautification of Guam for visitors and local residents to enjoy. While the full benefits of these projects and initiatives are not expected to be realized until the upcoming fiscal years, the Bureau believes that the investment made will result in Guam reaching pre-pandemic visitor arrivals and provide a lasting destination experience for both visitors and residents.

CAPITAL ASSETS AND LONG-TERM DEBT

The Bureau is not capital intensive. Other than the replacement of a 150kw generator unit damaged by Typhoon Mawar, significant capital asset activity did not occur in fiscal year 2023 or 2022. For additional information regarding capital assets, please refer to Note 5 of the Financial Statements.

Additionally, the Bureau has no long-term borrowings.

Management's Discussion and Analysis for the year ended September 30, 2023 is set forth in GVB's report on the audit of the financial statements, and that Discussion and Analysis explain the major factors impacting the 2023 financial statements and can be viewed at the Office of the Public Auditor's website at <https://www.opaguam.org/reports-audits/financial-audits?page=2>.

Guam Visitors Bureau
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Statement of Net Position

September 30, 2023

Assets and deferred outflows of resources

Current assets:

Cash - unrestricted	\$ 17,193,002
Cash - restricted	68,819
Investments	1,499,605
Due from the Government of Guam	4,061,937
Accounts receivable - others	222,507
Prepaid expenses	<u>15,746</u>

Total current assets	23,061,616
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Security deposits	45,078
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Cash - restricted	14,768,765
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Capital assets:

Non-depreciable capital assets	5,992,415
Subscription-based IT assets, net	585,064
Depreciable capital assets, net	<u>443,857</u>

Total assets	<u>44,896,795</u>
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Deferred outflows of resources:

Deferred outflows from OPEB	1,150,107
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Deferred outflows from pension	<u>2,272,064</u>
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Total deferred outflows of resources	<u>3,422,171</u>
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Total assets and deferred outflows of resources	\$ <u>48,318,966</u>
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Guam Visitors Bureau
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Statement of Net Position, continued

Liabilities, deferred inflows of resources and net position

Current liabilities:	
Accounts payable	\$ 3,007,003
Accrued annual leave	305,874
Current portion of subscription-based IT liability	238,381
Current portion of lease liability	79,655
Unearned income	<u>7,600</u>
Total current liabilities	3,638,513
Collective total OPEB liability	5,483,000
Net pension liability	5,987,362
Advances from grantor - restricted	14,525,279
Pass through appropriations payable – restricted	65,001
Accrued sick leave	141,344
Subscription liability - net of current portion	354,447
Lease liability - net of current portion	<u>26,844</u>
Total liabilities	<u>30,221,790</u>
Deferred inflows of resources:	
Deferred inflows from OPEB	2,955,857
Deferred inflows from pension	<u>198,330</u>
Total deferred inflows of resources	<u>3,154,187</u>
Net position:	
Net investment in capital assets	7,021,336
Restricted - expendable for:	
Special projects	178,485
Cultural and sports ambassadors travels	26,484
Other purposes	42,335
Unrestricted	<u>7,674,349</u>
Total net position	<u>14,942,989</u>
Total liabilities, deferred outflows of resources and net position	\$ <u>48,318,966</u>

See accompanying notes.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Statement of Revenues, Expenses and Changes in Net Position

Year Ended September 30, 2023

Revenues:	
Consumption tax refund	\$ 369,465
Other income	162,537
Memberships	<u>54,700</u>
Total operating revenues	<u>586,702</u>
Expenses:	
Professional services	11,271,554
Personnel	4,050,172
Grants	2,214,213
Sponsorships	1,027,525
Travel	510,444
Amortization and depreciation	495,440
Miscellaneous	466,422
Equipment	352,498
Repairs and maintenance	258,915
Promotional in-kind contributions	230,534
Materials and supplies	218,327
Utilities	152,940
Rent/lease	52,081
Foreign currency loss (gain)	26,159
Advertising	23,598
Printing	17,984
Consumption tax	<u>168</u>
Total operating expenses	<u>21,368,974</u>
Operating revenues net of operating expenses	<u>(20,782,272)</u>
Nonoperating revenues (expenses):	
Grants-in-aid from GovGuam	26,704,337
Federal contributions	26,922
In-kind contributions from members and others	230,534
Interest income	71,213
Cultural and sports ambassadors fund	(101,675)
Other nonoperating expenses, net	<u>22,250</u>
Total nonoperating revenues, net	<u>26,953,581</u>
Change in net position	6,171,309
Net position at the beginning of the year	<u>8,771,680</u>
Net position at the end of the year	\$ <u>14,942,989</u>

See accompanying notes.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Statement of Cash Flows

Year Ended September 30, 2023

Cash flows from operating activities:

Cash received from members	\$ 39,000
Cash received from other sources	411,508
Cash paid to employees	(3,850,398)
Cash paid to suppliers	(16,169,774)

Net cash used for operating activities (19,569,664)

Cash flows from noncapital financing activities:

Government of Guam appropriations	23,883,921
Federal grants	26,922
Other disbursement, net	(8,212)

Net cash provided by noncapital financing activities 23,902,631

Cash flows from capital and related financing activities:

Purchase of capital assets	(97,264)
Lease payments	(73,750)
Subscription payments	(233,044)

Cash used for capital and related financing activities (404,058)

Cash flows from investing activity:

Investment in TCD	904,675
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Net change in cash 4,833,584

Cash at beginning of year 27,197,002

Cash at end of year \$32,030,586

Consisting of:

Unrestricted	\$17,193,002
Restricted	14,837,584

Cash at end of year \$32,030,586

Guam Visitors Bureau
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Statement of Cash Flows, continued

Reconciliation of operating revenues net of operating expense to net cash used for operating activities:

Operating revenues net of operating expenses	\$(20,782,272)
Adjustments to reconcile operating revenues net of operating expenses to net cash used for operating activities:	
Promotional in-kind contributions	230,534
Amortization and depreciation	495,440
Non-cash OPEB costs	234,646
Non-cash pension costs	741,378
Decrease (increase) in assets:	
Accounts receivable - others	(151,324)
Prepaid expenses	66,204
Security deposit	133,230
Increase (decrease) in liabilities:	
Accounts payable and pass-through appropriations payable	68,894
Unearned income	(15,700)
Net pension liability	(657,615)
Collective total OPEB liability	(129,204)
Accrued annual and sick leave	<u>196,125</u>
Net cash used for operating activities	\$(<u>19,569,664</u>)

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Notes to Financial Statements

Year Ended September 30, 2023

1. Organization

The Guam Visitors Bureau (GVB) is a public corporation established for the purpose of promoting the visitor industry in Guam. GVB is considered a component unit of the Government of Guam (GovGuam). GVB receives operating appropriations that derive from the GovGuam Tourist Attraction Fund, as appropriated by the Guam Legislature.

GVB is governed by a thirteen member Board of Directors. The Board members comprise, GVB General Manager, Directors elected at large by GVB members and appointments made by the Governor and the Guam Legislature.

2. Summary of Significant Accounting Policies

The accompanying financial statements of GVB have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GASB is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. GVB's significant accounting policies are described below:

Basis of Accounting

GVB utilizes the flow of economic resources measurement focus. Its financial statements are prepared in accordance with GAAP as applied to governmental units using the accrual basis of accounting.

GVB's revenues are derived primarily from consumption tax refunds, in-kind contributions, other income (sponsorship and donations) and memberships are reported as operating revenues. Capital, grants, financing or investing related transactions are reported as non-operating revenues/expenses. Revenue is recognized on the accrual basis. All expenses related to GVB's operations are reported as operating expenses.

Net Position

Net position represents the residual interest in GVB's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consist of the following three sections:

- Net investment in capital assets: capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Guam Visitors Bureau
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Net Position, continued

- Restricted: nonexpendable - net position subject to externally imposed stipulations that require GVB to maintain them permanently. Expendable – net position whose use by GVB is subject to externally imposed stipulations that can be fulfilled by actions of GVB pursuant to those stipulations or that expire with the passage of time.
- Unrestricted: net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action by management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Cash

For purposes of the statements of net position and of cash flows, cash is defined as cash on hand, cash deposits in banks, and time certificates of deposit with initial maturities of three months or less. Investments in time certificates of deposit with original maturity dates greater than three months are separately classified on the statement of net position.

Capital Assets

Property and equipment with a cost that equals or exceeds \$5,000 are capitalized. Such assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 20 years.

Foreign Currency Translation and Risk

Transactions in foreign currencies are recorded at the quarterly average exchange rate as of the transaction date. Amounts receivable and payable in foreign currencies are translated to U.S. dollars at the exchange rate in effect on the statement of net position date.

As of September 30, 2023, GVB's unrestricted cash includes \$172,478 settled in a foreign currency. GVB is exposed to the risk of unfavorable changes in the exchange rate that may occur.

A loss on foreign exchange transactions of \$26,159 was recognized for the year ended September 30, 2023.

Guam Visitors Bureau
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Advances from Grantor

Advances from grantor represents federal funds received in advance of eligible expenditures which have not been earned or do not meet the "available" criterion for revenue recognition under the accrual basis of accounting. Such funds are restricted until eligibility requirements are met.

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. GVB has determined the differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability, changes of assumptions, pension and OPEB contributions made subsequent to the measurement date, and changes in proportion and difference between pension and OPEB contributions and proportionate share of contributions qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. GVB has determined the differences between expected and actual experience with regard to economic and demographic factors in the measurement of the total pension and collective total OPEB liabilities, differences between projected and actual earnings on pension plan investments, changes of assumptions, and changes in proportion and difference between pension contributions and proportionate share of contributions qualify for reporting in this category, the measurement of the total pension and collective total OPEB liabilities, differences between projected and actual earnings on pension plan investments, changes of assumptions, and changes in proportion and difference between pension contributions and proportionate share of contributions qualify for reporting in this category.

Compensated Absences

Earned unpaid employee vacation leave is accrued at year end for financial statement purposes. Included in liabilities at September 30, 2023 are amounts related to compensated absences earned but unused. The amounts are also included as a component of operating expense in the statement of revenues, expenses, and changes in net position.

Guam Visitors Bureau
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Pensions

Pensions are required to be recognized and disclosed using the accrual basis of accounting. GVB recognizes a net pension liability for the defined benefit pension plan in which it participates, which represents GVB's proportional share of excess total pension liability over the pension plan assets – actuarially calculated – of a single employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. The total pension liability also includes GVB's proportionate share of the liability for ad hoc cost-of-living adjustments (COLA) and supplemental annuity payments that are anticipated to be made to defined benefit plan members and for anticipated future COLA to DCRS members. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and are amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

Other Postemployment Benefits (OPEB)

OPEB is required to be recognized and disclosed using the accrual basis of accounting. OPEB offered to GVB retirees includes health and life insurance. GVB recognizes collective total OPEB liability for the defined benefit OPEB plan in which it participates, which represents GVB's proportional share of total collective total OPEB liability - actuarially calculated - of a single employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. An OPEB trust has not been established; thus, the OPEB plan does not presently report OPEB plan fiduciary net position. Instead, the OPEB plan is financed on a substantially "pay-as-you-go" basis.

Changes in the collective total OPEB liability during the period are recorded as OPEB expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in the collective total OPEB liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.

Guam Visitors Bureau
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Consumption Tax Refund

GVB receives a consumption tax refund from the Japanese treasury by quarter based the Japan Consumption Tax rate, which is between 8-10% of certain expenditures incurred in Japan and reported to the Japanese treasury by the GVB Japan overseas office.

In-Kind Contributions

GVB receives in-kind contributions from its members and records such as of the date of receipt of the attendant goods or services. Title 12 of the Guam Code Annotated states that the Legislature may condition payment of grants-in-aid to a matching requirement of in-kind contributions at a rate of no more than 20 cents for every 80 cents appropriated. However, this requirement was not imposed during the year ended September 30, 2023.

GVB records in-kind contributions in the period received based on the value assigned by the grantor.

Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources, liabilities and deferred inflows of resources, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk

Financial instruments which potentially subject GVB to concentrations of credit risk consist principally of cash demand deposits and accounts receivable.

At September 30, 2023, GVB has cash deposits in bank accounts that exceed federal depository insurance limits. GVB has not experienced any losses as a result of this practice.

Substantially all of GVB's accounts receivable are due from companies and government agencies based in Guam. GVB establishes an allowance for doubtful accounts based on management's evaluation of potential uncollectibility.

Risk Management

GVB is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and illnesses; natural disasters and employee health, dental and accident benefits. Commercial insurance coverage is provided for claims arising from such matters. No losses as a result of this practice have occurred during the past three years.

Guam Visitors Bureau
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements

In May 2019, GASB issued Statement No. 91, *Conduit debt obligations*. The primary objectives of this statement are to provide a single method reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The adoption of this GASB Statement No. 91 did not have an effect on GVB's financial statements.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The adoption of this GASB Statement No. 94 did not have an effect on GVB's financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. At October 1, 2022, GVB recorded a SBITA asset of \$825,872.

Guam Visitors Bureau
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement contains guidance whose effective dates were for fiscal year ending September 30, 2023, for which management believes did not have an effect on GVB's financial statements. GASB Statement No. 99:

- Provides clarification of provisions in GASB Statement No. 87 related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Provides clarification of provisions in GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Provides clarification of provisions in GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Modifies accounting and reporting guidance in GASB Statement No. 53 related to termination of hedge.

Upcoming Accounting Pronouncements

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement contains guidance whose effective dates are in future periods. GASB Statement No. 99:

- Modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures effective for fiscal year ending September 30, 2024.
- Provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal year ending September 30, 2024.

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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

In June 2022, GASB issues Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. GASB Statement No. 100 will be effective for fiscal year ending September 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. GASB Statement No. 101 will be effective for fiscal years ending September 30, 2025.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. GASB Statement No. 102 will be effective for fiscal year ending September 30, 2025.

GVB is currently evaluating the effects the above upcoming accounting pronouncements might have on its financial statements.

Guam Visitors Bureau
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Notes to Financial Statements, continued

3. Cash

GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, disclosure is required of investments that have fair values that are highly sensitive to changes in interest rates. GASB Statement No. 40 also requires disclosure of formal policies related to deposit and investment risks.

GASB Statement No. 40 requires disclosures for deposits that have exposure to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, GVB's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. GVB does not have a deposit policy for custodial credit risk.

As of September 30, 2023, the carrying amount of GVB's total cash was \$32,030,586 and the corresponding bank balance was \$32,081,882. Of the bank balance, \$30,668,603 are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance with the remaining amount of \$1,413,279 being maintained in a financial institution not subject to depository insurance. As of September 30, 2023, bank deposits in the amount of \$325,427 were FDIC insured. In accordance with 5 GCA 21, Investments and Deposits, GovGuam requires collateralization of deposits in excess of depository insurance limits in an amount in value at least ten percent in excess of the amount of monies deposited with the financial institution. Such collateralization shall be in securities in U.S. treasury notes or bonds or in U.S. government agencies for which the faith and credit of the United States are pledged for the payment of principal and interest; evidence of indebtedness of GovGuam; investment certificates of the Federal Home Loan Bank; or such other securities as may be approved by the Director of Administration and the Governor of Guam. As of September 30, 2023, substantially all of GVB's bank deposits in excess of depository insurance limits are collateralized with securities held by the pledging financial institution but not in GVB's name.

As of September 30, 2023, restricted cash presented under current assets consists of cash held by GVB in the Rainy Day Fund and Cultural and Sports Ambassadors Fund of \$4,881 and \$26,484, respectively, and funds restricted for other purposes of \$37,454.

Rainy Day Fund is used to support identified activities to meet unforeseen or unanticipated challenges resulting from a natural or man-made disaster that has occurred on Guam or from external economic conditions that severely affect tourism.

Cultural and Sports Ambassadors Fund is used to provide grants for transportation expenses for off-island travel by cultural and sports ambassadors.

As of September 30, 2023, cash are restricted for special projects and pass through appropriations of \$14,703,764 and \$65,001, respectively, is presented as a noncurrent asset.

Guam Visitors Bureau
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Notes to Financial Statements, continued

4. Short-term Investments

Short-term investments at September 30, 2023 represent certificates of deposit in the amount of \$1,499,605 are FDIC insured. These investments will mature within the next year.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, GVB will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of September 30, 2023, GVB's short-term investments are held and administered by investment managers in the name of GVB in accordance with GVB's investment policy.

5. Capital Assets

A summary of capital asset activities for the year ended September 30, 2023 follow:

	Beginning Balance <u>October 1, 2022</u>	<u>Additions</u>	<u>Transfers</u>	Ending Balance <u>September 30, 2023</u>
Non-depreciable:				
Land	\$5,992,415	\$ ---	\$ ---	\$5,992,415
	<u>5,992,415</u>	<u>---</u>	<u>---</u>	<u>5,992,415</u>
Depreciable:				
Building	2,500,000	---	---	2,500,000
Building improvements	63,075	---	---	63,075
Leasehold improvements	140,846	---	---	140,846
Furniture and fixtures	115,006	---	---	115,006
Software and programming	122,513	---	---	122,513
Equipment	273,700	97,264	---	370,964
Vehicles and automobiles	42,875	---	---	42,875
Leased assets	<u>100,690</u>	<u>104,038</u>	<u>---</u>	<u>204,728</u>
	<u>3,358,705</u>	<u>201,302</u>	<u>---</u>	<u>3,560,007</u>
Less: accumulated amortization and depreciation	(2,861,518)	(254,632)	---	(3,116,150)
Depreciable capital assets, net	<u>497,187</u>	<u>(53,330)</u>	<u>---</u>	<u>443,857</u>
 Subscription-based IT assets	 <u>---</u>	 <u>825,872</u>	 <u>---</u>	 <u>825,872</u>
Less: accumulated amortization	---	(240,808)	---	(240,808)
Subscription-based IT assets, net	<u>---</u>	<u>585,064</u>	<u>---</u>	<u>585,064</u>
	<u>\$6,489,602</u>	<u>\$ 531,734</u>	<u>\$ ---</u>	<u>\$7,021,336</u>

Guam Visitors Bureau
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Notes to Financial Statements, continued

6. Pensions

GVB is statutorily responsible for providing pension benefits for GVB employees through the GovGuam Retirement Fund (GGRF).

General Information About the Pension Plans

Plan Description: GGRF administers the GovGuam Defined Benefit (DB) Plan, a single-employer defined benefit pension plan, and the Defined Contribution Retirement System (DCRS) plan. The DB Plan provides retirement, disability, and survivor benefits to plan members who enrolled in the plan prior to October 1, 1995. Article 1 of 4 GCA 8, Section 8105, requires that all employees of GovGuam, regardless of age or length of service, become members of the DB Plan prior to the operative date. Employees of a public corporation of GovGuam, which includes GVB, have the option of becoming members of the DB Plan prior to the operative date. All employees of GovGuam, including employees of GovGuam public corporations, whose employment commences on or after October 1, 1995 and prior to January 1, 2018, were required to participate in the DCRS Plan. Hence, the DB Plan became a closed group.

Members of the DB Plan who retired prior to October 1, 1995, or their survivors, are eligible to receive annual supplemental annuity payments. In addition, retirees under the DB and DCRS Plans who retired prior to September 30, 2020 are eligible to receive an annual ad hoc cost of living allowance (COLA).

A single actuarial valuation is performed annually covering all plan members and the same contribution rate applies to each employer. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the DB Plan. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website – www.ggrf.com.

Benefits Provided: The DB Plan provides pension benefits to retired employees generally based on age and/or years of credited service and an average of the three highest annual salaries received by a member during years of credited service, or \$6,000, whichever is greater. Members who joined the DB Plan prior to October 1, 1981 may retire with 10 years of service at age 60 (age 55 for uniformed personnel); or with 20 to 24 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 25 years of service at any age. Members who joined the DB Plan on or after October 1, 1981 and prior to August 22, 1984 may retire with 15 years of service at age 60 (age 55 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 30 years of service at any age.

Guam Visitors Bureau
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Notes to Financial Statements, continued

6. Pensions, continued

General Information About the Pension Plans, continued

Members who joined the DB Plan after August 22, 1984 and prior to October 1, 1995 may retire with 15 years of service at age 65 (age 60 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 65; or upon completion of 30 years of service at any age. Upon termination of employment before attaining at least 25 years of total service, a member is entitled to receive a refund of total contributions including interest. A member who terminates after completing at least 5 years of service has the option of leaving contributions in the GGRF and receiving a service retirement benefit upon attainment of the age of 60 years. In the event of disability during employment, members under the age of 65 with six or more years of credited service who are not entitled to receive disability payments from the United States Government are eligible to receive sixty-six and two-thirds of the average of their three highest annual salaries received during years of credited service. The DB Plan also provides death benefits.

Supplemental annuity benefit payments are provided to DB retirees in the amount of \$4,238 per year, but not to exceed \$40,000 per year when combined with their regular annual retirement annuity. Annual COLA payments are provided to DB and DCRS retirees in a lump sum amount of \$2,000. Both supplemental annuity benefit payments and COLA payments are made at the discretion of the Guam Legislature, but are funded on a “pay-as-you-go” basis so there is no plan trust. It is anticipated that ad hoc COLA and supplemental annuity payments will continue to be made for future years at the same level currently being paid.

On September 20, 2016, the Guam Legislature enacted Public Law 33-186, which created two new government retirement plans; the DB 1.75 Plan and the Government of Guam Retirement Security Plan (GRSP).

On February 4, 2020, the Guam Legislature terminated the GRSP. Commencing April 1, 2017, eligible employees may elect, during the “election window”, to participate in the DB 1.75 Plan or the GRSP with an effective date of January 1, 2018.

The DB 1.75 Plan is open for participation by certain existing employees, new employees, and reemployed employees who would otherwise participate in the DC Plan and who make election on a voluntary basis to participate in the DB 1.75 Plan by December 31, 2017. Employee contributions are made by mandatory pre-tax payroll deduction at the rate of 9.5% of the employee’s base salary while employer contributions are actuarially determined. Members of the DB 1.75 Plan automatically participate in the GovGuam deferred compensation plan, pursuant to which employees are required to contribute 1% of base salary as a pre-tax mandatory contribution. Benefits are fully vested upon attaining 5 years of credited service.

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Notes to Financial Statements, continued

6. Pensions, continued

General Information About the Pension Plans, continued

Members of the DB 1.75 Plan may retire at age 62 with 5 years of credited service, or at age 60 with 5 years of credited service without survivor benefits, or at age 55 with 25 years of credited service but the retirement annuity shall be reduced $\frac{1}{2}$ of 1% for each month that the age of the member is less than 62 years (6% per year). Credited service is earned for each year of actual employment by the member as an employee. Upon retirement, a retired member is entitled to a basic retirement annuity equal to an annual payment of 1.75% of average annual salary multiplied by years of credited service. Average annual salary means the average of annual base salary for the three years of service that produce the highest average.

Contributions: Plan members of the DB Plan are required to contribute a certain percentage of their annual covered salary. The contribution requirements of the plan members and GVB are established and may be amended by the GGRF.

GVB's statutory contribution rate was 28.43% for the year ended September 30, 2023. Employees are required to contribute 9.5% of their annual pay for the year ended September 30, 2023.

GVB's contribution to the DB Plan for the year ended September 30, 2023 was \$257,456 which was equal to the statutorily required contributions for the year then ended.

GVB's contribution for supplemental annuity benefit and COLA payments for the year ended September 30, 2023 was \$39,600 which was equal to the statutorily required contributions for the year then ended.

Members of the DCRS plan, who have completed five years of government service, have a vested balance of 100% of both member and employer contributions plus any earnings thereon.

Contributions into the DCRS plan by members are based on an automatic deduction of 6.2% of the member's regular base pay. The contribution is periodically deposited into an individual annuity account within the DCRS. Employees are afforded the opportunity to select from different annuity accounts available under the DCRS.

Statutory employer contributions for the DCRS plan for the year ended September 30, 2023 are determined using the same rates as the DB Plan. Of the amount contributed by the employer, only 6.2% of the member's regular pay is deposited into the DCRS. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

GVB's contribution to the DCRS Plan for the year ended September 30, 2023 was \$470,087 which was equal to the required contributions for the respective year then ended. Of these amount, \$366,797 was contributed toward the unfunded liability of the DB Plan for the year ended September 30, 2023.

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Notes to Financial Statements, continued

6. Pensions, continued

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liability: Net pension liability at the fiscal year presented for the aforementioned plans was measured on and was determined by actuarial valuations as of the following dates:

Reporting Date:	September 30, 2023
Measurement Date:	September 30, 2022
Valuation Date:	September 30, 2021

As of September 30, 2023, GVB's reported a net pension liability for its proportionate share of the net pension liability measured as of September 30, 2022, which is comprised of the following:

Defined Benefit Plan	\$ 5,446,504
Ad Hoc COLA/supplemental annuity Plan for DB retirees	400,898
Ad Hoc COLA Plan for DCRS retirees	<u>139,960</u>
	<u>\$5,987,362</u>

GVB's proportion of the GovGuam net pension liability was based on GVB's expected plan contributions relative to the total expected contributions received by the respective pension plans for GovGuam and GovGuam's component units. At September 30, 2023, GVB's proportionate shares of the GovGuam net pension liability follow:

Defined Benefit Plan	0.37%
Ad Hoc COLA/supplemental annuity Plan for DB retirees	0.16%
Ad Hoc COLA Plan for DCRS retirees	0.23%

Pension Expense: For the year ended September 30, 2023, GVB recognized pension expense for its proportionate share of plan pension expense from the above pension plans as follows:

Defined Benefit Plan	\$672,037
Ad Hoc COLA/supplemental annuity Plan for DB retirees	59,599
Ad Hoc COLA Plan for DCRS retirees	<u>9,742</u>
	<u>\$741,378</u>

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Notes to Financial Statements, continued

6. Pensions, continued

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

Deferred Outflows and Inflows of Resources: At September 30, 2023, GVB reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Defined Benefit Plan</u>		<u>Ad Hoc COLA/SA Plan for DB</u>		<u>Ad Hoc COLA Plan for DCRS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 105,592	\$ (14,564)	\$ ---	\$ (3,426)	\$ 17,309	\$ (2,772)
Net difference between projected and actual investment earnings on pension plan investments	1,227,455	---	---	---	---	---
Changes of assumptions	---	---	654	(43,500)	29,102	(37,490)
Contributions subsequent to the measurement date	624,253	---	33,000	---	6,600	---
Changes in proportion and difference between GVB contributions and proportionate share of contributions	<u>120,131</u>	<u>(32,379)</u>	<u>31,414</u>	<u>---</u>	<u>76,554</u>	<u>(64,199)</u>
	<u>\$ 2,077,431</u>	<u>\$ (46,943)</u>	<u>\$ 65,068</u>	<u>\$ (46,926)</u>	<u>\$ 129,565</u>	<u>\$ (104,461)</u>

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2023 will be recognized in pension expense as follows:

<u>Year Ending September 30</u>	<u>Defined Benefit Plan</u>	<u>Ad Hoc COLA/ Supplemental Annuity Plan for DB Retirees</u>	<u>Ad Hoc COLA Plan for DCRS Retirees</u>
2023	\$ 397,325	\$(13,496)	\$ 5,642
2024	350,904	(11,833)	5,643
2025	257,295	10,471	5,643
2026	400,711	---	1,525
2027	---	---	1,525
Thereafter	<u>---</u>	<u>---</u>	<u>(1,474)</u>
	<u>\$1,406,235</u>	<u>\$(14,858)</u>	<u>\$18,504</u>

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Notes to Financial Statements, continued

6. Pensions, continued

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

Actuarial Assumptions: Actuarially determined contribution rates for the DB Plan are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. The methods and assumptions used to determine contribution rates are as follows:

Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	May 1, 2033 (11.58 years remaining as of September 30, 2021)
Asset valuation method:	3-year smoothed market value (effective September 30, 2009)
Inflation:	2.50% per year
Total payroll growth:	2.75% per year
Salary increases:	4% to 7.5%
Retirement age:	50% probability of retirement upon first eligibility for unreduced retirement. Thereafter, the probability of retirement is 20% for each year until age 75, and increases to 100% at age 75.
Mortality:	RP-2000 healthy mortality table (males +3, females +2). Mortality for disabled lives is the RP 2000 disability mortality (males +6, females +4). Both tables are projected generationally from 2016 using 30% of Scale BB.

The actuarial assumptions used in the September 30, 2021 valuation were based on the results of an actuarial experience study for the period October 1, 2011 to September 30, 2015. The rationale for each significant assumption is provided in the experience study. To the extent that actual experience differs from the assumptions, future pension costs will differ.

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Notes to Financial Statements, continued

6. Pensions, continued

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

The investment rate assumption as of September 30, 2021 was 7%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the expected nominal return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Nominal Return</u>	<u>Component Return</u>
U.S. Equities (large cap)	26%	8.14%	2.12%
U.S. Equities (small cap)	4%	9.75%	0.39%
Non-U.S. Equities	17%	10.15%	1.73%
Non-U.S. Equities (emerging markets)	3%	12.08%	0.36%
U.S. Fixed Income (aggregate)	22%	4.77%	1.05%
Risk Parity	8%	6.65%	0.53%
High Yield Bonds	8%	6.90%	0.55%
Global Real Estate (REITs)	2.5%	9.62%	0.24%
Global Equity	7%	8.93%	0.67%
Global Infrastructure	2.5%	8.08%	0.16%
Expected average return for one year			7.80%
Expected geometric mean (50 years)			7.09%

Discount Rate: The discount rate used to measure the total pension liability for the DB Plan as of September 30, 2022 was 7.0%, which is equal to the expected investment rate of return. The expected investment rate of return applies to benefit payments that are funded by plan assets (including future contributions), which includes all plan benefits except supplemental annuity payments to DB retirees and ad hoc COLA to both DB and DCRS retirees. The discount rate used to measure the total pension liability for the supplemental annuity and ad hoc COLA payments as of September 30, 2022 was 4.02%, which is equal to the rate of return of a high quality bond index.

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Notes to Financial Statements, continued

6. Pensions, continued

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

Discount Rate Sensitivity Analysis: The following presents the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to GVB's proportionate share of the net pension liability if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Defined Benefit Plan:

	1% Decrease in Discount Rate <u>6.0%</u>	Current Discount Rate <u>7.0%</u>	1% Increase in Discount Rate <u>8.0%</u>
Net Pension Liability	\$6,404,578	\$5,446,504	\$4,259,008

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

	1% Decrease in Discount Rate <u>3.02%</u>	Current Discount Rate <u>4.02%</u>	1% Increase in Discount Rate <u>5.02%</u>
Net Pension Liability	\$435,688	\$400,898	\$370,167

Ad Hoc COLA Plan for DCRS Retirees:

	1% Decrease in Discount Rate <u>3.02%</u>	Current Discount Rate <u>4.02%</u>	1% Increase in Discount Rate <u>5.02%</u>
Net Pension Liability	\$159,313	\$139,960	\$125,382

Payables to the Pension Plans

As of September 30, 2023, GVB has no outstanding payable to GGRF representing statutorily required contributions as of year-end.

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Notes to Financial Statements, continued

7. Other Post-Employment Benefits (OPEB)

GVB participates in the retiree health care benefits program. GovGuam's Department of Administration is responsible for administering the GovGuam Group Health Insurance Program, which provides medical, dental, and life insurance benefits to retirees, spouses, children and survivors. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only. The program covers retirees and is considered an other postemployment benefits plan.

OPEB Plan Description

Plan Description: The OPEB plan is a single-employer defined benefit plan that provides healthcare benefits to eligible employees and retirees who are members of the GovGuam Retirement Fund. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Governor's recommended budget and the annual General Appropriations Act enacted by the Guam Legislature provide for a premium level necessary for funding the program each year on a "pay-as-you-go" basis. GovGuam issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by writing to the Government of Guam Department of Administration, Suite 224, 2nd Floor, ITC Building, 590 South Marine Corps Drive, or by visiting the Guam Department of Administration website – <https://da.doa.guam.gov/reports/guam-other-post-employment-benefits-opeb-reports/>.

Benefits: GovGuam provides postemployment medical, dental and life insurance benefits to retirees, spouses, children and survivors. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only.

Contributions: No employer contributions are assumed to be made since an OPEB trust has not been established. Instead, the OPEB Plan is financed on a substantially "pay-as-you-go" basis whereby contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

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Notes to Financial Statements, continued

7. Other Post-Employment Benefits (OPEB), continued

OPEB Plan Description, continued

Actuarial Assumptions: The total collective total OPEB liability for the OPEB Plan was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.50%.
Healthcare cost trend rates:	8% for FY2023 through FY2030, decreasing 0.5% per year to an ultimate rate of 4.01% for FY2031 and later years.
Dental trend rates:	4.25% per year, based on a blend of historical retiree premium rate increases as well as observed U.S. national trends.
Healthy Retiree mortality rates:	Head-count weighted PUB-2010 Table, set forward 4 years for males and 2 years for females, respectively, projected generationally using 50% of MP-2020.
Disabled Retiree mortality rates:	PUB-2010 Disabled Retiree Amount Weighted mortality table set forward 4 years for males and 2 years for females, respectively, using 130% of the rates before age 80 and projected generationally from 2010 using 50% of mortality improvement scale MP-2020.

Discount rate: The discount rate used to measure the total collective total OPEB liability was 4.02% as of September 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from GovGuam will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods to determine the total collective total OPEB liability.

OPEB plan fiduciary net position: As of September 30, 2023, an OPEB trust has not been established, thus the OPEB Plan does not presently report OPEB plan fiduciary net position.

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Notes to Financial Statements, continued

7. Other Post-Employment Benefits (OPEB), continued

Collective Total OPEB Liability, OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB

Collective total OPEB liability at the fiscal year presented for the OPEB Plan was measured on and was determined by actuarial valuations as of the following dates:

Reporting Date:	September 30, 2023
Measurement Date:	September 30, 2022
Valuation Date:	September 30, 2022

Collective total OPEB liability as of September 30, 2023 is \$5,483,000.

Proportionate share of collective total OPEB liability at September 30, 2023 is 0.24%.

For the year ended September 30, 2023, GVB recognized OPEB expense of \$234,646.

At September 30, 2023, GVB reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Changes of assumptions	\$ 508,212	\$1,800,448
Difference between expected and actual experience	427,595	252,135
Contributions subsequent to the measurement date	56,185	---
Changes in proportion and difference between employer contributions and proportionate share of contributions	<u>158,115</u>	<u>903,274</u>
	<u>\$ 1,150,107</u>	<u>\$ 2,955,857</u>

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the total collective total OPEB liability in the following year.

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Notes to Financial Statements, continued

7. Other Post-Employment Benefits (OPEB), continued

Collective Total OPEB Liability, OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB, continued

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at September 30, 2023 will be recognized in OPEB expense as follows:

Year Ending <u>September 30</u>	
2023	\$ (256,505)
2024	(317,248)
2025	(404,698)
2026	(283,992)
2027	(298,254)
Thereafter	(<u>301,238</u>)
	\$ <u>(1,861,935)</u>

Sensitivity of the total collective total OPEB liability to changes in the discount rate: The following presents the sensitivity of the total collective total OPEB liability to changes in the discount rate. The sensitivity analysis shows the impact to GVB's proportionate share of the total collective total OPEB liability if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease in Discount Rate <u>3.02%</u>	Current Discount Rate <u>4.02%</u>	1% Increase in Discount Rate <u>5.02%</u>
Total Collective Total OPEB Liability	\$ <u>6,368,654</u>	\$ <u>5,483,000</u>	\$ <u>4,765,043</u>

Sensitivity of the total collective total OPEB liability to changes in the healthcare cost trend rates: The following presents the sensitivity of the total collective total OPEB liability to changes in the healthcare cost trend rate. The sensitivity analysis shows the impact to GVB's proportionate share of the total collective total OPEB liability if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	<u>1% Decrease</u>	Healthcare Cost Trend Rates	<u>1% Increase</u>
Total Collective Total OPEB Liability	\$ <u>4,699,988</u>	\$ <u>5,483,000</u>	\$ <u>6,481,736</u>

Guam Visitors Bureau
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Notes to Financial Statements, continued

8. Commitments and Contingencies

A. Marketing Representation and Research

GVB entered into various marketing representation contracts in Japan, Korea, Philippines and Taiwan. Additional contracts were also entered for market research, community brand building support services and other marketing efforts. The initial term of these contracts is one year, with an option to extend annually for up to three additional fiscal years upon mutual agreement.

At September 30, 2023, the minimum future contract fees are \$1,045,500 for the next fiscal year.

B. Beautification Projects

GVB entered into various beautification project contracts for island road maintenance, bus shelter maintenance, Tumon landscaping, sidewalk cleaning and holiday illumination projects.

At September 30, 2023, the minimum future contract fees are \$1,372,236 for the next fiscal year.

C. Visitor Safety

GVB entered into a contract to provide visitor safety to Tumon and parts of Hagatna.

At September 30, 2023, the minimum future contract fees are \$911,684 for the next fiscal year.

D. Sick Leave

It is the policy of GVB to record the cost of sick leave when leave is actually taken and a liability is actually incurred. Generally, sick leave is paid only when an employee is absent due to illness, injury or related-family illnesses. Under the Defined Contribution Retirement System (DCRS), an employee may convert into cash up to 50% of the accrued sick leave liability. For this reason, a sick leave liability is recorded. The accumulated amount of unused sick leave at September 30, 2023 is \$282,688 of which \$141,344 may be convertible by DCRS employees upon retirement as of September 30, 2023.

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Notes to Financial Statements, continued

8. Commitments and Contingencies, continued

E. Unrealized, Unasserted, Reasonably Probable Gain on Contingency

GVB's enabling act mandates that its board of directors take action to correct deficiencies and recover sums expended in violation of existing laws, rules, regulations or policies. Management herein discloses an unrealized gain contingency in connection with an unasserted claim arising from GVB's funding of sports events that were organized, managed, and co-sponsored by a third-party. In its ordinary course of business, GVB provides funding, material, and logistics support for entertainment, cultural, and sports events held in Guam. These events may be organized/sponsored and or managed by GVB or third parties. GVB records show that from calendar years 2014 to 2020, a substantial amount of payments to or on behalf of a third-party sponsor and organizer of sporting events were authorized by the board. In FY2022, management investigated the third-party sponsorship and referred its factual findings to the Guam Office of the Attorney General and the Public Auditor for their respective dispositions and independent determinations of whether such payments were made in violation of existing laws, rules or policies. Although no claims regarding payments to or on behalf of the third-party sponsor have been asserted by the board, and the likelihood of its doing so is unknown as of the date of this disclosure, management believes that there is a reasonable probability of a favorable outcome.

9. Subscription-Based Information Technology Agreement (SBITA) Leases

As a lessee, GVB entered into SBITA leases involving tourism destination content management system and data hosting.

The future lease payments under the subscription-based information technology agreement leases are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 238,381	\$ 15,679	\$ 254,060
2025	246,185	7,875	254,060
2026	53,244	2,756	56,000
2027	<u>55,018</u>	<u>982</u>	<u>56,000</u>
Total	\$ <u>592,828</u>	\$ <u>27,292</u>	\$ <u>620,120</u>

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Notes to Financial Statements, continued

10. Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended September 30, 2023 follow:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount due within one year</u>
Net pension liability	\$ 4,022,867	\$ 2,705,873	\$ (741,378)	\$ 5,987,362	\$ ---
Collective total					
OPEB liability	7,323,969	702,716	(2,543,685)	5,483,000	---
Advances from grantor	14,525,279	---	---	14,525,279	---
Lease liability	76,211	99,080	(68,792)	106,499	79,655
Subscription-based					
IT liability	---	825,872	(233,044)	592,828	238,381
Pass thru appropriations					
payable	---	65,001	---	65,001	---
Accrued sick leave	<u>57,257</u>	<u>84,087</u>	<u>---</u>	<u>141,344</u>	<u>---</u>
	<u>\$26,005,583</u>	<u>\$ 4,482,629</u>	<u>\$ (3,586,899)</u>	<u>\$ 26,901,313</u>	<u>\$318,036</u>

GVB is exposed to various litigation inherent to its operations. However, there are no known cases pending in which GVB is exposed to liability.

11. Appropriations from the Government of Guam

The Tourist Attraction Fund is a governmental fund of GovGuam that was established to fund various recreational projects and visitor industry activities.

The Budget Act for fiscal year 2023, Public Law 36-107, appropriated \$5,814,293 to GVB from the General Fund and \$13,119,254 from the Tourist Attraction Fund. Additionally, HOT tax collections received by the Tourist Attraction Fund in excess of Bureau of Budget and Management Research revenue estimates will be allocated to GVB. As of September 30, 2023, the excess amount was \$7,770,790.

	<u>Tourist Attraction Fund</u>	<u>General Fund</u>	<u>Total</u>
Operations	<u>\$20,890,044</u>	<u>\$5,814,293</u>	<u>\$26,704,337</u>

As of September 30, 2023, receivables due from GovGuam associated with the above appropriations amounted to \$4,031,107.

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Notes to Financial Statements, continued

12. Restricted Net Position

Restricted net position represents The Rainy Day Fund per 12 GCA CH. 9 Article 3, Korean Visitor Market Pilot Program per Public Law 33-112, Cultural and Sports Ambassadors Fund per 12 GCA CH. 9 Article 4, the Pale San Vitores Road Project per Public Law 30-196, and the Cruise Ship Industry Development Program per 12 GCA CH. 9 Article 5. A summary of restricted net position as of September 30, 2023 follows:

Special Projects Fund	\$178,485
Cruise Ship Industry Development Program	37,454
Cultural and Sports Ambassadors Fund	26,484
Rainy Day Fund	<u>4,881</u>
Total restricted	<u>\$247,304</u>

13. Restricted Net Position

Changes in restricted net position are as follows:

	Rainy Day <u>Fund</u>	Cultural and Sports Ambassadors <u>Fund</u>	Special Projects <u>Fund</u>	Cruise Industry Development <u>Program</u>	<u>Total</u>
Beginning of year	\$5,011	\$ 125,836	\$178,485	\$37,454	\$ 346,786
Transfers in (out)	7	2,295	---	---	2,302
Interest	---	28	---	---	28
Expenses	<u>(137)</u>	<u>(101,675)</u>	<u>---</u>	<u>---</u>	<u>(101,812)</u>
End of year	<u>\$4,881</u>	<u>\$ 26,484</u>	<u>\$178,485</u>	<u>\$37,454</u>	<u>\$ 247,304</u>

14. Related Party Transactions

During the year ended September 30, 2023, GVB contracted and purchased goods from businesses that are associated with GVB Board Directors totaling \$312,143.

Required Supplementary Information

Guam Visitors Bureau
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Schedule of Required Supplemental Information (Unaudited)
Schedule of Proportionate Share of the Net Position Liability
Last 10 Fiscal Years*

	<u>Defined Benefit Plan</u>									
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
GVB's proportion of the net pension liability	0.37%	0.35%	0.36%	0.35%	0.38%	0.36%	0.36%	0.33%	0.31%	0.29%
GVB's proportionate share of the net pension liability	\$5,446,504	\$3,381,379	\$4,485,714	\$4,199,571	\$4,502,701	\$4,082,300	\$4,994,178	\$4,733,456	\$3,826,415	\$3,786,577
GVB's covered payroll	\$2,052,926	\$1,964,716	\$1,781,565	\$1,800,427	\$1,871,909	\$1,917,523	\$1,758,383	\$1,621,414	\$1,394,120	\$1,334,770
GVB's proportionate share of the net pension liability as percentage of its covered payroll	265.30%	172.11%	251.79%	233.25%	240.54%	212.89%	284.02%	291.93%	274.47%	283.69%

*This data is presented for those years for which information is available.

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Schedule of Required Supplemental Information (Unaudited)
Schedule of Proportionate Share of the Net Position Liability
Last 10 Fiscal Years*

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
GVB's proportion of the net pension liability	\$400,898	\$464,824	\$424,525	\$345,112	\$157,980	\$227,626	\$260,379	\$260,379	*	*
GVB's proportion of the net pension liability	0.16%	0.15%	0.13%	0.11%	0.09%	0.08%	0.08%	0.08%	*	*

*This data is presented for those years for which information is available.

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Schedule of Required Supplemental Information (Unaudited)
Schedule of Proportionate Share of the Net Position Liability
Last 10 Fiscal Years*

Ad Hoc COLA Plan for DCRS Retirees

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
GVB's proportion of the net pension liability	\$139,960	\$176,664	\$175,319	\$194,852	\$157,980	\$227,626	\$260,379	\$260,379	*	*
GVB's proportion of the net pension liability	0.23%	0.25%	0.26%	0.33%	0.32%	0.36%	0.42%	0.50%	*	*

*This data is presented for those years for which information is available.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Schedules of Required Supplemental Information (Unaudited)
Schedule of Pension Contributions
Last 10 Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contributions	\$ 734,581	\$ 581,389	\$ 507,321	\$ 491,791	\$ 447,634	\$ 537,445	\$ 507,749	\$ 525,143	\$ 514,072	\$ 356,516
Contributions in relation to the statutorily required contribution	<u>727,543</u>	<u>580,609</u>	<u>505,534</u>	<u>492,373</u>	<u>454,413</u>	<u>537,445</u>	<u>507,749</u>	<u>526,353</u>	<u>514,290</u>	<u>354,283</u>
Contributions (excess) deficiency	\$ 7,038	\$ 780	\$ 1,787	\$ (582)	\$ (6,779)	\$ -	\$ (1,210)	\$ (1,210)	\$ (218)	\$ 2,233
GVB's covered payroll	<u>\$2,584,154</u>	<u>\$2,052,926</u>	<u>\$1,964,716</u>	<u>\$1,781,565</u>	<u>\$1,800,427</u>	<u>\$1,871,909</u>	<u>\$1,917,523</u>	<u>\$1,758,383</u>	<u>\$1,621,414</u>	<u>\$1,394,120</u>
Contributions as a percentage of covered payroll	28.15%	24.61%	25.73%	27.64%	25.24%	28.71%	26.48%	29.93%	31.72%	25.41%

*This data is presented for those years for which information is available.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Schedules of Required Supplemental Information
Schedule of the Proportionate Share of the Collective Total OPEB Liability
Last 10 Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
GVB's proportion share of the total collective total OPEB liability	\$5,483,000	\$7,323,969	\$6,649,220	\$7,392,672	\$5,292,875	\$5,672,967	\$5,779,432	*	*	*
GVB's proportion of the total collective total OPEB liability	0.24%	0.26%	0.26%	0.29%	0.28%	0.23%	0.23%	*	*	*

*This data is presented for those years for which information is available.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Schedules of Required Supplemental Information
Schedule of OPEB Contributions
Last 10 Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 664,747	\$ 624,460	\$ 774,660	\$ 567,445	\$ 645,393	\$ 673,124	\$ 563,308	*	*	*
Contributions in relation to the actuarially determined contribution	<u>143,375</u>	<u>117,018</u>	<u>94,684</u>	<u>92,046</u>	<u>70,773</u>	<u>54,850</u>	<u>54,850</u>	*	*	*
Contribution (excess) deficiency	\$ <u>521,372</u>	\$ <u>507,442</u>	\$ <u>679,976</u>	\$ <u>475,399</u>	\$ <u>574,620</u>	\$ <u>618,274</u>	\$ <u>508,458</u>	*	*	*

*This data is presented for those years for which information is available.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Notes to Required Supplementary Information
(Unaudited)

Changes of Assumptions – Pension Plans

Amounts reported in 2022 actuarial valuation reflected an assumption related to administrative expenses to increase to \$6,798,000 per year.

Amounts reported in 2021 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,565,000 per year.

Amounts reported in 2020 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,439,000 per year.

Amounts reported in 2019 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,860,000 per year.

Amounts reported in 2018 actuarial valuation reflected an assumption related to administrative expenses to increase to \$7,082,000 per year.

Amounts reported in 2017 actuarial valuation reflect a change in assumption of payroll growth to 2.75% rather than 3%. The mortality, retirement age and disability assumption were changed to more closely reflect actual experience. Assumption related to administrative expense reflected an increase to \$6,344,000 per year and a revised allocation to the various pension plans to reflect actual experience.

Amounts reported in 2016 actuarial valuation reflect a change in assumption of administrative expenses to \$6,078,000 per year rather than \$5,806,000.

Amounts reported in 2015 actuarial valuation reflect a change in assumption of payroll growth to 3% rather than 3.5% which was used to determine amounts reported prior to 2015. Amounts reported in 2014 reflect an adjustment of the expectations of salary increases, disability and retirement age to more closely reflect actual experience. The amounts reported in the 2011 actuarial valuation reflect an expectation of retired life mortality based on the RP-2000 Mortality Table rather than the 1994 U.S. Uninsured Pensioners Table, which was used to determine amounts reported prior to 2011. Amounts reported in 2011 also reflect a change in assumption on valuation of assets to a 3-year phase in for gains/losses relative to interest rate assumption from market value, with fixed income investments at amortized costs which was used to determine amounts reported prior to 2011.

Supplementary and Other Information

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Supplementary Schedule of Professional Services and Miscellaneous Expenses
Year Ended September 30, 2023

Professional Services

Japan	\$ 3,923,978
Korea	3,009,280
Destination Management and Improvement	1,402,942
Visitor Safety & Satisfaction	1,153,307
Taiwan	577,687
Sports & Events	480,562
Admin., Research and Printing	382,044
Website	216,245
Philippines	<u>125,509</u>
Total Professional Services	\$ <u>11,271,554</u>

Miscellaneous Expenses

Food and beverage	\$ 122,976
Booths	68,468
Subscription	68,199
Gifts	62,496
Other	38,458
Dues and membership	34,684
Interest expense	24,006
Courier service	15,920
Property insurance	11,100
Bank charges	7,695
Fuel	6,267
General liability insurance	<u>6,153</u>
Total Miscellaneous Expenses	\$ <u>466,422</u>

Supplementary Schedule of Employees and Salaries
Year Ended September 30, 2023

Annual Payroll	\$ <u>3,858,965</u>
Number of employees	<u>58</u>

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Management and the Board of Directors
Guam Visitors Bureau

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Guam Visitors Bureau (GVB), a component unit of the Government of Guam, as of September 30, 2023, and the related notes to the financial statements, which collectively comprise GVB's basic financial statements (collectively referred to as the "financial statements"), and have issued our report thereon dated May 8, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered GVB's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GVB's internal control. Accordingly, we do not express an opinion on the effectiveness of GVB's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described as Findings 2023-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described as Finding 2023-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether GVB's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

GVB's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on GVB's response to the findings identified. GVB's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst + Young LLP

May 8, 2024

Finding 2023-001 Related Party Transactions

Criteria: Government Accounting Standards Board Codification (GASB Cod.) 2250.107 requires material related party transactions to be disclosed in the notes to the financial statements.

Condition: As of the year ended September 30, 2023, total identified contracted and purchased goods from businesses that were associated with GVB Board of Directors totaled \$312,143. Completeness of identified related party transactions was not determinable.

This condition is reiterative of a condition identified in the prior year audit.

Cause: GVB management did implement a procedure to determine complete disclosure of related party transactions for the year ended September 30, 2023, however, such procedure required responses from all Board of Directors which not all were received.

Effect: The related party disclosure may be incomplete.

Recommendation: We recommend GVB implement a process or policy that allows management to represent and support complete disclosure of related party transactions.

Views of Responsible Officials: Timely remedy to audit findings is paramount, and GVB strengthened its internal controls in the prior fiscal year to ensure that findings and risks were addressed. While GVB implemented sound controls, residual risk exists as control effectiveness is contingent upon the response rate of GVB's Board of Directors. Due to the nature of the risk, GVB is limited as full remedy can only be achieved when a 100% response rate is obtained. GVB will continue its efforts to work with its Board of Directors to obtain a 100% response rate.

Finding 2023-002 Publishing of Sole-Source Procurement

Criteria: In accordance with §5214e of 5 GCA Ch. 5 Guam Procurement Law, any sole source purchase in excess of \$50,000 should be published in a newspaper of general circulation on Guam, and on its website, within 14 calendar days of awarding any contract. The notice shall include the names of the purchasing agency and awardee(s), the contract award amount, term, and the nature of the contract.

Condition: Three contracts each exceeding \$50,000 and aggregating \$342,000 did not comply with §5214e of 5 GCA Ch. 5 requirements. GVB did not publish a notice of the three sole source purchases as required.

Cause: GVB did not effectively monitor compliance with §5214e of 5 GCA Ch. 5 Guam Procurement Law.

Effect: GVB is not compliant with applicable publishing requirements of the Guam Procurement.

Recommendation: GVB should implement controls, such as a checklist for sole source procurement to include the publication of purchases in excess of \$50,000 to comply with §5214e of 5 GCA Chapter 5 Guam Procurement Law.

Views of Responsible Officials: GVB recognizes that this finding is administrative in nature, where the key issue is the administrative process of newspaper publishing. Processes have been implemented to remedy this finding. GVB has consistently published sole source contracts on its official website and will continue to do so.