

*Financial Statements and Required Supplementary
Information*

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

*Years Ended September 30, 2023 and 2022
with Report of Independent Auditors*



Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Financial Statements

Years Ended September 30, 2023 and 2022

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Report of Independent Auditors

Board of Trustees
Guahan Academy Charter School, Inc.

Opinions

We have audited the accompanying financial statements of the governmental activities and the General Fund of Guahan Academy Charter School, Inc. (the “Academy”), as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Academy’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund activities of the Academy at September 30, 2023 and 2022, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the 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 the Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 the Academy’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.

Auditor's Responsibilities 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 opinions. 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 the Academy'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 the Academy'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 4 through 11 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, which 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2024 on our consideration of the Academy'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 the Academy'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 the Academy's internal control over financial reporting and compliance.

Ernst + Young LLP

February 29, 2024

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Management's Discussion and Analysis

Years Ended September 30, 2023 and 2022

We, the Board of Trustees, provide this narrative overview of the financial activities of Guahan Academy Charter School, a component unit of the Government of Guam. The management's discussion and analysis are for Fiscal Year Ending September 30, 2023.

Organization and Nature of Operations

The Guahan Academy Charter School, Inc., (GACS) is a nonprofit public benefit corporation, and is not organized for the private gain of any person. It is organized for the basic purpose to do all things reasonable and proper in the operation of a public charter school within the Territory of Guam pursuant to the provisions of Public Law 29-140, the Guam Academy Charter Schools Act of 2009. Said corporation is organized exclusively for charitable religious, educational and scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations within the meaning of Section 501(c) (3) of the Internal Revenue Code, or corresponding section of any future federal tax code. Pursuant to 18 GCA §281702 and §281703, this Corporation is organized under and governed by the provisions of the Guam Business Corporation Act (enacted as Guam Public Law 29-144 and as thereafter amended or codified).

This non-profit corporation is established for the purpose of operating an academy charter school which operates independently from the Guam Public School System for the purposes specifically set forth in the Guam Charter School Law, 17 GCA §12102. GACS is established to implement the National Institute for Direct Instruction (NIFDI) School-Wide Reform Model. It shall have those powers set forth in 17 GCA Section §12107 and all lawful powers necessary or convenient to carry out any such purpose, and all rights, privileges and authorities granted by or consistent with any applicable law, unless and only to the extent expressly restricted by its Articles or Bylaws.

GACS is governed by a Board of Trustees. The Board of Trustees consists of not less than five (5) members and not more than nine (9) members. At least one member must be a parent or guardian of a student attending GACS and one member must be from the general public. In compliance with the charter law and GACS governing corporate documents, the principal of GACS is a non-voting member.

The Charter granted to GACS by the Guam Academy Charter Schools Council, initially was a five (5) year period. This is extended to a total of six (6) years in reference to Public Law 35-30 signed by the Governor on July 19, 2019, amending the charter law to read:

Guam Code Annotated, Title 17, Chapter 12, Guam Charter Schools Act of 2009, Section 12113 (b), A Charter may be renewed an unlimited number of times, each time for a six (6) year period, unless revoked as authorized in §12114 of the charter law. The charter may be renewed for an unlimited number of times, each for a six (6) year period. Public law 35-30 signed by the Governor on July 19, 2019.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Management's Discussion and Analysis, continued

Organization and Nature of Operations, continued

GACS is subject to independent oversight by the Guam Academy Charter Schools Council (the Council). The Council is tasked with monitoring GACS' operations, compliance with applicable laws and the provisions of the Charter granted, the progress of meeting student academic achievement expectations specified in the Charter, and compliance with annual reporting requirements.

FINANCIAL HIGHLIGHTS

GACS' financial statements provide the following:

- Assets at the close of FY2023 exceeded its liabilities by \$2,155,156 (net position).
- P.L. 36-107 provided \$7,000 per enrollee with a cap of 765 totaling \$5,355,000, plus an additional \$500 per pupil from the unappropriated excess General Fund revenues of FY2022. The total appropriated for FY2023 amounted to \$5,737,500. The total amount of expenditure submitted to DOA amounted to \$4,231,993.43. The amount verified and allotted by DOA was \$4,229,883.43. The difference of \$2,110 was from a prior years' obligations which were not approved and released by the Charter Council in their November 2023 Council Meeting. The FY2023 unexpended balance from the appropriation is \$1,507,616.57.
- At the close of fiscal year, September 30, 2023 GACS has total count of 765 students.

OVERVIEW OF THE FINANCIAL STATEMENTS

Discussion and analysis are intended to serve as an introduction to the school's basic financial statements. The school's basic financial statements are comprised of two components: 1) government-wide financial statements and, 2) notes to the basic financial statements.

1.) Government-Wide Financial Statements

The purpose of government-wide financial statements is to present the financial position and the operating results of the governmental entity. The statements are expected to provide users with operational accountability information and to enable them to do the following:

- understand the true financial position of the governmental entity, including capital and financial assets and long-term as well as short-term liabilities;
- determine whether the entity can continue to provide current service levels and meet its obligations as they become due; and
- determine the operating results of the entity, including the economic cost and the net cost of services, and assess the economy, efficiency, and effectiveness of operations.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Management's Discussion and Analysis, continued

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

1.) Government-Wide Financial Statements, continued

The *Statement of Net Position* presents information on the school's assets and liabilities, and deferred inflows of resources (which is the acquisition of net assets by the government for future period) and deferred outflows (which is the outflow of net position which will be recognized in a future period). Net position may, over time, serve as an indicator to measure or gauge the school's financial condition.

The *Statement of Activities* presents information on how the school's net position changed during the fiscal year. All the current year's revenue and expenses are reported in this profit and loss statement for some items that will only result in cash flows in the future fiscal period.

The following analysis provides a summary of the GACS's net position as of September 30, 2023 and 2022:

**GUAHAN ACADEMY CHARTER SCHOOL
STATEMENT OF NET POSITION
YEARS ENDED SEPTEMBER 30, 2023, 2022, 2021**

	Sep 30, 2023	Sep 30, 2022	Sept 30, 2021
ASSETS			
Current Assets			
Cash	\$ 555,476	\$ 364,436	\$ 363,462
Accounts Receivable	184,573	393,249	459,087
Other Assets	128,184	637,022	1,162,305
Total Current Assets	868,233	1,394,707	1,984,854
Capital Assets			
Equipment, Net	437,119	407,216	437,991
Property, CIP and Land	1,564,147	1,564,147	1,564,147
Total Capital Assets	2,001,266	1,971,363	2,002,138
TOTAL ASSETS	\$ 2,869,499	\$ 3,366,070	\$ 3,986,992
LIABILITIES & NET POSITION			
Liabilities			
Current Liabilities			
Current portion of long-term debt	\$ ---	\$ ---	\$ 177,500
Accounts Payable	633,242	1,173,125	1,314,087
Accrued Expenses	80,701	125,821	96,014
Total Current Liabilities	713,943	1,298,946	1,587,601
Net Position	2,155,556	2,067,124	2,399,391
TOTAL LIABILITIES AND NET POSITION	\$ 2,869,499	\$ 3,366,070	\$ 3,986,992

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Management's Discussion and Analysis, continued

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

1.) Government-Wide Financial Statements, continued

- During FY2023, the assets exceeded the liabilities by \$2,155,556, resulting in a positive net position balance.
- The Accounts Receivable disclosed a balance of \$184,573. The validated allotment requests of \$178,147 is reflected in FY2023 Cash, leaving a balance of \$2,110 prior year obligations and other receivables of \$4,316.
- Due to typhoon damages in May 2023, total asset amount of \$11,800 was disposed resulting in Loss on Disposal by \$1,244 and a decrease in accumulated depreciation by \$10,556. Total Equipment Net of Depreciation with the additional computer and equipment received from local purchases increased by 7.34%.
- FY2023 total Capital Asset is \$2,001,266, an overall increase of 1.52% from last year.

2.) Notes to Financial Statements

The notes provide additional information essential to a full understanding of the government-wide financial statements.

A summary and analysis of the school's revenues and expenses for Year Ending September 30, 2023, are as follows:

- In FY2023, the school's revenue and expenditures increased by \$420,699. The major changes are the reductions in revenue by \$731,402 (11.77%) and reduction in expenses by \$1,152,101 (17.6%). The reductions in revenue and expenses are mainly due to: (a) decreases in federal grant revenue by \$835,886 (82.75%) and expense by \$514,655 (74.71%); and (b) decrease in materials/supplies and books/online expenses by \$713,295 (85.2%).
- The total number of students for FY2023 has decreased by (3) three from FY2022 768 to FY2023 765. FY2023's P.L. 36-107 provided \$7,000 per enrollee with a cap of 765 totaling \$5,355,000, plus an additional \$500 per pupil from the unappropriated excess General Fund revenues of FY2022. The total appropriated for FY2023 amounted to \$5,737,500. The total amount of expenditure submitted to DOA amounted to \$4,231,993. The amount verified and allotted by DOA was \$4,229,883. The difference of \$2,110 was from a prior years' obligations which were not approved and released by the Charter Council in their November 2023 Council Meeting.
- The overall effect in the net positions resulted in an increase of \$88,432 from last year.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Management’s Discussion and Analysis, continued

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

2.) Notes to Financial Statements, continued

STATEMENT OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2023, 2022, 2021

	Oct 22 - Sep 23		Oct 21 - Sep 22		Oct 20 - Sep 21
Revenue					
Per Pupil Allocation	\$ 4,231,993	\$	4,114,248	\$	4,353,603
In-Kind Contribution	1,044,052		1,075,506		1,086,026
Debt Forgiveness	---		---		1,005,804
Grant	174,228		1,010,114		597,919
Others	33,689		15,496		10,969
	5,483,962		6,215,364		7,054,321
Operating Expense	5,395,530		6,547,631		4,894,804
Change in Net Position	88,432		(332,267)		2,159,517
Net Position Beginning of Year	2,067,124		2,399,391		239,874
Net Position, End of Year	\$ 2,155,556	\$	2,067,124	\$	2,399,391

3.) Accomplishments

	9/30/2023	9/30/2022
Elementary	324	319
Middle	218	226
High School	223	223
TOTAL	765	768

When COVID-19 restrictions were lifted in February 2022, all students went back to face-to-face mode of instruction and learning. The primary goal this school year was to provide students and employees a healthy and safe environment conducive for learning and most importantly to bridge the instructional and learning gaps caused by the pandemic. In the Spring of SY 2022-2023, GACS was able to host its first no-charge after school program – After School Courses in Enrichment, Recreation, & Technology (ASCERT) that focused on enhancing existing programs, credit recovery, recreational activities, and technology. This was funded by the U.S. Department of Education: Education Stabilization Fund II State Education Agency (WSF II-SEA).

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Management's Discussion and Analysis, continued

NARRATIVE OVERVIEW

Economic Dependency

For the Fiscal Year Ending September 30, 2023, GACS received approximately 77% of its annual revenue from the Guam Department of Administration. Any further significant reduction in the level of funding will adversely affect GACS' operations and activities. The Charter Schools release of its allocations are now placed under the Council's approval and DOA's verification of the funds. GACS saw a budget increase from FY2022 \$6,200 per child to FY2023 \$7,500 per child.

The Council will review GACS once every six years to determine whether the Charter should be revoked for material violations of laws and the terms of its agreement or if GACS fails to meet the goals and student academic achievement expectations.

Retirement Savings Plan

The reduction of FY2018 appropriations prompted management to suspend employer contributions to the retirement plan. On July 27, 2023, the retirement benefit was re-instated with employer's contribution of 3% of employee's base pay to all full-time employees.

Long-Term Debt and Accounts Payable

FY2022 outstanding vendor payables of \$693,923 were settled in FY2023, leaving a balance in FY2022's outstanding vendor payables of \$479,202. Total FY2023 outstanding payable, with its current of \$154,040, amounted to \$633,242.

Subsequent Events

GACS has resolved the fourth major vendor liability through payment settlement as reflected above. Efforts to move forward with the acquisition of a new facility was initiated in December 2023 through the issuance of a Request of Proposal for Programming and A&E Consulting Services as we anticipate financing and construction in FY2024.

GACS allocated federal grants under the Guam Department of Education - Education Stabilization Fund (ESF II) in the amount of \$2,075,882 and the American Rescue Plan (ARP) in the amount of \$4,061,749 which will continue until FY2024. The FY2023 ESF II balance of \$917,666.76 is reallocated to the current FY2023 ARP balance of 2,946,688.08.

In May 2023, GACS submitted a financial assistance application to FEMA in response to the damages caused by the declared disaster of Typhoon Mawar. GACS successfully qualified and obtained approval for projects on Debris Removal (Cat A); Emergency Protective (Cat B); Buildings, Content, Equipment (Cat E); and Management Costs (Cat Z). The approved reimbursement amounts will be reflected in the financial statements for FY2024.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Management's Discussion and Analysis, continued

The Guam Legislature passed FY2019 P.L. 35-29, FY2020 P.L. 35-36, FY2021 P.L. 35-99, FY 2022 P.L. 36-54, FY 2023 P.L. 36-107, and now FY2024 P.L. 37-42, as follows:

CHAPTER II
EDUCATION

PART II – GUAM ACADEMY CHARTER SCHOOLS COUNCIL

Section 1. Legislative Intent. It is the intent of *I Liheslaturan Guåhan* to provide a lump sum appropriation to the Guam Academy Charter School Fund for the purpose of Guam Academy Charter Schools' operations and administration.

Section 2. Appropriation. The sum of Fourteen Million Four Hundred Thirty-seven Thousand Five Hundred Dollars (**\$14,437,500**) is appropriated to the Guam Academy Charter School Fund from the General Fund to support the operations of the Guam Academy Charter Schools for Fiscal Year 2024.

Section 3. Notwithstanding any other provision of law, pursuant to § 12116(e), Chapter 12, Title 17 GCA, the Department of Administration (DOA) is hereby authorized to remit to the Guam Academy Charter School Fund, based on cash received from the total General Fund appropriations in Section 2 of this Part of this Chapter, **Seven Thousand Five Hundred Dollars (\$7,500)** per enrollee based on the authorized charter school capacity multiplied by the per pupil cost as established by this Section for Fiscal Year 2024.

The Guam Academy Charter Schools Council shall not exceed appropriations **seven hundred sixty-five (765) students for the *Guåhan* Academy Charter School,**

Capital Improvements

The proposed facility expansion plan is still intended to consolidate the organization's facilities, minimize costs, and expand enrollment capacity. The project would include a permanent campus to provide school facilities for a minimum of 850 students, administration and support staff offices, cafeteria and a gymnasium specifically designed to Guahan Academy Charter School standards and requirements. GACS issued the RFP for Programming and A&E Consulting Services on December 22, 2023.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Management's Discussion and Analysis, continued

Economic Outlook

As per P.L. 37-42, Fiscal Year 2024 budget, GACS was again granted an enrollment of 765 students. The total allocation for FY2024 General Fund appropriations remains \$7,500 per enrollee.

Section 3. Notwithstanding any other provision of law, pursuant to § 12116(e), Chapter 12, Title 17 GCA, the Department of Administration (DOA) is hereby authorized to remit to the Guam Academy Charter School Fund, based on cash received from the total General Fund appropriations in Section 2 of this Part of this Chapter, **Seven Thousand Five Hundred Dollars (\$7,500) per enrollee based on the authorized charter school capacity multiplied by the per pupil cost as established by this Section for Fiscal Year 2024.**

The Guam Academy Charter Schools Council shall not exceed appropriations seven hundred sixty-five (765) students for the *Guahan* Academy Charter School,

GACS, like all Guam schools, continues to participate in Consolidated Grants and ARP-SEA federal grants under the CARES ACT. The grant monies are helping the school in the procurement of supplies and materials to address distance learning, loss of instructional time, health and safety of faculty, staff and students and social-emotional learning.

REQUEST FOR INFORMATION

This report is designed to provide an overview of the school's finances for those with an interest in the area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Office of the Chief Executive Officer, Guahan Academy Charter School, Post Office Box CS, Hagatna, Guam 96932.

Guahan Charter Academy School, Inc.
(A Component Unit of the Government of Guam)

Governmental Funds Balance Sheets/Statements of Net Position

	September 30,					
	2023			2022		
	General Fund	Adjustments	Statement of Net Position	General Fund	Adjustments	Statement of Net Position
Assets:						
Cash	\$ 555,476	\$ ---	\$ 555,476	\$ 364,436	\$ ---	\$ 364,436
Accounts receivable	184,573	---	184,573	393,249	---	393,249
Other assets	128,184	---	128,184	637,022	---	637,022
Property and equipment, net	<u> </u>	<u>2,001,266</u>	<u>2,001,266</u>	<u>---</u>	<u>1,971,363</u>	<u>1,971,363</u>
Total assets	<u>\$ 868,233</u>	<u>2,001,266</u>	<u>2,869,499</u>	<u>\$ 1,394,707</u>	<u>1,971,363</u>	<u>3,366,070</u>
Liabilities and Fund Balance/Net Position:						
Accounts payable and accrued expenses	\$ <u>713,943</u>	<u>---</u>	<u>713,943</u>	\$ <u>1,298,946</u>	<u>---</u>	<u>1,298,946</u>
Total liabilities	<u>713,943</u>	<u>---</u>	<u>713,943</u>	<u>1,298,946</u>	<u>---</u>	<u>1,298,946</u>
Fund balance: unassigned	<u>154,290</u>	<u>(154,290)</u>		<u>95,761</u>	<u>(95,761)</u>	
Total liabilities and fund balances	<u>\$ 868,233</u>			<u>\$ 1,394,707</u>		
Net position:						
Invested in capital assets		2,001,266	2,001,266		1,971,363	1,971,363
Unrestricted		<u>154,290</u>	<u>154,290</u>		<u>95,761</u>	<u>95,761</u>
Total net position		<u>\$ 2,155,556</u>	<u>\$ 2,155,556</u>		<u>\$ 2,067,124</u>	<u>\$ 2,067,124</u>

See accompanying notes.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Statements of Governmental Fund Revenues, Expenditures and
Changes in Fund Balance/Statements of Activities

	Years Ended September 30,					
	2023			2022		
	General Fund	Adjustments	Statement of Activities	General Fund	Adjustments	Statement of Activities
Revenues:						
Per pupil allocations	\$ 4,231,993	\$ ---	\$ 4,231,993	\$ 4,114,248	\$ ---	\$ 4,114,248
In-kind contributions	---	1,044,052	1,044,052	---	1,075,506	1,075,506
Grants	174,228	---	174,228	994,122	15,992	1,010,114
Other	33,689	---	33,689	15,496	---	15,496
Total revenues	<u>4,439,910</u>	<u>1,044,052</u>	<u>5,483,962</u>	<u>5,123,866</u>	<u>1,091,498</u>	<u>6,215,364</u>
Operating expenses:						
Total operating expenses	<u>4,381,381</u>	<u>1,014,149</u>	<u>5,395,530</u>	<u>5,425,358</u>	<u>1,122,273</u>	<u>6,547,631</u>
Excess (deficiency) of revenues over (under) expenditures	58,529	(58,529)	---	(301,492)	301,492	---
Change in net position		88,432	88,432		(332,267)	(332,267)
Fund balance/net position:						
Beginning of year, as restated	<u>95,761</u>	<u>1,971,363</u>	<u>2,067,124</u>	<u>397,253</u>	<u>2,002,138</u>	<u>2,399,391</u>
End of year	<u>\$ 154,290</u>	<u>\$ 2,001,266</u>	<u>\$ 2,155,556</u>	<u>\$ 95,761</u>	<u>\$ 1,971,363</u>	<u>\$ 2,067,124</u>

See accompanying notes.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements

Years Ended September 30, 2023 and 2022

1. Organization

Guahan Academy Charter School, Inc. (the Academy or GACS), a component unit of the Government of Guam, is currently organized for the basic purpose to do all things reasonable and proper in the operation of a nonprofit charter school within the Territory of Guam pursuant to the provisions of Public Law 29-140, the Guam Academy Charter Schools Act of 2009. Said corporation is organized exclusively for charitable, religious, educational and scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations within the meaning of Section 501(c) (3) of the Internal Revenue Code, or corresponding section of any future federal tax code. Pursuant to 18 GCS §281702 and §281703, this Corporation is organized under and governed by the provisions of the Guam Business Corporation Act (enacted as Guam Public Law 29-144 and as thereafter amended or codified).

This non-profit corporation is established for the purpose of operating an academy charter school which operates independently from the Guam Public School System for the purposes specifically set forth in 17 GCA §12102. The Guahan Academy Charter School, Inc. is established as a model for the implementation of the National Institute for Direct Instruction (NIFDI) School-Wide Reform Model. It shall have those powers set forth in 17 GCA Section §12107 and all lawful powers necessary or convenient to carry out any such purpose, and all rights, privileges and authorities granted by or consistent with any applicable law, unless and only to the extent expressly restricted by its Articles or Bylaws.

GACS is governed by a Board of Trustees. The Trustees are elected or selected pursuant to the Charter granted by GACS. The Board of Trustees consists of not less than five (5) members and not more than nine (9) members. At least one member must be a parent or guardian of a student attending GACS and one member must be from the general public. The principal of GACS is a non-voting member.

The Charter granted to GACS is for a six (6) year period, unless revoked as authorized in § 12114 of the Charter. The Charter may be renewed an unlimited number of times, each for a six (6) year period and is due for renewal in June 2024.

GACS is subject to independent oversight by Guam Academy Charter School Council (the Council). The Council is tasked with monitoring GACS's operations, compliance with applicable laws and the provisions of the charter granted; the progress of meeting student academic achievement expectations specified in the charter; and compliance with annual reporting requirements.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies

The accompanying basic financial statements of the Academy have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles.

Government-wide and Fund Financial Statements

The Statements of Net Position present the Academy's non-fiduciary assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

- Net investment in capital assets consist of capital assets, net of accumulated depreciation, plus construction or improvement of those assets.
- Restricted net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through enabling legislation.
- Unrestricted net position consists of net position, which does not meet the definition of the two preceding categories. Unrestricted net position often is designated, to indicate that management does not consider them to be available for general operations. They often have restrictions that are imposed by management, but can be removed or modified.

The Statements of Activities present a comparison between direct expenses and program revenues for each program or function of the Academy's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function.

Program revenues include per pupil allocation from Government of Guam and other grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Academy.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Fund Financial Statements

The Academy uses one governmental fund to report on its financial position and results of operations. The operations of this fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

Separate financial statements are provided for governmental funds. The Academy presents a balance sheet and a statement of revenues, expenditures and changes in fund balances for its governmental fund. The ending fund balance on the balance sheet is then reconciled to the ending governmental net position.

Adjustments required to reconcile total governmental fund balance to net position of governmental activities in the statements of net position as of September 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Fund balance - governmental funds	\$ 154,290	\$ 95,761
Add:		
Land	1,564,147	1,564,147
Depreciable capital assets, net	<u>437,119</u>	<u>407,216</u>
Net position - governmental activities	<u>\$2,155,556</u>	<u>\$2,067,124</u>

Adjustments required to reconcile net change in total governmental fund balance to change in net position of governmental activities in the statements of activities for the years ended September 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Net change in fund balances – governmental funds	\$ 58,529	\$(301,492)
Capital outlays are reported as expenditures in governmental funds. However, in the statements of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. These amounts consist of:		
Capital outlays, net	66,175	15,992
Depreciation expense	<u>(36,272)</u>	<u>(46,767)</u>
Change in net position of governmental activities	<u>\$ 88,432</u>	<u>\$(332,267)</u>

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Measurement Focus/Government-wide and Fund Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements account for the general governmental activities of the Academy and are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally, when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Budget

An annual appropriated budget has not been formally adopted on a legal basis or a basis consistent with GAAP. Accordingly, a budget to actual presentation is not required or presented.

Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of a bank failure, the Academy'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. The Academy does not have a deposit policy for custodial credit risk.

For purposes of the balance sheets/statements of net position, cash and cash equivalents is defined as cash on hand and cash held in demand accounts. As of September 30, 2023 and 2022, the carrying amount of cash and cash equivalents was \$555,476 and \$364,436, respectively, and the corresponding bank balance was \$683,926 and \$507,227, respectively. All the bank balances are maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2023 and 2022, \$433,926 and \$257,227 of the bank balance exceeds the FDIC deposit insurance limit of \$250,000.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Receivables

Accounts receivable primarily represents due from the Government of Guam as of September 30, 2023 and 2022. Management believes that all receivables are fully collectible, therefore, no provision for uncollectible accounts is recorded. As of September 30, 2023 and 2022, the amounts due from the Government of Guam for reimbursable operating costs incurred and billed totaled \$180,256 and \$390,123, respectively.

Deposit

As of September 30, 2023 and 2022, deposits totaling \$121,250 and \$613,372 were held in trust with an attorney for purpose of resolving certain obligations.

Capital Assets

Property and equipment are recorded at cost less accumulated depreciation. Depreciation of all property and equipment is computed on a straight-line basis over the estimated services lives of the assets. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Donated assets are valued at their fair value on the date of gift.

Estimated useful lives for depreciable assets are as follows:

Furniture, fixtures and equipment	3 - 8 years
Office and computer equipment	3 years
Music instrument and sports equipment	3 years

Property and equipment purchased or acquired with original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of assets are capitalized. The cost of normal repairs and maintenance that do not add to the asset value or materially extend useful lives are not capitalized. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in the Statements of Activities.

Revenue Recognition

Revenue from per pupil allocations and supplemental special needs funds is recognized during the School's operating cycle, which starts in August and ends in June. GACS receives financial support in monthly allotments from the General Fund of the Government of Guam via the Guam Department of Administration to finance administrative and general expenses on a reimbursable basis. Such expenses mainly consist of salaries and wages, contractual wages, supplies and materials and utilities.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Revenue Recognition, continued

Pursuant to Guam Public Law 36-107 and 36-54, the per pupil cost was \$7,000 and \$6,200 for the fiscal years ended September 30, 2023 and 2022, respectively. Student enrollment is not to exceed 765 students during School Years 2022-2023 and 2021-2022.

GACS receives approximately 77% of its annual general fund revenue from the Government of Guam under a 6-year charter agreement. Under the charter agreement, the Council will review GACS once every six years, beginning on the date on which the charter is granted or renewed, to determine whether the charter should be revoked for material violations of laws and the terms of its agreement or if GACS fails to meet the goals and student academic achievement expectations. A significant reduction in the level of this support, if this were to occur, may have an adverse effect on GACS's operations and activities.

In-Kind Contributions

GACS records free use of Buildings C, D, & E and certain collateral supplies and equipment provided under Federal Grants as in-kind contributions based on the estimated fair market value of the premises and collateral equipment.

Fund Raising and Donations

GACS participates in various fundraising activities during the year. Revenues received from these fundraising activities are recognized as fundraising income. In addition, GACS receives cash donations from private individuals and businesses that are recognized as donations when received.

Operating and Non-Operating Revenue and Expenses

Operating revenues and expenses generally result directly from GACS ongoing operations. Non-operating revenues and expenses result from capital and financing activities, costs and related recoveries from natural disasters, and certain other non-recurring income and expenses.

Income Taxes

The Academy is exempt from Guam income taxes under Section 501(c) (3) of the Guam Territorial Income Tax Laws.

Compensated Absences

Annual and sick leave is recognized as an expense and a corresponding liability as earned by employees. Regular full-time employees are entitled to eight days of sick leave and two days of vacation leave per benefit period. The benefit period is the first day of work in August to September 30th. Accrued leave does not carry over from year-to-year. Any unused leave will not be paid to the employee.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Fund Balance

Governmental fund balances are classified as follows:

- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.
- Unassigned includes negative fund balances in other governmental funds.

Restricted/committed amounts are spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this. In addition, committed, then assigned, and lastly unassigned amounts of unrestricted fund balance are expended in that order.

A formal minimum fund balance policy has not been adopted.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results may differ from those estimates.

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 GASB Statement No. 91 did not have an effect on the Academy's financial statements.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

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 GASB Statement No. 94 did not have an effect on the Academy'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. The adoption of GASB Statement No. 96 did not have an effect on the Academy's financial statements.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied more easily. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of local government financial statements. The adoption of GASB Statement No. 99 did not have an effect on the Academy's financial statements.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements

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 year 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.

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

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements, continued

3. Capital Assets

Capital asset activity for the year ended September 30, 2023 is as follows:

	<u>Beginning Balance</u> <u>October 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u> <u>September 30, 2023</u>
Depreciable capital assets:				
Computer and transportation equipment	\$ 35,935	\$ 39,148	\$(6,716)	\$ 68,367
Music instrument and sports equipment	50,491	20,935	---	71,426
Furniture, fixtures and equipment	<u>597,813</u>	<u>17,893</u>	<u>(5,085)</u>	<u>610,621</u>
	684,239	77,976	(11,801)	750,414
Less accumulated depreciation	<u>(277,023)</u>	<u>(46,828)</u>	<u>10,556</u>	<u>(313,295)</u>
	407,216	31,148	(1,245)	437,119
Land	<u>1,564,147</u>	<u>---</u>	<u>---</u>	<u>1,564,147</u>
	<u>\$1,971,363</u>	<u>\$ 31,148</u>	<u>\$(1,245)</u>	<u>\$2,001,266</u>

Capital asset activity for the year ended September 30, 2022 is as follows:

	<u>Beginning Balance</u> <u>October 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u> <u>September 30, 2022</u>
Depreciable capital assets:				
Computer and transportation equipment	\$ 35,935	\$ ---	\$ ---	\$ 35,935
Music instrument and sports equipment	39,397	11,094	---	50,491
Furniture, fixtures and equipment	<u>592,915</u>	<u>4,898</u>	<u>---</u>	<u>597,813</u>
	668,247	15,992	---	684,239
Less accumulated depreciation	<u>(230,256)</u>	<u>(46,767)</u>	<u>---</u>	<u>(277,023)</u>
	437,991	(30,775)	---	407,216
Land	<u>1,564,147</u>	<u>---</u>	<u>---</u>	<u>1,564,147</u>
	<u>\$2,002,138</u>	<u>\$(30,775)</u>	<u>\$ ---</u>	<u>\$1,971,363</u>

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements, continued

4. Donated Use of Operating Premises

The Guahan Academy Charter School, Inc. conducts its operations on premises provided at below market cost at Tiyan, Guam as discussed below.

Operations conducted at the Tiyan Guam location are provided under a Memorandum of Agreement (MOA) with the Government of Guam. Pursuant to Public Law 30-37, the Government of Guam and Core Tech International Corporation entered into a lease agreement with an option to purchase dated June 23, 2009, for certain land, buildings and structures located in Tiyan, Guam. On September 15, 2011, Public Law 31-76 amended Public Law 30-37 and allowed continued use of the Tiyan Campus for interim school facilities and other use for government operations. On December 30, 2013, the Government of Guam executed the Option to Purchase the Tiyan Campus.

On August 9, 2013, the Government of Guam entered into Memorandum of Agreement with GACS permitting it to use Buildings C and D of the Tiyan Campus at no cost. The original term of GACS' use of the premises is for a one year period commencing August 6, 2013 with two annual extensions of one year each for a maximum term of no more than three consecutive years from August 6, 2013 and ending June 30, 2016. Additional extensions were granted at the discretion of the Government of Guam. The current MOA expired on June 30, 2023.

In 2022, the finalization of the agreement for an additional three (3) years was initiated. However, in August 2023, the Office of the Governor advised that the delay in the processing of the written agreement would not prevent the Governor from allowing GACS to continually occupy the premises since the Academy does not pay rent, and the Governor has granted consent for GACS' continued occupation. As of the report date, the Office of the Governor, who is the government entity with entitlement to possession has not taken any steps to proceed with an unlawful detainer, has not sought any rent, and has not interrupted GACS peaceful possession of the property. As of the report date, GACS is a holdover tenant in possession, consistent with the representations of the Office of the Governor. GACS has initiated its request to continue occupancy during the interim period of financing the construction of a new facility.

The extensions are subject to the following conditions: a) GACS continues to hold a duly issued charter from the Guam Academy Charter Schools Council; and b) there has been no default of the MOA within a ninety-day notice. The office of the Governor of the Government of Guam estimates the fair rental market value of the premises and collateral equipment at \$953,070 per year based on comparable rents in the immediate area, which is recorded as a component of in-kind contributions in the accompanying statements of governmental fund revenues, expenditures and changes in fund balance/statements of activities. In 2020, this value increased due to the inclusion of Building E in the calculation. The MOA allows GACS free use of certain collateral equipment, the current fair market value of which was previously considered immaterial to the accompanying financial statements. In fiscal year 2019, the Government of Guam provided data sufficient to record the value and GACS has accordingly recorded such in the 2023 and 2022 financial statements. Additionally, the MOA requires that should GACS vacate the Tiyan premises, it must incur certain expenses to restore those premises.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements, continued

4. Donated Use of Operating Premises, continued

As of September 30, 2023 and 2022, GACS has estimated that \$89,000 is the attendant cost of vacating the Tiyan premises but given GACS current financial situation, it is not currently possible to predict if such costs will be incurred and therefore, given the materiality of this balance, it has not been recorded as an expense and as a liability in the accompanying financial statements.

5. Retirement Savings Plan

A defined contribution retirement savings plan was implemented which allows employees to contribute up to \$17,500 of the employees' annual compensation to the plan. Eligible employees are full-time employees who have completed three months of service. Employees at the age of 50, or who will attain the age of 50 before the end of the calendar year may make additional deferrals at a maximum of \$5,500 in excess of elective deferrals. On July 30, 2023, GACS reinstated the employer share of the 403(b) retirement benefit of 3% of employee's base pay and is available to all full-time employees regardless of employee contributing or not. The reinstatement is effective July 30, 2023 and is subject to change and availability of funds.

6. Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Academy has elected to purchase commercial insurance coverage from independent third parties for the risks of loss to which it is exposed. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

7. Commitments and Contingencies

Commitments

For the years ended September 30, 2023 and 2022, unreported amounts related to leave earned but unpaid amounted to \$24,404 and \$25,769, respectively.

Contingencies

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Negotiations to resolve a liability with another vendor were finalized and GACS paid the final settlement amount of \$530,000 in January 2023. Payment was made through the security deposit under GACS' third-party lawyer.

Dependency of Government of Guam

GACS earns substantially all its non-contribution related revenues (77% for the year ended September 30, 2023) from a per pupil revenue assessment from the Government of Guam. Substantial changes in per pupil reimbursements will have an adverse impact on GACS ability to operate due to its funding dependency on the Government of Guam.

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*

Board of Trustees
Guahan Academy Charter School, Inc.

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 Guahan Academy Charter School (the Academy), which comprise the statement of financial position as of September 30, 2023, and the related notes (collectively referred to as the “financial statements”), and have issued our report thereon dated February 29, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Academy’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 the Academy’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy’s internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of 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 audits, 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*.

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

February 29, 2024