

GUAHAN ACADEMY CHARTER SCHOOL, INC.
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

SEPTEMBER 30, 2020 AND 2019

GUAHAN ACADEMY CHARTER SCHOOL, INC.
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Years Ended September 30, 2020 and 2019
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Guahan Academy Charter School, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Guahan Academy Charter School, Inc. (the Academy), a component unit of the Government of Guam, as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Academy's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Guahan Academy Charter School, Inc. as of September 30, 2020 and 2019 and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note 9 to the financial statements, the Academy is dependent on sufficient Government of Guam appropriations to be able to continue its operation. Management's plans with respect to this matter are discussed in Note 9.

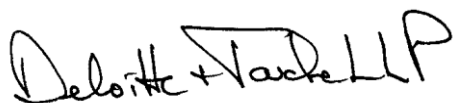
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 17 be presented to supplement the financial statements. Such information, 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. This supplementary information is the responsibility of the Academy's management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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 October 18, 2021, 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.



October 18, 2021

**GUAHAN ACADEMY CHARTER SCHOOL, INC.
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)**

Management's Discussion and Analysis
Years Ended September 30, 2020 and 2019

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. This discussion and analysis are for two Fiscal Years Ending September 30, 2019 and September 30, 2020.

Financial Highlights

GACS' financial statements provide the following:

- Liabilities at the close of FY2019 exceeded its assets by \$633,205. However, at the close of FY2020, assets exceeded liabilities by \$325,440.
- For FY2019, P.L. 34-116 provided \$6,088 per student with a cap of 740, totaling \$4,505,120. The total amount of expenditures approved by DOA amounted to \$3,842,906 with an unexpended balance of \$658,256 to date.
- For FY2020, P.L. 35-36 provided \$6,150 per student with a cap of 740 totaling \$4,551,000. The total amount of expenditures approved by DOA was initially \$3,892,744 with a subsequent release of \$658,256, totaling \$4,551,000.

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 as a whole. 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 is able to 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.

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 future fiscal period.

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The following analysis provides a summary of the GACS's net position as of September 30, 2020 and September 30, 2019.

- During FY2019, the liabilities exceeded the assets by \$633,205, resulting a negative balance in the total net position.
- In FY2020, the assets exceeded the liabilities by \$325,440, resulting a positive net position balance.

ASSETS	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash	\$ 264,297	\$ 126,772
Accounts receivable	803,547	546,182
Other assets	<u>620,547</u>	<u>7,320</u>
Total Current Assets	<u>1,688,391</u>	<u>680,274</u>
Capital Assets:		
Equipment, net	571,117	592,025
Property, CIP and Land	<u>1,564,147</u>	<u>1,564,147</u>
Total Capital Assets	<u>2,135,264</u>	<u>2,156,172</u>
Total Assets	\$ <u>3,823,655</u>	\$ <u>2,836,446</u>
 LIABILITIES AND NET POSITION		
Liabilities:		
Current Liabilities:		
Current portion of long term debt	\$ 642,114	\$ 346,667
Accounts payable	2,770,503	2,979,220
Accrued expenses	<u>85,598</u>	<u>143,764</u>
Total Current Liabilities	3,498,215	3,469,651
Net Position	<u>325,440</u>	<u>(633,205)</u>
Total Liabilities and Net Position	\$ <u>3,823,655</u>	\$ <u>2,836,446</u>

- In FY2019, Accounts Receivable disclosed a balance of \$546,182. The cash reimbursement is reflected in FY2020 Cash which is a combination of a DOA validated allotment request of \$538,601 plus collections of \$6,731.
- In FY2020, Accounts Receivable disclosed a balance of \$803,547. The validated allotment request of \$802,697 is reflected in FY2021 Cash.
- FY2019 equipment increased by 7.17% due to additional computer and school supplies received from the Federal Consolidated Grant and other local purchases. Equipment, Net of Depreciation, decreased by 7.37%.
- FY2020 equipment increased by 10.76% due to additional computer and school supplies received from the Federal Consolidated Grant and Education Stabilization Fund Grant and other local purchases. Equipment, Net of Depreciation, decreased by 3.53%. Please see the notes to the financial statements for additional information concerning capital assets.
- FY2019 total Capital Assets are \$2,156,172. In FY2020, the investment amount was reduced to \$2,135,264.
- Please see the notes to the financial statements for additional debt related information.

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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 Years Ending September 30, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
Revenue:		
Per Pupil Allocation	\$ 4,551,000	\$ 3,842,906
Donations	1,084,633	769,012
Grant:		
Consolidated Grant	80,878	59,687
ESF I Grant	19,182	-
Extended Learning	4,057	13,166
Student Meals	4,265	2,782
Fundraising and Others	<u>17,172</u>	<u>37,695</u>
Total Revenue	<u>5,761,187</u>	<u>4,725,248</u>
Operating Expenses:		
Personnel	2,355,922	2,110,437
Office Space Rental	953,070	635,380
Contractual Services	472,043	620,276
Benefits	282,160	276,822
Books/Online Res	170,043	181,844
Equipment Rental	131,563	131,563
Depreciation Expense	122,856	112,637
Telephone/Toll/Wifi/Svc	88,065	93,222
Materials and Supplies	73,904	82,306
Power	58,220	91,981
Water	26,310	19,739
Workmns Com & Gen Liab	16,112	16,720
Testing Supp (Classrooms)	901	1,295
Interest Expense	-	8,167
Miscellaneous Expense	<u>51,373</u>	<u>100,831</u>
Total Expenses	<u>4,802,542</u>	<u>4,483,220</u>
Change in Net Position	958,645	242,028
Net Position Beginning of Year	<u>(633,205)</u>	<u>(875,233)</u>
Net Position End of Year	\$ <u>325,440</u>	\$ <u>(633,205)</u>

- In FY2019, the School's revenue decreased by \$601,553 mainly due to the \$658,256 unexpended balance. The recording of impairment loss in FY2018, resulted in a decrease in FY2019 expenditures of \$3,152,590.
- In FY2020, the School's revenue and expenditures increased by \$1,035,939 and \$319,322 respectively. The major change is the recording of additional In-Kind Contribution of \$317,690 which is the rental value for the use of Tiyan Campus Bldg E with the Government of Guam. The total combined rental value of Bldgs C, D & E for FY2020 has increased to \$953,070.

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- The total number of students for FY2019 and FY2020 remains status quo at 740 students per school year. FY2019's P.L. 34-116 provided \$6,088 per student with a cap of 740 totaling \$4,505,120. FY2020's P.L. 35-36 provided \$6,150 per student with a cap of 740 totaling \$4,551,000.
- The overall effect in the net positions resulted in an increase of \$242,028 in FY2019 and an increase of \$958,655 in FY2020.

3) Accomplishments

The count of students per village enrolled in GACS for SY2019-1020:

<u>Village</u>	<u>Count</u>
Inarajan	2
Latte Heights	2
Ordot	2
Piti	2
Merizo	3
Tumon	5
Harmon	6
Asan	8
Maina	9
Talofofa	10
Maite	11
Chalan Pago	13
Sinajana	14
Agat	15
Santa Rita	19
No answer	20
Mongmong	24
Yona	27
Toto	37
Agana	53
Tamuning	53
Barrigada	83
Mangilao	83
Yigo	84
Dededo	155

The largest number of students enrolled came from Dededo and Yigo.

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The ethnic background of GACS students are listed below:

<u>Ethnicity</u>	<u>Count</u>
Chamorro	388
Chuukese	190
Filipino	46
Pohnpeian	31
Japanese	18
Yapese	17
Palauan	16
Caucasian	6
African American	4
Chinese	4
Other	4
Carolinian	3
Samoan	3
Armenian	2
Korean	2
Kosrean	2
Tahitian	2
German	1
Hispanic	1

The largest group of students are Chamorros followed by combined FSM citizens with Chuukese as the larger of the group, and third, students identified as Filipinos.

Academic Assessment Summary as of SY2018-2019

On a yearly basis, Guahan Academy Charter School administers a battery of tests to assess student proficiency in the areas of math, language arts, and reading:

DYNAMIC INDICATORS OF BASIC EARLY LITERACY SKILLS (DIBELS) assesses the acquisition of early literacy skills from Kindergarten through 6th grade. By observing the speed at which students can read letters, sounds, words, and then reading passages, teachers can assess how well the student is developing reading skill. The DIBELS assists teachers in seeing effectiveness of the Direct Instruction approach used daily in GACS classrooms and how well it correlates with assessments used in daily classroom practice.

BOEHM TEST OF BASIC CONCEPTS-3 is used to identify students who may be at risk for a learning difficulty and may need referral for additional testing identify students in the classroom who know most concepts, but are having difficulty understanding a few key concepts that are embedded in instruction and to assess students' language comprehension skills.

WIDE RANGE ACHIEVEMENT TEST 4 (WRAT4) is an achievement test which measures an individual's ability to read words, comprehend sentences, spell and compute solutions to math problems.

AMERICAN COLLEGE TESTING ASPIRE (ACT Aspire) is given through the Guam Department of Education. This test provides data on three subtests in the subjects of reading, English, and math. First, is the Preliminary Assessment Report, which presents individual student data and the second is the Final Assessment Report which provides the community with aggregate data by grade level on how well GACS is performing in educating its students.

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STANDARDS-BASED ASSESSNEBT (SBA) is an assessment that relies on the evaluation of student understanding with respect to agreed-upon standards, also known as "outcomes". The standards set the criteria for the successful demonstration of the understanding of a concept or skill.

KINDERGARTEN

At the beginning of the school year none of the Kindergarten students could read words, based on the results of the DIBEL'S Word Reading Fluency. By the end of the Kindergarten year, there was a significant gain in the students' growth in word reading. **A significant gain was observed in the students' growth in word reading skills by the end of the school year, which went from 1 to a maximum of 85 words a minute, with an average of 16 words for the overall group.**

In the Word Reading subtest, 37 students or 65% of Kindergarten students were in the 50th to 99th percentile. In the Spelling subtest, 32 students or 56% were within the 50th to 99th percentile range. **Most significant, 45 students or 79% of Kindergarten students, are in the 50th to 99th percentile in Math computation by the end of Kindergarten.**

1ST GRADE

By the end of the 1st grade year, students could read an average of 45 words per minute with a range of 1 to 105. Based on the average number of words read by 1st grade, students are within the 45th to 50th percentile.

By the end of their 1st grade year, 69% of 1st graders were reading at the 50th percentile or higher. In Reading Comprehension, 50 to 52% were understanding what they read at the 50th percentile or higher while a significant 63% were functioning at the 50th percentile or higher in Math computation. **The majority of 1st graders are demonstrating significant achievement in areas measured by the WRAT-4, particularly in Math.**

On the SBA, GACS 1st Grade students anchored at the BASIC level in Math, Science, Social Studies, and Language Arts.

2ND GRADE

By the end of the 2nd grade year, 42% were within the 50th percentile or higher in the acquisition of basic concepts essential for later learning. By the end of 2nd grade WRAT percentile score, over 70% of students were reading words at the 50th percentile or higher. On the SBA Tests, GACS 2nd graders are anchoring at the Basic level, however they had 15 students at the Proficient or Advanced levels in Math, 12 at this level 21 in Science.

The ACT Aspire results highlight a strength in the English subtest, which has been historically consistent at GACS. Overall, only 18% of the students who took the test scored in the "In need of support" category, while the remaining 82% were in the "exceeding", "ready", and "close" categories. However, in reading, 64% percent of the total tested students scored in the "in need of support" category; 24% were "close"; 9% were "ready" and 3% exceeding. In the math subtest, 4% scored in the "ready" category; 26% in the "close" category; and 69% in the "in need of support" category. From these results, it was even more evident that the focus of the faculty and staff would need to be on improving math problem solving skills, as well as reading comprehension abilities, which are both major components of the school's improvement plan.

When items from both the WRAT-4 and ACT Aspire word reading and reading subtests were compared, the results show a low to moderate correlation with most grade levels.

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The WRAT-4 results show that in the areas of math and word reading, 61.8% and 55.3% of the students scored on or above the 50th percentile respectively. However, in sentence comprehension and spelling, 67.9% and 64.9% of the students tested below the 50th percentile respectively. As a result, increasing the use of reading comprehension activities and strategies is a part of the school's improvement plan.

3rd GRADE

The WRAT-4 test results for 3rd grade students indicate that in Word Reading 51% of the students are in the 50th percentile or higher. Reading Comprehension of the WRAT-4 show between 38 to 46% are in the 50th percentile or higher. Math showed 38% of 3rd graders were in the 50th percentile or higher.

4th GRADE

Just as the DIBELS showed gains in oral reading, the WRAT-4 also showed similar outcomes with 55 students or 74% of the 4th grade class at the 50th to 99th percentile in word reading and 77% who are also spelling at the 50th percentile or higher. Reading comprehension showed that between 15 to 25 students or between 36% to 59% of 4th graders were at the 50th percentile or higher in reading comprehension. The deterioration in math, the weakest content area, showed that 57% of 4th graders are below average, functioning at the 1st to 24th percentile rank.

5th GRADE

By the end of 5th grade, in the Dibels assessment, students were reading an average of 153 words per minute which places them at the 63rd percentile range, or at the HIGH AVERAGE level in oral reading fluency for 5th grade. A closer analysis of the data showed that 55% of the class are reading at the 50th percentile or higher. The highest score was 252 words per minute at the 98th percentile and the lowest score was 85 words per minute at the 10th percentile.

By the of 5th grade, reading comprehension percentiles show an increase of students at the 25th percentile and below. This same trend is observed in math computation skills with 42% of 5th graders in the 25th percentile or lower. The Reading Composite score on the WRAT-4 combines the Word Reading and Sentence Comprehension subtests and 5th graders show that 40% of 5th graders are reading at or above grade level.

Both the ACT/Aspire and the WRAT-4 indicate Math as a major area of concern requiring both improved instructional strategies for classroom teachers, as well as increased student instructional time for math. This need is now critical as the demands for more advance concepts in math continue to increase.

6th GRADE

By the end of 6th grade, students were reading an average of 151 words per minute which places them at the 51st percentile range, or at the HIGH AVERAGE level in oral reading fluency for 6th grade. A closer analysis of the data showed that 50% of the class are reading at the 50th percentile or higher.

In Word Reading and Sentence Comprehension, the majority of 6th graders are in the 1st to 49th percentile. The WRAT-4 Reading Composite percentile reflects this trend, however 26 students or 39% of 6th graders are reading and comprehending what they read at the 50th percentile or higher. Mathematics skill continues to show the trend of most 6th grade students functioning at below basic levels in doing grade level math computation.

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7th GRADE

Based on the WRAT-4 test results, 7th graders showed the greatest strength in math computation with 51% of students at the 50th percentile or higher. The weakest are of concern is in reading comprehension, as measured by the WRAT-4 Sentence Comprehension test with only 15% of 7th graders at the 50th percentile or higher, as well as WRAT-4 Reading Composite with 32% of 7th graders at the 50th percentile or higher. Word reading and spelling showed 42% and 25% respectively, of students at the 50th percentile or higher.

8th GRADE

By the end of 8th grade, students were reading an average of 147 words per minute which places them at the 48th percentile range, or at the LOW AVERAGE-AVERAGE level in oral reading fluency for 8th grade. A closer analysis of the data showed that 50% of the class are reading words at the 50th percentile or higher with 50% in the low average to below average range. The highest score was 226 words per minute at the 99th percentile and the lowest score was 57 words per minute which is significantly below the 10th percentile for 8th Grade.

By the end of 8th grade, Word Reading and Sentence Comprehension gaps begin to close with 47% of 8th graders showing a Reading Composite score at the 50th percentile or higher. The most significant area of strength was in Spelling with 76% of 8th graders at the 50th percentile or higher. While Math achievement continues to show 20% of students at the 50 percentile or higher, a significant observation made was 55% of 8th graders were within the low average to average range (25th to 49th percentiles) in Math, and only 25% of the group in the 24th percentile and below.

9th GRADE

By the end of 9th grade, Word Reading and Sentence Comprehension (WRAP) gaps continue to close with 64% of 9th graders showing a Reading Composite score at the 50th percentile or higher, based on the WRAT-4. The most significant area of strength was in Spelling with 82% of 9th graders at the 50th percentile or higher. In Math, 33% were in the 50th percentile or higher, however the most significant observation is that 51% of 9th graders are now in average-low average range (at or below the 49th percentile to 25th percentile) with only 8 students or 15% of 9th graders below the 25th percentile.

9th graders were given the SBA U.S. History and Physical Science tests. Students tested did slightly better in U.S. History, than in Physical Science. The composite scores for U.S. History ranged from 25 to 85, slightly better than physical science range, with an average score at 44. 11 of 18 students or 61% of students tested, anchored at the Basic proficiency level with 1 student at the Advanced level.

10th GRADE

In Physical Science 10 of the 18 students tested or 56% were at the Proficient or Basic levels for physical science with composite scores ranging from 15 to 83, with an average composite score at 45. While the average composite score for the Physical Science test was higher than U.S. History, the range of scores, as well as the proficiency levels, indicates slightly higher achievement in U.S. History.

By the end of 10th grade, there was a considerable increase in the number of students who fell within the 1st to 24th percentile in all subtests of the WRAT-4, with the exception of Spelling. In Word Reading 38% of 10 graders were in the 1st to 24th percentile, 54% were in this range in Sentence Comprehension. Math showed the largest number of students in the 1st to 24th percentile with 56% of 10th graders in this percentile range.

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On the SBA Biology test, 10th graders showed an average composite score of 42 with a range between 19 to 69, with 57% of students anchoring at the Below Basic proficiency level. 13 students or 43% of students tested were at the Proficient to Basic levels on the SBA Biology test. In Geometry, only 7 students were tested, all of whom fell in the Below Basic proficiency level with an average composite score of 42.

11th GRADE

By the end of 11th grade, the 30 students tested with the WRAT-4 show that in Word Reading, 43% are at the 50th percentile or higher, with 33% within the 25th to 49th percentile and 23% in the 1st to 24th percentile. In the Sentence Comprehension test, 50% of 11th graders are functioning at the 1st to 25th percentile, indicating problems in reading comprehension. 20% are comprehending what they read within the 50th to 99th percentile and 27% showing some difficulty with reading comprehension as they are between the 25th to 49th percentile (low average). The Reading Composite scores reflect a distribution of 37% within the 50th to 99th percentile, while 30% are between the 49th to 25th percentile, and 30% between the 1st to 24th percentile. Math achievement for 11th graders, based on the WRAT-4 show 63% of students in the 1st to 24th percentile, 30% between the 49th to 25th percentile and 7% at the 50th percentile or higher.

11th Graders were give 5 SBA tests at the end of year. In the English/Language Arts test, 13 students or 57% were within the Proficient to Basic levels with an average composite score of 49 with a range between 24-82. While it appears that the majority of students anchored at the Below Basic proficiency level, these 10 students represent 43% of the group tested.

In the SBA Chemistry test, 21 students were tested with an average composite score of 31 and a composite score range of 19 to 43, indicating that the majority of students were in the Below Basic proficiency level and 4 at the Basic level.

In the SBA Geometry test, 14 students were tested with an average composite score of 26 and a composite score range between 18-36, with all 14 students anchoring at the Below Basic proficiency level. This indicates either insufficient instruction in geometry and/or more focused instructional time is needed.

In the SBA Algebra II test, 16 students were tested, the majority falling into the Below Basic proficiency level with an average composite score of 34 and a composite score range between 22-61. 3 students in the group were at the Basic proficiency level.

In the SBA Guam History tests, 12 students of 19 tested, or 63% were between the Advanced to Basic proficiency levels with an average composite score of 52 and composite score range between 21 to 87, see Figure 34 below for a graphic depiction of these test results.

12th GRADE

The 12th Graders were only given the English/Language SBA Test upon completion of 12th grade. Students anchored at the Basic proficiency level, with 2 students at the Proficient level and 1 at the Below Basic level. The average composite score was 51, with composite scores ranging between 29 to 71.

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The **ACT Aspire** results for SY2018-2019, highlight a strength in the English subtest, which has been historically consistent at GACS.

<u>Reading</u>	<u>Math</u>	<u>Category</u>
64%	69%	In need of support
24%	26%	Close
9%	4%	Ready
3%		Exceeding
<u>Overall</u>	<u>Category</u>	
18%	In need of support	
82%	Exceeding, ready and close	

From these results, it was even more evident that the focus of the faculty and staff would need to be on improving math problem solving skills, as well as reading comprehension abilities, which are both major components of the school’s improvement plan.

Academic Assessment SY2019-2020

Due to COVID-19 pandemic and the closure of schools, USDOE waived the administration of the ACT Aspire for GDOE and all participating schools. Additionally, GACS was unable to administer the other battery of tests for SY19-20.

Accreditation

GACS accreditation journey:

June 29, 2017	WASC Candidacy Status Granted
May 1, 2018	Withholding of Candidacy
February 4, 2019	WASC Retained Candidacy for grades K-5; WASC denied Reinstatement of Candidacy for grades 8-12
May 6-12, 31, 2019	GACS Draft School Report for WASC
July 30, 2019	Accreditation Consultant Preliminary Report
August 15, 2019	Substantive Change Notice-Bldg. E
August 22, 2019	WASC Substantive Change Fee and Visit; Visiting Team Visit (Fall)-Substantive Change
November 12, 2019	WASC Announcing Dr. Robert Slaby, as Chairman of Visiting Team for GACS Accreditation
February 8, 2020	Self-Study Report emailed to Dr. Slaby and WASC
February 4, 2020	CAO and GACS Community Resource Consultant traveled to CNMI regarding COGNIA
February 7, 2020	Zoom teleconference with COGNIA CEO Mark Eglart
February 10, 2020	Chairwoman, CAO and C.R Consultant traveled to CNMI to invite Dr. Sablan and Ms. Quitugua to GACS PD

**GUAHAN ACADEMY CHARTER SCHOOL, INC.
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)**

Management's Discussion and Analysis
Years Ended September 30, 2020 and 2019

February 13, 2020	Teleconference with COGNIA Chief Certification Officer Annette Bohling
February 17, 2020	GACS Letter to WASC cancelling WASC Affiliation /COGNIA informational Awareness Presentation
February 18, 2020	GACS BOT Resolution 2-2020-216 Authorizing Membership with COGNIA
February 20, 2020	Readiness Review teleconference
March 23-25, 2020	Teleconference with COGNIA Chief Certification Officer Annette Bohling
April 8, 2020	Teleconference with Dr. David Hurst, Senior Vice President Global Evaluation Services
April 6-10, 13, 2020	Zoom teleconference with Faculty and Staff: COGNIA Performance Standards
May 2-9, 2020	COGNIA Engagement Review

Guahan Academy Charter School has met the criteria for educational quality established by the COGNIA Global Commission and was presented a Certificate of Accreditation on June 30, 2020 by the North Central Association Commission on Accreditation and School Improvement, the Northwest Accreditation Commission, and the Southern Association of Colleges and Schools Council on Accreditation and School Improvement. GACS' attained accreditation for five (5) years. GACS has divided itself into three domains (Leadership, Resource and Learning Domains) to continue the journey for improvement.

Graduation

2018-2019 Graduation:

A total of 29 students graduated on June 2019. Six 11th grade students (Juniors) graduated with the Senior Class of 2019. These students took credit recovery courses to catch up with their peers. The graduating class who pursued a higher education on island or off island are as follows: 6 went to GCC, 4 went to UOG, 1 off island and 2 went to Guam Marianas Training Center. The remaining students are gainfully employed: 3 at gas stations, 4 at fast food restaurant and 1 joined the military.

2019-2020 Graduation:

For SY2019-2020, 31 seniors received their diplomas at the end of the year making it the largest graduating class to date.

**GUAHAN ACADEMY CHARTER SCHOOL, INC.
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Management's Discussion and Analysis
Years Ended September 30, 2020 and 2019

Narrative Overview

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 is for a five (5) 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 five (5) year period.

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.

Mission Statement

At Guahan Academy Charter School, our mission is to empower our students with proven educational practices and social supports to be productive citizens in the community.

Economic Dependency

For the Fiscal Years Ending September 30, 2019 and September 30, 2020, GACS received approximately 84% and 81% consecutively of its annual revenue from the Guam Department of Education. Any further significant reduction in the level of funding will adversely affect GACS' operations and activities. Charter schools lobbied senators to remove charter schools from the Guam Department of Education in the release of its allocation and to place for the Council's approval and DOA's release of the funds. GACS saw a budget reduction from \$6,500 per child to \$6,000 per child.

**GUAHAN ACADEMY CHARTER SCHOOL, INC.
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)**

Management's Discussion and Analysis
Years Ended September 30, 2020 and 2019

The Council will review GACS once every five 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.

Concentration of Credit Risk

GACS continues to bank with an FDIC banking institution and at times exceeds cash balances of \$250,000.

Donated Use of Operating Premises

The Guahan Academy Charter School, Inc. conducts its operations provided at fair rental market value at Tiyan, Guam as discussed below.

Operations conducted at 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 for no rental cost. The 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 is set to expire on June 30, 2023.

In 2019, the Governor, GACS, and GDOE began the discussion on the use of Building E of the Tiyan Campus. This resulted in the execution of a Memorandum of Agreement (MOA) for the use of the same by GACS in 2020 until June 30, 2021. On May 28, 2021, the governor has deemed it appropriate to allow continued use of Building E to GACS and I Kumision, and executed a Third Amended MOA Lease to expire no later than June 30, 2023.

Management of the Guahan Academy Charter School, continues to record the estimated fair rental market value of Buildings C, D, & E. In FY2019, the amount recorded is \$52,948 per month or \$635,380 per year for Buildings C & D. In FY2020, the amount recorded is \$79,422.50 per month or \$953,070 per year for Buildings C, D, & E.

Retirement Savings Plan

The reduction of FY2018 appropriations caused management to put on suspension the employer contribution of the retirement plan. To date, the suspension is still in effect.

Risk Management

GACS maintains commercial insurance to provide for claims arising from various risks. To date there are no material losses.

**GUAHAN ACADEMY CHARTER SCHOOL, INC.
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)**

Management's Discussion and Analysis
Years Ended September 30, 2020 and 2019

Long-Term Debt and Accounts Payable

FY2019 Note Payable balance of \$346,667, plus the outstanding vendor payables of \$2,802,959, a total of \$3,149,626 are all part of FY2019 and FY2020 prior year obligations. GACS has submitted allotment requests to DOA for payment in accordance with the below Public Laws:

P.L. 35-29 (FY19), Pg 6(10)

8 “(f) All Fiscal Year 2019 funds appropriated to the Charter School
9 *may be used to pay prior year obligations.*”

P.L. 35-36 (FY20), Pg 20(25)

3 **Section 4.** All Fiscal Year 2020 funds appropriated to the Guam Academy
4 Charter School Fund may be used to support the payment of prior year obligations.

FY2020 Note Payable balance of \$177,500, plus the outstanding vendor payables of \$2,720,070, a total of \$2,897,570 continues to be part of FY2021, in accordance with Public Law:

P.L. 35-99 (FY21), Pg. 20

6 **Section 4.** All Fiscal Year 2019 and Fiscal Year 2020 unexpended funds
7 may be used to support the payment of prior year obligations. All Fiscal Year 2021
8 funds appropriated to the Guam Academy Charter School Fund may be used to
9 support the payment of prior year obligations.

Subsequent Events

The Guam Legislature passed P.L. 35-29, P.L. 35-36 and P.L. 35-99 mandating that Charter schools are authorized to pay prior year obligations using current appropriations.

GACS has resolved two major vendor liabilities through settlement. Settlement discussion are still ongoing to resolve the third major vendor liability.

Due to COVID-19, GACS qualified to receive SBA/PPP loan in May 2020. GACS received final forgiveness in May 2021 and will be reflected in FY2021 financial statement.

GACS was allocated Education Stabilization Fund (ESF) monies, a federal grant in July 2020 under the Guam Department of Education. Out of the \$761,443 allotment, GACS received \$42,192 worth of materials and supplies in FY2020. The remaining items were received in FY2021.

**GUAHAN ACADEMY CHARTER SCHOOL, INC.
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)**

Management's Discussion and Analysis
Years Ended September 30, 2020 and 2019

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 up to 1,000 students, administration and support staff offices.

Economic Outlook

As per P.L. 35-99, Fiscal Year 2021-2022 budget, GACS requested for an enrollment increase based on current registered students at 765. The Chairman of the Office of Finance and Budget announced that the Legislature is looking at appropriating \$6,150 per pupil based on each charter school cap. This amount will again result in a negative financial impact by the end of the next fiscal year.

GACS, like all Guam schools, is fortunate to participate in several federal grants under the CARES ACT. These grant monies are very helpful in procuring supplies and materials to address distance learning, health and safety of faculty, staff and students and social emotional learning. Most recently, under the American Rescue Plan – Outlying Areas, monies are specifically allocated to address loss of instructional time. Monies could not cover additional personnel needed to address social distancing and different modes of instruction. Grant monies cannot be used for utilities such as water for hand washing and disinfecting nor power for air purifiers, air conditioners, fans, opening doors and windows to filter indoor air out.

Currently, GACS is occupying the three Tiyan Buildings C, D, and E. Building E was acquired via an MOA and to expire June 2023. The high school campus and the Learning Resource Center are housed in Bldg E.

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 ACADEMY CHARTER SCHOOL, INC.
(A Nonprofit Organization)

Net Assets/Statement of Net Position
September 30, 2020

	General Fund	Adjustments (Note 2)	Statement of Net Position
<u>ASSETS</u>			
Cash	\$ 264,297	\$ -	\$ 264,297
Accounts receivables	803,547	-	803,547
Deposit	613,614	-	613,614
Other assets	6,933	-	6,933
Property and equipment, net	-	2,135,264	2,135,264
Total assets	\$ 1,688,391	\$ 2,135,264	\$ 3,823,655
<u>Liabilities and Net Assets/Net Position</u>			
Short-term debt	\$ 642,114	\$ -	\$ 642,114
Accounts payable	2,770,503	-	2,770,503
Accrued expenses	85,598	-	85,598
Total liabilities	3,498,215	-	3,498,215
Commitments and contingencies			
Net Assets:			
Unrestricted (deficit)	(1,809,824)	1,809,824	-
Total net assets	(1,809,824)	1,809,824	-
Total liabilities and net assets	\$ 1,688,391		3,498,215
Net position:			
Net investment in capital assets		2,135,264	2,135,264
Unrestricted		(1,809,824)	(1,809,824)
Total net position		\$ 325,440	325,440
Total liabilities and net position			\$ 3,823,655

See accompanying notes to financial statements.

GUAHAN ACADEMY CHARTER SCHOOL, INC.
(A Nonprofit Organization)

Net Assets/Statement of Net Position
September 30, 2019

	General Fund	Adjustments (Note 2)	Statement of Net Position
<u>ASSETS</u>			
Cash	\$ 126,772	\$ -	\$ 126,772
Accounts receivables	546,182	-	546,182
Other assets	7,320	-	7,320
Property and equipment, net	-	2,156,172	2,156,172
Total assets	\$ 680,274	\$ 2,156,172	\$ 2,836,446
<u>Liabilities and Net Assets/Net Position</u>			
Short-term debt	\$ 346,667	\$ -	\$ 346,667
Accounts payable	2,979,220	-	2,979,220
Accrued expenses	143,764	-	143,764
Total liabilities	3,469,651	-	3,469,651
Commitments and contingencies			
Net Assets:			
Unrestricted (deficit)	(2,789,377)	2,789,377	-
Total net assets	(2,789,377)	2,789,377	-
Total liabilities and net assets	\$ 680,274		3,469,651
Net position:			
Net investment in capital assets		2,156,172	2,156,172
Unrestricted		(2,789,377)	(2,789,377)
Total net position		\$ (633,205)	(633,205)
Total liabilities and net position			\$ 2,836,446

See accompanying notes to financial statements.

GUAHAN ACADEMY CHARTER SCHOOL, INC.
(A Nonprofit Organization)

Statement of Governmental Fund Revenues, Expenditures and
Changes in Fund Balance/Statement of Changes in Net Position
Year Ended September 30, 2020

	General Fund	Adjustments (Note 2)	Statement of Net Position
Revenues:			
Per pupil allocations	\$ 4,551,000	\$ -	\$ 4,551,000
In-kind contributions	-	1,084,633	1,084,633
Grants	100,060	-	100,060
Student meals	4,265	-	4,265
Other	21,229	-	21,229
 Total revenues	 4,676,554	 1,084,633	 5,761,187
 Operating expenses:			
Total operating expenses	3,697,001	1,105,541	4,802,542
 Change in net assets	 979,553	 (20,908)	 958,645
 Change in net position	 -	 (20,908)	 -
 Net position at the beginning of the year	 (2,789,377)	 2,156,172	 (633,205)
 Net position at the end of the year	 \$ (1,809,824)	 \$ 2,135,264	 \$ 325,440

See accompanying notes to financial statements.

GUAHAN ACADEMY CHARTER SCHOOL, INC.
(A Nonprofit Organization)

Statement of Governmental Fund Revenues, Expenditures and
Changes in Fund Balance/Statement of Changes in Net Position
Year Ended September 30, 2019

	General Fund	Adjustments (Note 2)	Statement of Net Position
Revenues:			
Per pupil allocations	\$ 3,842,906	\$ -	\$ 3,842,906
In-kind contributions	-	768,362	768,362
Grants	59,687	-	59,687
Student meals	2,782	-	2,782
Other	51,511	-	51,511
 Total revenues	 3,956,886	 768,362	 4,725,248
 Operating expenses:			
Total operating expenses	3,667,726	815,494	4,483,220
 Change in net assets	 289,160	 (47,132)	 242,028
 Change in net position	 -	 (47,132)	 -
 Net position at the beginning of the year	 (3,078,537)	 2,203,304	 (875,233)
 Net position at the end of the year	 \$ (2,789,377)	 \$ 2,156,172	 \$ (633,205)

See accompanying notes to financial statements.

**GUAHAN ACADEMY CHARTER SCHOOL, INC.
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)**

Notes to Financial Statements
September 30, 2020 and 2019

(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 five (5) year period, unless revoked as authorized in § 12114 of the Charter. The Charter may be renewed an unlimited number of times, each for a five (5) year period.

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.

(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

Government-wide Financial Statements:

The Statement of Net Position presents 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.

**GUAHAN ACADEMY CHARTER SCHOOL, INC.
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)**

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

Government-wide and Fund Financial Statements, Continued

Government-wide Financial Statements, Continued:

- 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 Statement of Activities presents 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.

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 Statement of Net Position are as follows:

	<u>2020</u>	<u>2019</u>
Total fund deficit - governmental funds	\$ (1,809,824)	\$ (2,789,377)
Add:		
Land	1,564,147	1,564,147
Depreciable capital assets	1,049,441	947,493
Accumulated depreciation	<u>(478,324)</u>	<u>(355,468)</u>
	<u>2,135,264</u>	<u>2,156,172</u>
Total net deficit - governmental activities	\$ <u>325,440</u>	\$ <u>(633,205)</u>

**GUAHAN ACADEMY CHARTER SCHOOL, INC.
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)**

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

Government-wide and Fund Financial Statements, Continued

Fund Financial Statements, Continued:

Adjustments required to reconcile net change in total governmental fund balance to change in net position of governmental activities in the Statement of Activities are as follows:

	<u>2020</u>	<u>2019</u>
Net change in fund balance - governmental funds	\$ 979,553	\$ 289,160
<p>Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. For the current year, these amounts consist of:</p>		
Capital outlays, net	101,948	65,505
Depreciation expense	<u>(122,856)</u>	<u>(112,637)</u>
	<u>(20,908)</u>	<u>(47,132)</u>
Change in net position - governmental activities	\$ <u>958,645</u>	\$ <u>242,028</u>

Measurement Focus and Basis of Accounting

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.

**GUAHAN ACADEMY CHARTER SCHOOL, INC.
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)**

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

Measurement Focus and Basis of Accounting, Continued

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 sheet/statement of net position, cash and cash equivalents is defined as cash on hand and cash held in demand accounts. As of September 30, 2020 and 2019, the carrying amount of cash and cash equivalents was \$264,297 and \$126,772 and the corresponding bank balance was \$380,944 and \$132,772, respectively. All of the bank balances are maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance.

Receivables

Accounts receivable primarily represents due from the Government of Guam as of September 30, 2020 and 2019. Management believes that all receivables are fully collectible, therefore, no provision for uncollectible accounts is recorded. As of September 30, 2020 and 2019, the amounts due from the Government of Guam for reimbursable operating costs incurred and billed totaled \$802,697 and \$538,601, respectively.

Deposit

As of September 30, 2020 and 2019, deposits totaling \$613,614 and \$0, respectively, 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

GUAHAN ACADEMY CHARTER SCHOOL, INC.
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

Capital Assets, Continued

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 Statement of Changes in Net Position.

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 Education 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. The actual amounts remitted to GACS are determined by the Guam Department of Education's Internal Auditors through the validation of submitted invoices.

Pursuant to Guam Public Law 35-36 and 34-116, the per pupil cost was \$6,150 and \$6,088 for the fiscal year ending September 30, 2020 and 2019, respectively. Student enrollment is not to exceed 740 students during School Year 2018-2019 and 2019-2020.

GACS receives approximately 98% of its annual general fund revenue from the Government of Guam under a 5-year charter agreement. Under the charter agreement, the Council will review GACS once every five 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.

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.

Unexpended Grant Revenues

In the government-wide financial statements, unexpended grant revenue is recognized as a liability when cash, receivables or other assets are recorded prior to being earned. In the governmental fund financial statements, unexpended grant revenue represents monies received or revenues accrued which have not been earned or do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting. The unexpended grant revenue in the governmental fund has primarily resulted from grant funds received in advance of eligible expenditures.

GUAHAN ACADEMY CHARTER SCHOOL, INC.
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

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.

Fund Balance

Governmental fund balances are classified as follows:

- Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- 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.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- 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.

GUAHAN ACADEMY CHARTER SCHOOL, INC.
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

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.

New Accounting Standards

During the years ended September 30, 2020 and 2019, the Academy implemented the following pronouncements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset.
- GASB Statement No. 88, *Certain Disclosures Related to Debt*, including Direct Borrowings and Direct Placements, which improves the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements.

The implementation of these statements did not have a material effect on the Academy's financial statements.

During the year ended September 30, 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement No. 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 84 will be effective for fiscal year ending September 30, 2021.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management believes that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for fiscal year ending September 30, 2022.

GUAHAN ACADEMY CHARTER SCHOOL, INC.
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for fiscal year ending September 30, 2022.

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 90 will be effective for fiscal year ending September 30, 2021.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of 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 debt 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. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for fiscal year ending *September 30, 2023*.

In January 2020, GASB issued statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. The remaining requirements of GASB Statement No. 92 is effective for the fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this statement is to address those and other accounting and financial reporting implications of the replacement of an IBOR. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 93 will be effective for fiscal year ending September 30, 2022.

GUAHAN ACADEMY CHARTER SCHOOL, INC.
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, 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. This statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for fiscal year ending *September 30, 2023*.

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. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

(3) Capital Assets

Capital asset activity for the year ended September 30, 2020, was as follows:

	October 1, <u>2019</u>	<u>Additions</u>	<u>Transfers and</u> <u>Deletions</u>	September 30, <u>2020</u>
Depreciable capital assets:				
Computer and transportation equipment	\$ 318,202	\$ 58,291	\$ -	\$ 376,493
Music instrument and sports equipment	50,087	12,454	-	62,541
Furniture, fixtures and equipment	<u>579,204</u>	<u>31,203</u>	-	<u>610,407</u>
	947,493	101,948	-	1,049,441
Less accumulated depreciation	<u>(355,468)</u>	<u>(122,856)</u>	-	<u>(478,324)</u>
	592,025	(20,908)	-	571,117
Land	<u>1,564,147</u>	-	-	<u>1,564,147</u>
	<u>\$ 2,156,172</u>	<u>\$ (20,908)</u>	<u>\$ -</u>	<u>\$ 2,135,264</u>

**GUAHAN ACADEMY CHARTER SCHOOL, INC.
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Notes to Financial Statements
September 30, 2020 and 2019

(3) Capital Assets, Continued

Capital asset activity for the year ended September 30, 2019, was as follows:

	<u>October 1, 2018</u>	<u>Additions</u>	<u>Transfers and Deletions</u>	<u>September 30, 2019</u>
Depreciable capital assets:				
Computer and transportation equipment	\$ 293,507	\$ 24,695	\$ -	\$ 318,202
Music instrument and sports equipment	18,421	31,666	-	50,087
Furniture, fixtures and equipment	<u>572,201</u>	<u>7,003</u>	-	<u>579,204</u>
	884,129	63,364	-	947,493
Less accumulated depreciation	<u>(242,831)</u>	<u>(112,637)</u>	-	<u>(355,468)</u>
	641,298	(49,273)	-	592,025
Land	<u>1,562,006</u>	<u>2,141</u>	-	<u>1,564,147</u>
	<u>\$ 2,203,304</u>	<u>\$ (47,132)</u>	<u>\$ -</u>	<u>\$ 2,156,172</u>

(4) Donated use of Operating Premises

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

Operations conducted at 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. The term of GACS' use has been extended to December 31, 2020. All extensions are at the discretion of the Government of Guam.

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 \$635,380 per year base on comparable rents in the immediate area. 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 2020 and 2019 financial statements. Additionally, the MOA requires that should GACS vacate the Tiyan premises, it must incur certain expenses to restore those premises. GACS, as of September 30, 2020 and 2019, 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.

**GUAHAN ACADEMY CHARTER SCHOOL, INC.
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Notes to Financial Statements
September 30, 2020 and 2019

(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 one month of service and part-time who have completed one year of service, or 1,000 hours. 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. GACS may contribute to the plan an amount equal to 6% of the employee's compensation. For the years ended September 30, 2020 and 2019, contributions ceased due to funding availability.

(6) Short-Term Debt

On January 2, 2016, GACS signed a warranty deed with a third-party landowner for two land parcels with the intention to construct a new campus facility on each lot. The collective fair value of both land parcels is \$1,500,000. GACS signed a promissory note payable to a third-party in the same amount.

Initially the note required three periodic installments of \$50,000 with the remaining balance due within 240 days from the date of the promissory note. On January 11, 2017, the note was amended and required monthly installments of \$67,500 and an initial deposit of \$25,000 commencing December 2016. The remaining balance was due upon obtaining bank financing in February 2017. At September 30, 2020 and 2019, the remaining balance on the note payable was \$177,500. Additionally, related accounts payable of \$360,000 remain outstanding as of the same dates.

Resolution of this matter has been forwarded to mediation as another party has claimed ownership of the subject land and resolution cannot occur until the ownership issue is resolved. Management currently expects that this matter may be resolved through mediation that is expected to be concluded during the year ending December 31, 2021, but as of September 30, 2020 and September 30 2019, GACS continues to record the balance due as a current liability.

In June 2017, GACS entered into a short-term borrowing agreement in the amount of \$150,000 with interest at 1% over the bank's prime rate, unsecured, with all interest and unpaid principal due on September 7, 2017. Principal and interest of \$169,167 remains outstanding as of September 30, 2019, but the debt was repaid as of September 30, 2020.

In FY2020, GAC received a Paycheck Protection Program (PPP) loan in the amount of \$464,614, and expects that forgiveness of the loan will occur during the year ended September 30, 2021.

Changes in short-term debt for the year ended September 30, 2020 are as follows:

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
PPP loan	\$ -	\$ 464,614	\$ -	\$ 464,614
Note payable for land	177,500	-	-	177,500
Bank debt	<u>169,167</u>	<u>-</u>	<u>(169,167)</u>	<u>-</u>
	<u>\$ 346,667</u>	<u>\$ 464,614</u>	<u>\$ (169,167)</u>	<u>\$ 642,114</u>

GUAHAN ACADEMY CHARTER SCHOOL, INC.
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Notes to Financial Statements
September 30, 2020 and 2019

(6) Short-Term Debt, Continued

Changes in short-term debt for the year ended September 30, 2019 are as follows:

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
Note payable for land	\$ 177,500	\$ -	\$ -	\$ 177,500
Bank debt	<u>143,191</u>	<u>25,976</u>	<u>-</u>	<u>169,167</u>
	<u>\$ 320,691</u>	<u>\$ 25,976</u>	<u>\$ -</u>	<u>\$ 346,667</u>

(7) 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.

(8) Commitments

For the years ended September 30, 2020 and 2019, unreported amounts related to sick leave earned but unpaid were \$23,025 and \$12,939, respectively.

(9) Contingencies and Subsequent Events

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. As of September 30, 2020 and 2019, current liabilities materially exceed current assets as GACS has been unable to obtain long-term financing. Much of this deficiency is concentrated in three vendors who have sued or who have threatened to sue to obtain payment. Subsequent to September 30, 2020, GACS has resolved its liabilities to two of the vendors and has deposited cash with its attorney to fund the attendant settlements. Adjustments to reflect resolution of these liabilities will occur in the year in which such resolution occurred. Negotiations to resolve a liability to the third vendor are ongoing and GACS has set aside cash to fund what they believe will be the potential final settlement amount. However, resolution of this matter has yet to occur and the ultimate settlement may be outside of the balance of cash that has been provided for settlement. Any adjustments to reflect actual settlement of this liability will occur at the time resolution occurs. There is no certainty that this matter will be resolved without potential litigation and it is not possible to predict the ultimate outcome of this matter.

**GUAHAN ACADEMY CHARTER SCHOOL, INC.
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)**

Notes to Financial Statements
September 30, 2020 and 2019

(9) Contingencies and Subsequent Events, Continued

COVID-19

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommend containment and mitigation measures worldwide. On March 13, 2020, President Donald J. Trump declared a national emergency within the United States. In response to the national emergency declared by the U.S. President, on March 14, 2020, Governor Lourdes A. Leon Guerrero issued Executive Order 2020-03 declaring a state of emergency in response to COVID-19. Further, Executive Order 2020-04 ordered the closure of all non-essential Government of Guam offices, prohibited large gatherings, and restricted entry into Guam from countries with confirmed COVID-19 cases. As a result, schools and non-essential government agencies and businesses have closed. GACS has closed its offices to the public and has required all non-essential employees to work from home. On May 10, 2020, certain businesses and government agencies were allowed to reopen. While this matter is expected to negatively impact GACS's business, results of operations and financial position, the related financial impact cannot be reasonably estimated at this time.

Dependency of Government of Guam

GACS earns substantially all its non-contribution related revenues (98% for the years ended September 30, 2020 and 2019) 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.

INDEPENDENT AUDITORS' REPORT 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 the 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, the financial statements of the governmental activities and the General Fund of the Guahan Academy Charter School, Inc. (the Academy) as of and for the year ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 18, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) as the basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 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 over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as items 2020-001 and 2020-002 that we consider to be significant deficiencies.

Compliance and Other Matters

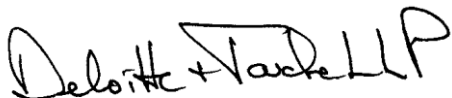
As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our 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*.

The Academy's Responses

The Academy's response to the Findings identified in our audit is described in the accompanying Views of Responsible Officials. The Academy's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, stylized font.

October 18, 2021

**GUAHAN ACADEMY CHARTER SCHOOL, INC.
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)**

Schedule of Findings and Responses
Years Ended September 30, 2020 and 2019

Organization:

GACS must account for its operations in a two-pronged manner. As a non-profit organization, it is to comply with applicable non-profit accounting standards with respect to fund-raising revenues and donated in-kind contributions. As a governmental component unit, GACS must also comply with GASB requirements applicable to component units. GACS has not previously understood that it is a component unit and considered itself to be a non-profit. As a result of that uncertainty, GACS was unsure as to the specific requirements it must meet. GACS has added financial management and procurement resources and after consultations that occurred with respect to various matters, GACS has initiated corrective action for matters cited in prior year audits. However, much of this corrective action occurred in the latter part of fiscal year 2019 and in 2020. Below are key matters that we recommend continue to be of focus by the Board and management.

2020-001 - Parent Teacher Organization (PTO):

Criteria, Condition, Cause, Effect and Recommendation: A PTO operates on GACS premises and engages in fundraising activities. The PTO has not presented evidence that it is in good standing with the Department of Revenue and Taxation and therefore, GACS should reconsider authorizing this entity to operate until its legal standing and tax compliance is confirmed. If the PTO has previously engaged in fund raising, GACS should consider that the PTO has acted in an agent capacity and that the applicable receipts and expenses and unexpended cash be recorded in GACS financial statements.

Prior year status: This matter was reported in the FY2018 audit.

Views of Responsible Officials: GACS concurs with the finding and the Chair of the Audit Committee, Mr. Aristedes Erquiza, will be responsible for its implementation, which is expected to be corrected in fiscal year 2022.

2020-002 - Fundraising Activities:

Criteria, Condition, Cause, Effect and Recommendation: Fundraising activities should be centrally approved to allow for adequate accounting to occur and to verify proposed fundraising controls. GACS staff appear to initiate fund raising activities without a central approval process. Given potential attendant liability concerns, GACS should consider a central fundraising approval process as part of its risk management activities.

Prior year status: This matter was reported in the FY2018 audit.

Views of Responsible Officials: GACS concurs with the finding and the Chair of the Audit Committee, Mr. Aristedes Erquiza, will be responsible for its implementation, which is expected to be corrected in fiscal year 2022.