

*The Auditor's Communication With Those Charged
With Governance*

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

Year ended September 30, 2022





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May 2, 2023

The Board of Trustees
Guahan Academy Charter School, Inc.

We have performed an audit of the financial statements of the Guahan Academy Charter School, Inc. (the Academy), as of and for the fiscal year ended September 30, 2022, in accordance with auditing standards generally accepted in the United States of America (GAAS), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated May 2, 2023.

Provided below is a summary of required communications between the audit team and those charged with governance, as required by AICPA Clarified US Auditing Standard (AU-C) 260, *“The Auditor’s Communication With Those Charged With Governance”*, and other applicable auditing standards.

This communication is intended solely for the information and use of the Board of Directors and management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

REQUIRED COMMUNICATIONS

Auditor's responsibility under GAAS, including our discussion of the type of auditor's report we are issuing and the circumstances that affect the form and content of our auditor's report, if applicable

Our responsibilities are included in our audit engagement agreement. A copy of such agreement has previously been provided to you.

We have issued an unmodified opinion on the Academy's financial statements as of and for the year ended September 30, 2022

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we will express no such opinion.

An audit also includes the evaluation of the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the evaluation of the overall presentation of the financial statements.

Changes to the audit strategy, timing of the audit and significant risks identified

Our audit strategy is consistent with the plan communicated during the December 2022 meeting.

Matters relevant to our evaluation of the entity's ability to continue as a going concern

We did not identify any events or conditions that led us to believe there was substantial doubt about the Academy's ability to continue as a going concern.

Our views about the qualitative aspects of the entity's significant accounting practices, including:

- **Accounting policies**
- **Accounting estimates**

Management has not selected or changed any significant policies or changed the application of those policies in the current year. A discussion of significant accounting policies and sensitive accounting estimates have been included in footnote 2 of the financial statements.

We are not aware of any significant accounting policies used by the Academy in controversial or emerging areas or for which there is a lack of authoritative guidance.

We determined that those charged with governance are informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Management's judgment is called upon in:

- Preparing budgets that are used to administer and monitor the Academy's operations. These budgets include determining how existing financial resources will be used in the Academy's operations.
- Determining the adequacy of the allowance for accounts receivable.
- Determining the assumptions used in measuring significant accounting estimates for financial accounting purposes.

Related party relationships and transactions

We are not aware of any matters that require communication.

Changes to the terms of the audit with no reasonable justification for the change

We are not aware of any matters that require communication.

Significant unusual transactions

We are not aware of any significant unusual transactions executed by the Academy.

Material corrected misstatements related to accounts and disclosures

Refer to "Schedule of Corrected Misstatements" in Appendix A.

Significant deficiencies and material weaknesses in internal control over financial reporting

Other matters identified during the course of our audit have been included in our separately issued management letter dated May 2, 2023.

Fraud and noncompliance with laws and regulations (illegal acts)

We are not aware of any matters that require communication.

Obtain information relevant to the audit

Inquiries regarding matters relevant to the audit were performed during the December 2022 meeting and in the update status meetings during the audit.

Independence matters

We are not aware of any matters that in our professional judgment would impair our independence.

Significant issues discussed with management in connection with the auditor's initial appointment or recurring retention

We are not aware of any matters that require communication.

Disagreements with management and significant difficulties encountered in dealing with management when performing the audit

There were no material disagreements with the Academy's management on financial accounting and reporting matters during the audit.

Management's consultations with other accountants

We are not aware of any consultations made by management with other accountants or specialists.

Other material written communications with management

None.

Other matters

There are no other matters arising from the audit that are significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

AICPA ethics ruling regarding third-party service providers

From time to time, and depending on the circumstances, (1) we may subcontract portions of the Audit Services to other EY firms, who may deal with the Academy or its affiliates directly, although EY alone will remain responsible to you for the Audit Services and (2) personnel (including non-certified public accountants) from an affiliate of EY or another EY firm or any of their respective affiliates, or from independent third-party service providers (including independent contractors), may participate in providing the Audit Services. In addition, third-party service providers may perform services for EY in connection with the Audit Services.

Representations from management

We have obtained from management a representations letter related to the audit and a copy of the management representations letter is included in Appendix B.

Significant findings or issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management

We are not aware of any matters that require communication.

Engagement team's involvement with preparation of the financial statements

Under GAS 2011 Revisions, Chapter 3 General Standards, Paragraph 3.34 Requirements for Performing Non-audit Services explains that the audit team should make consideration of management's ability to effectively oversee the non-audit (or non-attest) services to be performed. The engagement team should determine that the audited entity has designated an individual(s) who possesses suitable skill, knowledge or experience and that the individuals understand the services to be performed sufficiently to oversee them. The engagement team should document consideration of management's ability to oversee non-audit services to be performed.

The engagement team believes that this significant threat is reduced to an acceptable level upon application of the following safeguards:

- An engagement quality review was performed by a qualified Ernst & Young Partner who was not otherwise involved in the audit.
- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of the Academy.
- The preparation of the financial statements is based on the Academy's trial balance with the understanding that underlying books and records are maintained by the Academy's accounting department and that the final trial balance prepared by the Academy is complete.
- The Academy's Chief Executive Officer and Accountant have the skill set to oversee and review the completeness and accuracy of the financial statements and footnote disclosures.

Other findings or issues regarding the oversight of the financial reporting process

There are no other findings or issues arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

Appendices

A – Schedule of Corrected Misstatements

B – Management Representations Letter

A – Schedule of Corrected Misstatements

Communication schedule for corrected misstatements

Entity: Guahan Academy Charter School Period ended: 30-Sep-2022 Currency: USD

Corrected misstatements No.	WP ref.	Account (misstatements are recorded as journal entries with a description)	Analysis of misstatements				Income statement effect of the current period				
			Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current		Equity components	Effect on the current period OCI	Debit/(Credit)	Non taxable
AJE01		To reverse net book value at 10/1/2021 of GDOE fixed assets capitalized in prior fiscal years. Operating expenses Depreciable Fixed Assets, Net				(236,161)		236,161			
AJE02		To reverse current year depreciation of GDOE fixed assets capitalized in prior fiscal years. Depreciable Fixed Assets, Net Depreciation Expense		105,638							(105,638)
AJE03		To reverse GDOE fixed assets capitalized FY2022. Grant Revenue Depreciable Fixed Assets, net Depreciation		(591,582)							688,883 (97,301)
AJE04		To properly record the settlement of the WB Flores case as of 09/30/2022. Loss on claims Accounts Payable - CIP			(32,322)						32,322
Total of corrected misstatements before income tax			0	(485,944)	(32,322)	(236,161)		236,161	0		518,266
Financial statement amounts			1,394,707	1,971,363	(1,298,946)	0	(2,067,124)				332,267
Effect of corrected misstatements on FIS amounts			0.0%	-24.7%	2.5%	0.0%	-11.4%				156.0%

Management Representation:
The above adjustments were discussed with us and we agree to record them:

Ann Santiago 05/02/2023 Date
Ann Santiago, Chief Executive Officer

Bernadette Inabio 05/02/23 Date
Bernadette Inabio, Senior Accountant

B – Management Representations Letter



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May 2, 2023

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In connection with your audits of the basic financial statements of Guahan Academy Charter School, Inc. (the "Academy") as of September 30, 2022 and for the year then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statements present fairly, in all material respects, financial position of the governmental activities of the Academy and the respective changes in financial position and cash flows, where applicable, thereof in conformity with US generally accepted accounting principles (US GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

Management's responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated October 27, 2022, for the preparation and fair presentation of the financial statements (including disclosures) in conformity with US GAAP applied on a basis consistent with that of the preceding periods.

In preparing the financial statements, we evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for one year after the date that the financial statements are issued (or available to be issued, if applicable), and to provide appropriate financial statement disclosure, when applicable, related to going concern and using the going concern basis of accounting unless we prepared the financial statements in accordance with the liquidation basis of accounting.

B – Management Representations Letter, continued



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We acknowledge our responsibility for 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. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, data, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within the Academy from whom you determined it necessary to obtain evidence

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

From October 1, 2021 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the financial statements of any opinion unit that comprises the basic financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

We have made available to your representatives all financial records and related data.

Governmental entities

We recognize that we are responsible for the Academy's compliance with laws, regulations, and provisions of contracts and grant agreements that are applicable to it. We have identified and disclosed to your representatives, all laws and regulations that have direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

We have identified to your representatives all previous audits, attestation engagements, and other studies related to the audit objectives and whether the related recommendations have been implemented.

We have a process to track the status of audit findings and recommendations.

B – Management Representations Letter, continued



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Uncorrected misstatements

We believe that the effects of any uncorrected misstatements, summarized in the accompanying schedule, accumulated by you during the current and prior audit period presented are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit.

In addition, to the extent that uncorrected misstatements have been subsequently identified in the current period that affect prior period financial statements, we have evaluated the effect of correcting prior period financial statements. Accordingly, we have made adjustment to the beginning balance of net position amounting to \$236,161 which pertains to the correction of capitalization of depreciable capital assets not owned by the Academy.

Internal control

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

We are not aware of any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting.

Minutes and contracts

The dates of meetings of shareholders, directors, committees of directors and important management committees from October 1, 2021 are as follows:

- November 9, 2021
- December 21, 2021
- January 20, 2022
- February 24, 2022
- March 22, 2022
- April 8, 2022
- May 19, 2022
- June 15, 2022
- July 20, 2022
- July 29, 2022
- August 16, 2022
- September 20, 2022
- October 18, 2022
- November 15, 2022
- December 20, 2022
- January 17, 2023
- January 23, 2023
- February 21, 2023
- March 21, 2023

We have made available to you all minutes of the meetings of shareholders, directors and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

B – Management Representations Letter, continued



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We also have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

Methods, significant assumptions, and data used in making accounting estimates

The appropriateness of the methods, the consistency in application, the accuracy and completeness of data, and the reasonableness of significant assumptions used by us in developing accounting estimates and related disclosures, including those measured at fair value, are reasonable and supportable.

Significant assumptions

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and supportable.

We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements due to the COVID-19 pandemic.

Ownership and pledging of assets

The Academy has satisfactory title to all assets appearing in the statement of net position. No security agreements have been executed under the provisions of the Uniform Commercial Code, and there are no liens or encumbrances on assets, nor has any asset been pledged. All assets to which the Academy has satisfactory title appear in the statement of net position.

Receivables and revenues

Receivables represent valid claims against the debtors indicated and do not include amounts for other types of arrangements not constituting sales. Receivables represent rights to consideration that are unconditional (i.e., only the passage of time is required before payment of that consideration is due) and are expected to be collectible. Receivables have been determined in accordance with all relevant GASB Statements, including GASB Statements No. 33 and 62—as amended.

Adequate provision has been made for losses, costs and expenses that may be incurred subsequent to the statement of net position date in respect of any sales and services rendered prior to that date and for uncollectible accounts, discounts, returns and allowances, etc., that may be incurred in the collection of receivables at that date.

B – Management Representations Letter, continued



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Fair value measurements

We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or other third parties. Our valuation methodologies have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as of the measurement date in accordance with the requirements of GASB Statement No. 72—as amended. In addition, our disclosures related to fair value measurements are consistent with the objectives outlined in GASB Statement No. 72—as amended.

Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties as defined in GASB Statement No. 56—as amended, has been considered and appropriate adjustments or disclosures are made in the basic financial statements, and information concerning these transactions and amounts have been made available to you.

Side agreements and other arrangements

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

Arrangements with financial institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statements.

Contingent liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of that are probable of assertion and must be disclosed in accordance with GASB Statement No. 62—as amended.

There have been no violations or possible violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

B – Management Representations Letter, continued



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There have been no internal investigations or communications from regulatory agencies or government representatives concerning investigations or allegations of noncompliance with laws or regulations in any jurisdiction, noncompliance with or deficiencies in financial reporting practices, or other matters that could have a material effect on the financial statements.

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be accrued or disclosed by GASB Statement No. 62—as amended, nor are there any accruals for loss contingencies included in the statement of net position or gain contingencies reflected in earnings that are not in conformity with the provisions of GASB Statement No. 62—as amended.

There are no oral or written guarantees other than those reported in the financial statements, including guarantees of the debt of others.

Purchase commitments

At September 30, 2022 the Academy had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at that date.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2022 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Required supplementary information

We acknowledge our responsibility for the required supplementary information on Management's Discussion and Analysis, which have been measured and presented in conformity with the guidelines established by the Governmental Accounting Standards Board in its applicable GASB Statement. There have been no changes in the methods of measurement or presentation of the required supplementary information from those used in the prior period.

There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

The financial statements properly classify all funds and activities in accordance with GASB Statement No. 54—as amended.

Effects of new accounting principles

As discussed in Note 2, we have not completed the process of evaluating the effects that will result from adopting the amendments to the codification provided in GASB:

B – Management Representations Letter, continued



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- GASB Statement No. 91
 - GASB Statement No. 94
 - GASB Statement No. 96
 - GASB Statement No. 99
 - GASB Statement No. 100
 - GASB Statement No. 101

As discussed in Note 2, the Academy is therefore unable to disclose the effects that adopting the amendments in the aforementioned GASB Statements will have on its financial position and the changes in its financial position when such amendment are adopted.

Going concern

In preparing the financial statements, we evaluated the Academy's ability to continue as a going concern for twelve months after the date that the financial statements are issued (or available to be issued, if applicable), and provide appropriate financial statement disclosure, as necessary under GASB requirements.

Fraud

We acknowledge our responsibility for the design, implementation and maintenance of programs and internal control to prevent and detect fraud.

We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Academy's internal control over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees where the fraud could have a material effect on the financial statements.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have disclosed to you all allegations of financial improprieties, including fraud or suspected fraud, coming to our attention (regardless of the source or form and including, without limitation, allegations by "whistle-blowers") where such allegations could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Academy.

Independence

We have communicated to you the names of all the Academy's affiliates, officers and directors, or individuals who serve in such capacity for the Academy.

We are not aware of any business relationship between the Academy and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

B – Management Representations Letter, continued



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We are not aware of any reason that Ernst & Young LLP would not be considered to be independent for purposes of the Academy's audit.

Conflicts of interest

There are no instances where any officer or employee of the Academy has an interest in a company with which the Academy does business that would be considered a "conflict of interest." Such an interest would be contrary to Academy policy.

Other representations

- We have followed all applicable laws and regulations in adopting, approving and amending budgets and deposits, including collateral requirements on depository accounts.
- The financial statements properly classify all funds and activities in accordance with GASB Statement No. 54—as amended.
- All funds that meet the quantitative criteria in GASB Statement No. 34, as amended and GASB Statement No. 37, for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- Components of net position (net investment in capital assets; restricted; and unrestricted), and classifications of fund balance (restricted, assigned, and unassigned) are properly classified and, if applicable, approved.
- Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
- Risk disclosures associated with deposits transactions are presented in accordance with GASB requirements.
- Capital assets are properly capitalized, reported and, if applicable, depreciated.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available is appropriately disclosed and net position was properly recognized under the policy.

B – Management Representations Letter, continued



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- We are following either our established accounting policy regarding which resources (that is, restricted, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available or are following paragraph 18 of GASB Statement No. 54 to determine the fund balance classifications for financial reporting purposes.

Other matters

We have received a draft copy of our financial statements as of and for the year ended September 30, 2022. The accuracy and completeness of the financial statements, including footnote disclosures, are our responsibility.

Ernst & Young have assisted in the preparation of our financial statements based on information in our trial balance and accounting records. It is our understanding that:

- Our underlying books and records are maintained by our accounting department and that the final trial balance prepared by us is complete and,
- all adjusting journal entries posted to the trial balance have been approved by us, and
- we have designated a competent representative to oversee your services and that our personnel have sufficient financial competence who are able to challenge and review the completeness and accuracy of the financial statements, including footnote disclosures.

We have reviewed the draft financial statements for accuracy and completeness.

Subsequent events

Subsequent to September 30, 2022, no events or transactions have occurred or are pending that would have a material effect on the basic financial statements at that date or for the period then ended, or that are of such significance in relation to the Academy's affairs to require mention in a note to the basic financial statements in order to make them not misleading regarding the financial position, changes in financial position and, where applicable, cash flows of the Academy.

B – Management Representations Letter, continued



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We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and was, therefore, designed primarily for the purpose of expressing an opinion on the basic financial statements of the Academy and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,

Handwritten signature of Ann Margaret Santiago in black ink.

Ann Margaret Santiago, Chief Executive Officer

Handwritten signature of Bernadette Lacap in black ink.

Bernadette Lacap, Accountant

Handwritten signature of Mr. Aristedes Erguiza in black ink.

Mr. Aristedes Erguiza
Board of Trustees, Chair of Audit Committee

Handwritten signature of Ms. Fe Valencia-Ovalles in black ink.

Ms. Fe Valencia-Ovalles
Board of Trustees, Chairwoman

Cc: Board of Trustees

B – Management Representations Letter, continued

Entity: Guahan Academy Charter School Period Ended: 30-Sep-2022 Currency: USD

Communication schedule for uncorrected misstatements

No.	W/P ref.	Account (Note 1) (misstatements are recorded as journal entries with a description)	Assets		Liabilities		Equity		Effect on the current period OCI		Income statement effect of the current period		Income statement effect of the prior period	
			Current	Non-current	Current	Non-current	Debit(Credit)	Debit(Credit)	Debit(Credit)	Debit(Credit)	Debit(Credit)	Debit(Credit)	Prior period Debit(Credit)	Non taxable
Uncorrected misstatements														
SAD01	F0100	To correct double booking of legal expense LC Security Trust Deposit Legal Counsel	37,878											
SAD02	R0100	To properly reclassify GDOE assets received and used in FY22 as in-kind revenue Federal Grant Revenue In-kind revenue										688,953 (688,953)		
Total of uncorrected misstatements before income tax			37,878									13,876		
Total of uncorrected misstatements			37,878									13,876		
Financial statement amounts			1,384,707	1,971,363	(1,268,546)				(2,067,334)			332,267	(2,314,172)	
Effect of uncorrected misstatements on FS amounts			2.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			11.4%	0.0%	
<p>Memo: Total of non-taxable items (marked 'X' above)</p> <p>Uncorrected misstatements before income tax</p> <p>Less: Tax effect of misstatements at current year marginal rate</p> <p>Uncorrected misstatements in income tax</p> <p>Cumulative effect of uncorrected misstatements after tax but before turnaround</p> <p>Turnaround effect of prior period uncorrected misstatements</p> <p>All factual and projected misstatements: Judgmental misstatements (Note 3)</p> <p>Cumulative effect of uncorrected misstatements, after turnaround effect</p> <p>Current year income before tax</p> <p>Current year income after tax</p>														
<p>05/02/2023</p> <p>Ain Samy, CPA Executive Officer</p> <p>Bernice L. Smith, CPA Accountant</p>														

Form 430GL (3 August 2022)