

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

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2021 AND 2020

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

Years Ended September 30, 2021 and 2020
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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, 2021 and 2020, 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, 2021 and 2020 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.

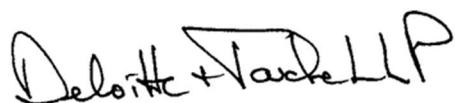
Other Matters

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 12 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 April 6, 2022, 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.



April 6, 2022

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

Management's Discussion and Analysis
Years Ended September 30, 2021 and 2020

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 is for Fiscal Year Ending September 30, 2021.

Financial Highlights

GACS' financial statements provide the following:

- Assets at the close of FY2021 exceeded liabilities by \$2,635,552 (net position).
- P.L. 35-99 provided \$6,000 per student with a cap of 740 totaling \$4,440,000. The total amount of expenditures submitted to DOA amounted to \$3,688,675. The amount verified and allotted by DOA was \$3,584,347. The difference of \$104,328 is a prior year obligation request, pending release from the Charter Council. The FY2021 unexpended balance from the appropriation is \$751,325. As per FY2022 P.L. 36-54, Ch II, Part II, Sec 29, unexpended balances shall continue to be available until fully expended, as per below:

Section 29. Authorization for Charter Schools to Utilize Unexpended Balances. The unexpended balances of appropriations from the General Fund to the Department of Administration in support of the Guam Academy Charter Schools Council in Fiscal Years 2019, 2020, and 2021 shall not revert to the General Fund and shall continue to be available until fully expended for the original purposes of said appropriations and for the purposes of addressing issues caused by the COVID-19 pandemic.

- At the close of the fiscal year, GACS has an average of 27 students from the approved population of 740. Total count for FY2021 is 767 students.

Overview of the Financial Statements

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

1) Government-Wide Financial Statements

The purpose of government-wide financial statements is to present the financial position and the operating results of the governmental entity 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.

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

Management's Discussion and Analysis
Years Ended September 30, 2021 and 2020

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.

The following analysis provides a summary of the GACS's net position as of September 30, 2021, 2020, and 2019:

GUAHAN ACADEMY CHARTER SCHOOL			
Statement of Net Position			
Years Ended September 30, 2021, 2020, and 2019			
	2021	2020	2019
ASSETS			
Current Assets			
Cash	\$ 363,462	\$ 264,297	\$ 126,772
Accounts receivable	459,087	803,547	546,182
Other assets	1,162,305	620,547	7,320
Total Current Assets	<u>1,984,854</u>	<u>1,688,391</u>	<u>680,274</u>
Capital Assets			
Equipment, net	674,152	571,117	592,025
Property, CIP and Land	1,564,147	1,564,147	1,564,147
Total capital assets	<u>2,238,299</u>	<u>2,135,264</u>	<u>2,156,172</u>
TOTAL ASSETS	\$ <u>4,223,153</u>	\$ <u>3,823,655</u>	\$ <u>2,836,446</u>
LIABILITIES AND NET POSITION			
Liabilities			
Current Liabilities			
Current portion of long term debt	\$ 177,500	\$ 642,114	\$ 346,667
Accounts payable	1,314,087	2,770,503	2,979,220
Accrued expenses	96,014	85,598	143,764
Total current liabilities	<u>1,587,601</u>	<u>3,498,215</u>	<u>3,469,651</u>
Net Position	<u>2,635,552</u>	<u>325,440</u>	<u>(633,205)</u>
Total Liabilities and Net Position	<u>\$ 4,223,153</u>	<u>\$ 3,823,655</u>	<u>\$ 2,836,446</u>

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

Management's Discussion and Analysis
Years Ended September 30, 2021 and 2020

- During FY2021, the assets exceeded liabilities by \$2,635,552, resulting a positive net position balance.
- Accounts receivable disclosed a balance of \$459,087. The validated allotment request of \$453,619 is reflected in FY2022 cash and other receivables of \$5,468. Reimbursement for prior year obligations of \$104,328 will be recognized as revenue in the succeeding year.
- Equipment net of depreciation increased by 18% due to additional computer and school supplies received from the Federal Consolidated Grant and Education Stabilization Fund Grant and other local purchases.
- FY2021 total Capital Assets is \$2,238,299, an overall increase of 4.83% from last year.

2) Notes to Financial Statements

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

A summary and analysis of the school's revenues and expenses for Year Ending September 30, 2021, are as follows:

- In FY2021, the school's revenue and expenditures increased by \$1,351,467. The major changes are the recording of debt forgiveness of \$1,005,804, ESF I grant of \$548,506, and \$111,000 Charter Council approval of additional fund of \$150 per student population of 740.
- The total number of students for FY2021 remains status quo at 740 students per school year. FY2021's P.L. 35-99 provided \$6,000 per student with a cap of 740 totaling \$4,440,000. The total amount of expenditures submitted to DOA amounted to \$3,688,675. Amount verified and allotted by DOA was only \$3,584,347, leaving the balance of \$104,328 as part of prior year obligation. The total revenue of \$4,353,603 included the release of FY19 Prior Year Obligation of \$769,256.
- The overall effect in the net positions resulted in an increase of \$2,310,112.

GUAHAN ACADEMY CHARTER SCHOOL, INC.
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Management's Discussion and Analysis
Years Ended September 30, 2021 and 2020

GUAHAN ACADEMY CHARTER SCHOOL			
Statement of Activities			
Years Ended September 30, 2021, 2020, and 2019			
Revenue	2021	2020	2019
Per Pupil Allocation	\$ 4,353,603	\$ 4,551,000	\$ 3,842,906
In-Kind Contributions	1,086,026	1,084,633	769,012
Debt Forgiveness	1,005,804	-	-
Grant			
Consolidated Grant	49,413	80,878	59,687
ESF I Grant	548,506	19,182	-
Extended Learning	-	4,057	13,166
Student Meals	-	4,265	2,782
Fundraising and Others	10,969	17,172	37,695
Total Revenue	<u>7,054,321</u>	<u>5,761,187</u>	<u>4,725,248</u>
Operating Expenses			
Personnel	2,303,369	2,355,922	2,110,437
Benefits	332,192	282,160	276,822
Travel	614	-	-
Contractual Services	297,271	472,043	620,276
Office Space Rental	953,070	953,070	635,380
Equipment Rental	131,563	131,563	131,563
Materials and Supplies	103,895	73,904	82,306
Books/Online Res	248,952	170,043	181,844
Testing Supp (Classrooms)	-	901	1,295
Workmns Com & Gen Liab	9,721	16,112	16,720
Miscellaneous Expense	51,421	51,373	110,998
Power	74,230	58,220	91,981
Water	26,515	26,310	19,739
Telephone/Toll/Wifi/Svc	86,148	88,065	93,222
Depreciation Expense	125,250	122,856	112,637
Total Expenses	<u>4,744,209</u>	<u>4,802,542</u>	<u>4,485,220</u>
Change in Net Position	2,310,112	958,645	240,028
Net Position Beginning of Year	<u>325,440</u>	<u>(633,205)</u>	<u>(873,233)</u>
Net Position End of Year	<u>\$ 2,635,552</u>	<u>\$ 325,440</u>	<u>\$ (633,205)</u>

GUAHAN ACADEMY CHARTER SCHOOL, INC.
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Management's Discussion and Analysis
Years Ended September 30, 2021 and 2020

3) Accomplishments

September 30, 2021

Kinder	49
Elementary	274
Middle	245
High School	197
TOTAL	765

This school year is the highest number of enrollments for GACS. During this school year, GACS offered (3) three different modes of instruction due to COVID-19 and executive orders of school closures. The modes of instruction were Online; Face-to-face; and Hardcopy mode wherein students who do not have access to the internet, pick up hardcopy lessons and materials weekly. This mode of learning has the least or no contact time between teachers and students. To bridge the instructional loss of students, GACS opened up a Summer Program, funded by the Federal grants. The very first GACS summer program called STEEP "Summer Training on Extended and Enhanced Programs" focused on socio-emotional lessons to assist students during this time of crisis and hands-on activities that will reinforce the needed skills that students may have missed learning during the shortened instructional time caused by COVID-19 school closures. The following activities and programs were included in the Summer Program:

- a. Character Education/PBIS
- b. Socio-emotional lessons
- c. Banzai Program
- d. Arts & Crafts
- e. Health & Physical Education.

Academic Assessment Summary as of SY 2020-2021

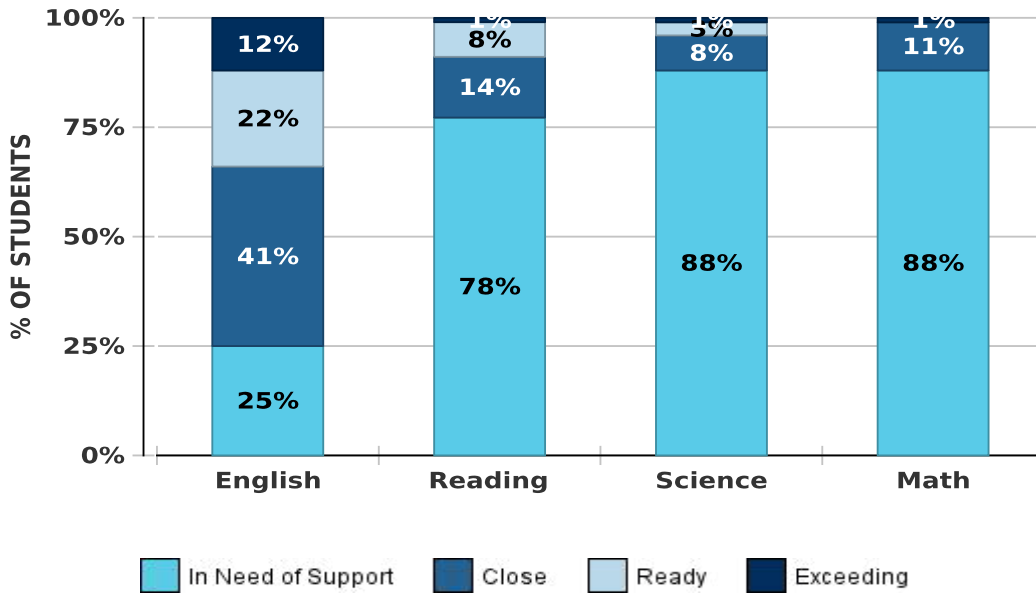
The results of the ACT Aspire for Guahan Academy Charter School this school year was represented solely by the Face-to-face students, who were mostly (in the previous quarter), were students in the Hardcopy Mode of Learning. Although the ACT Aspire is administered online, students taking the district-wide assessment needed to be physically present on campus as specified by ACT Aspire regulations. Below is the table that indicates the percentage of students who were assessed by group level for SY 2020-2021.

GUAHAN ACADEMY CHARTER SCHOOL, INC.
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Management's Discussion and Analysis
 Years Ended September 30, 2021 and 2020

% Of Students Assessed	
ELEM	36%
MS	28%
HS	25%
TOTAL	30%

GUAHAN ACADEMY CHARTER SCHOOL



GUAHAN ACADEMY CHARTER SCHOOL, INC.
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Management's Discussion and Analysis
Years Ended September 30, 2021 and 2020

Proficiency Reports					Subject Proficiency by Grade											
Organization Name GUAHAN ACADEMY CHARTER SCHOOL (GU-660006)		Administration Summative Spring 2021														
Grade	English				Reading				Science				Math			
Grade 3	17%	61%	22%	0%	86%	9%	5%	0%	95%	5%	0%	0%	91%	9%	0%	0%
Grade 4	24%	65%	12%	0%	82%	18%	0%	0%	100%	0%	0%	0%	69%	31%	0%	0%
Grade 5	12%	44%	32%	12%	84%	8%	8%	0%	88%	8%	4%	0%	92%	8%	0%	0%
Grade 6	14%	55%	23%	9%	82%	14%	5%	0%	82%	14%	5%	0%	77%	23%	0%	0%
Grade 7	10%	33%	29%	29%	74%	13%	13%	0%	77%	18%	5%	0%	86%	14%	0%	0%
Grade 8	33%	14%	24%	29%	45%	27%	23%	5%	74%	11%	5%	11%	90%	5%	0%	5%
Grade 9	50%	28%	17%	6%	84%	16%	0%	0%	94%	6%	0%	0%	100%	0%	0%	0%
Grade 10	80%	10%	0%	10%	90%	0%	10%	0%	100%	0%	0%	0%	100%	0%	0%	0%

Accreditation

Guahan Academy Charter School 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

2020-2021 Graduation:

Twenty (20), twelve grade students out of the 29 enrolled in SY 20-21 met the required credits and were able to participate the graduation ceremony on June 10th, 2021 held at Paseo Stadium. Two more seniors graduated after completion of the very first Summer Program of GACS. Making the total number of graduates twenty-two for SY2020-2021. Among the twenty-two (22) who received their diplomas, six (6) pursued higher education and twelve (12) are employed.

GUAHAN ACADEMY CHARTER SCHOOL, INC.
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Management's Discussion and Analysis
Years Ended September 30, 2021 and 2020

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 Year Ending September 30, 2021, GACS received approximately 61% of its annual revenue from the Guam Department of Administration. Any further significant reduction in the level of funding will adversely affect GACS' operations and activities. Charter schools release of allocations are now placed under the Council's approval and DOA's verification of the funds. GACS saw a budget reduction from FY20 \$6150 per child to FY21 \$6,000 per child.

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.

GUAHAN ACADEMY CHARTER SCHOOL, INC.
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Management's Discussion and Analysis
Years Ended September 30, 2021 and 2020

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 FY2021, 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.

Long-Term Debt and Accounts Payable

FY2020 outstanding vendor payables of \$1,435,190 was settled in FY2021, leaving a balance in FY2021's Note Payable of \$177,500, plus outstanding vendor payables of \$1,295,964, a total of \$ \$1,473,464. GACS is awaiting release of the submitted prior year obligation allotment requests of \$104,328 to DOA for payment in accordance with the below FY2021 Public Law:

GUAHAN ACADEMY CHARTER SCHOOL, INC.
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Management's Discussion and Analysis
Years Ended September 30, 2021 and 2020

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, 35-99, and now FY22 36-54 mandating that Charter schools are authorized to pay prior year obligations using current appropriations.

GACS has resolved another vendor liability through payment settlement. The settlement discussion to resolve the third major vendor liability is still ongoing.

GACS again was allocated Education Stabilization Fund (ESF II) and ARP monies, both federal grants under the Guam Department of Education in the amount of \$2,075,885 and \$4,061,749, respectively. These will be reflected in FY2022.

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. 36-54, Fiscal Year 2021-2022 budget, GACS was granted an enrollment increase of 765 students at \$6,200 per student. For Fiscal Year 2022-2023, GACS is again requesting for the same amount of 765 students and increase of \$300 per student.

GACS, like all Guam schools, is fortunate to participate in several federal grants under the CARES ACT. These grant monies are helping the school in the procurement of supplies and materials to address distance learning, loss of instructional time, health and safety of faculty, staff and students and social emotional learning.

Currently, GACS is occupying the three Tiyan Buildings C, D, and E. The MOAs are to expire June 2023. GACS is looking forward for the renewal of lease for another 3 years.

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, 2021

	General Fund	Adjustments (Note 2)	Statement of Net Position
<u>ASSETS</u>			
Cash	\$ 363,462	\$ -	\$ 363,462
Accounts receivables	459,087	-	459,087
Other assets	1,162,305	-	1,162,305
Property and equipment, net	-	2,238,299	2,238,299
Total assets	\$ 1,984,854	\$ 2,238,299	\$ 4,223,153
<u>Liabilities and Net Assets/Net Position</u>			
Short-term debt	\$ 177,500	\$ -	\$ 177,500
Accounts payable	1,314,087	-	1,314,087
Accrued expenses	96,014	-	96,014
Total liabilities	1,587,601	-	1,587,601
Commitments and contingencies			
Net Assets:			
Unrestricted (deficit)	397,253	(397,253)	-
Total net assets	397,253	(397,253)	-
Total liabilities and net assets	\$ 1,984,854		1,587,601
Net position:			
Net investment in capital assets		2,238,299	2,238,299
Unrestricted		397,253	397,253
Total net position		\$ 2,635,552	2,635,552
Total liabilities and net position			\$ 4,223,153

See accompanying notes to financial statements.

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)

Statement of Governmental Fund Revenues, Expenditures and
Changes in Fund Balance/Statement of Changes in Net Position
Year Ended September 30, 2021

	General Fund	Adjustments (Note 2)	Statement of Net Position
Revenues:			
Per pupil allocations	\$ 4,353,603	\$ -	\$ 4,353,603
In-kind contributions	-	1,086,026	1,086,026
Debt extinguishment	1,005,804	-	1,005,804
Grants	597,919	-	597,919
Other	10,969	-	10,969
 Total revenues	 5,968,295	 1,086,026	 7,054,321
 Operating expenses:			
Total operating expenses	3,761,218	982,991	4,744,209
 Change in net assets	 2,207,077	 103,035	 2,310,112
 Change in net position	 -	 103,035	 -
 Net position at the beginning of the year	 (1,809,824)	 2,135,264	 325,440
 Net position at the end of the year	 \$ 397,253	 \$ 2,238,299	 \$ 2,635,552

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 COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Notes to Financial Statements
September 30, 2021 and 2020

(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, 2021 and 2020

(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>2021</u>	<u>2020</u>
Total fund deficit - governmental funds	\$ 397,253	\$ (1,809,824)
Add:		
Land	1,564,147	1,564,147
Depreciable capital assets	1,277,726	1,049,441
Accumulated depreciation	<u>(603,574)</u>	<u>(478,324)</u>
	<u>2,238,299</u>	<u>2,135,264</u>
Total net deficit - governmental activities	\$ <u>2,635,552</u>	\$ <u>325,440</u>

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

Notes to Financial Statements
September 30, 2021 and 2020

(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>2021</u>	<u>2020</u>
Net change in fund balance - governmental funds	\$ 2,207,077	\$ 979,553
<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	228,285	101,948
Depreciation expense	<u>(125,250)</u>	<u>(122,856)</u>
	<u>103,035</u>	<u>(20,908)</u>
Change in net position - governmental activities	\$ <u>2,310,112</u>	\$ <u>958,645</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, 2021 and 2020

(2) Summary of Significant Accounting Policies, 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, 2021 and 2020, the carrying amount of cash and cash equivalents was \$363,462 and \$264,297 and the corresponding bank balance was \$389,392 and \$380,944, 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, 2021 and 2020. Management believes that all receivables are fully collectible, therefore, no provision for uncollectible accounts is recorded. As of September 30, 2021 and 2020, the amounts due from the Government of Guam for reimbursable operating costs incurred and billed totaled \$453,619 and \$802,697, respectively.

Deposit

As of September 30, 2021 and 2020, deposits totaling \$1,155,372 and \$613,614, respectively, were held in trust with an attorney for purpose of resolving certain obligations.

During the year ended September 30, 2021, certain obligations were resolved with \$1,005,804 of debt extinguishment reported, \$464,614 of which is related to the PPP Loan as disclosed on Note 6 to the financial statements.

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, 2021 and 2020

(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 Administration to finance administrative and general expenses on a reimbursable basis. Such expenses mainly consist of salaries and wages, contractual wages, supplies and materials and utilities.

Pursuant to Guam Public Law 35-99 and 35-36, the per pupil cost was \$6,000 and \$6,150 for the fiscal years ending September 30, 2021 and 2020, respectively. Public Law 35-99 also appropriated an additional \$150 per pupil from carry over amounts unexpended by GACS from fiscal year 2020 and 2019. Student enrollment is not to exceed 740 students during School Year 2020-2021 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, 2021 and 2020

(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.

Debt Extinguishment

During the year ended September 30, 2021, certain obligations were resolved with \$1,005,804 of debt extinguishment reported, \$464,614 of which is related to the PPP Loan as disclosed in Note 6 to the financial statements.

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, 2021 and 2020

(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

In 2020, GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, which postponed the effective dates of GASB Statement Nos. 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.

During the year ended September 30, 2021, the Academy implemented the following pronouncements:

- GASB Statement No. 84, Fiduciary Activities, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.
- GASB Statement No. 90, Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61, which improves 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.
- GASB Statement No. 93, Replacement of Interbank Offered Rates, which establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments. The provision removing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of derivative instruments is effective for the year ending September 30, 2022.

The implementation of these statements did not have a material effect on the accompanying financial statements.

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 but has not determined the impact as of September 30, 2021. 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, 2021 and 2020

(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 believes that this statement, upon implementation, will have a material effect on the financial statements but has not determined the impact as of September 30, 2021. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for fiscal year ending September 30, 2022.

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. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. 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. In accordance with GASB Statement No. 95, 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. 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.

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

Notes to Financial Statements
September 30, 2021 and 2020

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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.

In October 2021, GASB issued Statement No. 98, The Annual Comprehensive Financial Report. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 98 will be effective for fiscal year ending September 30, 2022.

(3) Capital Assets

Capital asset activity for the year ended September 30, 2021, was as follows:

	October 1, <u>2020</u>	<u>Additions</u>	<u>Transfers and Deletions</u>	September 30, <u>2021</u>
Depreciable capital assets:				
Computer and transportation equipment	\$ 376,493	\$ 204,244	\$ -	\$ 580,737
Music instrument and sports equipment	62,541	23,111	18,422	104,074
Furniture, fixtures and equipment	<u>610,407</u>	<u>930</u>	<u>(18,422)</u>	<u>592,915</u>
	1,049,441	228,285	-	1,277,726
Less accumulated depreciation	<u>(478,324)</u>	<u>(125,250)</u>	-	<u>(603,574)</u>
	571,117	103,035	-	674,152
Land	<u>1,564,147</u>	-	-	<u>1,564,147</u>
	<u>\$ 2,135,264</u>	<u>\$ 103,035</u>	<u>\$ -</u>	<u>\$ 2,238,299</u>

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

Notes to Financial Statements
September 30, 2021 and 2020

(3) Capital Assets, Continued

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

	October 1, <u>2019</u>	<u>Additions</u>	<u>Transfers and 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>

(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 \$953,070 per year based on comparable rents in the immediate area. In 2020, this value increased due to the inclusion of Building E in the calculation. The MOA allows GACS free use of certain collateral equipment, the current fair market value of which was previously considered immaterial to the accompanying financial statements. In fiscal year 2019, the Government of Guam provided data sufficient to record the value and GACS has accordingly recorded such in the 2021 and 2020 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, 2021 and 2020, 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.
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Notes to Financial Statements
September 30, 2021 and 2020

(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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and September 30 2020, GACS continues to record the balance due as a current liability.

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

Changes in short-term debt for the year ended September 30, 2021 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	<u>177,500</u>	<u>-</u>	<u>-</u>	<u>177,500</u>
	<u>\$ 642,114</u>	<u>\$ -</u>	<u>\$ (464,614)</u>	<u>\$ 177,500</u>

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

Notes to Financial Statements
September 30, 2021 and 2020

(6) Short-Term Debt, Continued

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>

(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, 2021 and 2020, unreported amounts related to leave earned but unpaid were \$38,936 and \$30,642, 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, current liabilities materially exceeded current assets as GACS had been unable to obtain long-term financing. Much of this deficiency was concentrated in several vendors who sued or who threatened to sue to obtain payment. Subsequent to September 30, 2020, GACS resolved its liabilities to most vendors and recorded an extinguishment of debt. Negotiations to resolve a liability with another 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.
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Notes to Financial Statements
September 30, 2021 and 2020

(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, 2021 and 2020) 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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated April 6, 2022.

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 2021-001 and 2021-002 that we consider to be significant deficiencies.

Compliance and Other Matters

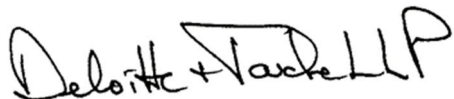
As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 + Tuck LLP". The signature is written in a cursive, stylized font.

April 6, 2022

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

Schedule of Findings and Responses
Years Ended September 30, 2021 and 2020

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 fiscal year 2022. Below are key matters that we recommend continue to be of focus by the Board and management.

2021-001 - 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 FY2020, 2019 and 2018 audits.

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.

2021-002 - 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 FY2020, 2019 and 2018 audits.

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.