



OFFICE OF PUBLIC ACCOUNTABILITY

Suite 401 DNA Building, 238 Archbishop Flores Street, Hagåtña, Guam 96910

Tel (671) 475-0390 · Fax (671) 472-7951 · Hotline: 47AUDIT (472-8348)

www.opaguam.org

Guahan Academy Charter School – FY 2022 Financial Highlights

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Hagåtña, Guam – The Office of Public Accountability has released the Guahan Academy Charter School (GACS)'s Fiscal Year (FY) 2022 financial statements, management letter, report on internal control and compliance, and The Auditor's Communication With Those Charged With Governance. GACS ended FY 2022 with a positive net position of \$2.1 million (M), a \$332 thousand (K) decrease (or -14%) from the restated FY 2021 net position of \$2.4M. Independent auditors Ernst & Young LLP (EY) rendered an unmodified (clean) opinion on GACS's financial statements and issued a management letter relative to two matters.

GACS Dependent on the Government of Guam

For FY 2022, GACS received \$4.1M in Per Pupil Allocation or approximately 66% of its annual revenue from the Government of Guam (GovGuam). GACS had a total enrollment of 768 students at the end of the fiscal year, which was three above the authorized level of 765 students per school year. Substantial decreases in per-pupil reimbursements will have an adverse impact on GACS's ability to operate due to its funding dependency on GovGuam.

In addition to the per pupil appropriation, GACS was allowed to use Buildings C, D, and E in Tiyan at no cost. GACS records the lease of \$79K per month or \$953K per year as in-kind contributions from GovGuam based on a Memorandum of Agreement (MOA) between GovGuam and GACS in August 2013 and May 2021. The current MOA will expire on June 30, 2023. GACS submitted a request to extend the MOA to the Office of the Governor in March 2023. The result of the request will be reflected in FY 2023.

Revenues Decreased and Expenses Increased

GACS's FY 2022 total revenues of \$6.2M decreased by \$839K (or 12%) compared to \$7.0M in FY 2021. This is mainly due to the removal of the \$1M debt forgiveness recorded in FY 2021 and \$239K decrease in Per Pupil Allocation, offset by an increase in federal grant revenue by \$412K in FY 2022.

GACS's FY 2022 total expenses of \$6.5M increased by \$1.6M (or 34%) compared to \$4.9M in FY 2021. This was attributed mainly to the prior and current year adjustments of federally funded fixed assets to the In-Kind Expense account, which increased by \$490K from \$199K in FY 2021 to \$689K in FY 2022. Other increases in expenses were \$344K for Contractual Services (from \$297K in FY 2021 to \$642K in FY 2022); \$230K for Books/Online Resources (from \$200K in FY 2021 to \$430K in FY 2022); and \$223K for Materials and Supplies (from \$184K in FY 2021 to \$407K in FY 2022).

Proposed Facility Expansion

GACS has proposed a facility expansion plan to consolidate facilities, minimize costs, and expand enrollment capacity. The project would include a permanent campus to provide school facilities for up to 1,000 students, as well as administration and support staff offices.

Report on Internal Control and Management Letter

The independent auditors did not identify any material weaknesses in their report on internal control over financial reporting and on compliance. However, the auditors issued a management letter and noted two matters in relation to GACS's internal control and financial reporting: (1) Capitalization of Fixed Assets; and (2) Revenue from Student Appropriations.

The auditors proposed an audit adjustment to the net position beginning balance amounting to \$236K to correct the capitalization of depreciable capital and other assets not owned by GACS. The Guam Department of Education (GDOE) retains ownership over the assets allocated to GACS under various federal grants. Therefore, the auditors recommended that GACS obtain written communication from the GDOE to ensure clear guidance on the ownership and accounting treatment of the assets allocated and distributed to GACS through federal grants.

Pursuant to Guam Public Law 36-54, GACS is authorized to receive appropriations of \$6.2K for each enrolled student with a maximum of 765 enrolled students for FY 2022. Based on the audit, GACS met the maximum number of enrolled students in order to receive the full amount, but only received funding to the extent of its submitted monthly invoices of expenditures to the Department of Administration (DOA). Therefore, the auditors recommended that GACS seek clarification from the DOA to ensure that amounts due from GovGuam, as allowed in public law, is received.

For a detailed discussion on GACS's operations, refer to the Management's Discussion and Analysis or view the reports in their entirety on our website at www.opaguam.org.