



## **Guam Department of Chamorro Affairs FY 2014 Financial Highlights**

June 9, 2015

The Department of Chamorro Affairs- Non-Appropriated Funds (DCANAF) closed Fiscal Year (FY) 2014 with a \$138 thousand (K) increase in net position (net income) compared to an increase of \$4K in the prior year. Independent auditors Ernst & Young, LLP expressed an unmodified (clean) opinion on DCANAF's financial statements. In addition, auditors made eight adjustments to correct errors initially made by DCA.

In October 2011, DCA was reorganized with all cultural and learning resources by merging the Hagatna Restoration and Redevelopment Authority Agency, the Guam Council on the Arts and Humanities Agency (CAHA), the Guam Public Library System, and the Guam Education Telecommunications Corporation dba PBS Guam/KGTF.

### ***DCANAF Revenues and Expenses Increased***

There are five funds that encompass DCA's revenues: (1) Chamorro Village; (2) Research, Publication, and Training (RPT); (3) President's Office; (4) CAHA; and (5) Festival of the Pacific Arts (FESTPAC). Total revenues increased by \$254K, from \$522K in FY 2013 to \$776K in FY 2014. This was primarily due to the "Percent for the Arts" contribution of \$136K and an appropriation of \$60K from the Tourist Attraction Fund passed through the Guam Visitors Bureau for Guam's participation at the 12<sup>th</sup> FESTPAC to be hosted by Guam in 2016. Total expenses increased by \$120K, from \$518K in FY 2013 to \$638K in FY 2014 primarily due to the increase in utilities and contractual expenses.

### ***Chamorro Village***

Chamorro Village provides a venue for local retailers who sell Chamorro food, local arts and crafts, and entertainment of cultural dance groups. Chamorro Village leases increased by \$9K from \$490K in FY 2013 to \$499K in FY 2014. However, Chamorro Village suffered a loss of \$23K due to the rising expenses of utilities which increased by \$36K, from \$212K in FY 2013 to \$249K in FY 2014. DCA has installed energy cost savings lighting throughout Chamorro Village and management plans to close water valves during closing hours to help mitigate the rising costs. Maintaining a profit continues to be a challenge with the Chamorro Village, as cumulative losses grew to \$58K in FY 2014. The top three expenses were \$249K for utilities, \$178K for contractual, and \$59K for meals and entertainment, representing 91.6% of Chamorro Village's expenses.

### ***Research, Publication, and Training***

RPT conducts, researches, publishes, and produces multi-media and print materials relating to Guam Heritage. RPT had nominal revenue of \$1K from book sales and cultural items in FY 2014, but suffered a loss of \$45K mainly due to inventory obsolescence as DCA was selling their books below unit cost. RPT's top three expenses are inventory obsolescence of \$33K, contractual of \$7K, and cost of goods sold of \$4K.

### ***President's Office***

The President's Office is responsible for the day to day operations and administers DCA's programs and policies. The President's Office had \$1K from donations and cultural items, but suffered a loss of \$1K in FY 2014.

### ***Council of the Arts and Humanities Agency***

CAHA encourages and fosters the participation in the arts and humanities with programs for citizens of all ages in the community. CAHA also assists in FESTPAC and was appointed by the Governor to serve as the lead agency for GovGuam to spearhead Guam's participation in the quadrennial event. CAHA's total revenues increased by \$146K from negative \$184 in FY 2013 to \$146K in FY 2014, due to the \$136K of other income from the "Percent for the Arts" Project. Total expenses also increased by \$37K from \$168 in FY 2013 to \$37K in FY 2014, due to \$36K in contractual expenses and \$1K in supplies.

### ***Festival of the Pacific Arts***

FESTPAC is a traveling festival hosted every four years by a different country in Oceania. The Guam Visitors Bureau was authorized \$1.2 million (M) to be held in a Trust Account for the 12<sup>th</sup> FESTPAC to be held on Guam in 2016 and Guam's participation in the 2015 Smithsonian Folklife Festival of which \$410K has been deposited during FY 2014, bringing the cumulative to \$1.5M in the Trust Account. FESTPAC total revenues increased by \$113K from \$8K in FY 2013 to \$121K in FY 2014 due to the appropriation of \$60K from funds passed through CAHA and \$53K in fundraising activities. Total expenses also increased by \$6K from \$16K in FY 2013 to \$21K in FY 2014 due to the cost of fundraising activities of \$7K, and marketing and promotions of \$6K.

### ***Compliance Report and Management Letter***

In the Compliance Report, the auditors found improper recording of prior year 2013 adjusting journal entries, bank reconciliation statements contained errors of duplicate entries and reconciling items more than six months old, DCANAF's inventory balance was not in accordance with GASB ASC I40, and liabilities not recorded in the correct period.

In a separate management letter, four findings were identified involving: (1) accounts receivable sub-ledger, (2) doubtful accounts, (3) accounting department personnel, and (4) back-up procedures. In addition, the auditors noted the financial statement close process requires a significant amount of time and accuracy of accounting information generated may be questionable.

### ***Summary of Adjusting Journal Entries and Uncorrected Misstatements***

In order to receive a clean opinion, eight adjusting entries were made with a net effect of \$94K on its financial statements. In addition, four uncorrected misstatements were identified with a net effect \$4K in FY 2014.

For a more detailed discussion on DCA's operations, refer to the Management's Discussion and Analysis or view the reports in their entirety at our website at [www.opaguam.org](http://www.opaguam.org).