

Financial Statements and Supplementary Information

**Department of Chamorro Affairs –
Non-Appropriated Funds**
(A Component Unit of the Government of Guam)

*Years Ended September 30, 2023 and 2022
with Report of Independent Auditors*



Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Financial Statements and
Supplementary Information

Years Ended September 30, 2023 and 2022

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Report of Independent Auditors

The Board of Trustees
Department of Chamorro Affairs

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of the Department of Chamorro Affairs – Non-Appropriated Funds (DCANAF), a component unit of the Government of Guam, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the DCANAF’s basic financial statements as listed in the table of contents.

In our opinion, except for the effects on the 2023 financial statements of the matters described in the Basis for Qualified Opinion, the financial statements present fairly, in all material respects, the financial position of DCANAF at September 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion on the 2023 Financial Statements

As discussed in Note 2 to the financial statements, DCANAF has not recorded adjustments to its lease receivable, deferred inflows of resources, and lease revenues as required by generally accepted accounting principles. The amount by which this departure would affect the assets, deferred inflow of resources and lease revenues is not reasonably determinable.

We conducted our audit 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the DCANAF, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our qualified audit opinion on the 2023 financial statements and for our opinion on the 2022 financial statements.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Department of Chamorro Affairs – Non-Appropriated Funds and do not purport to, and do not present fairly the financial position of the Government of Guam as of September 30, 2023 and 2022, the changes in its financial position or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 DCANAF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about DCANAF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 11 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the DCANAF's basic financial statements. The accompanying combining 2023 statement of net position and combining 2023 statement of revenues, expenses and changes in net position included on pages 22 and 23 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, except for the effects on the supplementary information of unrecorded adjustments to lease receivable, deferred inflows of resources and lease revenues discussed in the Basis for Qualified Opinion paragraph, such information is fairly stated in related to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2025 on our consideration of DCANAF'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 DCANAF'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 DCANAF's internal control over financial reporting and compliance.

Ernst + Young LLP

February 19, 2025

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Management’s Discussion and Analysis

Years Ended September 30, 2023 and 2022

This section of the Department of Chamorro Affairs - Non-Appropriated Funds (DCANAF) annual financial statement report presents management’s discussion and analysis of DCANAF’s financial performance during the year ended September 30, 2023. Please use this information in conjunction with the information furnished in DCANAF’s financial statements. This will provide better understanding of DCANAF’s financial status in accordance with U. S. generally accepted accounting principles promulgated by the Standards of the Government Accounting Standards Board (GASB).

Our Mission

To create, develop, implement and maintain an integrated program for the preservation, promotion, and advancement of the native Chamorro and other Asian/Pacific Islander residents of Guam. It is intended that the public corporation be the guiding force in all aspects of Chamorro culture, language, preservation, education, arts, humanities, and history, through public policy, advocacy, research, publication, authentication, restoration, presentation, and production, and by providing and overseeing a repository for historical documents, cultural artifacts and documentary and narrative film and video.

Introduction

Department of Chamorro Affairs (DCA) was created in 1999 through Guam Public Law 25-69 and codified in Title 5 Guam Code Annotated (GCA) Chapter 87 as a non-stock, non-profit public corporation to implement an integrated program for the preservation, development and promotion of the Chamorro Heritage of Guam, for the public benefit and to provide specific services to the Chamorro people of Guam. The enabling statute further stated that the DCANAF be the catalyst in the preservation, development and promotion of language, arts, historic and cultural preservation, research, restoration, presentation, museum activities and support programs significant to Guam’s history and culture, and to enhance the future of the Chamorro people of Guam. DCA has been an integral component in the promotion of the Chamorro culture and represents a unique effort in government to bring together cultural programs, agencies and divisions within government which have a shared vision. The department has produced a series of books called “HALE`TA” (Our “Roots” Foundation) which chronicles the history of the Chamorro people through 4,000 years of existence on the island of Guam.

The purpose of DCA (non-appropriated funds and appropriated funds) is to assist in the implementation of an integrated program for the preservation, development, and promotion of the Chamorro heritage of Guam for the public benefit and to provide specific services to the Chamorro people. It is a catalyst for the preservation, development, and promotion of the language, arts, humanities, historic and cultural preservation, research, restoration, presentation, museum activities, and support programs significant in Guam’s history and culture, and to enhance the future of the Chamorro people of Guam.

Department of Chamorro Affairs – Non-Appropriated Funds
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Management’s Discussion and Analysis, continued

Introduction, continued

The DCA ensures indigenous tangible and intangible knowledge are accessible through visitor experience and community engagement using platforms such as the Chamorro Village and the Guam Museum to continue showcasing our island’s performing arts, history, exhibits, educational and interactive events, outreach and communication and philanthropy programs. The Chamorro Village and the Guam Museum have never been more important than ever before to ensuring that Chamorro is prevalent in the eyes of the community and to reopening our economy.

DCA has the following specific purposes and is authorized to:

- Formulate and develop standards and procedural requirements with regard to the development, promotion, and preservation of the Chamorro language and culture with all relevant restitutions and programs. **5 GCA. Ch. 87, Section 87104(w) Historic Language Preservation**
- Establish a joint appointment program with Guam colleges and universities in the teaching of the Chamorro language, culture and history; and further to establish reciprocal relationships with other institutions. **5 GCA. Ch. 87, Section 87104(x) Elementary/Intermediate Education**
- Promote increased understanding of Guam’s geology, biota, prehistory, history and contemporary culture. Serves as the official repository and custodian of historical artifacts of Guam and to acquire, preserve, and make available for public viewing, artifacts and archival materials relating to the cultural, historical and natural heritage of Guam. **5 GCA. Ch. 87, Section 87136(a) Geographical and Archaeological Validation**
- To provide for the preservation of all government publications including any printed or processed paper, books, periodicals, pamphlets or maps, originating in or printed with the imprint of, or at the expense and by the authority of the Government of Guam; including public records and other papers not in current use of the Executive, Judicial and Legislative Branches of the government of Guam and have been determined to have sufficient legal, historical or other value to warrant their continued preservation by the government of Guam; and also be the custodian of non-governmental historical records that contain significant information about the past or present, and are therefore worthy of long-term preservation and systematic management for historical or other research purposes. **5 GCA. Ch. 87, Section 87130(a) Heritage Archival Collection**

Department of Chamorro Affairs – Non-Appropriated Funds
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Management’s Discussion and Analysis, continued

Introduction, continued

- Ensure the retention and preservation of our documentary heritage as the official repository and custodian of historical government and non-government records of Guam. Acquire, preserve and make available for public use, records relating to the cultural and documentary heritage of Guam; and foster research on the records in its inventory and shall disseminate the results of this and other research to the public through the media as public exhibitions, demonstrations, lectures, scholarly activities, television programs, publications and other public programs contributing to and encouraging enlightenment. **5 GCA, Ch. 87, Section 87130(c) Collective Historic Preservation & Cultural Authentication.**
- Operate under its control a public market, or markets, for Guam products at such places or places deem proper. Any such market shall be maintained and operated at all times in a sanitary and orderly manner, beneficial to both producers and patrons alike. Producers and sellers desiring to use space within such market to display or sell their produce shall be levied a uniform fee based upon the amount of space used and period of such use. **Public Law 28-68, 5GCA.Ch.87, Section 87103(a)(viii) Chamorro Village, “I Sengsong Chamorro”**
- The Public Market Revolving Fund was created to deposit all funds collected from fees levied pursuant to Ch. 87 of 5 GCA, and to used exclusively for the administration, operation and maintenance of the *I Sengsong Chamorro*”, the Chamorro Village. **5 GCA, Ch.87, Section 87152 Public Market Revolving Fund**
- Serve as the depository for certain specimens and objects of natural history and of botanical, ethnological, or archaeological value or interest, and any book, treatise, or pamphlet relating to natural history, botany, ethnology, or archaeology now in possession of the University of Guam, or any territorial department, bureau, or boards. **5 GCA, Ch. 83 & 87; 21 GCA, Ch. 76, Section 76114 Guam Museum**

DCA is comprised of:

- **The President’s Office (Ufisinan I Mås Ge’Hilo’)** - responsible for the day-to-day operations and administers its programs and policies. The President’s Office is also mandated to submit to the Governor and the Guam Legislature a detailed annual report of activities and an audited, annual financial report.
- **The Research, Publications and Training (RPT) (Inaligao, Tinige’, Yan Fina’ná’gue)** - conducts, researches, publishes and produces multi-media and print materials relating to the Guam Heritage.

Department of Chamorro Affairs – Non-Appropriated Funds
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Management’s Discussion and Analysis, continued

Introduction, continued

- **The Chamorro Language and Culture (*Kottura*)** - develops, promotes and preserves the Chamorro language and culture through various initiatives and activities. The Chamorro Language and Culture also studies and updates the orthographic rules of the Chamorro Language and updates the Chamorro-English and English-Chamorro Dictionary. The Chamorro Language and Culture division is included in the Research, Publication, and Training division on the supplemental schedules.
- **The Guam Museum (*I Faninadahen Kosas Guåhan*)** - provides museum services, preservation of all government of Guam publications, fostering research on the records and its inventory, providing public exhibits, demonstrations, lectures, scholarly activities, publications, and other public programs contributing to and encouraging an understanding of the Chamorro culture, its language and rich history and promotes Guam’s geology, biota, prehistory, history, and contemporary culture. The Guam Museum is also the official repository and custodian of historical artifacts of Guam and the Chamorro people and provides venues for the appreciation of Guam’s unique relationship with its sister islands in Micronesia and Asia through the understanding of shared regional cultures, traditions, practices and lore.
- **The Guam Archives (*Sagan Rikuetdon Guåhan*)** - serves as the official repository for all government publications including any printed or processed paper, book, periodical, pamphlet or map, originating in or printed with the imprint of, or at the expense and by the authority of the government of Guam. The Guam Archives is included in the Guam Museum division on the supplemental schedules. Under the Guam Museum, this program promotes an increased understanding of Guam’s geology, biota, prehistory, history and contemporary culture.
- **The Chamorro Village (*I Sengsong Chamorro*)** - provides a venue for local art and local retailers who sell Chamorro food, local Chamorro handmade arts and crafts, and perform cultural dance and music. The Department of Chamorro Affairs is authorized to promulgate rules and regulations to encourage the expansion and development of markets on Guam and to encourage and develop new businesses with emphasis on culture and tourism. The Chamorro Village promotes an incubator environment for entrepreneurial businesses to grow and eventually expand in the open market. The Chamorro Village also provides support for seminars, workshops, fairs and special activities for the local community; a popular attraction is the Wednesday Night Market, which offers entertainment and a variety of food, aquaculture and produce/nursery for sale by local vendors.

Department of Chamorro Affairs – Non-Appropriated Funds
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Management’s Discussion and Analysis, continued

Board of Trustees

Pursuant to 5 GCA Ch. 87 § 87105 all functions and powers of the Corporation shall be vested in and be exercised by and under the direction of a Board of Trustees, composed of nine (9) members. The Trustees shall be U.S. citizens and residents of Guam and no less than five (5), or fifty percent (50%) of the members of the governing body, must be Chamorro, defined as residents of the Mariana Islands as of 1898, or descendants thereof. *I Maga’hågan Guåhan* shall appoint the Trustees of the Corporation, which shall be comprised of representatives in each of the field of business, history or archaeology, tourism, economics or finance, Chamorro language and culture, arts and three (3) members at large. Five (5) Trustees constitute a quorum, and five (5) affirmative votes are required for the transaction of all business. The Board of Trustees meetings are conducted every first Thursday of the month and is subject to change.

The Board of Trustee Members are:

- Juan Muña, Chairman, Business
- Kisha ABQ Calvo, Vice Chairwoman, Member at Large
- Dina Rose Hernandez, Treasurer, Tourism
- Darlene Taitano, Secretary, Member at Large
- Phillip Sablan, Arts
- Catherine Flores, Chamorro Language and Culture
- Dina San Nicolas, Finance / Economics
- Leonard Iriarte, History
- Kimberly A. Taitano, Member at Large

Department-Wide Financial Analysis

The following information reflects the condensed 2021 to 2023 Statements of Net Position.

	2023	2022	2021	\$ Change 2022 to 2023	% Change 2022 to 2023	\$ Change 2021 to 2022	% Change 2021 to 2022
Total assets	\$ 987,819	\$ 955,930	\$ 590,471	\$ 31,889	3.34%	\$ 365,459	61.89%
Total liabilities	99,449	82,814	65,183	16,635	20.09%	17,631	27.05%
Deferred inflow of resources	234,527	234,527	---	---	0.00%	234,527	100.00%
Net position	\$ 653,843	\$ 638,589	\$ 525,288	\$ 15,254	2.39%	\$ 113,301	21.57%

Total assets amounted to \$987,819 an increase of \$31,889 or 3.34% as compared to \$955,930 in 2022. The increases for 2023 and 2022 were primarily due to the increase in cash. In 2023, cash increased to \$693,244 compared to \$670,174 in 2022.

Department of Chamorro Affairs – Non-Appropriated Funds
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Management’s Discussion and Analysis, continued

Total liabilities increased by \$16,635 or 20.09% as compared to 2022. In 2022, DCA also recorded an increase in liabilities by \$17,631 or 27.05% when compared to 2021. The increases for 2023 and 2022 were primarily attributed to accounts payable and security deposits.

The following information reflects the condensed 2021 to 2023 Statements of Revenues, Expenses and Changes in Net Position.

Revenues:	FY 2023	FY 2022	FY 2021	FY 2022 TO FY 2023		FY 2021 TO FY 2022	
				\$ Change	% Change	\$ Change	% Change
Lease revenue	\$ 408,343	\$ 346,137	\$ 248,052	\$ 62,206	18%	\$ 98,085	40%
Other income	66,194	83,226	13,241	(17,032)	-20%	69,985	529%
Other operating revenues	4,639	13,491	40,574	(8,852)	-66%	(27,083)	-67%
Total revenues	\$ 479,176	\$ 442,854	\$ 301,867	\$ 36,322	8%	\$ 140,987	47%
Expenses:							
Contractual	\$ 293,639	\$ 118,984	\$ 59,335	\$ 174,655	147%	\$ 59,649	101%
Supplies and equipment	81,931	64,362	921	17,569	27%	63,441	6888%
Meals and entertainment	31,100	17,700	---	13,400	76%	17,700	100%
Other operating expenses	57,252	128,507	67,132	(71,255)	-55%	61,375	91%
Total expenses	\$ 463,922	\$ 329,553	\$ 127,388	\$ 134,369	41%	\$ 202,165	159%

In FY 2023, DCA recorded revenues of \$479,000 compared to \$443,000 in FY 2022. The year-to-year change of \$36,000 represents an increase of 8%, which is due to the increase of lease revenue from the Chamorro Village merchants and Wednesday Night Market vendors. Meanwhile, other revenue sources decreased by \$26,000 when compared to FY 2022. The decrease was partly due to the reclassification of water usage charged to the Chamorro Village and the slow movement of book sales.

Total revenues increased by \$141,000 or 47% from \$302,000 in FY 2021 to approximately \$443,000 in FY 2022. In FY 2022, the increase of \$124,000 or 50% was attributed to lease revenues and rental space from the Chamorro Village. The Guam Museum also recorded an increase of \$18,000 in revenue from events, admissions and donations.

Total operating expenses increased by \$134,000 or 41% from \$330,000 in FY 2022 to \$464,000 in FY 2023. The increase was largely due to contractual services and supplies for leak repairs, HVAC maintenance and repairs, janitorial and groundskeeping services to sustain and maintain all DCA properties. Increase in expenses is also attributed to meals and entertainment for Wednesday Night Market entertainment. Meanwhile, utilities expenses decreased by \$101,000 due to Chamorro Village’s utility costs being paid through the department’s appropriations. In FY 2022, total expenses increased by \$202,000 or 159% compared to FY 2021. This was due Chamorro Village and the Guam Museum slowly returning back to normalcy post pandemic.

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Management’s Discussion and Analysis, continued

Economic Outlook

The Department of Chamorro Affairs (DCA), CHamoru Village had an occupancy rate of 84% merchants for fiscal year 2023 and anticipates a 100% occupancy rate and an increase in local vendors for Wednesday Night Market by the end of fiscal year 2024. The exhibitions in the Guam Museum had sustained damages from Typhoon Mawar which caused DCA to close the museum to the public. DCA foresees the completion of the repairs and reopening the museum for admissions and events in 2024. The DCA projects that the revenue stream will increase for the Guam Museum compared to the slight increase in revenues in 2023.

Furthermore, in 2024, the Guam Museum together with various nonprofits, government agencies, and private sector organizations planned a rotating exhibition calendar with five themes including the Austronesian Art Exhibit, Liberation Eighty, 110 Year Anniversary - Transportation, local commerce in the early 1900, to ocean resources. Additionally, the museum continues to grow its collection and anticipates the return of its artifacts and remnants that are currently housed at the Bishop Museum in Honolulu, Hawaii and the Marine Corps Base Camp Blaz, Dededo, Guam.

Contacting DCA’s Financial Management

This financial report is intended to provide its readers with a general overview of DCANAF’s finances and to show DCANAF’s accountability for the money it receives. If you have any questions about this report or wish to request additional information, contact the Administrative Office: 193 Chalan Santo Papa Juan Pablo Dos, Hagåtña, Guam 96910. Phone: (671) 989-2426.

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Statements of Net Position

	Year ended September 30,	
	<u>2023</u>	<u>2022</u>
Assets		
Cash	\$693,244	\$670,174
Accounts receivable, net of allowance for doubtful accounts of \$16,550 and \$91,747 in 2023 and 2022, respectively	10,391	17,796
Inventory, net of allowance for obsolescence of \$78,594 and \$78,233 in 2023 and 2022, respectively	39,465	23,241
Other assets	10,192	10,192
Lease receivable	<u>234,527</u>	<u>234,527</u>
Total assets	<u>987,819</u>	<u>955,930</u>
Liabilities		
Accounts payable	65,487	50,500
Security deposits	<u>33,962</u>	<u>32,314</u>
Total liabilities	<u>99,449</u>	<u>82,814</u>
Deferred inflow of resources - leases	<u>234,527</u>	<u>234,527</u>
Total net position - unrestricted	<u>\$653,843</u>	<u>\$638,589</u>

See accompanying notes.

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Statements of Revenues, Expenses and Changes in Net Position

	Year ended September 30,	
	<u>2023</u>	<u>2022</u>
Revenues:		
Lease revenue	\$408,343	\$346,137
Other income	66,194	83,226
Book sales	3,055	8,519
Donations	1,584	3,759
Interest on leases	<u>---</u>	<u>1,213</u>
Total revenues	<u>479,176</u>	<u>442,854</u>
Expenses:		
Contractual	293,639	118,984
Supplies	81,931	64,362
Meals and entertainment	31,100	17,700
Miscellaneous	24,301	3,212
Communication	18,080	13,158
Travel	12,958	6,547
Advertising	1,707	1,840
Utilities	116	101,198
Office expense	90	2,132
Cost of goods sold	<u>---</u>	<u>420</u>
Total expenses	<u>463,922</u>	<u>329,553</u>
Change in net position	15,254	113,301
Net position at beginning of year	<u>638,589</u>	<u>525,288</u>
Net position at end of year	<u>\$653,843</u>	<u>\$638,589</u>

See accompanying notes.

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Statements of Cash Flows

	Year ended September 30,	
	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Receipts from lease revenue	\$408,343	\$320,551
Receipts from other income	73,599	98,219
Receipts from book sales	3,055	8,519
Receipts from grants and donations	1,584	3,759
Receipts from interest on leases	---	1,213
Payments to vendors	(463,511)	(332,364)
 Net cash provided by operating activities	 23,070	 99,897
 Cash at beginning of year	 <u>670,174</u>	 <u>570,277</u>
 Cash at end of year	 <u>\$693,244</u>	 <u>\$670,174</u>
 Reconciliation of operating revenues net of operating expenses to net cash provided by operating activities:		
Change in net position	\$ 15,254	\$113,301
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Changes in assets and liabilities:		
Accounts receivable	7,405	(10,593)
Inventory	(16,224)	(15,180)
Other assets	---	(5,262)
Accounts payable	14,987	17,126
Security deposits	<u>1,648</u>	<u>505</u>
 Net cash provided by operating activities	 <u>\$ 23,070</u>	 <u>\$ 99,897</u>

See accompanying notes.

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Notes to Financial Statements

Years Ended September 30, 2023 and 2022

1. Organization and Summary of Significant Accounting Policies

Organization

The Department of Chamorro Affairs (DCA) was created by § 87101 of Article 4, Chapter 87 of Division 8, Title 5 Guam Code Annotated (GCA), which became effective on July 6, 1999. DCA is a non-stock, non-profit public corporation. DCA operates out of the Government of Guam and has non-appropriated funds within each division of the department. DCA is under the control and operation of a nine-member Board of Trustees appointed by the Governor of Guam with the advice and consent of the Guam Legislature. DCA is a line agency within the executive branch of the Government of Guam and receives appropriated funds from the Government of Guam.

The Department of Chamorro Affairs – Non-Appropriated Funds (DCANAF) is a culmination of the non-appropriated funds of the following divisions:

- President’s Office – This department promotes the Chamorro culture within Guam and outside of Guam and provides oversight for the other departments within DCA.
- Research, Publication and Training – This program provides training, certifications, conferences and seminars thus promoting increased understanding of the Chamorro heritage. Included in Research, Publication and Training division is the Chamorro Language and culture division. The division is mandated to develop, promote and preserve the Chamorro language and culture through various initiatives and activities.
- Guam Museum – This division fosters an appreciation for Guam’s culture and natural heritage by promoting increased understanding for the island’s geology, biota, prehistory, and contemporary culture. The Museum serves as the official repository and custodian of historical artifacts and also acquires, preserves and makes available for public viewing, artifacts relating to the island’s heritage. The Museum’s other responsibilities include research on inventory and the dissemination of its results to the public through exhibitions, publications, and demonstrations. Included in the Guam Museum division is the Guam Archives division.

The Guam Museum Fund was established by § 87136 of Article 4, Chapter 87 of Division 8, Title 5 GCA, and states that it shall maintain separate and apart from other funds, the records of which shall be kept and maintained by the Trustees. Twenty-five percent (25%) of all building permit fees collected by the Department of Administration pursuant to § 66408 of Article 4, Chapter 66 of Division 2, Title 21 GCA, shall be deposited into the Fund, and shall not lapse at the end of the fiscal year and shall continue until fully expended. All monies received from sources other than government appropriations shall be deposited in the Guam Museum Fund. This fund is currently being subject to appropriations.

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Organization, continued

The Guam Museum is mandated to be the official depository for all government publications including printed or processed paper, book, periodical pamphlet or map, originating in or printed with imprint of, or at the expense and by DCANAF of the Government of Guam.

- The Chamorro Village – This division maintains day-to-day operations of the Chamorro Village to provide a market and foster an environment that promotes local products, native cultures, and tradition of Guam. The main source of revenues for DCANAF is from the Chamorro Village through its leasing activities.

Basis of Accounting

The DCANAF is considered a special-purpose government component unit engaged only in business-type activities. Accordingly, DCANAF's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant internal activity within the departments has been eliminated. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. DCANAF reports as a business-type activity. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Recently Adopted Accounting Pronouncements

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.

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This statement also provides guidance for accounting and financial reporting for availability payment arrangements.

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.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied more easily. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of local government financial statements.

The adoption of these GASB statements did not have a material effect on the financial statements.

Upcoming Accounting Pronouncements

In June 2022, GASB issues Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. GASB Statement No. 100 will be effective for fiscal year ending September 30, 2024.

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements. continued

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. GASB Statement No. 101 will be effective for fiscal years ending September 30, 2025.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of this Statement is to provide users of the government financial statements with essential information about risks related to a government's vulnerabilities due to ascertain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 102 will be effective for fiscal year ending September 30, 2025.

DCANAF is currently evaluating the effects the above upcoming accounting pronouncements might have on its financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Cash

For the purpose of the statement of cash flows, cash is defined as cash on hand and in banks. Custodial credit risk is the risk that in the event of a bank failure, DCANAF'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 depositories-government's name. DCANAF does not have a depository policy for custodial credit risk.

DCANAF maintains bank accounts with financial institutions. At September 30, 2023, the carrying amount of cash was \$693,244 and the corresponding bank balance was \$697,593. All of the bank balances are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2023 and 2022, \$403,411 and \$395,910, respectively, of the bank balance exceeds the FDIC deposit insurance limit of \$250,000.

Accounts Receivable

Accounts receivable, net of estimated allowances for uncollectible accounts, are non-interest bearing and are primarily due from tenants of the Chamorro Village.

The DCANAF performs periodic credit evaluations of its customers, and generally does not require collateral. Receivables are considered past due when payment is not received within 90 days from the date of billing. The DCANAF does not accrue finance charges on past due receivables. Receivables are stated net of estimated allowances for doubtful accounts.

The allowance for doubtful accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience.

Lease Receivable

DCANAF acts as a lessor to various tenants under operating leases. Leases with maximum term of more than twelve months are recognized as lease receivables and deferred inflow from lessees. Lease receivables are recorded as the present value of the future lease payments expected to be received from the lessee during the lease term, net of any estimated uncollectible amounts.

Inventory

Inventory as of September 30, 2023 consists of book inventory which is recorded at the lower of cost (using first-in, first-out method) or market value.

Capital Assets and Depreciation

Capital assets acquired with non-appropriated funds, whether purchased or constructed, are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Capital Assets and Depreciation, continued

Purchases and gifts valued at more than \$50,000 and having a useful life exceeding one year are capitalized. Depreciation is computed under the straight-line method using an estimated useful life of seven years for equipment.

The costs of normal maintenance and repairs that do not add to the value of the asset or do not materially extend the lives of the assets are not capitalized.

Deferred Inflow of Resources

In the governmental fund financial statements, deferred inflows of resources consist of unavailable base and participation rent revenues, which is revenue that does not meet the ‘available’ criterion for revenue recognition under the accrual basis of accounting.

Use of Restricted/Unrestricted Net position

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, DCANAF’s policy is to apply to restricted net position first.

Net Position

Net position represents the residual of all other elements presented in the statement of net position and is presented in the following categories:

Net investment in capital assets

Capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted

Nonexpendable – Net position subject to externally imposed stipulations that require an entity to maintain them permanently.

Expendable – Net position whose use by an entity is subject to externally imposed stipulations that can be fulfilled by actions of an entity pursuant to those stipulations or that expire with the passage of time.

Unrestricted

The unrestricted component of net position is the net amount of the assets and liabilities that are not included in the determination of net investment in capital assets or the restricted components of net position.

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Subsequent Events

The DCANAF has evaluated subsequent events through February 19, 2025, which is also the date that the financial statements were available to be issued.

2. Leases

The Chamorro Village leases retail outlets to various tenants under operating leases with terms ranging from one year to two years. The lease agreements call for various minimum monthly payments based on leased area. In addition to the minimum monthly rent, some leases also provide for percentage rent based on the tenant's revenue.

As at September 30, 2023, DCANAF's lease receivable and deferred inflows of resources amount to \$234,527, as carried over from the prior year. However, DCANAF has not recorded adjustments related to the collection of its lease receivable and the amortization of its deferred inflow of earned in the current year. Further, no adjustments to record additions to lease receivable and deferred inflow of resources were recorded for any new lease contracts and existing lease contracts with extended lease terms. Accordingly, DCANAF could not determine the effects of this departure from on the accompanying financial statements.

Supplementary Information

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Combining Statement of Net Position

September 30, 2023

	<u>President Office</u>	<u>Chamorro Village</u>	<u>Reserch Publication and Training</u>	<u>Guam Museum</u>	<u>Combined Balance</u>
Assets					
Cash	\$ 11,224	\$ 338,378	\$ 32,879	\$ 310,763	\$ 693,244
Accounts receivable, net	---	9,361	300	730	10,391
Inventory, net	---	25,193	---	14,272	39,465
Other assets	2,313	7,879	---	---	10,192
Lease receivable	<u>---</u>	<u>234,527</u>	<u>---</u>	<u>---</u>	<u>234,527</u>
Total assets	<u>13,537</u>	<u>615,338</u>	<u>33,179</u>	<u>325,765</u>	<u>987,819</u>
Liabilities					
Accounts payable	280	34,320	---	30,887	65,487
Security deposits	<u>---</u>	<u>33,962</u>	<u>---</u>	<u>---</u>	<u>33,962</u>
Total liabilities	<u>280</u>	<u>68,282</u>	<u>---</u>	<u>30,887</u>	<u>99,449</u>
Deferred inflow of resources					
Deferred inflow - leases	<u>---</u>	<u>234,527</u>	<u>---</u>	<u>---</u>	<u>234,527</u>
Total net position - unrestricted	<u>\$ 13,257</u>	<u>\$ 312,529</u>	<u>\$ 33,179</u>	<u>\$ 294,878</u>	<u>\$ 653,843</u>

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Combining Statement of Revenues, Expenses and Changes in Net Position

Year ended September 30, 2023

	<u>President's Office</u>	<u>Chamorro Village</u>	<u>Research Publication and Training</u>	<u>Guam Museum</u>	<u>Combined Balance</u>
Revenues:					
Lease revenue	\$ ---	\$ 408,343	\$ ---	\$ ---	\$ 408,343
Other income	---	3,080	3	63,111	66,194
Book sales	---	---	3,055	---	3,055
Donations	---	---	---	1,584	1,584
Total revenues	<u>---</u>	<u>411,423</u>	<u>3,058</u>	<u>64,695</u>	<u>479,176</u>
Expenses:					
Contractual	916	151,150	---	141,573	293,639
Supplies	---	73,566	---	8,365	81,931
Meals and entertainment	---	31,100	---	-	31,100
Miscellaneous	798	19,589	120	3,794	24,301
Communication	---	4,494	---	13,586	18,080
Travel	---	---	---	12,958	12,958
Advertising	---	1,707	---	---	1,707
Utilities	---	116	---	---	116
Office expense	---	90	---	---	90
Total expenses	<u>1,714</u>	<u>281,812</u>	<u>120</u>	<u>180,276</u>	<u>463,922</u>
Change in net position	(1,714)	129,611	2,938	(115,581)	15,254
Net position at beginning of year	<u>14,971</u>	<u>182,918</u>	<u>30,241</u>	<u>410,459</u>	<u>638,589</u>
Net position at end of year	<u>\$ 13,257</u>	<u>\$ 312,529</u>	<u>\$ 33,179</u>	<u>\$ 294,878</u>	<u>\$ 653,843</u>



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Report of Independent Auditors 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*

Management and the Board of Trustees
Department of Chamorro Affairs – Non-Appropriated Funds

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 (*Government Auditing Standards*), the financial statements of the Department of Chamorro Affairs – Non-Appropriated Funds (DCANAF), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”), and have issued our report thereon dated February 19, 2025. Our opinion was qualified due to DCANAF not recording adjustments to its lease receivable, deferred inflows of resources, and lease revenues as required by generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered DCANAF’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of DCANAF’s internal control. Accordingly, we do not express an opinion on the effectiveness of DCANAF’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 a 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control described in the accompanying schedule of findings and responses as items 2023-001 and 2023-002 that we consider to be material weaknesses.

Compliance and Other Matters

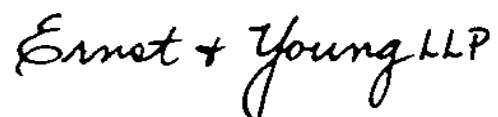
As part of obtaining reasonable assurance about whether DCANAF's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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*.

DCANAF's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the DCANAF's response to the findings identified in our audit and described in the accompanying schedule of findings and response. DCANAF's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

The image shows a handwritten signature in black ink that reads "Ernst + Young LLP". The signature is written in a cursive, flowing style.

February 19, 2025

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Schedule of Audit Findings and Responses

Finding No. 2023-001

Criteria

DCANAF should have a qualified accountant to handle the accounting process.

Condition

A lack of a qualified accountant resulted in:

- an inadequate financial statement close process
- prior audit adjusting entries had not been recorded
- audit adjusting entries were improperly recorded
- significant amount of credit balance in the trade receivables

Cause

DCA does not have a qualified accountant to handle the accounting process of the various non-appropriated funds.

Effect or potential effect:

DCANAF does not have an accountant who possesses adequate skill sets to ensure that accounting records are maintained so that timely financial statements can be generated.

This is the proximate cause for DCANAF's inadequate financial statement close process.

Recommendation

We recommend that DCA employ an experienced accountant.

Views of responsible officials:

DCA agrees. To correct this finding, the DCA requested for assistance from the Department of Administration (DOA), Division of Accounts. Based on DOA's review of DCA's fiscal year 2021 financial statements, it does not reveal major difficulties with ensuring that viable financial statements can be prepared. Further, DOA will be willing to assign an accountant at the end of each quarter to adjust DCA's financial records to comply with the requirements in accordance with accounting principles generally accepted in the United States of America. DCA hopes to correct this finding during the 2024 fiscal year.

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Schedule of Audit Findings and Responses, continued

Finding No. 2023-002

Criteria

DCANAF should maintain a leases schedule to account for adjustments related to GASB Statement No. 87.

Condition

DCANAF continued to record lease revenues based on amounts billed to lessees in the current year. Further, DCANAF did not record adjustments related to its lease receivables, deferred inflow of resources and lease revenues due to the lack of a leases schedule.

Cause

DCANAF does not have a working schedule to ensure proper accounting of lease transactions on existing lease contracts. DCANAF does not have an accountant to handle the accounting process, including leases.

Effect or potential effect:

This caused DCANAF's departure from the requirements of GASB Statement No. 87.

Recommendation

We recommend that DCA prepare and maintain a schedule to account for all existing lease contracts, including information on the lease term and minimum monthly rent of lessees, and to account for related adjustments as required by GASB Statement No. 87.

Views of responsible officials:

DCA agrees request assistance from DOA to prepare and maintain schedule for leases and to record necessary adjustments. DCA hopes to correct this finding during the 2024 fiscal year.