



BURGER · COMER · MAGLIARI
CERTIFIED PUBLIC ACCOUNTANTS

March 10, 2019

The Board of Trustees
Guahan Academy Charter School, Inc.

We have audited the financial statements of Guahan Academy Charter School, Inc., (the Academy) for the year ended September 30, 2017, and have issued our report thereon dated March 10, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Academy is responsible.

Our Responsibility under Generally Accepted Auditing Standards and Generally Accepted Government Auditing Standards

Our responsibility under auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, have been described in our engagement letter dated March 2, 2018. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards is:

- To express an opinion on the fairness of the Academy's financial statements and the accompanying supplementary information, in relation to the financial statements as a whole, for the year ended September 30, 2017 (the financial statements), in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects, and to perform specified procedures on the required supplementary information for the year ended September 30, 2017;
- To report on the Academy's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2017 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

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Our Responsibility under Generally Accepted Auditing Standards and Generally Accepted Government Auditing Standards, continued

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements have been prepared by management with the oversight of the Board of Trustees are fairly presented, in all material respects, in conformity with generally accepted accounting principles. The audit of financial statements does not relieve management or the Board of Trustees of their responsibilities.

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 entity'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 entity's internal control. Accordingly, we express no such opinion on the effectiveness of the Academy's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

Significant Audit Findings

We discussed our judgements about the quality, not just the acceptability, of the Academy's accounting principles as applied in its financial reporting, including consistency of the accounting principles and their application and the clarity and completeness of the financial statements and related note disclosures.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Academy are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2017. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant or sensitive estimates affecting the financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements were:

The disclosure of economic dependency, short-term debt, going concern and subsequent events in Notes 3, 11,13 and 14, respectively, to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Material misstatements were brought to the attention of management, as a result of our audit procedures and were corrected by management during the current period. We have attached to this letter, as Attachment B, a summary of misstatement corrected by management. Certain uncorrected misstatements accumulated by us in Attachment C, (i.e., either identified by us or brought to our attention by management) were identified during the audit and pertaining to the latest period presented, which were determined by the management to be immaterial, both individual and in the aggregate, to the financial statements as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the attached Attachment A – management representation letter dated March 10, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Academy's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Academy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Control Related Matters

We have issued a separate report to you, dated March 10, 2019, on the Academy's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, which was based upon the audit performed in accordance with *Government Auditing Standards*.

We have communicated to management, in a separate letter also dated March 10, 2019, certain deficiencies and other matters related to the Academy's internal control over financial reporting that we identified during the audit.

Independence

We are not aware of any relationships between Burger Comer Magliari and the Academy, or any other matters that in our professional judgement, may reasonably be thought to bear on our independence. We confirm that we are independent with respect to the Academy within the meaning of the applicable published rules and pronouncements, interpretations and rulings.

This report is intended solely for the information and use of the Board of Trustees and others within the organization of the Academy, the Office of Public Accountability, the Guam Academy Charter School Council, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,





March 10, 2019

BOARD OF TRUSTEES

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Board Liaison
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Burger Comer Magliari LLC
P.O. Box 12734
Tamuning, Guam

Dear Sir:

This representation letter is provided in connection with your audit of the financial statements of Guahan Academy Charter School, Inc., (GACS) which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

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

We confirm, to the best of our knowledge and belief, as of March 10, 2019, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 2, 2018, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 11) Guarantees, whether written or oral, under which the Academy is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
- 12) As part of your audit, you assisted with the preparation of the financial statements, related notes, and supplementary information. We acknowledge our responsibility as it relates to those non-audit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements, related notes, and supplementary information.

Information Provided

- 13) We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within GACS from whom you determined it necessary to obtain audit evidence.
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- d. Minutes of the FY17 meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - e. A description of management's plans that are intended to mitigate the adverse effects of conditions or events that indicate there is substantial doubt about GACS' ability to continue as a going-concern for a reasonable period of time and the probability that those plans can be effectively implemented. Management asserts that the financial statements disclose all the matters of which we are aware that are relevant to the GACS' ability to continue as a going concern for a reasonable period of time, including principal conditions or events and management's plans.
- 14) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 15) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 16) We have no knowledge of any fraud or suspected fraud that affects the Academy and involves:
- a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
- 17) We have no knowledge of any allegations of fraud or suspected fraud affecting GACS' financial statements communicated by employees, former employees, grantors, regulators, or others.
- 18) We have no knowledge of any allegations of fraud or suspected fraud affecting GACS' financial statements communicated by employees, former employees, grantors, regulators, or others.
- 19) Except for the noncompliance findings reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, we have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 20) We have disclosed to you all known actual or possible litigation, claims, and assessment whose effects should be considered when preparing the financial statements.
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- 21) We have disclosed to you the identity of GACS' related parties and all the related-party relationships and transactions of which we are aware.
- 22) GACS has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 23) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
- 24) GACS is an exempt organization under Section 501(3)(c) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize GACS' tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- 25) We acknowledge our responsibility for presenting the Management Discussion and Analysis and the Schedule of Functional Expenses in accordance with U.S. GAAP, and we believe the Management Discussion and Analysis and Schedule of Functional Expenses, including its form and content, are fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of such information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information
- 26) Except for those matters disclosed in Note 14 of the financial statements for the year ended September 30, 2017, no events have occurred subsequent to September 30, 2017 and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Signed: _____

Fe Valencia-Ovalles

Title: Chairwoman, Board of Trustees

Signed: _____

Henrick M. Eveluck

Title: Treasurer, Board of Trustees

JOURNAL ENTRIES FOR BOOK - FINANCIAL STATEMENTS
Guahan Academy Charter School - Sep. 30, 2017

Book: Book - Financial Statements

Account Number	Account Name	Debit Amount	Credit Amount	P (-) & L (+) Effect
01 - Journal Entries				
AJE001 - To record assets received from grant revenue @ 09/30/2017 (09/30/2017)				
1-135-07	Computers/Printer-iPad 32GB w/ Stand	56,700.00		
3-200-00	Grant Revenue		56,700.00	-56,700.00
	Journal Entry Totals	56,700.00	56,700.00	-56,700.00
AJE002 - To record expenses in proper accounts. (09/30/2017)				
4.290.18	Miscellaneous Exp-Misc-Others	720.00		720.00
4.290.12	Miscellaneous Exp-Licenses and Permits	950.00		950.00
1.137.03	Equipment-Radios		1,670.00	
	Journal Entry Totals	1,670.00	1,670.00	1,670.00
AJE003 - To adjust amount to reflect amount in invoice per REX. (09/30/2017)				
2.211.00	Accounts Payable-CIP	61,887.50		
2.211.00	Accounts Payable-CIP	38,300.00		
2.211.00	Accounts Payable-CIP	27,600.00		
1.150.04	CIP-Tiyan Development Pro		127,787.50	
	Journal Entry Totals	127,787.50	127,787.50	0.00
AJE004 - To record unrecorded liability. (09/30/2017) Invoice# 10802 per WB Flores				
1.150.04	CIP-Tiyan Development Pro	22,485.00		
2.211.00	Accounts Payable-CIP		22,485.00	
	Journal Entry Totals	22,485.00	22,485.00	0.00
AJE005 - To record unrecorded equipment received through Federal Grant (09/30/2017)				
1.135.05	Computers/Printers-Laptops	22,725.00		
1.137.01	Equipment-Communication	3,564.00		
3-200-00	Grant Revenue		26,289.00	-26,289.00
	Journal Entry Totals	26,289.00	26,289.00	-26,289.00
AJE006 - To record unrecorded equipment received from Federal Grant. (09/30/2017)				
4.240.02	Materials and Supplies-Computer Supplies	1,274.25		1,274.25
1.137.01	Equipment-Communication	1,347.00		
3-200-00	Grant Revenue		2,621.25	-2,621.25
	Journal Entry Totals	2,621.25	2,621.25	-1,347.00
AJE007 - PO# 20170318-00 (09/30/2017)				
4.240.01	Materials and Supplies-Office Supplies	528.58		528.58
3-200-00	Grant Revenue		528.58	-528.58
	Journal Entry Totals	528.58	528.58	0.00
AJE008 - PO# 20170317-00 (09/30/2017)				
4.240.01	Materials and Supplies-Office Supplies	877.62		877.62
3-200-00	Grant Revenue		877.62	-877.62
	Journal Entry Totals	877.62	877.62	0.00
AJE009 - PO# 20170316-01 (09/30/2017)				
4.240.01	Materials and Supplies-Office Supplies	883.33		883.33
3-200-00	Grant Revenue		883.33	-883.33
	Journal Entry Totals	883.33	883.33	0.00
AJE010 - To reconcile PY retained earnings (09/30/2017)				
2.210.00	Accounts Payable-Trade	344.00		
6.690.00	Reconciliation Discrepancies		344.00	
	Journal Entry Totals	344.00	344.00	0.00

JOURNAL ENTRIES FOR BOOK - FINANCIAL STATEMENTS
Guahan Academy Charter School - Sep. 30, 2017

Book: Book - Financial Statements

Account Number	Account Name	Debit Amount	Credit Amount	P (-) & L (+) Effect
01 - Journal Entries				
AJE011 - To expense deposit made on Tiyan land. (09/30/2017)				
4.290.18	Miscellaneous Exp-Misc-Others	45,000.00		45,000.00
1.150.01	CIP-Land: Tiyan Land		45,000.00	
	Journal Entry Totals	45,000.00	45,000.00	45,000.00
AJE012 - To expense Schematic Phase I (09/30/2017)				
4.290.18	Miscellaneous Exp-Misc-Others	270,000.00		270,000.00
1.150.03	CIP-Schematic Phase I		270,000.00	
	Journal Entry Totals	270,000.00	270,000.00	270,000.00
AJE013 - To record unrecorded grant revenue @ 09/30/2017 (09/30/2017)				
4.290.18	Miscellaneous Exp-Misc-Others	26,074.54		26,074.54
3-200-00	Grant Revenue		26,074.54	-26,074.54
	Journal Entry Totals	26,074.54	26,074.54	0.00
AJE014 - To record depreciation expense for computers received through grant (CAJE# 6) @ 09/30/2017. (09/30/2017)				
6.111.00	Depreciation Expense	5,681.25		5,681.25
1.136.00	Accum Depreciation-Computers		5,681.25	
	Journal Entry Totals	5,681.25	5,681.25	5,681.25
AJE015 - To record depreciation expense of equipment received through grant (CAJE# 6) @ 09/30/2017. (09/30/2017)				
6.111.00	Depreciation Expense	990.00		990.00
1.138.00	Accum Depreciation-Equipment		990.00	
	Journal Entry Totals	990.00	990.00	990.00
AJE016 - To record depreciation expense of equipment received through grant (CAJE# 7) @ 09/30/2017. (09/30/2017)				
6.111.00	Depreciation Expense	411.58		411.58
1.138.00	Accum Depreciation-Equipment		411.58	
	Journal Entry Totals	411.58	411.58	411.58
AJE017 - To adjust depreciation of CAJE# 2. (09/30/2017)				
1.138.00	Accum Depreciation-Equipment	556.67		
6.111.00	Depreciation Expense		556.67	-556.67
	Journal Entry Totals	556.67	556.67	-556.67
Journal Entries Listed: 17		Journal Totals	588,900.32	588,900.32
				238,860.16

	Net Income / -Loss Before Adjustments	Adjustments P & L Effect	Net Income / -Loss After Adjustments
Net Income / -Loss	991,595.02	238,860.16	752,734.86

JOURNAL ENTRIES FOR BOOK - FINANCIAL STATEMENTS
Guahan Academy Charter School - Sep. 30, 2017

Book: Book - Financial Statements

Account Number	Account Name	Debit Amount	Credit Amount	P (-) & L (+) Effect
01 - Journal Entries				
PAJE001 - To reverse double posting of invoice. (09/30/2017)				
2.210.00	Accounts Payable-Trade	337.76		
4.240.01	Materials and Supplies-Office Supplies		337.76	-337.76
	Journal Entry Totals	337.76	337.76	-337.76
PAJE002 - To record unrecorded liability. (09/30/2017)				
1.150.04	CIP-Tiyan Development Pro	3,400.00		
2.211.00	Accounts Payable-CIP		3,400.00	
	Journal Entry Totals	3,400.00	3,400.00	0.00
Journal Entries Listed: 2		Journal Totals	3,737.76	3,737.76
				-337.76

	Net Income / -Loss Before Adjustments	Adjustments P & L Effect	Net Income / -Loss After Adjustments
Net Income / -Loss	991,595.02	-337.76	991,932.78