



*Financial Statements and
Supplementary Information*

**Department of Chamorro Affairs –
Non-Appropriated Funds**

*Years ended September 30, 2012 and 2011
with Report of Independent Auditors*

Ernst & Young LLP

Department of Chamorro Affairs – Non-Appropriated Funds

Financial Statements and
Supplementary Information

Years ended September 30, 2012 and 2011

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Report of Independent Auditors

The Board of Trustees
Department of Chamorro Affairs

We have audited the accompanying financial statements of the Department of Chamorro Affairs – Non-Appropriated Funds (DCANAF), and its discretely presented component unit, collectively a component unit of the Government of Guam, as of and for the year ended September 30, 2012, and which collectively comprise the DCANAF’s basic financial statements. These financial statements are the responsibility of the DCANAF’s management. Our responsibility is to express an opinion on these respective financial statements based on our audit. The basic financial statements for the DCANAF as of and for the year ended September 30, 2011 were audited by other auditors whose report, dated March 2, 2012, expressed an unqualified opinion.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the DCANAF’s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Department of Chamorro Affairs – Non-Appropriated Funds, Government of Guam, are intended to present the statements of net assets, the related statements of changes in net assets, and cash flows of only that portion of the Government of Guam that is attributable to the transactions of the DCANAF.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the DCANAF and its discretely presented component unit as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2013, on our consideration of the 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States require that Management's Discussion and Analysis on pages 3 through 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise DCANAF's financial statements. The supplementary information included in pages 30 through 33 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The 2012 information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2012 financial statements or to the 2012 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the 2012 information is fairly stated in all material respects in relation to the 2012 financial statements as a whole. The 2011 information was subjected to auditing procedures applied by the other auditors whose report, dated March 2, 2012, referred to above, stated that such information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ernst + Young LLP

May 10, 2013

Department of Chamorro Affairs – Non-Appropriated Funds

Management’s Discussion and Analysis

Year ended September 30, 2012

This section of DCA - 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, 2012. 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 assist in the implementation of an integrated program for the preservation, development and promotion of the Chamorro Heritage of Guam, inclusion of multi-ethnic Asian and Pacific Island activities, for the public benefit and to provide specific services to the people of Guam. It is intended that the Department of Chamorro Affairs (DCA) be a catalyst in the preservation, development and promotion of learning and education, promotion of language, arts, humanities, historic and cultural preservation, research and development, restoration, presentation, museum activities and support programs significant to Guam’s history and culture, and to enhance the future of the people of Guam.

Introduction

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.

DCA was created in 1999 through Guam Public Law 25-69 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 DCA 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.

Department of Chamorro Affairs – Non-Appropriated Funds

Management’s Discussion and Analysis, continued

Introduction, continued

DCA has also produced other literature that promote the culture such as the official Chamorro-English Dictionary, which is a vital resource to the island’s educational institutions, scholars, historians, and people wanting to learn more about the language, the “I Hinanao`ta: A Pictorial Journey Through Time” and other works that record the rich history of the Chamorro people.

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**
- 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**

Department of Chamorro Affairs – Non-Appropriated Funds

Management’s Discussion and Analysis, continued

Introduction, continued

- Operate under its control a public market, or markets, for Guam products at such places or places deemed 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 be 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 a 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 undergoing reorganization of all cultural and learning resources. The Hagåtña Restoration and Redevelopment Authority, Guam Council on the Arts and Humanities Agency, Guam Public Library System and Guam Education Telecommunications Corporation dba PBS Guam/KGTF were merged with DCA on October 6, 2011. The Governor exercised 48 United States Code§1422c (c), a provision of the Organic Act of Guam which reads: (c) Reorganization. The Governor shall from time to time examine the organization of the executive branch of the Government of Guam, and shall determine and carry out such changes therein as are necessary to promote effective management and to execute faithfully the purposes of this chapter and the laws of Guam. The reorganization of DCA is to centralize culturally relevant programs and services, to include preservation and the perpetuation of education of all citizens of Guam, is a step in the right direction. Such a move will right-size management and planning within the Government of Guam, essential in the enhancement of procedural and administrative efficiencies, thus reducing personnel and capital costs. “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” will be DCA’s new Mission Statement.

Department of Chamorro Affairs – Non-Appropriated Funds

Management's Discussion and Analysis, continued

Introduction, continued

The reorganization is intended to streamline the Administrative Support Unit: Administrative Support, Budget and Finance, Maintenance, Human Resources (Personnel), Grants Management and Fixed Assets, Policy Reviews and Procedures, Procurement, Special Projects, Research, Planning and Development.

DCA is now comprised of:

- The President's Office - 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 - conducts, researches, publishes and produces multi-media and print materials relating to the Guam Heritage.
- The Chamorro Language and Culture - 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 - acquires, preserves and makes available for public viewing artifacts and archival materials relating to the cultural, historical and natural heritage of Guam.

DCA's Division of Guam Museum dba the Guam and Chamorro Educational Facility (GCEF)

DCA (5GCA Ch.87) administers the Division of Guam Museum (5GCA Ch.83 & 87; 21GCA Ch. 76 Section.76114) that includes the Heritage Archival Collection (5GCA Ch.87 Section 87130 (a)), the Collective Historical Preservation (5GCA Ch.87 Section 87130 (c))and Geographical and Archaeological Validation (5GCA Ch.87 Section 87136) to provide museum services, preservation of all Government of Guam publications, fostering research on the records and its inventory, providing public exhibits, demonstrations, lectures, scholarly activities, television programs, publications, and other public programs contributing to and encouraging an understanding of the Chamorro culture, its language and rich history. The Division of Guam Museum administered by DCA promotes Guam's geology, biota, prehistory, history, and contemporary culture. The Division is also the official repository and custodian of historical artifacts of Guam and the Chamorro people. DCA will also provide 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.

Department of Chamorro Affairs – Non-Appropriated Funds

Management’s Discussion and Analysis, continued

Introduction, continued

The Guam Museum was “originally” built in 1932 by the US Naval Government and about a decade later it was completely destroyed by the ravages of World War II. The impacts of war and displacement began to set in, it is extremely apparent in the case of the Guam Museum as it changed homes until it was finally reduced to its current storage repository in Hagåtña. Although the former museums of Guam have experienced an array of misfortunes from war to natural disasters, the Division of Guam Museum continued to provide small venues over the years allowing public displays of some of Guam’s national treasures. DCA is in the process of building a world class facility that is home for artifacts, historic documents, art exhibits, theater, cultural entertainment, humanities programming, home for the Guam Territorial Band, a museum store, a soon to be center of educational excellence partnering with the Guam Department of Education, Guam Community College and the University of Guam; a dynamic cultural destination that reflects a “sense of Guam” and the telling of the Chamorro story, the Chamorro culture and heritage to stimulate community partnerships for a living-museum.

- The Guam Archives - 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 - 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. DCA 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.
- Guam Public Library System protects intellectual freedom, promote literacy, encourage lifelong learning, and maintain cultural materials. This Division’s goal must extend library resources into the community in collaboration with the University of Guam’s John F. Kennedy Library and the Micronesia Area Research Center [MARC]. Work closely with the Archives Section of the Division of Guam Museum to enhance Guam cultural and historical data (General Reference, Federal Documents, Serials, and Guam Documents). This Division shall provide programs that will assist in literacy programs for both children and adults.

Department of Chamorro Affairs – Non-Appropriated Funds

Management’s Discussion and Analysis, continued

Introduction, continued

- Hagåtña Restoration and Redevelopment Authority - provides restoration and redevelopment to the historic city of Hagåtña by means of planning, development, replanning, redesign, clearance, reconstruction, or rehabilitation, or any combination of these, of all Hagåtña, and the provisions of such residential, commercial, industrial, public, or other structures or spaces as may be appropriate or necessary in the interest of the general welfare, including recreational and other facilities incidental or Appurtenant to them. This Division shall develop a Plan that includes: planning, preparation, development, construction, acquisition, lease, disposition, reconstruction, improvement, alteration, extension, repair, maintenance and operation of the Hagåtña Restoration and Redevelopment Project. The Project includes the “reuse of properties; standardizes eligibility for ownership or occupancy of housing, dwellings and facilities; to include installation, construction or reconstruction of streets, utilities, parks, playgrounds and other public improvements”.

All taxes assessed, levied and collected by the government of Guam by virtue of the Real Property Tax Law, on improvements, buildings and structures, to be constructed within the Project, over and above the real estate taxes currently assessed, levied and collected, shall revert to the Authority for its use and disposition.

- Council on the Arts and Humanities Agency (CAHA) - develops programs in music, visual arts, cultural heritage, literature, and arts education. The Division is charged with administering federal and local monies in support of the arts in the Territory. The Division is the sole arts entity for Guam and its grants program is funded in part through a grant from the National Endowment for the Arts, Washington, D.C. and the Guam Legislature. The Division’s renewed initiatives will be to enhance nationally recommended program(s) to a local perspective. The Division is excited to announce its plans to develop new grants in the area of film, cinematography and welcomes the community-at-large to voice their recommendations to the Council in its forward movement in the presentation of the arts in all its forms.

The Division’s governing board consists of eleven (11) members, from male and female residents of Guam, appointed by the Governor of Guam with the advice of the legislature.

FESTIVAL OF PACIFIC ARTS

The Festival of Pacific Arts (FEST PAC) is a traveling festival hosted every four years by a different county in Oceania (Micronesia, Melanesia and Polynesia). Established in 1972 by the Secretariat of the Pacific Community formerly known as the South Pacific Commission, FEST PAC serves as a means to stem erosion of traditional cultural practices by exchanging and sharing cultures at each festival. FEST PAC is recognized as a major international cultural event and is the largest gathering in which Pacific peoples from twenty-seven island nations unite to gain respect and appreciation of one another within the context of the changing Pacific.

Department of Chamorro Affairs – Non-Appropriated Funds

Management’s Discussion and Analysis, continued

Introduction, continued

FESTIVAL OF PACIFIC ARTS, continued

Beginning in 1976, Guam has had representation at FEST PAC for the last nine festivals. For a majority of the festivals, CAHA has been appointed by the sitting Governor to serve as the lead agency for the Government of Guam to spearhead Guam’s participation at the quadrennial event. Guam will host the 12th FEST PAC in 2016.

Public law 30-83 created the FEST PAC Coordinating Committee to organize, prepare and execute plans, programs and budgets for the successful conduct of FEST PAC. The following constitute the membership of the committee:

- (a) The President of DCA;
 - (b) the Executive Director of the Guam Council on the Arts and Humanities Agency;
 - (c) three (3) members, to be appointed by the Governor representing the organizations active in the promotion of the arts on Guam;
 - (d) a member of the Mayors’ Council of Guam, appointed by the President of the Mayors’ Council;
 - (e) two (2) members of the Legislature, to be appointed by the Speaker, who may designate himself;
 - (f) the Chairperson of the Committee on Cultural Affairs of the Guam Legislature or its successor;
 - (g) the Chairperson of the Board of Directors of the Guam Visitors Bureau or his designee; and
 - (h) the Speaker of the Guam Youth Congress or his designee.
- PBS (Public Broadcasting System, KGTF) - continues the tradition of providing Guam with outstanding television, educational outreach services and events. The Division is committed to serving the public interest by providing the people of Guam with quality educational and cultural programming which not only entertains, but offer important information about the world around us. The Division’s mission and goal is one of providing alternatives to current commercial television, providing educational assistance to our classrooms, and serving the interest not only for the majority, but the minority as well. The Division seeks the means to inform the public of the importance of public broadcasting, and to secure the support, both financial and moral from the public it serves. Nationally, PBS reaches more than 120 million people through television and nearly 21 million people online, inviting them to experience the worlds of science, history, nature and public affairs; to hear diverse viewpoints; and to take front row seats to world-class drama and performances. PBS’ broad array of programs has been consistently honored by the industry’s coveted award competitions. Teachers of children from pre-K through 12th grade turn to PBS for digital content and services that help bring classroom lessons to life.

Department of Chamorro Affairs – Non-Appropriated Funds

Management's Discussion and Analysis, continued

Introduction, continued

- Guam Museum Foundation, Inc.

The Guam Museum Foundation, Inc. (the Foundation) is a 501 (c) (3) non-profit corporation recognized locally by Department of Revenue and Taxation and the U.S. Internal Revenue Service as a tax exempt charitable organization.

The specific and primary purpose of the Foundation is to foster, advance, and support activities of the Guam Museum, a division of DCA through fundraising and grant writing efforts.

The Foundation, in the coming year, will assist DCA's Division of Guam Museum in developing a framework and discussion points for future Guam Museum by-product opportunities. It will work closely with board members as well as sub-committee members in identifying and organizing a team of professionals that will draft working documents that provide opportunities in retail and communications including, but not limited to:

1. Merchandise development
2. Membership programs
3. Branding, marketing
4. Website and social media outlets
5. E-commerce development

Financial Highlights

- The total assets of DCANAF exceeded its liabilities at September 30, 2012 by \$161,053. Of the total net assets, \$73,806 is unrestricted and available to meet DCANAF's on-going obligations. The remaining \$87,247 is restricted for Guam's participation at the FEST PAC. This is an increase of \$106,900 over net assets of \$54,153 at September 30, 2011.
- Total operating revenue increased in the current year by approximately \$340,000 or 58% primarily due to the appropriations received from Tourist Attraction Fund passed through Guam Visitors Bureau (GVB) for Guam's participation at the FEST PAC.
- Total operating expenses increased by \$193,319 or 31% due to the expenses relating to the FEST PAC.

Department of Chamorro Affairs – Non-Appropriated Funds

Management’s Discussion and Analysis, continued

Overview of the Financial Statements

The Financial Statements consist of management’s discussion and analysis (this section) and the basic financial statements. The basic financial statements include the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets, the Statements of Cash Flows, and the Notes to Financial Statements.

The Statements of Net Assets are presented in a format that displays net assets (assets less liabilities equal net assets). The Statement of Net Assets details the assets and liabilities of DCANAF based on their liquidity. The resulting net assets in this statement are displayed as either unrestricted or restricted. Under Governmental Accounting Standards Board Statement Nos. 34, 37 and 38, assets are restricted when their use is subject to external restrictions (such as bond resolutions, legal agreements, statutes, etc.), with assets not falling under this category being characterized as unrestricted.

The Statements of Revenues, Expenses and Changes in Net Assets present the operating income (loss), which consists of operating revenues less operating expenses. The resulting amount (revenues less expenses) is the change in net assets for fiscal year (FY) 2012, which amount is then added to the ending balance of net assets from FY 2011 to arrive at net assets for FY 2012.

The Statements of Cash Flows report the net increase (decrease) in cash for the fiscal year. This statement includes cash flows from operating activities. The resulting net increase (or decrease) in cash is then added to the balance of cash at the beginning of the year to determine the FY 2012 ending cash balance.

DCANAF also reports the financial statements of our component unit, the Guam Museum Foundation, Inc. (the Foundation). The Foundation is a legally separate tax exempt organization whose reporting year ends December 31. While DCANAF does not control the Foundation, the resources and fundraising activities of the Foundation are almost entirely for the direct benefit of DCANAF’s Guam Museum division.

Department of Chamorro Affairs – Non-Appropriated Funds

Management’s Discussion and Analysis, continued

Department-Wide Financial Analysis

Net Assets

The following information is condensed from the Statements of Net Assets:

	<u>2012</u>	<u>2011</u>	<u>% Increase (Decrease) from 2011</u>
Total assets	\$219,360	\$149,038	47.2%
Total liabilities	\$ 58,307	\$ 94,885	(38.5)%
Net assets	\$161,053	\$ 54,153	197.4%

The following information is condensed from the Statements of Revenues, Expenses and Changes in Net Assets:

	<u>2012</u>	<u>2011</u>	<u>% Increase from 2011</u>
Total revenues	\$923,102	\$ 585,059	57.8%
Total expenses	\$816,202	\$ 622,883	31.0%
Increase (decrease) in net assets	\$106,900	\$(37,824)	382.6%

Department of Chamorro Affairs – Non-Appropriated Funds

Management’s Discussion and Analysis, continued

Economic Outlook

2011 has ushered in financial belt tightening and continued to do so in 2012. Governor Edward J.B. Calvo assumed office in January of 2011. He inherited a stagnant economy, delays in the military buildup and a barren cash drawer. The FY2012 budget law continued to project General Fund revenues to increase substantially, particularly as construction associated with the military buildup and American Recovery and Reinvestment Act (ARRA) projects continued through 2012. Allotment controls may be administered, as government expenditures are outpacing cash collections and large obligations are unbudgeted or under budgeted. The Governor has publicly called for cost austerity and has rescinded recent government staff salary adjustments to preserve cash.

The division’s facility will have an increase in professional staffing and an anticipated increase of revenues generated primarily from admissions fees collected, museum store sales, promotions, conference venue fees assessed, cultural performances and multi-level fundraising activities fully supported by the non-governmental non-profit organization of the Foundation either through Membership Fees and/or donations. The Foundation functions in the same manner as the Guam Community College and the University of Guam Endowment Foundations wherein their primary mission is to support all efforts of the agencies. DCA along with GEDA and GVB is in the process of updating its May 15, 2006 Guam National Museum Feasibility Study. The 2006 study consists of 74 pages. Clearly, then, a primary focus of our feasibility assessment for the Guåhan Museum was to determine the potential and identify the optimum strategy for the project’s sustainability. Capital funding through the Hotel Occupancy Tax (HOT) Bond was our first major hurdle in bringing the project to fruition, but proceeding with a \$27 million (M) investment without the security of a practical operating pro-forma would be an exercise in poor judgment. As the study will demonstrate, analogues are valuable as a research tool, but each culturally motivated or inspired venture must be examined on its own merits and in context with the residential and tourist market it is intended to serve.

The premise of the project expressed by the GVB in the brief conveyed to the Consultants in the 2006 study was a museum of Guam history, with a “Chamorro bias” that would appeal to resident and tourists alike; that it be sited somewhere in Hagåtña; that the program for the Museum be guided in some measure by the 1999 Report generated by the Museum Director and his staff; that the capital budget was fixed at \$25M then; and that a conceptual competition was conducted in parallel to the feasibility study that would be responsive to the above-described criteria. The Consultants of the 2006 study quickly modified the proposed program to reflect a balance between permanent and temporary exhibition space and the incorporation of revenue-generating venues that might best achieve the goals associated with Cultural Attractions.

Department of Chamorro Affairs – Non-Appropriated Funds

Management's Discussion and Analysis, continued

Economic Outlook, continued

Clearly, all aspects of the project needed to reflect the project goal of long-term sustainability, from prominence on the landscape to a new cultural icon, to ease of accessibility by a broad range of potential visitors, to a new source of pride for residents and a distinctly different attraction for the tourist population. It is from this premise that the 2006 study recommended such flow. The new destination of the Guam Museum would also increase non-package tour repeat visitation as well. All things considered, adding a new cultural attraction within Hagåtña's geographic area already familiar to and accepted by the tour companies is a safer approach, and we agree that adding to the critical mass of cultural and retail destinations in Hagåtña is a supportable decision. Critical mass normally works in favor of both the Visitor's agendas and the economic interests of the business community. The visual presence of the Guam Museum dba the GCEF will be the newly created iconic structure commensurate with the mission established by the GVB, will be distinctive and in so far as possible clearly and easily defined as a new and powerful addition to the Island's cultural and physical landscape. In establishing the physical and visual prominence described above, care is taken to respect the integrity of nearby cultural assets that are contextual to the immediate cultural landscape and historically significant District of Hagåtña. The museum through its content and programs will seize the opportunity to provide all visitors with an overview of Guam's history, culture and art and act as a dynamic portal to the Island's many historic and cultural sites.

After touring the entire area proscribed by the GVB and now endorsed by Governor Eddie B Calvo and the Guam Legislature, inspecting the Plaza de España, Latte Park, the Japanese caves, the Cathedral, Chamorro Village and the surrounding areas, the Consultants in the 2006 Study also reached immediate agreement that the Hagåtña District offered the optimum opportunity to construct an iconic Cultural Attraction that would quickly become an exciting new "brand" for visitation. The Skinner's Plaza site completely meets all of the relevant aesthetic, operational and economic criteria.

The Guam Museum dba GCEF will be an important addition to the overall revitalization program of the Hagåtña Restoration and Redevelopment Authority's Master Plan. The museum is intended to provide a year-round complex, with a wide range of historic and cultural interpretation activities, and a quality of development that would place it as a key Guam attraction.

Bringing together a coalition of leaders from cultural, environmental and educational institutions on Guam, the museum will provide a focal point and gateway for residents and tourists to appreciate and experience Guam's history, culture, and environment. It will focus on incorporating the ideals and spirit of Chamorro culture, with a special emphasis on learning, interpretation, public participation and interaction techniques to help visitors discover or enhance their appreciation of Guam and stimulate personal creativity. Events, changing exhibits, and special themes will renew the excitement and freshness of the GCEF on a regular basis. Appropriate merchandise will be available and a café will provide both the midday and evening dining.

Department of Chamorro Affairs – Non-Appropriated Funds

Management's Discussion and Analysis, continued

Economic Outlook, continued

The use of computers and multimedia technology to allow individual investigation/expression of particular themes or exhibits will also enhance interpretation. It is intended that the project will provide an opportunity to combine the great stories and history of Guam with advanced capabilities in exhibitry, software and special effects. We believe the project as conceived will find a very responsive market.

DCA is a public-nonprofit corporation and will not compete with existing Guam merchants and attractions but rather serve as a catalyst to draw more residents and visitors to the island. The non-profit mechanism is specifically designed to encourage volunteerism, community outreach, and the involvement of local school systems. The museum is designed to be a regional asset that will have a sense of ownership by the Chamorro people and all Guam residents. One only has to look at other successful museums to see that creating such a constituency is beneficial to the project and the surrounding area and is also the most financially sustainable approach.

The updated Feasibility Study will refine the development program for the project, analyze market, and assess the financial potential of the project.

Visitation to the GCEF will be derived from residents of the area and overnight tourism to Guam. The overall market for the GCEF includes a Guam resident population of about 170,000, and expanding population of an estimated 30,000 military personnel and their families, and a tourist market of over 1.2 million visitors. In addition to Guam residents, there is a substantial military presence on Guam that included the soldiers and sailors themselves, their dependents and private personnel under contract.

VISION: We suggest that the GCEF's competitive position is to be the voice of Guam history, culture preservation and sustainable development. It will be a gathering place for visitors to Guam and residents of the region to learn about, appreciate, and are entertained by what should be a magnificent resource.

Special events, performances, seasonal celebrations, and demonstrations make the GCEF a community asset that encourages repeat visitation, not just a place for passive entertainment. It also becomes more interesting for visitors. This program will attract social groups, business groups, and incentive/convention travelers back to Guam and are a significant source of revenue. Responsible retail goods that focus on culture and environmental issues and education, selected craft and specialty goods, gallery of local art, takeaway snacks and organic foods, handicrafts and custom designed goods midday service to daytime tour groups, walk in visitors, and nearby employees, a dinner service featuring Chamorro cuisine in a dramatic and respectful setting are all part of the retail and food services that the GCEF will include.

Department of Chamorro Affairs – Non-Appropriated Funds

Management’s Discussion and Analysis, continued

Economic Outlook, continued

The Hagåtña cliff line/Plaza de España site is well known to the regional population and is within walking distance of many businesses, and government offices. It is on the existing tour routes of many of the Guam tour operators and there are a number of complementary attractions and historical venues in the area of the museum.

The climate of Guam is agreeable in all seasons, which will allow all year operation with a minimum of disruption due to normal weather conditions. The building design incorporates protection from typhoon winds as well as earthquakes.

Although the economic well being of the Guam resident market is improving and most can afford a reasonable museum admission price, there will be a special rate structure for Guam residents and school groups to encourage the broadest possible participation in the museum by the Chamorro community and other locals.

The nature and character of the museum would seem to be a logical location for the Guam Visitor’s Bureau to have a kiosk as well as an outreach location for DCA. These uses are not included in the current analysis but we believe they are worthy of consideration as mechanisms to generate revenue, increase exposure of the museum to visitors and the visitor industry, and further the role of the museum as a focal point for Chamorro culture, pride and outreach programs.

The retail shop and restaurant will be operated directly by the GCEF and museum operating costs and revenues reflect this approach. It is quite possible; however, that the museum may wish to enter into consignment of specialized goods and these will become income rather than renting out a concession space.

The Guam Museum Foundation, Inc. functions as the endowment and an integral part of sound financial planning for the GCEF.

Likewise, DCA’s Division of Museum is actively seeking federal funding with the US Office of Insular Affairs’ Interior grant operations to improve the current museum's capability for continued collections management services, archive assessment, natural history program development, art collections appraisal and the development of a virtual museum. DCA along with GEDA and GVB are actively updating the 2005 Feasibility Study for the GCEF. The updated information will show that tourism alone will drive major income resources for the GCEF’s economic sustainability and for the continued maintenance of the facility.

On April 13, 2011, HOT Revenue Bonds, 2011 Series A, were issued for the purpose of funding the construction of a new Guam Museum, a community cultural center and certain other projects that benefit Guam’s tourism industry, and refunding the Limited Obligation Infrastructure Improvement Bonds, 1997 Series A. Construction began in February 2013 and doors open to the public in December 2014.

Department of Chamorro Affairs – Non-Appropriated Funds

Management's Discussion and Analysis, continued

Economic Outlook, continued

The division's facility will have an increase in professional staffing and an anticipated increase of revenues generated primarily from admissions fees collected, museum store sales, promotions, conference venue fees assessed, cultural performances and multi-level fundraising activities fully supported by the non-governmental non-profit organization of the Foundation, either through Membership Fees and/or donations. The Foundation functions in the same manner as the Guam Community College and the University of Guam Endowment Foundations wherein their primary mission is to support all efforts of the agencies.

The Chamorro Village revenues declined due to the amount of vendor spaces. The department lowered the number of vendor spaces for Wednesday Night Markets due to concerns of overcrowding and safety issues of ingress and egress, ADA accessibility, infractions for accessible guidelines, etc.

For DCA (non-appropriated funds and appropriated funds) specifically, the following projects are underway:

- Promoting the Chamorro Language and Culture by offering translation services to the public. General funds of \$25,000 have been approved to be spent on the project in 2011. DCA is better equipped to provide, to the public translation from Chamorro to English and vice versa.
- Construction of a new state of the art Guam Museum, which will house 4,000 years of Guam history and is funded through bond proceeds of \$27M.
- Retrofitting Chamorro Village's lighting infrastructure to be more energy efficient; which is expected to save Department of Chamorro Affairs on utility expenditures. ARRA funds of \$250,000 have been approved for this expenditure.

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: Terlaje Professional Building 1st Floor 194 Herman Cortez Avenue, Hagåtña, Guam 96910. Phone: 671-475-4278/9.

Department of Chamorro Affairs – Non-Appropriated Funds

Statements of Net Assets

	September 30,	
	<u>2012</u>	<u>2011</u>
Assets		
Cash:		
Unrestricted	\$ 40,212	\$ 32,524
Restricted	87,247	---
Accounts receivable, net of allowance for doubtful accounts of \$4,373 in 2012	7,225	13,159
Inventory	83,009	101,583
Other assets	<u>1,667</u>	<u>1,772</u>
 Total assets	 <u>\$219,360</u>	 <u>\$149,038</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$40,817	\$ 48,008
Security deposits	<u>17,490</u>	<u>46,877</u>
 Total liabilities	 <u>58,307</u>	 <u>94,885</u>
Net Assets:		
Unrestricted	73,806	54,153
Restricted - expendable	<u>87,247</u>	<u>---</u>
 Total net assets	 <u>161,053</u>	 <u>54,153</u>
 Total liabilities and net assets	 <u>\$219,360</u>	 <u>\$149,038</u>

See accompanying notes.

Guam Museum Foundation, Inc.

Statement of Financial Position

December 31, 2012

Assets	
Cash	\$11,281
Accounts receivable	<u>6,633</u>
Total assets	<u>\$17,914</u>
Liabilities and Net Assets	
Accounts payable	\$ 7,985
Net assets - unrestricted	<u>9,929</u>
Total liabilities and net assets	<u>\$17,914</u>

See accompanying notes.

Department of Chamorro Affairs – Non-Appropriated Funds

Statements of Revenues, Expenses and Changes in Net Assets

	Year ended September 30,	
	<u>2012</u>	<u>2011</u>
Revenues:		
Lease revenue	\$488,914	\$495,522
Appropriations (<i>Note 3</i>)	340,000	---
Other income	67,314	54,473
Book sales	14,711	19,129
Donations	<u>12,163</u>	<u>15,935</u>
Total revenues	<u>923,102</u>	<u>585,059</u>
Expenses:		
Utilities	203,124	199,026
Contractual	181,187	207,270
Travel	154,214	9,089
Meals and entertainment	83,350	104,334
Marketing and promotions	65,248	---
Performing arts costs	28,348	---
Supplies	21,271	33,252
Miscellaneous	19,019	23,175
Inventory obsolescence	11,707	---
Cost of goods sold	10,217	6,514
Advertising	9,882	19,821
Office expense	8,724	12,345
Communication	8,498	5,294
Literary arts costs	8,243	---
Rent	2,666	1,403
Bank charges	<u>504</u>	<u>1,360</u>
Total expenses	<u>816,202</u>	<u>622,883</u>
Increase (decrease) in net assets	106,900	(37,824)
Net assets at beginning of year	<u>54,153</u>	<u>91,977</u>
Net assets at end of year	<u>\$161,053</u>	<u>\$ 54,153</u>

See accompanying notes.

Guam Museum Foundation, Inc.

Statement of Activities

Year ended December 31, 2012

Revenue and support:	
Admissions	\$158,914
Corporate contributions	28,424
Grants	10,000
Fundraising activities	9,000
Rental – Hall of Governors	4,450
Souvenir sales	4,018
Donations	2,143
Other	<u>1,833</u>
Total revenue and support	<u>218,782</u>
Expenses:	
Program services:	
Education/outreach projects	14,933
Fundraising costs	9,028
Printing and reproduction	<u>4,041</u>
Total program services	<u>28,002</u>
Support services:	
Payroll and employee benefits	103,852
Commissions	40,637
Contractual services	13,760
Repairs and maintenance	6,181
Supplies	5,276
Professional fees	4,955
Communication	2,373
Miscellaneous	<u>2,813</u>
Total support services	<u>179,847</u>
Total expenses	<u>207,849</u>
Change in unrestricted net assets	10,933
Unrestricted net assets at beginning of year	(<u>1,004</u>)
Unrestricted net assets at end of year	<u>\$ 9,929</u>

See accompanying notes.

Department of Chamorro Affairs – Non-Appropriated Funds

Statements of Cash Flows

	Year ended September 30,	
	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from lease revenue	\$494,848	\$ 506,286
Receipts from appropriations	340,000	---
Receipts from grant and donation revenue	12,163	15,935
Receipts from book sales	14,711	26,935
Receipts from other income	67,314	54,473
Payments to vendors	<u>(834,101)</u>	<u>(626,090)</u>
Net cash provided by (used in) operating activities	94,935	(22,461)
Cash at beginning of year	<u>32,524</u>	<u>54,985</u>
Cash at end of year	<u>\$127,459</u>	<u>\$ 32,524</u>
Consisting of:		
Unrestricted	\$ 40,212	\$ 32,524
Restricted	<u>87,247</u>	<u>---</u>
	<u>\$127,459</u>	<u>\$ 32,524</u>
Reconciliation of operating revenues net of operating expenses to net cash provided by (used in) operating activities		
Increase (decrease) in net assets	\$106,900	\$(37,824)
Changes in assets and liabilities:		
Accounts receivable	5,934	8,701
Inventory	18,574	7,806
Other assets	105	(1,772)
Accounts payable and accrued expenses	(7,191)	(1,435)
Security deposits	<u>(29,387)</u>	<u>2,063</u>
Net cash provided by (used in) operating activities	<u>\$ 94,935</u>	<u>\$(22,461)</u>

See accompanying notes.

Guam Museum Foundation, Inc.

Statement of Cash Flows

Years ended December 31, 2012

Cash flows from operating activities:	
Receipts from admissions	\$157,299
Receipts from grants and donations	40,567
Receipts from fundraising activities	9,000
Receipts from lease and other income	6,283
Cash paid to employees	(103,852)
Cash paid to vendors	<u>(107,107)</u>
Net cash provided by operating activities	2,190
Cash at beginning of year	<u>9,091</u>
Cash at end of year	<u>\$ 11,281</u>
Reconciliation of operating revenues net of operating expenses to net cash provided by operating activities	
Change in unrestricted net assets	\$ 10,933
Changes in assets and liabilities:	
Accounts receivable	(5,633)
Accounts payable	<u>(3,110)</u>
Net cash provided by operating activities	<u>\$ 2,190</u>

See accompanying notes.

Department of Chamorro Affairs – Non-Appropriated Funds

Notes to Financial Statements

Years ended September 30, 2012 and 2011

1. Organization and Summary of Significant Accounting Policies

Organization

The Department of Chamorro Affairs (DCA) was created by Public Law 25-69 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 ten-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.

In October 2011, as a result of Reorganization Advisory No. 6, the Hagatna Restoration and Redevelopment Authority, the Guam Council on the Arts and Humanities Agency, the Guam Public Library System and the Guam Education Telecommunications Corporation dba PBS Guam were merged into DCA. Although the intent of Reorganization Advisory No. 6 was to integrate PBS Guam into the oversight of DCA, such oversight was not effectuated as of September 30, 2012 and, accordingly, the financial statements of PBS Guam, which is audited separately by other auditors, are not included with the financial statements of DCA.

Only the non-appropriated funds are within the scope of this report.

The Department of Chamorro Affairs – Non-Appropriated Funds (DCANAF) is a culmination 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.

Department of Chamorro Affairs – Non-Appropriated Funds

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

This division 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 the authority 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 activity.
- Guam Council on the Arts and Humanities – This division, which is the sole arts entity for Guam, is charged with developing programs in music, visual arts, cultural heritage, literature, and arts education.
- Hagatna Restoration and Redevelopment Authority – This division provides restoration and redevelopment of Hagatna. There were no financial activities involving non - appropriated funds in 2012 and 2011.
- Guam Public Library System – This division is in charge of the administration of library resources. There were no financial activities involving non - appropriated funds in 2012 and 2011.

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 between 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, as defined by GASB Statement No. 34, *Basic Financial Statements – and Management's discussion and Analysis – for State and Local Governments*. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Department of Chamorro Affairs – Non-Appropriated Funds

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Basis of Accounting, continued

GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principle Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. DCANAF has implemented GASB Statement No. 20 and elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

Reporting Entity

The Guam Museum Foundation Inc. (the Foundation) is a legally separate, tax exempt organization which, beginning in 2012, meets the criteria of GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The Foundation's fundraising activities are almost entirely for the direct benefit of DCANAF's Museum division. Furthermore, the Foundation's charter indicates that its primary and specific purpose is to serve as the fund-raising arm of DCA for the proposed museum facility, and shall oversee the continued development, design, construction and operation of the Guam Museum and the resources of the Foundation are significant to DCANAF. Accordingly, the Foundation is considered a component unit of DCANAF and its statement of financial position and statement of activities are separately presented in the financial statements of DCANAF.

All functions and powers of the Foundation are vested in and exercised by and under the direction of the Board of Directors (Board). The Board is composed of seven members selected in accordance with the Foundation's Articles of Incorporation. Five directors are elected from the membership of the Foundation, while the other two are selected and appointed by the Governor of Guam. Employees of the Foundation are private, non-governmental employees.

The Foundation is a non-government private entity with a December 31 reporting year-end. Its financial statements are prepared in accordance with FASB standards, including FASB Accounting Standards Codification (ASC) No. 958, *Not-for-Profit Entities*.

New Accounting Standards

During the year ended September 30, 2012, DCA implemented the following pronouncements:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, effective for periods beginning after June 15, 2012. The statement addresses reporting entity issues that have arisen since the issuance of Statement No. 14 and Statement No. 34.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective for periods beginning after December 15, 2011. The statement incorporates into the GASB's authoritative literature certain accounting and financial guidance issued on or before November 30, 1989.

Department of Chamorro Affairs – Non-Appropriated Funds

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

New Accounting Standards, continued

GASB Statement No. 63, *Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for periods beginning after December 15, 2011. The statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

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

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for periods beginning after December 15, 2012. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

DCA is currently evaluating the effects the above statement will 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.

Cash

For the purpose of the statements of cash flows, cash is defined as cash on hand and in banks.

Accounts Receivable

Accounts receivable 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. As of September 30, 2012 and 2011, receivables that are more than ninety days past due totaled approximately \$7,183 and \$9,067, respectively. The DCANAF does not accrue finance charges on past due receivables. Receivables are stated net of estimated allowances for doubtful accounts.

Department of Chamorro Affairs – Non-Appropriated Funds

Notes to Financial Statements, continued

1. Organizational and Summary of Significant Accounting Policies, continued

Accounts Receivable, continued

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. The allowance is established through a provision for bad debts charged to expense.

Inventory

Inventory as of September 30, 2012 and 2011 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, whether purchased or constructed, are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

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.

Use of Restricted/Unrestricted Net Assets

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

Net Assets

Net assets represent the residual interest in the DCANAF's assets after liabilities are deducted and consist of unrestricted and restricted net assets.

Unrestricted net assets represent resources primarily derived from Chamorro Village lease income. These resources can be used for any purpose.

Restricted net assets represent appropriations received from the Tourist Attraction Fund passed through the Guam Visitors Bureau (GVB) for Guam's participation at the Festival of Pacific Arts.

Department of Chamorro Affairs – Non-Appropriated Funds

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Reclassifications

Certain reclassifications have been made to the 2011 financial statements for comparative purposes. Such reclassifications have no effect on the previously reported decrease in net assets.

2. Subsequent Events

The DCANAF has evaluated subsequent events through May 10, 2013 which is also the date that the financial statements were available to be issued.

3. Appropriations from the Government of Guam

Public Law 31-77 authorizes the general appropriation from the Tourist Attraction Fund to various autonomous agencies of the Government of Guam. Specifically, Public Law 31-77 authorizes appropriation amounting to \$400,000 to GVB for the Guam Council on the Arts and Humanities Agency (CAHA) for Guam's participation at the 11th Festival of the Pacific Arts. This appropriation shall continue to be available until expended and is not subject to transfer or use for any other purpose.

During the year ended September 30, 2012, pass through appropriations received by the CAHA amounted to \$340,000.

Supplementary Information

Department of Chamorro Affairs – Non-Appropriated Funds

Combining Statement of Net Assets

September 30, 2012

	<u>President's Office</u>	<u>Chamorro Village</u>	<u>Research Publication and Training</u>	<u>Guam Museum</u>	<u>Guam Council on the Arts and Humanities</u>	<u>Combined Balance</u>
Assets						
Cash:						
Unrestricted	\$ 703	\$ 9,954	\$ 15,930	\$ 38	\$ 13,587	\$ 40,212
Restricted	-	-	-	-	87,247	87,247
Accounts receivable	-	5,822	-	-	1,403	7,225
Inventory	-	-	83,009	-	-	83,009
Other assets	-	1,667	-	-	-	1,667
	<u>-</u>	<u>1,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,667</u>
Total assets	<u>\$ 703</u>	<u>\$ 17,443</u>	<u>\$ 98,939</u>	<u>\$ 38</u>	<u>\$ 102,237</u>	<u>\$ 219,360</u>
Liabilities and net assets						
Liabilities:						
Accounts payable	\$ -	\$ 40,817	\$ -	\$ -	\$ -	\$ 40,817
Security deposits	-	17,490	-	-	-	17,490
	<u>-</u>	<u>17,490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,490</u>
Total liabilities	<u>-</u>	<u>58,307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,307</u>
Net assets:						
Unrestricted	703	(40,864)	98,939	38	14,990	73,806
Restricted - expendable	-	-	-	-	87,247	87,247
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,247</u>	<u>87,247</u>
Total net assets	<u>703</u>	<u>(40,864)</u>	<u>98,939</u>	<u>38</u>	<u>102,237</u>	<u>161,053</u>
Total liabilities and net assets	<u>\$ 703</u>	<u>\$ 17,443</u>	<u>\$ 98,939</u>	<u>\$ 38</u>	<u>\$ 102,237</u>	<u>\$ 219,360</u>

Department of Chamorro Affairs – Non-Appropriated Funds

Combining Statement of Net Assets

September 30, 2011

	<u>President's Office</u>	<u>Chamorro Village</u>	<u>Research Publication and Training</u>	<u>Guam Museum</u>	<u>Combined Balance</u>
Assets					
Cash - unrestricted	\$ 719	\$ 24,935	\$ 6,802	\$ 68	\$ 32,524
Accounts receivable	-	9,625	3,534	-	13,159
Inventory	-	-	101,583	-	101,583
Other assets	-	1,772	-	-	1,772
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 719</u>	<u>\$ 36,332</u>	<u>\$ 111,919</u>	<u>\$ 68</u>	<u>\$ 149,038</u>
Liabilities and net assets					
Liabilities:					
Accounts payable	\$ -	\$ 48,008	\$ -	\$ -	\$ 48,008
Security deposits	-	46,877	-	-	46,877
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>94,885</u>	<u>-</u>	<u>-</u>	<u>94,885</u>
Net assets-unrestricted	<u>719</u>	<u>(58,553)</u>	<u>111,919</u>	<u>68</u>	<u>54,153</u>
Total liabilities and net assets	<u>\$ 719</u>	<u>\$ 36,332</u>	<u>\$ 111,919</u>	<u>\$ 68</u>	<u>\$ 149,038</u>

Department of Chamorro Affairs – Non-Appropriated Funds

Combining Statement of Revenues, Expenses and Changes in Net Assets

Year ended September 30, 2012

	<u>President's Office</u>	<u>Chamorro Village</u>	<u>Research Publication and Training</u>	<u>Guam Museum</u>	<u>Guam Council on the Arts and Humanities</u>	<u>Combined Balance</u>
Revenues:						
Lease revenue	\$ -	\$ 488,914	\$ -	\$ -	\$ -	\$ 488,914
Appropriations	-	-	-	-	340,000	340,000
Other income	13	37,116	27	-	30,158	67,314
Book sales	365	-	14,346	-	-	14,711
Donations	<u>3,851</u>	<u>-</u>	<u>102</u>	<u>90</u>	<u>8,120</u>	<u>12,163</u>
Total revenues	<u>4,229</u>	<u>526,030</u>	<u>14,475</u>	<u>90</u>	<u>378,278</u>	<u>923,102</u>
Expenses:						
Utilities	-	203,124	-	-	-	203,124
Contractual	3,275	168,020	-	-	9,892	181,187
Travel	-	-	-	-	154,214	154,214
Meals and entertainment	-	83,350	-	-	-	83,350
Marketing and promotions	-	-	-	-	65,248	65,248
Performing arts costs	-	-	-	-	28,348	28,348
Supplies	150	20,214	-	-	907	21,271
Miscellaneous	637	4,014	5,179	-	9,189	19,019
Inventory obsolescence	-	-	11,707	-	-	11,707
Cost of goods sold	-	-	10,217	-	-	10,217
Advertising	-	9,882	-	-	-	9,882
Office expense	102	8,270	352	-	-	8,724
Communication	-	8,498	-	-	-	8,498
Literary arts costs	-	-	-	-	8,243	8,243
Rent	-	2,666	-	-	-	2,666
Bank charges	<u>81</u>	<u>303</u>	<u>-</u>	<u>120</u>	<u>-</u>	<u>504</u>
Total expenses	<u>4,245</u>	<u>508,341</u>	<u>27,455</u>	<u>120</u>	<u>276,041</u>	<u>816,202</u>
Increase (decrease) in net assets	(16)	17,689	(12,980)	(30)	102,237	106,900
Net assets at beginning of year	<u>719</u>	(<u>58,553</u>)	<u>111,919</u>	<u>68</u>	<u>-</u>	<u>54,153</u>
Net assets at end of year	<u>\$ 703</u>	<u>\$ (40,864)</u>	<u>\$ 98,939</u>	<u>\$ 38</u>	<u>\$ 102,237</u>	<u>\$ 161,053</u>

Department of Chamorro Affairs – Non-Appropriated Funds

Combining Statement of Revenues, Expenses and Changes in Net Assets

Year ended September 30, 2011

	President's Office	Chamorro Village	Research Publication and Training	Guam Museum	Combined Balance
Revenues:					
Lease revenue	\$ -	\$ 495,522	\$ -	\$ -	\$ 495,522
Other income	669	52,805	999	-	54,473
Book sales	9,319	-	9,810	-	19,129
Donations	15,935	-	-	-	15,935
Total revenues	<u>25,923</u>	<u>548,327</u>	<u>10,809</u>	<u>-</u>	<u>585,059</u>
Expenses:					
Contractual	10,246	197,024	-	-	207,270
Utilities	-	199,026	-	-	199,026
Meals and entertainment	484	103,850	-	-	104,334
Supplies	560	32,577	115	-	33,252
Miscellaneous	156	-	21,123	1,896	23,175
Advertising	3,281	16,540	-	-	19,821
Office expense	1,298	11,047	-	-	12,345
Travel	9,089	-	-	-	9,089
Cost of goods sold	-	-	6,514	-	6,514
Communication	390	4,904	-	-	5,294
Rent	-	1,403	-	-	1,403
Bank charges	232	1,128	-	-	1,360
Total expenses	<u>25,736</u>	<u>567,499</u>	<u>27,752</u>	<u>1,896</u>	<u>622,883</u>
Increase (decrease) in net assets	187	(19,172)	(16,943)	(1,896)	(37,824)
Net assets at beginning of year	<u>532</u>	(<u>39,381</u>)	<u>128,862</u>	<u>1,964</u>	<u>91,977</u>
Net assets at end of year	<u>\$ 719</u>	\$ (<u>58,553</u>)	<u>\$ 111,919</u>	<u>\$ 68</u>	<u>\$ 54,153</u>