



Department of Chamorro Affairs – Non-Appropriated Funds FY 2015 Financial Highlights

June 13, 2016

The Department of Chamorro Affairs – Non-Appropriated Funds (DCANAF) closed fiscal year (FY) 2015 with a net loss of \$50 thousand (K). This is a \$189K decrease in net position compared to FY 2014 increase of \$138K. Independent auditors Ernst & Young, LLP expressed an unmodified (clean) opinion on DCANAF's financial statements. In addition, the auditors proposed nine adjustments, which cumulatively decreased net income by \$146K to correct errors initially made by DCA.

Revenues Decreased and Expenses Increased

There are six funds that encompass DCANAF: (1) President's Office; (2) Chamorro Village; (3) Research, Publication, and Training (RPT); (4) Guam Council on the Arts and Humanities (CAHA); (5) Festival of Pacific Arts (FestPac); and (6) Percent for the Arts. Total revenues of \$620K in FY 2015 decreased by \$156K from \$776K in FY 2014. The decrease was primarily due to DCA only receiving about half of other income and fundraising revenues compared to those received in FY 2014.

The decrease in revenues was further compounded by the \$33K increase in expenditures from \$638K in FY 2014 to \$671K in FY 2015. Despite decreases in most expense categories, spikes in supplies and meals & entertainment caused expenditures to increase overall. Supplies had the largest increase of \$64K, going from \$13K in FY 2014 to \$78K in FY 2015.

Chamorro Village

Chamorro Village provides a place for local entrepreneurs to sell food, arts and crafts, and products, as well as promote local cultural dance groups and Chamorro traditions. Chamorro Village is the main revenue source for DCANAF which provided 82% of the total revenues in FY 2015. Total revenues did not significantly change from the prior year. However, lease income, the main source of revenue, decreased by 1%, from \$499K in FY 2014 to \$493K in FY 2015.

Although total expenses decreased by \$7K or 1% from FY 2014, Chamorro Village reported a loss of \$17K. The high cost of utilities, contractual expense, and meals & entertainment continue to be the largest expenses Chamorro Village incurs. Although DCA installed energy-saving lightings and shut-off water valves during closing hours, it only reduced cost of utilities by 2% or \$5K from \$249K in FY 2014 to \$244K. Contractual of \$163K, the second largest expense, was incurred from security, janitorial services, and solid waste. Meals & entertainment of \$66K, the third largest expense, was incurred primarily for the weekly Wednesday Night Market shows.

Research, Publication, and Training

RPT conducts, researches, publishes, and produces multi-media and print materials relating to the Guam Heritage. Total revenue slightly increased by \$743 from the increase in books sales of \$2K.

Although expenses significantly decreased by 72% primarily due to FY 2014 book inventory obsolescence, RPT reported a loss of \$11K due to cost of goods sold.

President's Office

The President's Office is responsible for day to day operations and administers its programs and policies. The President's Office total revenue greatly increased by \$4K from \$1K in FY 2014. This was largely due to donations of \$5K.

Guam Council of the Arts and Humanities

CAHA aims to enrich every sector of the community by encouraging and fostering the participation in the arts and humanities. Due to reclassification of certain revenues to Percent for the Arts, CAHA's FY 2014 net income is restated at a loss of \$3K. However, increases in other income and donations increased total revenues by \$4K in FY 2015. Total expense decreased by \$914 which helped CAHA closed FY 2015 with net income of \$2K.

Festival of Pacific Arts

Guam hosted the 12th FestPac from May 22 to June 4, 2016 in which the Governor appointed CAHA as the lead agency. About 27 Pacific island countries and territories participated with the attendance of 2,500 delegates who joined the festivities. FestPac total revenues decreased by \$38K to \$83K in FY 2015 from \$121K in FY 2014 primarily due to fewer fundraising activities and no appropriations. However, cut backs in expenditures helped reduce total expense by 79%, going from \$21K in FY 2014 to \$4K in FY 2015. FestPac closed FY 2015 with a net income of \$78K.

FestPac received an appropriation of \$60K in FY 2014, but none in FY 2015. The Guam Visitors Bureau (GVB) transferred a total of \$4.3 million to the FestPac Coordinating Committee in FY 2016, but \$1.7 million was transferred back to GVB in April 2016.

Percent for the Arts

The Percent for the Arts program was established to provide grants to local individuals and organizations for fostering and developing arts that benefit the local community. Construction, remodeling, or renovation cost of public buildings subsidized by federal or government of Guam funds exceeding \$100K must include local artwork or set aside 1% of the total cost to the Percent for the Arts Program fund. In FY 2015, only \$5K was reported in revenue compared to \$132K in FY 2014. Expenditures of \$109K were made of which half was transferred to FestPac revenue and the other half to Okkodo High School for supplies.

Compliance Report and Management Letter

DCA is to be commended for having only one finding in the FY 2015 compliance report. In comparison, the FY 2014 compliance report had four findings, which included the FY 2015 finding regarding the recording of purchases and payables. On the other hand, the management letter noted five findings pertaining to: (1) long outstanding reconciling items, (2) accounts receivable sub-ledger not monitored, (3) lease agreements not maintained, (4) lack of segregation of duties, and (5) lack of back-up plan procedures.

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