

*Financial Statements and Required Supplementary
Information*

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

*Years Ended September 30, 2024 and 2023
with Report of Independent Auditors*



Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Financial Statements

Years Ended September 30, 2024 and 2023

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Report of Independent Auditors

Board of Trustees
Guahan Academy Charter School, Inc.

Opinions

We have audited the accompanying financial statements of the governmental activities and the General Fund of Guahan Academy Charter School, Inc. (the “Academy”), as of and for the years ended September 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Academy’s basic financial statements as listed in the table of contents (collectively referred to as “basic financial statements”).

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund activities of the Academy at September 30, 2024 and 2023, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy’s ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2025 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

Ernst + Young LLP

March 20, 2025

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Management's Discussion and Analysis

Years Ended September 30, 2024 and 2023

We, the Board of Trustees, provide this narrative overview of the financial activities of Guahan Academy Charter School, Inc., a component unit of the Government of Guam. The management's discussion and analysis are for Fiscal Year Ended September 30, 2024.

Organization and Nature of Operations

The Guahan Academy Charter School, Inc., (GACS) is a nonprofit public benefit corporation, and is not organized for the private gain of any person. It is organized for the basic purpose to do all things reasonable and proper in the operation of a public charter school within the Territory of Guam pursuant to the provisions of Public Law 29-140, the Guam Academy Charter Schools Act of 2009. Said corporation is organized exclusively for charitable religious, educational and scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations within the meaning of Section 501(c) (3) of the Internal Revenue Code, or corresponding section of any future federal tax code. Pursuant to 18 GCA §281702 and §281703, this corporation is organized under and governed by the provisions of the Guam Business Corporation Act (enacted as Guam Public Law 29-144 and as thereafter amended or codified).

This non-profit corporation was established for the purpose of operating an academy charter school, which functions independently from the Guam Public School System, as outlined in the Guam Charter School Law, 17 GCA §12102. The corporation is granted the powers enumerated in 17 GCA §12107, along with all lawful powers necessary or convenient to achieve its objectives, as well as rights, privileges, and authorities consistent with applicable laws. These powers are subject only to the restrictions expressly outlined in the corporation's Articles of Incorporation or Bylaws.

GACS was established to implement the National Institute for Direct Instruction (NIFDI) School-Wide Reform Model, a comprehensive approach to enhancing educational outcomes for all students.

As part of its ongoing commitment to innovation and improvement, GACS launched the *Workforce Enabler: College and Career Readiness Education (WE:CCaRE)* program following its charter renewal, granted by the Charter Council on April 9, 2024. This college and career readiness framework is scheduled for full implementation in the 2024–2025 school year. The initiative was developed as a proactive measure to better prepare the increasing number of secondary students with essential competencies for post-secondary success in college or careers.

The WE:CCaRE program aligns closely with the school's vision and mission, reflecting a strategic focus on equipping students with practical skills and opportunities for future success. Its development was informed by a careful analysis of the school's profile data, particularly trends in yearly graduation rates and the post-graduation plans of its students.

Guahan Academy Charter School, Inc.
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Management's Discussion and Analysis, continued

GACS is governed by a Board of Trustees. As of September 30, 2024, the Board consists of six (6) members, including at least one parent of a student enrolled at GACS and one member representing the general public. Additionally, in accordance with the charter law, the Head of School, CEO, and Principal of GACS serve as non-voting members of the Board.

The charter granted to GACS by the Guam Academy Charter Schools Council in 2019 was initially issued for a period of five (5) years. However, this duration was extended to six (6) years following the enactment of Public Law 35-30, signed by the Governor on July 19, 2019. The amendment to the charter law states:

"Guam Code Annotated, Title 17, Chapter 12, Guam Charter Schools Act of 2009, Section 12113 (b): A Charter may be renewed an unlimited number of times, each time for a six (6) year period, unless revoked as authorized in §12114 of the charter law."

In alignment with this amendment, the charter for GACS was renewed for an additional six (6) years on April 9, 2024.

GACS operates under the independent oversight of the Guam Academy Charter Schools Council (the Council). The Council is responsible for monitoring the school's operations, ensuring compliance with applicable laws and the provisions of its charter, and evaluating its progress toward meeting the student academic achievement goals outlined in the charter. Additionally, the Council oversees GACS adherence to annual reporting requirements to maintain accountability and transparency.

FINANCIAL HIGHLIGHTS

GACS' financial statements provide the following:

- Assets at the close of FY2024 exceeded its liabilities by \$2,696,001 (net position).
- For FY2024, Public Law 37-42 appropriated \$7,500 per enrollee with a cap of 765 totaling \$5,737,500. The total amount of expenditure submitted to Government of Guam Department of Administration (DOA) amounted to \$4,951,128. The amount verified and allotted by DOA was also \$4,951,128. The FY2024 unexpended balance from the appropriation is \$786,372.
- At the close of fiscal year, September 30, 2024 GACS has total count of 785 students.

OVERVIEW OF THE FINANCIAL STATEMENTS

Discussion and analysis are intended to serve as an introduction to the school's basic financial statements. The school's basic financial statements are comprised of two components: 1) government-wide financial statements and, 2) notes to the basic financial statements.

Guahan Academy Charter School, Inc.
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Management’s Discussion and Analysis, continued

1.) Government-Wide Financial Statements

The purpose of government-wide financial statements is to present the financial position and the operating results of the governmental entity. The statements are expected to provide users with operational accountability information and to enable them to do the following:

- understand the true financial position of the governmental entity, including capital and financial assets and long-term as well as short-term liabilities;
- determine whether the entity can continue to provide current service levels and meet its obligations as they become due; and
- determine the operating results of the entity, including the economic cost and the net cost of services, and assess the economy, efficiency, and effectiveness of operations.

The *Statement of Net Position* presents information on the school’s assets and liabilities, and deferred inflows of resources (which is the acquisition of net assets by the government for future period) and deferred outflows (which is the outflow of net position which will be recognized in a future period). Net position may, over time, serve as an indicator to measure or gauge the school’s financial condition.

The *Statement of Activities* presents information on how the school’s net position changed during the fiscal year. All the current year’s revenue and expenses are reported in this profit and loss statement for some items that will only result in cash flows in the future fiscal period. The following analysis provides a summary of the GACS’s net position as of September 30, 2024 and 2023:

**GUAHAN ACADEMY CHARTER SCHOOL
STATEMENT OF NET POSITION
YEARS ENDED SEPTEMBER 30, 2024, 2023, 2022**

	Sep 30, 24	Sep 30, 23	Sep 30, 22
ASSETS			
Current Assets	\$1,316,935	\$ 868,233	\$1,394,707
Capital Assets	1,994,018	2,001,266	1,971,363
TOTAL ASSETS	\$3,310,953	\$2,869,499	\$3,366,070
LIABILITIES & NET POSITION			
Current Liabilities	\$ 614,952	\$ 713,943	\$1,298,946
Net Position	2,696,001	2,155,556	2,067,124
TOTAL LIABILITIES & EQUITY	\$3,310,953	\$2,869,499	\$3,366,070

Guahan Academy Charter School, Inc.
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Management's Discussion and Analysis, continued

- During FY2024, the assets exceeded the liabilities by \$2,696,001, resulting in a positive net position balance.
- The Accounts Receivable disclosed a balance of \$409,206. The validated allotment requests of \$406,178 is reflected in FY2025 Cash, leaving a balance of other receivables of \$3,028.
- In addition to typhoon damages in May 2023, another asset (aluminum door) amount of \$36,359 in FY2024 was disposed. An air conditioning asset of \$900 was damaged and disposed also in FY2024. Total asset amount of \$38,854 resulted in Loss on Disposal and a decrease in accumulated depreciation. Total Equipment Net of Depreciation with the additional computer/printer and furniture received from local purchases decreased by 1.66%.
- FY2024 total Capital Asset is \$1,994,018, an overall decrease of 0.36% from last year.

2.) Notes to Financial Statements

The notes provide additional information essential to a full understanding of the government-wide financial statements.

A summary and analysis of the school's revenues and expenses for Year Ended September 30, 2024, are as follows:

- In FY2024, the school's revenue and expenditures increased by \$452,013. The major changes are the increase in revenue by \$1,568,408 (29%) and increase in expenses by \$1,116,395 (21%). The increases in revenue and expenses are mainly due to: (a) increase in federal grant revenue and expense by \$378,039 (217%); (b) increase in contractual services by \$501,823 (72%); (c) increase in materials/misc. supplies and books/online expenses by \$173,840 (88%); and (d) write-off of outstanding payables of \$419,202.
- The total number of students for FY2024 has increased by (20) twenty from FY2023 of 765 to FY2024 of 785. FY2024's P.L. 37-42 provided \$7,500 per enrollee with a cap of 765 totaling \$5,737,500. The total amount of expenditure submitted to DOA amounted to \$4,951,128. The amount verified and allotted by DOA was also \$4,951,128. The FY2024 unexpended balance from the appropriation is \$786,372.
- The overall effect in the net position resulted in an increase of \$540,445 from last year's \$88,432.

Guahan Academy Charter School, Inc.
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Management's Discussion and Analysis, continued

**GUAHAN ACADEMY CHARTER SCHOOL
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2024, 2023, 2022**

	<u>Oct '23 - Sep 24</u>	<u>Oct '22 - Sep 23</u>	<u>Oct '21 - Sep 22</u>
Revenue			
Per Pupil Allocation	\$4,951,128	\$4,231,993	\$4,114,248
In-Kind Contribution	1,085,013	1,044,052	1,075,506
Grant	552,267	174,228	1,010,114
Others	<u>463,962</u>	<u>33,689</u>	<u>15,496</u>
Total Revenue	7,052,370	5,483,962	6,215,364
Operating Expense			
Personnel	2,494,077	2,541,615	2,441,873
Benefits	445,386	353,944	311,202
ARP Premium Pay	325,000	---	---
Travel	30,188	31,355	5,643
Contractual Services	1,200,882	699,060	641,794
Office Space Rental	953,070	953,070	953,070
Equipment Rental	131,563	86,012	118,836
Materials and Supplies	172,762	78,439	407,447
Books/Online Resources	106,155	45,501	429,787
Workmen's Comp & Gen Liability	17,514	15,165	14,759
Loss on Claims	---	---	36,822
Dues & Subscriptions	57,756	32,705	2,500
Programs & Activities	11,971	11,685	11,107
Miscellaneous Expense	22,660	29,132	162,340
In-Kind Expense	227,267	174,228	688,883
Power	157,077	160,303	128,545
Water	2,265	40,314	54,310
Telephone/Wifi Service	95,094	94,925	91,946
Loss on Asset Disposal	38,854	1,244	---
Depreciation Expense	<u>22,384</u>	<u>46,833</u>	<u>46,767</u>
Total Operating Expense	<u>6,511,925</u>	<u>5,395,530</u>	<u>6,547,631</u>
Change in Net Position	540,445	88,432	(332,267)
Net Position, Beginning of Year	<u>2,155,556</u>	<u>2,067,124</u>	<u>2,399,391</u>
Net Position, End of Year	<u><u>\$2,696,001</u></u>	<u><u>\$2,155,556</u></u>	<u><u>\$2,067,124</u></u>

Guahan Academy Charter School, Inc.
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Management’s Discussion and Analysis, continued

3.) Accomplishments

	9/30/2024	9/30/2023
Elementary	329	324
Middle	216	218
High School	240	223
TOTAL	785	765

The primary goal for this school year was to continue providing students and employees with a healthy and safe environment conducive to learning while addressing the instructional and learning gaps caused by the COVID-19 pandemic. During SY 2023-2024, GACS benefited from several significant initiatives and resources, including the acquisition of instructional materials and equipment, access to off-island professional development opportunities, and the distribution of one-time premium pay funded through the American Rescue Plan - State Educational Agency (ARP-SEA) and Consolidated Grant.

In addition, SY 2023-2024 marked a major milestone as GACS received official approval to participate in the National School Breakfast and National School Lunch Programs under the Child Nutrition Program (CNP). This approval enabled all registered GACS students for the school year to qualify for the Summer Electronic Benefit Transfer (EBT) card. Furthermore, GACS secured approval from the Serve Guam Commission for a federal grant amounting to \$783,000 to implement the AmeriCorps program, which commenced on January 1, 2025.

NARRATIVE OVERVIEW

Economic Dependency

For the Fiscal Year Ended September 30, 2024, GACS received approximately 70% of its annual revenue from the DOA. Any further significant reduction in the level of funding will adversely affect GACS’ operations and activities. The Charter Schools release of its allocations is placed under the Council’s approval and DOA’s verification of the funds. For Fiscal year 2024, GACS was allocated the same FY2023 budget amount of \$7,500 per child.

The Council will review GACS once every six years to determine whether the charter should be revoked for material violations of laws and the terms of its agreement or if GACS fails to meet the goals and student academic achievement expectations.

Retirement Savings Plan

The reduction of FY2018 appropriations prompted management to suspend employer contributions to the retirement plan. On July 27, 2023, the retirement benefit was re-instated with employer’s contribution of 3% of employee’s base pay to all full-time employees.

Guahan Academy Charter School, Inc.
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Management's Discussion and Analysis, continued

Long-Outstanding Payable

A long-term payable amounting to \$419,202, recorded as of September 2023, was written off in FY 2024 based on the GACS Legal Counsel's recommendation and Guam's statute of limitations, which limits debt enforcement actions to four (4) years. Since the liability exceeded this period, the possibility of the vendor establishing a valid claim was deemed significantly remote.

After writing off this unenforceable amount, the total outstanding payables for FY 2024 amounted to \$508,695, of which \$448,695 was settled in FY 2025.

Subsequent Events

Efforts to advance the acquisition of a new facility began in December 2023 with the issuance of a Request for Proposal (RFP) for Programming and Architectural & Engineering (A&E) Consulting Services. This initiative focuses on developing the designs and plans for a new campus to be constructed at the Mangilao property. Programming sessions with key stakeholders were conducted in June 2024, Phase I deliverables fulfilled in January 2025, and completion of cost estimates by the end of March 2025.

GACS was allocated federal grants through the Guam Department of Education's Education Stabilization Fund II (ESF II) and the American Rescue Plan (ARP) to support its operations and initiatives. The total allocation to GACS under ESF II is \$2,075,882, while the ARP allocation amounts to \$4,061,749, with funding available from FY2022 through FY2024. In the Statements of Activities, GACS recognized revenues of \$892,887, \$173,503, and \$552,267 for FY2022, FY2023, and FY2024, respectively, from the aforementioned grants. The FY2023 ESF II balance of \$917,667 has been reallocated to the current FY2024 ARP balance of \$2,946,688 to maximize the utilization of federal resources. ARP expired on September 30, 2024, but vendor deliveries are extended until September 30, 2025. Any remaining balances not converted to purchase orders can no longer be encumbered.

In May 2023, GACS submitted a financial assistance application to the Federal Emergency Management Agency (FEMA) to address damages caused by Typhoon Mawar, a declared disaster. The application was successfully approved, covering multiple project categories, including Debris Removal (Category A), Emergency Protective Measures (Category B), Buildings, Content, and Equipment (Category E), and Management Costs (Category Z). The reimbursements are expected to be collected in FY2025.

The Guam Legislature passed FY2019 P.L. 35-29, FY2020 P.L. 35-36, FY2021 P.L. 35-99, FY 2022 P.L. 36-54, FY 2023 P.L. 36-107, FY 2024 P.L. 37-42, and now FY2025 P.L. 37-125, as follows:

Management's Discussion and Analysis, continued

CHAPTER II

EDUCATION

PART II – GUAM ACADEMY CHARTER SCHOOLS COUNCIL

Section 1. Legislative Intent. It is the intent of *I Liheslaturan Guåhan* to provide a lump sum appropriation to the Guam Academy Charter School Fund for the purpose of Guam Academy Charter Schools' operations and administration.

Section 2. Appropriation. The sum of Twenty-two Million Seven Hundred Thirty-seven Thousand Dollars (**\$22,737,000**) is appropriated to the Guam Academy Charter School Fund from the General Fund to support the operations of the Guam Academy Charter Schools for Fiscal Year 2025.

Section 3. Notwithstanding any other provision of law, pursuant to § 12116(e), Chapter 12, Title 17 GCA, the Department of Administration (DOA) is hereby authorized to remit to the Guam Academy Charter School Fund, based on cash received from the total General Fund appropriations in Section 2 of this Part of this Chapter, Seven Thousand Eight Hundred Dollars (**\$7,800**) per enrollee based on the authorized charter school capacity multiplied by the per pupil cost as established by this Section for Fiscal Year 2025.

Guahan Academy Charter School, Inc.
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Management's Discussion and Analysis, continued

The Guam Legislature also passed FY2025 P.L. 37-124, as follows:

AN ACT TO APPROPRIATE THE SUM OF ONE MILLION DOLLARS (\$1,000,000) FROM THE FISCAL YEAR 2024 EXCESS REVENUES COLLECTED ABOVE THE LEVELS ADOPTED IN PUBLIC LAW 37-42, AS AMENDED, TO THE GUAM ACADEMY CHARTER SCHOOLS COUNCIL FOR SIX (6) CHARTER SCHOOLS AND THE ADMINISTRATIVE AND OPERATIONAL COSTS OF THE GUAM ACADEMY CHARTER SCHOOLS COUNCIL.

BE IT ENACTED BY THE PEOPLE OF GUAM:

Section 1. Appropriation. The sum of One Million Dollars (\$1,000,000) is hereby appropriated from the Fiscal Year 2024 excess revenues collected above the levels adopted in Public Law 37-42, as amended, to the Guam Academy Charter Schools Council, and shall be allocated as follows:

- (1) Four Hundred Fifty Thousand Dollars (\$450,000) to the following charter schools to cover the cost of additional students for FY 2025:
 - (a) Guam Academy Charter School with an additional fifteen (15) students in FY 2025 to receive Eighteen Thousand Seven Hundred Fifty Dollars (\$18,750).

Capital Improvements

The proposed facility expansion plan aims to consolidate the organization's operations, reduce costs, and increase enrollment capacity. This project includes the construction of a permanent campus designed to accommodate a minimum of 850 students. The campus will feature state-of-the-art school facilities, administrative and support staff offices, a cafeteria, and a gymnasium tailored to meet Guahan Academy Charter School's program requirements and curriculum standards. To initiate this project, GACS issued a Request for Proposal (RFP) for Programming and Architectural & Engineering (A&E) Consulting Services on December 22, 2023. Phase I of the consulting services, which focused on the Programming aspect and included stakeholder input, was conducted in June 2024. The Phase I deliverables for concept designs were completed in January 2025 and 30% cost estimates are expected to be completed by the end of March 2025.

Guahan Academy Charter School, Inc.
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Management's Discussion and Analysis, continued

Economic Outlook

As stipulated in Public Law 37-125 for the Fiscal Year 2025 budget, GACS was allocated funding for an enrollment of 765 students at \$7,800 per student. Additionally, Public Law 37-124 authorized funding for an additional 15 students, amounting to \$18,750. This brings the total FY 2025 allocation for 780 students to \$5,985,750.

GACS continues to benefit from federal funding through Consolidated Grants and ARP-SEA grants under the CARES Act. These grants have been instrumental in supporting the school's efforts to procure supplies and materials to enhance distance learning, improve classroom instruction and interventions, and address the health, safety, and social-emotional well-being of both students and staff.

REQUEST FOR INFORMATION

This report is designed to provide an overview of the school's finances for those with an interest in the area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Office of the Chief Executive Officer, Guahan Academy Charter School, Post Office Box CS, Hagatna, Guam 96932.

Guahan Academy Charter School, Inc.
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Governmental Funds Balance Sheets/Statements of Net Position

	September 30,					
	2024			2023		
	General Fund	Adjustments	Statement of Net Position	General Fund	Adjustments	Statement of Net Position
Assets:						
Cash	\$ 779,546	\$ ---	\$ 779,546	\$ 555,476	\$ ---	\$ 555,476
Accounts receivable	409,206	---	409,206	184,573	---	184,573
Other assets	128,183	---	128,183	128,184	---	128,184
Capital assets, net	<u>---</u>	<u>1,994,018</u>	<u>1,994,018</u>	<u>---</u>	<u>2,001,266</u>	<u>2,001,266</u>
Total assets	<u>\$ 1,316,935</u>	<u>1,994,018</u>	<u>3,310,953</u>	<u>\$ 868,233</u>	<u>2,001,266</u>	<u>2,869,499</u>
Liabilities and Fund Balance/Net Position:						
Accounts payable and accrued expenses	\$ 614,952	---	614,952	\$ 713,943	---	713,943
Total liabilities	<u>614,952</u>	<u>---</u>	<u>614,952</u>	<u>713,943</u>	<u>---</u>	<u>713,943</u>
Fund balance: unassigned	<u>701,983</u>	(<u>701,983</u>)		<u>154,290</u>	(<u>154,290</u>)	
Total liabilities and fund balances	<u>\$ 1,316,935</u>			<u>\$ 868,233</u>		
Net position:						
Invested in capital assets		1,994,018	1,994,018		2,001,266	2,001,266
Unrestricted		<u>701,983</u>	<u>701,983</u>		<u>154,290</u>	<u>154,290</u>
Total net position		<u>\$ 2,696,001</u>	<u>\$ 2,696,001</u>		<u>\$ 2,155,556</u>	<u>\$ 2,155,556</u>

See accompanying notes.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Statements of Governmental Fund Revenues, Expenditures and
Changes in Fund Balance/Statements of Activities

	Years Ended September 30,					
	2024			2023		
	General Fund	Adjustments	Statement of Activities	General Fund	Adjustments	Statement of Activities
Revenues:						
Per pupil allocations	\$ 4,951,128	\$ ---	\$ 4,951,128	\$ 4,231,993	\$ ---	\$ 4,231,993
In-kind contributions	---	1,085,013	1,085,013	---	1,044,052	1,044,052
Grants	552,267	---	552,267	174,228	---	174,228
Other	463,962	---	463,962	33,689	---	33,689
Total revenues	<u>5,967,357</u>	<u>1,085,013</u>	<u>7,052,370</u>	<u>4,439,910</u>	<u>1,044,052</u>	<u>5,483,962</u>
Operating expenses:						
Total operating expenses	<u>5,419,664</u>	<u>1,092,261</u>	<u>6,511,925</u>	<u>4,381,381</u>	<u>1,014,149</u>	<u>5,395,530</u>
Excess (deficiency) of revenues over (under) expenditures	547,693	(547,693)	---	58,529	(58,529)	---
Change in net position		540,445	540,445		88,432	88,432
Fund balance/net position:						
Beginning of year	<u>154,290</u>	<u>2,001,266</u>	<u>2,155,556</u>	<u>95,761</u>	<u>1,971,363</u>	<u>2,067,124</u>
End of year	<u>\$ 701,983</u>	<u>\$ 1,994,018</u>	<u>\$ 2,696,001</u>	<u>\$ 154,290</u>	<u>\$ 2,001,266</u>	<u>\$ 2,155,556</u>

See accompanying notes.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements

Years Ended September 30, 2024 and 2023

1. Organization

Guahan Academy Charter School, Inc. (the Academy or GACS), a component unit of the Government of Guam, is currently organized for the basic purpose to do all things reasonable and proper in the operation of a nonprofit charter school within the Territory of Guam pursuant to the provisions of Public Law 29-140, the Guam Academy Charter Schools Act of 2009. The Academy is organized exclusively for charitable, religious, educational and scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations within the meaning of Section 501(c) (3) of the Internal Revenue Code, or corresponding section of any future federal tax code. Pursuant to 18 GCS §281702 and §281703, the Academy is organized under and governed by the provisions of the Guam Business Corporation Act (enacted as Guam Public Law 29-144 and as thereafter amended or codified).

The Academy, as a non-profit corporation, is established for the purpose of operating an academy charter school which operates independently from the Guam Public School System for the purposes specifically set forth in 17 GCA §12102. The Guahan Academy Charter School, Inc. is established as a model for the implementation of the National Institute for Direct Instruction (NIFDI) School-Wide Reform Model. It shall have those powers set forth in 17 GCA Section §12107 and all lawful powers necessary or convenient to carry out any such purpose, and all rights, privileges and authorities granted by or consistent with any applicable law, unless and only to the extent expressly restricted by its Articles or Bylaws.

GACS is governed by a Board of Trustees. The Trustees are elected or selected pursuant to the charter granted by GACS. The Board of Trustees consists of not less than five (5) members and not more than nine (9) members. At least one member must be a parent or guardian of a student attending GACS and one member must be from the general public. The principal of GACS is a non-voting member.

The charter granted to GACS is for a six (6) year period, unless revoked as authorized in § 12114 of the charter. The charter may be renewed an unlimited number of times, each for a six (6) year period and is due for renewal in April 2030. Under the charter agreement, the Council will review GACS once every six years, beginning on the date on which the charter is granted or renewed, to determine whether the charter should be revoked for material violations of laws and the terms of its agreement or if GACS fails to meet the goals and student academic achievement expectations.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies

GACS is subject to independent oversight by Guam Academy Charter School Council (the Council). The Council is tasked with monitoring GACS's operations, compliance with applicable laws and the provisions of the charter granted; the progress of meeting student academic achievement expectations specified in the charter; and compliance with annual reporting requirements.

The accompanying basic financial statements of the Academy have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles.

Government-wide and Fund Financial Statements

The Statements of Net Position present the Academy's non-fiduciary assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

- Net investment in capital assets consist of capital assets, net of accumulated depreciation, plus construction or improvement of those assets.
- Restricted net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through enabling legislation.
- Unrestricted net position consists of net position, which does not meet the definition of the two preceding categories. Unrestricted net position often is designated, to indicate that management does not consider them to be available for general operations. They often have restrictions that are imposed by management but can be removed or modified.

The Statements of Activities present a comparison between direct expenses and program revenues for each program or function of the Academy's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function.

Program revenues include per pupil allocation from Government of Guam and other grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Academy.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Fund Financial Statements

The Academy uses one governmental fund to report on its financial position and results of operations. The operations of this fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

Separate financial statements are provided for governmental funds. The Academy presents a balance sheet and a statement of revenues, expenditures and changes in fund balances for its governmental fund. The ending fund balance on the balance sheet is then reconciled to the ending governmental net position.

Adjustments required to reconcile total governmental fund balance to net position of governmental activities in the statements of net position as of September 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Fund balance - governmental funds	\$ 701,983	\$ 154,290
Add:		
Land	1,564,147	1,564,147
Depreciable capital assets, net	<u>429,871</u>	<u>437,119</u>
Net position - governmental activities	<u>\$2,696,001</u>	<u>\$2,155,556</u>

Adjustments required to reconcile net change in total governmental fund balance to change in net position of governmental activities in the statements of activities for the years ended September 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Net change in fund balances – governmental funds	\$ 547,693	\$ 58,529

Capital outlays are reported as expenditures in governmental funds. However, in the statements of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. These amounts consist of:

Capital outlays, net	16,730	66,175
Depreciation expense	<u>(23,978)</u>	<u>(36,272)</u>
Change in net position of governmental activities	<u>\$ 540,445</u>	<u>\$ 88,432</u>

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Measurement Focus/Government-wide and Fund Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements account for the general governmental activities of the Academy and are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally, when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Budget

An annual appropriated budget has not been formally adopted on a legal basis or a basis consistent with GAAP. Accordingly, a budget to actual presentation is not required or presented.

Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. The Academy does not have a deposit policy for custodial credit risk.

For purposes of the balance sheets/statements of net position, cash is defined as cash on hand and cash held in demand accounts. As of September 30, 2024 and 2023, the carrying amount of cash and cash equivalents was \$779,546 and \$555,476, respectively, and the corresponding bank balance was \$912,223 and \$683,926, respectively. All the bank balances are maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2024 and 2023, \$662,223 and \$433,926 of the bank balance exceeds the FDIC deposit insurance limit of \$250,000.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Receivables

Accounts receivable primarily represents due from the Government of Guam as of September 30, 2024 and 2023. Management believes that all receivables are fully collectible, therefore, no provision for uncollectible accounts is recorded. As of September 30, 2024 and 2023, the amounts due from the Government of Guam for reimbursable operating costs incurred and billed totaled \$406,178 and \$180,256, respectively.

Deposit

As of September 30, 2024 and 2023, deposits totaling \$121,250 were held in trust with an attorney for purpose of resolving certain obligations.

Capital Assets

Property and equipment are recorded at cost less accumulated depreciation. Depreciation of all property and equipment is computed on a straight-line basis over the estimated services lives of the assets. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Donated assets are valued at their fair value on the date of gift.

Estimated useful lives for depreciable assets are as follows:

Furniture, fixtures and equipment	3 - 8 years
Office and computer equipment	3 years
Music instrument and sports equipment	3 years

Property and equipment purchased or acquired with original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of assets are capitalized. The cost of normal repairs and maintenance that do not add to the asset value or materially extend useful lives are not capitalized. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in the Statements of Activities.

Revenue Recognition

Revenue from per pupil allocations and supplemental special needs funds is recognized during the School's operating cycle, which starts in August and ends in June. GACS receives financial support in monthly allotments from the General Fund of the Government of Guam via the Guam Department of Administration to finance administrative and general expenses on a reimbursable basis. Such expenses mainly consist of salaries and wages, contractual wages, supplies and materials and utilities.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Revenue Recognition, continued

Pursuant to Guam Public Laws 37-42 and 36-107, the per pupil cost was \$7,500 and \$7,000 for the fiscal years ended September 30, 2024 and 2023, respectively. Student enrollment is not to exceed 765 students during School Years 2023-2024 and 2022-2023.

GACS receives approximately 70% of its annual general fund revenue from the Government of Guam under a 6-year charter agreement. A significant reduction in the level of this support may have an adverse effect on GACS's operations and activities in the case that the charter is not renewed or is revoked.

In-Kind Contributions

GACS records free use of Buildings C, D, & E and certain collateral supplies and equipment provided under Federal Grants as in-kind contributions based on the estimated fair market value of the premises and collateral equipment.

Fund Raising and Donations

GACS participates in various fundraising activities during the year. Revenues received from these fundraising activities are recognized as fundraising income. In addition, GACS receives cash donations from private individuals and businesses that are recognized as donations when received.

Operating and Non-Operating Revenue and Expenses

Operating revenues and expenses generally result directly from GACS ongoing operations. Non-operating revenues and expenses result from capital and financing activities, costs and related recoveries from natural disasters, and certain other non-recurring income and expenses.

Income Taxes

The Academy is exempt from Guam income taxes under Section 501(c) (3) of the Guam Territorial Income Tax Laws.

Compensated Absences

Annual and sick leave is recognized as an expense and a corresponding liability as earned by employees. Regular full-time employees are entitled to eight days of sick leave and two days of vacation leave per benefit period. The benefit period is the first day of work in August to September 30th. Accrued leave does not carry over from year-to-year. Any unused leave will not be paid to the employee.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Fund Balance

Governmental fund balances are classified as follows:

- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.
- Unassigned includes negative fund balances in other governmental funds.

Restricted/committed amounts are spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this. In addition, committed, then assigned, and lastly unassigned amounts of unrestricted fund balance are expended in that order.

A formal minimum fund balance policy has not been adopted.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results may differ from those estimates.

Recently Adopted Accounting Pronouncements

During the year ended September 30, 2024, the Academy implemented the following pronouncements.

GASB Statement No. 99, *Omnibus 2022*, which modifies guidance in GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, to bring all guarantees under the same financial reporting requirements and disclosures. It also provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The implementation of this Statement did not have a material effect on the accompanying financial statements.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, which enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which results in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information is provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements results in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. The implementation of this Statement did not have a material effect on the accompanying financial statements.

Upcoming Accounting Pronouncements

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The primary objective of the Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid, provided the services have occurred, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or noncash means. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 101 will be effective for fiscal year ending September 30, 2025.

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

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

financial statements. GASB Statement No. 102 will be effective for fiscal year ending September 30, 2025.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and address certain application issues identified through pre-agenda research conducted by the GASB. This Statement establishes new accounting and financial reporting requirements or modifies existing requirements related to management's discussion and analysis (MD&A), unusual or infrequent items, presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, information about major component units in basic financial statements, budgetary comparison information and financial trends information in the statistical section. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 103 will be effective for fiscal year ending September 30, 2026.

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 104 will be effective for fiscal year ending September 30, 2026.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements, continued

3. Capital Assets

Capital asset activity for the year ended September 30, 2024 is as follows:

	<u>Beginning Balance</u> <u>October 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u> <u>September 30, 2024</u>
Depreciable capital assets:				
Computer and transportation equipment	\$ 68,367	\$ ---	\$ ---	\$ 68,367
Music instrument and sports equipment	71,426	---	---	71,426
Furniture, fixtures and equipment	<u>610,621</u>	<u>53,991</u>	<u>(37,261)</u>	<u>627,351</u>
	750,414	53,991	(37,261)	767,144
Less accumulated depreciation	<u>(313,295)</u>	<u>(23,978)</u>	<u>---</u>	<u>(337,273)</u>
	437,119	30,013	(37,261)	429,871
Land	<u>1,564,147</u>	<u>---</u>	<u>---</u>	<u>1,564,147</u>
	<u>\$2,001,266</u>	<u>\$30,013</u>	<u>\$(37,261)</u>	<u>\$1,994,018</u>

Capital asset activity for the year ended September 30, 2023 is as follows:

	<u>Beginning Balance</u> <u>October 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u> <u>September 30, 2023</u>
Depreciable capital assets:				
Computer and transportation equipment	\$ 35,935	\$39,148	\$(6,716)	\$ 68,367
Music instrument and sports equipment	50,491	20,935	---	71,426
Furniture, fixtures and equipment	<u>597,813</u>	<u>17,893</u>	<u>(5,085)</u>	<u>610,621</u>
	684,239	77,976	(11,801)	750,414
Less accumulated depreciation	<u>(277,023)</u>	<u>(46,828)</u>	<u>10,556</u>	<u>(313,295)</u>
	407,216	31,148	(1,245)	437,119
Land	<u>1,564,147</u>	<u>---</u>	<u>---</u>	<u>1,564,147</u>
	<u>\$1,971,363</u>	<u>\$31,148</u>	<u>\$(1,245)</u>	<u>\$2,001,266</u>

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements, continued

4. Donated Use of Operating Premises

The Guahan Academy Charter School, Inc. conducts its operations on premises provided at below market cost at Tiyan, Guam as discussed below.

Operations conducted at the Tiyan Guam location are provided under a Memorandum of Agreement (MOA) with the Government of Guam. Pursuant to Public Law 30-37, the Government of Guam and Core Tech International Corporation entered into a lease agreement with an option to purchase dated June 23, 2009, for certain land, buildings and structures located in Tiyan, Guam. On September 15, 2011, Public Law 31-76 amended Public Law 30-37 and allowed continued use of the Tiyan Campus for interim school facilities and other use for government operations. On December 30, 2013, the Government of Guam executed the Option to Purchase the Tiyan Campus.

On August 9, 2013, the Government of Guam entered into Memorandum of Agreement with GACS permitting it to use Buildings C and D of the Tiyan Campus at no cost. The original term of GACS' use of the premises is for a one year period commencing August 6, 2013 with two annual extensions of one year each for a maximum term of no more than three consecutive years from August 6, 2013 and ending June 30, 2016. Additional extensions were granted at the discretion of the Government of Guam. The MOA expired on June 30, 2023.

In 2022, the finalization of the agreement for an additional three (3) years was initiated. However, in August 2023, the Office of the Governor advised that the delay in the processing of the written agreement would not prevent the Governor from allowing GACS to continually occupy the premises since the Academy does not pay rent, and the Governor has granted consent for GACS' continued occupation. As of the report date, the Office of the Governor, who is the government entity with entitlement to possession has not taken any steps to proceed with an unlawful detainer, has not sought any rent, and has not interrupted GACS peaceful possession of the property. As of the report date, GACS is a holdover tenant in possession, consistent with the representations of the Office of the Governor. GACS has initiated its request to continue occupancy during the interim period of financing the construction of a new facility.

The extensions are subject to the following conditions: a) GACS continues to hold a duly issued charter from the Guam Academy Charter Schools Council; and b) there has been no default of the MOA within a ninety-day notice. The office of the Governor of the Government of Guam estimates the fair rental market value of the premises and collateral equipment at \$953,070 per year based on comparable rents in the immediate area, which is recorded as a component of in-kind contributions in the accompanying statements of governmental fund revenues, expenditures and changes in fund balance/statements of activities. In 2020, this value increased due to the inclusion of Building E in the calculation. The MOA allows GACS free use of certain collateral equipment, the current fair market value of which was previously considered immaterial to the accompanying financial statements. In fiscal year 2019, the Government of Guam provided data sufficient to record the value and GACS has accordingly recorded such in the 2024 and 2023 financial statements. Additionally, the MOA requires that should GACS vacate the Tiyan premises, it must incur certain expenses to restore those premises.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements, continued

4. Donated Use of Operating Premises, continued

As of September 30, 2024 and 2023, GACS has estimated that \$89,000 is the attendant cost of vacating the Tiyan premises but given GACS current financial situation, it is not currently possible to predict if such costs will be incurred and therefore, given the materiality of this balance, it has not been recorded as an expense and as a liability in the accompanying financial statements.

5. Retirement Savings Plan

A defined contribution retirement savings plan was implemented which allows employees to contribute up to \$17,500 of the employees' annual compensation to the plan. Eligible employees are full-time employees who have completed three months of service. Employees at the age of 50, or who will attain the age of 50 before the end of the calendar year may make additional deferrals at a maximum of \$5,500 in excess of elective deferrals. On July 30, 2023, GACS reinstated the employer share of the 403(b) retirement benefit of 3% of employee's base pay and is available to all full-time employees regardless of employee contributing or not. The reinstatement is effective July 30, 2023 and is subject to change and availability of funds.

6. Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Academy has elected to purchase commercial insurance coverage from independent third parties for the risks of loss to which it is exposed. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

7. Commitments and Contingencies

Commitments

For the years ended September 30, 2024 and 2023, unreported amounts related to leave earned but unpaid amounted to \$29,736 and \$24,404, respectively.

Contingencies

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Negotiations to resolve a liability with another vendor were finalized and GACS paid the final settlement amount of \$530,000 in January 2023. Payment was made through the security deposit under GACS' third-party lawyer.

Dependency of Government of Guam

GACS earns substantially all its non-contribution related revenues (70% for the year ended September 30, 2024) from a per pupil revenue assessment from the Government of Guam. Substantial changes in per pupil reimbursements will have an adverse impact on GACS ability to operate due to its funding dependency on the Government of Guam.

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Guahan Academy Charter School, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Guahan Academy Charter School (the Academy), which comprise the statement of financial position as of September 30, 2024, and the related notes (collectively referred to as the “financial statements”), and have issued our report thereon dated March 20, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Academy’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst + Young LLP

March 20, 2025