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Doris Flores Brooks, CPA, CGFM  
Public Auditor

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Judith T. Won Pat, Ed.D.

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May 27, 2014

Honorable Judith T. Won Pat, Ed.D.  
Speaker  
I Mina Trentai Dos Na Liheslaturan Guahan  
155 Hesler Place  
Hagatna, Guam 96910

Dear Speaker Won Pat:

Hafa Adai! Transmitted herewith is the Department of Chamorro Affairs – Non Appropriated Funds (DCANAF)’s Fiscal Year (FY) 2013 Financial Audit. Independent Auditor’s Ernst & Young expressed an unmodified (clean) opinion for DCANAF financial statements.

To recap 2013:

- FY 2013 was a normal year as FY 2012 reflects \$340 thousand appropriation and expenses for Guam’s participation at the Festival of Pacific Arts (FESTPAC) in the Solomon Islands.
- Guam Visitor’s Bureau was authorized \$1.2M to be held in a Trust Account for Guam’s participation in the 2015 Smithsonian Folklife Festival and the 12<sup>th</sup> FESTPAC to be held on Guam in 2016.
- The top 3 expenses of the Chamorro Village are utilities of \$212 thousand, contractual of \$167 thousand, and meals and entertainment of 66 thousand which represent 86% of DCANAF’s expenses while 94% of DCANAF’s revenue primarily consists of lease revenue from tenants.

For your convenience and further detail, you may also view and download OPA’s two page highlights and reports in their entirety at [www.guamopa.org](http://www.guamopa.org).

Senseramante,  
Doris Flores Brooks, CPA, CGFM  
Public Auditor

RECEIPT ACKNOWLEDGED:

By: \_\_\_\_\_

Date: \_\_\_\_\_

1685

*Financial Statements and  
Supplementary Information*

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

*Years ended September 30, 2013 and 2012  
with Report of Independent Auditors*

Department of Chamorro Affairs – Non-Appropriated Funds

Financial Statements and  
Supplementary Information

Years ended September 30, 2013 and 2012

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working world

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## Report of Independent Auditors

The Board of Trustees  
Department of Chamorro Affairs

### **Report on the Financial Statements**

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 years ended September 30, 2013 and 2012, which collectively comprise the DCANAF’s basic financial statements as listed in the table of contents.

### ***Management’s Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes 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.

### ***Auditor’s Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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. The financial statements of the Guam Museum Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the DCANAF’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the DCANAF’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

***Auditor's Responsibility, continued***

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 position, the related statements of revenues, expenses and changes in net position, and cash flows of only that portion of the Government of Guam that is attributable to the transactions of the DCANAF.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the DCANAF and the discretely presented component unit Guam Museum Foundation, Inc. as of September 30, 2013 and 2012, and the respective changes in financial position and cash flows, where applicable, for the years then ended in conformity with U.S. generally accepted accounting principles.

***Required Supplementary Information***

U.S. generally accepted accounting principles require that Management's Discussion and Analysis on pages 4 through 13 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 which 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.

***Supplementary Information***

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise DCANAF's financial statements. The combining statement of net position and combining statement of revenues, expenses and changes in net position included in pages 27 through 30 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

***Supplementary Information, continued***

The combining statement of net position and combining statement of revenues, expenses and changes in net position is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we also have issued our report dated May 19, 2014 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* in considering DCANAF's internal control over financial reporting and compliance.

*Ernst + Young LLP*

May 19, 2014

# Department of Chamorro Affairs – Non-Appropriated Funds

## Management’s Discussion and Analysis

Year ended September 30, 2013

This section of the Department of Chamorro Affairs - Non-Appropriated Funds (DCANAF) annual financial statement report presents management’s discussion and analysis of DCANAF’s financial performance during the year ended September 30, 2013. Please use this information in conjunction with the information furnished in DCANAF’s financial statements. This will provide better understanding of DCANAF’s financial status in accordance with U. S. generally accepted accounting principles promulgated by the Standards of the Government Accounting Standards Board (GASB).

### **Our Mission**

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

### **Introduction**

Department of Chamorro Affairs (DCA) was created in 1999 through Guam Public Law 25-69 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. DCA has produced a series of books called “HALE`TA” (Our “Roots” Foundation) which chronicles the history of the Chamorro people through 4,000 years of existence on the island of Guam.

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

## Department of Chamorro Affairs – Non-Appropriated Funds

### Management's Discussion and Analysis, continued

#### **Introduction, continued**

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, 5 GCA, 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. 87; 21 GCA, Ch. 76, Section 76114 Guam Museum**

DCA reorganized all cultural and learning resources by merging 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. The reorganization centralized the culturally relevant programs and services, to include preservation and the perpetuation of education of all citizens of Guam. This is a step in the right direction and right-sized management and planning within the Government of Guam, essential in the enhancement of procedural and administrative efficiencies, thus reducing personnel and capital costs. This move streamlined 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.

## Department of Chamorro Affairs – Non-Appropriated Funds

### Management's Discussion and Analysis, continued

#### Introduction, continued

- **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** - provides museum services, preservation of all government of Guam publications, fostering research on the records and its inventory, providing public exhibits, demonstrations, lectures, scholarly activities, television programs, publications, and other public programs contributing to and encouraging an understanding of the Chamorro culture, its language and rich history and promotes Guam's geology, biota, prehistory, history, and contemporary culture. The Guam Museum is also the official repository and custodian of historical artifacts of Guam and the Chamorro people and provides venues for the appreciation of Guam's unique relationship with its sister islands in Micronesia and Asia through the understanding of shared regional cultures, traditions, practices and lore museums.
- **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.

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”. The Division is authorized to conduct surveys, appraisals, test borings or any other technical investigations.
- **Guam Council on the Arts and Humanities Agency (CAHA)** - encourages and fosters the opportunity for participation in the arts and humanities with programs designed to benefit citizens of all ages and from every sector of the community. It is also the responsibility of CAHA to ensure that the role of the arts in the life of the community will grow and play a more significant part in the welfare and educational experience of our island residents. CAHA assists in the Festival of Pacific Arts (FEST PAC), 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. The festival 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. 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 Governor to serve as the lead Government of Guam agency to spearhead Guam’s participation at the quadrennial event. Guam will host the 12<sup>th</sup> Festival of Pacific Arts in 2016.

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.

## Department of Chamorro Affairs – Non-Appropriated Funds

### Management’s Discussion and Analysis, continued

#### Introduction, continued

- **Public Broadcasting System (PBS 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 12<sup>th</sup> grade turn to PBS for digital content and services that help bring classroom lessons to life.
- **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, subcommittee members in identifying and organizing a team of professionals that will draft working documents that avail opportunities in retail and communications including but not limited to merchandise development, membership programs, branding, marketing, website and social media outlets, E-commerce development.

## Department of Chamorro Affairs – Non-Appropriated Funds

### Management's Discussion and Analysis, continued

#### **Financial Highlights**

- The total assets of DCANAF exceeded its liabilities at September 30, 2013 by \$165,184. Of the total net position, \$75,647 is unrestricted and available to meet DCANAF's on-going obligations. The remaining \$89,537 is restricted for Guam's participation at the FEST PAC. This is an increase of \$4,131 from the net position of \$161,053 at September 30, 2012.
- Total operating revenue decreased in the current year by approximately \$400,000 or 43% primarily due to the appropriation of \$340,000 received in previous year from Tourist Attraction Fund passed through Guam Visitors Bureau (GVB) for Guam's participation at the FEST PAC.
- Total operating expenses decreased by approximately \$298,000 or 37% due to the expenses relating to the FEST PAC in previous year.

#### **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 Position, the Statements of Revenues, Expenses and Changes in Net Position, the Statements of Cash Flows, and the Notes to Financial Statements.

The Statements of Net Position are presented in a format that displays net position (assets less liabilities equal net position). The Statement of Net Position details the assets and liabilities of DCANAF based on their liquidity. The resulting net position in this statement is displayed as either unrestricted or restricted. Under GASB 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 Position present the increase (decrease) in net position, which consists of operating revenues less operating expenses. The resulting amount (revenues less expenses) is the change in net position for fiscal year (FY) 2013, which amount is then added to the ending balance of net position from FY 2012 to arrive at net position for FY 2013.

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 2013 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<sup>st</sup>. 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 Position*

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2013 % increase from 2012</u>
Total assets	\$223,919	\$219,360	\$149,038	2.08%
Total liabilities	\$ 58,735	\$ 58,307	\$ 94,885	0.73%
Net position	\$165,184	\$161,053	\$ 54,153	2.56%

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2013 % increase (decrease) from 2012</u>
Total revenues	\$522,274	\$923,102	\$ 585,059	(43.42)%
Total expenses	\$518,143	\$816,202	\$ 622,883	(36.50)%
Increase (decrease) in net position	\$ 4,131	\$106,900	\$( 37,824)	(96.14)%

## Department of Chamorro Affairs – Non-Appropriated Funds

### Management's Discussion and Analysis, continued

#### **Economic Outlook**

In FY 2013, budget law continued to project General Fund revenues to increase substantially, particularly as construction associated with the military buildup and ARRA projects continued through 2013. Allotment controls may be administered, as government expenditures are outpacing cash collections and large obligations are unbudgeted or under budgeted.

In FY 2013, the DCA continued to promote and preserve Chamorro cultural awareness through programs, support services, activities, publications and education by ensuring validation of historic information and archive historical documents; utilizing research information and publish materials on Guam history and its people; formulating standards for the Chamorro Language Institute; recording, preserving and display acquisitions, i.e., documents, artifacts, and photos that enlighten our historic recognition and honor; showcasing the collection of artifacts and documents of the Chamorro history; pursuing opportunities through new technologies to deliver information to the public through the library system; increasing, seeking and producing local programs that feature Guam and Micronesia's lifestyles, traditions, cultures and diversity that will be featured on Guam's public television; developing public interest, participation and support of the arts and to continue efforts toward presenting the highest quality of arts available for the benefit of all citizens of the territory; pulling together learning resources and partner with the Department of Education, Guam Community College and the University of Guam that help promote and preserve Chamorro culture and language; and increasing the use of multimedia technology in the government and the community that features Guam's language, culture and traditions.

Construction is ongoing for \$27 million state-of-the-art Guam Museum known as the Guam Museum Chamorro Educational Facility (GCEF), a division of DCA. The DCA's Division of Guam Museum is being realized as an exciting and dynamic place to showcase heritage values of the indigenous Chamorro and all peoples of Guam. A permanent home to collect, conserve, study and exhibit, stimulate, advance, and perpetuate the knowledge, cultural traditions and materials, and artistic diversity of the Chamorro people and other people of Guam. In September 2013, DCA, in collaboration with the Guam Economic Development Authority and GVB, updated and completed the Market and Economic Analysis of the Guåhan Museum that brought together a coalition of leaders from cultural, environmental and education institutions on Guam to provide a focal point and gateway for residents and tourist to appreciate and experience Guam's history, culture and environment. Estimated annual spending on admissions, museum shop retail, and special exhibitions are just under \$3.2 million. After deducting costs of goods sold in the retail shop and fees for putting on or renting special exhibitions, the estimated net revenue from museum visitor spending is \$2.8 million. Approximately \$2 million will be raised over two years in the form of individual contributions, corporate grants and sponsorship offsets.

## Department of Chamorro Affairs – Non-Appropriated Funds

### Management’s Discussion and Analysis, continued

#### **Economic Outlook, continued**

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 were approved to be spent on the project in 2013. DCA is better equipped to provide, to the public translation from Chamorro to English, and vice versa.
- Project current economic and sustainability for the GCEF viability and drive major income resources for the GCEF’s economic sustainability in the maintenance of the continued maintenance of the facility.
- Construction of a repository to store hundreds of thousands of cultural and historical materials for Guam Museum, which is funded through the grant from the Department of Housing and Urban Development for \$12.5 million.
- Continue retrofitting Chamorro Village’s lighting, water and power infrastructure to be more energy efficient; which is expected to save DCA on utility expenditures. ARRA funds of \$250,000 have been expended for this.

#### **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 1<sup>st</sup> Floor 194 Herman Cortez Avenue, Hagåtña, Guam 96910. Phone: 671-475-4278/9.



Department of Chamorro Affairs – Non-Appropriated Funds

Statements of Net Position

	September 30,	
	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Cash:		
Unrestricted	\$ 30,377	\$ 40,212
Restricted	89,537	87,247
Accounts receivable, net of allowance for doubtful accounts of \$8,275 in 2013 (\$4,373 in 2012)	11,102	7,225
Inventory	91,236	83,009
Other assets	<u>1,667</u>	<u>1,667</u>
Total assets	<u>223,919</u>	<u>219,360</u>
<b>Liabilities</b>		
Accounts payable	39,434	40,817
Security deposits	<u>19,301</u>	<u>17,490</u>
Total liabilities	<u>58,735</u>	<u>58,307</u>
<b>Net Position</b>		
Unrestricted	75,647	73,806
Restricted - expendable	<u>89,537</u>	<u>87,247</u>
Total net position	<u>\$165,184</u>	<u>\$161,053</u>

*See accompanying notes.*

Guam Museum Foundation, Inc.

Statements of Financial Position

	December 31,	
	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Cash	\$ 5,342	\$11,281
Accounts receivable	<u>26,454</u>	<u>6,633</u>
Total assets	<u>\$31,796</u>	<u>\$17,914</u>
<b>Liabilities and Net Position</b>		
Accounts payable	\$23,198	\$ 7,985
Accrued expenses	<u>9,873</u>	<u>---</u>
Total liabilities	33,071	7,985
Net position - unrestricted	<u>( 1,275)</u>	<u>9,929</u>
Total liabilities and net position	<u>\$31,796</u>	<u>\$17,914</u>

*See accompanying notes.*

Department of Chamorro Affairs – Non-Appropriated Funds

Statements of Revenues, Expenses and Changes in Net Position

	Year ended September 30,	
	<u>2013</u>	<u>2012</u>
Revenues:		
Lease revenue <i>(Note 3)</i>	\$489,951	\$488,914
Donations	16,398	12,163
Other income	11,885	67,314
Book sales	4,040	14,711
Appropriations <i>(Note 4)</i>	<u>---</u>	<u>340,000</u>
Total revenues	<u>522,274</u>	<u>923,102</u>
Expenses:		
Utilities	212,456	203,124
Contractual	173,092	181,187
Meals and entertainment	66,244	83,350
Miscellaneous	20,063	19,019
Communication	10,392	8,498
Supplies	10,022	21,271
Office expense	7,232	8,724
Cost of fundraising activities	6,340	---
Cost of goods sold	6,242	10,217
Advertising	2,854	9,882
Rent	2,673	2,666
Bank charges	533	504
Travel	---	154,214
Marketing and promotions	---	65,248
Performing arts costs	---	28,348
Inventory obsolescence	---	11,707
Literary arts costs	<u>---</u>	<u>8,243</u>
Total expenses	<u>518,143</u>	<u>816,202</u>
Change in net position	4,131	106,900
Net position at beginning of year	<u>161,053</u>	<u>54,153</u>
Net position at end of year	<u>\$165,184</u>	<u>\$161,053</u>

*See accompanying notes.*

Guam Museum Foundation, Inc.

Statements of Activities

	Year ended December 31,	
	<u>2013</u>	<u>2012</u>
Revenue and support:		
Admissions	\$ 155,415	\$158,914
Grants <i>(Note 2)</i>	20,000	10,000
Rental - Hall of Governors	6,680	4,450
Fundraising activities	5,540	9,000
Corporate contributions	5,401	28,424
Other	2,085	1,833
Souvenir sales	2,028	4,018
Donations	<u>1,235</u>	<u>2,143</u>
Total revenue and support	<u>198,384</u>	<u>218,782</u>
Expenses:		
Program services:		
Grant projects	23,992	---
Printing and reproduction	1,854	4,041
Education/outreach projects	---	14,933
Fundraising costs	<u>---</u>	<u>9,028</u>
Total program services	<u>25,846</u>	<u>28,002</u>
Support services:		
Payroll and employee benefits	88,563	103,852
Commissions	56,170	40,637
Contractual services	10,663	13,760
Professional fees	7,853	4,955
Special program	6,048	---
Miscellaneous	6,085	2,813
Supplies	4,307	5,276
Repairs and maintenance	3,464	6,181
Communication	<u>589</u>	<u>2,373</u>
Total support services	<u>183,742</u>	<u>179,847</u>
Total expenses	<u>209,588</u>	<u>207,849</u>
Change in unrestricted net position	( 11,204)	10,933
Unrestricted net position at beginning of year	<u>9,929</u>	( <u>1,004</u> )
Unrestricted net position at end of year	\$( <u>1,275</u> )	\$ <u>9,929</u>

See accompanying notes.

Department of Chamorro Affairs – Non-Appropriated Funds

Statements of Cash Flows

	Year ended September 30,	
	<u>2013</u>	<u>2012</u>
<b>Cash flows from operating activities:</b>		
Receipts from lease revenue	\$ 486,074	\$494,848
Receipts from other income	11,885	67,314
Receipts from book sales	4,040	14,711
Receipts from grant and donation revenue	16,398	12,163
Receipts from appropriations	---	340,000
Payments to vendors	<u>(525,942)</u>	<u>(834,101)</u>
Net cash (used in) provided by operating activities	( 7,545)	94,935
Cash at beginning of year	<u>127,459</u>	<u>32,524</u>
Cash at end of year	\$ <u>119,914</u>	\$ <u>127,459</u>
<b>Consisting of:</b>		
Unrestricted	\$ 30,377	\$ 40,212
Restricted	<u>89,537</u>	<u>87,247</u>
	\$ <u>119,914</u>	\$ <u>127,459</u>
<b>Reconciliation of operating revenues net of operating expenses to net cash (used in) provided by operating activities:</b>		
Change in net position	\$ 4,131	\$106,900
Changes in assets and liabilities:		
Accounts receivable	( 3,877)	5,934
Inventory	( 8,227)	18,574
Other assets	---	105
Accounts payable	( 1,383)	( 7,191)
Security deposits	<u>1,811</u>	<u>( 29,387)</u>
Net cash (used in) provided by operating activities	\$ <u>( 7,545)</u>	\$ <u>94,935</u>

See accompanying notes.

Guam Museum Foundation, Inc.

Statements of Cash Flows

	Year ended December 31,	
	<u>2013</u>	<u>2012</u>
<b>Cash flows from operating activities:</b>		
Receipts from admissions	\$ 137,622	\$157,299
Receipts from grants and donations	26,636	40,567
Receipts from fundraising activities	5,540	9,000
Receipts from lease and other income	8,765	6,283
Cash paid to employees	( 88,563)	(103,852)
Cash paid to vendors	( 95,939)	(107,107)
Net cash (used in) provided by operating activities	( 5,939)	2,190
Cash at beginning of year	<u>11,281</u>	<u>9,091</u>
Cash at end of year	\$ <u>5,342</u>	\$ <u>11,281</u>
<b>Reconciliation of operating revenues net of operating expenses to net cash (used in) provided by operating activities:</b>		
Change in unrestricted net position	\$( 11,204)	\$ 10,933
Changes in assets and liabilities:		
Accounts receivable	( 19,821)	( 5,633)
Accounts payable	15,213	( 3,110)
Accrued expenses	<u>9,873</u>	<u>---</u>
Net cash (used in) provided by operating activities	\$( <u>5,939</u> )	\$ <u>2,190</u>

*See accompanying notes.*

# Department of Chamorro Affairs – Non-Appropriated Funds

## Notes to Financial Statements

Years ended September 30, 2013 and 2012

### **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, 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 activities.
- 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 2013 and 2012.
- 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 2013 and 2012.

### 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.

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.



# Department of Chamorro Affairs – Non-Appropriated Funds

## Notes to Financial Statements, continued

### 1. Organization and Summary of Significant Accounting Policies, continued

#### 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 No. 958, *Not-for-Profit Entities*.

#### Recently Adopted Accounting Pronouncements

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflow of resources. Deferred outflows is defined as the consumption of net assets by the government that is applicable to a future reporting period and deferred inflows is defined as the acquisition of net assets by the government that is applicable to a future reporting period. GASB Statement No. 63 also amends the net asset reporting requirement by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of this Statement are effective for financial statements for the periods beginning after December 15, 2011. DCANAF's adoption of GASB No. 63 in 2013 resulted in a change in the presentation of the balance sheets to what is now referred to as the statements of net position and the term "net assets" was changed to "net position" throughout the financial statements.

# Department of Chamorro Affairs – Non-Appropriated Funds

## Notes to Financial Statements, continued

### 1. Organization and Summary of Significant Accounting Policies, continued

#### Upcoming Accounting Pronouncements

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.

In March 2012, GASB issued Statement No. 66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*, effective for periods beginning after December 15, 2012. This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straightline basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for periods beginning after June 15, 2013. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. Earlier application is encouraged.

DCA is currently evaluating the effects the above pronouncements may have on its financial statements.

# Department of Chamorro Affairs – Non-Appropriated Funds

## Notes to Financial Statements, continued

### **1. Organization and Summary of Significant Accounting Policies, continued**

#### **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. The DCANAF does not accrue finance charges on past due receivables. Receivables are stated net of estimated allowances for doubtful accounts.

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

#### **Inventory**

Inventory as of September 30, 2013 and 2012 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.

## Department of Chamorro Affairs – Non-Appropriated Funds

### Notes to Financial Statements, continued

#### **1. Organization and Summary of Significant Accounting Policies, continued**

##### **Use of Restricted/Unrestricted Net position**

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

##### **Net Position**

Net position represents the residual of all other elements presented in the statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net position is presented in three components: net investment in capital assets, net of related debt, restricted and unrestricted.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

#### **2. Subsequent Events**

The DCANAF has evaluated subsequent events through May 19, 2014 which is also the date that the financial statements were available to be issued.

#### **3. Lease Revenue**

The Chamorro Village leases retail outlets to various tenants under operating leases with terms ranging from one year to twenty years. The lease agreements call for various minimum monthly payments based on leased area. In addition to the minimum monthly rent, some leases also provide for percentage rent based on the tenant's revenue. Lease revenues earned under the aforementioned agreements for the years ended September 30, 2013 and 2012, totaled \$489,951 and \$488,914, respectively, which is reported as lease revenues in the accompanying statements of revenues, expenses, and changes in net position.

Department of Chamorro Affairs – Non-Appropriated Funds

Notes to Financial Statements, continued

**4. 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 11<sup>th</sup> 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 CAHA amounted to \$340,000.

Supplementary Information

Department of Chamorro Affairs – Non-Appropriated Funds

Combining Statement of Net Position

September 30, 2013

	President's Office	Chamorro Village	Research Publication and Training	Guam Museum	Guam Council on the Arts and Humanities	Combined Balance
<b>Assets</b>						
Cash:						
Unrestricted	\$ 1,213	\$ 3,688	\$ 12,394	\$ -	\$ 13,082	\$ 30,377
Restricted	-	-	-	-	89,537	89,537
Accounts receivable	-	9,924	778	-	400	11,102
Inventory	-	-	91,236	-	-	91,236
Other assets	-	1,667	-	-	-	1,667
<b>Total assets</b>	<u>1,213</u>	<u>15,279</u>	<u>104,408</u>	<u>-</u>	<u>103,019</u>	<u>223,919</u>
<b>Liabilities and Net Position</b>						
Liabilities:						
Accounts payable	-	30,516	-	-	8,918	39,434
Security deposits	-	19,301	-	-	-	19,301
<b>Total liabilities</b>	<u>-</u>	<u>49,817</u>	<u>-</u>	<u>-</u>	<u>8,918</u>	<u>58,735</u>
Net position:						
Unrestricted	1,213	( 34,538 )	104,408	-	4,564	75,647
Restricted - expendable	-	-	-	-	89,537	89,537
<b>Total net position</b>	<u>\$ 1,213</u>	<u>\$( 34,538 )</u>	<u>\$ 104,408</u>	<u>\$ -</u>	<u>\$ 94,101</u>	<u>\$ 165,184</u>

Department of Chamorro Affairs – Non-Appropriated Funds

Combining Statement of Net Position

September 30, 2012

	President's Office	Chamorro Village	Research Publication and Training	Guam Museum	Guam Council on the Arts and Humanities	Combined Balance
<b>Assets</b>						
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
Total assets	703	17,443	98,939	38	102,237	219,360
<b>Liabilities and Net Position</b>						
Liabilities:						
Accounts payable	-	40,817	-	-	-	40,817
Security deposits	-	17,490	-	-	-	17,490
Total liabilities	-	58,307	-	-	-	58,307
Net position:						
Unrestricted	703	( 40,864 )	98,939	38	14,990	73,806
Restricted - expendable	-	-	-	-	87,247	87,247
Total net position	\$ 703	\$( 40,864 )	\$ 98,939	\$ 38	\$ 102,237	\$ 161,053



## Department of Chamorro Affairs – Non-Appropriated Funds

### Combining Statement of Revenues, Expenses and Changes in Net Position

Year ended September 30, 2013

	President's Office	Chamorro Village	Research Publication and Training	Gram Museum	Gram Council on the Arts and Humanities	Combined Balance
<b>Revenues:</b>						
Lease revenue	-	\$ 489,951	-	-	-	\$ 489,951
Donations	1,280	-	15,002	24	92	16,398
Other income	-	4,371	23	-	7,491	11,885
Book sales	-	-	4,040	-	-	4,040
<b>Total revenues</b>	<u>1,280</u>	<u>494,322</u>	<u>19,065</u>	<u>24</u>	<u>7,583</u>	<u>522,274</u>
<b>Expenses:</b>						
Utilities	-	212,456	-	-	-	212,456
Contractual	-	166,677	6,400	-	15	173,092
Meals and entertainment	-	66,244	-	-	-	66,244
Miscellaneous expense	250	10,595	300	-	8,918	20,063
Communication	-	10,392	-	-	-	10,392
Supplies	-	9,869	-	-	153	10,022
Office expense	-	6,938	294	-	-	7,232
Cost of fundraising activities	-	-	-	-	6,340	6,340
Cost of goods sold	-	-	6,242	-	-	6,242
Advertising	398	1,803	360	-	293	2,854
Rent	-	2,673	-	-	-	2,673
Bank charges	122	349	-	62	-	533
<b>Total expenses</b>	<u>770</u>	<u>487,996</u>	<u>13,596</u>	<u>62</u>	<u>15,719</u>	<u>518,143</u>
<b>Change in net position</b>	<b>510</b>	<b>6,326</b>	<b>5,469</b>	<b>( 38 )</b>	<b>( 8,136 )</b>	<b>4,131</b>
<b>Net position at beginning of year</b>	<u>703</u>	<u>( 40,864 )</u>	<u>98,939</u>	<u>38</u>	<u>102,237</u>	<u>161,053</u>
<b>Net position at end of year</b>	<u>\$ 1,213</u>	<u>\$( 34,538 )</u>	<u>\$ 104,408</u>	<u>\$ -</u>	<u>\$ 94,101</u>	<u>\$ 165,184</u>

## Department of Chamorro Affairs – Non-Appropriated Funds

### Combining Statement of Revenues, Expenses and Changes in Net Position

Year ended September 30, 2012

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

*Management Letter*

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

*For the year ended September 30, 2013*



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May 19, 2014

The Board of Trustees  
Department of Chamorro Affairs – Non-Appropriated Funds  
Hagatna, Guam

In planning and performing our audit of the financial statements of the Department of Chamorro Affairs - Non-Appropriated Funds (DCANAF) as of and for the year ended September 30, 2013, in accordance with auditing standards generally accepted in the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of DCANAF's internal control. Accordingly, we do not express an opinion on the effectiveness of DCANAF's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 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.

During our audit, we noted the following deficiencies in internal control, as described above:

## Bank Reconciliation Statements

### ***Condition***

Although DCANAF prepares monthly bank reconciliation statements, we noted that the cash balance in the September 30, 2013 general ledger did not reflect the adjusted book balance shown in the September 2013 bank reconciliation statement.

### ***Recommendation***

To determine the completeness and to ensure the accuracy of recorded cash transactions, DCANAF should prepare bank reconciliation statements promptly and record all the necessary adjustments identified during the reconciliation process. Prompt recording of all reconciling items ensures that transactions are properly accounted for and that accounting information is current.

Bank Reconciliation Statements, continued

*Management's response*

Management understands that the finding at time of audit is correct and accepts full responsibility. The Administrative Officer worked with the auditors and corrected the bank reconciliation and presented a corrected copy that is certified and signed by the President.

\*\*\*\*\*

This communication is intended solely for the information and use of management and the Board of Trustees of the DCANAF, others within the organization, and the Guam Office of Public Accountability, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public information.

We would be pleased to discuss the above matter or to respond to any questions, at your convenience.

*Ernst + Young LLP*

*Compliance and Internal Control*

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

*Year ended September 30, 2013*

Department of Chamorro Affairs – Non-Appropriated Funds

Report on Compliance and Internal Control

Year ended September 30, 2013

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Building a better  
working world

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

The Board of Trustees  
Department of Chamorro Affairs – Non-Appropriated Funds  
Hagatna, Guam

We have audited the financial statements of Department of Chamorro Affairs – Non-Appropriated Funds (DCANAF), and its discretely presented component unit as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise DCANAF's basic financial statements and have issued our report thereon dated May 19, 2014. We conducted our audit 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. The financial statements of the Guam Museum Foundation, Inc. were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Guam Museum Foundation, Inc.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered DCANAF's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of DCANAF's internal control. Accordingly, we do not express an opinion on the effectiveness of DCANAF's internal control.

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



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist, that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of finding and response that we consider to be a significant deficiency. This finding is listed as 2013-1.

### **Compliance and Other Matters**

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

### **DCANAF's Response to Finding**

DCANAF's response to the finding identified in our audit is described in the accompanying schedule of finding and response. DCANAF's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 result of that testing, and not to provide an opinion on 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*

May 19, 2014

Department of Chamorro Affairs – Non-Appropriated Funds

Schedule of Audit Finding and Response

**Finding No. 2013-1**

**Criteria or specific requirement:**

Internal controls over the financial statement close process should be established and implemented to ensure that audit adjustments are recorded in the proper accounts.

**Condition:**

As of September 30, 2013, prior year audit adjustments were not recorded in the books or were recorded in the wrong account.

**Context:**

The improper recording of adjustments was discovered during our reconciliation of the beginning net position to the audited financial statements as of September 30, 2013.

**Effect:**

The beginning balance of net position did not agree with the audited balance as of September 30, 2012.

**Cause:**

There are no monitoring controls in place to ensure current year transactions and audit adjustments are properly recorded.

**Recommendation:**

Management should review the financial statements to minimize material misstatements and to detect or correct errors on a timely basis.

**Management's Response:**

Management will collectively review the financial statements monthly prior to closing and after closing and authorized signatures will be required. The Administrative Services Officer will then adjust the books to ensure that transactions are recorded in the proper period and adjustments, if any, are timely recorded.

Department of Chamorro Affairs – Non-Appropriated Funds

Schedule of Prior Audit Findings

Findings in the prior year Audit Report dated May, 10, 2013 are as follows:

**Finding No. 2012-1 Audit Adjustments**

**Finding:**

Several prior year audit adjustments were not recorded in the books. In addition, several audit adjustments were required in order to record transactions in the proper period.

**Status:**

Management has recorded the prior year adjustments in their books, however several prior year adjustments are recorded in the wrong account. As a result, the beginning balance of net assets did not agree with the audited balance as of September 30, 2012.

**Finding No. 2012-2 Written Policy**

**Finding:**

There is no written policy or procedure describing the standard operating procedures on management of funds, equipment, and other properties, appropriated, loaned, contributed to, or raised for the purpose of preparing for and conducting activities relating to the Festival of the Pacific Arts.

**Status:**

Management is in the process of establishing the written policy or procedures as it deems appropriate for the purpose of preparing for and conducting activities relating to the Festival of the Pacific Arts in 2016.

**Finding No. 2012-3 Travel Expense**

**Finding**

The travel related expenditures were not documented in accordance with the applicable travel laws and regulations of Section 23104 of Title 5 Guam Code Annotated requires that all persons who have completed travel on behalf of the Government of Guam to clear all travel advances within ten (10) days following the return from official travel.

**Status:**

Management will adopt a travel policy within the department to ensure that non-profit organizations abide by the Guam Travel Laws. No similar finding was noted during the fiscal year ended September 30, 2013 audit since there were no travel expenses for the year.

*Statement on Auditing Standards No. 114  
The Auditor's Communication With Those Charged  
With Governance*

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

*Year ended September 30, 2013*



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May 19, 2014

The Board of Trustees  
Department of Chamorro Affairs – Non-Appropriated Funds  
Hagatna, Guam

We have performed an audit of the 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, 2013, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated May 19, 2014.

This report to the Board of Trustees of the DCANAF summarizes our communications required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which the management of the DCANAF is responsible.

## **REQUIRED COMMUNICATIONS**

Statement on Auditing Standards No. 114, *The Auditor's Communication With Those Charged With Governance*, and other professional standards require the auditor to provide the Board of Trustees (the Board or those charged with governance) with additional information regarding the scope and results of the audit that may assist the Board (or those charged with governance) in overseeing the financial reporting and disclosure processes which the management of the DCANAF is responsible. We summarize these required communications as follows:

### **Auditors' Responsibilities under Auditing Standards Generally Accepted in the United States (US GAAS) and Generally Accepted Government Auditing Standards (GAGAS)**

The financial statements are the responsibility of the DCANAF's management. Our audit was designed 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, to obtain reasonable, rather than absolute, assurance that 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 responsibilities under the audit were communicated to management and outlined in an engagement letter dated November 28, 2012.

**Auditors' Responsibilities under US GAAS and US GAGAS, continued**

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.

As part of our audit, we considered the DCANAF's internal control over financial reporting as a basis for designing audit procedures that were appropriate in the circumstances.

As described in our engagement letter dated November 28, 2012, the objective of a financial statement audit performed in accordance with US GAAS and GAGAS is as follows:

1. To express an opinion on whether the basic financial statements and accompanying supplementary information, in relation to the basic financial statements as a whole, of the DCANAF are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.
2. To provide a report on internal control over financial reporting related to the financial statements and compliance with laws, regulations and the provisions of contracts or grant agreements and other matters, noncompliance with which could have a material effect on the financial statements, as required by *Government Auditing Standards*.

**The Adoption of, or a Change in Significant Accounting Policies**

We determined that the Board is informed about the initial selection of, and any changes in significant accounting principles or their application when the accounting principle or its application, including alternative methods of applying the accounting principle, has a material effect on the financial statements.

There were no changes in the DCANAF's significant accounting policies during the year ended September 30, 2013.

**Auditor's Judgments about the Quality of the DCANAF's Accounting Principles**

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

### **Sensitive Accounting Estimates**

The preparation of financial statements in conformity with US 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 the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's expectations.

We determined that the Board is informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Management's judgment is called upon in:

- Preparing budgets that are used to administer and monitor DCANAF's operations. These budgets include determining how existing financial resources will be used in DCANAF's operations.
- Determining the adequacy of the recorded valuation of receivables, including the need for any reserve.
- Determining the need for any inventory obsolescence provision or adjustment to the lower of cost or market.

### **Significant Audit Adjustments**

During our audit, we proposed adjusting and reclassifying entries, which DCANAF agreed to be reflected in the financial statements (see Appendix A - *Adjusting Journal Entries*).

### **Unadjusted Audit Differences Considered by Management to be Immaterial**

Certain unadjusted audit differences accumulated by us (i.e. adjustments either identified by us or brought to our attention by management) were identified during the current audit and pertaining to the latest period presented, which were determined by the DCANAF's management to be immaterial, both individually and in the aggregate, to the financial statements as a whole (see Appendix B – *Summary of Uncorrected Audit Misstatements*)

### **Other Information in Documents Containing the Audited Financial Statements**

We reviewed the Management's Discussion and Analyses and other supplementary schedules to the financial statements to ensure consistency with the audited financial statements.

### **Consultation with Other Accountants**

We are not aware of any consultations that management may have had with other accountants regarding any significant auditing and accounting matters during the fiscal year ended September 30, 2013.

### **Disagreements with Management on Financial Accounting and Reporting Matters**

There were no material disagreements with DCANAF's management on financial accounting and reporting matters during the audit.

### **Major Issues Discussed with Management Prior to Retention**

There were no major accounting issues discussed with DCANAF's management prior to our retention.

### **Methods of Accounting for Significant Unusual Transactions and for Controversial or Emerging Issues**

We are not aware of any significant unusual transactions recorded by DCANAF, or of any significant accounting policies used by DCANAF related to controversial or emerging areas for which there is lack of authoritative guidance.

### **Serious Difficulties Encountered in Dealing with Management in Performing the Audit**

There were no serious difficulties encountered in dealing with management in performing the audit.

### **Fraud and Illegal Acts**

We are not aware of any matters that require communication. Furthermore, DCANAF's management has represented to us that they were not aware of any fraud or illegal acts for the period from October 1, 2012 to May 19, 2014 (see Appendix C – *Management's Representation Letter*).

### **Significant Deficiencies and Material Weaknesses in Internal Control**

We have identified certain deficiencies in internal control during the course of our audit which has been included in our separately issued Management Letter dated May 19, 2014.

We have identified a significant deficiency in internal control, which has been included in our separately issued Compliance and Internal Control Report dated May 19, 2014.



**Independence**

We are not aware of any relationships between Ernst & Young and our related entities, and DCANAF, or any other matters that in our professional judgment, may reasonably be thought to bear on our independence.

We confirm that we are independent with respect to DCANAF within the meaning of the applicable published rules and pronouncements, its interpretations and rulings.

\*\*\*\*\*

This report is intended solely for the use of DCANAF's board of trustees and management, the Office of Public Accountability of Guam, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

We would be happy to discuss the contents of this report and answer any questions you may have about these or any other audit related matters.

Very truly yours,

*Ernst + Young LLP*

The Board of Trustees  
Department of Chamorro Affairs – Non-Appropriated Funds

## Appendices

A – Adjusting Journal Entries

B – Summary of Uncorrected Audit Misstatements

C – Management’s Representation Letter

The Board of Trustees  
 Department of Chamorro Affairs – Non-Appropriated Funds

Appendix A - Adjusting Journal Entries

Department of Chamorro Affairs  
 Year End: September 30, 2013  
 Adjusting Journal Entries  
 Date: 10/1/2012 To 9/30/2013

Prepared by	Reviewed by

AJE

Number	Date	Name	Account No	Reference	Debit	Credit	Net Income (Loss)	Amount Chg	Recurrence
Net Income (Loss) Before Adjustments							(9,956.00)		
AJE01	9/30/2013	Inventory	309 DCA5	F0100 DCA5	6,341.00				
AJE01	9/30/2013	Retained earnings	501 DCA5	F0100 DCA5		6,341.00			
To correctly record the FY2012 audit adjustments(CAHA).					6,341.00	6,341.00	(6,341.00)	0.00	
AJE02	9/30/2013	Retained earnings	501 DCA5	T0100 DCA5		551.00			
AJE02	9/30/2013	Miscellaneous Income	604 DCA5	T0100 DCA5	551.00				
To correct beginning retained earnings (CAHA).					551.00	551.00	(5,817.00)	(551.00)	
AJE03	9/30/2013	Retained Earnings	3040 DCA2	T0110 DCA2	8,695.00				
AJE03	9/30/2013	Other Income	4080 DCA2	T0110 DCA2	2,395.00				
AJE03	9/30/2013	Other Income	4090 DCA2	T0110 DCA2		101.00			
AJE03	9/30/2013	Advertising	6000 DCA2	T0110 DCA2		1,912.00			
AJE03	9/30/2013	Office Supplies Expense	6078 DCA2	T0110 DCA2	1,600.00				
AJE03	9/30/2013	Miscellaneous	7085 DCA2	T0110 DCA2	1,341.00				
AJE03	9/30/2013	Power	80171 DCA2	T0110 DCA2		9,773.00			
AJE03	9/30/2013	Allowance for doubtful accounts	EY2012-001 DCA2	T0110 DCA2		8,275.00			
To record FY2012 audit adjustments and to correct beginning balance of net position (CV).					14,061.00	14,061.00	(9,227.00)	290.00	
AJE04	9/30/2013	Inventory	14200 DCA3	F0101 DCA3	11,768.00				
AJE04	9/30/2013	Miscellaneous expense	54000 DCA3	F0101 DCA3	300.00				
AJE04	9/30/2013	Cost of goods sold	41000A DCA3	F0101 DCA3	2,932.00				
AJE04	9/30/2013	Donations	EY2013-01 DCA3	F0101 DCA3		15,000.00			
To record donation from GEDA and correct inventory balance/cost of books sold (RPT).					15,000.00	15,000.00	(9,459.00)	(3,232.00)	
AJE05	9/30/2013	Checking- Bank of Guam-FESTFAC	102 DCA5	C0210 DCA5	8,917.71				
AJE05	9/30/2013	Accounts payable	400 DCA5	C0210 DCA5		8,917.71			
To revert unreleased check as of 09/30/2013 back to cash (CAHA).					8,917.71	8,917.71	(9,459.00)	0.00	
AJE06	9/30/2013	Accounts receivable	11000 DCA3	UA110 DCA3		750.00			
AJE06	9/30/2013	Sales - books	41000 DCA3	UA110 DCA3	750.00				
To correct the double booking of book sales (RPT).					750.00	750.00	(10,208.00)	(750.00)	
AJE07	9/30/2013	Accounts Receivable	1100 DCA2	UA.01 DCA2		660.00			
AJE07	9/30/2013	CV Lease Stall	4020 DCA2	UA.01 DCA2	660.00				
To reverse double recording of income from Terry's Fastfood. (CV).					660.00	660.00	(10,869.00)	(660.00)	

The Board of Trustees  
 Department of Chamorro Affairs – Non-Appropriated Funds

Appendix A - Adjusting Journal Entries, continued

Department of Chamorro Affairs  
 Year End: September 30, 2013  
 Adjusting Journal Entries  
 Date: 10/1/2012 To 9/30/2013

Prepared by	Reviewed by

AJE-1

Number	Date	Name	Account No	Reference	Debit	Credit	Net Income (Loss)	Amount Chg	Recurrence
					46,280.71	46,280.71	(10,889.00)	(4,803.00)	

Approved by:



Ms. Juanita Quentanilla  
 Administrative Service Officer

The Board of Trustees  
 Department of Chamorro Affairs – Non-Appropriated Funds

Appendix B - Summary of Uncorrected Audit Misstatements

Communication schedule for uncorrected misstatements

Entity: Department of Chamorro Affairs

Period Ended: 30-Sep-2013

Currency: USD

Uncorrected misstatements		Analysis of misstatements Debit/Credit										Income statement effect of the prior period	
No.	W/P ref.	Account  (misstatements are recorded as journal entries with a description)	Assets	Assets	Liabilities	Liabilities	Equity	Effect on the current period OCI	Income statement effect of the current period		Prior period Debit/(Credit)	Non taxable	
			Current	Non-current	Current	Non-current	components		Debit/(Credit)	Debit/(Credit)			Non taxable
Factual misstatements:													
SAD01	E0120	To reclassify the credit balances in AR to liabilities (Chamorro Village). Dr: 1100 Accounts receivable 792 Cr: 1800 Accounts payable (792)		792		(792)							
SAD02	ND110	To record liabilities in the proper period (Chamorro Village). Dr: 6041 Wednesday Night Market Cr: 1800 Accounts payable (700)				(700)					700		
SAD04	VC0110	To record pest control for the months of August and September 2013 (Chamorro Village). Dr: 6062 Pest control contract Cr: 1800 Accounts payable (830)				(830)					830		
SAD 05	C0110	To reconcile cash in bank (Chamorro Village). Dr: 1902 Accounts payable 1,015 Cr: 1040 Bank of Guam (1,015)				1,015							
SAD 06	C0100	To correct undeposited fund account (CAHA). Dr: 191 DCA5 checking 830 Cr: Miscellaneous income (830)		830								(830)	

Appendix B - Summary of Uncorrected Audit Misstatements, continued

Communication schedule for uncorrected misstatements

Entity: Department of Chamorro Affairs

Period Ended: 30-Sep-2013

Currency: USD

Uncorrected misstatements			Analysis of misstatements Debit/Credit					Effect on the current period OCI		Income statement effect of the current period		Income statement effect of the prior period		
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Debit/Credit	Debit/Credit	Debit/Credit	Debit/Credit	Non-taxable	Prior period Debit/Credit	Non-taxable
(misstatements are recorded as journal entries with a description.)			Debit/Credit	Debit/Credit	Debit/Credit	Debit/Credit	Debit/Credit	Debit/Credit	Debit/Credit	Debit/Credit	Debit/Credit			
<b>Reclassification misstatements:</b>														
SAD 03	VE170	To reclassify expense into the proper account:												
		Dr: 6090 Professional fees									800			
		Cr: 6041 Wednesday night market									(800)			
<b>Total of uncorrected misstatements before income tax</b>			812	0	(1,082)	0	0	0	0	0	470			
<b>Total of uncorrected misstatements</b>			812	0	(1,082)	0	0	0	0	0	470			
<b>Financial statement amounts</b>			223,919		194,736		1,658,184				(4,131)			
<b>Effect of uncorrected misstatements on F/S amounts</b>			0.3%	0.0%	1.5%	0.0%	0.0%				-11.4%			
<b>Memo: Total of non-taxable items (marked 'X' above)</b>											0			
<b>Uncorrected misstatements before income tax</b>										-11.4%	470			
<b>Less: Tax effect of misstatements at current year marginal rate</b>											0			
<b>Uncorrected misstatements in income tax</b>											0			
<b>Cumulative effect of uncorrected misstatements after tax but before turnaround</b>										-11.4%	470			
<b>Turnaround effect of prior period uncorrected misstatements</b>														
<b>All factual and projected misstatements:</b>											0			
<b>Judgmental misstatements:</b>											0			
<b>Cumulative effect of uncorrected misstatements, after turnaround effect</b>										-11.4%	470			
<b>Current year income before tax</b>											(4,131)			
<b>Current year income after tax</b>											(4,131)			

The Board of Trustees  
Department of Chamorro Affairs – Non-Appropriated Funds

Appendix B - Summary of Uncorrected Audit Misstatements, continued

We believe that the effects of the uncorrected misstatements above accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole.

  
Mr. Joseph Cameron, President

  
Ms. Juanita Quantanilla, Administrative Services Officer

The Board of Trustees  
Department of Chamorro Affairs – Non-Appropriated Funds

Appendix C - Management Representation Letter



DIPATAMENTON I KAOHAO GUINAHAN CHAMORRO  
DEPARTMENT OF CHAMORRO AFFAIRS

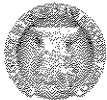
Honorable Edward J.B. Celso  
Governor of Guam

Joseph Antonio Camero  
President, DCA

Raymond S. Tavano  
Lieutenant Governor of Guam



May 19, 2014



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Tamuning, Guam



GUAM MUSEUM



GUAM  
MUSEUM  
MUSEUMS  
AND MONUMENTS



In connection with your audits of the basic financial statements of 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 September 30, 2013 and 2012, and for the years then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of DCANAF in conformity with US generally accepted accounting principles.

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



HAGÁTÑA

Accordingly, we make the following representations, which are true to the best of our knowledge and belief.

**Management's responsibilities**



PBS  
GUAM

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated November 28, 2012, for the preparation and fair presentation of the financial statements (including disclosures) in conformity with US generally accepted accounting principles (US GAAP) applied on a basis consistent with that of the preceding years.

We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit

"Department of Chamorro Affairs is an Equal Opportunity Provider and Employer"

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Appendix C - Management Representation Letter, continued

*Management's responsibilities, continued*

We recognize that we are responsible for the DCANAF's compliance with the laws, regulations, grant agreements and contracts that are applicable to it. We have identified and disclosed to your representatives all laws and regulations, grant agreements and contracts that have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

We have identified to your representatives all previous audits, attestation engagements, and other studies related to the audit objectives and whether the related recommendations have been implemented

There has been no noncompliance or possible noncompliance with provisions of contracts or grant agreements in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

We have a process to track the status of audit findings and recommendations.

We have provided views on your reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.

We have taken timely and appropriate steps to remedy fraud, and noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that you have reported.

*Uncorrected misstatements*

We believe that the effects of any uncorrected misstatements, summarized in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole.

*Internal control*

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

We are not aware of any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting. There have been no significant changes in internal control since September 30, 2013.

Appendix C - Management Representation Letter, continued

*Minutes and contracts*

The dates of meetings of shareholders, directors, committees of directors and important management committees are as follows:

October 18, 2012	November 29, 2012	January 24, 2013
March 21, 2013	April 18, 2013	May 16, 2013
September 19, 2013		

We have made available to you all minutes of the meetings of shareholders, directors and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

We also have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

*Significant assumptions*

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and supportable.

*Risks and uncertainties*

There are no risks and uncertainties related to significant estimates and current vulnerabilities due to material concentrations that have not been disclosed in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 275, *Risks and Uncertainties*.

*Ownership and pledging of assets*

DCANAF has satisfactory title to all assets appearing in the statements of net position. All assets to which DCANAF has satisfactory title appear in the statements of net position.

*Receivables and revenues*

Receivables represent valid claims against the debtors indicated and do not include amounts for goods shipped or services provided subsequent to the dates of the statements of net position.

All revenue recognized as of the dates of the statements of net position has been realized (or is realizable) and earned. Revenue has not been recognized before (1) persuasive evidence of an arrangement exists, (2) goods have been delivered or services rendered, (3) consideration to be received is fixed or determinable and (4) collectability is reasonably assured.

Appendix C - Management Representation Letter, continued

*Receivables and revenues, continued*

Adequate provision has been made for losses, costs and expenses that may be incurred subsequent to the dates of the statements of net position in respect of sales and services rendered prior to those dates and for uncollectible accounts, discounts, returns and allowances, etc., that may be incurred in the collection of receivables at those dates.

We have adequately disclosed a description of our major revenue-generating products and services, the types of arrangements (including multiple-element arrangements) used to deliver these products or services, and a description of the revenue recognition policies applicable to these products or services.

We have disclosed to you all sales terms (both expressed and implied), including all rights of return or price adjustments and warranty provisions. We have made available to you all significant contracts, communications (either written or oral), and other relevant information pertaining to arrangements with our customers, including distributors and resellers.

*Inventories*

Inventories, including goods that are defective, slow-moving, obsolete or unusable, are stated at amounts not in excess of their estimated net realizable values.

Physical counts and measurements of inventories were made by competent employees under the supervision of management and book records were appropriately adjusted after giving recognition to cut-off for materials received and products shipped.

Adequate provision has been made for losses under firm purchase commitments for goods or inventory. There have been no reductions of the selling prices of finished goods subsequent to September 30, 2013 and none are contemplated.

*Contingent liabilities*

There are no unasserted claims or assessments, including those our lawyers have advised us of, that are probable of assertion and must be disclosed in accordance with ASC 450-20, *Contingencies – Loss Contingencies*.

There have been no violations or possible violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

There have been no internal investigations or communications from regulatory agencies or government representatives concerning investigations or allegations of noncompliance with laws or regulations in any jurisdiction, noncompliance with or deficiencies in financial reporting practices, or other matters that could have a material effect on the financial statements.

Appendix C - Management Representation Letter, continued

*Contingent liabilities, continued*

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be accrued or disclosed by ASC 450, *Contingencies*, nor are there any accruals for loss contingencies included in the statements of net position or gain contingencies reflected in earnings that are not in conformity with the provisions of ASC 450.

We have not consulted legal counsel concerning litigation, claims or assessments.

*Oral or written guarantees*

There are no oral or written guarantees, including guarantees of the debt of others.

*Purchase commitments*

At September 30, 2013, DCANAF had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at that date.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2013 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

*Fraud*

We acknowledge our responsibility for the design, implementation and maintenance of programs and internal control to prevent and detect fraud.

We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the DCANAF's internal control over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees where the fraud could have a material effect on the financial statements.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have disclosed to you all allegations of financial improprieties, including fraud or suspected fraud, coming to our attention (regardless of the source or form and including, without limitation, allegations by "whistle-blowers") where such allegations could result in a misstatement of the financial statements or otherwise affect the financial reporting of the DCANAF.

*Independence*

We are not aware of any capital lease, material cooperative arrangement or other business relationship between DCANAF and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

Appendix C - Management Representation Letter, continued

We are not aware of any reason that Ernst & Young LLP would not be considered to be independent for purposes of the DCANAF's audit.

*Conflicts of interest*

There are no instances where any officer or employee of the Company has an interest in a company with which the Company does business that would be considered a "conflict of interest." Such an interest would be contrary to DCANAF policy.

*Subsequent events*

Subsequent to September 30, 2013, no events or transactions have occurred or are pending that would have a material effect on the financial statements at that date or for the period then ended, or that are of such significance in relation to the Government of Guam's affairs to require mention in a note to the financial statements in order to make them not misleading regarding the financial position, results of operations or cash flows of the Company.

*Required supplementary information*

We acknowledge our responsibility for the required supplementary information on management's discussion and analysis, which have been measured and presented in conformity with the guidelines established by the applicable Financial or Governmental Accounting Standards Board Statement. There have been no changes in the methods of measurement or presentation of the required supplementary information from those used in the prior period. We are responsible for the significant assumptions and interpretations underlying the measurement and presentation of the required supplementary information. We believe that the significant assumptions and interpretations used are reasonable.

*Supplementary information*

We are responsible for the presentation of the combining schedules (the "supplementary information") in accordance with U.S. GAAP. We believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. There have been no changes in the methods of measurement or presentation of the supplementary information from those used in the prior period. We are responsible for the significant assumptions and interpretations underlying the measurement and presentation of the supplementary information. We believe that the significant assumptions and interpretations used are reasonable.

Appendix C - Management Representation Letter, continued

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We understand that your audits were conducted in accordance with auditing standards generally accepted in the United States as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and were, therefore, designed primarily for the purpose of expressing an opinion on the financial statements of DCANAF as a whole, and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,

  
\_\_\_\_\_  
Mr. Joseph Artero-Cameron, President

  
\_\_\_\_\_  
Ms. Juanita Quintanilla, Administrative Services Officer