

OFFICE OF PUBLIC ACCOUNTABILITY
Doris Flores Brooks, CPA, CGFM
Public Auditor

June 4, 2014

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

32-14-1715
Judith T. Won Pat, Ed.D.
Date: 6.5.14
Time: 8:32am
Received by: [Signature]
2014 JUN 5 AM 8:32 [Signature]

Dear Speaker Won Pat:

Hafa Adai! Transmitted herewith is the Guam Museum Foundation, Inc. (the Foundation)'s Calendar Year (CY) 2013 Financial Audit. Independent Auditor's Ernst & Young expressed an unmodified (clean) opinion for the Foundation's financial statements.

To recap CY 2013:

- Of concern are the following:
 - No evidence of: CY 2013 FICA tax deposits; filed quarterly FICA tax returns with the U.S. Internal Revenue Service; no payments of employee income taxes for the second, third, and fourth quarter of 2013 were remitted and filed with the Treasurer of Guam. This exposes the Foundation to penalties and interest.
 - Bank reconciliations were not timely prepared.
 - The Foundation does not have staff with adequate accounting skills necessary to ensure that all routine accounting transactions, particularly in payroll, have been recorded accurately.
- For the second year of operations, the Foundation ended the calendar year with a decrease of \$11K compared to an increase of \$11K from the previous year. As a result, the Foundation has a negative net position of \$1K. The top three revenue sources are admissions at \$155K, grants at \$20K, and Hall of Governor's rental at \$7K. The top three expenses of the Foundation are payroll and employee benefits of \$88K, commissions of \$56K, and program services of \$26K.

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.

Senseramente,
Doris Flores Brooks, CPA, CGFM
Public Auditor

RECEIPT ACKNOWLEDGED:

By: Tom King
Date: 6/4/14 2:37pm

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Financial Statements

Guam Museum Foundation, Inc.

*Years ended December 31, 2013 and 2012
with Report of Independent Auditors*

Guam Museum Foundation, Inc.

Financial Statements

Years ended December 31, 2013 and 2012

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Report of Independent Auditors

The Board of Directors
Guam Museum Foundation, Inc.

We have audited the accompanying financial statements of the Guam Museum Foundation, Inc. (the Foundation), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, and cash flows for the years then ended and the related notes to the financial statements.

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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Guam Museum Foundation, Inc. as of December 31, 2013 and 2012, and the changes in its net position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Restriction on Use

This report is intended solely for the information and use of the board of directors and the management of the Guam Museum Foundation, Inc., and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

May 19, 2014

Guam Museum Foundation, Inc.

Statements of Financial Position

	December 31,	
	<u>2013</u>	<u>2012</u>
Assets		
Cash	\$ 5,342	\$11,281
Accounts receivable <i>(Note 2)</i>	<u>26,454</u>	<u>6,633</u>
Total assets	<u>\$31,796</u>	<u>\$17,914</u>
Liabilities and Net Position		
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.

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 <i>(Note 2)</i>	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.

Guam Museum Foundation, Inc.

Statements of Cash Flows

	Year ended December 31,	
	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
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>
Reconciliation of operating revenues net of operating expenses to net cash (used in) provided by operating activities:		
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.

Guam Museum Foundation, Inc.

Notes to Financial Statements

Years Ended December 31, 2013 and 2012

1. Organization and Summary of Significant Accounting Policies

Reporting Entity

The Guam Museum Foundation, Inc. (the Foundation), a non-stock, non-profit corporation, was incorporated on January 16, 2006 under the laws of the Territory of Guam. The Foundation's primary purpose is to serve as the fund-raising arm of the Department of Chamorro Affairs for the proposed museum facility, and to oversee the continued development, design, construction and operation of the Guam Museum.

All functions and powers of the Foundation are vested in and exercised by and under the direction of the Board of Directors (the 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.

Basis of Accounting

The accompanying financial statements are reported using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net position, revenues and expenses are classified based on the existence or absence of donor-imposed restrictions.

Tax Exemption Status

The Foundation is organized and operates exclusively for the advancement of charitable and educational purposes as provided within the meaning of Sections 170(c) and 501(c) (3) of the Internal Revenue Code and the corresponding provisions of the Guam Territorial Income Tax Law. The property, assets, profits, and net income of the Foundation are irrevocably dedicated to non-profit charitable and educational purposes.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support and increases those net asset classes. When a temporary restriction expires, temporarily restricted net position are reclassified to unrestricted net position and are reported in the statements of activities as net position released from restrictions.

Guam Museum Foundation, Inc.

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Revenue Recognition

Revenues are recognized when the earnings process is complete or the actual services are rendered. Revenues consist of admission fees from the Latte of Freedom visitors, corporate contributions, grants, fundraising, lease revenue from the Hall of Governors, and other miscellaneous revenues.

Receivables

Receivables are reported in the statements of financial position at outstanding principal amounts adjusted for any allowance for doubtful accounts. Uncollectible accounts are written-off against any allowance for doubtful accounts or are charged to expense in the period the Foundation's management deems the accounts to be uncollectible.

Net Position

Net position represents the residual interest in the Foundation's assets after liabilities are deducted and consist of unrestricted net position.

Unrestricted net position represent resources primarily derived from admission fees, corporate contributions and donations. These resources are not subject to donor-imposed restrictions and can be used for any purpose.

Subsequent Events

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

2. Grant Revenue

In September 2013, the U.S. Department of Agriculture approved the Foundation's request for a Rural Business Enterprise Grant in the amount of \$50,000. As of December 31, 2013, related grant project costs totaled \$23,992 as reported in the accompanying 2013 statement of activities. Accordingly, the Foundation recorded accounts receivable and grant revenue of \$20,000 which is recorded as a component of accounts receivable in the accompanying 2013 statement of financial position and as reported in the accompanying 2013 statement of activities, respectively.

The grant revenue amounts received are subject to audit and adjustment. If any expenditure is disallowed by the grantor agency as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the Foundation. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable local and federal laws and regulations.

Management Letter

Guam Museum Foundation, Inc.

For the year ended December 31, 2013



Building a better
working world

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May 19, 2014

The Board of Directors
Guam Museum Foundation, Inc.
Hagatna, Guam

In planning and performing our audit of the financial statements of Guam Museum Foundation (the Foundation) as of and for the year ended December 31, 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 the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

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.

Material Weaknesses

During our audit, we noted the following matters involving internal control over financial reporting and its operation that we consider to be material weaknesses, as defined above.

Payroll Taxes

Observation

There was no evidence that FICA tax deposits for the 2013 year were remitted to, nor was there evidence to indicate that quarterly FICA tax returns had been filed with, the U.S. Internal Revenue Service. Furthermore, there was no evidence that income taxes withheld for the second, third and fourth quarters of 2013 were remitted to, nor was there evidence to indicate that quarterly returns had been filed with the Treasurer of Guam. Both non remittance of payroll tax deposits and non-filing of FICA and withholding tax quarterly returns expose the Foundation to penalties and interest.

Recommendation

We recommend that the Foundation immediately take action to remit unpaid taxes and file all required tax returns. The Foundation should consider outsourcing its payroll function to an outside payroll service provider.

Bank Reconciliations

Observation

Bank reconciliations for the months of January through December 31, 2013 were not prepared at the time the year end trial balance was provided to us. When the December 31, 2013 bank statement reconciliations were ultimately performed, they revealed existence of errors such as (1) duplicate deposits and (2) checks that, although were recorded in the cash disbursements journal, had been unreleased and un-mailed.

Recommendation

We recommend that the personnel diligently prepare bank reconciliations on a monthly basis. Furthermore, a member of management should affix his/her signature on all bank reconciliations to evidence that the reconciliations have been reviewed.

Accounting Personnel

Observation

The Foundation does not have staff with adequate accounting skills necessary to ensure that all routine accounting transactions have been recorded and that they are recorded accurately.

Accounting Personnel, continued

Recommendation

The Foundation should consider hiring personnel with an accounting background who will be responsible for the recording and reporting of financial activities. In addition, we recommend that management ensure personnel responsible for the financial reporting process are trained in using the Foundation's accounting software and its functions.

Deficiency

Financial Statement Close Process

Observation

During our review of the beginning balance of net assets, we noted that the prior year audit adjustments were not recorded.

Recommendation

Management should evaluate its present practices of closing the books to ensure all audit adjustments are timely recorded.

This communication is intended solely for the information and use of the management and the Board of Directors of the Foundation, others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

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

Ernst + Young LLP

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

The Guam Museum Foundation, Inc.

Year ended December 31, 2013



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May 19, 2014

The Board of Directors
The Guam Museum Foundation, Inc.
Hagatna, Guam

We have performed an audit of the financial statements of the Guam Museum Foundation, Inc. (the Foundation) as of and for the year ended December 31, 2013, in accordance with U.S. generally accepted auditing standards and have issued our report thereon dated May 19, 2014.

This report to the Board of Directors of the Foundation 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 Foundation 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 Directors (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 Foundation is responsible. We summarize these required communications as follows:

Auditors' Responsibilities under Auditing Standards Generally Accepted in the United States (US GAAS)

The financial statements are the responsibility of the Foundation's management. Our audit was designed in accordance with U.S. generally accepted auditing standards 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 Foundation's internal control over financial reporting. Our responsibilities under the audit were communicated to management and outlined in an engagement letter dated December 23, 2013.

Auditors' Responsibilities under US GAAS, 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 Foundation'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.

The Adoption of, or a Change in Significant Accounting Policies

We determined that the Board of Directors or those charged with governance are 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 Foundation's significant accounting policies during the year ended December 31, 2013.

Auditor's Judgments about the Quality of the Foundation's Accounting Principles

We discussed our judgments about the quality, not just the acceptability, of the Foundation'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.

The Foundation has consistently applied accounting principles generally accepted in the United States (US GAAP) and adequately disclosed required US GAAP disclosures in the financial statements.

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 of Directors or those charged with governance are informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Sensitive Accounting Estimates, continued

Management's judgment is called upon in:

- Preparing budgets that are used to administer and monitor Foundation's operations. These budgets include determining how existing financial resources will be used in Foundation's operations.
- Determining the adequacy of the recorded valuation of receivables, including the need for any reserve.
- Determining assumptions utilized in measuring significant accounting estimates for financial accounting purposes.

Significant Audit Adjustments

During our audit, we proposed adjusting entries, which the Foundation 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 Foundation's management to be immaterial, both individually and in the aggregate, to the financial statements as a whole (see Appendix B - *Summary of Unrecorded Audit Misstatements*)

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 year ended December 31, 2013.

Disagreements with Management on Financial Accounting and Reporting Matters

There were no material disagreements with the Foundation'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 the Foundation'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 the Foundation, or of any significant accounting policies used by the Foundation related to controversial or emerging areas for which there is lack of authoritative guidance.

The Board of Directors
The Guam Museum Foundation, Inc.

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, the Foundation's management has represented to us that they were not aware of any fraud or illegal acts for the period from January 1, 2013 to May 19, 2014 (see Appendix C – *Management's Representation Letter*).

Significant Deficiencies and Material Weaknesses in Internal Control

We have identified certain material weaknesses and deficiency in internal control during the course of our audit which has been included in our separately issued management letter dated May 19, 2014.

Independence

We are not aware of any relationships between Ernst & Young and our related entities, and the Foundation, 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 the Foundation within the meaning of the applicable published rules and pronouncements, its interpretations and rulings.

This report is intended solely for the use of the Foundation's board of directors 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.

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 Directors
The Guam Museum Foundation, Inc.

Appendices

A – Adjusting Journal Entries

B – Summary of Unrecorded Audit Misstatements

C – Management’s Representation Letter

The Board of Directors
The Guam Museum Foundation, Inc.

Appendix A – Adjusting Journal Entries

Department of Chamorro Affairs: Guam Museum Foundation, Inc.

Year End: December 31, 2013

Adjusting entries

Date: 1/1/2013 To 12/31/2013

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence
AJE 01	12/31/2013	Bank Pacific	1010 DCA6		CO120		1,770.00	
AJE 01	12/31/2013	INCOME:Latte of Freedom Admission	4000 DCA6		CO120	1,770.00		
To correct duplicate entries of cash receipts.								
AJE 02	12/31/2013	Bank Pacific	1010 DCA6		CO120	3,184.00		
AJE 02	12/31/2013	Accrued FICA Payable	EY2013-08 DCA6		CO120		3,184.00	
To revert back to cash unreleased check payable to Department of Treasury for 2013 Q1 FICA.								
AJE 03	12/31/2013	Unrestricted Net Assets	3010 DCA6		T0100	1,467.00		
AJE 03	12/31/2013	EXPENSES:Latte of Freedom:Janitorial Expense	5100 DCA6		T0100		924.00	
AJE 03	12/31/2013	EXPENSES:Latte of Freedom:Repairs and Maintenance	5130 DCA6		T0100		361.00	
AJE 03	12/31/2013	Payroll Tax - FICA - Employer Share	5230 DCA6		T0100		3,031.00	
AJE 03	12/31/2013	Miscellaneous income&expense	EY2012-01 DCA6		T0100	2,849.00		
To properly state beginning net position.								
AJE 04	12/31/2013	Bank of Guam	1000 DCA6		CO110		2,783.00	
AJE 04	12/31/2013	Accounts Receivable	1100 DCA6		CO110	1,340.00		
AJE 04	12/31/2013	Miscellaneous income&expense	EY2012-01 DCA6		CO110	443.00		
AJE 04	12/31/2013	Miscellaneous income&expense	EY2012-01 DCA6		CO110	1,000.00		
To reconcile book balance with the adjusted cash balance (BOG).								
AJE 05	12/31/2013	Payroll Tax - FICA - Employer Share	5230 DCA6		V80120	2,989.00		
AJE 05	12/31/2013	Accrued FICA Payable	EY2013-06 DCA6		V80120		2,989.00	
To accrue unremitted FICA taxes for employee and employer's share.								
						15,042.00	15,042.00	
Net Income (Loss)								{11,204.00}

Appendix B – Summary of Unrecorded Audit Misstatements

Communicated on schedule for uncorrected misstatements

Entity: Guam Museum Foundation, Inc. Period Ended: 3-31-2013 Current: 1980

Account Description	Active		Liabilities		Equity		Section 501(c)(3) Misstatement of the current period	Section 501(c)(3) Misstatement of the current period	Not audited
	Current	Non-current	Current	Non-current	Current	Non-current			
ASSETS									
Current									
Non-current									
LIABILITIES									
Current									
Non-current									
EQUITY									
Current									
Non-current									
Total									
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SAG 49 MISST: NO RECORD FOR THE IN THE REPORT FOR 2013. 100% DISCOUNT FROM 100% DISCOUNT FROM									
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Appendix B -- Summary of Unrecorded Audit Misstatements, continued

Communication schedule for unrecorded misstatements

Entity: Guam Museum Foundation, Inc. Period Ended: 31-Dec-2012 Currency: USD

Account	Amount	Current	Unrecorded	Unrecorded/Current	Qualifying Misstatement	Qualifying Component	Qualifying Component	Qualifying Component	Income Statement Effect for prior period
Account	Current	Qualifying Component	Qualifying Component	Qualifying Component	Qualifying Component	Qualifying Component	Qualifying Component	Qualifying Component	Income Statement Effect for prior period
SAD 05	2116	2116							
Total of unrecorded misstatements	2116	2116							
Total of unrecorded misstatements	2116	2116							
Impact of misstatements on financial statements	31786	31786							
Impact of unrecorded misstatements on financial statements	31786	31786							
Total of unrecorded misstatements	31786	31786							
Impact of unrecorded misstatements on financial statements	31786	31786							
Total of unrecorded misstatements	31786	31786							

Note: To information in the preceding table, unrecorded misstatements based on income statement, current period, unrecorded misstatements, are as follows:

- 1. The total of unrecorded misstatements is \$31,786.
- 2. The total of unrecorded misstatements is \$31,786.
- 3. The total of unrecorded misstatements is \$31,786.

Cumulative effect of unrecorded misstatements for the period ended 31-Dec-2012 is \$31,786.

Cumulative effect of unrecorded misstatements for the period ended 31-Dec-2012 is \$31,786.

Cumulative effect of unrecorded misstatements for the period ended 31-Dec-2012 is \$31,786.

Cumulative effect of unrecorded misstatements for the period ended 31-Dec-2012 is \$31,786.

Cumulative effect of unrecorded misstatements for the period ended 31-Dec-2012 is \$31,786.

Appendix B – Summary of Unrecorded 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.


Ms. Leona Young, Administrator

The Board of Directors
The Guam Museum Foundation, Inc.

Appendix C – Management’s Representation Letter



May 19, 2014

Ernst & Young
231 Ypao Road
Suite 201, Ernst & Young Building
Tamuning, Guam

In connection with your audits of the basic financial statements of the Guam Museum, Inc. (the Foundation) as of December 31, 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 the Guam Museum 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.

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

Management’s responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated December 23, 2013, 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
- Unrestricted access to persons within the Foundation from whom you determined it necessary to obtain audit evidence

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

GMFI | P.O. Box 518 Hagatna, Guam 96932 | T: 671-475-4634

Appendix C – Management’s Representation Letter, continued

Management’s responsibilities, continued

We recognize that we are responsible for the Foundation’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 December 31, 2013.

Appendix C – Management’s Representation Letter, continued

Minutes and contracts

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

February 26, 2013	April 30, 2013	June 4, 2013
August 27, 2013	December 5, 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

The Foundation has satisfactory title to all assets appearing in the statements of financial position. All assets to which the Foundation has satisfactory title appear in the statements of financial 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’s 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.

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.

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.

Appendix C – Management’s Representation Letter, continued

Oral or written guarantees

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

Purchase commitments

At December 31, 2013, the Foundation 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 December 31, 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 Foundation’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 Foundation.

Independence

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

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

Conflicts of interest

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

Appendix C – Management’s Representation Letter, continued

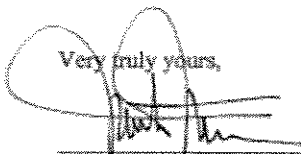
Subsequent events

Subsequent to December 31, 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 Foundation.

* * * * *

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 were, therefore, designed primarily for the purpose of expressing an opinion on the financial statements of the Foundation 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. Monte Mesa, Chairman of the Board



Ms. Leona Young, Administrator