

*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		C0120		1,770.00	
AJE 01	12/31/2013	INCOME:Lette of Freedom:Admission	4000 DCA6		C0120	1,770.00		
To correct duplicate entries of cash receipts.								
AJE 02	12/31/2013	Bank Pacific	1010 DCA6		C0120	3,184.00		
AJE 02	12/31/2013	Accrued FICA Payable	EY2013-06 DCA6		C0120		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:Lette of Freedom:Janitorial Expense	5100 DCA6		T0100		924.00	
AJE 03	12/31/2013	EXPENSES:Lette 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		C0110		2,783.00	
AJE 04	12/31/2013	Accounts Receivable	1100 DCA6		C0110	1,340.00		
AJE 04	12/31/2013	Miscellaneous income&expense	EY2012-01 DCA6		C0110	443.00		
AJE 04	12/31/2013	Miscellaneous income&expense	EY2012-01 DCA6		C0110	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		V80 120	2,989.00		
AJE 05	12/31/2013	Accrued FICA Payable	EY2013-06 DCA6		V80 120		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

Communication schedule for unrecorded misstatements

Entity: Guam Museum Foundation, Inc. Period Ended: 31-Dec-2013 Currency: USD

No.	W/P ref.	Account	Assets		Liabilities		Equity components		Effect on the current period OCI		Income statement effect	
			Current	Non-current	Current	Non-current	Debit(Credit)	Debit(Credit)	Debit(Credit)	Debit(Credit)	Debit(Credit)	Debit(Credit)
(All misstatements are recorded at journal entries with a description.)												
Particular misstatements:												
SA002	V00150	To record the cash deposit back to the account										
		1010 DCAG Bank Payable		118								
		Repair and Maintenance										(118)
SA001	NE110	To record expenses in the prior period.										
		Dr. Janitorial fees										924
		Cr. Accounts payable			624							
Projected misstatements:												
SA003	V00120	To correct FICA SS-employee share.										
		Dr. FICA Payroll FICA SS- Employee Share (24)										219
		Cr. FICA Payroll FICA SS- Employee Share (29)										
Reclassification misstatements:												
SA001	ED011	To properly reclassify the credit balance of account as reclass to expense.										
		Dr. 1100 Account Receivable										1,529
		Cr. 1010 DCAG Bank Payable										

19 February 2014



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

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 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.

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.

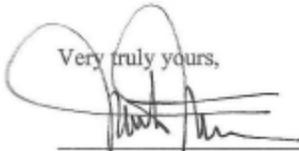
Appendix C – Management’s Representation Letter, continued

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