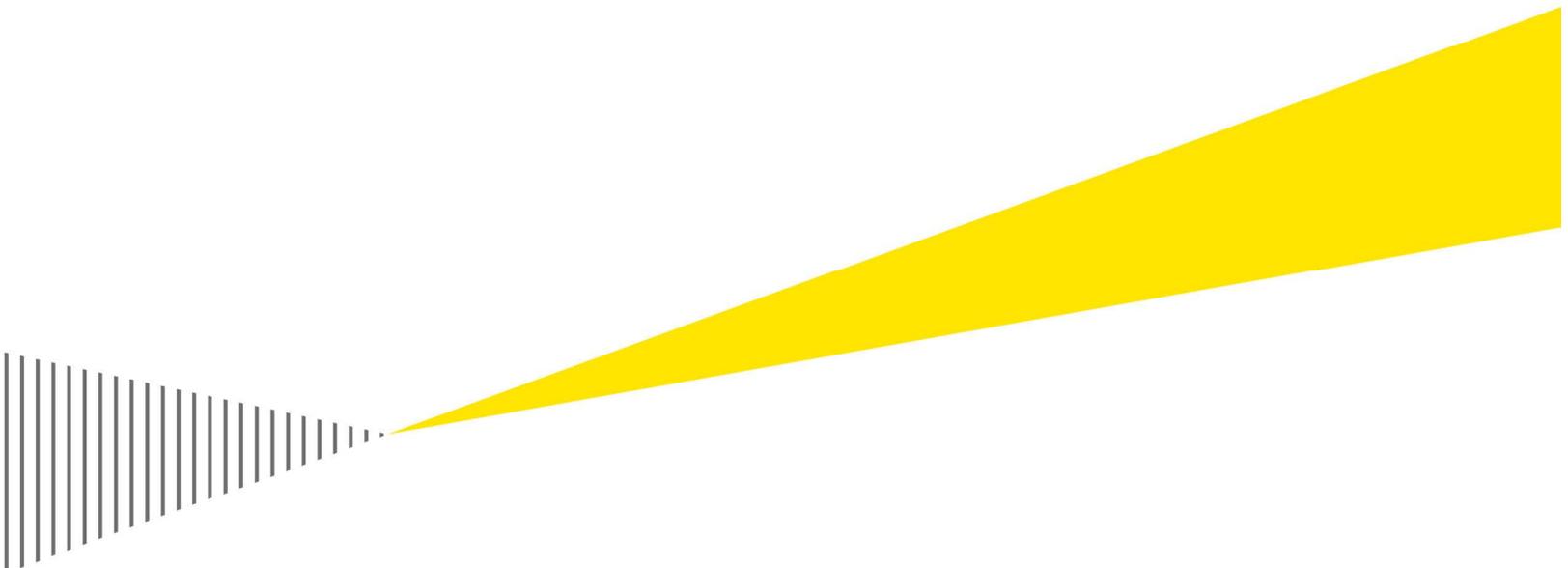


*Financial Statements and
Supplementary Information*

**Department of Chamorro Affairs –
Non-Appropriated Funds**
(A Component Unit of the Government of Guam)

*Years ended September 30, 2015 and 2014
with Report of Independent Auditors*



**Building a better
working world**

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Financial Statements and
Supplementary Information

Years ended September 30, 2015 and 2014

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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), a component unit of the Government of Guam, which collectively comprise the statements of net position as of September 30, 2015 and 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the 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 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 opinion.

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the DCANAF as of September 30, 2015 and 2014, and the respective changes in financial position and cash flows, for the years then ended in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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 an opinion on the financial statements as a whole. The accompanying combining statements of net position and combining statements of revenues, expenses and changes in net position included in pages 23 through 26 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Supplementary Information, continued

The supplementary information included in pages 23 through 26 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 June 3, 2016 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 the DCANAF's internal control over financial reporting and compliance.

Ernst + Young LLP

June 3, 2016

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Management’s Discussion and Analysis

Year ended September 30, 2015

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, 2015. 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
(A Component Unit of the Government of Guam)

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
(A Component Unit of the Government of Guam)

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
(A Component Unit of the Government of Guam)

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. 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.

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

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 country 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 12th Festival of Pacific Arts in 2016.

In addition to promoting the arts on Guam, Public Law 20-27 relative to "Arts in Public Buildings and Facilities" as amended by Public Law 31-118 was created. I Liheslatura (the legislature) declares it to be policy that a portion of appropriations for capital expenditures for public buildings be set aside either for the acquisition of works of art to be used in such buildings and in any buildings intended for use of the general public to the extent that the construction or improvement of such non-public buildings is supported by either federal or government of Guam tax incentives or other subsidy arrangement or the funds may be given to the Guam Council on the Arts and Humanities Agency for the purpose of fostering culture and the arts for the development of local artists, children and the community as a whole.

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Management’s Discussion and Analysis, continued

Introduction, continued

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.

- **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 12th grade turn to PBS for digital content and services that help bring classroom lessons to life.

Financial Highlights

- The total assets of DCANAF exceeded its liabilities at September 30, 2015 by \$253,180. The amount of \$265,933 is restricted for CAHA’s “Percent for the Arts” program and Guam’s participation at the FEST PAC. This is a decrease of \$50,381 over net assets of \$303,561 at September 30, 2014.
- Total operating revenue decreased in the current year by \$155,994 or 20%, while total operating expenses increased by \$32,764 or 5%.

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Management’s Discussion and Analysis, continued

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 equals 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) 2015, which amount is then added to the ending balance of net position from FY 2014 to arrive at net position for FY 2015.

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 2015 ending cash balance.

Department-Wide Financial Analysis

Net Position

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2015 % decrease from 2014</u>
Total assets	\$343,611	\$398,431	\$223,919	14%
Total liabilities	\$ 90,431	\$ 94,870	\$ 58,735	5%
Net position	\$253,180	\$303,561	\$165,184	17%

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Management’s Discussion and Analysis, continued

Department-Wide Financial Analysis, continued

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	2015 % (decrease) increase from 2014
Total revenues	\$ 620,478	\$776,472	\$522,274	(20%)
Total expenses	\$ 670,859	\$638,095	\$518,143	5%
(Decrease) increase in net position	\$(50,381)	\$138,377	\$ 4,131	(136%)

Economic Outlook

The state of the economy of Guam in FY 2015 is anticipated to be influenced positively by a continuation of the global economic expansion; America’s rebalancing of its strategic focus and posture toward the pacific; and increased investment and expansion related to resident and tourist facilities, public utilities and infrastructure.

The cumulative effect of positive trends in the major drivers of Guam’s economy, tourism, defense and construction point the economy in the direction of moderate expansion in FY 2015.

The Senator Antonio “Tony” M. Palomo Guam and Chamorro Educational Facility is in its final phase of construction. Of note, the permanent exhibit work component is anticipated to be completed at the last quarter of 2016. Door is scheduled to open to the public at the very latest on December, 2016. In FY 2016 the division’s facility will showcase aspects of Chamorro culture, such as: “Art, Chants, Crafts, Cuisine, Dance, Language, Music, Storytelling, Special events, performances, seasonal celebrations, and demonstrations will make the facility a Community asset that encourages repeat visitation, not just a place for passive education but also a center for interactive informal learning.

The Guam Museum will provide a rich environment for lifelong learning and a variety of opportunities for adult learners. The Guam Museum will also focus on education on programs for our youth. In this changing educational landscape, we can expect to find rich and varied continuing education programs (art appreciation, drama, workshops, art classes, music appreciation, and the like) offered by the Guam Museum. Our older citizens are also a valuable museum cultural resource. The personal recollections and shared experiences they have had with Guam history with each other and with the museum staff will enhance our programs as well. The museum will foster links between the schools and the museum as an extension of the classroom. Our Guam museum will be a rich source of lifelong Learning opportunities for our adults and children.

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Management’s Discussion and Analysis, continued

Economic Outlook, continued

The Guam Museum will have an increase in professional staffing and an anticipated increase of revenues generated primarily from admission fees collected, museum store sales, promotions, conferencing venue fees assessed, cultural performances and multi-level fundraising activities.

Galaide Group has been contracted for the Guam Museum Management Operations and Maintenance Services for two years with an option to renew annually and not to exceed five (5) years total.

The Department of Chamorro Affairs in collaboration with the Guam Economic Development Authority and Guam Visitors Bureau (GVB) are in the process of updating its 2005 Feasibility Study to further project current economic and sustainability for the GCEF viability. The updated information will show that tourism alone will drive major income resources for the GCEF’s economic sustainability in the maintenance of the continued maintenance of the facility.

DCA will ensure

- Sustainable development of Guam’s tangible and intangible heritage.
- Continuous improvement of visitor experiences.
- Active engagement to maintain and strengthen relationships with the various island communities, thereby ensuring a sense of place, community ownership and pride.
- Diversification and expansion of the Guam Museum funding resources.
- The concept for the new Guam Museum or GCEF is centered on a “living museum” approach: “Museums of tomorrow must partner with the community at large to address issues of culture, traditions, and social issues that affect the island population. Educational outreach and humanities outreach are very important segments of what museums espouse today.”
- That Guam’s civilian-military relationship be enhanced with worthwhile orientation programs for military personnel and their dependents for a mutual sense of belonging: history of Guam, understanding and respecting the Chamorro culture and traditions. Language and values, along with mutual respect and understanding of cultural diversity creates a sense of place for all Guamanians.

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Management’s Discussion and Analysis, continued

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

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Statements of Net Position

	September 30,	
	<u>2015</u>	<u>2014</u>
Assets		
Cash:		
Unrestricted	\$ 20,133	\$ 27,648
Restricted	265,933	275,097
Accounts receivable, net of allowance for doubtful accounts of \$8,275 in 2014	11,492	37,294
Inventory, net of allowance for obsolescence of \$33,923 in 2015 (\$32,634 in 2014)	42,355	54,694
Other assets	<u>3,698</u>	<u>3,698</u>
Total assets	<u>343,611</u>	<u>398,431</u>
Liabilities		
Accounts payable	68,324	69,888
Security deposits	<u>22,107</u>	<u>24,982</u>
Total liabilities	<u>90,431</u>	<u>94,870</u>
Net Position		
Unrestricted	(12,753)	28,464
Restricted - expendable	<u>265,933</u>	<u>275,097</u>
Total net position	<u>\$253,180</u>	<u>\$303,561</u>

See accompanying notes.

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Statements of Revenues, Expenses and Changes in Net Position

	Year ended September 30,	
	<u>2015</u>	<u>2014</u>
Revenues:		
Lease revenue	\$493,109	\$499,156
Other income	74,618	152,355
Fundraising	27,430	52,576
Donations	15,823	11,248
Grants	7,500	---
Book sales	1,998	1,137
Appropriations	<u>---</u>	<u>60,000</u>
Total revenues	<u>620,478</u>	<u>776,472</u>
Expenses:		
Utilities	243,926	248,851
Contractual	231,181	223,428
Supplies	77,530	13,325
Meals and entertainment	66,822	59,400
Communication	12,407	9,577
Cost of goods sold	10,262	3,907
Miscellaneous	9,034	18,951
Grant expense	6,139	---
Office expense	4,519	6,582
Rent	3,262	2,389
Cost of fundraising activities	2,430	7,102
Provision for inventory obsolescence	1,289	32,634
Advertising	1,265	1,773
Marketing and promotions	793	6,250
Travel	<u>---</u>	<u>3,926</u>
Total expenses	<u>670,859</u>	<u>638,095</u>
Change in net position	(50,381)	138,377
Net position at beginning of year	<u>303,561</u>	<u>165,184</u>
Net position at end of year	<u>\$253,180</u>	<u>\$303,561</u>

See accompanying notes.

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Statements of Cash Flows

	Year ended September 30,	
	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Receipts from lease revenue	\$ 518,911	\$472,964
Receipts from other income	74,618	152,355
Receipts from fundraising activities	27,430	52,576
Receipts from grants and donations	23,323	11,248
Receipts from book sales	1,998	1,137
Receipts from appropriations	---	60,000
Payments to vendors	<u>(662,959)</u>	<u>(567,449)</u>
Net cash (used in) provided by operating activities	(16,679)	182,831
Cash at beginning of year	<u>302,745</u>	<u>119,914</u>
Cash at end of year	\$ <u>286,066</u>	\$ <u>302,745</u>
Consisting of:		
Unrestricted	\$ 20,133	\$ 27,648
Restricted	<u>265,933</u>	<u>275,097</u>
	\$ <u>286,066</u>	\$ <u>302,745</u>
Reconciliation of operating revenues net of operating expenses to net cash (used in) provided by operating activities:		
Change in net position	\$(50,381)	\$138,377
Adjustments to reconcile change in net position to net cash (used in) provided by operating activities:		
Provision for inventory obsolescence	1,289	32,634
Changes in assets and liabilities:		
Accounts receivable	25,802	(26,192)
Inventory	11,050	2,059
Other assets	---	(182)
Accounts payable	(1,564)	30,454
Security deposits	<u>(2,875)</u>	<u>5,681</u>
Net cash (used in) provided by operating activities	\$(<u>16,679</u>)	\$ <u>182,831</u>

See accompanying notes.

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Notes to Financial Statements

Years ended September 30, 2015 and 2014

1. Organization and Summary of Significant Accounting Policies

Organization

The Department of Chamorro Affairs (DCA) was created by Public Law (P.L.) 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
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Organization, continued

The Guam Museum 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. There were no financial activities involving non-appropriated funds in 2015 and 2014.

- 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 Agency – 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 2015 and 2014.
- 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 2015 and 2014.

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 within 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.

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement establishes accounting and financial reporting standards for fair value measurements, the level of fair value hierarchy, and valuation techniques. GASB Statement No. 72 will be effective for the DCANAF for fiscal year ending September 30, 2016.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB Statement No. 76 will be effective for the DCANAF for fiscal year ending September 30, 2016.

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. GASB Statement No. 79 will be effective for the DCANAF for fiscal year ending September 30, 2017.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units*. The Statement is intended to provide clarity about how certain component units incorporated as not-for-profit corporations should be presented in the financial statements of the primary state or local government. GASB Statement No. 80 will be effective for the DCANAF for fiscal year ending September 30, 2017.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. GASB Statement No. 81 will be effective for the DCANAF for fiscal year ending September 30, 2018.

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

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.

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

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.

Inventory

Inventory as of September 30, 2015 and 2014 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.

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.

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Net Position

Net position represents the residual of all other elements presented in the statement of net position and is presented in the following categories:

Net investment in capital assets

Capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted

Nonexpendable – Net position subject to externally imposed stipulations that require an entity to maintain them permanently.

Expendable – Net position whose use by an entity is subject to externally imposed stipulations that can be fulfilled by actions of an entity pursuant to those stipulations or that expire with the passage of time.

All of the DCANAF's restricted net position at September 30, 2015 and 2014 is expendable.

Unrestricted

The unrestricted component of net position is the net amount of the assets and liabilities that are not included in the determination of net investment in capital assets or the restricted components of net position.

Reclassification

Certain reclassifications have been made to the 2014 financial statements for comparative purposes. Such reclassifications have no effect on the previously reported change in net position.

2. Subsequent Events

The DCANAF has evaluated subsequent events through June 3, 2016 which is also the date that the financial statements were available to be issued.

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

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, 2015 and 2014, totaled \$493,109 and \$499,156, respectively, which is reported as lease revenues in the accompanying statements of revenues, expenses, and changes in net position.

4. Appropriations from the Government of Guam

P.L. 31-77 authorizes the general appropriation from the Tourist Attraction Fund to various autonomous agencies of the Government of Guam. Specifically, P.L. 31-77 authorizes appropriation amounting to \$400,000 to the Guam Visitor's Bureau (GVB) for the Guam Council on the Arts and Humanities Agency (CAHA) for Guam's participation at the 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, 2014, pass through appropriations received by CAHA totaled \$60,000 and are presented as appropriations in the accompanying 2014 statement of revenues, expenses and changes in net position.

5. Percent for the Arts Program

The Percent for the Arts Program (the Program), enacted in 1979 through P.L. 15-50, *the Art in Public Places Program*, and amended through P.L. 20-27 and P.L. 31-118, stipulates that plans for public buildings and buildings supported by federal or Government of Guam subsidy which contain public areas, and plans for remodeling or renovation of public buildings or facilities where the total cost of construction, remodeling or renovation exceeds the sum of \$100,000 shall contain provisions for the inclusion of works of art, by local artists if available, including, but not limited to sculptures, paintings, murals or objects relating to or consisting of native art. The owner of the building shall also have the option of allotting at least one percent (1%) of the overall construction, remodeling or renovation cost of a building to CAHA in lieu of the inclusion of works of art. The appropriations received under this Program shall continue to be available until expended and are not subject to transfer or use for any other purpose.

During the year ended September 30, 2014, program funding received by CAHA totaled \$135,600 and is presented as a component other income in the accompanying 2014 statement of revenues, expenses and changes in net position.

Supplementary Information

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Combining Statement of Net Position

September 30, 2015

	<u>President's Office</u>	<u>Chamorro Village</u>	<u>Research Publication and Training</u>	<u>Guam Council on the Arts and Humanities</u>	<u>Festival of the Pacific Arts</u>	<u>Percent for the Arts</u>	<u>Combined Balance</u>
Assets							
Cash:							
Unrestricted	\$ 1,744	\$ 5,232	\$ 1,631	\$ 11,526	\$ ---	\$ ---	\$ 20,133
Restricted	---	---	---	---	257,951	7,982	265,933
Accounts receivable, net	---	8,692	2,497	303	---	---	11,492
Inventory, net	---	---	42,355	---	---	---	42,355
Other assets	---	1,849	1,849	---	---	---	3,698
	<u>1,744</u>	<u>15,773</u>	<u>48,332</u>	<u>11,829</u>	<u>257,951</u>	<u>7,982</u>	<u>343,611</u>
Liabilities							
Accounts payable	---	68,324	---	---	---	---	68,324
Security deposits	---	22,107	---	---	---	---	22,107
	<u>---</u>	<u>90,431</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>90,431</u>
Net Position							
Unrestricted	1,744	(74,658)	48,332	11,829	---	---	(12,753)
Restricted - expendable	---	---	---	---	257,951	7,982	265,933
	<u>\$ 1,744</u>	<u>\$(74,658)</u>	<u>\$ 48,332</u>	<u>\$ 11,829</u>	<u>\$ 257,951</u>	<u>\$ 7,982</u>	<u>\$ 253,180</u>

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Combining Statement of Net Position

September 30, 2014

	<u>President's Office</u>	<u>Chamorro Village</u>	<u>Research Publication and Training</u>	<u>Guam Council on the Arts and Humanities</u>	<u>Festival of the Pacific Arts</u>	<u>Percent for the Arts</u>	<u>Combined Balance</u>
Assets							
Cash:							
Unrestricted	\$ 98	\$ 16,178	\$ 1,517	\$ 9,855	\$ ---	\$ ---	\$ 27,648
Restricted	---	---	---	---	163,097	112,000	275,097
Accounts receivable, net	---	19,100	1,279	248	16,667	---	37,294
Inventory, net	---	---	54,694	---	---	---	54,694
Other assets	---	1,849	1,849	---	---	---	3,698
Total assets	<u>98</u>	<u>37,127</u>	<u>59,339</u>	<u>10,103</u>	<u>179,764</u>	<u>112,000</u>	<u>398,431</u>
Liabilities							
Accounts payable	---	69,888	---	---	---	---	69,888
Security deposits	---	24,982	---	---	---	---	24,982
Total liabilities	<u>---</u>	<u>94,870</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>94,870</u>
Net Position							
Unrestricted	98	(57,743)	59,339	10,103	16,667	---	28,464
Restricted - expendable	---	---	---	---	163,097	112,000	275,097
Total net position	<u>\$ 98</u>	<u>\$(57,743)</u>	<u>\$ 59,339</u>	<u>\$ 10,103</u>	<u>\$ 179,764</u>	<u>\$ 112,000</u>	<u>\$ 303,561</u>

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Combining Statement of Revenues, Expenses and Changes in Net Position

Year ended September 30, 2015

	President's Office	Chamorro Village	Research Publication and Training	Guam Council on the Arts and Humanities	Festival of the Pacific Arts	Percent for the Arts	Combined Balance
Revenues:							
Lease revenue	\$ ---	\$ 493,109	\$ ---	\$ ---	\$ ---	\$ ---	\$ 493,109
Other income	3	6,348	72	8,161	54,680	5,354	74,618
Fundraising	---	---	---	---	27,430	---	27,430
Donations	5,284	---	31	10,008	500	---	15,823
Grants	---	7,500	---	---	---	---	7,500
Book sales	---	---	1,998	---	---	---	1,998
Total revenues	<u>5,287</u>	<u>506,957</u>	<u>2,101</u>	<u>18,169</u>	<u>82,610</u>	<u>5,354</u>	<u>620,478</u>
Expenses:							
Utilities	---	243,926	---	---	---	---	243,926
Contractual	---	162,724	1,300	11,277	1,200	54,680	231,181
Supplies	---	22,471	---	379	---	54,680	77,530
Meals and entertainment	1,072	65,750	---	---	---	---	66,822
Communication	---	12,407	---	---	---	---	12,407
Cost of goods sold	---	---	9,244	1,018	---	---	10,262
Miscellaneous	2,013	3,120	120	3,769	---	12	9,034
Grant expense	---	6,139	---	---	---	---	6,139
Office expense	411	2,953	1,155	---	---	---	4,519
Rent	---	3,262	---	---	---	---	3,262
Cost of funding activities	---	---	---	---	2,430	---	2,430
Provision for inventory losses and obsolescence	---	---	1,289	---	---	---	1,289
Advertising	145	1,120	---	---	---	---	1,265
Marketing and promotions	---	---	---	---	793	---	793
Total expenses	<u>3,641</u>	<u>523,872</u>	<u>13,108</u>	<u>16,443</u>	<u>4,423</u>	<u>109,372</u>	<u>670,859</u>
Change in net position	1,646	(16,915)	(11,007)	1,726	78,187	(104,018)	(50,381)
Net position at beginning of year	<u>98</u>	<u>(57,743)</u>	<u>59,339</u>	<u>10,103</u>	<u>179,764</u>	<u>112,000</u>	<u>303,561</u>
Net position at end of year	<u>\$ 1,744</u>	<u>\$ (74,658)</u>	<u>\$ 48,332</u>	<u>\$ 11,829</u>	<u>\$ 257,951</u>	<u>\$ 7,982</u>	<u>\$ 253,180</u>

Department of Chamorro Affairs – Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Combining Statement of Revenues, Expenses and Changes in Net Position

Year ended September 30, 2014

	President's Office	Chamorro Village	Research Publication and Training	Guam Council on the Arts and Humanities	Festival of the Pacific Arts	Percent for the Arts	Combined Balance
Revenues:							
Lease revenue	\$ ---	\$ 499,156	\$ ---	\$ ---	\$ ---	\$ ---	\$ 499,156
Other income	2	8,030	221	4,040	8,062	132,000	152,355
Appropriations	---	---	---	---	60,000	---	60,000
Fundraising	---	---	---	---	52,576	---	52,576
Donations	1,310	---	---	9,938	---	---	11,248
Book sales	---	---	1,137	---	---	---	1,137
Total revenues	1,312	507,186	1,358	13,978	120,638	132,000	776,472
Expenses:							
Utilities	---	248,851	---	---	---	---	248,851
Contractual	---	177,542	7,050	15,936	2,900	20,000	223,428
Supplies	399	11,113	---	1,313	500	---	13,325
Meals and entertainment	---	59,400	---	---	---	---	59,400
Communication	---	9,577	---	---	---	---	9,577
Provision for inventory obsolescence	---	---	32,634	---	---	---	32,634
Miscellaneous	1,126	16,638	527	108	552	---	18,951
Office expense	162	4,111	2,309	---	---	---	6,582
Rent	---	2,389	---	---	---	---	2,389
Cost of funding activities	---	---	---	---	7,102	---	7,102
Cost of goods sold	---	---	3,907	---	---	---	3,907
Advertising	240	770	---	---	763	---	1,773
Marketing and promotions	---	---	---	---	6,250	---	6,250
Travel	500	---	---	---	3,426	---	3,926
Total expenses	2,427	530,391	46,427	17,357	21,493	20,000	638,095
Change in net position	(1,115)	(23,205)	(45,069)	(3,379)	99,145	112,000	138,377
Net position at beginning of year	1,213	(34,538)	104,408	13,482	80,619	---	165,184
Net position at end of year	\$ 98	\$ (57,743)	\$ 59,339	\$ 10,103	\$ 179,764	\$ 112,000	\$ 303,561