

*Financial Statements and
Supplementary Information*

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

*Years ended September 30, 2020 and 2019
with Report of Independent Auditors*



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

Financial Statements and
Supplementary Information

Years ended September 30, 2020 and 2019

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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, as of September 30, 2020 and 2019, 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, which collectively comprise the Department of Chamorro Affairs – Non-Appropriated Funds’ basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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, 2020 and 2019, and the respective changes in financial position and cash flows, for the years then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the DCANAF's basic financial statements. 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 October 15, 2021 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

October 15, 2021

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

Management’s Discussion and Analysis

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, 2020. 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 and codified in Title 5 Guam Code Annotated (GCA) Chapter 87 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 DCANAF 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. The department 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

The DCA ensures indigenous tangible and intangible knowledge are accessible through visitor experience and community engagement using platforms such as the Chamorro Village and the Guam Museum to continue showcasing our island’s performing arts, history, exhibits, educational and interactive events, outreach and communication and philanthropy programs. The Chamorro Village and the Guam Museum have never been more important than ever before to ensuring that Chamorro is prevalent in the eyes of the community and to reopening our economy.

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**

Department of Chamorro Affairs – Non-Appropriated Funds
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Management’s Discussion and Analysis, continued

Introduction, continued

- 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.**
- Operate under its control a public market, or markets, for Guam products at such places or places deem 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, 5GCA.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 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 the 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. 83 & 87; 21 GCA, Ch. 76, Section 76114 Guam Museum**

DCA is 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
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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, 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.
- **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. The Department of Chamorro Affairs 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.

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

Management’s Discussion and Analysis, continued

Financial Highlights

- The total assets of DCANAF exceeded its liabilities at September 30, 2020 by \$350,809.
- Total operating revenue decreased in the current year by \$359,623 or -44% and total operating expenses decreased by \$358,711 or -48%.

Overview of the Financial Statements

The Financial Statements consist of management’s discussion and analysis (this section) and the basic financial statements. The basic financial statements include the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, the Statements of Cash Flows and the Notes to Financial Statements.

The Statements of Net Position are presented in a format that displays net position (assets less liabilities equal net position). The Statement of Net Position details the assets and liabilities of DCANAF based on their liquidity. The resulting net position in this statement is displayed as either unrestricted or restricted. Under GASB Statement Nos. 34, 37 and 38, assets are restricted when their use is subject to external restrictions (such as bond resolutions, legal agreements, statutes, etc.), with assets not falling under this category being characterized as unrestricted.

The Statements of Revenues, Expenses and Changes in Net Position present the increase (decrease) in net position, which consists of operating revenues less operating expenses. The resulting amount (revenues less expenses) is the change in net position for fiscal year 2020, which amount is then added to the ending balance of net assets from fiscal year 2019 to arrive at net assets for fiscal year 2020.

The Statements of Cash Flows reports the net increase (decrease) in cash and 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 and cash equivalents at the beginning of the year to determine the fiscal year 2020 ending cash and cash equivalent balance.

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

Net Position

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

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | 2020 % Increase (decrease) from 2019 |
|-------------------|-------------|-------------|-------------|---|
| Total assets | \$449,860 | \$581,326 | \$1,168,578 | (23%) |
| Total liabilities | \$ 99,051 | \$288,920 | \$ 216,224 | (66%) |
| Net position | \$350,809 | \$292,406 | \$ 952,354 | 20% |

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

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | 2020% Increase (decrease) from 2019 |
|-----------------------------------|-------------|-------------|-------------|--|
| Total revenues | \$449,606 | \$809,229 | \$685,232 | (44%) |
| Total expenses | \$391,203 | \$749,914 | \$494,243 | (48%) |
| Transfers to other Governments | \$0 | (\$719,263) | \$0 | (100%) |
| Increase/decrease in net position | \$ 58,403 | (\$659,948) | \$190,989 | (109%) |

Economic Outlook

The impact of the COVID-19 global pandemic crisis affected the Department of Chamorro Affairs’ ability to manage and perform its core mission and vision to implement and integrate programs for cultural preservation, development, and promotion of Chamorro Heritage of Guam. The Covid-19 pandemic drastically affected the tourism economy bringing the economy activity in a complete standstill in March 2020. The Guam Museum had not generated revenue for tours and/or events as its doors closed in mid-March 2020 and remained closed for the remaining of fiscal year 2020. However, the Chamorro Village’s food and retail merchants opened its doors slowly during the 3rd quarter of fiscal year 2020. To ensure the safety of the staff and the community, the opening was based on safety protocols of the Governor’s latest Executive Order and the Department of Public Health’s guidance.

Department of Chamorro Affairs – Non-Appropriated Funds
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Management’s Discussion and Analysis, continued

Economic Outlook, continued

Due to the Covid-19 pandemic, the Senator Antonio M. Palomo Guam Museum and Chamorro Educational Facility had only one (1) Rotating/Changing Exhibition in FY 2020: Visualizing History, the Art of Judy Flores celebrates Chamorro culture present and past through one iconic artist’s career and life in Guam. Although there was only one (1) rotating exhibit during fiscal year 2020, other events had taken place at the Guam Museum such as the *Ha’ånen Familia* is Budgeting for Christmas; *Ha’ånen Familia: Homemade Christmas*; *Ha’ånen Familia: Batik Simplified for Kids*; Christmas Lighting Returns to Skinner Plaza Park “Christmas Around the World”; and Pastries in Paradise.

The Galaide Group, LLC. has been contracted to manage the day-to-day operations of the Guam Museum for two (2) years with an option to extend the contract for an additional three (3) years. The Galaide Group, LLC. contract will expire on March 2021.

The Chamorro Village continues to fill vacant spaces for small businesses to occupy and will provide employment opportunities and contribute to the economy. The Chamorro Village strives to increase its activities and events to promote special events such as additional night markets, fairs, carnivals, etc.

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: 193 Chalan Santo Papa Juan Pablo Dos, Hagåtña, Guam 96910. Phone: (671) 989-2426.

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

Statements of Net Position

| | September 30, | |
|--|------------------|------------------|
| | <u>2020</u> | <u>2019</u> |
| Assets | | |
| Cash: | | |
| Unrestricted | \$422,413 | \$487,102 |
| Accounts receivable, net of allowance for doubtful accounts of \$62,515 and \$111,062 in 2020 and 2019, respectively | 19,809 | 36,190 |
| Due from other government | --- | 50,895 |
| Inventory, net of allowance for obsolescence of \$78,233 | 6,916 | 6,417 |
| Other assets | <u>722</u> | <u>722</u> |
| Total assets | <u>449,860</u> | <u>581,326</u> |
| Liabilities | | |
| Accounts payable | 74,431 | 264,553 |
| Security deposits | <u>24,620</u> | <u>24,367</u> |
| Total liabilities | <u>99,051</u> | <u>288,920</u> |
| Total Net Position - unrestricted | <u>\$350,809</u> | <u>\$292,406</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>2020</u> | <u>2019</u> |
| Revenues: | | |
| Lease revenue | \$272,684 | \$534,754 |
| Other income | 174,790 | 269,103 |
| Book sales | 2,132 | 4,372 |
| Donations | <u>---</u> | <u>1,000</u> |
| Total revenues | <u>449,606</u> | <u>809,229</u> |
| Expenses: | | |
| Utilities | 166,915 | 193,524 |
| Contractual | 155,205 | 394,253 |
| Meals and entertainment | 25,196 | 64,765 |
| Supplies | 15,704 | 38,787 |
| Miscellaneous | 15,228 | 12,170 |
| Communication | 9,083 | 16,762 |
| Grant expense | 2,313 | 2,521 |
| Office expense | 1,319 | 5,105 |
| Advertising | 240 | 5,206 |
| Provision for inventory obsolescence | --- | 8,308 |
| Travel | --- | 7,916 |
| Cost of goods sold | <u>---</u> | <u>597</u> |
| Total expenses | 391,203 | 749,914 |
| Transfers to other governments | <u>---</u> | <u>(719,263)</u> |
| Change in net position | 58,403 | (659,948) |
| Net position at beginning of year | <u>292,406</u> | <u>952,354</u> |
| Net position at end of year | <u>\$350,809</u> | <u>\$292,406</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>2020</u> | <u>2019</u> |
| Cash flows from operating activities: | | |
| Receipts from lease revenue | \$ 317,623 | \$504,115 |
| Receipts from other income | 197,127 | 363,854 |
| Receipts from book sales | 2,132 | 4,372 |
| Payments to vendors | (581,571) | (670,829) |
| Transfers to other governments | --- | (320,817) |
| Receipts from grants and donations | <u>---</u> | <u>1,000</u> |
| Net cash used in operating activities | (64,689) | (118,305) |
| Cash at beginning of year | <u>487,102</u> | <u>605,407</u> |
| Cash at end of year | \$ <u>422,413</u> | \$ <u>487,102</u> |
| Reconciliation of operating revenues net of operating expenses to net cash used in operating activities: | | |
| Change in net position | \$ 58,403 | \$(659,948) |
| Adjustments to reconcile change in net position to net cash used in operating activities: | | |
| (Recoveries) Provision for doubtful accounts | (48,547) | 18,884 |
| Provision for inventory obsolescence | --- | 8,308 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 115,823 | 496,371 |
| Due from other government | --- | (50,895) |
| Inventory | (499) | (2,999) |
| Other assets | --- | (722) |
| Accounts payable | (190,122) | 72,163 |
| Security deposits | <u>253</u> | <u>533</u> |
| Net cash used in operating activities | \$(<u>64,689</u>) | \$(<u>118,305</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, 2020 and 2019

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 Hagåtña 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, 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 DCANAF of the Government of Guam.

- The Chamorro Village – This division maintains day-to-day operations of the Chamorro Village to provide a market and foster an environment that promotes local products, native cultures, and tradition of Guam. The main source of revenues for DCANAF is from the Chamorro Village through its leasing activities.
- Guam Council on the Arts and Humanities Agency (CAHA) – 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. CAHA is also responsible for administering Festival of the Pacific Arts and the Percent for the Arts program.
- Hagåtña Restoration and Redevelopment Authority – This division provides restoration and redevelopment of Hagåtña. There were no financial activities involving non - appropriated funds in 2020 and 2019.
- 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 2020 and 2019.

On June 21, 2019, the Office of the Governor issued Executive Order No. 2019-14 that reorganized the Department of Chamorro Affairs wherein Guam Council on the Arts and Humanities Agency and the Guam Public Library System were re-established as separate entities from DCANAF. This reorganization includes Festival of the Pacific Arts and the Percent for the Arts program which are both administered by CAHA. Transfer of funds totaling \$719,263 was recorded for the year ended September 30, 2019.

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 January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. GASB Statement No. 84 will be effective for DCANAF for fiscal year ending September 30, 2021.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. GASB Statement No. 87 will be effective for DCANAF for fiscal year ending September 30, 2023.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period*. The objectives of this Statement are to (a) enhance to relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. GASB Statement No. 89 will be effective for DCANAF for fiscal year ending September 30, 2022.

In August 2018, GASB issues Statement No. 90, *Majority Equity Interests*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. GASB Statement No. 90 will be effective for DCANAF for fiscal year ending September 30, 2021.

In May 2019, GASB issues Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No. 91 will be effective for DCANAF for fiscal year ending September 30, 2023.

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, continued

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. This Statement addresses a variety of topics and includes specific provisions about leases; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; applicability of Statement no. 73 and 84 for postemployment benefits, measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature and terminology used to refer to derivative instruments. GASB Statement No. 92 will be effective for fiscal year ending September 30, 2021.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; clarifying the definition of reference rate, as it is used in Statement 53, as amended. GASB Statement No. 93 will be effective for fiscal year ending September 30, 2022.

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, continued

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

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, continued

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans— an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2021.

DCANAF is currently evaluating whether or not the above listed new GASB pronouncements will have a significant impact to DCANAF's 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.

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.

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

Due from other government

The President's office records amount due from the Guam Economic Development Authority (GEDA). In 2017, DCA and GEDA entered into an agreement for Galaide Group to perform management, operational, and maintenance services for the Guam Museum and Chamorro Educational Facility (GCEF). GEDA shall process invoices submitted by DCA for payment upon receipt of certification from DCA and that all expenditures are being used for construction and equipment requirements of the GCEF. Once authorized, GEDA will transfer funds to the President's Office in which funds are paid to Galaide Group. The DCANAF recorded a receivable from GEDA totaling \$50,895 as of September 30, 2019.

Inventory

Inventory as of September 30, 2020 and 2019 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 acquired with non-appropriated funds, 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 to 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.

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.

Subsequent Events

The DCANAF has evaluated subsequent events through October 15, 2021 which is also the date that the financial statements were available to be issued.

2. 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, 2020 and 2019, totaled \$272,684 and \$534,754, respectively, which is reported as lease revenue in the accompanying statements of revenues, expenses, and changes in net position.

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

Notes to Financial Statements, continued

3. Appropriations from the Government of Guam

P.L. 33-66 established the Guam Museum Fund and states that it shall maintain separate and apart from other funds, the records of which shall be kept and maintained by the Trustees. Twenty-five percent (25%) of all building permit fees collected by the Department of Administration pursuant to § 66408 of Article 4, Chapter 66 of Division 2, Title 21 GCA, shall be deposited into the Fund, and shall not lapse at the end of the fiscal year and shall continue until fully expended. All monies received by Kosas from sources other than government appropriations shall be deposited in the Guam Museum Fund for Kosas purposes. This fund is currently being subject to appropriations.

4. Commitments and Contingencies

DCA has a management, operations and maintenance services contract with a third-party vendor for the administration of the Guam Museum. The Agreement, which expired on April 1, 2021, calls for DCA to remit approximately \$32,000 per month to the vendor. The contract requires that all admission and event fees, membership fees, endowments, donations, corporate contributions, local, federal and private grants, government of Guam appropriations and other revenue streams shall be deposited into a special and separate account within the DCA specifically for museum operations from which all compensation to the contractor for award fees shall be paid. The bank account was established in June 2017.

5. Coronavirus Pandemic Uncertainty

On January 30, 2020, the International Health Regulations Emergency Committee of the World Health Organization declared the novel coronavirus (COVID-19) outbreak as a “Public Health Emergency of International Concern.” Many flights to and from Guam have been suspended or reduced. Accordingly, due to continued uncertainties surrounding the extent and duration of COVID-19 outbreak and its impact on the tourism-based economy of Guam, the DCANAF is unable at this time to reasonably estimate the potential future impact on its financial statements.

Supplementary Information

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

Combining Statement of Net Position

September 30, 2020

| | <u>President's Office</u> | <u>Chamorro Village</u> | <u>Research Publication and Training</u> | <u>Guam Museum</u> | <u>Combined Balance</u> |
|--------------------------|-------------------------------|-----------------------------|--|------------------------|-----------------------------|
| Assets | | | | | |
| Cash: | | | | | |
| Unrestricted | \$ 13,754 | \$ 17,029 | \$ 15,219 | \$ 376,411 | \$ 422,413 |
| Accounts receivable, net | --- | 19,809 | --- | --- | 19,809 |
| Inventory, net | --- | 3,416 | --- | 3,500 | 6,916 |
| Other assets | --- | 722 | --- | --- | 722 |
| | <u>13,754</u> | <u>40,976</u> | <u>15,219</u> | <u>379,911</u> | <u>449,860</u> |
| Liabilities | | | | | |
| Accounts payable | --- | 70,825 | --- | 3,606 | 74,431 |
| Security deposits | --- | 24,620 | --- | --- | 24,620 |
| | <u>---</u> | <u>95,445</u> | <u>---</u> | <u>3,606</u> | <u>99,051</u> |
| Net Position | | | | | |
| Unrestricted | <u>13,754</u> | (<u>54,469</u>) | <u>15,219</u> | <u>376,305</u> | <u>350,809</u> |
| Total net position | <u>\$ 13,754</u> | <u>\$(54,469)</u> | <u>\$ 15,219</u> | <u>\$ 376,305</u> | <u>\$ 350,809</u> |

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

Combining Statement of Net Position

September 30, 2019

| | <u>President's Office</u> | <u>Chamorro Village</u> | <u>Research Publication and Training</u> | <u>Guam Museum</u> | <u>Combined Balance</u> |
|---------------------------|-------------------------------|-----------------------------|--|------------------------|-----------------------------|
| Assets | | | | | |
| Cash: | | | | | |
| Unrestricted | \$ 14,776 | \$ 57,718 | \$ 12,769 | \$ 401,839 | \$ 487,102 |
| Accounts receivable, net | --- | 27,512 | --- | 8,678 | 36,190 |
| Due from other government | 50,895 | --- | --- | --- | 50,895 |
| Inventory, net | --- | 3,417 | --- | 3,000 | 6,417 |
| Other assets | --- | 722 | --- | --- | 722 |
| | <u>65,671</u> | <u>89,369</u> | <u>12,769</u> | <u>413,517</u> | <u>581,326</u> |
| Total assets | | | | | |
| Liabilities | | | | | |
| Accounts payable | 50,792 | 51,945 | 29 | 161,787 | 264,553 |
| Security deposits | --- | 24,367 | --- | --- | 24,367 |
| | <u>50,792</u> | <u>76,312</u> | <u>29</u> | <u>161,787</u> | <u>288,920</u> |
| Total liabilities | | | | | |
| Net Position | | | | | |
| Unrestricted | <u>14,879</u> | <u>13,057</u> | <u>12,740</u> | <u>251,730</u> | <u>292,406</u> |
| Total net position | <u>\$ 14,879</u> | <u>\$ 13,057</u> | <u>\$ 12,740</u> | <u>\$ 251,730</u> | <u>\$ 292,406</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, 2020

| | President's Office | Chamorro Village | Research Publication and Training | Guam Museum | Combined Balance |
|-----------------------------------|-----------------------|---------------------|---|----------------|---------------------|
| Revenues: | | | | | |
| Lease revenue | \$ --- | \$ 272,684 | \$ --- | \$ --- | \$ 272,684 |
| Other income | 1,471 | 27,485 | 414 | 145,420 | 174,790 |
| Book sales | --- | --- | 2,132 | --- | 2,132 |
| | 1,471 | 300,169 | 2,546 | 145,420 | 449,606 |
| Expenses: | | | | | |
| Utilities | --- | 166,915 | --- | --- | 166,915 |
| Contractual | --- | 146,338 | --- | 8,867 | 155,205 |
| Meals and entertainment | --- | 25,196 | --- | --- | 25,196 |
| Supplies | --- | 14,979 | --- | 725 | 15,704 |
| Miscellaneous | 283 | 7,996 | 67 | 6,882 | 15,228 |
| Communication | --- | 4,952 | --- | 4,131 | 9,083 |
| Grant expense | 2,313 | --- | --- | --- | 2,313 |
| Office expense | --- | 1,319 | --- | --- | 1,319 |
| Advertising | --- | --- | --- | 240 | 240 |
| | 2,596 | 367,695 | 67 | 20,845 | 391,203 |
| Transfers to other governments | --- | --- | --- | --- | --- |
| Change in net position | (1,125) | (67,526) | 2,479 | 124,575 | 58,403 |
| Net position at beginning of year | 14,879 | 13,057 | 12,740 | 251,730 | 292,406 |
| Net position at end of year | \$ 13,754 | \$(54,469) | \$ 15,219 | \$ 376,305 | \$ 350,809 |

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, 2019

| | 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 | Guam Museum | Combined Balance |
|-----------------------------------|-----------------------|---------------------|---|---|------------------------------------|-------------------------|--------------------|---------------------|
| Revenues: | | | | | | | | |
| Lease revenue | \$ --- | \$ 534,754 | \$ --- | \$ --- | \$ --- | \$ --- | \$ --- | \$ 534,754 |
| Other income | 392 | 1,387 | 761 | --- | --- | --- | 266,563 | 269,103 |
| Book sales | --- | --- | 4,372 | --- | --- | --- | --- | 4,372 |
| Donations | --- | --- | --- | --- | --- | --- | 1,000 | 1,000 |
| | <u>---</u> | <u>---</u> | <u>---</u> | <u>---</u> | <u>---</u> | <u>---</u> | <u>1,000</u> | <u>1,000</u> |
| Total revenues | <u>392</u> | <u>536,141</u> | <u>5,133</u> | <u>---</u> | <u>---</u> | <u>---</u> | <u>267,563</u> | <u>809,229</u> |
| Expenses: | | | | | | | | |
| Contractual | 4,900 | 225,458 | --- | 320 | --- | --- | 163,575 | 394,253 |
| Utilities | --- | 193,524 | --- | --- | --- | --- | --- | 193,524 |
| Meals and entertainment | --- | 64,765 | --- | --- | --- | --- | --- | 64,765 |
| Supplies | 162 | 37,900 | --- | 77 | --- | --- | 648 | 38,787 |
| Communication | --- | 10,153 | --- | --- | --- | --- | 6,609 | 16,762 |
| Miscellaneous | 2,804 | 3,032 | --- | 3,310 | --- | --- | 3,024 | 12,170 |
| Provision for obsolescence | --- | --- | 8,308 | --- | --- | --- | --- | 8,308 |
| Travel | 4,437 | --- | --- | --- | --- | --- | 3,479 | 7,916 |
| Advertising | --- | 2,413 | --- | --- | --- | --- | 2,793 | 5,206 |
| Office expense | --- | 4,742 | 29 | --- | --- | --- | 334 | 5,105 |
| Grant expense | 2,313 | 208 | --- | --- | --- | --- | --- | 2,521 |
| Cost of goods sold | --- | --- | 597 | --- | --- | --- | --- | 597 |
| | <u>---</u> | <u>---</u> | <u>597</u> | <u>---</u> | <u>---</u> | <u>---</u> | <u>---</u> | <u>597</u> |
| Total expenses | <u>14,616</u> | <u>542,195</u> | <u>8,934</u> | <u>3,707</u> | <u>---</u> | <u>---</u> | <u>180,462</u> | <u>749,914</u> |
| Transfers to other governments | --- | --- | --- | (8,154) | 1,777 | (712,886) | --- | (719,263) |
| Change in net position | (14,224) | (6,054) | (3,801) | (11,861) | 1,777 | (712,886) | 87,101 | (659,948) |
| Net position at beginning of year | <u>29,103</u> | <u>19,111</u> | <u>16,541</u> | <u>11,861</u> | <u>(1,777)</u> | <u>712,886</u> | <u>164,629</u> | <u>952,354</u> |
| Net position at end of year | <u>\$ 14,879</u> | <u>\$ 13,057</u> | <u>\$ 12,740</u> | <u>\$ ---</u> | <u>\$ ---</u> | <u>\$ ---</u> | <u>\$ 251,730</u> | <u>\$ 292,406</u> |

Compliance and Internal Control

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

Year ended September 30, 2020





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

Management and the Board of Trustees
Department of Chamorro Affairs – Non-Appropriated Funds

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Department of Chamorro Affairs – Non-Appropriated Funds (DCANAF) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise DCANAF's basic financial statements and have issued our report thereon dated October 15, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses as item 2020-001 that we consider to be material weaknesses.

Compliance and Other Matters

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

DCANAF's Response to Findings

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

Purpose of this Report

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

Ernst + Young LLP

October 15, 2021

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

Schedule of Audit Findings and Responses

Finding No. 2020-001

Criteria

DCANAF should have a qualified accountant to handle the accounting process.

Condition

A lack of a qualified accountant resulted in:

- an inadequate financial statement close process
- prior audit adjusting entries had not been recorded
- improper cut off of accounts payable
- significant amount of credit balance in the trade receivables

Cause

DCA does not have a full-time, qualified accountant to handle the accounting process of the various non-appropriated funds.

Effect or potential effect:

DCANAF does not have an accountant who possesses adequate skill sets to ensure that accounting records are maintained so that timely financial statements can be generated.

This is the proximate cause for DCANAF's inadequate financial statement close process.

Recommendation

We recommend that DCA employ an experienced full-time accountant.

Views of responsible officials:

DCA agrees. DCA will begin the process bookkeeping services from a qualified and certified firm to assist in the handling of the accounting process for all DCANAF. DCA intends to obtain such services on or before December 1, 2021.