



OFFICE OF PUBLIC ACCOUNTABILITY

Suite 401 DNA Building, 238 Archbishop Flores Street, Hagåtña, Guam 96910
Tel (671) 475-0390 · Fax (671) 472-7951 · Hotline: 47AUDIT (472-8348)
www.opaguam.org

Guahan Academy Charter School – FY 2019 and FY 2020 Financial Highlights

October 21, 2021

The Office of Public Accountability has released the Guahan Academy Charter School (GACS) fiscal year (FY) 2019 and FY 2020 financial statements, report on compliance and internal control, and the auditor's communication with those charged with governance. Independent auditors Deloitte and Touche, LLP rendered a clean opinion on GACS' financial statements with an emphasis on GACS' ability to continue their operations.

GACS closed each FY 2019 and FY 2020 at a better financial position than the prior fiscal period. However, GACS was at a better financial standing in FY 2020 at \$325 thousand (K) net position than in FY 2019 at a negative \$633K.

GACS' completion of their audit report more than a year after the close of prior year fiscal periods has been behind in comparison to the other two charter schools on the island. In periods when decision makers needed relevant and reliable financial information, GACS did not meet this call. This may change, however. GACS plans to release their FY 2021 audited financial statements next year, concurrent with the other charter schools' timeline.

Budget per Pupil Relatively Unchanged

GACS is a non-profit corporation with nearly total dependency on the government of Guam's (GovGuam) appropriations to fund their operations. GovGuam's limit of student enrollment at 740 has not changed since FY 2017. In turn, GACS received relatively the same amount of allocation per student since then. In FY 2020, GovGuam minimally increased the student allocation from \$6.1K in FY 2019 to \$6.2K; enrollment reached 765.

Substantial Funding from GovGuam

GACS receives substantial funding from GovGuam. For total revenues in FY 2019 of \$4.7 million (M) and FY 2020 of \$5.8M, per pupil revenues from GovGuam were \$3.8M and \$4.6M, respectively. Donations of \$768K in FY 2019 and \$1.1M in FY 2020 made up the second-largest revenues. These donations were practically funded by GovGuam for GACS' free use of the Tiyan campus. Other revenue sources accounted for less than 3% of the total revenues. Since GovGuam financially supports GACS entirely, substantial changes in appropriation could drastically affect their ability to operate.

Expenses Increased by 7%

GACS operating expenses increased by \$319K or 7% from \$4.5M in FY 2019. GACS significant personnel expense increased by \$245K, from \$2.1M in FY 2019 to \$2.4M in FY 2020. Among the expenses that also increased were depreciation (\$10K), water (\$7K), and benefits (\$5K). The cancellation of face-to-face classes brought on by COVID-19 decreased most expenses in FY 2020. These include contractual services by \$148K from \$620K; miscellaneous expenses such as subscription, advertising, and printing, by \$50K from \$101K; and power by \$34K from \$92K.

Cash Balance Maybe Insufficient to Settle with Vendor

GACS had resolved its liabilities with two vendors while one is pending for resolution. Negotiations are ongoing with the third vendor to reach a mutual agreement. With the \$264K, cash balance at end of FY 2020, there could be shortfalls once an actual settlement would be reached. For this vendor, there is no certainty that the matter will be resolved without potential litigation.

GACS owed \$2.8M payables to vendors at the end of FY 2020, which exceeded its current assets of only \$1.7M. In the past three years, GACS has had insufficient cash and other current assets to cover their payables. GovGuam, in turn, authorized GACS to pay prior year obligations with their unexpended funds.

Discussion for a Potential New Campus

The current campus in Tiyan is free use to GACS per a Memorandum of Agreement (MOA) with GovGuam. The estimated rental fee is \$636K, which is comparable to the surrounding area. GACS will continue to operate in Tiyan but at the discretion of GovGuam. However, when GACS moves to a new campus, an estimated attendant cost of \$89K to restore the vacated premises will be imposed. Although there is no formal plan to relocate, GACS signed a note payable for the two land parcels to construct a new campus for up to 1,000 students. Relative to this, as of FY 2020, the remaining balance was \$178K and related accounts payable of \$360K remain outstanding.

Report on Internal Control

The two deficiencies in internal controls noted in the FY 2018 audit, remained unresolved. These are related to allowing a Parent Teacher Organization (PTO) to operate inside the premises without demonstrating good standing with the Department of Revenue and Taxation and fundraising activities went on without a central approval process. Because COVID-19 ceased PTO fundraising activities, GACS will address these findings in FY 2022.

As a matter of disclosure, the Public Auditor has worked with GACS' Chief Academic Officer for over 10 years in the Guam Legislature.

For a detailed discussion on GACS' operations, refer to the Management's Discussion and Analysis or view the reports in their entirety on our website at www.opaguam.org.