



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 2018 Financial Highlights

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Hagåtña, Guam – The Office of Public Accountability (OPA) has released the Guahan Academy Charter School’s (GACS) financial statements, report on compliance and internal control, and the auditor’s communication with those charged with governance for fiscal year (FY) 2018.

GACS closed FY 2018 with a negative net position of \$875 thousand (K). Independent auditors Deloitte & Touche, LLP issued an unmodified (clean) opinion on GACS’ financial statements. However, they also emphasized that GACS is dependent on sufficient Government of Guam (GovGuam) appropriations to be able to continue as a going concern. In FY 2018, GACS earned 95% of all its revenues from a per pupil revenue assessment from GovGuam. Substantial changes in per pupil reimbursements will have an adverse impact on GACS’ ability to operate due to its funding dependency on GovGuam. In addition, current liabilities for the year materially exceeded current assets as GACS has been unable to obtain long-term financing.

GACS is a GovGuam component unit for the basic purpose to do all things reasonable and proper in the operation of a nonprofit charter school within the Territory of Guam pursuant to the provisions of Public Law (P.L.) 29-140, the Guam Academy Charter Schools Act of 2009.

GACS Contingencies

Several vendors have sued to obtain payment. Subsequent to FY 2018, GACS resolved its liabilities to two vendors and deposited cash with its attorney to fund the attendant settlements. Adjustments to reflect resolution of these liabilities will occur in the year in which such resolution occurred. Negotiations to resolve a liability to the third vendor are ongoing and GACS has set aside cash to fund what they believe will be the potential final settlement amount. However, resolution of this matter has yet to occur. The ultimate settlement may be outside of the balance of cash that was provided for settlement, and any adjustments to reflect actual settlement of this liability will occur at the time resolution occurs. There is no certainty that this matter will be resolved without potential litigation and it is not possible to predict the ultimate outcome of this matter.

Increases in Revenues and Expenditures

In FY 2018, GACS reported \$5.3 million (M) in total revenues, a \$356K increase from the prior year of \$5M. Of the total revenues, \$4.5M or 84% was from GovGuam appropriations, \$635K was from in-kind contributions, \$120K was from grant revenue, and \$11K was from student meal revenue.

GACS’ total expenditures increased by \$3.4M from \$4.2M in FY 2017 to \$7.6M in FY 2018. Operating expenses comprised 60% of the total expenditures, which is primarily due to an increase in office space rental, personnel expenses, and contractual services. At the end of School Year (SY) 2017 – 2018, the former secondary campus was vacated, which resulted in an impairment loss of \$3.1M.

Reduction in Student Population

P.L. 34-42 provided \$6,500 for each student up to 740 students, or a total amount of \$4.8M. This was the same count in the total number of students from the 2017 enrollment. However, two budget cuts occurred in FY 2018. The Bureau of Budget and Management Research (BBMR) issued BBMR Circular

18-04 *General Fund Reduction* to address the negative effect on GovGuam’s General Fund revenues with the passage of the “Tax Cuts and Jobs Act of 2017”. In January 2018, GACS’ budget was \$4.4M, a \$417K reduction. There was another \$52K budget cut at the end of FY 2018 by the Guam Department of Education (GDOE) for cash not received.

At the close of FY 2018, only 713 students remained, which is a reduction of 27 students from the approved population of 740 students.

SY 2017-2018 American College Testing Aspire (ACT Aspire) Results

Every year, GACS administers two tests to assess student proficiency in math, language arts, and reading. One of these tests was the ACT Aspire given through the GDOE. The ACT Aspire provides data on three subject subtests: Reading, English, and Math. The GACS Independent Evaluator analyzes the ACT Aspire scores in two parts: 1) the Preliminary Assessment Report, which presents individual student data; and 2) the Final Assessment Report, which provides the community with aggregate data by grade level on how well GACS is performing in educating its students.

Table 1: SY 2017-2018 ACT Aspire Assessment Results

SUBTEST	EXCEEDING	READY	CLOSE	IN NEED OF SUPPORT	TOTAL
English	31%	23%	34%	12%	100%
Reading	16%	14%	32%	38%	100%
Math	2%	12%	58%	28%	100%

Table 1 shows that the English subtest is a GACS strength, which has been historically consistent at GACS. From these results, the faculty and staff’s focus would be on improving math problem solving skills, as well as reading comprehension abilities. They are both major components of GACS’ improvement plan.

Report on Internal Control

Independent auditors identified three findings in the report on internal control. First, GACS did not comply with its Memorandum of Agreement when the required annual inventory of collateral equipment was not undertaken during the term of the agreement. Therefore, independent auditors recommended that GACS confirm the estimated value of the annual use of the collateral equipment and consider recording that balance in its financial statements.

Second, a Parent Teacher Organization operates on GACS’ premises and engages in fundraising activities without evidence that it follows legal and tax rules under the Department of Revenue and Taxation. As such, independent auditors recommended that applicable receipts and expended, as well as unexpended cash, be recorded in GACS’ financial statements.

Third, GACS has initiated fundraising activities without a central approval process. As part of its risk management activities, independent auditors recommended that GACS consider a central fundraising approval process.

For a more 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.