

Financial Statements, Required Supplementary Information, Supplementary Information, and Report on Internal Control and Compliance

Guam Ancestral Lands Commission

(A Governmental Fund of the Government of Guam)

*Years ended September 30, 2023 and 2022
with Report of Independent Auditors*



**Shape the future
with confidence**

Guam Ancestral Lands Commission
(A Governmental Fund of the Government of Guam)

**Financial Statements, Required Supplementary
Information, Supplementary Information, and
Report on Internal Control and Compliance**

Years ended September 30, 2023 and 2022

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Report of Independent Auditors

The Board of Commissioners
Guam Ancestral Lands Commission

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Guam Ancestral Lands Commission (GALC), a governmental fund of the Government of Guam (GovGuam), as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the GALC's basic financial statements as listed in the table of contents (collectively referred to as the "basic financial statements").

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the GALC as of September 30, 2023 and 2022, and the changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the GALC, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements referred to above present only the GALC and do not purport to, and do not, present fairly the financial position of the Government of Guam as of September 30, 2023 and 2022, and its changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the GALC's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 GALC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the GALC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the GALC's basic financial statements. The accompanying supplementary information of the Combining Balance Sheet included on page 27, the Combining Statement of Revenues, Expenditures and Changes in Fund Balance included on page 28, and the comparative supplemental schedule of employees and salaries included on page 29, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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 GAAS. 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 have also issued our report dated February 6, 2026, on our consideration of the GALC'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 solely 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 effectiveness of the GALC's 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 GALC's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is fluid and cursive, with "Ernst & Young" stacked above "LLP".

Guam Ancestral Lands Commission
(A Governmental Fund of the Government of Guam)

Management's Discussion and Analysis

Years ended September 30, 2023 and 2022

INTRODUCTION

The Guam Ancestral Lands Commission (GALC) is a special governmental fund of the Government of Guam (GovGuam), currently located at 590 South Marine Corps Drive, Ste 312, ITC Building, Tamuning, Guam 96913.

The GALC was created by Public Law 25-45 to serve as the conduit for conveying returned federal excess lands to their original landowners. On October 6, 2011, the Governor of Guam issued Reorganization Advisory No. 5, which was later superseded by Advisory No. 9, whereby the GALC was merged into GovGuam's Department of Land Management (DLM) along with the Chamorro Land Trust Commission. On January 16, 2019, the Governor of Guam issued Executive Order 2019-01 re-establishing the GALC as a separate agency from DLM and the re-establishment of its Executive Director position.

The GALC's Management's Discussion and Analysis (MD&A) provides an overview of GALC's financial activities for the fiscal year ended September 30, 2023 and 2022. The information enclosed in the MD&A has been prepared by management and it should be read in conjunction with the financial statements and notes which follow this section.

1. Financial Highlights

- Total assets exceeded total liabilities by \$16,597,429 at September 30, 2023 as compared to \$15,505,392 at the end of the prior year.
- Total assets on September 30, 2023 increased by \$659,386 (or 3%) as compared to September 30, 2022.
- Total liabilities and deferred inflows of resources on September 30, 2023 decreased by \$432,651 (or 4%) as compared to September 30, 2023.
- Total fund balance on September 30, 2023 increased by \$1,092,037 (or 7%) as compared to September 30, 2022.
- Total revenues of \$1,610,348 for the year ended September 30, 2023 increased by \$167,314 (or 12%) as compared to \$1,443,034 for the prior year. Total expenditures of \$518,311 for the year ended September 30, 2023 decreased by \$33,131 (or 6%) as compared to \$551,442 for the prior year. This resulted in an increase in the fund balance of \$1,092,037 for the year ended September 30, 2022 as compared to \$891,592 for the prior year.

Guam Ancestral Lands Commission
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Management's Discussion and Analysis, continued

2. Overview of the Financial Statements

The GALC's financial statements include all of the activities of the Ancestral Lands Operations Fund, the Land Bank Trust Fund, the Landowner's Recovery Fund, and the Survey, Infrastructure and Development Fund. The financial statements include a Balance Sheet as of September 30, 2023 and 2022 and a Statement of Revenues, Expenditures, and Changes in Fund Balance for the years then ended. Notes to the financial statements are additional information needed to provide further understanding of the basic financial statements.

3. Financial Statement Analysis

Management's Discussion and Analysis for the year ended September 30, 2022 is set forth in GALC's report on the audit of financial statements, which is dated May 24, 2024. That Management Discussion and Analysis explains the major factors impacting the 2022 financial statements and may be obtained from the information below.

GALC's Balance Sheets

The balance sheet discloses information on the GALC's assets, liabilities and deferred inflows of resources, and fund balance at year-end. The condensed summary of the GALC's balance sheet shown below for the year ended September 30, 2023 as compared to September 30, 2022 and 2021 as follows:

Summary Balance Sheets
As of September 30

	2023	2022	\$ Change 2023-2022	% Change 2023-2022	2021
Assets:					
Cash and cash equivalents	\$ 1,358,034	\$ 15,113,593	\$ (13,755,559)	(91.0)%	\$ 6,701,366
Time certificates of deposit	1,009,290	324,242	685,048	211.3%	7,880,095
Receivables, net	771,096	497,418	273,678	55.0%	757,414
Leases receivable	9,637,708	10,319,438	(681,730)	(6.6)%	-
Investments	14,137,949	-	14,137,949		-
Total assets	26,914,077	26,254,691	659,386	2.5%	15,338,875
Liabilities:					
Accounts payable and other	131,781	168,031	(36,250)	(21.6)%	166,026
Due to GovGuam	781,595	444,462	337,133	75.9%	382,934
Total liabilities	913,376	612,493	300,883	49.1%	548,960
Deferred inflows of resources	9,403,272	10,136,806	(733,534)	(7.2)%	176,115
Fund balance:					
Committed	\$ 16,597,429	\$ 15,505,392	\$ 1,092,037	7.0%	\$ 14,613,800

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Management's Discussion and Analysis, continued

3. Financial Statement Analysis, continued

GALC's Balance Sheets, continued

Total assets increased by \$659,386 (or 3%) in 2023 compared to 2022 primarily due to the increase in time certificates of deposit, receivables, and investments offset by the decrease in cash and cash equivalents, and lease receivable.

Total liabilities and deferred inflows of resources decreased by \$432,651 (or 4%) in 2023 compared to 2022 primarily due to the decrease in accounts payable, and deferred inflow from leases offset by an increase in the amount due to GovGuam.

Total fund balance increased by \$1,092,037 (or 7%) in 2023 compared to 2022 due to the difference between 2023 revenues earned and expenditures incurred compared to 2022.

GALC's Statements of Revenues, Expenditures and Changes in Fund Balances

The statement of revenues, expenditures and changes in fund balance discloses information on GALC's revenues and expenditures for the year. The condensed summary of GALC's revenues and expenditures shown below for the year ended September 30, 2023 as compared with the years ended September 30, 2022 and 2021 follows:

Summary Statements of Revenues, Expenditures and Changes in Fund Balance
 Years ended September 30

	2023	2022	\$ Change	% Change	2021
	2023	2022	2023-2022	2023-2022	2021
Revenues:					
Lease rentals	\$ 817,989	\$ 702,733	\$ 115,256	16.4%	\$ 850,819
Interest/investment income	764,318	699,320	64,998	9.3%	409,150
Other	28,041	40,981	(12,940)	(31.6)%	41,887
Total revenues	1,610,348	1,443,034	167,314	11.6%	1,301,856
Expenditures:					
Salaries, wages and benefits	264,532	260,661	3,871	1.5%	224,859
Management fees	149,281	127,702	21,579	16.9%	102,223
Building rent	36,261	36,261	-	0.0%	42,266
Other	68,237	126,818	(58,581)	(46.2)%	194,228
	518,311	551,442	(33,131)	(6.0)%	563,576
Net change in fund balance	1,092,037	891,592	200,445	22.5%	738,280
Fund balance - beginning	15,505,392	14,613,800	891,592	6.1%	13,875,520
Fund balance - ending	\$ 16,597,429	\$ 15,505,392	\$ 1,092,037	7.0%	\$ 14,613,800

Guam Ancestral Lands Commission
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Management's Discussion and Analysis, continued

3. Financial Statement Analysis, continued

GALC's Statements of Revenues, Expenditures and Changes in Fund Balances, continued

Total revenues increased by \$167,914 (or 12%) from \$1,443,034 in 2022 to \$1,610,348 in 2023. The increase in revenues for 2023 was primarily due to the increase in base rent and investment income offset by the decrease in other revenues due to a decrease in the GovGuam appropriation because of the passage of Public Law 36-107 also known as the Budget Act of FY2023.

Total expenditures decreased by \$33,131 (or 6%) from \$551,442 in 2022 to \$518,311 in 2023. The decrease in expenditures for 2023 was primarily due to decrease in fringe benefits, contractual services, supplies, communications, and miscellaneous expenses.

4. Challenges and Accomplishments

Our mission is to administer the Guam Ancestral Lands Act in order that ancestral landowners, their heirs and descendants may expeditiously exercise all the fundamental civil rights in the property they own; establish a land bank to provide just compensation for dispossessed ancestral landowners; and when appropriate, assume the role of Claims Facilitator to assist ancestral landowners in pursuit of just remedies. Moreover, the GALC is mandated to establish an account known as the Land Bank. The funds deposited into this account will be used to compensate original landowners who will never realize the return of their ancestral lands.

The Landowner's Recovery Fund remains unfunded. The intent of this fund is to provide loans, and loan guarantees to aid landowners in deferring the costs or fees of professional services. Furthermore, the GALC has been unable to begin implementing these activities due to the lack of staff and a committed funding source.

On June 5, 2018, Public Law 34-108 was enacted into law and created the Guam Ancestral Lands Commission Survey, Infrastructure, and Development Fund. This fund is restricted for purposes of surveying and mapping, purchase and installation of infrastructure, including paved access roads and commercial development of the GALC properties, and for the administrative, operational and financial support of these activities.

Public Laws 37-42 (FY24 Budget Act), 37-125 (FY25 Budget Act) and 38-60 (FY26 Budget Act) all amended the Survey, Infrastructure, and Development Fund (SID Fund) and included fifty percent (50%) of the net proceeds of the lease of Lot 10192 (AT&T Lease). The GALC has not been able to utilize the funds because a specific dollar amount has not been identified in legislation. The GALC has forwarded numerous letters requesting for an amendment to resolve the issue, but no action has been taken.

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Management's Discussion and Analysis, continued

4. Challenges and Accomplishments, continued

At the year-end, September 30, 2023, the GALC was composed of a seven-member board, supported by four classified employees and one unclassified employee. In FY2023, the GALC did not return any property. The aggregate amount of land returned to date is 2,643.12 acres.

The GALC was unable to finalize the Land Bank Rules and Regulations. The GALC was unable to compensate original landowners who will not benefit from their return of their lands. A working draft of the proposed amendment of Title 21, Chapter 80, Guam Code Annotated remains with the board. Additionally, the GALC has been able to address some easement access issues for returned properties and continues to work on the request on a case-by-case basis due to the lack of staff and funding.

5. Outlook

The GALC Commissioners and Executive Director will continue dialogue with the Administration, and Guam Legislature to finalize the Land Bank Rules and Regulations and funding amendments. Furthermore, the GALC management will continue to work with the financial resources available to recruit much needed personnel.

6. Contacting the Guam Ancestral Lands Commission Financial Management

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the GALC's finances and to show the GALC's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should contact Cathi Blas, Executive Director at (671) 473-5263 or email cathi.blas@galc.guam.gov

Guam Ancestral Lands Commission
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Balance Sheets

	<u>September 30, 2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 1,358,034	\$15,113,593
Time certificates of deposit	1,009,290	324,242
Receivables, net	771,096	497,418
Leases receivable	9,637,708	10,319,438
Investments	<u>14,137,949</u>	---
 Total assets	 <u>\$26,914,077</u>	 <u>\$26,254,691</u>

Liabilities, Deferred Inflows of Resources and Fund Balance

Liabilities:

Accounts payable	\$ 54,371	\$ 90,621
Due to GovGuam General Fund	781,595	444,462
Security deposits payable	<u>77,410</u>	<u>77,410</u>
 Total liabilities	 <u>913,376</u>	 <u>612,493</u>
Deferred inflows of resources - Leases	<u>9,403,272</u>	<u>10,136,806</u>
Fund balance - Committed	<u>16,597,429</u>	<u>15,505,392</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u>\$26,914,077</u>	 <u>\$26,254,691</u>

Guam Ancestral Lands Commission
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Statements of Revenues, Expenditures and Changes in Fund Balance

	Year ended September 30,	
	<u>2023</u>	<u>2022</u>
Revenues:		
Lease rentals:		
Base rent	\$ 814,433	\$ 679,299
Participation rent	3,556	23,434
Investment income	393,508	---
Interest income	370,810	699,320
GovGuam appropriation	28,021	40,981
Miscellaneous	<u>20</u>	---
 Total revenues	 <u>1,610,348</u>	 <u>1,443,034</u>
Expenditures:		
Salaries and wages - regular	185,386	180,399
Management fees	149,281	127,702
Salaries and wages - fringe benefits	79,146	80,262
Building rent	36,261	36,261
Contractual services	26,761	87,894
Investment fees	9,886	---
Communication	1,884	3,441
Supplies	1,725	2,501
Miscellaneous	<u>27,981</u>	<u>32,982</u>
 Total expenditures	 <u>518,311</u>	 <u>551,442</u>
 Net change in fund balance	 1,092,037	 891,592
 Fund balance at the beginning of the year	 <u>15,505,392</u>	 <u>14,613,800</u>
 Fund balance at the end of the year	 <u>\$16,597,429</u>	 <u>\$15,505,392</u>

Guam Ancestral Lands Commission
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Notes to Financial Statements

Years ended September 30, 2023 and 2022

1. Organization

The Guam Ancestral Lands Commission (GALC), a governmental fund of the Government of Guam (GovGuam), was established by the Guam Ancestral Lands Act of 1999 (Public Law 25-45) for the purpose of investigating, recording, filing, and reporting claims for ancestral lands, and to respond to requests for remedy from claimants, including GovGuam, for lands taken by the United States or by GovGuam on or after January 1, 1930.

The accompanying financial statements relate solely to those accounting records maintained by the GALC, and do not incorporate any accounts related to other departments or agencies within GovGuam.

The GALC is governed by a seven-member Board of Commissioners who must be descendants or heirs of ancestral landowners or claimants and are appointed by the Governor of Guam.

In 2011, the Governor of Guam issued Reorganization Advisory No. 5, which was later superseded by Advisory No. 9, whereby the GALC was merged into the GovGuam Department of Land Management (DLM) along with the Chamorro Land Trust Commission. In 2019, the Governor of Guam issued Executive Order 2019-01 re-establishing the GALC as a separate agency from DLM and the re-establishment of its Executive Director position.

2. Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the GALC's accounting policies are described below:

Measurement Focus and Basis of Accounting

The GALC reports its financial position and the results of operations in governmental funds. A fund is a separate accounting entity with a self-balancing set of accounts. They are concerned only with the measurement of financial position and are not involved with measurement of results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Governmental funds are used to account for all or most of government's general activities, including the collection and disbursement of earmarked monies (special revenue funds).

Guam Ancestral Lands Commission
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Measurement Focus and Basis of Accounting, continued

The special revenue funds currently reported by the GALC are as follows:

- The Ancestral Lands Operations Fund - this fund was created for the purpose of accounting for the payment of operational costs associated with the GALC.
- The Land Bank Trust Fund - this fund was created for the purpose of accounting for all assets and revenues of the Land Bank, which consists of former Spanish Crown Lands and other non-ancestral lands conveyed by the United States federal government to GovGuam. The GALC acts as a developer of the lands with resulting lease rental income used to provide just compensation for those dispossessed landowners whose properties cannot be returned.
- The Landowner's Recovery Fund - this fund was created for the purpose of granting loans, loan guarantees or grant-in-aid to landowners, or to defer costs or fees for professional services required by those landowners or class of landowners who have ancestral land claims.
- The Survey, Infrastructure and Development Fund - this fund was created for the purpose of accounting for the proceeds of lease revenues earned from all leases of Apra Harbor Reservation F-12 and Parcel N14-1 (the Polaris Point parcels) under the jurisdiction of the GALC. This fund shall be used for the surveying and mapping, purchase and installation of infrastructure, including paved access roads and commercial development, of the GALC properties, and for the administrative, operational, and financial support of these efforts.

Basis of Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included in the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means that the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the GALC considers revenues to be available if they are collected within 90 days of the end of the current fiscal period.

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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Basis of Presentation, continued

Significant revenues susceptible to accrual include revenue received from commercial leases and General Fund appropriations. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred.

Cash and Cash Equivalents and Time Certificates of Deposit

The GALC has the power and authority to invest and re-invest any of the money in any of its funds, not otherwise immediately needed, for the purposes of the funds in such bonds and securities authorized in 5 GCA Chapter 21, *Investments and Deposits*. Custodial credit risk is the risk that in the event of a bank failure, the GALC deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. The GALC does not have a deposit policy for custodial risk.

For the purposes of the balance sheet, cash and cash equivalents is defined as cash in checking and savings accounts with a maturity date within three months of the date acquired. Deposits maintained in time certificates of deposit with original maturity dates greater than three months are separately classified on the balance sheet. As of September 30, 2023 and 2022, the carrying amount and corresponding bank balances of the GALC's cash and cash equivalents and time certificates of deposit were \$2,367,324 and \$15,437,835, respectively. Bank balances are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance or credit unions subject to National Credit Union Administration (NCUA) insurance. As of September 30, 2023 and 2022, bank deposits in the amount of \$64,349 and \$64,337, respectively, were FDIC insured and bank deposits in the amount of \$500,000 were NCUA insured.

In accordance with 5 GCA 21, *Investments and Deposits*, the GALC requires collateralization of deposits in excess of depository insurance limits in an amount in value at least ten percent in excess of the amount of money deposited with the financial institution. Such collateralization shall be in securities in U.S. treasury notes or bonds or in U.S. government agencies for which the faith and credit of the United States are pledged for the payment of principal and interest; evidence of indebtedness of GovGuam; investment certificates of the Federal Home Loan Bank; or such other securities as may be approved by the Director of Administration and the Governor of Guam. As of September 30, 2023 and 2022, substantially all of the GALC's bank deposits in excess of depository insurance limits are collateralized with securities held by the pledging financial institution but not in the GALC's name.

Guam Ancestral Lands Commission
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Receivables

Receivables are due from individuals and businesses residing on the island of Guam and are uncollateralized and non-interest bearing. 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.

Management determines the adequacy of the allowance for uncollectible accounts based upon review of the aged accounts receivable. The allowance is established through a provision for bad debts charged to expense. Bad debts are written off against the allowance on the specific identification method.

Leases Receivable

The GALC acts as a lessor of various leases for the use of ancestral lands. Leases with maximum terms of more than twelve months are recognized as lease receivables and deferred inflows from leases. Lease receivables are recorded as the present value of the future lease payments expected to be received from the lessee during the lease term, net of any estimated uncollectible amounts.

Interfund Receivables/Payables

During the course of GALC operations, the GovGuam General Fund records transactions between individual funds for goods provided or services rendered. These balances result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made, and are scheduled to be collected in the subsequent year. As of September 30, 2023 and 2022, the GALC has recognized a payable of \$781,595 and \$444,462, respectively, for payments made by GovGuam's General Fund on behalf of the GALC for goods provided or services rendered.

Investments

Investments and related investment earnings are recorded at fair value. The GALC uses quoted market prices to determine the value of equity securities with readily available fair values. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Deferred Inflows of Resources

In the governmental fund financial statements, deferred inflows of resources consist of unavailable base and participation rent revenues, which is revenue that does not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting.

Guam Ancestral Lands Commission
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Fund Balance

Governmental fund balances are classified as follows:

- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and do not lapse at year-end.
- Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.

Restricted/committed amounts are spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this. In addition, committed, then assigned amounts of unrestricted fund balance are expended in that order. A formal minimum fund balance policy has not been adopted.

Management Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Adopted Accounting Pronouncements

During the year ended September 30, 2023, the GALC implemented the following pronouncements:

- GASB Statement No. 91, *Conduit Debt Obligations*, which provides 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.

Guam Ancestral Lands Commission
(A Governmental Fund of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which improves financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which 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.
- GASB Statement No. 99, *Omnibus 2022*, which enhances comparability in accounting and financial reporting and improves consistency of authoritative literature by addressing (1) practice issues that have been identified during the implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

This Statement provides clarification of provisions in:

- 1) GASB Statement No. 87, *Leases*, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- 2) GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- 3) GASB Statement No. 96 related to the SBITA term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.

This Statement modifies accounting and reporting guidance in:

- 4) GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, related to termination of hedge.

The implementation of these Statements did not have a material effect on the accompanying financial statements.

Guam Ancestral Lands Commission
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements

In April 2022, GASB issued Statement No. 99. This Statement contains guidance whose effective dates are in future periods. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 99

- 1) Modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures effective for the fiscal year ending September 30, 2024.
- 2) Provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for the fiscal year ending September 30, 2024.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*. This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections and requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. Requirements applicable to changes in accounting principles apply to the implementation of a new pronouncement if there is no specific transition guidance in the new pronouncement. The Statement also requires that aggregate amounts of adjustments to, and restatements of, beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 100 will be effective for the fiscal year ending September 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The primary objective of the Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid, provided the services have occurred, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or noncash means. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 101 will be effective for the fiscal year ending September 30, 2025.

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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of this Statement is to provide users of the government financial statements with essential information about risks related to a government's vulnerabilities due to ascertain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact has occurred, has begun to occur, or is more likely than not to begin to occur within 12 months of the date the financial statements are issued. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 102 will be effective for the fiscal year ending September 30, 2025.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The primary objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues identified through agenda research conducted by the GASB. This Statement establishes new accounting and financial reporting requirements - or modifies existing requirements - related to the following: a) management's discussion and analysis (MD&A); b) unusual or infrequent items; c) presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position; d) information about major component units in basic financial statements; e) budgetary comparison information; and f) financial trends information in the statistical section. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 103 will be effective for the fiscal year ending September 30, 2026.

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale.

Guam Ancestral Lands Commission
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. GASB Statement No. 104 will be effective for the fiscal year ending September 30, 2026.

The GALC is currently evaluating the effects the above upcoming accounting pronouncements might have on its financial statements.

3. Risk Management

The GALC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the GALC not to purchase commercial insurance for the risks of loss to which it is exposed. Instead, GALC management believes it is more economical to manage its risks internally. In the event of claim settlements and judgments, the GALC reports all of its risk management activities in the Ancestral Lands Operations Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. No losses have occurred as a result of these policies.

4. Receivables

Receivables as of September 30, 2023 and 2022, including the applicable allowance for uncollectible accounts, are as follows:

	<u>2023</u>	<u>2022</u>
Lease rental	\$1,951,650	\$1,623,667
Interest receivable	787,817	538,144
Due from Guam Economic Development Authority (GEDA)	<u>77,410</u>	<u>77,410</u>
	2,816,877	2,239,221
Less allowance for uncollectible accounts	<u>(2,045,781)</u>	<u>(1,741,803)</u>
	\$ 771,096	\$ 497,418

Guam Ancestral Lands Commission
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Notes to Financial Statements, continued

4. Receivables, continued

As of September 30, 2023 and 2022, lease rental receivables include \$54,299 and \$45,899, respectively, due from GovGuam's Department of Public Health and Social Services (DPHSS) and \$311,985 and \$247,985, respectively, due from the Guam Environmental Protection Agency (GEPA) with a corresponding allowance for uncollectible accounts of \$287,985 and \$243,985, respectively.

5. Investments

The GALC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The following tables set forth by fair value hierarchy level the GALC assets carried at fair value at September 30, 2023:

	At September 30, 2023		
	Level 1	Level 2	Level 3
Investments carried at fair value:			
Exchange traded products	\$ 5,653,060	\$ 5,653,060	\$ ---
Real estate investment trusts	14,679	14,679	---
	<u>5,667,739</u>	<u>5,667,739</u>	<u>---</u>
Investments carried at cost:			
Certificates of deposits	6,264,800		
Cash and cash equivalents	2,205,410		
	<u>\$ 14,137,949</u>		

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the GALC will not be able to recover the value of investments or collateral securities that are in the possession of an outside party.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for the GALC.

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Notes to Financial Statements, continued

5. Investments, continued

As of September 30, 2023, the GALC held investments in the following issuers that each represented 5% or more of total investment, excluding investment issued or explicitly guaranteed by the U.S. Government:

Issuer	Type	Total	% of Total Investment
ISHARES TR CORE US AGGBD	Exchange-Traded Products (ETPs)	\$ 1,221,580	9%
FIDELITY TOTAL BOND ETF	Exchange-Traded Products (ETPs)	1,321,741	9%
		<u>\$ 2,543,321</u>	

6. Security Deposits Payable

Certain lessees are required, upon execution of the lease, to remit a security deposit to GEDA on behalf of the GALC. As of September 30, 2023 and 2022, security deposits in the amount of \$77,410 are maintained by GEDA on behalf of the GALC. A liability is recorded within the accompanying financial statements representing security deposits payable to lessees offset by a corresponding receivable due from GEDA.

7. Related Party Transactions

The GALC is a governmental fund of GovGuam and is therefore affiliated with all GovGuam-owned and affiliated entities, including all departments and agencies of GovGuam, including the GEDA, the GEPA, the GovGuam Department of Land Management, and the GovGuam DPHSS. During the years ended September 30, 2023 and 2022, the GALC recognized certain on-behalf payments as contributions from GovGuam, totaling \$28,021 and \$40,981, respectively, representing certain payroll and related expenditures that GovGuam paid directly on behalf of the GALC. These expenditures were funded through appropriations from GovGuam's General Fund.

During the years ended September 30, 2023 and 2022, GEDA withheld \$149,281 and \$127,702, respectively, of all rents received representing lease management services.

During the year ended September 30, 2022, certain legal costs of \$47,368 were incurred by the GALC covering services from the GovGuam Office of the Attorney General.

Certain developed land supported by valid leases is held as investments in land and other real estate within a permanent fund of GovGuam. Such investment is recorded at fair value whereas other undeveloped land not supported by leases is reported at historical cost. As of September 30, 2023 and 2022, such land is valued at \$459,050,489, of which \$13,264,125 is held by the GALC. Fair value is based on estimated current value (primarily assessed real estate property tax valuations) and appraisals. Investments that do not have an established market are reported at estimated fair value. Earnings from leases associated with these investments are reported as revenues of the GALC.

Guam Ancestral Lands Commission
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Notes to Financial Statements, continued

8. Leases

In accordance with GASB Statement No. 87, *Leases*, the GALC, as a lessor, recognizes a lease receivable and deferred inflow of resources at the commencement of the lease term, with exceptions for short-term leases. The lease receivable is measured as the present value of the lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relates to the future periods.

The GALC has ground lease agreements with eight lessees. The agreements provide the lessees with the use of former Spanish Crown Lands and other non-ancestral lands (collectively, the “Trust Lands”) conveyed by the United States federal government to GovGuam. A summary of these lease agreements follows:

Apra Harbor Parcel No. 1 (Commissary Junction)

In 2008, the GALC entered into a fifty-year lease agreement with a tenant commencing May 1, 2008 for certain real property with an area of approximately 5.835 acres. In accordance with the lease agreement, rental income from the tenant shall consist of the following:

- a. Base rent of \$3,113 payable monthly in advance on the first business day of each month escalating each year at the rate of 1%; and
- b. Participation rent of 2.5% of the tenant’s gross annual revenue, as defined in the lease agreement, received by the tenant from its operation at the premises. Payment shall be made by the tenant within 90 days after the end of each fiscal year.

The base rent shall be adjusted every ten years to the product of the fair market rental value of the premises and an eight percent capitalization rate. Such fair market rental value shall be determined by an appraisal of the premises, exclusively of any improvements, which shall be achieved at the tenant’s sole cost and expense. Effective May 1, 2022, the base rent was adjusted to \$3,950 payable monthly in advance.

During the years ended September 30, 2023 and 2022, the GALC recognized lease base rental revenue of \$17,436 and \$18,901, respectively, interest income of \$30,629 and \$28,495, respectively, and lease participation rental revenue of \$3,062 and \$22,810, respectively, associated with this lease.

Apra Harbor Reservation F-12 (Polaris Point)

In 2010, the GALC entered into a fifty-year lease agreement with a tenant commencing July 1, 2010 for certain real property with an area of approximately thirty (30) acres. In accordance with the lease agreement, rental income from the tenant shall consist of the following:

- a. Initial base rent of \$25,000 payable monthly in advance on the first business day of each month; and

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Notes to Financial Statements, continued

8. Leases, continued

Apra Harbor Reservation F-12 (Polaris Point), continued

- b. Participation rent of 2.6% of the tenant's gross annual revenue, as defined in the lease agreement, received by the tenant each month from its operation at the premises. Payment for the previous month shall be made by the tenant on or before the 30th day of each calendar month.

The base rent shall be adjusted every ten years to the product of the fair market rental value of the premises and an eight percent capitalization rate. Such fair market rental value shall be determined by an appraisal of the premises, exclusively of any improvements, which shall be achieved at the tenant's sole cost and expense. Effective July 1, 2021, the base rent was adjusted to \$27,733 payable monthly in advance.

During the years ended September 30, 2023 and 2022, the GALC recognized lease base rental revenue of \$110,508 and \$126,202, respectively, interest income of \$222,288 and \$206,594, respectively, and lease participation rental revenue of \$494 and \$624, respectively, associated with this lease agreement.

In 2017, the GALC entered into a one-year license agreement with a tenant commencing June 1, 2017, for certain real property with an area of approximately one-half (1/2) acre. In accordance with the license agreement, monthly base rent of \$500 is payable by the tenant. Effective June 1, 2018, the lease continues each month with the same terms and conditions. During the years ended September 30, 2023 and 2022, the GALC recognized lease base rental revenue of \$10,000 and \$7,200, respectively, associated with this license.

In 2022, the GALC entered into a five-year lease agreement with a tenant commencing September 1, 2022 for a certain real property with a usable area of approximately eight (8) acres. In accordance with the lease agreement, monthly base rent of \$1,100 per acre payable monthly in advance on the first calendar day of each month by the tenant. During the year ended September 30, 2023, the GALC recognized lease base rental revenue of \$92,563 and interest income of \$13,037 associated with this lease. During the year ended September 30, 2022, the GALC recognized lease base rental revenue of \$8,800 associated with this lease.

Guam Ancestral Lands Commission
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Notes to Financial Statements, continued

8. Leases, continued

Anderson Family Housing Annex no. I

In 2013, the GALC entered into a fifty-year lease agreement with a tenant commencing January 1, 2014 for certain real property with an area of approximately 13.313 acres. In accordance with the lease, rental income from the tenant shall consist of the following:

- a. Initial base rent of \$27,197, adjusted to \$27,855, payable monthly in advance on the first business day of each month commencing January 1, 2015 upon completion of the development phase and escalating every five years at the rate of 10%; and
- b. Participation rent of 2.5% of the tenant's gross monthly revenue, as defined in the lease, received by the tenant each quarter from its operation at the premises. Payment shall be made by the tenant within 30 days after the end of each calendar quarter.

No lease base rental revenue or interest income from deferred payments were recognized during the years ended September 30, 2023 and 2022.

Guam Environmental Protection Authority (GEPA)

In 2005, the GALC entered into a license renewable annually for a period not to exceed thirty (30) years to allow GEPA to occupy and use a portion of Lot No. 2276 consisting of a building, a parking lot and common area with an area of approximately 8,000 square feet. In accordance with the license, monthly base rent of \$1.00 per square foot is payable by GEPA. Subsequent to the tenth year, the monthly base rent amount shall be adjusted to equal the fair market value but not less than \$1.00 per square foot. Such fair market value shall be determined by an appraisal of the property, which shall be performed at GEPA's sole cost and expense. During the years ended September 30, 2023 and 2022, the GALC recognized lease base rental revenues of \$96,000 and \$100,000, respectively, associated with this license.

Department of Public Health and Social Services (DPHSS)

In 2004, the GALC entered into a license renewable annually for a period not to exceed ten (10) years to allow DPHSS to occupy and use a portion of Lot No. 2276 consisting of a building, a parking lot and common area with an area of approximately 8,000 square feet. In accordance with the license, monthly base rent of \$1.00 per square foot is payable by DPHSS. Subsequent to the initial year, the monthly base rent amount shall be adjusted to equal the fair market value but not less than \$1.00 per square foot. Such fair market value shall be determined by an appraisal of the property, which shall be performed at DPHSS sole cost and expense. Effective January 1, 2015, the GALC exercised the option to extend the license agreement for an additional period of ten (10) years upon the same terms and conditions with monthly base rent of \$1.05 per square foot. During the years ended September 30, 2023 and 2022, the GALC recognized lease base rental revenue of \$86,631 and \$85,593, respectively, and interest income of \$14,169 and \$28,495, respectively, associated with this license.

Guam Ancestral Lands Commission
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Notes to Financial Statements, continued

8. Leases, continued

Tanguisson Cable Landing Station

In 2019, the GALC entered into a five-year lease agreement with a tenant commencing October 1, 2019, for certain real property with an area of approximately 11,724 square meters to occupy and use a portion of Lot No. 10192, consisting of a building, a certain ocean ground bed, West cable entrance to shore edge, Lines T1 through T3 Cable easements, and common areas. In accordance with the lease, monthly base rent of \$22,939 is payable monthly by the tenant during the initial term. The tenant has nine (9) successive options to renew the lease to extend the term for 5 years each. Subsequent to the initial term, the monthly base rent is escalating every five years at the rate of 10% capitalization rate. Such fair market value shall be determined by an appraisal of the property, which shall be performed at the GALC and the tenant's split cost. During the years ended September 30, 2023 and 2022, the GALC recognized lease base rental revenue of \$263,018 and \$256,431, respectively, and interest income of \$12,255 and \$17,970, respectively, associated with this agreement.

The future minimum lease receipts under the remainder of these leases are as follows:

Year Ending September 30,	Base Rent	Interest	Total
2024	\$ 590,003	\$ 271,861	\$ 861,864
2025	328,668	257,924	586,592
2026	338,529	248,062	586,591
2027	339,887	237,905	577,792
2028	209,633	229,359	438,992
2029 - 2033	827,978	1,072,980	1,900,958
2034 - 2038	959,876	941,082	1,900,958
2039 - 2043	1,112,786	788,172	1,900,958
2044 - 2048	1,290,054	610,904	1,900,958
2049 - 2053	1,495,562	405,396	1,900,958
2054 - 2058	1,713,961	167,248	1,881,209
2059 - 2062	<u>430,771</u>	<u>3,051</u>	<u>433,822</u>
	<u><u>\$9,637,708</u></u>	<u><u>\$ 5,233,944</u></u>	<u><u>\$ 14,871,652</u></u>

In 2006, the GALC entered into a memorandum of agreement with GEDA to assist with the development, management, and maintenance of Trust Lands for the purpose of maximizing benefit to dispossessed landowners and be responsible for the collection and remittance of security deposits and lease rental payments to the GALC. GEDA shall remit all rents received from the lease of Trust Lands but shall retain 14.3% of the base rent and 20% of the participation rent paid by all developers and/or lessees of the Trust Lands as payment for lease management services. Base rent collected from developers and/or lessees shall be remitted to the GALC no later than twenty (20) calendar days after receipt from the developers and/or lessees. Participation rent collected from developers and/or lessees shall be remitted to the GALC no later than ninety (90) calendar days after receipt from the developers and/or lessees.

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Notes to Financial Statements, continued

8. Leases, continued

During the years ended September 30, 2023 and 2022, GEDA withheld \$149,281 and \$127,072, respectively, of all rents received as payment for lease management services. As of September 30, 2023 and 2022, the GALC has recognized a liability of \$54,371 and \$90,621, respectively, for lease management services relating to rent receivables collected.

9. Contingency

The GALC is party to several legal proceedings; however, the GovGuam Office of Attorney General is unable to assess the likelihood of potential liabilities related to claims outstanding as of September 30, 2023 and 2022. Hence, it is not possible to predict a reasonable estimation of these claims to be paid through the claims process and, therefore, no provision for any liability that may result has been made in the accompanying financial statements.

Supplementary Information

Guam Ancestral Lands Commission
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Combining Balance Sheet

September 30, 2023

	Ancestral Lands Operations Fund	Land Bank Trust Fund	Landowner's Recovery Fund	Survey, Infrastructure, and Development Fund	Combined Total	Eliminating	Audited
Assets							
Cash and cash equivalents	\$ 1,855	\$ 385,074	\$ 5,055	\$ 966,050	\$ 1,358,034	---	\$ 1,358,034
Time certificates of deposit	---	1,009,290	---	---	1,009,290	---	1,009,290
Receivables, net	---	767,096	---	4,000	771,096	---	771,096
Leases receivable	---	1,798,049	---	7,839,659	9,637,708	---	9,637,708
Investments	---	14,137,949	---	---	14,137,949	---	14,137,949
Due from the Land Bank Trust Fund	---	---	---	39,365	39,365	(39,365)	---
Due from the Survey, Infrastructure, and Development Fund	---	27,290	---	---	27,290	(27,290)	---
Total assets	\$ 1,855	\$ 18,124,748	\$ 5,055	\$ 8,849,074	\$ 26,980,732	\$ (66,655)	\$ 26,914,077
Liabilities, Deferred Inflows of Resources and Fund Balance							
Liabilities:							
Accounts payable	\$ ---	\$ 44,609	\$ ---	\$ 9,762	\$ 54,371	---	\$ 54,371
Due to GovGuam General Fund	---	---	---	781,595	781,595	---	781,595
Security deposits payable	---	77,410	---	---	77,410	---	77,410
Due to the Land Bank Trust Fund	---	---	---	27,290	27,290	(27,290)	---
Due to the Survey, Infrastructure, and Development Fund	---	39,365	---	---	39,365	(39,365)	---
Total liabilities	---	161,384	---	818,647	980,031	(66,655)	913,376
Deferred inflows of resources:							
Deferred inflows from leases	---	1,728,730	---	7,674,542	9,403,272	---	9,403,272
Fund balance:							
Committed	1,855	16,234,634	5,055	355,885	16,597,429	---	16,597,429
Total liabilities, deferred inflows of resources and fund balance	\$ 1,855	\$ 18,124,748	\$ 5,055	\$ 8,849,074	\$ 26,980,732	\$ (66,655)	\$ 26,914,077

Guam Ancestral Lands Commission
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Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended September 30, 2023

	Ancestral Lands Operations Fund	Land Bank Trust Fund	Landowner's Recovery Fund	Survey Infrastructure, and Development Fund	Combined Total	Eliminating	Audited
Revenues:							
Lease rentals:							
Base rent	\$ ---	\$ 508,990	\$ ---	\$ 305,443	\$ 814,433	\$ ---	\$ 814,433
Participation rent	---	3,062	---	494	3,556	---	3,556
Investment income	---	393,508	---	---	393,508	---	393,508
Interest income	2	134,466	13	236,329	370,810	---	370,810
GovGuam appropriation	28,021	---	---	---	28,021	---	28,021
Miscellaneous	---	20	---	---	20	---	20
Total revenues	28,023	1,040,046	13	542,266	1,610,348	---	1,610,348
Expenditures:							
Salaries and wages - regular	---	---	---	185,386	185,386	---	185,386
Management fees	---	85,234	---	64,047	149,281	---	149,281
Salaries and wages - fringe benefits	---	---	---	79,146	79,146	---	79,146
Building rent	---	---	---	36,261	36,261	---	36,261
Contractual services	2,290	---	---	24,471	26,761	---	26,761
Investment fees	---	9,886	---	---	9,886	---	9,886
Communication	---	---	---	1,884	1,884	---	1,884
Supplies	1,725	---	---	---	1,725	---	1,725
Miscellaneous	25,769	998	---	1,214	27,981	---	27,981
Total expenditures	29,784	96,118	---	392,409	518,311	---	518,311
Excess (deficiency) of revenues over (under) expenditures	(1,761)	943,928	13	149,857	1,092,037	---	1,092,037
Other financing sources (uses):							
Transfer in from other funds	2,788	---	4	---	2,792	---	2,792
Transfer out to other funds	---	---	---	(2,792)	(2,792)	---	(2,792)
Other financing sources (uses), net	2,788	---	4	2,792	---	---	---
Net change in fund balance	1,027	943,928	17	147,065	1,092,037	---	1,092,037
Fund balance at beginning of year	828	15,290,706	5,038	208,820	15,505,392	---	15,505,392
Fund balance at end of year	\$ 1,855	\$ 16,234,634	\$ 5,055	\$ 355,885	\$ 16,597,429	\$ ---	\$ 16,597,429

Guam Ancestral Lands Commission
(A Governmental Fund of the Government of Guam)

Comparative Supplemental Schedule of Employees and Salaries

	Year ended September 30,	
	<u>2023</u>	<u>2022</u>
Salaries and wages – regular	<u>\$185,386</u>	<u>\$180,399</u>
Employees at end of year	5	5

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*

The Board of Commissioners
Guam Ancestral Lands Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America 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 Guam Ancestral Lands Commission (GALC), which comprise the balance sheet as of September 30, 2023, and the related statement of revenues, expenditures and changes in fund balance for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 6, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the GALC's internal control over financial reporting (internal control) as a basis for designing 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 the GALC's internal control. Accordingly, we do not express an opinion on the effectiveness of the GALC'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 of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the GALC's financial statements are free from 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*.

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.

Ernest & Young LLP

February 6, 2026