



Financial Highlights **Guahan Academy Charter School Financial Audit** **Fiscal Year 2025**

April 5, 2026

The Guahan Academy Charter School (GACS) received unmodified (clean) opinions from independent auditors, Ernst & Young LLP (EY), on its Fiscal Year (FY) 2025 financial statements. In the reporting on internal control over financial reporting on compliance, EY identified three significant deficiencies. In a separate Management Letter, EY identified certain internal control deficiencies, opportunities for improvement of internal processes and business operations and other matters.

GACS closed FY 2025 with a positive net position of \$3.4 million (M), an increase of \$676 thousand (K) (25%) from \$2.7M in FY 2024.

Revenues Decreased by \$507K, Expenses Decreased by \$642K

In FY 2025, GACS reported total revenues of \$6.5M, a decrease of \$507K (7%) from FY 2024 total revenues of \$7.1M. The notable decrease can primarily be attributed to loss in 1) other revenue, which decreased by \$428K (92%), and 2) per pupil allocations, which decreased by \$420K (9%) in FY 2025.

GACS reported FY 2025 total expenses of \$5.9M, decreased by \$642K (10%) compared to \$6.5M in FY 2024. The decrease in expenses is primarily due to the decrease in 1) Contractual services, which decreased by \$650K (54%), 2) Books and online resources, which decreased by \$52K (49%), 3) Materials and supplies, which decreased by \$38K (22%), and 4) Dues and subscriptions, which decreased by \$19K (32%).

General Fund Revenues

GACS receives approximately 69% of its general fund revenue from the Government of Guam (GovGuam) General Fund revenues, paid in monthly allotments. These funds are used to finance administrative and general expenses on a reimbursable basis, via the Department of Administration (DOA). The school's financial position and operational sustainability are significantly dependent upon continued legislative appropriations, timely approval of allotments, and the availability of GovGuam funds. The per pupil cost was \$7.8K and \$7.5K for the fiscal years ended September 30, 2025 and 2024, respectively. The overall total in appropriations for FY 2025 was \$6M, and the total expenditure amount submitted to DOA was \$4.5M for an unexpended balance of \$1.5M. By year-end, enrollment declined to 625 students, a decrease of 160 students from 785 who registered at the start of the fiscal year. The decline in enrollment was due to families relocating off-island, transfers to other public schools or charter schools, and teacher staffing challenges.

In addition to the funding per pupil, GovGuam allows GACS's use of Buildings C, D, and E in Tiyan at no cost under a Memorandum of Agreement, initially established in August 2013. The lease, valued at approximately at \$79K per month or \$953K annually, was set to expire on June

30, 2023. In August 2023, the Office of the Governor (OOG) confirmed that GACS could remain despite delays in processing a new agreement. As of the report date, OOG, the government entity with entitlement to possession, has not taken any steps to proceed with an unlawful detainer, has not sought any rent, and has not interrupted GACS's peaceful possession of the property. GACS has requested continued use while securing financing for a new facility, subject to maintaining a valid charter and compliance with MOA terms.

Should GACS vacate the Tiyan premises, the MOA requires GACS to incur certain expenses to restore those premises. As of September 30, 2025, GACS has estimated \$89K as the attendant cost of vacating the Tiyan premises, but given its current financial situation, it is not currently possible to predict if such costs will be incurred and therefore, given the materiality of this balance, it has not been recorded as an expense and as a liability in the accompanying financial statements.

Proposed New School Facility

Efforts to advance the acquisition and development of a new school facility commenced in December 2023 with the issuance of a Request for Proposals for Programming and Architectural and Engineering consulting services. The engagement is intended to support the planning and design of a new campus to be constructed on the GACS Mangilao property. Programming sessions with key stakeholders were conducted in June 2024. Phase I programming deliverables were completed in January 2025, followed by the preparation of a rough order of magnitude cost estimate, which was finalized by the end of March 2025. To facilitate a more detailed cost analysis and to expand potential financing and grant opportunities, management requested in August 2025 that the consulting firm revise the plans to a phased development approach.

Federal Fund Revenues

In addition to the \$7.8K per-pupil appropriation, GACS continues to leverage federal funding through Consolidated Grants, the Serve Guam Commission's AmeriCorps programs, and the USDA Child Nutrition Program. The school is also actively pursuing funding through the Charter Schools Program, a federal grant initiative that supports the launch, replication, and expansion of high-quality charter schools. The \$340K increase in federal fund revenues (\$553K in FY 2024 and \$892K in FY 2025) is a result of: (a) Federal Emergency Management Agency Public Assistance of \$209K; (b) Child Nutrition Program of \$268K; (c) AmeriCorps of \$194K; and Consolidated Grant and American Rescue Plan funds of \$222K.

GACS received five "Notices of Award" from the FEMA Public Assistance grant program for expenditures related to damages caused by Typhoon Mawar. The awards cover four project categories: Debris Removal (Category A), Emergency Protective Measures (Category B), Buildings, Contents, and Equipment (Category E), and Management Costs (Category Z), totaling \$470K. As of September 30, 2025, the statement of account from Homeland Security reflects an unobligated balance of \$425K. An extension has been submitted, and reimbursement collections are expected in FY 2026.

Significant Deficiencies in Internal Control Over Financial Reporting

For FY 2025, EY identified three significant deficiencies in reporting on internal control over financial reporting and on compliance.

- 1) **Recognition Receivables and Revenues:** During the fiscal year ended September 30, 2024, FEMA, through the Guam Recovery Office, awarded grants totaling \$470K in relation to the damage caused by Typhoon Mawar. GACS incurred eligible, reimbursable expenditures of \$177K during fiscal years 2023 and 2024 but did not recognize receivables and revenues as of and for the year ended September 30, 2024. GACS incurred eligible, reimbursable expenditures of federal awards of \$33K in the last quarter of the fiscal year ended September 30, 2025 but did not recognize receivables and revenues as of and for the year ended September 30, 2025. GACS has insufficient experience in accounting for grants awarded by FEMA and other federal agencies. EY recommends that GACS monitor all existing grant awards, assess whether applicable eligibility requirements are met, and recognize receivables and revenues in accordance with GASB Codification.
- 2) **Compensated Absences:** GACS did not perform an assessment to determine that all accumulated leave is more likely than not to be used in its implementation of GASBS No. 101. Historical information indicates that not all leave is more likely than not to be utilized. GACS has insufficient experience in adopting new standards. EY recommends that GACS document its formal evaluation of factors supporting its assumptions in measuring the liability in accordance with GASBS No. 101.
- 3) **Recognition Exchange and Nonexchange Transactions:** For the fiscal years ended September 30, 2025 and 2024, GACS recorded expenses of \$32K and \$106K, respectively, that related to costs that had not been incurred. GACS has the practice of recording expenses at full contract price without consideration of when the exchange occurred. EY recommends that Management ensure expenses are recorded only when the related services have been rendered or allowable costs have been incurred and that supporting documentation, such as delivery receipts, service completion reports, or other evidence, should be obtained and reviewed prior to recording transactions.

Management Letter Observations

In its Management Letter, EY issued two observations with corresponding recommendations, relative to *internal controls over the preparation of bank reconciliations* and recording *in-kind revenues and expenses*.

1. **Internal Controls Over the Preparation of Bank Reconciliations:** Bank reconciliations provided to EY did not tie with the cash balance per the ledger and were not updated for most recent transactions and adjustments. Some reconciling items included in the GACS bank reconciliations have remained outstanding for more than six months, resulting in extended procedures to verify completeness and accuracy of reconciliations. EY recommends that Management ensure bank reconciliations are updated for current information and to ensure reconciling items are reviewed, followed up, documented, and resolved in a timely manner to strengthen internal controls over cash.
2. **In-Kind Revenues and Expenses:** GACS records in-kind revenues and expenses of approximately \$1M relating to the use of a facility at no cost to GACS; GASB does not require the recognition of such contributed services which overstates both revenues and expenses. EY recommends that GACS consider non-recognition of revenues and expenses for contributed service.

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