

*Financial Statements and Required Supplementary
Information*

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

*Years ended September 30, 2025 and 2024
with Report of Independent Auditors*



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Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Financial Statements

Years ended September 30, 2025 and 2024

Contents

Report of Independent Auditors.....	1
Management’s Discussion and Analysis	4
Audited Basic Financial Statements	
Governmental Funds Balance Sheets/Statements of Net Position.....	16
Statements of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/Statements of Activities	17
Notes to Financial Statements.....	18
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 <i>Government Auditing Standards</i>	30
Schedule of Findings and Responses	32



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Report of Independent Auditors

Board of Trustees
Guahan Academy Charter School, Inc.

Opinions

We have audited the accompanying financial statements of the governmental activities and the General Fund of Guahan Academy Charter School, Inc. (the Academy), as of and for the years ended September 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents (collectively referred to as "basic financial statements").

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Academy at September 30, 2025 and 2024, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 Academy 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 of 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 Academy'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 of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 Academy'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 Academy'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 15 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2026 on our consideration of the Academy'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 Academy'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 Academy's internal control over financial reporting and compliance.

Ernst + Young LLP

March 31, 2026

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Management's Discussion and Analysis

Years ended September 30, 2025 and 2024

We, the Board of Trustees, provide this narrative overview of the financial activities of Guahan Academy Charter School, Inc., a component unit of the Government of Guam. The management's discussion and analysis are for Fiscal Year Ended September 30, 2025.

Organization and Nature of Operations

Guahan Academy Charter School, Inc. (GACS or the Academy) is a nonprofit public benefit corporation organized under the laws of the Territory of Guam. The corporation is not organized for the private gain of any individual and operates exclusively for charitable, educational, and scientific purposes, authorizing it as tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

GACS was established to operate a public charter school independent from the Guam Public School System pursuant to Public Law 29-140, the Guam Academy Charter Schools Act of 2009. Pursuant to 18 GCA §§ 281702 and 281703, the corporation is organized under the provisions of the Guam Business Corporation Act (enacted as Guam Public Law 29-144, as amended). The corporation is granted the powers set forth in 17 GCA § 12107, together with all lawful powers necessary to carry out its educational mission. These powers are exercised subject to applicable laws and the limitations established in the corporation's Articles of Incorporation and Bylaws.

GACS was established to implement the National Institute for Direct Instruction (NIFDI) School-Wide Reform Model, an evidence-based instructional framework designed to improve academic performance and educational outcomes. The model supports the school's commitment to providing high-quality instruction and preparing students for postsecondary success.

On April 9, 2024, the Academy received charter renewal approval (valid through June 30, 2031) from the Guam Academy Charter Schools Council, which includes the full implementation of the Workforce Enabler: College and Career Readiness Education (WE: CCaRE) program. The WE: CCaRE program is a four-year cyclical college and career readiness framework designed to equip students in Kindergarten through Grade 12 with the essential academic, technical, and employability skills necessary to be college- and career-ready. The program was developed based on an analysis of the school's profile data, including graduation trends and post-graduation outcomes, to ensure that instructional strategies align with student needs and workforce expectations.

GACS is governed by a Board of Trustees in accordance with the provisions of Public Law 29-140, is composed of not fewer than five (5) members and not more than nine (9) members. Board membership includes at least one parent of a currently enrolled student and one member of the general public with a background in finance. Pursuant to the Guam Academy Charter Schools Act of 2009, the Head of School, who serves as the Chief Executive Officer and/or Principal of the School, serves as a non-voting member of the Board of Trustees. The Board is responsible for establishing policies, providing strategic oversight, and ensuring that the school fulfills its mission and complies with applicable laws and regulations.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Management's Discussion and Analysis, continued

GACS operates under the independent oversight of the Guam Academy Charter Schools Council (the Council). The Council is responsible for monitoring compliance with applicable laws and charter provisions, evaluating progress toward student academic achievement goals, and overseeing required reporting to ensure accountability and transparency.

FINANCIAL HIGHLIGHTS

GACS' financial statements provide the following insights:

- Assets at the close of FY2025 exceeded its liabilities by \$3,371,508 (net position).
- For FY2025, Public Law 37-125 appropriated \$7,800 per enrollee with a cap of 765 totaling \$5,967,000 and Public Law 37-124 appropriated \$1,250 each for the additional 15 enrollees totaling \$18,750. The overall total appropriations for FY2025 amounted to \$5,985,750. The total amount of expenditure submitted to Government of Guam Department of Administration (DOA) amounted to \$4,531,383. The amount verified and allotted by DOA was also \$4,531,383. The FY2025 unexpended balance from the appropriation is \$1,454,367.
- At the start of the fiscal year on October 1, 2024, GACS had 785 registered students. By September 30, 2025, enrollment had declined to 625, primarily due to families relocating off-island, transfers to other public or charter schools, and teacher staffing challenges.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the school's basic financial statements. The school's basic financial statements are comprised of two components:

1) government-wide financial statements and, 2) notes to the basic financial statements.

Government-Wide Financial Statements

The purpose of government-wide financial statements is to present the financial position and the operating results of the governmental entity. The statements are expected to provide users with operational accountability information and to enable them to do the following:

- understand the true financial position of the governmental entity, including capital and financial assets and long-term as well as short-term liabilities;
- determine whether the entity can continue to provide current service levels and meet its obligations as they become due; and
- determine the operating results of the entity, including the economic cost and the net cost of services, and assess the economy, efficiency, and effectiveness of operations.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Management’s Discussion and Analysis, continued

The *Statement of Net Position* presents information on the school’s assets and liabilities, and deferred inflows of resources (which is the acquisition of net assets by the government for future period) and deferred outflows (which is the outflow of net position which will be recognized in a future period). Net position may, over time, serve as an indicator to measure or gauge the school’s financial condition.

The *Statement of Activities* presents information on how the school’s net position changed during the fiscal year. All the current year’s revenue and expenses are reported in this profit and loss statement for some items that will only result in cash flows in the future fiscal period.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The following analysis provides a summary of the GACS’s net position as of September 30, 2025, 2024 and 2023:

GUAHAN ACADEMY CHARTER SCHOOL			
STATEMENT OF NET POSITION			
YEARS ENDED SEPTEMBER 30, 2025, 2024, 2023			
	30-Sep-25	30-Sep-24	30-Sep-23
ASSETS			
Current Assets	\$1,770,201	\$1,316,935	\$ 868,233
Capital Assets	1,963,618	1,994,018	2,001,266
TOTAL ASSETS	\$3,733,819	\$3,310,953	\$2,869,499
LIABILITIES & NET POSITION			
Current Liabilities	\$ 362,311	\$ 614,952	\$ 713,943
Net Position	3,371,508	2,696,001	2,155,556
TOTAL LIABILITIES & NET POSITION	\$3,733,819	\$3,310,953	\$2,869,499

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Management's Discussion and Analysis, continued

GUAHAN ACADEMY CHARTER SCHOOL
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2025, 2024, 2023

	<u>Oct '24 - Sep 25</u>	<u>Oct '23 - Sep 24</u>	<u>Oct '22 - Sep 23</u>
Revenue			
Per Pupil Allocation	\$4,531,383	\$4,951,128	\$4,231,993
In-Kind Contribution	1,085,862	1,085,013	1,044,052
Grant	892,451	552,267	174,228
Others	36,011	463,962	33,689
Total Revenue	<u>6,545,707</u>	<u>7,052,370</u>	<u>5,483,962</u>
Operating Expense			
Personnel	2,558,818	2,494,077	2,541,615
Benefits	509,126	445,386	353,944
ARP Premium Pay	---	325,000	---
Travel	44,363	30,188	31,355
Contractual Services	550,464	1,200,882	699,060
Office Space Rental	953,070	953,070	953,070
Equipment Rental	131,563	131,563	86,012
Materials and Supplies	134,635	172,762	78,439
Books/Online Resources	54,566	106,155	45,501
Workmen's Com & Gen Liability	19,046	17,514	15,165
Dues & Subscriptions	39,081	57,756	32,705
Programs & Activities	26,793	11,971	11,685
Professional Development Training	11,614	1,200	---
Other Expenses	66,726	---	---
Miscellaneous Expense	29,449	21,460	29,132
AmeriCorps Expenses	203,864	---	---
In-Kind Expense	221,851	227,267	174,228
Power	134,522	157,077	160,303
Water	33,145	2,265	40,314
Telephone/Toll/Wifi Service	94,396	95,094	94,925
Loss on Asset Disposal	---	38,854	1,244
Depreciation Expense	53,108	22,384	46,833
Total Expense	<u>5,870,200</u>	<u>6,511,925</u>	<u>5,395,530</u>
Change in Net Position	675,507	540,445	88,432
Net Position, Beginning of Year	<u>2,696,001</u>	<u>2,155,556</u>	<u>2,067,124</u>
Net Position, End of Year	<u><u>\$3,371,508</u></u>	<u><u>\$2,696,001</u></u>	<u><u>\$2,155,556</u></u>

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Management's Discussion and Analysis, continued

- During FY2025, the assets exceeded the liabilities by \$3,371,508, resulting in a positive net position balance.
- As of September 30, 2025, receivables totaled \$400,844. Validated allotment requests of \$92,591 have been subsequently received and reflected in FY2026 cash balances. The remaining balance of \$298,477 is due from federal agencies: Federal Emergency Management Agency (FEMA) of \$209,051, Child Nutrition Program (CNP) of \$56,824, and AmeriCorps of \$32,602. The amount of \$9,776 is receivable from others.
- With the additional computer/furniture and other equipment acquired locally of \$22,708 (3%), the accumulated depreciation increased by \$53,108 (16%). Total equipment net of depreciation decreased by 7%.
- FY2025 total Capital Asset is \$1,963,618, an overall decrease of 1.55% from last year.
- In FY2025, the school's net revenue and expenditures increased by \$135,062 (25%) compared to FY2024.
- The major changes in revenue are mainly due to increase in federal grant by \$340,184 (62%) as a result of recording the following:
 - a) FEMA Public Assistance grant program related to damages caused by Typhoon Mawar of \$209,051;
 - b) Child Nutrition Program allotment of \$267,611;
 - c) AmeriCorps grant of \$193,938; and
 - d) Other grants (Consolidated Grant & American Rescue Plan) in the amount of \$221,851;
- Operating expenses decreased by approximately 10% compared to the prior fiscal year. This decrease is primarily attributable to academic supplies and instructional resources being funded through the Consolidated Grant. Additionally, certain components of the architectural and engineering contract were no longer necessary in the current fiscal year.

The specific changes in operating expenses are as follows:

- a) Contractual services decreased by \$650,418 (54%);
 - b) Books and online resources decreased by \$51,588 (49%);
 - c) Dues and subscriptions decreased by \$18,675 (32%);
 - d) Materials and supplies decreased by \$38,127 (22%);
 - e) Professional development training increased by \$10,414; and
 - f) Other expenses increased by \$66,726, primarily due to one-time costs associated with the installation of a playground set and repairs and maintenance of modular classrooms.
- The overall effect in the net position resulted in an increase of \$675,507 from last year's \$540,445.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Management’s Discussion and Analysis, continued

Pursuant to Public Law 29-140, the Guahan Academy Charter School Board of Trustees adopts an annual budget, which is submitted to the Charter Council each fiscal year. Upon review, the budget is forwarded to the Guam Legislature for approval. Once approved, the corresponding appropriations become available to support the school’s operational expenditures.

A budgetary comparison statement is prepared annually for management’s analysis and assessment. These results demonstrate the school’s stewardship of public funds, compliance with approved budgets, operational sustainability, and financial capacity to support future facility acquisition or expansion.

For fiscal year 2025, the school received approximately 76% of its total appropriations, resulting in an unexpended balance of \$1,454,367 in the Guam Academy Charter School Fund, as presented in Figure 1. The school continues to seek clarification from the Charter Council and the Guam Legislature regarding the allowable use of these unexpended funds. Established guidelines will inform the strategic use of these resources, particularly in support of facility expansion and program development initiatives aimed at improving student outcomes.

The yearly unexpended balance shown in Figure 2 primarily reflects budgeted amounts designated for facility acquisition. It also demonstrates the school’s financial capacity to sustain occupancy of its current facility or to enter into a lease agreement based on prevailing market rental values.

Figure 1

**GUAHAN ACADEMY CHARTER SCHOOL
GOVERNMENTAL APPROPRIATION FY2025**

	Oct '24 - Sep 25	Budget	Variance	% of Budget
Revenue				
Local Govt Appropriation	\$4,531,383	\$5,985,750	(\$1,454,367)	75.7%
Total Revenue	<u>4,531,383</u>	<u>5,985,750</u>	<u>(1,454,367)</u>	<u>75.7%</u>
Expenses				
Personnel Services				
Salaries	2,558,818	2,955,889	(397,071)	86.57%
Benefits	437,136	501,564	(64,428)	87.15%
Total Personnel Services	2,995,954	3,457,453	(461,499)	86.65%
Travel/Personal				
Development	44,363	2,000	42,363	2,218.15%
Contractual Services	550,464	1,713,897	(1,163,433)	32.12%
Materials, Supplies and				
Others	362,864	457,400	(94,536)	79.33%
Workmen's Comp & Gen				
Liab	19,046	20,000	(954)	95.23%
Utilities	262,063	335,000	(72,937)	78.23%
Total Expense	<u>\$4,234,754</u>	<u>\$5,985,750</u>	<u>(\$1,750,996)</u>	<u>70.75%</u>

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Management’s Discussion and Analysis, continued

Figure 2

**GUAHAN ACADEMY CHARTER SCHOOL
GOVGUAM APPROPRIATIONS
FY 2025, 2024, 2023**

FY2025	FY2025, P.L. 37-125, 765 Students @ \$7,800	\$5,967,000	
	FY2025, P.L. 37-124, 15 Students @ \$1,250	<u>18,750</u>	
	Total FY2025 Appropriations	<u>\$5,985,750</u>	
	Less: Gov Guam Reimbursements	<u>(4,531,383)</u>	(76%)
	Total FY2025 Unexpended Balance	<u>\$1,454,367</u>	24%
FY2024	FY2024, P.L. 37-42, 765 Students @ \$7,500	\$5,737,500	
	Less: Gov Guam Reimbursements	<u>(4,951,128)</u>	(86%)
	Total FY2024 Unexpended Balance	<u>\$ 786,372</u>	14%
FY2023	FY2023, P.L. 36-107, 765 Students @ \$7,000	\$5,355,000	
	FY2022 Unappropriated Excess General Fund Revenue, 765 @ \$500.00	<u>382,500</u>	
	Total FY2023 Appropriation, 765 @ \$7,500	<u>\$5,737,500</u>	
	Less: Gov Guam Reimbursements	<u>(4,229,883)</u>	(74%)
	Total FY2023 Unexpended Balance	<u>\$1,507,617</u>	26%

ACCOMPLISHMENTS

During Fiscal Year 2025, GACS advanced its strategic priorities by strengthening facilities, expanding student support programs, and aligning operational resources to support academic growth and long-term sustainability. A primary focus for the year was maintaining a clean, safe, and healthy learning environment through continued occupancy at the Tiyan Campus, while actively exploring opportunities to secure a larger and more suitable facility to accommodate expanding academic and co-curricular programs.

To support this objective, GACS completed targeted facility improvements, including repainting classrooms in Buildings C, D, and E and replacing deteriorating ceiling tiles across multiple grade levels, enhancing both safety and instructional functionality.

GACS also achieved significant progress in its Child Nutrition Program (CNP). During FY25, the school began receiving reimbursements from the U.S. Department of Agriculture through the National School Breakfast and National School Lunch Programs. Allotment from November 2024 through September 2025 totaled \$275,850, reducing food service contract costs by approximately 60%. These budget savings are intended for reallocation toward facility expansion. FY25 also marked the second consecutive year that eligible GACS families benefited from the Summer Electronic Benefit Transfer (EBT) program administered by the Department of Health and Social Services.

In January 2025, GACS was awarded a multi-year AmeriCorps grant totaling \$783,000 by the Serve Guam Commission. The program successfully completed its initial recruitment cycle, enrolling 32 AmeriCorps members to support mentoring, environmental initiatives, and community assistance across multiple villages. Approximately one-third of the participants were GACS seniors, each receiving a \$650 monthly living stipend. The AmeriCorps program directly supports the WE: CCaRE initiative by integrating service learning, leadership development, and civic engagement while promoting community engagement among all stakeholders.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Management's Discussion and Analysis, continued

Overall, GACS made measurable progress toward its FY25 short-term goals, including:

- An upward trend in graduation rates, increasing from 58% (SY 22–23) to 74% (SY 23–24) and 79% (SY 24–25), directly aligned with WE: CCaRE objectives.
- A 19% increase in the number of seniors earning the National Career Readiness Certificate (NCCR), rising from 37.50% in SY 23-24 to 56.25% in SY 24-25.
- Implementation of the Renaissance Program in Kindergarten through Grade 12 to monitor progress in reading comprehension and problem-solving skills, resulting in a 25% decrease in students identified for Urgent Intervention in Early Literacy and a 22.94% decrease in Reading, alongside increases of 15% and 19.04%, respectively, in students performing At or Above Benchmark.
- Expansion of student support services and co-curricular activities through strategic partnerships and resource leveraging with Guam Trades Academy, Carmen's Driving School, Coast 360 Federal Credit Union's Banzai, WestCare Pacific Islands, Get Healthy Guam Coalition, Maxwell Leadership Foundation's iLEAD, Independent Interscholastic Athletic Association of Guam (IIAAG), National English Honor Society (NEHS).
- Schoolwide integration of social-emotional learning through the Wayfinder Program founded in Stanford University's d.school to support student resilience and well-being.
- Continued development of a comprehensive College and Career Readiness Program through dual enrollment, apprenticeships, and civic service opportunities with University of Guam, Guam Community College, Department of Labor, and the Serve Guam Commission.
- Strengthened Professional Learning Communities (PLCs) to support data-driven instruction and collaborative planning.
- Targeted professional development to enhance instructional quality and classroom effectiveness.
- Expanded school-home engagement through consistent communication and timely feedback to families.

Guahan Academy Charter School, Inc.
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Management’s Discussion and Analysis, continued

NARRATIVE OVERVIEW

Retirement Savings Plan

A retirement benefit equal to 3% of base pay is provided to all full-time employees and has continued since its reinstatement in July 2023.

Compensated Absences

Permanent and eligible 10-month employees accrue three (3) hours of sick leave and one (1) hour of personal leave each pay period. Permanent and eligible 12-month employees accrue three (3) hours of sick leave and two (2) hours of personal leave each pay period. Accumulated unused sick and personal leave may be carried forward from year to year, subject to a maximum accumulation of 120 hours.

In addition, 12-month employees become eligible to earn vacation (annual) leave after one year of service, as outlined below:

Years of Service	Vacation Days Accrued
First Year	---
After 1st Year - 4 Years of Service	5 days annually
After 4th Year - 7 Years of Service	7 days annually
After 7 Years and above	10 days annually

Unused personal leave and vacation (annual) leave are paid upon separation from employment at the employee’s current rate of pay, multiplied by the number of unused hours.

Based on management’s analysis of sick leave accrual and usage over the past three years, employees have consistently utilized sick leave balances prior to the start of each school year or upon separation. As a result, the school has recognized a liability for unused sick leave at 100% of the accrued balance.

The school is currently evaluating a policy change to allow payment of accumulated unused sick leave upon separation, which is under consideration for implementation in School Year 2025–2026.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Management's Discussion and Analysis, continued

Subsequent Events

Efforts to advance the acquisition and development of a new school facility commenced in December 2023 with the issuance of a Request for Proposals (RFP) for Programming and Architectural and Engineering (A&E) consulting services. The engagement is intended to support the planning and design of a new campus to be constructed on the Academy's 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 (ROM) cost estimate, which was finalized by the end of March 2025. To facilitate 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.

GACS received five Notices of Award from the Federal Emergency Management Agency (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 \$470,171. As of September 30, 2025, the statement of account from Homeland Security reflects an unobligated balance of \$425,393. An extension has been submitted, and reimbursement collections are expected in FY 2026.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Management's Discussion and Analysis, continued

The Guam Legislature passed FY2019 P.L. 35-29, FY2020 P.L. 35-36, FY2021 P.L. 35-99, FY 2022 P.L. 36-54, FY 2023 P.L. 36-107, FY 2024 P.L. 37-42, FY2025 P.L. 37-125/37-124, and now FY2026 P.L. 38-60 as follows:

**CHAPTER II
EDUCATION**

PART II – GUAM ACADEMY CHARTER SCHOOLS COUNCIL

Section 1. Legislative Intent. It is the intent of *I Liheslaturan Guåhan* to provide a lump sum appropriation to the Guam Academy Charter School Fund for the purpose of Guam Academy Charter Schools' operations and administration.

Section 2. Appropriation. The sum of Twenty-five Million Five Hundred Forty-five Thousand Dollars (**\$25,545,000**) is appropriated to the Guam Academy Charter School Fund from the General Fund to support the operations of the Guam Academy Charter Schools for Fiscal Year 2026.

Section 3. Notwithstanding any other provision of law, pursuant to § 12116(e), Chapter 12, Title 17 GCA, the Department of Administration (DOA) is hereby authorized to remit to the Guam Academy Charter School Fund, based on cash received from the total General Fund appropriations in Section 2 of this Part of this Chapter, Seven Thousand Eight Hundred Dollars (**\$7,800**) per enrollee based on the authorized charter school capacity multiplied by the per pupil cost as established by this Section for Fiscal Year 2026.

The Guam Academy Charter Schools Council shall not exceed appropriations for seven hundred eighty (780) students for the iLearn Academy Charter School, seven hundred eighty (780) students for the *Guåhan* Academy Charter School, five hundred sixty-five (565) students for the Science Is Fun and Awesome Academy Charter School, two hundred (200) students for the Career Tech High Academy Charter School, five hundred fifty (550) students for the Mount Carmel Academy

Department of Administration (DOA). Upon receipt of invoices, DOA shall verify the accuracy of the invoice and report its findings to the respective Academy Charter School and the Guam Academy Charter Schools Council within ten (10) working days of receipt of said invoice prior to the release of funds. If DOA fails to report its findings, the invoiced amount received by DOA shall be automatically transmitted to each Academy Charter School.

Capital Improvements

The proposed facility expansion is intended to enhance the educational environment for GACS students by providing a permanent campus that supports academic achievement, student wellness, and community engagement. Planned facilities include larger classrooms, a cafeteria, and a gymnasium designed to accommodate the school's rapidly growing programmatic needs and support holistic student development.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Management's Discussion and Analysis, continued

Economic Outlook

In addition to the \$7,800 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 (CSP), a federal grant initiative that supports the launch, replication, and expansion of high-quality charter schools.

Committed to responsible stewardship of public and federal resources, GACS proactively seeks and secures additional funding opportunities to strengthen its academic programs and support long-term growth. These efforts reflect the school's strategic approach to maintaining financial sustainability while expanding opportunities for its students and the broader community.

REQUEST FOR INFORMATION

This report is designed to provide an overview of the school's finances for those with an interest in the area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Office of the Chief Executive Officer, Guahan Academy Charter School, Post Office Box CS, Hagatna, Guam 96932.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Governmental Funds Balance Sheets/Statements of Net Position

	September 30,					
	2025			2024		
	General Fund	Adjustments	Statement of Net Position	General Fund	Adjustments	Statement of Net Position
Assets:						
Cash	\$ 1,191,176	\$ ---	\$ 1,191,176	\$ 779,546	\$ ---	\$ 779,546
Receivable from federal agencies	298,477	---	298,477	---	---	---
Accounts receivable	102,367	---	102,367	409,206	---	409,206
Other assets	178,181	---	178,181	128,183	---	128,183
Capital assets, net	<u>---</u>	<u>1,963,618</u>	<u>1,963,618</u>	<u>---</u>	<u>1,994,018</u>	<u>1,994,018</u>
Total assets	<u>\$ 1,770,201</u>	<u>1,963,618</u>	<u>3,733,819</u>	<u>\$ 1,316,935</u>	<u>1,994,018</u>	<u>3,310,953</u>
Liabilities and Fund Balance/Net Position:						
Accounts payable and accrued expenses	\$ 362,311	---	362,311	\$ 614,952	---	614,952
Total liabilities	<u>362,311</u>	<u>---</u>	<u>362,311</u>	<u>614,952</u>	<u>---</u>	<u>614,952</u>
Fund balance: unassigned	<u>1,407,890</u>	<u>(1,407,890)</u>		<u>701,983</u>	<u>(701,983)</u>	
Total liabilities and fund balances	<u>\$ 1,770,201</u>			<u>\$ 1,316,935</u>		
Net position:						
Invested in capital assets		1,963,618	1,963,618		1,994,018	1,994,018
Unrestricted		<u>1,407,890</u>	<u>1,407,890</u>		<u>701,983</u>	<u>701,983</u>
Total net position		<u>\$ 3,371,508</u>	<u>\$ 3,371,508</u>		<u>\$ 2,696,001</u>	<u>\$ 2,696,001</u>

See accompanying notes.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Statements of Governmental Fund Revenues, Expenditures and
Changes in Fund Balance/Statements of Activities

	Years ended September 30,					
	2025			2024		
	General Fund	Adjustments	Statement of Activities	General Fund	Adjustments	Statement of Activities
Revenues:						
Per pupil allocations	\$ 4,531,383	\$ ---	\$ 4,531,383	\$ 4,951,128	\$ ---	\$ 4,951,128
In-kind contributions	---	1,085,862	1,085,862	---	1,085,013	1,085,013
Grants	892,451	---	892,451	552,267	---	552,267
Other	<u>36,011</u>	<u>---</u>	<u>36,011</u>	<u>463,962</u>	<u>---</u>	<u>463,962</u>
Total revenues	<u>5,459,845</u>	<u>1,085,862</u>	<u>6,545,707</u>	<u>5,967,357</u>	<u>1,085,013</u>	<u>7,052,370</u>
Operating expenses:						
Total operating expenses	<u>4,753,938</u>	<u>1,116,262</u>	<u>5,870,200</u>	<u>5,419,664</u>	<u>1,092,261</u>	<u>6,511,925</u>
Excess (deficiency) of revenues over (under) expenditures	705,907	(705,907)	---	547,693	(547,693)	---
Change in net position	---	675,507	675,507	---	540,445	540,445
Fund balance/net position:						
Beginning of year	<u>701,983</u>	<u>1,994,018</u>	<u>2,696,001</u>	<u>154,290</u>	<u>2,001,266</u>	<u>2,155,556</u>
End of year	<u>\$ 1,407,890</u>	<u>\$ 1,963,618</u>	<u>\$ 3,371,508</u>	<u>\$ 701,983</u>	<u>\$ 1,994,018</u>	<u>\$ 2,696,001</u>

See accompanying notes.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements

Years ended September 30, 2025 and 2024

1. Organization

Guahan Academy Charter School, Inc. (the Academy or GACS) is a nonprofit public benefit corporation organized under the laws of the Territory of Guam. The corporation is not organized for the private gain of any individual and operates exclusively for charitable, educational, and scientific purposes, authorizing it as tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

GACS was established to operate a public charter school independent from the Guam Public School System pursuant to Public Law 29-140, the Guam Academy Charter Schools Act of 2009. Pursuant to 18 GCA §§ 281702 and 281703, the corporation is organized under the provisions of the Guam Business Corporation Act (enacted as Guam Public Law 29-144, as amended). The corporation is granted the powers set forth in 17 GCA § 12107, together with all lawful powers necessary to carry out its educational mission. These powers are exercised subject to applicable laws and the limitations established in the corporation's Articles of Incorporation and Bylaws.

Guahan Academy Charter School was established to implement the National Institute for Direct Instruction (NIFDI) School-Wide Reform Model, an evidence-based instructional framework designed to improve academic performance and educational outcomes. The model supports the school's commitment to providing high-quality instruction and preparing students for postsecondary success.

On April 9, 2024, the Academy received charter renewal approval (valid through June 30, 2031) from the Guam Academy Charter Schools Council, which includes the full implementation of the Workforce Enabler: College and Career Readiness Education (WE: CCaRE) program. The WE: CCaRE program is a four-year cyclical college and career readiness framework designed to equip students in Kindergarten through Grade 12 with the essential academic, technical, and employability skills necessary to be college- and career-ready. The program was developed based on an analysis of the school's profile data, including graduation trends and post-graduation outcomes, to ensure that instructional strategies align with student needs and workforce expectations.

Guahan Academy Charter School is governed by a Board of Trustees in accordance with the provisions of Public Law 29-140, is composed of not fewer than five (5) members and not more than nine (9) members. Board membership includes at least one parent of a currently enrolled student and one member of the general public with a background in finance. Pursuant to the Guam Academy Charter Schools Act of 2009, the Head of School, who serves as the Chief Executive Officer and/or Principal of the School, serves as a non-voting member of the Board of Trustees. The Board is responsible for establishing policies, providing strategic oversight, and ensuring that the school fulfills its mission and complies with applicable laws and regulations.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements, continued

1. Organization, continued

GACS operates under the independent oversight of the Guam Academy Charter Schools Council (the Council). The Council is responsible for monitoring compliance with applicable laws and charter provisions, evaluating progress toward student academic achievement goals, and overseeing required reporting to ensure accountability and transparency.

2. Summary of Significant Accounting Policies

GACS is subject to independent oversight by Guam Academy Charter School Council (the Council). The Council is tasked with monitoring GACS's operations, compliance with applicable laws and the provisions of the charter granted; the progress of meeting student academic achievement expectations specified in the charter; and compliance with annual reporting requirements.

The accompanying basic financial statements of the Academy have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles.

Government-wide and Fund Financial Statements

The Statements of Net Position present the Academy's non-fiduciary assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

- Net investment in capital assets consist of capital assets, net of accumulated depreciation, plus construction or improvement of those assets.
- Restricted net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through enabling legislation.
- Unrestricted net position consists of net position, which does not meet the definition of the two preceding categories. Unrestricted net position often is designated, to indicate that management does not consider them to be available for general operations. They often have restrictions that are imposed by management but can be removed or modified.

The Statements of Activities present a comparison between direct expenses and program revenues for each program or function of the Academy's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies

Government-wide and Fund Financial Statements, continued

Program revenues include per pupil allocation from Government of Guam and other grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Academy.

Fund Financial Statements

The Academy uses one governmental fund to report on its financial position and results of operations. The operations of this fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

Separate financial statements are provided for governmental funds. The Academy presents a balance sheet and a statement of revenues, expenditures and changes in fund balances for its governmental fund. The ending fund balance on the balance sheet is then reconciled to the ending governmental net position.

Adjustments required to reconcile total governmental fund balance to net position of governmental activities in the statements of net position as of September 30, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Fund balance - governmental funds	\$1,407,890	\$ 701,983
Add:		
Land	1,564,147	1,564,147
Depreciable capital assets, net	<u>399,471</u>	<u>429,871</u>
Net position - governmental activities	<u>\$3,371,508</u>	<u>\$2,696,001</u>

Adjustments required to reconcile net change in total governmental fund balance to change in net position of governmental activities in the statements of activities for the years ended September 30, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Net change in fund balances – governmental funds	\$705,907	\$547,693

Capital outlays are reported as expenditures in governmental funds. However, in the statements of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. These amounts consist of:

Capital outlays, net	22,708	16,730
Depreciation expense	<u>(53,108)</u>	<u>(23,978)</u>
Change in net position of governmental activities	<u>\$675,507</u>	<u>\$540,445</u>

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Measurement Focus/Government-wide and Fund Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements account for the general governmental activities of the Academy and are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally, when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Budget

The Academy adopts an annual budget under Public Law 29-140, which is reviewed by the Charter Schools Council and approved by the Guam Legislature before funds become available for operations. For FY 2025, the Academy received 76% of its authorized appropriations, leaving an unexpended balance of \$1,454,367, for which guidance on allowable use is being sought to support future expansion and student achievement.

Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of a bank failure, the Academy's 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 Academy does not have a deposit policy for custodial credit risk.

For purposes of the balance sheets/statements of net position, cash is defined as cash on hand and cash held in demand accounts. As of September 30, 2025 and 2024, the carrying amount of cash and cash equivalents was \$1,191,176 and \$779,546, respectively, and the corresponding bank balance was \$1,457,712 and \$912,223, respectively. All the bank balances are maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2025 and 2024, \$1,207,712 and \$662,223 of the bank balance exceeds the FDIC deposit insurance limit of \$250,000.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Receivables

Receivables primarily represents due from the Government of Guam or U.S. Federal agencies as of September 30, 2025 and 2024. Management believes that all receivables are fully collectible, therefore, no provision for uncollectible accounts is recorded. As of September 30, 2025 and 2024, the amounts due from the Government of Guam for reimbursable operating costs incurred and billed totaled \$92,591 and \$406,178, respectively.

Deposit

As of September 30, 2025 and 2024, deposits totaling \$121,250 were held in trust with an attorney for purpose of resolving certain obligations.

Capital Assets

Capital assets are recorded at cost less accumulated depreciation. Depreciation of all capital assets is computed on a straight-line basis over the estimated services lives of the assets. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Donated assets are valued at their fair value on the date of gift.

Estimated useful lives for depreciable capital assets are as follows:

Furniture, fixtures and equipment	3 - 8 years
Office and computer equipment	3 years
Music instrument and sports equipment	3 years

Capital assets purchased or acquired with original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of assets are capitalized. The cost of normal repairs and maintenance that do not add to the asset value or materially extend useful lives are not capitalized. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in the Statements of Activities.

Revenue Recognition

Revenue from per pupil allocations and supplemental special needs funds is recognized during the School's operating cycle, which starts in August and ends in June. GACS receives financial support in monthly allotments from the General Fund of the Government of Guam via the Guam Department of Administration to finance administrative and general expenses on a reimbursable basis. Such expenses mainly consist of salaries and wages, contractual wages, supplies and materials and utilities.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Revenue Recognition, continued

Pursuant to Guam Public Laws 37-236 and 37-42, the per pupil cost was \$7,800 and \$7,500 for the fiscal years ended September 30, 2025 and 2024, respectively. Student enrollment is not to exceed 765 students during School Years 2024-2025 and 2023-2024. In addition, pursuant to Guam Public Law 37-324, authorization has been granted for funding to support an additional 15 students, amounting to \$18,750.

GACS receives approximately 69% of its annual general fund revenue from the Government of Guam under a 6-year charter agreement.

In-Kind Contributions

GACS records free use of Buildings C, D, & E and certain collateral supplies and equipment provided under Federal Grants as in-kind contributions based on the estimated fair market value of the premises and collateral equipment.

Fund Raising and Donations

GACS participates in various fundraising activities during the year. Revenues received from these fundraising activities are recognized as fundraising income. In addition, GACS receives cash donations from private individuals and businesses that are recognized as donations when received.

Income Taxes

The Academy is exempt from Guam income taxes under Section 501(c) (3) of the Guam Territorial Income Tax Laws.

Compensated Absences

Permanent employees accrue sick, personal, and, for 12-month employees, vacation leave in accordance with the Academy's leave policies. Sick and personal leave may be carried over up to 120 hours, while unused personal and vacation leave are paid upon separation at the employee's current pay rate. GACS records a liability for unused sick leave at 100%. The Academy is also reviewing a policy that may allow payment of accumulated unused sick leave upon separation beginning in fiscal year 2025–2026.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

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.
- Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.
- Unassigned includes negative fund balances in other governmental funds.

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, and lastly unassigned amounts of unrestricted fund balance are expended in that order.

A formal minimum fund balance policy has not been adopted.

Estimates

The preparation of financial statements in conformity 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 financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results may differ from those estimates.

Recently Adopted Accounting Pronouncements

During the year ended September 30, 2025, the Academy implemented the following pronouncements.

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. The implementation of this Statement did not have a material effect on the accompanying financial statements.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted 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 have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The implementation of this Statement did not have a material effect on the accompanying financial statements.

Upcoming Accounting Pronouncements

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and address certain application issues identified through pre-agenda research conducted by the GASB. This Statement establishes new accounting and financial reporting requirements or modifies existing requirements related to management's discussion and analysis (MD&A), unusual or infrequent items, presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, information about major component units in basic financial statements, budgetary comparison information and 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 fiscal year ending September 30, 2026.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

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. 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. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 104 will be effective for fiscal year ending September 30, 2026.

In December 2025, GASB issued Statement No. 105, *Subsequent Events*. The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This Statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained. That definition modifies the subsequent events time frame throughout the GASB literature. This Statement also requires the date through which subsequent events have been evaluated to be disclosed. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 105 will be effective for fiscal year ending September 30, 2027.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements, continued

3. Capital Assets

Capital asset activity for the year ended September 30, 2025 is as follows:

	<u>Beginning Balance</u> <u>October 1, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u> <u>September 30, 2025</u>
Depreciable capital assets:				
Computer and transportation equipment	\$ 68,367	\$ 9,361	\$ ---	\$ 77,728
Music instrument and sports equipment	71,426	7,086	---	78,512
Furniture, fixtures and equipment	<u>627,351</u>	<u>6,261</u>	<u>---</u>	<u>633,612</u>
	767,144	22,708	---	789,852
Less accumulated depreciation	(337,273)	(53,108)	<u>---</u>	(390,381)
	429,871	(30,400)	---	399,471
Land	<u>1,564,147</u>	<u>---</u>	<u>---</u>	<u>1,564,147</u>
	<u>\$1,994,018</u>	<u>\$(30,400)</u>	<u>\$ ---</u>	<u>\$1,963,618</u>

Capital asset activity for the year ended September 30, 2024 is as follows:

	<u>Beginning Balance</u> <u>October 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u> <u>September 30, 2024</u>
Depreciable capital assets:				
Computer and transportation equipment	\$ 68,367	\$ ---	\$ ---	\$ 68,367
Music instrument and sports equipment	71,426	---	---	71,426
Furniture, fixtures and equipment	<u>610,621</u>	<u>53,991</u>	<u>(37,261)</u>	<u>627,351</u>
	750,414	53,991	(37,261)	767,144
Less accumulated depreciation	(313,295)	(23,978)	<u>---</u>	(337,273)
	437,119	30,013	(37,261)	429,871
Land	<u>1,564,147</u>	<u>---</u>	<u>---</u>	<u>1,564,147</u>
	<u>\$2,001,266</u>	<u>\$30,013</u>	<u>\$(37,261)</u>	<u>\$1,994,018</u>

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements, continued

4. Donated Use of Operating Premises

The Academy conducts its operations on premises provided at below market cost at Tiyan, Guam as discussed below.

Operations conducted at the Tiyan Guam location are provided under a Memorandum of Agreement (MOA) with the Government of Guam. Pursuant to Public Law 30-37, the Government of Guam and Core Tech International Corporation entered into a lease agreement with an option to purchase dated June 23, 2009, for certain land, buildings and structures located in Tiyan, Guam. On September 15, 2011, Public Law 31-76 amended Public Law 30-37 and allowed continued use of the Tiyan Campus for interim school facilities and other use for government operations. On December 30, 2013, the Government of Guam executed the Option to Purchase the Tiyan Campus.

On August 9, 2013, the Government of Guam entered into Memorandum of Agreement with GACS permitting it to use Buildings C and D of the Tiyan Campus at no cost. The original term of GACS' use of the premises is for a one year period commencing August 6, 2013 with two annual extensions of one year each for a maximum term of no more than three consecutive years from August 6, 2013 and ending June 30, 2016. Additional extensions were granted at the discretion of the Government of Guam. The MOA expired on June 30, 2023.

In 2022, the finalization of the agreement for an additional three (3) years was initiated. However, in August 2023, the Office of the Governor advised that the delay in the processing of the written agreement would not prevent the Governor from allowing GACS to continually occupy the premises since the Academy does not pay rent, and the Governor has granted consent for GACS' continued occupation. As of the report date, the Office of the Governor, who is 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 peaceful possession of the property. As of the report date, GACS is a holdover tenant in possession, consistent with the representations of the Office of the Governor. GACS has initiated its request to continue occupancy during the interim period of financing the construction of a new facility.

The extensions are subject to the following conditions: a) GACS continues to hold a duly issued charter from the Guam Academy Charter Schools Council; and b) there has been no default of the MOA within a ninety-day notice. The office of the Governor of the Government of Guam estimates the fair rental market value of the premises and collateral equipment at \$953,070 per year based on comparable rents in the immediate area, which is recorded as a component of in-kind contributions in the accompanying statements of governmental fund revenues, expenditures and changes in fund balance/statements of activities. In 2020, this value increased due to the inclusion of Building E in the calculation. The MOA allows GACS free use of certain collateral equipment, the current fair market value of which was previously considered immaterial to the accompanying financial statements. In fiscal year 2019, the Government of Guam provided data sufficient to record the value and GACS has accordingly recorded such in the 2025 and 2024 financial statements. Additionally, the MOA requires that should GACS vacate the Tiyan premises, it must incur certain expenses to restore those premises.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Notes to Financial Statements, continued

4. Donated Use of Operating Premises, continued

As of September 30, 2025 and 2024, GACS has estimated that \$89,000 is the attendant cost of vacating the Tiyan premises but given GACS 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.

5. Risk Management

The Academy 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. The Academy has elected to purchase commercial insurance coverage from independent third parties for the risks of loss to which it is exposed. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

6. Commitments and Contingencies

Contingencies

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

Funding

Guahan Academy Charter School (GACS) receives its operating revenue from annual appropriations enacted by the Guam Legislature under the Guam Academy Charter Schools Fund, pursuant to its approved charter and subject to oversight by the Guam Academy Charter Schools Council. Charter authorization is granted for a six-year term, during which funding levels are determined through the legislative appropriations process.

Access to appropriated funds is contingent upon Council's approval of drawdown requests by the academy and subsequent verification and release of funds by DOA. Accordingly, the school's financial position and operational sustainability are significantly dependent upon continued legislative appropriations, timely approval of allotments, and the availability of Government of Guam funds.

For the fiscal year ended September 30, 2025, pursuant to Guam Public Law 37-125, per-pupil allocations were established at \$7,800 per enrolled student at 765 students and an additional \$1,250 each for the additional 15 enrollees as per Guam Public Law 37-124.



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

Board of Trustees
Guahan Academy Charter School, Inc.

We have audited, in accordance with 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 (*Government Auditing Standards*), the financial statements of Guahan Academy Charter School (the Academy), which comprise the statement of financial position as of September 30, 2025, and the related notes (collectively referred to as the “financial statements”), and have issued our report thereon dated March 31, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy’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 Academy’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy’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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2025-001, 2025-002 and 2025-003 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

The Academy's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Academy's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Academy's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Ernst + Young LLP

March 31, 2026

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Schedule of Findings and Responses

Finding No.: 2025-001

Criteria:

In a voluntary, non-exchange transaction, GASB Cod. Sec. N50.118 states that recipients should recognize receivables and revenues (net of estimated uncollectible amounts), when all applicable eligibility requirements are met.

Conditions:

1. During the fiscal year ended September 30, 2024, the Federal Emergency Management Agency (FEMA), through The Guam Recovery Office, awarded the Academy grants totaling \$470,171 in relation to the damage caused by Typhoon Mawar. The Academy incurred eligible, reimbursable expenditures of \$177,212 during fiscal years 2023 and 2024. However, the Academy did not recognize receivables and revenues as of and for the year ended September 30, 2024.
2. Furthermore, the Academy incurred eligible, reimbursable expenditures of federal awards of \$32,602 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.

Cause:

The Academy has insufficient experience in accounting for grants awarded by FEMA and other federal agencies.

Effect or potential effect:

1. For the fiscal years ended September 30, 2024 and 2025, the Academy's receivable and revenue were understated and overstated respectively by \$177,212.
2. For the fiscal year ended September 30, 2025, the Academy's receivable and revenue was understated by \$32,602 and was corrected by the Academy.

Recommendation:

The Academy shall monitor all its existing grant awards, assess whether applicable eligibility requirements are met and recognize receivables and revenues in accordance with GASB Codification.

View of responsible officials:

Management concurs with the finding. The Academy acknowledges that receivables and revenues related to FEMA and other federal grants were not recognized in a timely manner due to limited experience in accounting for nonexchange transactions and grant-specific requirements.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Schedule of Findings and Responses, continued

Management recognizes the importance of complying with applicable guidance for recognition of revenues and receivables when eligibility requirements are met.

Corrective Action Plan

The Academy will implement procedures to ensure proper recognition of grant-related receivables and revenues, including:

- Establishing a grant monitoring and tracking system specific for FEMA PA to document all awards, expenditures, and eligibility requirements. (9-25-25)
- Assigning specific personnel to review grant activity quarterly to determine proper timing of revenue and receivable recognition. (Program Coordinator)
- Providing training to accounting staff on applicable GASB guidance related to nonexchange transactions.
- Coordinating with external auditors or consultants, as needed, to ensure proper accounting treatment.

Timeline: Implementation beginning FY 2026, with quarterly monitoring thereafter

Responsible Party: Business Office / Accounting Staff & Program Coordinator

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Schedule of Findings and Responses, continued

Finding No.: 2025-002

Criteria:

GASB Statement No. 101 (GASBS No. 101), *Compensated Absences*, requires that liability for compensated absences be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

Furthermore, Paragraph B14 of GASBS No. 101 states that specifically, the GASB believes that certain factors provide governments with a contextual basis to estimate whether leave is more likely than not to be used or otherwise paid or settled, including employment policies related to compensated absences; historical information about leave usage patterns, payments upon termination of employment, and forfeitures of leave; and information about current and expected future eligibility. Those factors may need to be evaluated in combination with each other.

Condition:

The Academy 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.

Cause:

The Academy has insufficient experience in adopting new standards.

Effect or potential effect:

The Academy's liability for compensated absences may be misstated due to the lack of formal evaluation of available factors supporting its assumptions in measuring the liability.

Recommendation:

The Academy should document its formal evaluation of available factors supporting its assumptions in measuring the liability in accordance with GASBS No. 101.

View of responsible officials:

Management concurs with the finding. While the Academy implemented GASB Statement No. 101, formal documentation supporting the assessment of whether compensated absences are more likely than not to be used or paid was not fully developed. Management acknowledges the need to strengthen its evaluation and documentation processes to support the recorded liability.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Schedule of Findings and Responses, continued

Corrective Action Plan

The Academy will enhance its process for estimating compensated absences liability by:

- Developing a formal methodology and documentation framework to evaluate leave balances in accordance with GASB Statement No. 101.
- Incorporating historical usage trends, employee behavior, and policy provisions into the assessment.
- Performing an annual review and analysis of compensated absences balances and assumptions.
- Updating internal policies, as needed, to align with accounting treatment and planned policy changes (e.g., potential payout of sick leave).

Timeline: To be implemented in FY 2026 during year-end closing process

Responsible Party: Business Office / Human Resources / Accounting Staff; HR Personnel & Chief Executive Officer

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Schedule of Findings and Responses , continued

Finding No.: 2025-003

Criteria:

In accordance with GASB Codification 1600.103, the statement of net position and the statement of activities must be prepared using the economic resources measurement focus and the accrual basis of accounting. Under this basis:

1. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources arising from exchange and exchange-like transactions should be recognized when the exchange occurs.
2. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources arising from nonexchange transactions should be recognized in accordance with the requirements of GASB Section N50.

Condition:

For the fiscal years ended September 30, 2025 and 2024, the Academy recorded expenses of \$31,500 and \$106,284, respectively, that related to costs that had not been incurred.

Cause:

The Academy has the practice of recording expenses at full contract price without consideration of when the exchange occurred.

Effect or potential effect:

1. For the fiscal years ended September 30, 2024 and 2025, the Academy's payable and expenses were overstated and understated respectively by \$106,284.
2. For the fiscal year ended September 30, 2025, the Academy's payable and expenses were overstated by \$31,500.

Recommendation:

We recommend that management ensure expenses are recorded only when the related services have been rendered or allowable costs have been incurred. Supporting documentation such as delivery receipts, service completion reports, or other evidence should be obtained and reviewed prior to recording transactions.

View of responsible officials:

Management concurs with the finding. The Academy acknowledges that certain expenses were recorded based on contract amounts rather than actual services rendered or costs incurred, resulting in misstatements in expenses and related liabilities. Management recognizes the need to align its practices with accrual-based accounting requirements.

Guahan Academy Charter School, Inc.
(A Non-Profit Organization)

Schedule of Findings and Responses, continued

Corrective Action Plan

The Academy will strengthen controls over expense recognition by:

- Implementing procedures to ensure expenses are recorded only when goods or services are received.
- Requiring supporting documentation (e.g., invoices, delivery receipts, service completion reports) prior to recording expenses.
- Enhancing the review and approval process for accounts payable to verify proper timing and accuracy.
- Providing training to accounting staff on accrual basis accounting principles and proper cutoff procedures.

Timeline: Immediate implementation in FY 2026

Responsible Party: Business Office / Accounting Staff