

May 13, 2019

Board of Trustees  
Guam Educational Radio Foundation:  
(A Non-Profit Corporation)

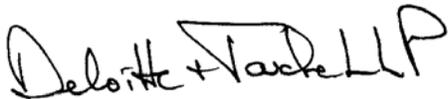
Dear Members of the Board of Trustees:

We have performed an audit of the financial statements of the Guam Educational Radio Foundation (the "Foundation") as of and for the year ended September 30, 2018, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated May 13, 2019.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Foundation is responsible.

This report is intended solely for the information and use of management, the Board of Directors and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

cc: To Management of Guam Educational Radio Foundation

## **OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS**

Our responsibility under generally accepted auditing standards has been described to you in the engagement letter dated March 22, 2019. As described in that letter, the objective of a financial statement audit conducted in accordance with generally accepted auditing standards is to express an opinion on the fairness of the presentation of the Foundation's financial statements for the year ended September 30, 2018 in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects. Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared with the oversight of management and the Board of Trustees are presented fairly, in all material respects, in conformity with generally accepted accounting principles.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the operating effectiveness of the Foundation's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

## **ACCOUNTING ESTIMATES**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. During the year ended September 30, 2018, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

## **UNCORRECTED MISSTATEMENTS**

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud.

We have attached to this letter, as Appendix A to Attachment II, a summary of uncorrected misstatements that we presented to management during the current audit engagement that was determined by management to be immaterial, both individually and in the aggregate, to the financial statements as of September 30, 2018 taken as a whole.

We have attached to this letter, as Appendix B to Attachment II, a summary of uncorrected misstatements detected in the current year that relate to the prior year presented during the current audit engagement that was determined by management to be immaterial, both individually and in the aggregate, to the financial statements as of September 30, 2017 taken as a whole.

## **SIGNIFICANT ACCOUNTING POLICIES**

The Foundation's significant accounting policies are set forth in note 1 to the Foundation's 2018 financial statements. During the year ended September 30, 2018, there were no significant changes in previously adopted accounting policies or their application.

## **OTHER INFORMATION IN THE ANNUAL REPORTS TO SHAREHOLDERS**

The 2018 audited financial statements were not included in documents containing other information such as the Foundation's Annual Report to Shareholders.

## **DISAGREEMENTS WITH MANAGEMENT**

We have not had any disagreements with management related to matters that are material to the Foundation's 2018 financial statements.

## **OUR VIEWS ABOUT SIGNIFICANT MATTERS THAT WERE THE SUBJECT OF CONSULTATION WITH OTHER ACCOUNTANTS**

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2018.

## **MANAGEMENT'S REPRESENTATION**

We have made specific inquiries of the Foundation's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the Foundation is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Attachment II, a copy of the representation letter we obtained from management.

## **SIGNIFICANT FINDINGS OR ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT PRIOR TO OUR RETENTION**

Throughout the year, routine discussions were held, or were the subject of correspondence, with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence were not held in connection with our retention as auditors.

## **SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT**

In our judgment, we received the full cooperation of the Foundation's management and staff and had unrestricted access to the Foundation's senior management in the performance of our audit.

## **CONTROL-RELATED MATTERS**

We have identified, and included in Attachment I, deficiencies related to the Foundation's internal control over financial reporting as of September 30, 2018 that we wish to bring to your attention.

The definition of a deficiency is also set forth in Attachment I.

\* \* \* \* \*

## SECTION I –DEFICIENCIES

We identified the following deficiencies involving the Foundation's internal control over financial reporting as of September 30, 2018:

1. Journal Entries

Comment: Journal entries are posted directly into the QuickBooks system without adequate evidence of review being performed prior to posting.

Recommendation: We recommend that management implement a process for reviewing journal entries for propriety prior to entries being posted into QuickBooks.

2. Unsupported Transactions

Comment: When performing testing during on-site visitations, documentation for the following could not be provided.

(a) A voided check could not be provided to support a cancelled transaction.

(b) Two of eighteen expenses tested were supported by checks, but did not have supporting invoices or billings to identify the nature of the transaction.

Recommendation: We recommend that management ensure that records are adequately maintained and safeguarded.

3. Stale-Dated Checks

Comment: In testing bank reconciliations, we noted \$2,553 of uncleared checks as of September 30, 2018 that were stale-dated over one year. Furthermore, there were \$2,242 of deposits-in-transit that had not been reflected in the bank statements as of September 30, 2018.

Recommendation: We recommend that management perform bank reconciliations on a monthly basis and assess the propriety of reconciling items.

4. Inaccurate Reconciliation

Comment: The bank reconciliation as of September 31, 2018 did not reflect the amount in the general ledger. Transactions were voided in the general ledger, but were not voided in the bank reconciliation.

Recommendation: We recommend that management reconcile and verify that transactions reflect amounts recorded in the general ledger.

**SECTION II – DEFINITION**

The definition of a deficiency is as follows:

A *deficiency* 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 misstatements on a timely basis. A deficiency in *design* exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when (a) a properly designed control does not operate as designed, or (b) the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.



May 13, 2019

Deloitte & Touche LLP  
361 S. Marine Drive  
Tamuning, Guam 96913-3911

We are providing this letter in connection with your audits of the statements of financial position of the Guam Educational Radio Foundation (the Foundation) as of September 30, 2018 and 2017 and the related statements of activities and changes in net assets and of cash flows for the years then ended, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, changes in net assets and cash flows of the Foundation in conformity with accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

- a. The preparation and fair presentation of the financial statements of financial position, results of operations, and cash flows in conformity with GAAP.
- b. The design, implementation and maintenance of internal control
  - Relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - To prevent and detect fraud.
- c. Establishing and maintaining effective internal control over financial reporting.
- d. The review and approval of the financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the financial statements was a matter of convenience rather than one of necessity. We have reviewed the financial statement preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with GAAP. Our review was based on the use of the AICPA financial statement disclosure checklist for corporations.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be charged or influenced by the omission or misstatement.





We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

1. The financial statements referred to above are fairly presented in conformity with GAAP.
2. The Foundation has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
3. The Foundation has made available to you all financial records and related data for all financial transactions of the Foundation and for all funds administered by the Foundation. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the Foundation, and provide the audit trail to be used in a review of accountability. Information presented on the financial reports is supported by the books and records from which the financial statements have been prepared.
4. Minutes of Board meetings were provided, and we represent that discussions transpiring during the year ended September 30, 2018 meetings and to the date of the letter did not indicate matters of audit interest.
5. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
6. The Board and manager are responsible for compliance with Guam and federal laws, rules and regulations, including compliance with provisions of grants and contracts relating to the Foundation's operations including establishing and maintaining the components of internal control relating to our activities in order to achieve the objectives of: providing reliable financial reports, effective and efficient operations, and compliance with laws and regulations. The Foundation is responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.
7. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements for the year ended September 30, 2018 taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix A.



8. We believe the effects of the uncorrected financial statement misstatements detected in the current year that relate to the prior year presented, when combined with those misstatements aggregated by you during the prior year audit engagement and pertaining to the prior year presented, are immaterial, both individually and in the aggregate, to the financial statements for the year ended September 30, 2017 taken as a whole. A summary of such corrected misstatements has been attached as Appendix B.

9. The Foundation has not performed a formal risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risk of fraud in the Foundation and do not believe that the financial statements are materially misstated as a result of fraud.

10. We have no knowledge of any fraud or suspected fraud affecting the Foundation involving (a) management, (b) employees who have significant roles in the Foundation's internal control over financial reporting, or (c) others if the fraud could have a material effect on the financial statements.

11. We have no knowledge of any allegations of fraud or suspected fraud affecting the Foundation received in communications from employees, former employees, analysts, regulators, short sellers, or others.

12. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed by FASB ASC 450, Contingencies, and we have not consulted a lawyer concerning litigation, claims, or assessments or potential litigation or unasserted claims or assessments during the year ended September 30, 2018 and to the date of this letter.

13. Significant assumptions used by us in making accounting estimates are reasonable. Except where otherwise stated below, matters less than \$4,220 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the financial statements.

14. Except as listed in Appendix A, there are no transactions that have not been properly recorded in the accounting records underlying the financial statements.



15. The Foundation has no plans or intentions that may affect the carrying value or classification of assets and liabilities.

16. Regarding related parties:

a. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

b. To the extent applicable, related parties and all the related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.

17. In preparing the financial statements in conformity with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:

a. It is at least reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.

b. The effect of the change would be material to the financial statements.

18. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:

a. The concentration exists at the date of the financial statements.

b. The concentration makes the enterprise vulnerable to the risk of a near-term severe impact.

c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.

19. There are no:

a. Instances of identified or suspected noncompliance with laws or regulations whose effects should be considered when preparing the financial statements.



b. Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and that have not been disclosed to you and accounted for and disclosed in accordance with GAAP.

20. The Foundation has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

21. The Foundation has complied with all aspects of contractual agreements that would have an effect on the financial statements in the event of noncompliance.

22. Regarding supplemental information:

a. We are responsible for the fair presentation of the supplementary information accompanying the basic financial statements that are presented for the purpose of additional analysis of the basic financial statements.

b. We believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP.

c. The method of measurement and presentation of the supplementary information has not changed from those used in the prior period.

23. In estimating fair values of assets and liabilities and contributions, we believe that the market assumptions used were the most appropriate in the circumstances.

24. During fiscal year 2018, there were no material donor-imposed restrictions on contributions or on other revenue received. The Foundation believes that all funds are classified as unrestricted.

25. The treatment of pledges is as noted in the footnotes to the financial statements.

26. There are not known possible penalty provisions that would have an effect on the financial statements in compliance with the Corporation for Public Broadcasting (CPB) filing requirements.

27. Under the capitalization policy of the Foundation, all fixed assets valued over \$750 are capitalized.



28. No events have occurred after September 30, 2018 but before May 13, 2019 the date the financial statements were available to be issued, that require consideration as adjustments to, or disclosure in the financial statements.

A handwritten signature in black ink, appearing to read "David Hopkins", written over a horizontal line.

Signature / David Hopkins  
Chairman, Board of Trustees

A handwritten signature in black ink, appearing to read "Chris Hartig", written over a horizontal line.

Signature / Christopher Hartig  
General Manager

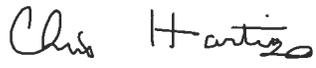
## APPENDIX A

Guam Educational Radio Foundation  
 Uncorrected Misstatements  
 September 30, 2018

<u>PAJE #</u>	<u>Particulars/Accounts</u>	<u>Debit</u>	<u>Credit</u>
<b>1</b>	To adjust fixed asset balance		
	Dr. Studio Equipment	2,848	
	Cr. Accumulated Depreciation		2,848
		<u>2,848</u>	<u>2,848</u>
<b>2</b>	To record FY18 depreciation		
	Dr. Depreciation Expense	3,333	
	Cr. Accumulated Depreciation		3,333
		<u>3,333</u>	<u>3,333</u>
<b>3</b>	To adjust PayPal balance		
	Dr. Other Income	1,583	
	Cr. PayPal		1,583
		<u>1,583</u>	<u>1,583</u>

We have reviewed the uncorrected misstatements above as of September 30, 2018. The uncorrected misstatements are not material to the current fiscal year financial statements. The above are not the results of fraud or illegal acts.

  
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 David Hopkins  
 Chairman

  
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 Christopher Hartig  
 General Manager

## APPENDIX B

Guam Educational Radio Foundation  
 Prior Year Uncorrected Misstatements Identified in Current Year  
 September 30, 2018

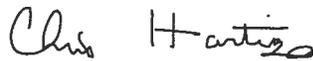
<u>PY PAJE #</u>	<u>Particulars/Accounts</u>	<u>Debit</u>	<u>Credit</u>
1	To adjust retained earnings due to FY16 unaccrued expense		
	Dr. Retained Earnings	3,188	
	Cr. Expenses		3,188
		<u>3,188</u>	<u>3,188</u>

We have reviewed the uncorrected misstatements above as of September 30, 2017.  
 The uncorrected misstatements are not material to the current fiscal year financial  
 statements. The above are not the results of fraud or illegal acts.




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David Hopkins  
 Chairman




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Christopher Hartig  
 General Manager