

**GOVGUAM ASSOCIATION OF RETIRED PERSONS, INC.
(SERVICIO PARA I MANAMKO)**

**FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REPORT AND REPORT ON
SUPPLEMENTARY INFORMATION**

YEAR ENDED SEPTEMBER 30, 2000



INDEPENDENT AUDITORS' REPORT

Board of Directors
GovGuam Association of Retired Persons, Inc.:

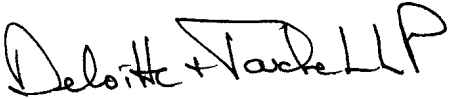
We have audited the accompanying statement of financial position of Servicio Para I Manamko (SPIMA), a division of GovGuam Association of Retired Persons, Inc., as of September 30, 2000, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of SPIMA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Servicio Para I Manamko (SPIMA), a division of GovGuam Association of Retired Persons, Inc., as of September 30, 2000, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. This report relates only to Servicio Para I Manamko (SPIMA), a division of GovGuam Association of Retired Persons, Inc., and does not extend to the financial statements of GovGuam Association of Retired Persons, Inc., taken as a whole for the year ended September 30, 2000.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on page 7 is presented for the purpose of additional analysis. This supplementary information is the responsibility of SPIMA's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements of Servicio Para I Manamko (SPIMA), a division of GovGuam Association of Retired Persons, Inc., as of and for the year ended September 30, 2000, and in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements of SPIMA taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2001, on our consideration of Servicio Para I Manamko (SPIMA)'s, a division of GovGuam Association of Retired Persons, Inc., internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Deloitte + Nauck LLP". The signature is stylized, with the "D" being large and the "L" at the end being particularly prominent.

March 30, 2001

GOVGUAM ASSOCIATION OF RETIRED PERSONS, INC.
(SERVICIO PARA I MANAMKO)

Statement of Financial Position
September 30, 2000

ASSETS

Current assets:	
Cash	\$ 14,701
Accounts receivable	<u>907,244</u>
Total current assets	921,945
Property:	
Automobile	540,502
Furniture and equipment	126,127
Less: accumulated depreciation	<u>(377,752)</u>
Total assets	<u><u>\$ 1,210,822</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 291,661
Other accrued expenses	74,990
Other liabilities	<u>91,742</u>
Total liabilities	<u>458,393</u>
Net assets:	
Unrestricted	752,429
Temporarily restricted	<u>-</u>
Net assets	<u>752,429</u>
Total liabilities and net assets	<u><u>\$ 1,210,822</u></u>

See accompanying notes to financial statements.

GOVGUAM ASSOCIATION OF RETIRED PERSONS, INC.
(SERVICIO PARA I MANAMKO)

Statement of Activities
Year Ended September 30, 2000

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support, private support and revenue:			
Public support:			
Government grants (note 2)	\$ -	\$ 2,344,057	\$ 2,344,057
Private support:			
Donations from center participants	11,661	-	11,661
Fund raising activities (note 3)	<u>136,207</u>	<u>-</u>	<u>136,207</u>
	147,868	2,344,057	2,491,925
Net assets released from restrictions	<u>2,344,057</u>	<u>(2,344,057)</u>	<u>-</u>
Total support and revenue	<u>2,491,925</u>	<u>-</u>	<u>2,491,925</u>
Expenses:			
Program services:			
Center services	1,100,242	-	1,100,242
Transportation services	<u>892,292</u>	<u>-</u>	<u>892,292</u>
Total program services	1,992,534	-	1,992,534
Management and general expenses	273,685	-	273,685
Fundraising expenses	<u>53,856</u>	<u>-</u>	<u>53,856</u>
Total expenses	<u>2,320,075</u>	<u>-</u>	<u>2,320,075</u>
Net support and revenue in excess of expenses	171,850	-	171,850
Net assets at beginning of year	<u>580,579</u>	<u>-</u>	<u>580,579</u>
Net assets at end of year	<u><u>\$ 752,429</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 752,429</u></u>

See accompanying notes to financial statements.

GOVGUAM ASSOCIATION OF RETIRED PERSONS, INC.
(SERVICIO PARA I MANAMKO)

Statement of Cash Flows
Year Ended September 30, 2000

Cash flows from operating activities:	
Increase in net assets	\$ 171,850
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	71,050
Changes in operating assets and liabilities:	
Accounts receivable	(454,650)
Other assets	7,497
Accounts payable and accruals	(36,837)
Other liabilities	<u>(1,972)</u>
Net cash provided by operating activities	<u>(243,062)</u>
Cash flows from investing activities:	
Purchase of land, buildings and equipment	(2,372)
Disposal of land, buildings and equipment	<u>385</u>
Net cash used for investing activities	<u>(1,987)</u>
Net decrease in cash	(245,049)
Cash at beginning of year	<u>259,750</u>
Cash at end of year	\$ <u><u>14,701</u></u>

See accompanying notes to financial statements.

GOVGUAM ASSOCIATION OF RETIRED PERSONS
(Servicio Para I Manamko)

Notes to Financial Statements
September 30, 2000

(1) Summary of Significant Accounting Policies

Operations

Servicio Para I Manamko (SPIMA) is a division of GovGuam Association of Retired Persons, Inc. (GGARP), which is a non-stock, nonprofit corporation organized on June 16, 1969. GGARP is exempt from Guam income tax and gross receipts tax.

Adoption of New Accounting Standards

SPIMA has adopted the provisions of Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made" (SFAS 116) and Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations" (SFAS 117). SFAS 116 establishes standards for accounting for contributions. SFAS 117 establishes broad standards for reporting information in financial statements issued by not-for-profit organizations and requires these financial statements to focus on the entity as a whole. Amounts related to an organization's financial position and activities are to be reported in three classes of net assets: permanently restricted, temporarily restricted and unrestricted.

These statements must classify an organization's assets, revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. The three classes of net assets are now classified as one of the following types:

- Unrestricted
- Temporarily restricted
- Permanently restricted

SPIMA has determined that all assets, revenues, expenses, gains and losses resulting from local government contracts and other contributions are temporarily restricted and unrestricted, respectively. SPIMA has determined that property and equipment and depreciation expense are unrestricted. SPIMA has determined that none of its net assets should be classified as permanently restricted.

Net Assets

SPIMA reports grants or gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Net assets were released from restrictions due to satisfaction of Department of Public Health and Social Services (DPHSS) imposed restrictions in the amount of \$2,344,057 for the year ended September 30, 2000.

GOVGUAM ASSOCIATION OF RETIRED PERSONS
(Servicio Para I Manamko)

Notes to Financial Statements
September 30, 2000

(1) Summary of Significant Accounting Policies, Continued

Grant Support

In fiscal year 1999, GGARP was contracted by the Department of Public Health and Social Services (DPHSS) of the Government of Guam to provide social services to senior citizens under its Servicio Para I Manamko (SPIMA) division. SPIMA recognizes contract funds from DPHSS as support when earned during the grant period. Funds remaining unused at the end of an accounting period are recorded as temporarily restricted net assets. In accordance with the terms of its contract with DPHSS, SPIMA may use unexpended funds in future periods, provided expenses incurred are in compliance with the specified terms of the DPHSS contract. DPHSS may, at its discretion, request reimbursement for expenses or the return of unused funds, or both, as a result of noncompliance by SPIMA with the terms of the DPHSS contract. In addition, if SPIMA terminates its DPHSS contract activities, all unexpended funds are to be returned to DPHSS.

Cash

For the purposes of the statements of financial position and cash flows, cash is defined as cash on hand and in bank. The entity does not require collateralization of its cash accounts. Federal Deposit Insurance Corporation covers \$100,000 of the entity's cash balances, with the remainder being uninsured.

Accounts Receivable

Receivables arise from GGARP's contracts with the Department of Public Health and Social Services (DPHSS).

Contributions

Contributions represent cash donations to SPIMA from private individuals and are recognized as support when received.

Property and Equipment

Property and equipment acquired with DPHSS funds are considered to be owned by GGARP while used in the program or in future authorized programs.

Depreciation of all property and equipment is computed on a straight-line basis for assets over MACRS class lives, ranging from five to ten years.

Donated Property and Services

Property donated to SPIMA is recorded at its market value at the time of receipt. Donated services are valued at estimated average fees normally charged by the professionals rendering the services. Donated property and services are recognized both as support and expenses and, therefore, do not affect SPIMA's fund balances.

GOVGUAM ASSOCIATION OF RETIRED PERSONS
(Servicio Para I Manamko)

Notes to Financial Statements
September 30, 2000

(1) Summary of Significant Accounting Policies, Continued

Annual and Sick Leave

Annual leave is accrued as earned by employees. As of September 30, 2000, accrued annual leave totals \$46,966. As of September 30, 2000, a total of \$205,673 in sick leave is available for use in subsequent periods, but is not accrued in the accompanying financial statements.

Recognition of Program Income and Expenses

SPIMA recognizes revenues and expenses on a modified accrual basis. Records are maintained on a cash basis and are periodically converted to an accrual basis.

Estimates

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

(2) Summary of Funding

SPIMA is funded primarily through grants from DPHSS. The following information summarizes SPIMA's contract activity during the year ended September 30, 2000.

<u>Title</u>	<u>Grant Period</u>	<u>Grant Amount</u>
DPHSS:		
Senior Center Operations	10/01-09/30	\$ 1,224,326
Transportation Services	10/01-09/30	<u>1,119,731</u>
		\$ <u>2,344,057</u>

These funds are restricted to be used only for purposes authorized under the terms of the contract.

(3) Fund Raising Activities

The Elderly Program generates income from fund raising activities. Such income is used by the Elderly Program to defray program costs and to provide extended services to senior citizens.

GOVGUAM ASSOCIATION OF RETIRED PERSONS, INC.
(SERVICIO PARA I MANAMKO)

Schedule of Functional Expenses
Year Ended September 30, 2000

	<u>Program</u>		<u>Total Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Center</u>	<u>Transportation</u>				
Personnel	\$ 911,166	\$ 525,523	\$ 1,436,689	\$ 89,482	\$ -	\$ 1,526,171
Contractual	21,497	149,291	170,788	39,894	-	210,682
Benefits	92,592	69,688	162,280	9,206	-	171,486
Supplies	-	76,412	76,412	10,087	-	86,499
Transportation	8,078		8,078	-	-	8,078
Maintenance and custodial	12,110	-	12,110	7,828	-	19,938
Equipment	2,889		2,889	1,107	-	3,996
Advertising	11,350	333	11,683	-	-	11,683
Depreciation	-	-	-	71,050	-	71,050
Miscellaneous	40,560	71,045	111,605	45,031	53,856	210,492
Total expenses	\$ <u>1,100,242</u>	\$ <u>892,292</u>	\$ <u>1,992,534</u>	\$ <u>273,685</u>	\$ <u>53,856</u>	\$ <u>2,320,075</u>

See accompanying Independent Auditors' Report.