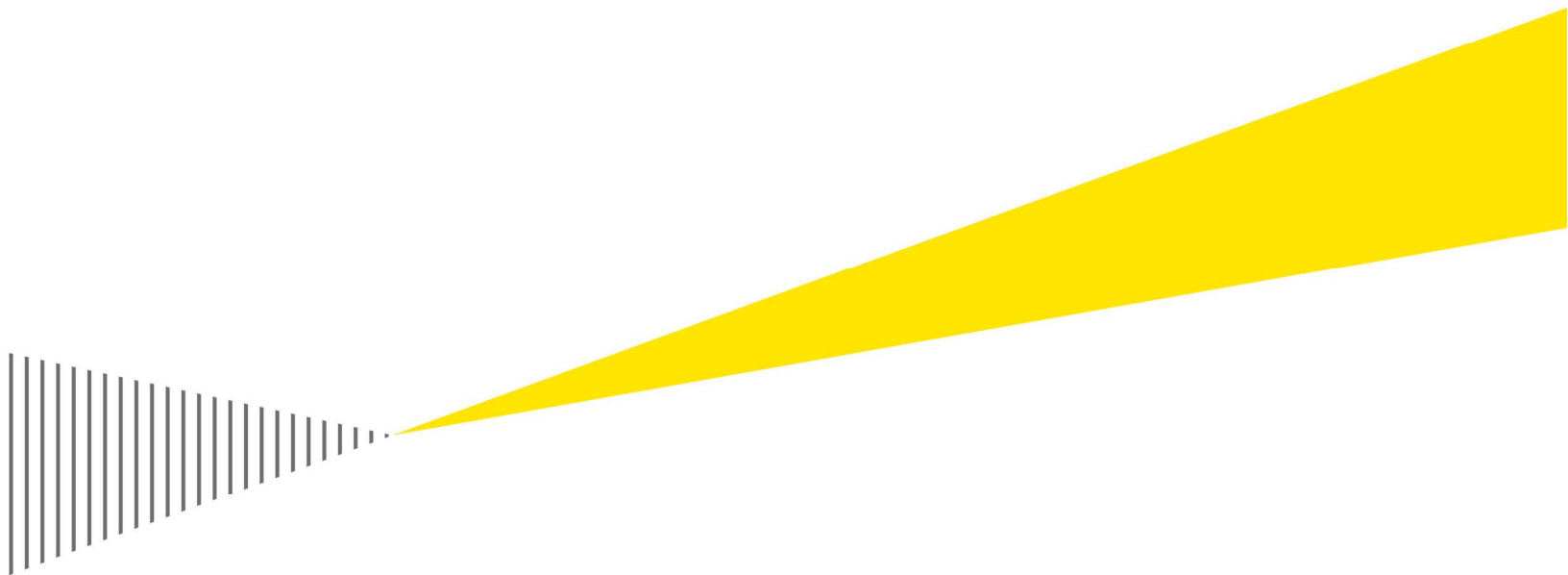


*Financial Statements and
Supplementary Information*

Guam Preservation Trust
(A Component Unit of the Government of Guam)

*Year ended September 30, 2014
with Report of Independent Auditors*



**Building a better
working world**

Guam Preservation Trust
(A Component Unit of the Government of Guam)

Financial Statements and
Supplementary Information

Year ended September 30, 2014

Contents

| | |
|----------------------------------------------------------------------------------------------------------------------------------|----|
| Report of Independent Auditors | 1 |
| Management’s Discussion and Analysis | 4 |
| Audited Financial Statements | |
| 2014 Governmental Funds Balance Sheet/Statement of Net Position | 16 |
| 2014 Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/Statement of Activities | 17 |
| Notes to Financial Statements | 18 |
| Supplementary Information | |
| 2014 and 2013 Governmental Funds Balance Sheet/Statement of Net Position | 28 |
| 2014 and 2013 Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/Statement of Activities | 29 |
| Schedule of Grant Projects Reserved for Encumbrances | 30 |



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Report of Independent Auditors

The Board of Directors
Guam Preservation Trust

Report on the Financial Statements

We have audited the accompanying governmental funds balance sheet/statement of net position of the Guam Preservation Trust (the Trust), a component unit of the Government of Guam, as of September 30, 2014, and the related statement of governmental fund revenues, expenditures and changes in fund balance/statement of activities for the year then ended, and the related notes to the financial statements, which collectively comprise the Guam Preservation Trust's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes 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.

Auditor's Responsibility

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 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position and governmental activities and the general fund of the Guam Preservation Trust as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which 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 auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Guam Preservation Trust's basic financial statements. The supplementary comparative financial statement information included in pages 28 and 29 and the Schedule of Grant Projects Reserved for Encumbrances included in pages 30 through 32 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such supplementary comparative financial statement information and the Schedule of Grant Projects Reserved for Encumbrances are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the comparative financial statement information and the Schedule of Grant Projects Reserved for Encumbrances are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated February 24, 2015 on our consideration of the Guam Preservation Trust'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 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 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 Guam Preservation Trust's internal control over financial reporting and compliance

Ernst + Young LLP

February 24, 2015

Guam Preservation Trust
(A Component Unit of the Government of Guam)

Management’s Discussion and Analysis

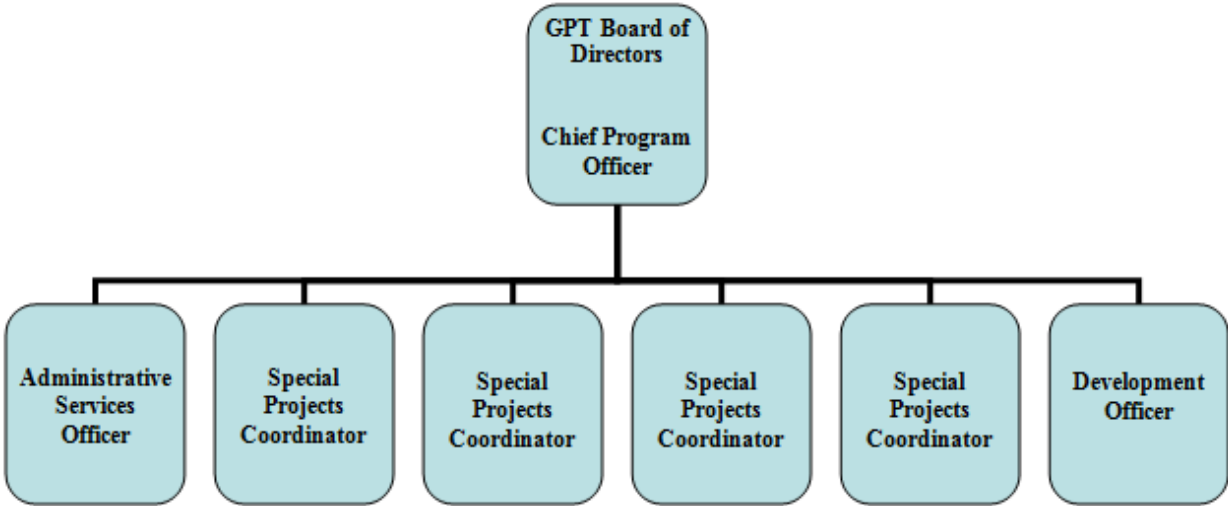
The Management's Discussion and Analysis (MD&A) of the Guam Preservation Trust’s financial performance provides an overall review of the Trust's financial activities for the fiscal year ended September 30, 2014. This presentation is provided to better understand the Trust and its financial status in accordance with the United States generally accepted accounting principles promulgated by the Standards of the Government Accounting Standards Board (GASB).

Introduction

The Guam Preservation Trust (the Trust) was created in 1990 as a non-profit, public corporation governed by a Board of Directors. It is dedicated to preserving Guam’s historic sites and culture as well as educating the public about those issues. Although primarily tasked with restoring historic structures, which are listed in the Guam Register of Historic Places and/or the National Register of Historic Places, the Guam Preservation Trust also supports various types of heritage projects.

Management

The Trust is a 501(c) 3 Non-profit Corporation comprised of ten board members representing five disciplines (Archaeology, Architecture, Chamorro Culture, Community Planning, and History). Each discipline is represented by a primary and an alternate Board Member. Board Members appointed by the Governor and approved by the Legislature to the Historic Review Board of the Guam Department of Parks and Recreation, automatically sit on the Trust Board. The Board of Directors conducts its regular monthly meeting on the second Thursday of the month at 3:00pm. In Fiscal Year 2014, a total of nine (9) Trust Board of Directors meetings were conducted and a total of sixty-eight (68) board resolutions were made. Attendance of Board Members representing four of the five disciplines constitutes a quorum.



Guam Preservation Trust
(A Component Unit of the Government of Guam)

Management’s Discussion and Analysis, continued

Management, continued

The Trust Board Members by discipline are:

| <u>Discipline</u> | <u>Primary</u> | <u>Alternate</u> |
|-------------------------|----------------------------------|----------------------|
| <i>Architecture</i> | Michael Makio, AIA (Board Chair) | (Vacant) |
| <i>Archaeology</i> | (Vacant) | (Vacant) |
| <i>Chamorro Culture</i> | Rebecca Dueñas | Marilyn Salas, Ph.D. |
| <i>History</i> | Eric Forbes | (Vacant) |
| <i>Planning</i> | Dave Lotz | Joaquin Perez |

The Trust is currently staffed by Joseph Quinata, Chief Program Officer; Ruby Santos, Administrative Services Coordinator; Nicole Calvo, Special Projects Coordinator; Angelica Okada Roscoe, Specials Projects Coordinator; and Andrew Tenorio, Special Projects Coordinator. The Trust personnel are non-government employees and are governed by the Trust’s personnel handbook. Legal and accounting services are contracted by the Trust. The Trust maintains its own procurement regulations and procedures.

The Trust Vision

Historic Preservation on Guam is a public responsibility that is shared through education, cooperation, and advocacy all linking to Guam’s Cultural Heritage.

The Trust Mission

The Trust will preserve and protect Guam’s historic sites, culture, and perspectives for the benefit of our people and our future.

2014 Highlights

Guam Preservation Trust Five-Year Strategic Plan

In 2013, about 100 of Guam’s preservation stakeholders met and shared their vision and how preservation is to advance on Guam. The results were culminated in the Trust’s Five-Year Historic Preservation Strategic Plan as a statement of our community’s bold step towards taking action to preserve and protect our heritage for all to benefit. The plan will be the guiding principle to grants and projects for the next five years.

Acquisition of Historic Properties

The Trust acquired two historic properties through donation and purchase. These properties are historically significant and the Trust’s first acquired properties to be preserved and protected for future generations to appreciate and benefit.

Guam Preservation Trust
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

2014 Highlights, continued

Atantano Property

Shell, Guam, through their rigorous process of selection of a recipient for their property, donated its Atantano properties to the Trust as a heritage preserve for the people of Guam. Lot No.'s, 15 and 16, TRACT 2411 is in the municipalities of Piti and Santa Rita and comprise of 175 acres or 70 hectares that stretch up to the foot of Mount Tenjo. The Antantano property is pristine and undeveloped and has 17 archaeological sites with two rivers that run through the property. Preliminary planning to designate the property for conservation, preservation and sustainable enterprise is underway and a master plan for the property is the next step into developing Guam's first heritage preserve. In an effort to document and realize the value of the donated property, the Trust obtained an appraisal of the Antantano property. The appraisal report concluded that the market value of the Antantano property was \$9.9 million.

The overall goal for the Antantano property is to incorporate local businesses, non-profit organizations, local and federal agencies, and educational institutions to fuel the success of the Trust's vision. It is with these collaborations that the Trust will be able to focus on the preservation and conservation of cultural and natural resources that are present at the site.

Rosario House in Hagåtña

The acquisition of the Rosario House in Hagåtña was through a purchase agreement with the property owners that amounted to \$161,325. The Rosario House is one of the oldest structures in Hagåtña and is located within the Historic District of Hagåtña. The structure is of mamposteria method of construction and the goal is to restore the structure to its pre-war period architecture and retrofitted to become sustainably functional.

Architectural Research for Historic Structures

Preliminary work necessary to rehabilitate, restore, or reconstruct historic structures were initiated this fiscal year with a total of seven (7) contracts that were approved to provide structural assessments, historic structures reports, and architectural and engineering design to treat six (6) historic structures on Guam.

Structural Assessment and Historic Structures Reports

Structural assessment and historic structures reports are necessary and are the basis of which the architectural and engineering design is prepared to treat historic structures. In fiscal year 2014, structural assessment contracts were approved for the Francisco Q. Sanchez Elementary School and the San Dionisio Church in the village of Umatac. A historic structures report was approved for the Francisco Q. Sanchez School subsequent to the completion of the structural assessment.

Guam Preservation Trust
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

2014 Highlights, continued

Architectural and Engineering Design to Treat Historic Structures

The architectural and engineering design process is the basis of which historic structures are treated. In fiscal year 2014, a total of four (4) homes in the historic district of Inarajan underwent the architectural and engineering design process. Part of this process is the preparation of the bid documents for the next and final phase, the construction phase.

Community Partnerships and Investments

In 2014, the Trust partnered with over 75 public and private organizations, and individuals from the community to oversee 22 grants and projects to accomplish our *proposed outcomes* (Goals) for the year. All have been successful in their respective delivery to the community for their benefit and appreciation.

The Trust Board approved about \$818,049 for grants and projects for this fiscal year. The total grants and projects increased to 22 submissions as compared to last year's total of 17 submissions. The top three projects: (1) the Rehabilitation of the Guam Legislature/Guam Congress Building (\$180,000 for construction management); (2) Feasibility of the Palacio at the Plaza de España (\$106,566); and (3) Architectural and Engineering Design for Reconstruction of the Meno House in Inarajan (\$71,884), all fall within the Trust mandate to preserve and protect historic sites on Guam.

Regional and National Support

The Trust made strides in developing partnerships with technical and professional resources in the preservation arena. These resources are invaluable and contribute to the capacity building of our community in advancing preservation on Guam. The following are preservation partners in the region and the nation:

Australasian Institute of Maritime Archaeology (AIMA), Flinders University, Adelaide, South Australia; Nautical Archaeology Society (NAS) in association with Centre for International Heritage Activities, Netherlands (CIE); Spanish Programs for Cultural Cooperation (SPCC); University of San Carlos, Cebu, Philippines; Asian & Pacific Islanders American Caucus for Historic Preservation (APIA); National History Day, Inc. (NHD); The National Trust for Historic Preservation (NTHP), Western Division; SNR Denton US LLP; University of Hawaii; National Park Service; Association for Preservation Technologies International (APT); Asian and Pacific Islander Americans Forum for Historic Preservation; Northern Marianas Humanities Council (NMHC); Northern Marianas College; National Park Service (NPS); U.S Federal Highway and Waterways Agency (FHWA); and UNESCO.

Guam Preservation Trust
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Trust Standards of Success (Goals)

In 2013, Guam's preservation stakeholders presented the Trust Five-Year Historic Preservation Master Plan (http://www.guampreservationtrust.com/images/gpt_master_plan.pdf) as a statement of our community's bold step towards taking action to preserve and protect our heritage for all to benefit. Today, the Trust presents its report as a testimony of the diligence and dedication of the Trust Board of Directors, staff, and the preservation community in accomplishing this year's *proposed outcomes* and achieving the *standards of success* or goals expected by the community.

Historic Property Documentation and Register Nomination

The Trust will provide opportunities for the documentation of the historic significance of places, objects, structures, buildings, and sites, and is in the formal process for registration and nomination for listing on the Guam and/or National Register of Historic Places.

Proposed Outcomes

| Project Name | Date Approved | Approved Amount | Expenditures to Date | Balance at 09/30/14 |
|-------------------------------------------------------------------|---------------|-----------------|----------------------|---------------------|
| Chagui'an Massacre Site Nomination | 02/15/14 | \$18,558 | \$ --- | \$18,558 |
| Manenggon Concentration Camp Site Nomination | 05/15/14 | 39,412 | --- | 39,412 |
| Former US District Court of Guam Island Court of Guam Nomination* | 06/09/13 | 5,000 | 3,750 | 1,250 |
| Total | | \$62,970 | \$3,750 | \$59,220 |

* Approved by the Trust Board but pending a signed contract.

Public Interpretation and Presentation

The Trust will assist historians and other writers in the interpretation and presentation of historic properties for public education and appreciation.

Proposed Outcomes

| Project Name | Date Approved | Approved Amount | Expenditures to Date | Balance at 09/30/14 |
|------------------------------|---------------|-----------------|----------------------|---------------------|
| Navigating Cultural Values** | 05/02/11 | \$ 5,000 | \$ 4,966 | \$ 34 |
| Plight of Pagat Video*** | 05/02/11 | 5,000 | --- | 5,000 |
| George Flores Museum | 08/10/11 | 5,000 | 3,750 | 1,250 |
| Historic Landmark Signs | 05/09/12 | 4,830 | 4,570 | 260 |
| TASA; Guma Latte Marianas | 04/23/12 | 5,000 | --- | 5,000 |
| Subtotal carried forward | | \$24,830 | \$13,286 | \$11,544 |

Guam Preservation Trust
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Trust Standards of Success (Goals), continued

Public Interpretation and Presentation, continued

| Project Name | Date Approved | Approved Amount | Expenditures to Date | Balance at 09/30/14 |
|-------------------------------------------------------------------------------------------|---------------|------------------|----------------------|---------------------|
| Subtotal carried forward | | \$ 24,830 | \$ 13,286 | \$ 11,544 |
| I Know Guam (PBS) | 07/18/12 | 5,000 | 5,000 | --- |
| GPT Strategic Plan | 09/12/12 | 12,250 | 10,856 | 1,394 |
| Lepblon Amot Famagu'on | 03/14/13 | 5,000 | 5,000 | --- |
| Taleyfac Bridge Signage | 04/17/13 | 10,000 | 215 | 9,785 |
| Amot Famalao'an: Women's Holistic Health | 03/14/13 | 5,000 | 5,000 | --- |
| Haya Foundation: Para Hinemlo | 03/14/13 | 5,000 | 5,000 | --- |
| Case Study of a Suruhana/u | 03/14/13 | 5,000 | 5,000 | --- |
| A Film to Document & Promote Guam's Cultural Heritage Sites | 03/14/13 | 5,000 | 5,000 | --- |
| Seabee Marine Park Concept Plan | 03/14/13 | 5,000 | 5,000 | --- |
| Mitigation Project – Ylig Bridge** | 06/19/13 | 14,999 | 10,000 | 4,999 |
| The Ritidian Story: An Illustrated History of Ancient Life & Landscape at Ritidian (MARC) | 06/19/13 | 5,000 | 3,750 | 1,250 |
| Guam Historic Structures | 11/13/13 | 5,000 | 5,000 | --- |
| Sumay – Rikuetdo Para I Famaguonta** | 11/13/13 | 20,000 | 18,162 | 1,838 |
| Amot Hunters | 11/13/13 | 5,000 | 3,750 | 1,250 |
| Sakman Chamorro Project | 12/18/13 | 5,000 | 5,000 | --- |
| National History Day** | 12/18/13 | 30,000 | 29,501 | 499 |
| National History Day – State Coordinator Conference** | 05/15/14 | 2,500 | 1,314 | 1,186 |
| Atantano Public Presentation** | 02/13/14 | 20,000 | 9,689 | 10,311 |
| Pacific Heritage Youth Summit** | 05/15/14 | 60,498 | 3,541 | 56,957 |
| GVB – Micronesian Island Fair | 05/15/14 | 5,000 | 5,000 | --- |
| Micronesian Endowment for Historic Preservation** | 06/05/14 | 3,000 | 2,815 | 185 |
| Dinana Minagof Sponsorship | 06/05/14 | 1,000 | 1,000 | --- |
| I Am Chamorro | 05/15/14 | 15,000 | 15,000 | --- |
| APIA Conference** | 06/05/14 | 15,000 | 1,717 | 13,283 |
| APIA Conference – Addendum I | 08/27/14 | 5,000 | 5,000 | --- |
| APIA Conference – Addendum II | 08/27/14 | 14,748 | 14,748 | --- |
| Discovery Day | 02/13/14 | 15,000 | 15,000 | --- |
| Historia De Las De Marianas Translation | 05/15/14 | 10,000 | 5,000 | 5,000 |
| Total | | \$333,825 | \$214,344 | \$119,481 |

** Unused balances at September 30, 2014 will be reverted back to the Trust.

*** This project has been cancelled by the Trust.

Guam Preservation Trust
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Trust Standards of Success (Goals), continued

Architectural Research

The Guam Preservation Trust, in collaboration with architectural and engineering organizations, will develop architectural research and documentation of historic structures for use in rehabilitation, renovation, restoration, or re-construction.

Proposed Outcomes

| Project Name | Date Approved | Approved Amount | Expenditures to Date | Balance at 09/30/14 |
|-------------------------------------------------|---------------|--------------------|----------------------|---------------------|
| Historic Inalajan Revitalization Plan | 02/10/10 | \$ 59,800 | \$ 59,800 | \$ --- |
| Guam Legislature Construction (Architects RNK) | 05/11/09 | 220,000 | 220,000 | --- |
| Guam Legislature – Addendum | 05/15/14 | 180,000 | 36,250 | 143,750 |
| F.Q. Sanchez Facility Assessment | 09/06/13 | 64,018 | 64,018 | --- |
| F.Q. Sanchez – Addendum (HSR) | 11/13/13 | 31,404 | 15,386 | 16,018 |
| A&E to Rehabilitate 3 Historic Homes | 09/09/13 | 215,572 | 129,343 | 86,229 |
| A&E to Rehabilitate 3 Historic Homes – Addendum | 02/13/14 | 71,884 | --- | 71,884 |
| Inarajan Homes – Soils Testing | 08/27/14 | 3,722 | 1,631 | 2,091 |
| Atantano Property | 12/18/13 | 1 | 1 | --- |
| ARC Environmental Services Inc. | 11/13/13 | 4,700 | 4,700 | --- |
| Micronesian Appraisal | 05/15/14 | 4,000 | 2,400 | 1,600 |
| Restoration of Plaza de Espana | 08/27/14 | 110,212 | 60,000 | 50,212 |
| Benny San Nicolas Property Appraisal | 05/15/14 | 2,860 | 2,860 | --- |
| Feasibility for the Plaza De Espana | 08/27/14 | 106,566 | --- | 106,566 |
| Total | | \$1,074,739 | \$596,389 | \$478,350 |

Ethnography and Oral History

The Guam Preservation Trust, in collaboration with organizations involved in ethnography and oral history, will dedicate resources, to research and document: 1) historic places; and 2) traditional cultural values and practices significant to Guam.

Guam Preservation Trust
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Trust Standards of Success (Goals), continued

Ethnography and Oral History, continued

Proposed Outcomes

| Project Name | Date Approved | Approved Amount | Expenditures to Date | Balance at 09/30/14 |
|-----------------------------------|---------------|-----------------|----------------------|---------------------|
| Pagat, Haputo, Hilaan Documentary | 07/24/12 | \$5,000 | \$4,500 | \$500 |
| Total | | \$5,000 | \$4,500 | \$500 |

Repair, Rehabilitation, Restoration or Renovation of Historic Buildings and Structures

The Guam Preservation Trust, in collaboration with other organizations and property owners, will dedicate resources for the care and treatment of deteriorating historic structures and buildings.

Proposed Outcomes

| Project Name | Date Approved | Approved Amount | Expenditures to Date | Balance at 09/30/14 |
|------------------------------------------------------------|---------------|------------------|----------------------|---------------------|
| Inalahan Historic Foundation – Meno House – Amendment I*** | 02/13/08 | \$ 14,000 | \$ --- | \$ 14,000 |
| Fort Nuestra De La Soledad, Umatac | 10/01/06 | 8,000 | 5,950 | 2,050 |
| Lujan House – Change orders 13-14 (JRN Refrigeration)** | 07/13/11 | 17,783 | 17,140 | 643 |
| Lujan House – Change order 15 (JRN Refrigeration) | 06/19/13 | 20,112 | 20,112 | --- |
| Lujan House – Addendum | 05/15/14 | 10,484 | 1,435 | 9,049 |
| Taleyfac Bridge Project | 12/16/09 | 606,198 | 540,632 | 65,566 |
| Taleyfac Bridge Project (Amendment I) | 08/04/10 | 80,000 | --- | 80,000 |
| Total | | \$756,577 | \$585,269 | \$171,308 |

** Unused balances will be reverted back to the Trust.

*** This project has been cancelled by the Trust.

Archaeological Research

The Guam Preservation Trust will work with archaeological organizations to provide for archaeological research to better understand Guam's history.

Guam Preservation Trust
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Trust Standards of Success (Goals), continued

Archaeological Research, continued

Proposed Outcomes

| Project Name | Date Approved | Approved Amount | Expenditures to Date | Balance at 09/30/14 |
|--------------------------------------------------------------------------------------------------------|---------------|------------------|----------------------|---------------------|
| UOG Archeology Program – Year 3 | 09/16/09 | \$ 75,000 | \$43,039 | \$31,961 |
| Historic Structures Report Training Program (UOG Archeology Program – Year 2 Amendment II HSR Plaza)** | 09/10/08 | 25,000 | 20,000 | 5,000 |
| Chemical Dating Analysis III of Pictographs at Mahlac | 03/14/13 | 5,000 | 5,000 | --- |
| Anthony Camacho Archaeological Survey | 05/14/14 | 2,500 | 1,500 | 1,000 |
| Total | | \$107,500 | \$69,539 | \$37,961 |
| ** Unused balances will be reverted back to the Trust. | | | | |

Archival Research

The Guam Preservation Trust, in collaboration with archival organizations, will develop and provide archival research that focuses on specific historic places or broad patterns of events significant in Guam's history for public education and appreciation.

No proposals were received for this category; therefore no funding was approved for FY 2014.

Guam Preservation Trust
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Financial Analysis

Our analysis is based on the following condensed financial data for the years ended September 30, 2014, 2013 and 2012.

| | September 30, <u>2014</u> | September 30, <u>2013</u> | September 30, <u>2012</u> | 2014 % increase (decrease) from 2013 |
|----------------------------------|------------------------------|------------------------------|------------------------------|-----------------------------------------------|
| <u>Statement of Net Position</u> | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 1,934,315 | \$3,501,457 | \$4,024,170 | (44.8)% |
| Investments | 4,975,420 | 2,561,238 | 1,780,695 | 94.3% |
| Receivables: | | | | |
| Building permit fund | 1,578,218 | 1,921,611 | 2,179,821 | (17.9)% |
| Allowance for doubtful accounts | (1,517,137) | (1,517,137) | (1,517,137) | --- % |
| Prepaid expenses | 13,854 | 8,417 | 13,413 | 64.6% |
| Other assets | <u>10,077,676</u> | <u>2,068</u> | <u>2,787</u> | 487215.1% |
| Total assets | <u>17,062,346</u> | <u>6,477,654</u> | <u>6,483,749</u> | 163.4% |
| Liabilities: | | | | |
| Accrued expenses | 72,915 | 47,968 | 196,238 | 52.0% |
| Deposits payable - grants | <u>8,000</u> | <u>8,000</u> | <u>8,000</u> | --- % |
| Total liabilities | <u>80,915</u> | <u>55,968</u> | <u>204,238</u> | 44.6% |
| Net Position: | | | | |
| Invested in capital assets | 177,676 | 2,068 | 2,787 | 8491.7% |
| Unrestricted | 6,903,755 | --- | --- | --- % |
| Restricted | <u>9,900,000</u> | <u>6,419,618</u> | <u>6,276,724</u> | 54.2% |
| Total net position | <u>\$16,981,431</u> | <u>\$6,421,686</u> | <u>\$6,279,511</u> | 164.4% |

Guam Preservation Trust
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Financial Analysis, continued

| | Year ended September 30, <u>2014</u> | Year ended September 30, <u>2013</u> | Year ended September 30, <u>2012</u> | 2014 % increase (decrease) <u>from 2013</u> |
|------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|------------------------------------------------------|
| <u>Statement of Activities</u> | | | | |
| Building permit fees | \$ 1,413,023 | \$1,181,790 | \$1,094,760 | 19.6% |
| Grants / support - unrestricted | 64,499 | --- | --- | ---% |
| Interest income | <u>118,423</u> | <u>87,735</u> | <u>23,368</u> | 35.0% |
| Total revenues | 1,595,945 | 1,269,525 | 1,118,128 | 25.7% |
| Expenditures | (1,068,151) | (1,052,969) | (779,657) | 1.4% |
| Recovery of bad debt | --- | --- | 4,289,551 | ---% |
| Gain on sale of investment | --- | --- | 400 | ---% |
| Contributions – restricted | 9,900,000 | --- | --- | ---% |
| Unrealized gain (loss) on investments | <u>131,951</u> | <u>(74,381)</u> | <u>120,158</u> | (277.4)% |
| Increase in net position | 10,559,745 | 142,175 | 4,748,580 | 7327.3% |
| Net position at beginning of year | <u>6,421,686</u> | <u>6,279,511</u> | <u>1,530,931</u> | 2.3% |
| Net position at end of year | <u>\$16,981,431</u> | <u>\$6,421,686</u> | <u>\$6,279,511</u> | 164.4% |

Revenues

The Trust receives most of its revenues from the Building Permit Fees administered by the Guam Department of Public Works. A compilation is conducted every quarter by our accounting services provider and compared to totals listed on the Trust's Special Accounts with the Guam Department of Administration. For fiscal year (FY) 2014, a total of \$1,413,023 was collected from building permit fees, which resulted in an increase of 19.6% from the 2013 total of \$1,181,790. The increase is a result of an increase in construction activity on Guam for that period.

Investments

Interest income on investments slightly increased between FY 2014 and FY 2013. In FY 2014, \$118,423 was earned on interest income, compared to \$87,735 in Fiscal Year 2013. The 35% increase is due to the increase in interest on cash equivalents and investment accounts. For FY 2013, there was a change in the Asset Allocation Rates of the Trust Investment Policy. The new Asset Allocation rates are 80% investment on cash equivalents and 20% on equity investments.

Guam Preservation Trust
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Financial Analysis, continued

Expenditures

Overall expenditures for FY 2014 (\$1,068,151) increased slightly over 1.4% from FY 2013 (\$1,052,250). This is due to the increase of over 1% in personnel, contractual, and trust fund and investment fees. Travel expenditures increased 2% in FY 2014 (\$38,920) from FY 2013 (\$18,911). This is due to biennial preservation meetings and professional developments off-island attended by staff and board members.

Guam Preservation Trust
(A Component Unit of the Government of Guam)

Governmental Funds Balance Sheet/Statement of Net Position

September 30, 2014

| | <u>General Fund</u> | <u>Adjustments</u> | <u>Statement of Net Position</u> |
|----------------------------------------------------|-------------------------|----------------------|--------------------------------------|
| Assets: | | | |
| Cash and cash equivalents <i>(Note 3)</i> | \$ 1,934,315 | \$ - | \$ 1,934,315 |
| Investments <i>(Note 3)</i> | 4,975,420 | - | 4,975,420 |
| Due from Government of Guam | | | |
| Building Permit Fund, net <i>(Note 4)</i> | 61,081 | - | 61,081 |
| Prepaid expenses | 13,854 | - | 13,854 |
| Property and equipment, net <i>(Notes 2 and 5)</i> | <u>-</u> | <u>10,077,676</u> | <u>10,077,676</u> |
| Total assets | <u>6,984,670</u> | <u>10,077,676</u> | <u>17,062,346</u> |
| Liabilities and Net Position: | | | |
| Accrued expenses | 72,915 | - | 72,915 |
| Grant deposit | <u>8,000</u> | <u>-</u> | <u>8,000</u> |
| Total liabilities | <u>80,915</u> | <u>-</u> | <u>80,915</u> |
| Commitments and contingencies <i>(Note 6)</i> | | | |
| Fund balances - assigned <i>(Note 2)</i> | <u>6,903,755</u> | <u>(6,903,755)</u> | <u>-</u> |
| Total fund balances | <u>6,903,755</u> | <u>(6,903,755)</u> | <u>-</u> |
| Total liabilities and fund balances | <u>\$ 6,984,670</u> | | |
| Net position: | | | |
| Invested in capital assets | | 177,676 | 177,676 |
| Unrestricted | | 6,903,755 | 6,903,755 |
| Restricted <i>(Note 5)</i> | | <u>9,900,000</u> | <u>9,900,000</u> |
| Total net position | | <u>\$ 16,981,431</u> | <u>\$ 16,981,431</u> |

See accompanying notes.

Guam Preservation Trust
(A Component Unit of the Government of Guam)

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

Year ended September 30, 2014

| | <u>General Fund</u> | <u>Adjustments</u> | <u>Statement of Activities</u> |
|------------------------------------------------------------------------|-------------------------|--------------------|------------------------------------|
| Revenues: | | | |
| Building permit fees | \$ 1,413,023 | \$ - | \$ 1,413,023 |
| Grants and other support - unrestricted | 64,499 | - | 64,499 |
| Interest income | 118,423 | - | 118,423 |
| Total revenues | 1,595,945 | - | 1,595,945 |
| Expenditures: | | | |
| Program services - projects/grants | 568,888 | - | 568,888 |
| Supporting services: | | | |
| Personnel (<i>Note 7</i>) | 330,302 | - | 330,302 |
| Contractual | 51,045 | - | 51,045 |
| Travel | 38,920 | - | 38,920 |
| Trust fund and investment fees | 36,051 | - | 36,051 |
| Supplies and equipment rental | 18,913 | - | 18,913 |
| Miscellaneous | 6,383 | - | 6,383 |
| Utilities | 6,093 | - | 6,093 |
| Communication | 4,449 | - | 4,449 |
| Advertising | 2,768 | - | 2,768 |
| Stipend | 1,950 | - | 1,950 |
| Depreciation expense | - | 2,389 | 2,389 |
| Capital outlays | 177,997 | (177,997) | - |
| | 674,871 | (175,608) | 499,263 |
| Total expenditures/expenses | 1,243,759 | (175,608) | 1,068,151 |
| Unrealized gain on investments | 131,951 | - | 131,951 |
| Excess of revenues and unrealized gain on investments over expenses | 484,137 | (484,137) | - |
| Special item: contributions - restricted (<i>Note 5</i>) | - | 9,900,000 | 9,900,000 |
| Increase in net position | - | 10,559,745 | 10,559,745 |
| Fund balance/net position: | | | |
| Beginning of year | 6,419,618 | - | 6,421,686 |
| End of year | \$ 6,903,755 | \$ - | \$ 16,981,431 |

See accompanying notes.

Guam Preservation Trust
(A Component Unit of the Government of Guam)

Notes to Financial Statements

Year ended September 30, 2014

1. Organization

The Guam Preservation Trust (the Trust), is an expendable trust fund that was established by Public Law 20-151 dated March 21, 1990 (as amended by Public Law 21-07 on April 19, 1991 and amended by Public Law 27-89 on May 6, 2004).

The Trust is a component unit of the Government of Guam. The Trust is governed by a Board of Directors, who shall be appointed by the Governor of Guam with the advice and consent of the Guam Legislature. Employees of the Trust are not Government of Guam employees and, accordingly, do not participate in the Government of Guam's retirement system.

The Trust was created for the following purposes:

- To seek grants and donations;
- To acquire title to threatened Guam properties for the preservation of their value whether in fee simple, leasehold, or by easement, through donation, transfer, dedication, purchase and eminent domain;
- To award grants for archaeological investigations;
- To prepare a Guam Preservation Trust Master Plan (the Plan) identifying by order of priority, the buildings, structures and sites which in the opinion of the Trust are deserving of preservation and which shall be preserved. The Trust shall hold a public hearing on the proposed plan and shall transmit the Plan to I Liheslaturan Guahan sixty (60) days prior to its implementation; and
- To support other activities directly related to increasing public appreciation of and benefit from historical places.

2. Summary of Significant Accounting Policies

The Trust's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

The financial statements of the Trust are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing Governmental Accounting and Financial Reporting Principles.

Guam Preservation Trust
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Government-wide Financial Statements

The statement of net position presents the non-fiduciary financial condition of the Trust's assets after liabilities are deducted and consists of (1) assets invested in capital assets net of accumulated depreciation, (2) restricted assets reduced by liabilities and deferred inflows of resources related to those assets and (3) unrestricted assets.

Assets are reported as restricted when constraints are imposed by third parties or enabling legislation.

Measurement Focus/Government-wide and Fund Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus.

The governmental fund financial statements of the Trust are accounted for using a flow of current financial resources measurement focus. The statement of governmental fund revenues, expenditures and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared.

The modified accrual basis of accounting is used by governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means that the amount of the transaction can be determined and "available" means that the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all governmental fund type revenues. Expenditures are recorded when the related fund liability is incurred.

Fund Financial Statements

The Trust accounts for its financial activities in a single governmental fund. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. The difference between governmental fund assets and liabilities is reported as fund balance. The ending fund balance on the balance sheet is reconciled to the ending net position.

Guam Preservation Trust
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Fund Financial Statements, continued

Adjustments required to reconcile total governmental fund balance to net position of governmental activities in the Statement of Net Position as of September 30, 2014 is as follows:

| | |
|-----------------------------------|--------------|
| Fund balance – governmental funds | \$ 6,903,755 |
|-----------------------------------|--------------|

Amounts reported for governmental activities in the Balance Sheet differ from the amounts reported in the Statement of Net Position because:

| | |
|------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the funds | <u>10,077,676</u> |
|------------------------------------------------------------------------------------------------------------------------------|-------------------|

| | |
|-----------------------------------------|---------------------|
| Net position of governmental activities | <u>\$16,981,431</u> |
|-----------------------------------------|---------------------|

Adjustments required to reconcile net change in total governmental fund balance to change in net position of governmental activities in the Statement of Activities for the year ended September 30, 2014 is as follows:

| | |
|--------------------------------------------------|------------|
| Net change in fund balances - governmental funds | \$ 484,137 |
|--------------------------------------------------|------------|

Amounts reported for governmental activities in the Statement of Government Fund Revenues, Expenditures and Changes in Fund Balance differ from the amounts reported in the Statement of Activities because:

| | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| The measurement focus of governmental funds is on current financial resources. Accordingly, donated capital assets to a government that is held for use in general operations are not recorded in the governmental fund. This is the amount donated land in the Statement of Activities | 9,900,000 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which the capital outlays exceeded depreciation | <u>175,608</u> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|

| | |
|---------------------------------------------------|---------------------|
| Change in net position of governmental activities | <u>\$10,559,745</u> |
|---------------------------------------------------|---------------------|

Guam Preservation Trust
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

For the purpose of presentation in the Governmental Funds balance sheet/statement of net position, cash and cash equivalents consist of cash balances deposited in banks and money market accounts.

Investments

Investments and related investment earnings are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale and are primarily determined based on quoted market values.

Capital Assets

Property and equipment are stated at cost at the date of acquisition. The costs of normal maintenance and repairs that do not add to the asset value or materially extend the useful life of the assets are expensed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets are depreciated over a period of 3 to 5 years using the straight-line method.

Revenue Recognition

Revenues are recorded upon notification of receipt of building permit fees by the Government of Guam's Department of Administration.

Revenues of the Trust are comprised of building permit fees and interest earned on cash and investment balances. Public Law 20-151, Section 13, provides that the Trust will receive building permit fees and re-inspection fees collected by the Department of Public Works of the Government of Guam and fines for vandalism and unlawful taking of historic properties.

Income Taxes

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

Guam Preservation Trust
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Compensated Absences

GASB Statement No. 16, Accounting for Compensated Absences, provides that liabilities for vacation leave and other compensated absences, excluding sick leave, will be accrued provided the leave is attributable to past service.

The Trust compensates its employees for annual leave as follows:

- One half day (4 hours) for each full biweekly pay period in the case of employees with less than (1) to five (5) years of service;
- Three-fourths day (6 hours) for each biweekly pay period except that for accrual for the last full biweekly pay period in the year shall be one and one-fourth (10 hours) in the case of employees with six (6) to ten (10) years of service;
- One day (8 hours) for each full biweekly pay period in the case of employees with eleven (11) or more years of service.

Employees entitled to annual leave may accumulate up to four hundred eighty (480) hours thereof. Any annual leave earned by eligible employees in excess of four hundred eighty (480) hours shall be automatically credited to such employee's accumulated sick leave, provided, that not more than one hundred (100) hours shall be credited to said sick leave.

Fund Balances - Assigned

Assigned fund balances for governmental funds represent the amount available for funding historical preservation projects as determined by the Board of Directors of the Trust.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Guam Preservation Trust
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements

In March 2012, GASB issued Statement No. 66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*. This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straightline basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, effective for periods beginning after June 15, 2013. This Statement establishes financial reporting standards for state and local governmental pension plans, defined benefit pension plans and defined contribution pension plans that are administered through trusts or equivalent arrangements that meet certain criteria.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for periods beginning after June 15, 2013. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

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

Upcoming Accounting Pronouncements

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, effective for periods beginning after June 15, 2014. This Statement establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. In addition, this Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment and also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations.

Guam Preservation Trust
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date, an amendment of GASB Statement No. 68*. The provisions of this Statement should be applied simultaneously with the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The objective of this Statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

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

3. Cash and Cash Equivalents and Investments

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the Trust has assessed the custodial credit risk, interest rate risk, credit risk, and concentration of credit risk of its cash and cash equivalents, and investments.

Cash and cash equivalents and investments as of September 30, 2014 are classified in the statement of net position as follows:

| | |
|---------------------------|--------------------|
| Cash and cash equivalents | <u>\$1,934,315</u> |
| Investments | <u>\$4,975,420</u> |

The Trust uses market quotations to measure fair value of investments.

Custodial Credit Risk

Custodial credit risk for cash and cash equivalents is the risk that in the event of a bank failure, the Trust's deposits may not be returned to it. The Trust does not have a deposit policy for custodial credit risk. As of September 30, 2014, cash and cash equivalents were held by depositories and amounted to \$1,934,315 of which \$90,141 were insured and \$1,844,174 were uninsured and uncollateralized. Based on negotiated trust and custody contracts, all of the investments were held in the Trust's name by the Trust's custodial financial institution at September 30, 2014.

Guam Preservation Trust
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

3. Cash and Cash Equivalents and Investments, continued

Custodial Credit Risk, continued

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Trust does not have an investment policy for custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. To minimize interest rate risk, the maturities of investments are limited to one year or less. This reduces the impact of interest rate movements seen with longer maturity investments.

Concentration of Credit Risk

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Trust minimized credit risk losses by limiting investments to low risk securities. The following represents the Trust's investments as of September 30, 2014:

| <u>Type</u> | <u>Amount</u> | <u>% of Portfolio</u> |
|-------------------|--------------------|-----------------------|
| Mutual funds/ETFs | \$2,339,119 | 47% |
| Fixed income | 1,690,820 | 34% |
| Equities | <u>945,481</u> | <u>19%</u> |
| | <u>\$4,975,420</u> | <u>100%</u> |

4. Due from Government of Guam Building Permit Fund

The due from Government of Guam Building Permit Fund balance represents accumulated building permit fees and re-inspection fees collected and deposited with the Treasurer of Guam by the Government of Guam's Department of Public Works but not yet transferred to the Trust. Management of the Trust is of the opinion that such balances are due and payable to the Trust.

The Trust recorded an allowance for uncollectible receivables totaling \$1,517,137 as of September 30, 2014.

Guam Preservation Trust
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

5. Property and Equipment

The following is a summary of the changes in capital assets for the year ended September 30, 2014:

| | <u>Beginning Balance October 1, 2013</u> | <u>Additions</u> | <u>Transfers and Deletions</u> | <u>Ending Balance September 30, 2014</u> |
|---------------------------------------|--------------------------------------------------|---------------------|----------------------------------------|----------------------------------------------|
| Capital assets depreciated: | | | | |
| Furniture, fixtures, and equipment | \$18,649 | \$ 7,972 | \$ --- | \$ 26,621 |
| Less accumulated depreciation | (16,581) | (2,389) | --- | (18,970) |
| Net capital assets depreciated | <u>2,068</u> | <u>5,583</u> | --- | <u>7,651</u> |
| Capital assets not depreciated: | | | | |
| Land | <u>---</u> | <u>10,070,025</u> | <u>---</u> | <u>10,070,025</u> |
| | <u>\$ 2,068</u> | <u>\$10,075,608</u> | <u>\$ ---</u> | <u>\$10,077,676</u> |

In February 2014, the Trust received donated land with a fair market value of approximately \$9.9 million at the date of donation. The donor placed restrictions over the use of the land. Accordingly, the Trust recorded the land as a component of restricted net position.

6. Commitments and Contingencies

In December 2010, the Trust entered into a memorandum of agreement with the Guam Department of Parks and Recreation and the State Historic Preservation office regarding the obligations and rights with respect to the occupancy and the maintenance of the Jose P. Lujan House ("Lujan House"). In exchange of using the Lujan House for office space at no cost, the Trust is to pay for certain costs, including utilities and insurance for the building. The terms of the agreement will be for 25 years with a 5 year option to renew at the end of the term.

The Trust has commitments to pay \$808,592 to fund grants approved as of September 30, 2014. The Trust will release the funds to the grantees only upon satisfactory performance by the grantees of requirements called for in their respective grant agreements.

Guam Preservation Trust
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

7. Employee's Retirement Plan

Employees of the Trust are not classified as Government of Guam employees and do not participate in the Government of Guam Employees' Retirement System. Instead, the Trust's Board of Directors, through Resolution 0806-31, approved the adoption of a Simple IRA Retirement Plan.

Employees can contribute up to the maximum allowable limit and the Trust offers a matching contribution of up to three percent (3%) of the gross annual salary of employees. To qualify, employees must complete one year of service with the Trust.

For the year ended September 30, 2014, the retirement contribution amounted to \$4,066 which is included as a component of personnel services in the accompanying Statement of Government Fund Revenues, Expenditures and Changes in Fund Balance/Statement of Activities.

Supplementary Information

Guam Preservation Trust
(A Component Unit of The Government of Guam)

Governmental Funds
Balance Sheet/Statement of Net Position
As of September 30, 2014
(With comparative totals as of September 30, 2013)

| | General Fund <u>2014</u> | General Fund <u>2013</u> | Statement of Net Position <u>2014</u> | Statement of Net Position <u>2013</u> |
|----------------------------------------|--------------------------------|--------------------------------|---------------------------------------------|---------------------------------------------|
| Assets: | | | | |
| Cash and cash equivalents | \$ 1,934,315 | \$ 3,501,457 | \$ 1,934,315 | \$ 3,501,457 |
| Investments | 4,975,420 | 2,561,238 | 4,975,420 | 2,561,238 |
| Due from Government of Guam | | | | |
| Building Permit Fund, net | 61,081 | 404,474 | 61,081 | 404,474 |
| Prepaid expenses | 13,854 | 8,417 | 13,854 | 8,417 |
| Property and equipment, net | <u>-</u> | <u>-</u> | <u>10,077,676</u> | <u>2,068</u> |
| Total assets | <u>6,984,670</u> | <u>6,475,586</u> | <u>17,062,346</u> | <u>6,477,654</u> |
| Liabilities and Net Position: | | | | |
| Accrued expenses | 72,915 | 47,968 | 72,915 | 47,968 |
| Grant deposit | <u>8,000</u> | <u>8,000</u> | <u>8,000</u> | <u>8,000</u> |
| Total liabilities | <u>80,915</u> | <u>55,968</u> | <u>80,915</u> | <u>55,968</u> |
| Fund Balances - assigned | <u>6,903,755</u> | <u>6,419,618</u> | <u>-</u> | <u>-</u> |
| Total fund balances | <u>6,903,755</u> | <u>6,419,618</u> | <u>-</u> | <u>-</u> |
| Total liabilities and fund balances | <u>\$ 6,984,670</u> | <u>\$ 6,475,586</u> | | |
| Net Position: | | | | |
| Invested in capital assets | | | 177,676 | 2,068 |
| Unrestricted | | | 6,903,755 | - |
| Restricted | | | <u>9,900,000</u> | <u>6,419,618</u> |
| Total net position | | | <u>\$ 16,981,431</u> | <u>\$ 6,421,686</u> |

Guam Preservation Trust
(A Component Unit of The Government of Guam)

**Statement of Governmental Fund Revenues, Expenditures and
Changes in Fund Balance /Schedule of Activities**
Year ended September 30, 2014
(With comparative totals for the year ended September 30, 2013)

| | General Fund <u>2014</u> | General Fund <u>2013</u> | Statement of Activities <u>2014</u> | Statement of Activities <u>2013</u> |
|-------------------------------------------------------------------------------|--------------------------------|--------------------------------|-------------------------------------------|-------------------------------------------|
| Revenues: | | | | |
| Building permit fees | \$ 1,413,023 | \$ 1,181,790 | \$ 1,413,023 | \$ 1,181,790 |
| Grants and other support - unrestricted | 64,499 | - | 64,499 | - |
| Interest income | <u>118,423</u> | <u>87,735</u> | <u>118,423</u> | <u>87,735</u> |
| Total revenues | <u>1,595,945</u> | <u>1,269,525</u> | <u>1,595,945</u> | <u>1,269,525</u> |
| Expenditures: | | | | |
| Program services - projects/grants | <u>568,888</u> | <u>648,066</u> | <u>568,888</u> | <u>648,066</u> |
| Supporting services: | | | | |
| Personnel | 330,302 | 276,854 | 330,302 | 276,854 |
| Contractual | 51,045 | 44,937 | 51,045 | 44,937 |
| Travel | 38,920 | 18,911 | 38,920 | 18,911 |
| Trust fund and investment fees | 36,051 | 25,313 | 36,051 | 25,313 |
| Supplies and equipment rental | 18,913 | 19,735 | 18,913 | 19,735 |
| Miscellaneous | 6,383 | 3,935 | 6,383 | 3,935 |
| Utilities | 6,093 | 5,199 | 6,093 | 5,199 |
| Communication | 4,449 | 4,509 | 4,449 | 4,509 |
| Advertising | 2,768 | 3,841 | 2,768 | 3,841 |
| Stipend | 1,950 | 950 | 1,950 | 950 |
| Depreciation expense | - | - | 2,389 | 719 |
| Capital outlays | <u>177,997</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>674,871</u> | <u>404,184</u> | <u>499,263</u> | <u>404,903</u> |
| Total expenditures/expenses | 1,243,759 | 1,052,250 | 1,068,151 | 1,052,969 |
| Unrealized gain (loss) on investments | <u>131,951</u> | <u>(74,381)</u> | <u>131,951</u> | <u>(74,381)</u> |
| Excess of revenues and unrealized gain (loss) on investments over expenses | 484,137 | 142,894 | - | - |
| Special item: contributions - restricted | <u>-</u> | <u>-</u> | <u>9,900,000</u> | <u>-</u> |
| Increase in net position | | | 10,559,745 | 142,175 |
| Fund balance/net position: | | | | |
| Beginning of year | <u>6,419,618</u> | <u>6,276,724</u> | <u>6,421,686</u> | <u>6,279,511</u> |
| End of year | <u>\$ 6,903,755</u> | <u>\$ 6,419,618</u> | <u>\$ 16,981,431</u> | <u>\$ 6,421,686</u> |

Guam Preservation Trust
(A Component Unit of the Government of Guam)

Schedule of Grant Projects Reserved for Encumbrances

| <u>Description</u> | <u>Grant no.</u> | <u>Date approved</u> | <u>Grant amount</u> | <u>Year-to-date expenditures FYE 09/30/13</u> | <u>Expenditures year-ended 09/30/14</u> | <u>Outstanding encumbrance 09/30/14</u> |
|-----------------------------------------------------------------------------------------------------|------------------|----------------------|---------------------|-----------------------------------------------|-----------------------------------------|-----------------------------------------|
| Inalahan Historic Foundation - Meno House (Amendment 1) | GPTG-0704 | 02/13/08 | \$ 14,000 | \$ - | \$ - | \$ 14,000 ** |
| Historic Inalajan Revitalization Plan | GPTG-1001 | 02/10/10 | 59,800 | 44,850 | 14,950 | - |
| Fort Nuestra De La Soledad, Umatac | BP-06-03 | 10/01/06 | 8,000 | 5,950 | - | 2,050 |
| UOG Archeology Program - Year 3 | BP-07-01 | 09/16/09 | 75,000 | 43,039 | - | 31,961 |
| Historic Structures Report Training Program (UOG Archeology Program - Year 2 Amendment 2 HSR Plaza) | BP-0804 | 09/10/08 | 25,000 | 20,000 | - | 5,000 * |
| Lujan House - Change orders 13-14 (JRN Refrigeration) | HS-0901 | 07/13/11 | 17,783 | 17,140 | - | 643 * |
| Lujan House - Change order 15 (JRN Refrigeration) | HS-0901 | 06/19/13 | 20,112 | 5,866 | 14,246 | - |
| Lujan House Addendum | | 05/15/14 | 10,484 | - | 1,435 | 9,049 |
| Guam Legislature Construction (Architects RNK) | HS-0902 | 05/11/09 | 220,000 | 215,525 | 4,475 | - |
| Guam Legislature Construction - Addendum | | 05/15/14 | 180,000 | - | 36,250 | 143,750 |
| Taleyfac Bridge Project | HS-1001 | 12/16/09 | 606,198 | 540,632 | - | 65,566 |
| Taleyfac Bridge Project (Amendment 1) | HS-1001 | 08/04/10 | 80,000 | - | - | 80,000 |
| Navigating Cultural Values | GPTG11-02 | 05/02/11 | 5,000 | 3,966 | 1,000 | 34 * |
| Plight of Pagat Video | GPTG11-03 | 05/02/11 | 5,000 | - | - | 5,000 ** |
| George Flores Museum | GPTG11-06 | 08/10/11 | 5,000 | - | 3,750 | 1,250 |
| Historic Landmark Signs | BP12-08 | 05/09/12 | 4,830 | 4,305 | 265 | 260 |
| TASA: Guma Latte Marianas | GPTG-12-01 | 04/23/12 | 5,000 | - | - | 5,000 |
| I Know Guam (PBS) | GPTG-12-02 | 07/18/12 | 5,000 | 2,000 | 3,000 | - |
| Pagat, Haputo, Hilaan Documentary | GPTG-12-06 | 7/24/2012 | 5,000 | 4,500 | - | 500 |
| GPT Strategic Plan | BP13-01 | 9/12/2012 | 12,250 | 1,813 | 9,043 | 1,394 |
| Taleyfac Bridge Signage | | 4/17/2013 | 10,000 | 215 | - | 9,785 |
| Mitigation Project - Ylig Bridge | BP13-10 | 6/19/2013 | 14,999 | 10,000 | - | 4,999 * |
| Leblon Amot Famagu'on | GPTG13-02 | 3/14/2013 | 5,000 | 3,750 | 1,250 | - |
| Amot Famalao'an: Women's Holistic Health | GPTG13-03 | 3/14/2013 | 5,000 | 3,750 | 1,250 | - |
| Haya Foundation: Para Hinemlo | GPTG13-04 | 3/14/2013 | 5,000 | 3,750 | 1,250 | - |
| A Film to Document & Promote Guam's Cultural Heritage Sites | GPTG13-05 | 3/14/2013 | 5,000 | 3,750 | 1,250 | - |
| Sub-total, carried forward | | | 1,408,456 | 934,801 | 93,414 | 380,241 |

Guam Preservation Trust
(A Component Unit of the Government of Guam)

Schedule of Grant Projects Reserved for Encumbrances, continued

| Description | Grant no. | Date approved | Grant amount | Year-to-date expenditures FYE 09/30/13 | Expenditures year-ended 09/30/14 | Outstanding encumbrance 09/30/14 |
|--------------------------------------------------------------------------------------------|-----------|---------------|--------------|-------------------------------------------|----------------------------------------|----------------------------------------|
| Sub-total, brought forward | | | 1,408,456 | 934,801 | 93,414 | 380,241 |
| Case Study of a Suruhana/u | GPTG13-07 | 03/14/13 | 5,000 | 3,750 | 1,250 | - |
| Chemical Dating Analysis III of Pictographs at Mahlac | GPTG13-08 | 03/14/13 | 5,000 | 3,750 | 1,250 | - |
| Seabee Marine Park Concept Plan | GPTG13-09 | 03/14/13 | 5,000 | 2,500 | 2,500 | - |
| Former US District Court of Guam Island Court of Guam Nomination | GPTG13-10 | 06/19/13 | 5,000 | 3,750 | - | 1,250 *** |
| The Ritidian Story: An Illustrated History of Ancient Life & Landscape at Ritidian | GPTG13-11 | 06/19/13 | 5,000 | 3,750 | - | 1,250 |
| A&E to Rehabilitate 3 Historic Homes (Antonia Chargualaf, Doris Lujan & Juan SN Flores) | HS13-01 | 09/06/13 | 215,572 | - | 129,343 | 86,229 |
| A&E to Rehabilitate 3 Historic Homes (Meno House Addendum) | | 02/13/14 | 71,884 | - | - | 71,884 |
| Structural Assessment for FQ Sanchez | HS13-02 | 09/06/13 | 64,018 | - | 64,018 | - |
| Structural Assessment for FQ Sanchez - Addendum (HSR) | | 11/13/13 | 31,404 | - | 15,386 | 16,018 |
| Sumay - Rikuetdo Para I Famaguonta | BP14-01 | 11/13/13 | 20,000 | - | 18,162 | 1,838 * |
| Atantano Property | BP14-02 | 12/18/13 | 1 | - | 1 | - |
| ARC Environmental Services Inc. Micronesian Appraisal | | 11/13/13 | 4,700 | - | 4,700 | - |
| | | 05/15/14 | 4,000 | - | 2,400 | 1,600 |
| Restoration of Plaza de Espana | BP14-03 | 10/02/13 | 110,212 | - | 60,000 | 50,212 |
| Sakman Chamorro Project | BP14-04 | 12/18/13 | 5,000 | - | 5,000 | - |
| Chagui'an Massacre Site Nomination | BP14-05 | 02/15/14 | 18,558 | - | - | 18,558 |
| Antantano Public Presentation | BP14-06 | 02/13/14 | 20,000 | - | 9,689 | 10,311 * |
| Pacific Heritage Youth Summit | BP14-07 | 05/15/14 | 60,498 | - | 3,541 | 56,957 |
| GVB - Micronesian Island Fair Sponsorship | BP14-08 | 05/15/14 | 5,000 | - | 5,000 | - |
| Micronesian Endowment for Historic Preservation | BP14-09 | 06/05/14 | 3,000 | - | 2,815 | 185 * |
| Dinana Minagof Sponsorship | BP14-10 | 06/05/14 | 1,000 | - | 1,000 | - |
| National History Day | BP14-11 | 12/18/13 | 30,000 | - | 29,501 | 499 * |
| State Coordinator Conference | | 05/15/14 | 2,500 | - | 1,314 | 1,186 * |
| Sub-total, carried forward | | | 2,100,803 | 952,301 | 450,284 | 698,218 |

Guam Preservation Trust
(A Component Unit of the Government of Guam)

Schedule of Grant Projects Reserved for Encumbrances, continued

| Description | Grant no. | Date approved | Grant amount | Year-to-date expenditures FYE 09/30/13 | Expenditures year-ended 09/30/14 | Outstanding encumbrance 09/30/14 |
|-----------------------------------------------|-----------|---------------|---------------------|-------------------------------------------|-------------------------------------|-------------------------------------|
| Sub-total, brought forward | | | 2,100,803 | 952,301 | 450,284 | 698,218 |
| I Am Chamorro | BP14-12 | 05/15/14 | 15,000 | - | 15,000 | - |
| APIA Conference | BP14-13 | 06/05/14 | 15,000 | - | 1,717 | 13,283 * |
| APIA Conference (Addendum I) | | 08/27/14 | 5,000 | - | 5,000 | - |
| APIA Conference (Addendum II) | | 08/27/14 | 14,748 | - | 14,748 | - |
| Historia De Las Islas De Marianas Translation | BP14-14 | 05/15/14 | 10,000 | - | 5,000 | 5,000 |
| Benny San Nicolas Property Appraisal | BP14-15 | 05/15/14 | 2,860 | - | 2,860 | - |
| Maneggon Concentration Camp Site Nomination | BP14-16 | 05/15/14 | 39,412 | - | - | 39,412 |
| Discovery Day Sponsorship | BP14-17 | 02/13/14 | 15,000 | - | 15,000 | - |
| Feasibility for the Plaza De Espansa | BP14-18 | 08/27/14 | 106,566 | - | - | 106,566 |
| Guampedia Historic Structures | GPTG14-01 | 11/13/13 | 5,000 | - | 5,000 | - |
| Amot Hunters | GPTG14-02 | 11/13/13 | 5,000 | - | 3,750 | 1,250 |
| Anthony Camacho Archaeological Survey | GPTG14-03 | 05/14/14 | 2,500 | - | 1,500 | 1,000 |
| Inarajan Homes - Soils Testing | HS14-01 | 08/27/14 | 3,722 | - | 1,631 | 2,091 |
| Total | | | \$ 2,340,611 | \$ 952,301 | \$ 521,490 | \$ 866,820 |

Note 1

* Represents Grants/Projects that have been completed. Any unused portion will be reverted back to the Trust. (37,978)

** Represents Grants/Projects that have been cancelled by the Trust. (19,000)

*** Represents Grants/Projects that have been approved by the Board of Directors but are pending a signed contract. (1,250)

Total outstanding encumbrances as of FY 2014: \$ 808,592

Note 1 - Reconciliation for Expenditures to the Statement of Activities:

Expenditures during the year-ended September 30, 2014 in the above schedule were off-set by grants and other support received by project.

| | |
|--------------------------------------------------|-------------------|
| Expenditure based on the above schedule | \$ 521,490 |
| Add back grants and support received | 54,499 |
| Less: amount capitalized as part of donated land | (7,101) |
| | <u>\$ 568,888</u> |