



## **Guam Preservation Trust FY 2014 Financial Highlights**

**March 2, 2015**

The Guam Preservation Trust (GPT) closed fiscal year (FY) 2014 with a significant increase in net position of \$10.4 million (M), going from \$142.2 thousand (K) in FY 2013 to \$10.6M in FY 2014. The increase in net position was primarily due to an audit adjustment of \$9.9M for land donation, which was recorded as a special item in the financial statements. GPT received an unmodified (clean) opinion from independent auditors, Ernst & Young, LLP.

As a future commitment to preserve and protect historic structures and sites on Guam, GPT entered into an agreement with the Guam Legislature to rehabilitate the Guam Legislature Building formerly known as the Guam Congress Building. A \$4M loan agreement between the Bank of Guam and the Guam Legislature coupled with another \$3M from GPT will provide for the modernizing, refurbishment, and restoration of the Guam Legislature Building. The estimated total amount to finance this project is \$7M. To date, construction bid proposals are currently being reviewed by GPT.

### **Increased Revenues and Expenditures**

GPT's revenues increased by \$326.4K or 26%, going from \$1.3M in FY 2013 to \$1.6M in FY 2014. The increased revenues were attributed to increases in GPT's building permit fees and interest income, a total change of \$261.9K. Building permit fees increased by \$231.2K, going from \$1.2M in FY 2013 to \$1.4M in FY 2014 due to increased construction activity for FY 2014. Additionally, interest income increased by \$30.7K, going from \$87.7K in FY 2013 to \$118.4K in FY 2014 due to increased interest on cash equivalents and investment accounts.

Comparatively, GPT's overall expenditures slightly increased by \$15.2K or 1%, from the prior fiscal year. GPT's operating expenditures are comprised of program services and grants, and supporting services. Program services and grants account for 53% of total expenditures and is GPT's largest expenditure item. For FY 2014, program services and grants decreased by 12%, going from \$648.1K in FY 2013 to \$568.9K in FY 2014.

GPT's supporting services, increased overall by \$94.4K or 23%, going from \$404.9K in FY 2013 to \$499.3K in FY 2014. The increase in supporting services was attributed to increases in personnel expenses of \$53.4K and contractual of \$6.1K. Of total expenditures of \$1.1M, personnel expenses were 31% of this total, while contractual was 5%.

### **Increase in Investments**

GPT's investments increased by \$2.4M, going from \$2.6M in FY 2013 to \$5M in FY 2014. This was a result of a change in asset allocation rates of the GPT's investment policy. GPT's asset allocation is 80% investment on cash equivalents and 20% on equity investments.

### **Status of Historic Preservation Projects**

The Trust's Board approved about \$818K 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. As of FY 2014, GPT has 52 approved projects totaling \$2.3M in grants, of which \$866.8K have yet to be expended and \$808.6K represents the amount of outstanding encumbrances. GPT expended 36 grants, totaling \$521.5K in FY 2014.

The top three projects are comprised of The Rehabilitation of the Guam Legislature/Guam Congress Building (\$180K for construction management), Feasibility of the Palacio at the Plaza de España (\$106.6K), and Architectural and Engineering Design for the Reconstruction of the Meno House in Inarajan (\$71.9K). These projects fall within the GPT mandate to preserve and protect historic sites on Guam.

### **Acquisition of Historic Properties**

GPT acquired two properties through donation and purchase during FY 2014. The land with an appraised value of \$9.9M was donated by Shell Guam to develop Guam's first heritage preserve. The 175 acres is located in Piti and Santa Rita and stretches up to the foot of Mount Tenjo.

GPT also purchased the Rosario House in Hagatna for \$161.3K and plans to restore it to its pre-war period architecture and retrofitted to become sustainably functional. The Rosario House is one of the oldest structures in Hagatna constructed by stone and mortar, or mamposteria, construction.

### **Report on Compliance and Internal Controls and Management Letter**

In FY 2014, GPT received one finding in their report on compliance and internal controls related to the land donated to GPT in February 2014. The donated land, valued at \$9.9M, was not recorded at its fair market value as of the date of the donation. This occurred because management was awaiting for the Board's approval of the appraisal report, which was neither reviewed nor confirmed until February 2015. As a result, GPT's capitalized assets and related contribution income were understated by \$9.9M.

A management letter stated that certain outstanding encumbrances that are over one year old still remains to be cleared out. It is recommended that GPT revisit these outstanding encumbrances to ensure that the projects are still active and in compliance with the terms of the grant agreement.

For a more detailed discussion on GPT's operations, see the Management's Discussion and Analysis in the audit report at [www.opaguam.org](http://www.opaguam.org) and [guampreservationtrust.org](http://guampreservationtrust.org).