



Guam Preservation Trust FY 2015 Financial Highlights

May 12, 2016

The Guam Preservation Trust (GPT) closed fiscal year (FY) 2015 with a significant decrease in net position by \$722 thousand (K) due mainly to the decrease in building permit fees and increase in grants and projects expenditures. In FY 2014, GPT had an increase in net position due to properties donated to GPT with a market value of \$9.9 million (M). Independent auditors, Ernst & Young, LLP, issued an unmodified (clean) opinion on GPT's FY 2015 financial statements. There were no material weaknesses or significant deficiencies identified in GPT's Report on Internal Control over Financial Reporting.

As a future commitment to preserve and protect historic structures and sites in Guam, the GPT's Board of Directors (BOD) approved \$4.4M worth of grants and projects in FY 2015. The top three projects are for the (1) rehabilitation of the Guam Legislature/Guam Congress Building (\$2.8M), (2) demolition of the Manuel Guerrero Building (\$1.0M), and (3) architectural and engineering design of the FQ Sanchez School Facility (\$208K).

Revenues Decreased and Expenditures Increased

GPT's revenues decreased by \$523K or 33%, going from \$1.6M in FY 2014 to \$1.1M in FY 2015. The movement in revenues was due to three items. First, the building permit fees as administered by the Guam Department of Public Works decreased by \$489K because of the reduction in construction activity in Guam compared to FY 2014. In addition, GPT experienced slower collection of building permit fees from the Government of Guam through the Department of Administration in FY 2015. Second, no grants and other support was received in FY 2015 as opposed to \$64K received in FY 2014. Lastly, investment income increased by \$30K despite the balance decreases in cash equivalents and investments because of the increase in interest rates, which averaged .46% in FY 2015.

GPT's overall expenditures increased by \$539K or 50%, going from \$1.1M in FY 2014 to \$1.6M in FY 2015. GPT's largest expenditure relates to program services and grants, which accounted for 64% or \$1.0M of total expenditures in FY 2015. This is an increase of \$453K or 80% from FY 2014. The primary reason for the increase pertains to the architectural and engineering design and/or restoration projects on the following: (1) Guam Legislature/Guam Congress Building with an increased expenditure of \$203K, (2) FQ Sanchez School Facility with an increased expenditure of \$122K, and (3) Plaza De España with an increased expenditure of \$48K. These projects existed since prior year and are still on-going for the current year.

Meanwhile, the second largest expenditure was for personnel costs, which increased by \$78K or 24% from \$330K in FY 2014 to \$408K in FY 2015. This is due to additional staff hired, incentive bonus awards, and salary increases. Other expenditures included contractual services, travel

expenses, trust fund and investment fees, supplies and other miscellaneous expenses, which collectively amounted to \$177K in FY 2015, a minimal increase of \$8K or 5%.

Cash Equivalents and Investments

Total cash equivalent and investment accounts decreased by \$873K or 13% from \$6.7M as of FY 2014 to \$5.8M as of FY 2015. The decline in total balance relates mainly on the decrease in net position in FY 2015 of \$722K and net increase in property and equipment amounting to \$125K. Cash equivalents consist of money market accounts, while investments consist of portfolios in mutual funds, fixed income, and equities.

Status of Historic Preservation Projects

Of the \$4.4M in grants and projects approved by the BOD in FY 2015, \$536K was expended. As of FY 2015, outstanding encumbrances for all on-going projects is \$4.0M.

Rehabilitation of Guam Legislature/Guam Congress Building

GPT entered into an agreement with the Guam Legislature to rehabilitate the Guam Legislature Building, formerly known as the Guam Congress Building. Total construction costs are estimated at \$8.0M, which is sourced through a \$4.0M bank loan, the \$3.4M overall commitment of GPT, and the remainder through the Guam Legislature's Capitol District Fund. Estimated completion date of the project is August 2016. As of FY 2015, outstanding encumbrances on this project amounted to \$2.7M.

Acquisitions of Historic Properties

GPT acquires properties through donation or purchase. In FY 2015, an Inarajan property was purchased at a cost of \$63K with plans to rehabilitate the 1918 house as a showcase for pre-war homes. In FY 2014, properties with a market value of \$9.9M were donated by a private company to develop Guam's first heritage preserve. The donated properties consist of 175 acres located in Piti and Santa Rita, stretching up to the foot of Mount Tenjo.

Report on Compliance and Internal Control and Management Letter

In FY 2015, the independent auditors did not identify any material weaknesses or significant deficiencies in GPT's internal control over financial reporting or in GPT's compliance in accordance with Government Auditing Standards.

The management letter stated that GPT currently has no written approved policies addressing situations wherein use of GPT's vehicles for personal use is not permitted. It is recommended that the draft vehicle use policy presented to the BOD be implemented as soon as it is approved. In addition, a significant number of travel and expense report documents were not submitted. Hence, it is recommended that the trip and expense report policy be enforced.

For a more detailed discussion on GPT's operations, see the Management's Discussion and Analysis in the audit report at www.opaguam.org and www.guampreservationtrust.org.