Financial Statements and Supplementary Information

Guam Housing Corporation

(A Component Unit of the Government of Guam)

Years ended September 30, 2014 and 2013
with Report of Independent Auditors

Building a better working world

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Financial Statements and
Supplementary Information

Years ended September 30, 2014 and 2013

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Report of Independent Auditors

The Board of Directors
Guam Housing Corporation

Report on the Financial Statements

We have audited the accompanying statements of net position of the Guam Housing Corporation (the Corporation), a component unit of the Government of Guam, as of September 30, 2014 and 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Guam Housing Corporation'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 opinions on these financial statements based on our audits. We conducted our audits 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Guam Housing Corporation as of September 30, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

Adoption of GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities"

As discussed in Note 1 to the financial statements, the Corporation restated its 2013 financial statements as a result of the adoption of Governmental Accounting Standards Board (GASB) Statement No. 65, *"Items Previously Reported as Assets and Liabilities"*, effective October 1, 2012. Our opinion is not modified with respect to this matter.

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4 through 25 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.

Management has omitted the Schedule of Funding Progress and Actuarial Accrued Liability – Post Employment Benefits Other Than Pension that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Guam Housing Corporation's basic financial statements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Supplementary Information, continued

The supplementary information included in Schedules 1 through 4 is the responsibility of management and was derived from and relates 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 supplementary information is 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 6, 2015 on our consideration of the Guam Housing Corporation'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 Housing Corporation's internal control over financial reporting and compliance.

Ernst + Young LLP

February 6, 2015

As management of the Guam Housing Corporation (GHC, the Corporation), we offer the readers of the Corporation's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2014. We encourage the readers to consider the information presented as you review the financial statistics presented on the following pages.

A. About the Corporation

GHC continues to make steady progress. Even with limited capital, GHC continues to move forward with its own lending programs as well as programs in cooperation with the United States Department of Agriculture (USDA) Rural Development and the Land Trust Initiative.

The "Housing Trust Fund Act" and the "First Time Homeowners Assistance Program Act" (P.L. 31-166 of 05 Jan 2012) continue to be a success.

Housing Trust Funds continue to be the most impressive advance in the affordable housing field in the United States. Because housing is the foundation of every healthy community, local and state governments are recognizing that they need to contribute public resources to adequately house their residents, and they are using Housing Trust Funds as the vehicle to do exactly that.

Housing Trust Funds are distinct funds established by local governments that receive ongoing dedicated sources of public funding to support the preservation and production of affordable housing and increase opportunities for families and individuals to access decent affordable homes. Housing Trust Funds systemically shift affordable housing funding from annual budget allocations to the commitment of dedicated public revenue.

There are now 47 states with Housing Trust Funds, as well as the District of Columbia, and more than 625 city and county Housing Trust Funds in operation. They dedicate nearly $1 billion annually to help address critical housing needs throughout the country. The number of Housing Trust Funds has doubled in the last seven years.

Housing Trust Funds are extremely flexible and can be used to support innovative ways to address many types of housing needs. The model can work in virtually any situation. They have been created to serve small towns as well as the largest states in the country. These funds are also very efficient. Many Housing Trust Funds report highly successful track records addressing a wide range of critical housing needs.

A. About the Corporation, continued

GHC's mandate is to help individuals and families secure mortgage financing, who cannot otherwise qualify as borrowers through other means. The current conditions in Guam's real estate market, coupled with more stringent lending practices of local conventional lending institutions, has created an environment that has allowed GHC to assist working class families. GHC's borrowers are diverse and include teachers, firemen, police officers, office managers, office workers, hotel and restaurant employees. They walk through our doors seeking financing for their first home in order to fill the basic need of housing for their families. It is for this very reason why GHC seeks additional lending capital for those families who have been pre-qualified.

By virtue of Title 21, Chapter 75 of the Guam Code Annotated, GHC is the primary, and in most cases the only authorized lender for Chamorro land trust property recipients seeking mortgage financing. Loan programs available to veterans, who are also recipients of the Chamorro land trust property, were limited to GHC's loan program and U.S. Veteran's Administration direct loan under the Native American Loan Program. However, with the recent execution of the Memorandum of Understanding between the Chamorro Land Trust Commission (CLTC), GHC and Rural Development (RD), direct loans from RD can now be extended to veterans with Chamorro Land Trust Leases.

The current inventory of housing units is insufficient to meet the needs of Guam's people. It is imperative that GHC, as a government entity, continue to work to address the housing needs of our island residents. GHC under its mandate is geared to accomplish this mission.

Loan and Supplemental Funding Programs

Currently, GHC makes available the following programs:

I. Regular Loan Program

The residential mortgage lending program is to assist families and individuals, who are first-time homeowners and are unable to obtain financing for purchase or construction through conventional lending institutions. During the August 2014 regular meeting of the Board of Directors, the current interest rate for this program was changed to 1% above the prevailing rate charged by local lenders.

II. Six Percent Loan Program

This is a low interest rate residential mortgage loan program to assist families and individuals who are first-time homeowners and are unable to obtain financing from conventional mortgage lending institutions. The interest rate on this program was changed to match that of the local markets with a floor of 4% and a ceiling of 6% for a term of 30 years (P.L. 31-166).

A. About the Corporation, continued

Loan and Supplemental Funding Programs, continued

III. Community Affordable Housing Action Trust (CAHAT)

This is an interest free second mortgage program designed as a program for first-time homeowners for families and individuals who lack the resources to purchase or construct a typhoon-resistant home. Enabling legislation is P.L. 21-99. Term of the loan is 30 years.

IV. Leveraged Loan Program

This loan program was effectuated via a Memorandum of Understanding between GHC (Government of Guam) and RD on September 5, 2005. The program is a joint financing concept whereby an applicant receives two separate loans to obtain a 100% financing. GHC provides 20%, holding the first mortgage; and the RD provides 80% for the second mortgage.

GHC's loan will be at the interest rates established for its regular loan program for a term of 30 years. RD loans will be available at the prevailing interest rate for a term of 33 years. However, because RD's loan is a subsidized loan, the interest rate may be reduced depending on the borrower's income. This subsidy increases the buying power of an individual.

V. First-time Homeowners Assistance Program (FTHAP)

This program was initiated through the Housing Trust Fund Act established by P.L. 31-166 in January 2012 with the first grant being awarded with the establishment of the Rules and Regulations for the program in June 2012 through P.L. 31-227.

A real success story; since its inception, the Corporation has issued grants totaling $1,416,305 to 201 families. Not only has this program helped so many first-time homeowners realize the Guamanian dream but it also has stimulated the real estate industry by a whopping $35 million.

Eligible recipients of the program are provided up to $10,000 or 4% of a mortgage loan amount maximum of $250,000 (inclusive of the purchase price and closing costs combined).

The program is not restricted with GHC loans. Currently, there are nine (9) participating financial institutions.

A. About the Corporation, continued

Rental Division

GHC acquired 115 Lada Gardens homes in Dededo back in 1969 and are managed by the Corporation's Rental Division. The rental units are comprised of two, three, and four bedroom homes rented to eligible individuals and families. GHC also has two (2) single-family homes in Sagan Linahyan and two 12-unit apartment buildings in Yigo named Guma As-Atdas.

In January 2014, the monthly rent for the Lada Gardens increased to $700 for the 4 bedroom units, $625 for the 3 bedroom units and $575 for the 2 bedrooms units. Also in January 2014, the monthly rent for the Guma As-Atdas 3 bedroom units increased to $650.

GHC continued to increase its affordable housing inventory as P.L. 31-215 was enacted. This law provided GHC an additional 10 single family units for rent from the Department of Land Management (DLM). The Sagan Linahyan Renovation Project provided Department of Housing and Urban Development funded renovations through Guam Housing and Urban Renewal Authority (GHURA), for 10 abandoned units at a cost of approximately $650,000. The Renovation Project was completed in October 2012. Due to the source of funding for the rehabilitation of these units, the proposed tenants must meet the established income limits. Additionally, GHC has provided a housing unit for a community outreach program through non-profit Community Services Resources, Inc. for neighborhood revitalization.

Lada Estates Affordable Housing

Through P.L. 20-225, 46 acres of land was transferred to the Corporation from the Government of Guam with the mandate to develop affordable housing units for sale to first-time home buyers. Lada Estates, as it became known, was intended as a two-phase turnkey project. Subsequent economic conditions prevented the completion of the project. In 2004, Maeda Pacific Corporation (MPC) brought suit against GHC. At the recommendation of our independent auditors and due to the state the property was in, an adjustment was made to decrease the value of the property recorded in the financial statement. In fiscal year 2010 an impairment loss of $5.2 million was recorded as a prior year adjustment and in fiscal year 2011, an additional impairment loss of approximately $392,000 was recorded. On January 6, 2012, the courts approved the settlement between GHC and MPC. As a result of the settlement, both Land Held for Development and Accounts Payable were decreased by $10,555,000 in fiscal year 2012.

Provisions indicated in the settlement agreement stipulate the continued use of the land for affordable housing development of the proposed 399 units for lease or purchase, within a six (6) year timeline. On March 21, 2012, P.L. 31-195 was enacted approving the transfer of the Lada Estates property from the GHC to MPC. Subsequent to the settlement between GHC and MPC, the ownership has changed to another developer, who has commenced the construction and is well on the way towards completion.

B. Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements are comprised of two components: 1) Corporation-wide financial statements and 2) notes to the financial statements.

The Corporation utilizes the flow of economic resources measurement focus. Its financial statements are prepared in accordance with accounting principles generally accepted in the United States as applied to governmental units using the accrual basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principle Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

The *Statements of Net Position* present information on all of the Corporation's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net positions may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Net Position* present information showing how the Corporation's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. depreciation, and earned but unused vacation leave).

The *Statements of Cash Flows* provide information about the Corporation's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities.

The Corporation-wide financial statements report on the function of the Corporation that is principally supported by intergovernmental revenues. The Corporation's function is to help first-time homeowner individuals and families secure mortgage financing who cannot otherwise qualify as borrowers through other conventional financing means and provide and administer low-cost housing rental projects. The Corporation-wide financial statements of the Corporation can be found on pages 26 through 60 of this report.

B. Overview of the Financial Statements, continued

A condensed summary of the Corporation's statements of net position at September 30, 2014, 2013 and 2012 is shown below.

Statements of Net Position
September 30, 2014, 2013 and 2012

	2014	2013 (As restated)	2012 (As restated)
Cash and investments	$11,122,753	$11,022,168	$12,374,522
Loans receivable, other receivables, prepaid expenses and inventory	29,159,519	31,069,919	30,211,084
Foreclosed assets held for resale	399,949	399,949	394,364
Capital assets	6,706,126	6,696,232	6,271,046
Total assets	47,388,347	49,188,268	49,251,016
Accounts payable and accrued expenses	988,101	1,619,521	525,909
Deposits by borrowers and security deposits	784,277	498,970	532,262
Bonds payable	4,415,000	4,565,000	4,710,000
Loans held in trust	259,485	290,693	370,178
Notes payable	---	1,119,469	2,267,289
Total liabilities	6,446,863	8,093,653	8,405,638
Investment in capital assets, net of related debt	6,706,126	6,696,232	6,271,046
Restricted	3,284,430	7,521,752	8,694,060
Unrestricted	30,950,928	26,876,631	25,880,272
Total net position	$40,941,484	$41,094,615	$40,845,378

B. Overview of the Financial Statements, continued

Statements of Revenues, Expenditures and Changes in Net Position
Fiscal years ended September 30, 2014, 2013 and 2012

	2014	2013 (As restated)	2012 (As restated)
Revenues	$2,761,208	$ 3,267,210	$ 3,435,067
Expenses	2,914,339	3,017,973	2,924,270
Change in net position	(153,131)	249,237	510,797
Total net position at beginning of year	41,094,615	40,845,378	40,334,581
Total net position at end of year	$40,941,484	$41,094,615	$40,845,378

C. Financials at a Glance

GHC Portfolio consists of loans originated with GHC funds from the Direct Loan and the Revolving Loan Programs. It is categorized in the Statements of Net Positions under Loans Receivable, net both unrestricted and restricted. Other Receivables under restricted assets of the Statements of Net Position comprises all other loans (i.e., Down Payment and Closing Cost, Hazard Mitigation, and CAHAT). Other Portfolio loans are not exclusively for first-time homeowners, but rather, they represent support programs that the agency has administered from time to time throughout the years.

GHC's loan portfolio has decreased by $1.9 million to approximately $29.6 million decreasing 6.05% from the prior year. It was decided at the Board of Directors meeting October 31, 2012 to change the Direct Loan Program interest rate from the prevailing rate to 6.49%, based on its cost of funds. Due to what is considered a high interest rate at this time and limited funds available, no loans were originated under the Direct Loan Program. In August 2014, GHC paid off the Federal Home Loan Bank loan, as such the Board of Director's changed the interest rate for this program to 1% above the local prevailing rate. Four (4) loans totaling $733,700 under the Revolving Loan Program were originated this fiscal year. Under the CAHAT Program one (1) loan was originated for $29,400. In addition, the Corporation had an increase of loans that paid off during this fiscal year. In fiscal year 2014, the Corporation had thirty (30) payoffs amounting to $1.1 million in comparison to the previous fiscal year of twenty six (26) totaling $975,690.

C. Financials at a Glance, continued

GHC continues its marketing efforts to disseminate information relative to all its authorized programs, including the FTHAP. Although GHC is limited in its lending capital, it continued to conduct pre-qualification interviews in order to determine the need for affordable housing. As of the end of fiscal year 2014, 116 were determined to qualify for a mortgage. The Corporation estimates it would need a total of $12.4 million for lending capital. Of those interviewed, ten (10) applicants pursued their loan applications. A total of $1.3 million is required for these ten (10) applicants. The applicants will continue facing challenges to find homes within their buying power.

In an attempt to further provide assistance to our clients, the Corporation entered into a partnership agreement with the USDA RD to provide joint financing. With this new partnership, GHC holds a first lien position with a lower risk exposure to first-time homeowners. With the partnership, GHC and USDA RD will be able to provide 100% financing.

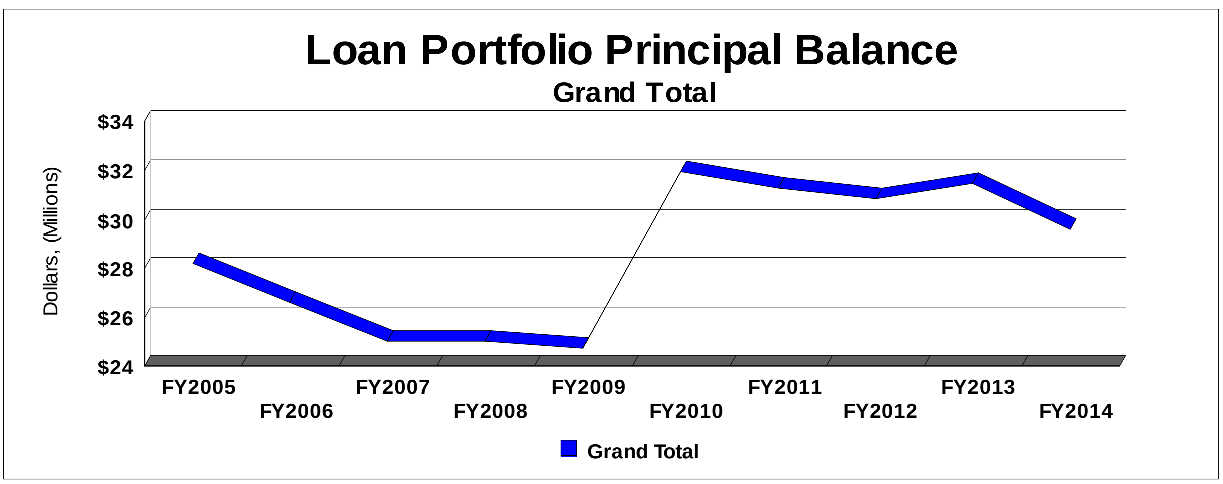
D. Financial Highlights

Loan Portfolio Principal Balance

FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
$28,185,870	$26,632,726	$25,053,953	$25,027,686	$24,749,566	$31,977,839	$31,281,306	$30,844,159	$31,499,395	$29,593,816

Total Number of Loans

533	505	470	450	439	477	465	454	447	421



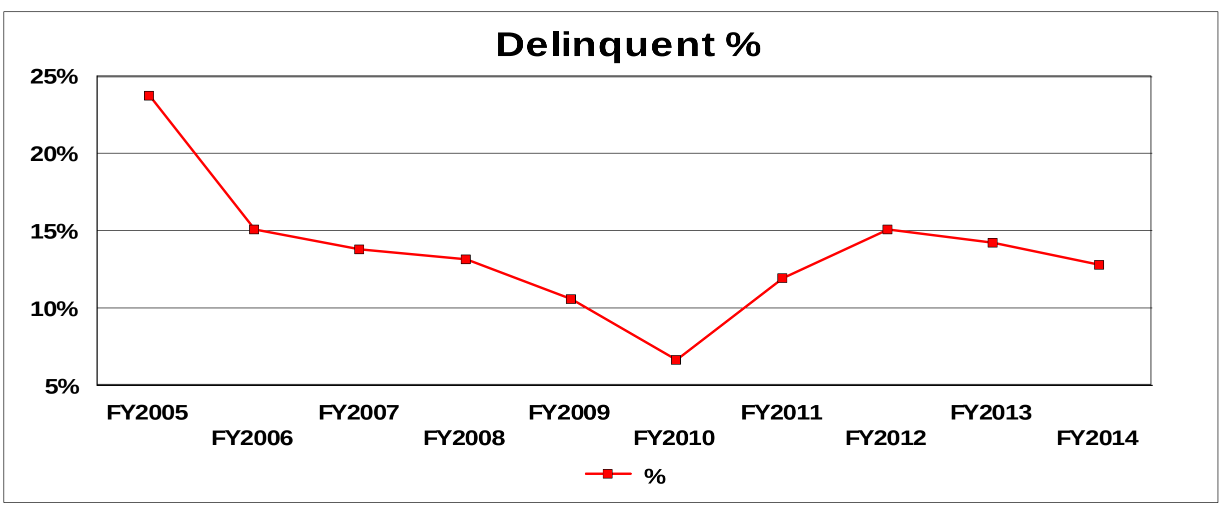
D. Financial Highlights, continued

Delinquency

Delinquent loans 30 days and over decreased by ten (10) loans to fifty-two (52) loans, the total delinquent principal balance decreased by $683,032 to $3.77 million in fiscal year 2014. Overall, loans delinquent 30 days and over decreased from 14.25% in fiscal year 2013 to 12.84% in fiscal year 2014. Of these delinquent loans, 37 loans with a principal balance totaling $2.89 million have been referred to legal counsel.

GHC's policy requires that all accounts past 90 days be reviewed and referred to legal counsel for further proceeding however, each account is reviewed by the Credit and Collection Committee to determine if a workout agreement to reduce the Corporation's loss would be in the best interest of the Corporation rather than pursuing foreclosure. There may be some cases in which the current market value of the secured property could be lower than the payoff amount. If the borrower is committed and has demonstrated the ability to service the workout amount, we will authorize the workout. This, however, will not eliminate foreclosure should the borrower neglect to follow the approved payment arrangement.

	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
Delinquent %	23.74%	15.09%	13.86%	13.15%	10.61%	6.69%	11.97%	15.11%	14.25%	12.84%
Principal Balance	$6,521,751	$3,919,197	$3,387,036	$3,217,545	$2,572,805	$2,109,867	$3,697,143	$4,607,291	$4,450,698	$3,767,666
Total Number of Loans	108	60	54	48	36	33	54	61	62	52

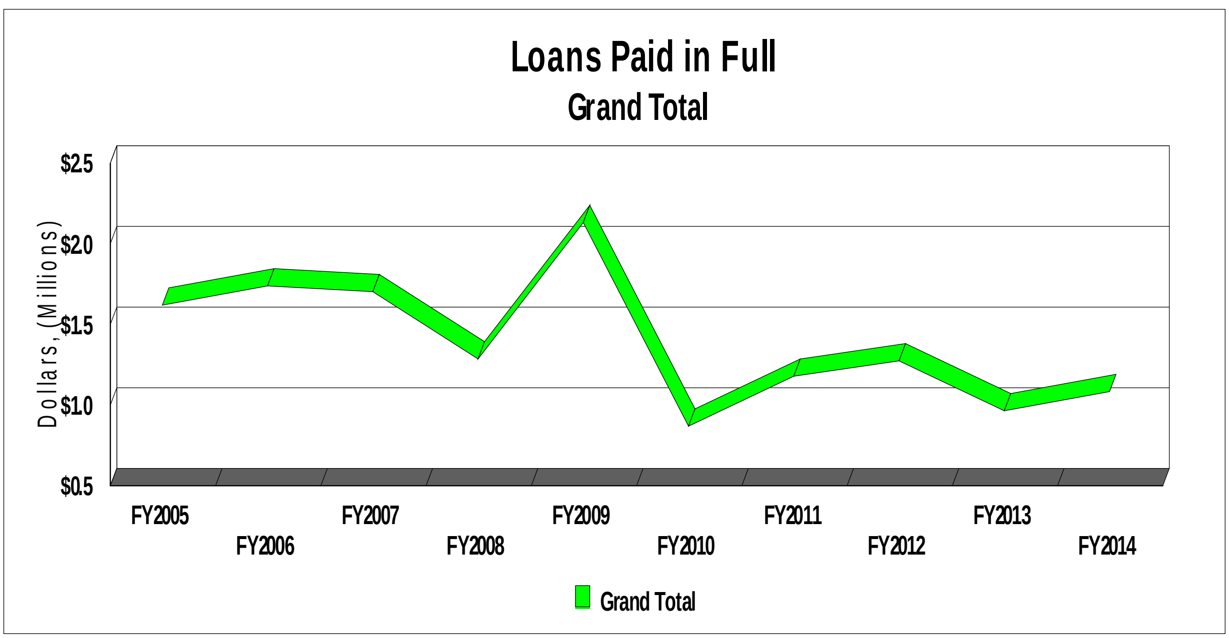


D. Financial Highlights, continued

Loans Paid in Full

Thirty (30) loans were paid in full in fiscal year 2014 totaling $1.09 million, an increase of $117,654 in comparison to the prior year. The payoffs can be attributed in part to borrowers refinancing their mortgage at lower interest rates. Because these particular homeowners were no longer first time home buyers, GHC could not provide financing for this purpose. Others were delinquent accounts who sought financing through other lenders. The following data and chart depicts the trend in loan payoffs over the past ten (10) years.

	FY2005	FY2006	FY2007	FY2008	FY2009	FY20010	FY2011	FY2012	FY2013	FY2014
Grand Total	$1,624,036	$1,747,437	$1,712,039	$1,290,394	$2,135,099	$869,455	$1,189,265	$1,277,203	$975,690	$1,093,344
Total Number of Loans	44	49	56	41	39	25	25	27	26	30



D. Financial Highlights, continued

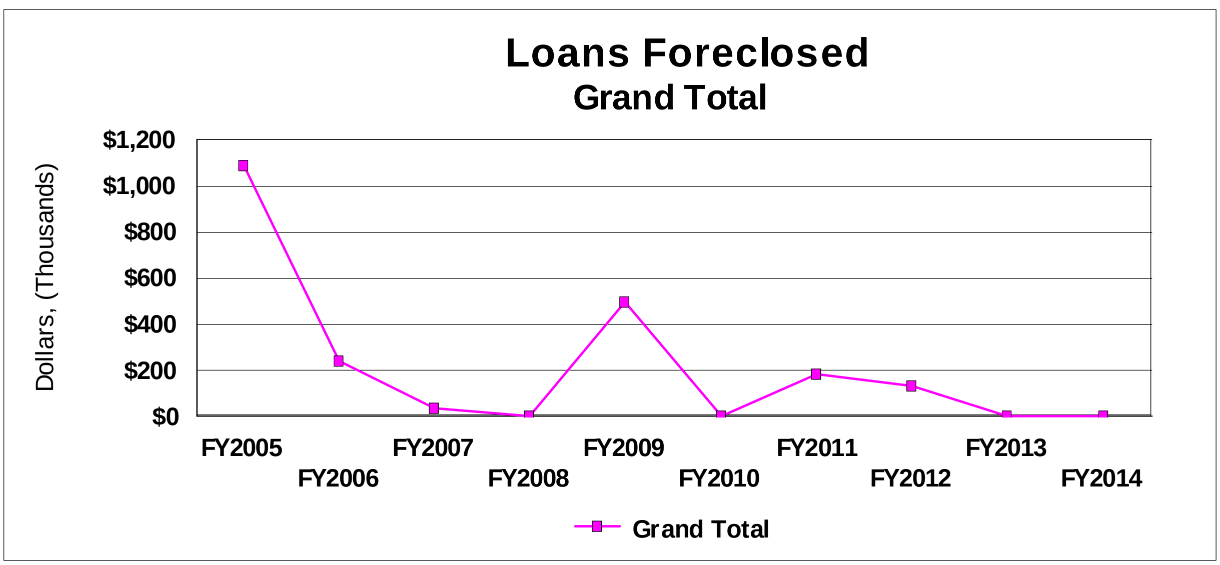
Foreclosures and Other Real Estate Owned (OREO properties)

There were no foreclosures in fiscal year 2014. With legal counsel's assistance, we anticipate accounts to be brought current without pursuing foreclosure.

Foreclosed assets held for resale remain at five (5) properties totaling $399,949 at the end of this fiscal year. GHC, even with the assistance of the Realtor, could not sale the properties without realizing a substantial loss thus there were no properties sold in fiscal year 2014.

Maintenance and security of these units throughout the Territory of Guam has fallen to the Rental Division, which due to its limited staff, struggles to accommodate the additional workload and concerns of vandalism, theft, and generally the deterioration of the vacant properties.

	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
Principal Balance	$1,087,763	$240,849	$35,047	$ -	$500,451	$ -	$183,741	$132,614	$ -	$ -
Total Number of Loans	11	3	1	0	5	0	2	1	0	0

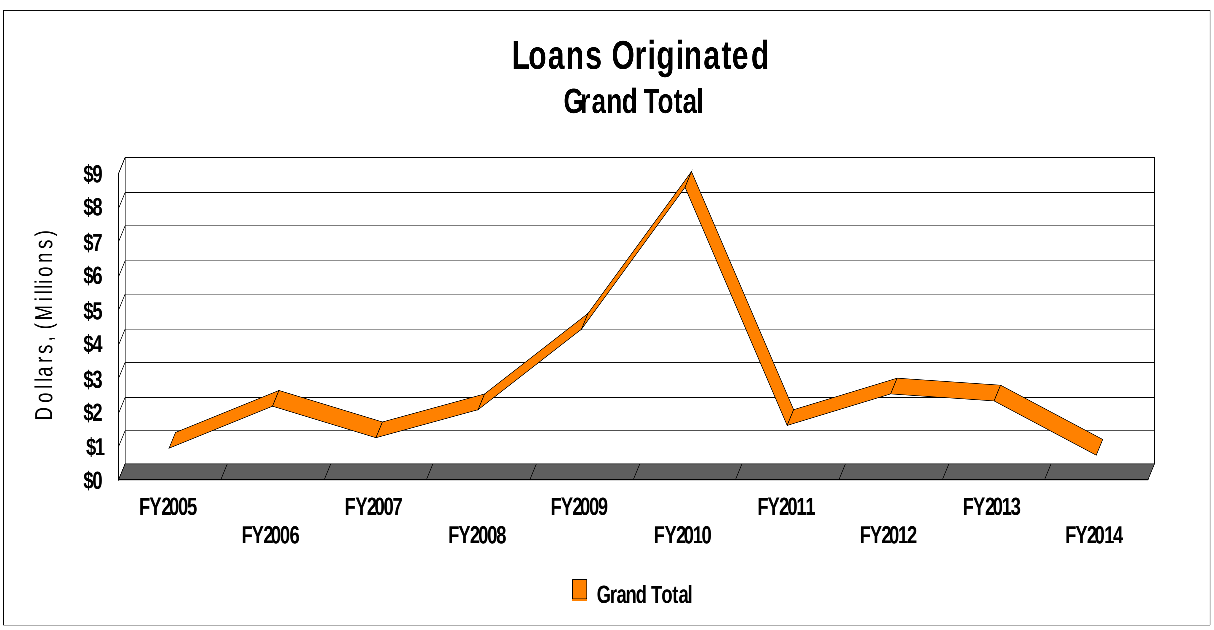


D. Financial Highlights, continued

Loans Originated

The following data and chart shows the amount of loans originated since fiscal year 2005. There was a decrease in fiscal year 2007 which was in part attributable to limited housing supply within an affordable range. In the latter part of fiscal year 2008, the Board approved and adopted a provision allowing GHC's Management to adjust loan interest rates to reflect the current market rate, resulting in being able to assist more families. This is reflected in the chart below. On October 31, 2012, the Board of Directors changed the Direct Loan Program interest rate from the prevailing rate to 6.49%, based on its cost of funds. As mentioned earlier, due to limited funds available for loans under the Direct Loan Program in fiscal year 2014 and the interest rate of 6.49%, no loans were originated under this program. Four (4) loans totaling $733,700 under the Revolving Loan Program was originated this fiscal year. There was one (1) loan for $29,400 originated under the CAHAT program in fiscal year 2014.

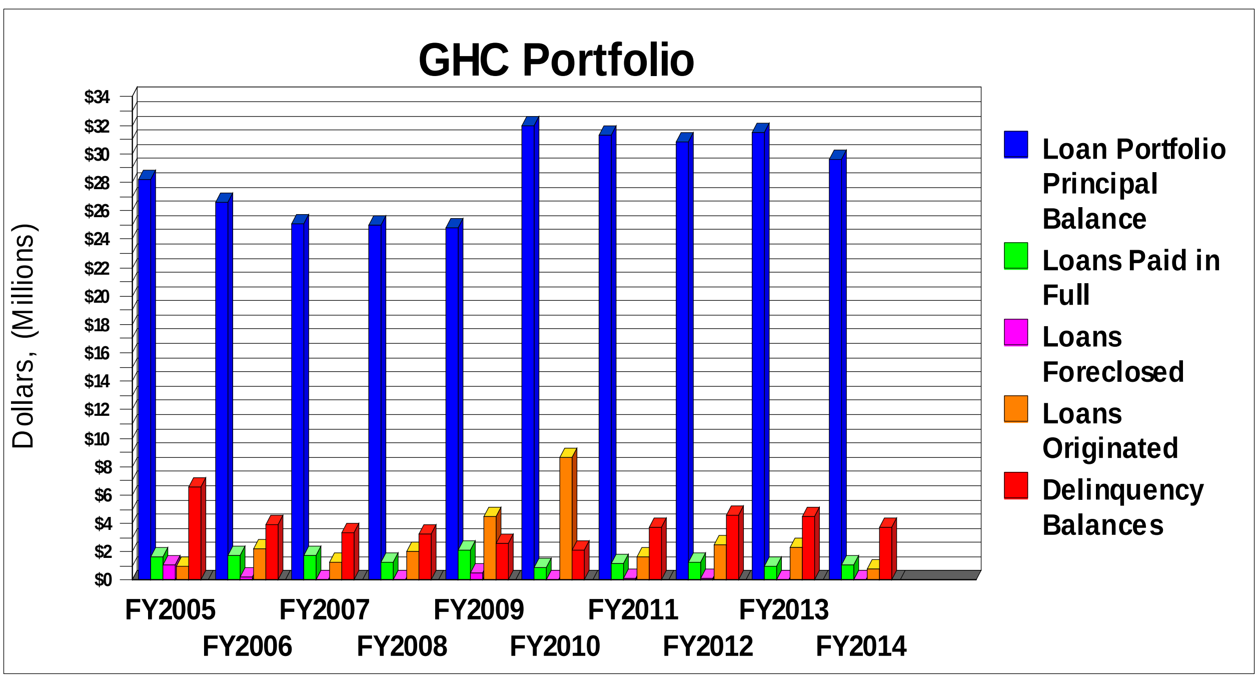
	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
Original Principal Balance	$952,782	$2,180,928	$1,235,210	$2,072,972	$4,446,132	$8,599,755	$1,638,122	$2,520,696	$2,354,936	$763,100
Total Number of Loans	11	36	17	18	40	62	15	18	18	5



D. Financial Highlights, continued

Overall Loan Portfolio

FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
Loan Portfolio Principal Balance									
$28,185,870	$26,632,726	$25,053,953	$25,027,686	$24,749,566	$31,977,839	$31,281,306	$30,844,159	$31,499,395	$29,593,816
Loans Paid in Full									
$ 1,624,036	$ 1,747,437	$ 1,712,039	$ 1,290,394	$ 2,135,099	$ 869,455	$1,189,265	$1,277,203	$975,690	$1,093,344
Loans Foreclosed									
$ 1,087,763	$ 240,849	$ 35,047	$ -	$ 500,451	$ -	$ 183,741	$ 132,614	$ -	$ -
Loan Originated									
$ 952,782	$ 2,180,928	$ 1,235,210	$ 2,072,972	$ 4,446,132	$ 8,599,755	$1,638,122	$2,520,696	$2,354,936	$763,100
Delinquency Balance									
$ 6,521,715	$ 3,919,197	$ 3,387,036	$ 3,217,545	$ 2,572,805	$ 2,109,867	$3,697,143	$4,607,291	$4,450,698	$3,767,666

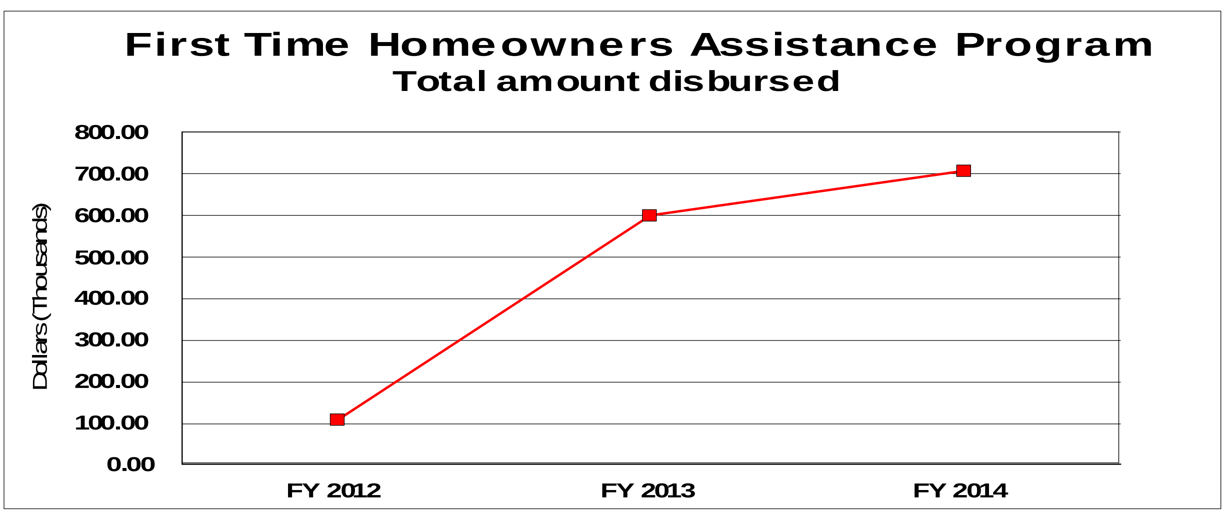


D. Financial Highlights, continued

First-time Homeowners Assistance Program

Although the total number of loans originated by GHC have gone down, the number of FTHAP grants disbursed have increased. A provision of P.L. 31-227 required GHC to fund the initial program with $500,000 of its fund. The initial fund was setup in June 2012. In April 2013, the initial $500,000 was either disbursed or encumbered. On June 13, 2013, in accordance with P.L. 32-036, the Department of Administration (DOA) transferred to the Corporation $1.2 million for the FTHAP. By November 2014 that fund was either disbursed or encumbered. P.L. 32-036 also appropriated $900,000 for fiscal year 2014 for the FTHAP from escheated accounts, but the funds were not received from the DOA until December 2014. The demand for this grant continues in fiscal year 2015 which is why GHC has been lobbying the Legislature to continue the funding source for future appropiations.

	FY2012	FY2013	FY2014	Grand Total
Total amount disbursed	$107,513	$600,164	$708,628	$1,416,305
Total number of grants	15	84	102	201
GHC funds	$107,513	$357,106	$ ---	$ 464,619
Number of grants (GHC)	15	50	---	65
Escheated funds	$ ---	$243,058	$708,628	$ 951,686
Number of grants (Escheated funds)	---	34	102	136

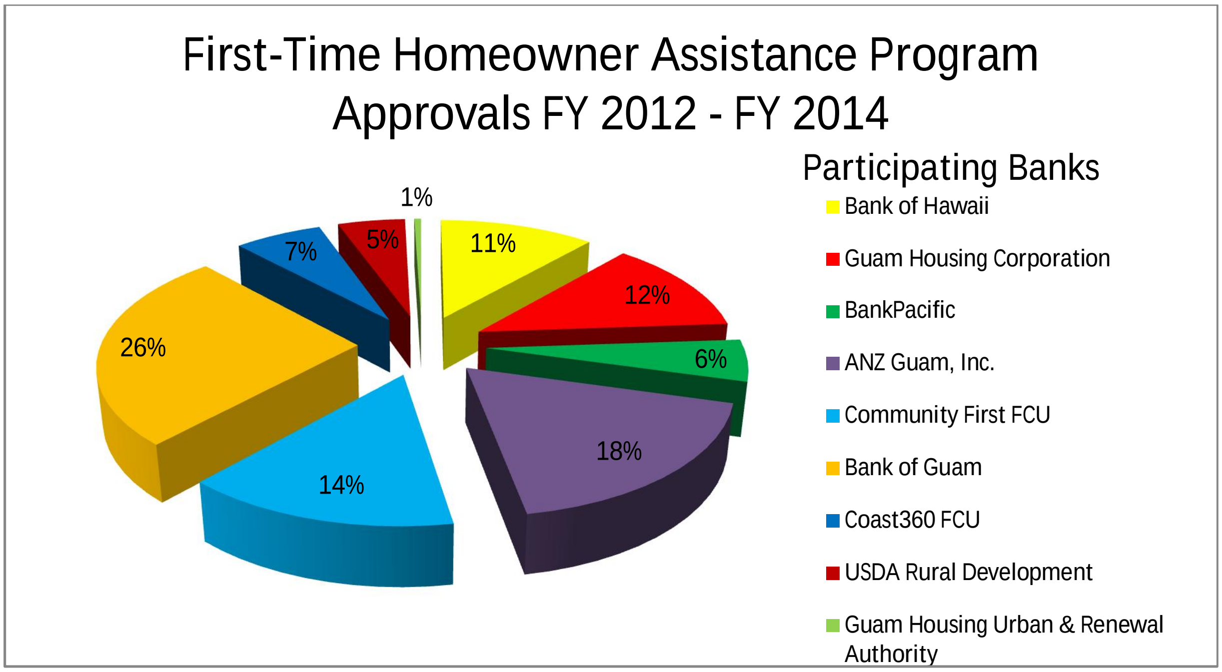


D. Financial Highlights, continued

First-time Homeowners Assistance Program, continued

The following table and chart shows the amount of loans originated by the nine (9) participating lenders for the FTHAP from fiscal year 2012 to fiscal year 2014:

Bank of Hawaii	Guam Housing Corporation	Bank Pacific	ANZ Guam, Inc.	Community First Federal Credit Union	Bank of Guam	Coast 360 Federal Credit Union	USDA Rural Development	GHURA
23	25	11	36	29	53	13	10	1



Loans receivable, net (Unrestricted and Restricted)

In fiscal year 2013, there was a total of $6,175,793 of loans receivable recorded under the restricted category. These loans were used as collateral for the FHLB loan. In fiscal year 2014, the loan to FHLB was paid off hence the remaining balance of those loans pledged to FHLB was moved to the unrestricted category.

D. Financial Highlights, continued

Allowance for Loan Losses (ALL)

ALL decreased by 6.05% or $38,112 from $629,988 in fiscal year 2013 to $591,876 in fiscal year 2014. The decrease was due to the decrease in total loan portfolio. In accordance with the Loan Policy, the ALL was adjusted to 2% of the total gross loan portfolio. Also, $370 was used to write off a loan in fiscal year 2014.

Allowance for Legal Uncollectible

Allowance for Legal Uncollectible increased by 64.51% or by $19,151 from $29,685 in fiscal year 2013 to $48,836 in fiscal year 2014. The increase was due to the increase in the number of loans referred to legal. The number of loans referred to legal at the end of fiscal year 2013 and 2014 were 26 and 37, respectively. $479 was used to write off Accounts Receivable Legal in fiscal year 2014.

Tenant Accounts Receivable, Net

Tenant Accounts Receivable, Net decreased by $25,002 or 62.20% from $40,197 in fiscal year 2013 to $15,195 in fiscal year 2014. In fiscal year 2014, there was an actual increase in Tenant Accounts Receivable of $33,062 but it was offset by an increase in the Allowance for Tenant Uncollectible of $57,218. The Allowance for Tenant Uncollectible was changed from four (4%) of gross rent to sixty (60) days and over delinquent in fiscal year 2014.

Capital Assets

Capital Assets increased by $9,894 from $6,696,232 in fiscal year 2013 to $6,706,126 in fiscal year 2014. Major renovation of Lada Garden units started in fiscal year 2013 and continued in fiscal year 2014. The total renovation cost in fiscal year 2014 was $179,205 this addition was offset by depreciation amounting to $169,311.

Restricted Accounts Payables

On June 13, 2013, in accordance with P.L. 32-036, DOA transferred to GHC $1.2 million of escheated funds for the FTHAP. Because of the restrictions, the funds received were placed under a restricted payable. During fiscal year 2013 and 2014, $243,058 and $708,628 was disbursed to thirty-four (34) and one hundred two (102) first time homeowners, respectively. The balance at the end of fiscal year 2014 was $277,085.

D. Financial Highlights, continued

Debt Service

Notes Payable decreased by $1,119,469 in fiscal year 2014. GHC honored its monthly debt service obligations to its sole creditor, FHLB at an interest rate of 6.49% per annum. This note was paid off in August 2014.

Bonds Payable decreased by $150,000 or 3.29% from $4,565,000 in fiscal year 2013 to $4,415,000 in fiscal year 2014. The Mortgage Revenue Bond (MRB) payments are made semi-annually on March 1 and September 1 of each year at interest rates ranging from 4.45% to 5.75%. The payment for the MRB began September 1, 1998 and matures September 1, 2031. For more details on the MRB see Note 8 of the financial statements.

Deposits by Borrowers

Deposits by borrowers increased by $286,015 or 65.41%. GHC received $305,100 from the Veteran's Affair (VA) in September 2014. GHC is the administrator of the VA loan program and disburses in increments as construction progresses.

Rebate Liability

Rebate Liability increased by $6,632 or 9.83% from $67,438 in fiscal year 2013 to $74,070 in fiscal year 2014. Interest on the MRB investment in excess of 5.229417% is due to the federal government and is recorded as Rebate Liability. Analysis on the interest earned on the MRB investments are made and adjusted monthly to the Rebate Liability. An Interim Arbitrage Rebate Report is done annually by Orrick, Herrington & Sucliffe LLP as of March 1 of each year. The Rebate Liability is adjusted to the Orrick report each year. The increase in fiscal year 2014 is due to the increase in market value. For more details on the Rebate Liability see Note 8 of the financial statements.

Interest on Loans Receivable

Interest on loans receivable, net of loan origination, decreased by $107,414 or 6.28% from $1,709,185 in fiscal year 2013 to $1,601,771 in fiscal year 2014. The decrease is due to the decrease in weighted average interest rate on loans from 5.85% in fiscal year 2013 to 5.76% in fiscal year 2014 and the decrease in total loan portfolio form $31 million to $29 million.

D. Financial Highlights, continued

Interest on Investment Held by Bond Trustees

Interest on Investment Held by Bond Trustees increased by $54,421 or 71.54% from $76,068 in fiscal year 2013 to $130,489 in fiscal year 2014. The market value for these funds increased in fiscal year 2014.

Interest Income on Bank Deposit

Interest Income on Bank deposit decreased by $3,102 or 19.80% from $15,666 in fiscal year 2013 to $12,564 in fiscal year 2014. The decrease in income is due to the decrease in cash in Time Certificate of Deposit (TCD). The total amount of cash in TCDs at the end of fiscal years 2014 and 2013 were $2,087,776 and $2,178,164 respectively.

Interest Expense

Interest Expense decreased by $82,320 or 22.59%. The decrease is due to the decrease in principal balance due for the note and bond. The note was a twelve (12) year loan for $9.9 million that was paid off in August 2014.

Rental Income

Rental Income increased in fiscal year 2014 by $48,252 or 5.26%. Effective January 2014, Lada Garden's two (2), three (3) bedrooms and four (4) bedrooms and As Atdas three (3) bedrooms monthly rental units increased by $50.

Reversal of Loan Losses

In fiscal year 2014, an adjustment of $37,742 was made to decrease the ALL reserve to 2% of the total loan portfolio. This was offset by the adjustment to increase the Allowance for Legal Uncollectible by $19,630 due to the increase in the amount of loans referred to legal.

Other Income

Other Income decreased by $498,159 or 90.75% from $548,940 in fiscal year 2013 to $50,781 in fiscal year 2014. In fiscal year 2013, the ten (10) Sagan units were renovated by GHURA which increased the appraised value of the buildings by $497,500. This increase was recorded under Other Income.

D. Financial Highlights, continued

Salaries

Salaries increased by $41,291 or 3.21% from $1,288,134 in fiscal year 2013 to $1,329,425 in fiscal year 2014. The increase is attributed to increments, detailed assignments and a temporary hire in fiscal year 2014.

Retirement and Medicare Contributions

Retirement and Medicare contributions increased by $8,464 or 2.16% an increase from $391,635 in fiscal year 2013 to $400,099 in fiscal year 2014. The increase is due to the increase in salaries in fiscal year 2014.

Retiree Supplemental and Health Benefits

Retiree Supplemental and Health Benefits increased by $4,937 or 3.01% from $163,917 in fiscal year 2013 to $168,854 in fiscal year 2014. The increase is due to the increase in the Cost of Living Allowance (COLA) paid out to the Retirees. The COLA per Retiree increased from $1,100 in fiscal year 2013 to $1,800 in fiscal year 2014.

Employee Benefits Other Than Retirement

Employee Benefits increased by $10,851 or 18.39% from $59,018 in fiscal year 2013 to $69,869 in fiscal year 2014. The increase is attributed to one extra employee opting to have medical and dental insurance and some employees changing medical insurance from the $2,000 deductible to the $1,500 deductible. The employer's share for the $1,500 deductible is more than the $2,000 deductible.

Rent Expense

Rent Expense decreased by $14,978 in fiscal year 2014. The decrease is due to the decrease in office space effective August 19, 2013. Office space went from 4,852 sq. ft. to 4,156 sq. ft.

Contractual Expense

Contractual Expense decreased by $6,342 or 6.09%. There was an increase in security, exterminating, garbage removal and maintenance equipment expense but there was a greater decrease in telephone, fuel and insurance expense.

D. Financial Highlights, continued

Professional Services

Professional Services decreased by $76,060 or 47.62% from $159,720 in fiscal year 2013 to $83,660 in fiscal year 2014. GHURA was given $100,000 in fiscal year 2012 to conduct a Housing Study to see if it is feasible to build more apartment or housing units at the As Atdas site. In fiscal year 2013 and 2014, $83,438 and $183, respectively, was expended by GHURA for the Housing Study.

Maintenance Expense

Maintenance Expense increased by $16,976 or 39.86% from $42,588 in fiscal year 2013 to $59,564 in fiscal year 2014. In fiscal year 2014, GHC started to change exterior doors to fiberglass doors. These doors are more expensive yet durable and longer lasting than the previously used solid core doors. The changing of the doors continued in fiscal year 2015.

FTHAP Expense

FTHAP decreased from $357,106 in fiscal year 2013 to none in fiscal year 2014. P.L. 31-166 required GHC to fund the initial seed for the FTHAP. The $357,106 was disbursed using GHC's operating funds for fifty (50) first time homeowners in fiscal year 2013. In fiscal year 2014, funds disbursed for the grant was disbursed from the money received from the general government which reduced the restricted payables.

Bad Debts

Bad Debts increased by $57,039 or 168.29% in fiscal year 2014 from $33,893 in fiscal year 2013 to $90,932 in fiscal year 2014. The Allowance for Tenant Uncollectible was changed from four (4%) of gross rent to sixty (60) days and over delinquent in fiscal year 2014. The accounts of the evicted tenants have been processed and submitted to Small Claims Court. Actual tenant accounts receivable write offs in fiscal year 2014 totaled $33,714.

Other Expense

Other Expense increased by $12,122 or 26% in fiscal year 2014. The increase is due to the increase in utilities, supplies, equipment purchased, lawn services, emergency housing and foreclosed properties expenses.

E. Future Events

GHC continues to meet its mission with limited challenges. GHC's most apparent challenge is the ability to secure lending capital at affordable rates. GHC has made many strides in educating both the executive and legislative branches with respect to the "Trust Fund" initiative which addresses the funding of various programs and projects.

GHC continues its pursuit of Governor Eddie Baza Calvo's Affordable Housing Initiatives. As the lead agency in the Affordable Housing Coordinating Council (AHCC), GHC provides direction, cooperation, coordination and leveraging of federal agencies, programs, and grants, with Government of Guam agencies, and the participation and investment of the private industry. With these efforts, the "Guamanian Dream" of homeownership for the people of Guam has become a reality for many, and an opportunity for many more in the future.

GHC has established the following goals to complete in 2015:

1. Continued work with the 33rd Guam Legislature and the Calvo / Tenorio Administration to introduce and ratify legislation to fund the existing "Housing Trust Fund" and all provisions attached thereto.

2. Continued pursuit and promotion of alternative building materials, structure, and design to lessen the cost of constructing safe, sanitary, and very affordable low cost housing. Agreements are currently being reviewed for developers to construct affordable model homes on assigned lots in Dededo.

3. Ongoing coordination with partnering Government of Guam agencies (DLM, Chamorro Land Trust Commission, Guam Ancestral Land Commission) to provide available, developable land to recipients that qualify for homeownership financing and programs (VA, USDA, Substantially Underserved Trust Areas).

4. Continued work with GHURA and federal agencies with funding sources and layering of grants and programs in development of affordable housing.

5. Statutory authority to finance the building of new homes by funding "Housing Trust Fund" for GHC programs and initiatives (i.e., FTHAP and CAHAT loan program).

6. Sagan Linahyan – Development of 59 unused lots with available infrastructure for affordable housing (rental and home ownership).

7. Continued support of the annual Guam Affordable Housing Symposium, its members, agencies (local and federal) and industries in the promotion and development of affordable housing for all the people of Guam and the Guamanian Dream of homeownership. The AHCC is tasked to fund the event this year. The Federal Reserve Bank of San Francisco has ceased its primary sponsorship of the symposium due to sequestration and budget cuts.

E. Future Events, continued

The Corporation is cognizant of the lack of inventory of affordable homes. It will continue addressing this issue with its partners of the AHCC for possible solutions.

F. Contacting the Corporation's Financial Management

The Management's Discussion and Analysis report is intended to provide information concerning known facts and conditions affecting the Corporation's operations. This financial report is designed to provide a general overview of the Corporation's finances and demonstrate its ability to manage its resources. For additional information concerning this report, please contact the President of Guam Housing Corporation, at 590 S. Marine Corps Drive, Suite 514 ITC Building, Tamuning, Guam 96931 or visit the website at www.guamhousing.org.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Statements of Net Position

	September 30, 2014	2013 As restated
Assets		
Unrestricted assets:		
Cash and cash equivalents *(Notes 2 and 3)*	$ 3,110,517	$ 3,417,784
Self-insurance fund *(Notes 2, 3 and 11)*	976,656	889,644
Loans receivable, net *(Notes 2, 4 and 12)*	26,922,848	22,508,097
Tenants receivable, net *(Note 2)*	15,195	40,197
Other receivables *(Notes 2 and 5)*	12,186	142
Accrued interest receivable *(Note 8)*	56,462	77,549
Prepaid expenses and other	73,738	82,624
Foreclosed assets held for resale *(Note 7)*	399,949	399,949
Total unrestricted assets	31,567,551	27,415,986
Restricted assets:		
Cash and cash equivalents *(Notes 2 and 3)*	2,738,385	2,140,716
Investments *(Notes 2, 3 and 8)*	4,297,195	4,574,024
Other receivables *(Notes 2 and 5)*	2,079,090	2,185,517
Loans receivable, net *(Notes 2, 4 and 9)*	---	6,175,793
Total restricted assets	9,114,670	15,076,050
Capital assets, net *(Note 6)*	6,706,126	6,696,232
Total assets	47,388,347	49,188,268

See accompanying notes.

Statements of Net Position, continued

	September 30, 2014	2013 As restated
Liabilities		
Payable from unrestricted assets:		
Accounts payable and accrued expenses	219,385	194,488
Accrued compensated absences *(Note 10)*	352,024	302,158
Unearned revenue	45,214	42,709
Total payable from unrestricted assets	616,623	539,355
Payable from restricted assets:		
Accounts payable *(Note 3)*	277,085	985,713
Bonds payable *(Note 8)*	4,415,000	4,565,000
Accrued interest payable *(Notes 8 and 9)*	20,323	27,015
Security deposits *(Note 3)*	61,005	61,713
Deposits by borrowers - insurance premiums and real estate taxes	723,272	437,257
Loans held in trust *(Note 5)*	259,485	290,693
Rebate liability *(Note 8)*	74,070	67,438
Notes payable *(Note 9)*	---	1,119,469
Total payable from restricted assets	5,830,240	7,554,298
Total liabilities	6,446,863	8,093,653
Commitments and contingencies *(Note 11)*		
Net position *(Note 12)*		
Investment in capital assets, net of related debt	6,706,126	6,696,232
Restricted	3,284,430	7,521,752
Unrestricted	30,950,928	26,876,631
Total net position	$40,941,484	$41,094,615

See accompanying notes.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Statements of Revenues, Expenses and Changes in Net Position

	Year ended September 30, 2014	Year ended September 30, 2013 As restated
Interest income:		
Loans receivable	$ 1,601,771	$ 1,709,185
Investments held by bond trustees	130,489	76,068
Interest-bearing deposits	12,564	15,666
Total interest income	1,744,824	1,800,919
Interest expense on borrowings *(Notes 8 and 9)*	282,132	364,452
Net interest income	1,462,692	1,436,467
Reversal of loan losses *(Note 4)*	18,112	279,641
Net interest income after reversal of loan losses	1,480,804	1,716,108
Other income:		
Rental income	965,603	917,351
Sundry *(Note 6)*	50,781	548,940
	2,497,188	3,182,399
Other expenses:		
Salaries *(Note 11)*	1,329,425	1,288,134
Retirement and Medicare contributions *(Notes 10 and 11)*	400,099	391,635
Depreciation and amortization *(Note 6)*	169,311	149,711
Retiree supplemental and health benefits *(Note 10)*	168,854	163,917
Rent *(Note 11)*	105,054	120,032
Contractual services	97,790	104,132
Bad debts	90,932	33,893
Professional services *(Note 11)*	83,660	159,720
Employee benefits, other than retirement	69,869	59,018
Maintenance	59,564	42,588
Other	58,746	46,624
Bond trustee fees	14,915	14,602
Director fees	2,100	2,050
First-time Homeowner Assistance Program *(Note 3)*	---	357,106
Total other expenses	2,650,319	2,933,162
Change in net position	(153,131)	249,237
Net position at beginning of year, as restated *(Note 12)*	41,094,615	40,845,378
Net position at end of year	$ 40,941,484	$ 41,094,615

See accompanying notes.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Statements of Cash Flows

	Year ended September 30, 2014	2013 As restated
Cash flows from operating activities:		
Receipts received from customers	$4,638,465	$1,446,800
Payments to suppliers	(371,031)	(322,644)
Payments to employees	(1,920,481)	(1,862,725)
Others	(645,991)	1,055,267
Net cash provided by operating activities	1,700,962	316,698
Cash flows from investing activities:		
Decrease in investments	276,829	336,954
Interest received on cash and investments with trustees	130,489	76,068
Improvements in foreclosed assets held for resale	---	(5,585)
Net cash provided by investing activities	407,318	407,437
Cash flows from noncapital financing activities:		
Repayment of bonds payable	(150,000)	(145,000)
Repayment of notes payable	(1,119,469)	(1,147,820)
Increase of rebate liability	6,632	1,872
Interest paid on bonds payable	(251,894)	(257,671)
Interest paid on notes payable	(36,930)	(113,519)
Increase in self-insurance fund	(87,012)	(85,358)
Net cash used in noncapital financing activities	(1,638,673)	(1,747,496)
Cash flows from capital and related financing activity - acquisition of capital assets	(179,205)	(77,397)
Net increase (decrease) in cash and cash equivalents	290,402	(1,100,758)
Cash and cash equivalents at beginning of year	5,558,500	6,659,258
Cash and cash equivalents at end of year	$5,848,902	$5,558,500
Consisting of:		
Unrestricted	$3,110,517	$3,417,784
Restricted	2,738,385	2,140,716
	$5,848,902	$5,558,500

See accompanying notes.

Statements of Cash Flows, continued

	Year ended September 30, 2014	2013 As restated
Reconciliation of change in net position to net cash provided by operating activities:		
Change in net position	$(153,131)	$ 249,237
Interest expense on borrowings	282,132	364,452
Interest income on investments held by bond trustees	(130,489)	(76,068)
Nonexchange transfer of property	---	(497,500)
	(1,488)	40,121
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	169,311	149,711
Bad debts	90,932	33,893
Reversal of loan losses	(18,112)	(279,641)
Decrease (increase) in assets:		
Loans receivable, net	1,779,154	(687,592)
Tenants receivable, net	(65,930)	(33,760)
Other receivables	94,383	25,388
Accrued interest receivable	21,087	11,893
Prepaid expenses and other assets	8,886	70,984
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(683,731)	1,065,181
Accrued compensated absences	49,866	42,029
Unearned revenue	2,505	(8,732)
Security deposits	(708)	2,448
Deposits by borrowers - insurance premiums and real estate taxes	286,015	(35,740)
Loans held in trust	(31,208)	(79,485)
Net cash provided by operating activities	$ 1,700,962	$ 316,698

Supplemental disclosure of cash flow information:

Cash paid for interest expense during the year	$ 288,824	$ 371,190

Supplemental disclosure of non-cash investing and capital activities

In 2013, the fair value of the ten (10) properties located within the Sagan Linahyan Subdivision in Dededo increased by $497,500 due to renovations paid by GHURA and was recorded as an addition to Capital assets.

See accompanying notes.

1. Organization and Summary of Significant Accounting Policies

Organization

Guam Housing Corporation (the Corporation), a component unit of the Government of Guam (GovGuam) was created by Public Law 8-80 to promote the general welfare of the Territory of Guam by encouraging investment in and development of low cost housing and providing low cost housing rental units. The Corporation provides for its operating needs by charging interest on its loans. As a governmental entity created by public law, the Corporation is not subject to taxes.

The Corporation consists of two divisions: housing division and rental division. The housing division is engaged in lending activities of the Corporation while the rental division is engaged in the rental of housing and apartment complexes known as Lada Gardens, Guma As-Atdas and Sagan Linahyan. During the normal course of operations, transactions have occurred between the housing and rental divisions of the Corporation. These receivables and payables are eliminated in the accompanying financial statements.

Basis of Accounting

The Corporation utilizes the flow of economic resources measurement focus. Its financial statements are prepared in accordance with accounting principles generally accepted in the United States as applied to governmental units using the accrual basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting* requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principle Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Net Position

Net position represents the residual of all other elements presented in the statements of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net position is presented in three components: investment in capital assets, net of related debt, restricted and unrestricted.

1. Organization and Summary of Significant Accounting Policies, continued

Net Position, continued

Net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Cash and Cash Equivalents

For purposes of the statements of net position and the statements of cash flows, cash and cash equivalents is defined as cash on hand, deposits in banks and time certificates of deposit.

Loans Receivable

The Corporation is permitted to make loans for the purchase, construction, or purchase of land and construction of homes not to exceed the loan limit established by the U.S. Department of Housing and Urban Development. Loan limits are currently $271,050 for single-unit dwellings.

The Corporation accepts loan applications only for single-unit dwellings. Determination of loan interest rates is made by the Board of Directors of the Corporation, but does not exceed two percent (2%) of the cost of funds to the Corporation. During the October 2012 regular meeting of the Board of Directors, the current interest rate for the Regular Loan Program was changed to 6.49%. This action arises from Public Law 26-123 which states that the Board of Directors may adjust the rate of interest; however, it cannot assess a rate of interest greater than two (2) points over its cost of funds. During the August 2014 regular meeting of the Board of Directors, the current interest rate for this program was changed to 1% above the prevailing rate charged by local lenders.

1. Organization and Summary of Significant Accounting Policies, continued

Loans Receivable, continued

Loans receivable are stated at principal amount outstanding less allowance for loan and lease losses. Interest on receivables is accrued and credited to income based on the principal amount outstanding. The accrual of interest is discontinued when principal or interest payments are delinquent for 90 days or more, or when in the opinion of management, there is an indication that the borrower may be unable to meet payments as they come due. Upon such discontinuance, all unpaid interest is transferred to overdue receivables account. Unpaid accrued interest is not reversed. Instead, a specific allowance is provided to cover unpaid accrued interest. Principal is reduced only to the extent cash payments are received after the accrued interest is recovered. Income is subsequently recognized only to the extent cash payments are received and until, in management's opinion, the borrower's ability to make periodic interest and principal payments is back to normal, in which case the loan is returned to accrual status.

The allowance for loan and lease losses is maintained at a level, which in management's judgment is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectability of the loans receivable including the nature of the loan portfolio, estimated value of underlying collateral, credit concentration, trends in historical loss experience, specific delinquent loans, economic conditions, and other risks inherent in the portfolio. The allowance is increased by a provision for loan and lease losses, which is charged to expense and reduced by charge-offs (net of recoveries) and reversal of allowance. Because of the uncertainties inherent in the estimation process, management's estimate of credit losses in the loan portfolio and the related allowance may change in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Tenants Receivable

Tenants receivable are derived from monthly rents charged to tenants leasing rental units owned by the Corporation. The Corporation recognizes bad debts using the allowance method and are only written off after approval by management and subsequent reporting to the Board of Directors.

Capital Assets

Capital assets, whether purchased or constructed, are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

1. Organization and Summary of Significant Accounting Policies, continued

Capital Assets, continued

Depreciation and amortization of capital assets is computed using the straight-line method over estimated useful lives of 5 to 50 years for buildings and improvement, 2 to 10 years for vehicles and office furniture and equipment, and over the length of the lease term for leasehold improvements.

The Corporation generally capitalizes all expenditures for capital assets in excess of $5,000 with a useful life exceeding one year. Major renewals and betterments are charged to the capital assets, while maintenance and repairs which do not improve or extend the life of an asset are charged to expense. The cost of capital assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal with the resulting gain or loss credited or charged to other income or expenses, respectively.

Impairment of Long-lived Assets

Long-lived assets to be held and used or disposed of by the Corporation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Investments

Investments 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 is primarily determined based on quoted market values.

Compensated Absences

In accordance with Public Law 27-005 and Public Law 28-068, employee vacation rates are credited at either 104, 156 or 208 hours per year, depending upon their length of service as follows:

1. One-half day (4 hours) for each full bi-weekly pay period in the case of employees with less than five (5) years of service.

2. Three-fourths day (6 hours) for each full bi-weekly pay period in the case of employees with five (5) years of service but less than fifteen (15) years of service.

3. One (1) day (8 hours) for each full bi-weekly pay period in the case of employees with fifteen (15) years or more service.

1. Organization and Summary of Significant Accounting Policies, continued

Compensated Absences, continued

The statutes reduce the maximum accumulation of such vacation credits from 480 to 320 hours. Public Law 27-106 amended subsection (c) of 4 Guam Code Annotated §4109. Employees who have accumulated annual leave in excess of 320 hours as of February 28, 2003, may carry over their excess and shall use the excess amount of leave prior to retirement or termination from service. Any excess unused leave from February 28, 2003 shall be lost. Accrued annual leave up to 320 hours is converted to pay upon termination of employment.

Environmental Costs

Liabilities for future remediation and monitoring costs are recorded when environmental assessments and/or remedial and monitoring efforts are probable and the costs can be reasonably estimated. These liabilities are not reduced by possible recoveries from third parties, and projected cash expenditures are not discounted.

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.

Significant estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan and lease losses and the valuation of foreclosed real estate properties. In connection with the determination of the estimated losses on loan and foreclosed properties, management obtains independent appraisals for collaterals.

The Corporation’s loan portfolio consists of single-family residential loans in the Territory of Guam. Real estate prices in this market are also susceptible to fluctuation and speculation. Accordingly, the ultimate collectability of a substantial portion of the Corporation’s loan portfolio and the recovery of the carrying amount of foreclosed real estate are susceptible to changes in local market conditions.

While management uses available information to recognize losses on loans receivable and foreclosed real estate, further reductions in the carrying amounts of loans receivable and foreclosed assets may be necessary based on changes in local economic conditions. Because of these factors, it is reasonably possible that the estimated losses on loans receivable and foreclosed real estate may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

1. Organization and Summary of Significant Accounting Policies, continued

Risk Management

The Corporation is exposed to various risks of loss; theft of, damage to, and destruction of assets; employee injuries and illnesses; natural disasters and employee health, dental and accident benefits. Commercial insurance coverage is provided for claims arising from most of these matters.

Recently Adopted Accounting Pronouncements

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB No. 65). This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources certain items that were previously reported as assets and liabilities and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012.

The implementation of GASB No. 65 required restatement of the Corporation's financial statements as of October 1, 2012. The effect of the restatement was the reversal of the deferred loan origination fees, net of $362,605 and the increase in loan fee income of $6,414, which were recorded in the 2013 statement of net position and statement of revenues, expenses, and changes in net position, respectively.

	As Previously Reported	Adjustment	Restated
For the year ended September 30, 2013			
Interest income on loans receivable	$ 1,702,771	$ 6,414	$ 1,709,185
As of September 30, 2013			
Unrestricted loans receivable, net	$22,145,492	$362,605	$22,508,097

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.

1. Organization and Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

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.

Except for GASB No. 65, 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. The implementation of this Statement will have a material effect on the financial statements of the Corporation and will require a restatement upon implementation. As of October 1, 2014, the net pension liability that the Corporation will record upon implementation of this Statement is approximately $3.4 million.

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.

1. Organization and 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 Corporation is currently evaluating the effects the above pronouncements may have on its financial statements.

Subsequent Events

The Corporation has evaluated subsequent events through February 6, 2015, which is the date the financial statements were available to be issued.

2. Concentrations of Credit Risk

Financial instruments which potentially subject the Corporation to concentrations of credit risk consist principally of cash deposits, investments and receivables.

The Corporation maintains cash in bank accounts, which at times may exceed federal depository insurance limits. At September 30, 2014 and 2013, $250,000 of the Corporation’s deposits in each bank is covered by federal depository insurance, with the remainder being uninsured and uncollateralized.

Substantially all of the Corporation’s receivables are due from borrowers and tenants residing in the Territory of Guam. The Corporation maintains an allowance for loan and lease losses based on management’s evaluation of potential uncollectibility. Concentration of credit risk with respect to receivables is limited due to the large number of customers comprising the Corporation’s customer base.

3. Cash and Cash Equivalents, Self-Insurance Fund and Investments

Cash and cash equivalents, self insurance fund, and investments at September 30, 2014 and 2013 consist of the following:

	2014	2013
Cash on hand and due from banks	$ 5,238,023	$ 4,770,228
Certificates of deposits	2,085,233	2,110,085
Money market funds	3,799,497	4,141,855
	$11,122,753	$11,022,168

Additionally, certain of the above cash and cash equivalents, and investments at September 30, 2014 and 2013 are restricted as follows:

	2014	2013
Restricted Cash and Cash Equivalents:		
Revolving Loan Fund	$1,321,901	$ 422,613
Trust fund and borrower's deposits	683,284	398,079
First-time Homeowner Assistance Program (FTHAP)	309,464	1,021,080
Community Affordable Housing Action Trust (CAHAT)	170,078	67,810
Hazard Mitigation Program	150,518	146,465
Tenant security deposits	103,140	84,669
Total restricted cash and cash equivalents	2,738,385	2,140,716
Restricted Investments:		
Investments and cash with Bond Trustees	3,796,955	4,073,777
Foreclosure Protection Fund	500,240	500,247
Total restricted investments	4,297,195	4,574,024
Total restricted cash, cash equivalents and investments	$7,035,580	$6,714,740

The restricted cash, cash equivalents and investments are restricted for specific uses from enabling Public Law 26-123, Public Law 31-166 and 12 GCA Chapter 4 §4209 for revolving loan fund and related trust funds, the FTHAP and the CAHAT, respectively, the Mortgage Revenue Bonds and self-imposed restrictions on tenant security deposits for the Corporation's rental units.

In accordance with Public Law 31-227 signed into law on June 15, 2012, the Corporation established the FTHAP, which provides assistance of 4% of eligible loans up to $250,000 based on program eligibility requirements. The Corporation financed the initial $500,000 to fund the FTHAP.

3. Cash and Cash Equivalents, Self-Insurance Fund and Investments, continued

In June 2013, the GovGuam, through the Department of Administration (DOA), transferred funds totaling $1,228,771 to be administered by the Corporation for the FTHAP. The pass-through fund, which is recorded as a liability upon receipt, is reduced by the amount paid to qualifying applicants. As of September 30, 2014 and 2013, the remaining balance of the fund amounted to $277,085 and $985,713, respectively, and is reported as a component of restricted cash and accounts payable in the accompanying statements of net position. In December 2014, the Corporation received a $900,000 appropriation from the DOA.

At September 30, 2014 and 2013, total funds available for the FTHAP amounted to $309,464 and $1,021,080, respectively, and are reported as a component of restricted cash and cash equivalents in the accompanying statements of net position. For the years ended September 30, 2014 and 2013, the Corporation disbursed DOA FTHAP funds totaling $708,628 and $243,058, respectively. For the year ended September 30, 2013, the Corporation provided assistance related to the program totaling $357,106. The FTHAP amounts reported in the accompanying statements of revenues, expenses and changes in net position were the grants financed by the Corporation.

The Mortgage Revenue Bond Indenture requires the establishment of special funds and accounts to be held and administered by the Corporation's trustees for the accounting of the bond proceeds. At September 30, 2014 and 2013, investments and cash held by the trustees, in trust for the Corporation, in these funds and accounts are as follows:

	2014	2013
Revenue Fund	$3,796,698	$4,073,520
Capitalized Interest Fund	257	257
	$3,796,955	$4,073,777

The deposits and investment policies of the Corporation are governed by 5 GCA 21, *Investments and Deposits*, in conjunction with the applicable mortgage revenue bond indenture. Legally authorized investments include securities issued or guaranteed by the U.S. Treasury or agencies of the United States government; demand and time deposits in or certificates of, or bankers' acceptances issued by, any eligible financial institution; corporate debt obligations, including commercial paper; certain money market funds; state and local government securities, including municipal bonds; and repurchase and investment agreements. With the exception of investments in U.S. government securities, where explicitly guaranteed by the United States government, all other investments must be rated Aal/P-1 by Moody's.

3. Cash and Cash Equivalents, Self-Insurance Fund and Investments, continued

GASB Statement No. 3 previously required government entities to present investment risks in terms of whether the investments fell into the following categories:

Category 1	Investments that are insured or registered, or securities held by the Corporation or its agent in the Corporation's name;
Category 2	Investments that are uninsured and unregistered for which securities are held by the counterparty's trust department or agent in the Corporation's name; or
Category 3	Investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent but not in the Corporation's name.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3),* in effect, eliminates disclosure for deposits falling into categories 1 and 2 and provides for disclosure requirements addressing other common risks of investments such as credit risk, interest rate risk, concentration of credit risk, and foreign currency risk. GASB Statement No. 40 did retain and expand the element of custodial risk in GASB Statement No. 3.

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. In compliance with the bond indenture, the Corporation minimized the interest rate risk, by limiting maturity of investments. A majority of the Corporation's investment securities have maturities of 5 years or less. This reduces the impact of interest rate movements seen with longer maturity investments.

Concentration of risk for investments is the risk of loss attributable to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in one issuer that represents five percent (5%) or more of total investments for the Corporation. In compliance with the mortgage revenue bond indenture, the Corporation minimized credit risk loss by limiting investments to the safest types of securities.

The Bank of New York Mellon manages the Corporation's investments by investing in U.S. Securities, U.S. Government Agencies, Money Market Funds and Certificates of Deposits insured by the Federal Deposit Insurance Corporation. The U.S. Securities are low risk investments as they are guaranteed by the full faith and credit of the U.S. government. While U.S. Government Agencies are not guaranteed, they are backed by the U.S. government and are recognized as low risk investments as well. All investment securities are within the requirement of the mortgage revenue bond indenture. As of September 30, 2014 and 2013, the Corporation's investments in the Federal Home Loan Mortgage Corporation represented 45% and 47%, respectively, and the Blackrock Liquidity T-Funds represented 43% and 42%, respectively, of its total investments.

3. Cash and Cash Equivalents, Self-Insurance Fund and Investments, continued

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the Corporation will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. Based on negotiated trust and custody contracts, all of these investments were held in the Corporation's name by the Corporation's custodial financial institutions at September 30, 2014 and 2013.

The Corporation's bond trustees hold the Corporation's restricted investments and cash at September 30, 2014 and 2013. Investments are stated at fair market value. The amortized cost and fair value of restricted investments at September 30, 2014 and 2013 are summarized as follows:

	2014		
	Amortized Cost	Gross Unrealized Gains	Fair Value
Money market funds	$1,722,174	$206,699	$1,928,873
Short-term investments	1,868,082	---	1,868,082
Certificate of deposit	500,240	---	500,240
	$4,090,496	$206,699	$4,297,195

	2013		
	Amortized Cost	Gross Unrealized Gains	Fair Value
Collateralized mortgage obligation	$1,967,992	$175,766	$2,143,758
Short-term investments	1,930,019	---	1,930,019
Certificate of deposit	500,247	---	500,247
	$4,398,258	$175,766	$4,574,024

The bond funds have been classified as Category 2 investments and the bond reserve funds have been classified as Category 1 investments in accordance with GASB Statement No. 3.

3. Cash and Cash Equivalents, Self-Insurance Fund and Investments, continued

At September 30, 2014 and 2013, the Corporation's investment in debt securities is as follows:

		2014				
	Moody's Credit Rating	Investment Maturities (In Years)				
		Less than 1	1 to 5	6 to 10	Greater than 10	Total
Certificate of deposit		$ 500,240	$ ---	$ ---	$ ---	$ 500,240
Federal Home Loan Mortgage Corporation	Aaa	---	---	---	1,928,873	1,928,873
Blackrock Liquidity T-Fund	Aaa	1,868,082	---	---	---	1,868,082
		$2,368,322	$ ---	$ ---	$1,928,873	$4,297,195

		2013				
	Moody's Credit Rating	Investment Maturities (In Years)				
		Less than 1	1 to 5	6 to 10	Greater than 10	Total
Certificate of deposit	A2/B2	$ 500,247	$ ---	$ ---	$ ---	$ 500,247
Federal Home Loan Mortgage Corporation	Aaa	---	---	---	2,143,758	2,143,758
Blackrock Liquidity T-Fund	Aaa	1,930,019	---	---	---	1,930,019
		$2,430,266	$ ---	$ ---	$2,143,758	$4,574,024

The Corporation also maintains restricted investments for its Foreclosure Protection Fund. The Foreclosure Protection Fund is used by the Corporation to protect the interest of Guam's CAHAT program as holder of the second mortgage and is used exclusively for the purpose of paying off the first mortgage upon foreclosure. As of September 30, 2014 and 2013, the restricted investments for this fund totaled $500,240 and $500,247, respectively.

4. Loans Receivable

At September 30, 2014 and 2013, loans receivable, collateralized by first mortgages on real estate, are as follows:

	2014	2013
Unrestricted	$27,514,724	$23,138,085
Restricted	---	6,175,793
	27,514,724	29,313,878
Less: Allowance for loan and lease losses	(591,876)	(629,988)
	$26,922,848	$28,683,890

4. Loans Receivable, continued

Movements in the allowance for loan and lease losses for the years ended September 30, 2014 and 2013 are as follows:

	2014	2013
Balance at beginning of year	$629,988	$939,314
Reversal of allowance during the year	(37,742)	(309,326)
Write-off during the year	(370)	(29,685)
Provision	---	29,685
Balance at end of year	$591,876	$629,988

The restricted portion of the total loans outstanding is assigned as collateral on notes payable to the Federal Home Loan Bank of Seattle (FHLB) (see Note 9). Loans to employees totaled $527,551 and $546,551 at September 30, 2014 and 2013, respectively. These loans meet the same criteria as all real estate loans made to non-related individuals by the Corporation. At September 30, 2014 and 2013, loans and other receivables in arrears three months or more or held with the attorney for collection totaled $3,515,201 and $2,404,720, respectively.

5. Other Receivables

In 2002, the Corporation elected to record a receivable and the corresponding liability for loans under the CAHAT, Hazard Mitigation, Down Payment and Closing Cost Assistance (DPCCA) and the Sagan Linahyan Project programs. Except for the Hazard Mitigation Program, these programs are interest-free loans solely to assist first-time homeowners for purposes of retrofitting for typhoon resistant homes. The Foreclosure Protection Fund is restricted for the purpose of protecting the interest of CAHAT loans.

As of September 30, 2014 and 2013, other receivables due from borrowers for the aforementioned loans consisted of the following:

	2014	2013
CAHAT	$1,809,167	$1,890,615
DPCCA	258,639	280,351
Hazard Mitigation Program	11,284	14,551
	2,079,090	2,185,517
Other receivables	12,186	142
	$2,091,276	$2,185,659

5. Other Receivables, continued

The Corporation recorded a corresponding liability on the DPCCA Program totaling $259,485 and $290,693 as of September 30, 2014 and 2013, respectively, which is reported as loans held in trust in the accompanying statements of net position.

The DPCCA program was funded by the Guam Housing and Urban Renewal Authority (GHURA) with monies received from the U.S. Department of Housing and Urban Development. The CAHAT and Foreclosure Protection Fund programs were funded by appropriations received from the GovGuam through Public Law 21-99. The DPCCA program, which was administered by the Corporation under a Sub-recipient Agreement with GHURA, was terminated on October 23, 2003. The repayments received by the Corporation from its borrowers are program income of GHURA and is remitted monthly.

6. Capital Assets

A summary of changes in net capital assets, consisting of property and equipment for the year ended September 30, 2014 is as follows:

	2014			
	Beginning Balance October 1, 2013	Transfers-in and Additions	Transfers-out and Disposals	Ending Balance September 30, 2014
Capital assets depreciated and amortized:				
Buildings and improvements	$6,668,481	$172,805	$ ---	$6,841,286
Office furniture and equipment	309,696	---	(1,910)	307,786
Vehicles	135,141	---	(32,794)	102,347
Land improvements	58,349	6,400	---	64,749
Leasehold improvements	29,445	---	---	29,445
Total capital assets depreciated and amortized	7,201,112	179,205	(34,704)	7,345,613
Less accumulated depreciation and amortization	(3,439,107)	(169,311)	34,704	(3,573,714)
Net capital assets depreciated and amortized	3,762,005	9,894	---	3,771,899
Capital asset not depreciated and amortized - land	2,934,227	---	---	2,934,227
	$6,696,232	$ 9,894	$ ---	$6,706,126

6. Capital Assets, continued

A summary of changes in capital assets, consisting of property and equipment for the year ended September 30, 2013 is as follows:

	2013			
	Beginning Balance October 1, 2012	Transfers-in and Additions	Transfers-out and Disposals	Ending Balance September 30, 2013
Capital assets depreciated and amortized:				
Buildings and improvements	$6,104,984	$564,176	$(679)	$6,668,481
Office furniture and equipment	298,296	11,400	---	309,696
Vehicles	135,141	---	---	135,141
Land improvements	58,349	---	---	58,349
Leasehold improvements	29,445	---	---	29,445
Total capital assets depreciated and amortized	6,626,215	575,576	(679)	7,201,112
Less accumulated depreciation and amortization	(3,289,396)	(149,711)	---	(3,439,107)
Net capital assets depreciated and amortized	3,336,819	425,865	(679)	3,762,005
Capital asset not depreciated and amortized - land	2,934,227	---	---	2,934,227
	$6,271,046	$425,865	$(679)	$6,696,232

In accordance with Public Law 31-215, 10 abandoned properties located within the Sagan Linahyan Subdivision in Dededo, Guam were transferred from the Department of Land Management, a component unit of the GovGuam, to the Corporation for purposes of rehabilitating the lots to provide affordable rental housing. The Corporation accounted for the assets transferred in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, which applies to nonexchange transactions involving financial and capital resources and provides that governments recognize assets from imposed nonexchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. The Corporation recognized the assets and revenues, as all applicable eligibility requirements, including time requirements, were met.

6. Capital Assets, continued

GHURA paid for cost of renovations to the subdivision from funds received under the Community Development Block Grant from the U.S. Department of Housing and Urban Development. The 10 abandoned house lots were rehabilitated for use as affordable rental housing for eligible and qualified low and moderate income individuals and families. Upon completion of GHURA's renovation in 2013, the appraised value of the 10 rehabilitated house lots increased by $497,500 and is recorded as a component of capital assets, net and sundry income in the accompanying 2013 statement of net position and statement of revenues, expenses and changes in net position, respectively.

7. Foreclosed Assets Held for Resale

A summary of the activities in the foreclosed assets held for resale as of September 30, 2014 and 2013 is as follows:

	2014	2013
Foreclosed assets held for resale at beginning of year	$399,949	$394,364
Other costs and adjustments	---	5,585
	$399,949	$399,949

At September 30, 2014 and 2013, foreclosed assets held for resale represent five residential units acquired by the Corporation due to the borrowers' default on their mortgages.

8. Mortgage Revenue Bonds Payable

Revenue bonds payable at September 30, 2014 and 2013 consists of the following:

	2014	2013
Single Family Mortgage Revenue Bonds 1998 Series A, with interest rate of 5.35% per annum payable semi-annually on March 1 and September 1 and matures on September 1, 2018. Semi-annual principal installments totaling from $79,614 to $95,420	$ 700,000	$ 850,000
Single Family Mortgage Revenue Bonds 1998 Series A, with interest rate of 4.70% per annum payable semi-annually on March 1 and September 1 and matures on September 1, 2021. Semi-annual principal installments totaling from $108,434 to $119,510	685,000	685,000

8. Mortgage Revenue Bonds Payable, continued

	2014	2013
Single Family Mortgage Revenue Bonds 1998 Series A, with interest rate of 5.75% per annum payable semi-annually on March 1 and September 1 and matures on September 1, 2031. Semi-annual principal installments totaling from $114,064 to $194,201	3,030,000	3,030,000
	$4,415,000	$4,565,000

On April 15, 1998, the Corporation issued $50,000,000 (Guaranteed Mortgage-Backed Securities Program) 1998 Series A tax-exempt Single Family Mortgage Revenue Bonds. The bonds were issued for the purpose of providing money to engage in a home-financing program within the territory of Guam. Principal installments and interest due on the bonds are payable semi-annually on March 1 and September 1 of each year, commencing on September 1, 1998 at various rates indicated in the preceding paragraph.

At September 30, 2014 and 2013, the accrued interest expense on the above bonds totaled $20,323 and $20,991, respectively, which is reported as a component of accrued interest payable in the accompanying statements of net position. For the years ended September 30, 2014 and 2013, interest expense, net of amortized bond premium incurred on the aforementioned bonds totaled $251,226 and $257,036, respectively, which is reported as a component of interest expense on borrowings in the accompanying statements of revenues, expenses and changes in net position.

Accrued interest income earned on the bonds totaled $8,109 and $9,266 as of September 30, 2014 and 2013, respectively, which is reported as a component of accrued interest receivable in the accompanying statements of net position.

The Corporation is required to calculate rebatable arbitrage as of the last day of any Bond year pursuant to the provisions of the U.S. Department Treasury Regulation Section 1.148. The arbitrage provisions require the Corporation to rebate excess arbitrage earnings from bond proceeds to the federal government. As provided for by the bond indenture, this amount has been recorded as "Rebate Liability" for the benefit of the federal government and will be paid as required by applicable regulations. As of September 30, 2014 and 2013, the rebate liability totaled $74,070 and $67,438, respectively, as reported in the accompanying statements of net position. The bonds are limited obligations of the Corporation payable from the revenues and other assets pledged for the payment thereof and are not a lien or charge upon the funds of the Corporation, except to the extent of the pledge and assignment set forth in the Indenture and in the bonds. The bonds do not constitute indebtedness or a loan of credit of the GovGuam or the United States of America, within the meaning of the Organic Act of Guam or statutory provisions. Neither the faith and credit nor the taxing power of the GovGuam is pledged to the payment of the principal of, or interest on the bonds. The Corporation has no taxing authority.

8. Mortgage Revenue Bonds Payable, continued

The bonds are not debts, liabilities or obligations of the GovGuam and the GovGuam is not liable for the payment should the Corporation default on the loan.

The bonds maturing on September 1, 2031 are not subject to optional redemption prior to maturity. The bonds maturing after September 1, 2008 but on or before September 1, 2021 are subject to redemption on any date on or after September 1, 2008, at the option of the Corporation, in whole, or in part from such maturities as are determined by the Corporation, from any source of available monies, at the redemption prices of 100%.

Scheduled future maturities of mortgage revenue bonds maturing on September 1, 2018 are summarized as follows:

Date	Principal Amount	Date	Principal Amount
March 1, 2015	$80,000	March 1, 2017	$90,000
September 1, 2015	$80,000	September 1, 2017	$90,000
March 1, 2016	$85,000	March 1, 2018	$95,000
September 1, 2016	$85,000	September 1, 2018	$95,000

Scheduled future maturities of mortgage revenue bonds maturing on September 1, 2021 are summarized as follows:

Date	Principal Amount
March 1, 2019	$110,000
September 1, 2019	$110,000
March 1, 2020	$115,000
September 1, 2020	$115,000
March 1, 2021	$120,000
September 1, 2021	$115,000

8. Mortgage Revenue Bonds Payable, continued

Scheduled future maturities of mortgage revenue bonds maturing on September 1, 2031 are summarized as follows:

Date	Principal Amount	Date	Principal Amount
March 1, 2022	$115,000	March 1, 2027	$150,000
September 1, 2022	$120,000	September 1, 2027	$155,000
March 1, 2023	$120,000	March 1, 2028	$160,000
September 1, 2023	$125,000	September 1, 2028	$165,000
March 1, 2024	$130,000	March 1, 2029	$170,000
September 1, 2024	$130,000	September 1, 2029	$175,000
March 1, 2025	$135,000	March 1, 2030	$180,000
September 1, 2025	$140,000	September 1, 2030	$185,000
March 1, 2026	$145,000	March 1, 2031	$190,000
September 1, 2026	$150,000	September 1, 2031	$190,000

The Bond Indenture contains certain restrictive covenants, including restrictions on the use of bond funds. Management of the Corporation is of the opinion that the Corporation is in compliance with all significant covenants of the mortgage revenue bonds as of September 30, 2014.

Future bond principal and mandatory sinking fund installments payable by the Corporation to the bond trustees are as follows:

Year ending September 30,	Principal	Interest	Debt Service
2015	$ 160,000	$ 241,730	$ 401,730
2016	170,000	233,036	403,036
2017	180,000	223,808	403,808
2018	190,000	214,044	404,044
2019	220,000	203,835	423,835
2020 to 2024	1,205,000	846,896	2,051,896
2025 to 2029	1,545,000	468,625	2,013,625
2030 to 2031	745,000	54,050	799,050
	$4,415,000	$2,486,024	$6,901,024

9. Notes Payable

At September 30, 2013, the Corporation has notes payable to FHLB totaling $1,119,469 with interest of 6.49% per annum. The notes payable matured and were fully paid in August 2014. At September 30, 2013, accrued interest payable on this note totaled $6,024 and is reported as a component of accrued interest payable in the accompanying 2013 statement of net position. For the years ended September 30, 2014 and 2013, interest expense incurred on the aforementioned notes totaled $30,906 and $107,416, respectively, and is reported as a component of interest expense on borrowings in the accompanying statements of revenues, expenses and changes in net position.

Under the note agreements with FHLB, the borrowings are collateralized by proceeds received from mortgage loans made by the Corporation. As of September 30, 2013, the Corporation has pledged loans totaling $6,175,793 as security to the aforementioned borrowings.

10. Employee Benefits and Others

Employee Retirement Plan

Employees of the Corporation hired before September 30, 1995 are under the GovGuam Employees' Retirement System, a defined benefit pension plan (DB Plan). Employees hired after September 30, 1995, are members of the new Defined Contribution Retirement System (DCRS). Until December 31, 1999, and for several limited periods after December 31, 1999, those employees who are members of the defined benefit plan with less than 20 years of service at September 30, 1995, had the option to switch to the DCRS. Otherwise, these employees remained under the old plan.

The DB Plan and the DCRS are administered by the Government of Guam Retirement Fund (GGRF), to which the Corporation contributes based upon a fixed percentage of the payroll for those employees who are members of the Plan.

DB Plan

The DB Plan is a cost-sharing multiple-employer plan. A single actuarial valuation is performed annually covering all plan members and the same contribution rate applies to each employer. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the DB Plan. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website - www.ggrf.com.

Plan members of the DB Plan are required to contribute a certain percentage of their annual covered salary. The contribution requirements of the plan members and the Corporation are established and may be amended by the GGRF.

10. Employee Benefits and Others, continued

DB Plan, continued

Statutory contribution rates for employer and employee contributions were 30.03% and 9.50%, respectively, for the year ended September 30, 2014, 30.09% and 9.50%, respectively, for the year ended September 30, 2013, and 28.30% and 9.50%, respectively, for the year ended September 30, 2012. Actuarial contribution rate was 30.03%, 30.76% and 30.09% for the years ended September 30, 2014, 2013 and 2012, respectively.

During the years ended September 30, 2014, 2013 and 2012, contributions made, which were equal to the required contribution for those years, amounted to $88,333, $85,894 and $77,561, respectively.

DCRS

Contributions into the DCRS, by members are based on an automatic deduction of 5% of the member's regular base pay. The contribution is periodically deposited into an individual annuity account within the DCRS. Employees are afforded the opportunity to select from different annuity accounts available under the DCRS.

Statutory employer contributions into the DCRS for the years ended September 30, 2014 and 2013 are determined using the same rates as the DB plan. Of the amount contributed by the employer, only 5% of the member's regular base pay is deposited into the member's individual annuity account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan. Members of the DCRS who have completed five years of government service, have a vested balance of 100% of both member and employer contributions plus any earnings thereon.

For the years ended September 30, 2014, 2013 and 2012 contributions made under the DCRS amounted to $284,904, $280,006 and $250,786, respectively.

Accrued Sick Leave

Public Law 26-86 allows members of the DCRS to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. As of September 30, 2014 and 2013, the Corporation has accrued an estimated liability of $204,312 and $185,866, respectively, which is reported as a component of accrued compensated absences in the accompanying statements of net position. However, this amount is an estimate and actual payout could differ from the estimate.

10. Employee Benefits and Others, continued

Other Post-Employment Benefits

The GovGuam, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a cost-sharing multiple employer defined benefit plan to provide certain post-retirement healthcare benefits to retirees who are members of the GGRF. Under the Plan, known as the GovGuam Group Health Insurance Program, the GovGuam provides medical, dental, and life insurance coverage. The retiree medical and dental plans are fully-insured products provided through insurance companies. The GovGuam shares in the cost of these plans, with the GovGuam's contribution amount set each year at renewal. Current statutes prohibit active and retired employees from contributing different amounts for the same coverage. As such, the GovGuam contributes substantially more to the cost of retiree healthcare than to active healthcare.

For the life insurance plan, the GovGuam provides retirees with $10,000 of life insurance coverage through an insurance company. Retirees do not share in the cost of this coverage. Because the Plan consists solely of the GovGuam's firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

During the years ended September 30, 2014, 2013 and 2012, the Corporation's required contributions to this Plan totaled approximately $114,056, $121,439 and $126,018, respectively.

11. Commitments and Contingencies

Commitments

As of September 30, 2014, the Corporation has loan commitments totaling $2,012,614.

In February 2003, the Corporation entered into a Memorandum of Understanding (MOU) with the Guam Economic Development Authority (GEDA), an autonomous agency of the GovGuam to provide network and computer administration support services for the Corporation. Beginning August 2013, GEDA no longer provided support services to the Corporation. For the year ended September 30, 2013, the service fee on the aforementioned agreement totaled $17,618 and is reported as a component of professional services in the accompanying 2013 statement of revenues, expenses and changes in net position.

11. Commitments and Contingencies, continued

Commitments, continued

The Corporation leases office space from GEDA under an operating lease which expires on February 28, 2017. The lease agreement calls for a monthly rental payment of $9,704, which decreased to $8,312 starting September 1, 2013 until the end of the lease term. For the years ended September 30, 2014 and 2013, rental expense totaling $99,744 and $114,472, respectively, was paid to GEDA, which is reported as a component of rent expense in the accompanying statements of revenues, expenses and changes in net position.

The future minimum lease payments for the aforementioned operating lease are as follows:

Year ending September 30,	
2015	$ 99,744
2016	99,744
2017	41,560
	$241,048

Litigation

During 2010, a class lawsuit was filed against the Corporation, DOA and the GovGuam to compel the aforementioned autonomous agencies and entities to issue merit bonuses to those resigned classified employees receiving superior performance rating pursuant to the Uniform Position Classification and Salary Administration Act of 1991. In 2013, the case was settled and the Corporation paid merit bonuses to the resigned classified employees totaling $32,365 which is reported as a component of salaries and retirement and medicare contributions in the accompanying 2013 statement of revenues, expenses and changes in net position.

The Corporation is involved in certain litigation and management is of the opinion that liabilities of a material nature will not be realized.

The Corporation has claims under legal procedures for approximately $3.1 million in which foreclosure, litigation or bankruptcy is involved. These claims are at various stages and the ultimate outcome is uncertain. Therefore, no additional provision for any potential liability that may result from these claims has been made in the accompanying financial statements.

11. Commitments and Contingencies, continued

Self-Insurance

The Corporation self-insures for all risks to Lada Gardens and Guma As-Atdas. A separate restricted cash account was established to fund any damages that may arise in the future, to be increased on a monthly basis by the weighted-average yield of the Corporation's checking account. Excess of losses over the fund is recognized in the year realized. At September 30, 2014 and 2013, the self-insurance fund totaled $976,656 and $889,644, respectively, as reported in the accompanying statements of net position.

12. Prior Period Adjustment

As describe more fully in Note 1, the Corporation adopted the provisions of GASB 65. The impact to the Corporation's net position as of October 1, 2012 and the results of its operations for the year ended September 30, 2013, is as follows:

Net position as of September 30, 2012, as originally reported	$40,489,187
Reversal of deferred loan origination fees, net	356,191
Net position as of September 30, 2012, as restated	$40,845,378
Increase in net position for the year ended September 30, 2013, as originally reported	$ 242,823
Reversal of amortization loan origination fees, net	6,414
Increase in net position for the year ended September 30, 2013, as restated	$ 249,237

Supplementary Information

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Combining Statement of Net Position

September 30, 2014

	Housing	Rental	Combined Total
Assets			
Unrestricted assets:			
Cash and cash equivalents	$ 1,978,505	$ 1,132,012	$ 3,110,517
Self-insurance fund	---	976,656	976,656
Loans receivable, net	26,922,848	---	26,922,848
Tenants receivable, net	---	15,195	15,195
Other receivables	12,186	---	12,186
Accrued interest receivable	55,757	705	56,462
Prepaid expenses and other	2,958	70,780	73,738
Foreclosed assets held for resale	399,949	---	399,949
Interdivision	(750,037)	750,037	---
Total unrestricted assets	28,622,166	2,945,385	31,567,551
Restricted assets:			
Cash and cash equivalents	2,635,245	103,140	2,738,385
Investments	4,297,195	---	4,297,195
Other receivables	2,079,090	---	2,079,090
Total restricted assets	9,011,530	103,140	9,114,670
Capital assets, net	---	6,706,126	6,706,126
Total assets	37,633,696	9,754,651	47,388,347

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Combining Statement of Net Position, continued

September 30, 2014

	Housing	Rental	Combined Total
Liabilities			
Payable from unrestricted assets:			
Accounts payable and accrued expenses	75,914	143,471	219,385
Accrued compensated absences	188,826	163,198	352,024
Unearned revenue	42,336	2,878	45,214
Total payable from unrestricted assets	307,076	309,547	616,623
Payable from restricted assets:			
Accounts payable	277,085	---	277,085
Bonds payable	4,415,000	---	4,415,000
Accrued interest payable	20,323	---	20,323
Security deposits	900	60,105	61,005
Deposits by borrowers - insurance premiums and real estate taxes	723,272	---	723,272
Loans held in trust	259,485	---	259,485
Rebate liability	74,070	---	74,070
Total payable from restricted assets	5,770,135	60,105	5,830,240
Total liabilities	6,077,211	369,652	6,446,863
Net position			
Invested in capital assets, net of related debt	---	6,706,126	6,706,126
Restricted	3,241,395	43,035	3,284,430
Unrestricted	28,315,090	2,635,838	30,950,928
Total net position	$ 31,556,485	$ 9,384,999	$ 40,941,484

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Combining Statement of Revenues, Expenses and Changes in Net Position

Year ended September 30, 2014

	Housing	Rental	Combined Total
Interest income:			
Loans receivable	$ 1,601,771	$ ---	$ 1,601,771
Investments held by bond trustees	130,489	---	130,489
Interest-bearing deposits	7,723	4,841	12,564
Total interest income	1,739,983	4,841	1,744,824
Interest expense on borrowings	282,132	---	282,132
Net interest income	1,457,851	4,841	1,462,692
Reversal of loan losses	18,112	---	18,112
Net interest income after reversal of loan losses	1,475,963	4,841	1,480,804
Other income:			
Rental income	10,500	955,103	965,603
Sundry	38,489	12,292	50,781
	1,524,952	972,236	2,497,188
Other expenses:			
Salaries	774,105	555,320	1,329,425
Retirement and Medicare contributions	237,726	162,373	400,099
Depreciation and amortization	---	169,311	169,311
Retiree supplemental and health benefits	107,629	61,225	168,854
Rent	105,054	---	105,054
Contractual services	43,590	54,200	97,790
Bad debts	---	90,932	90,932
Professional services	63,675	19,985	83,660
Employee benefits, other than retirement	41,084	28,785	69,869
Maintenance	---	59,564	59,564
Other	19,260	39,486	58,746
Bond trustee fees	14,915	---	14,915
Director fees	2,100	---	2,100
Total other expenses	1,409,138	1,241,181	2,650,319
Change in net position	115,814	(268,945)	(153,131)
Net position at beginning of year, as restated	31,440,671	9,653,944	41,094,615
Net position at end of year	$ 31,556,485	$ 9,384,999	$ 40,941,484

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Salaries, Wages and Benefits

Years ended September 30, 2014 and 2013

	2014	2013
Salaries, wages and benefits:		
Salaries	$ 1,329,425	$ 1,288,134
Retirement and Medicare contributions	400,099	391,635
Retiree supplemental and health benefits	168,854	163,917
Benefits other than retirement	69,869	59,018
Total salaries, wages and benefits	$ 1,968,247	$ 1,902,704
Employees at end of year	26	25

Guam Housing Corporation
(A Component Unit of the Government of Guam)

First-time Homeowner Assistance Program

Years ended September 30, 2014 and 2013

	2014			
Source of Fund	Number of Grantees	Total Fund Allocated	Total Amount Disbursed	Balance at September 30, 2014
Guam Housing Corporation	-	$ 35,381	$ ---	$ 35,381
Department of Administration	102	985,713	708,628	277,085
Total	102	$1,021,094	$708,628	$312,466

	2013			
Source of Fund	Number of Grantees	Total Fund Allocated	Total Amount Disbursed	Balance at September 30, 2013
Guam Housing Corporation	50	$ 392,487	$357,106	$ 35,381
Department of Administration	34	1,228,771	243,058	985,713
Total	84	$1,621,258	$600,164	$1,021,094