



Financial Highlights
Guam Preservation Trust Financial Audit
Fiscal Year 2023

January 9, 2025

The Guam Preservation Trust (GPT) received an unmodified (clean) opinion from independent auditors Burger Comer & Associates (BCA) on its fiscal year (FY) 2023 financial statements. GPT closed FY 2023 with a net position of \$16.7 million (M), a \$1M increase from FY 2022's net position of \$15.7M. No material weaknesses or significant deficiencies were identified.

Due to the delayed issuance of GPT's FY 2023 financial audit, OPA did not recognize GPT as having attained a status similar to "low-risk" for the period – a designation GPT has held since FY 2018.¹ The delay was primarily caused by the prolonged solicitation process for independent financial auditing services, which – due in part to the limited number of audit firms in Guam – involved issuing four separate requests for proposals.

GPT's Primary Revenue Source Increased from 50% to 100% Allocation

Most of GPT's revenues comprise of building permit fees collected by the Guam Department of Public Works (DPW). Effective in FY 2023, Public Law (P.L.) 36-107 increased GPT's allocation of building permit fees from its previous share of 50% to its original share of 100%. GPT received \$1M in building permit fees in FY 2023, which was an increase of \$210 thousand (K) from the \$805K collected in FY 2022. The overall increase in building permit fee collections was due to GPT's increased allocation of building permit fee collections.

GPT recorded total revenues of \$1.5M in FY 2023, which was a decrease of \$3M from FY 2022's total of \$4.4M. This was due to the majority of GPT's FY 2022's revenues having been comprised of a \$3.5M infusion from the Guam Legislature for the rehabilitation of the Historic F.Q. Sanchez School in Humatak, Guam as authorized by P.L. 36-82. Building permit fees comprised 69% of GPT's FY 2023 revenues, whereas the appropriation from P.L. 36-82 comprised 86% of GPT's FY 2022 revenues.

Investment Activity

In addition to building permit fees, GPT also holds investments comprising of \$1.6M in certificates of deposits; \$723K in exchange traded funds; \$459K in mutual funds; and \$1.4M in equities. Investment income increased by \$88K in FY 2023, while total investments held increased by \$1.9M in FY 2023.

\$184K Decrease in Expenditures

Overall expenditures decreased by \$184K in FY 2023, which was primarily due to a decrease of \$175K in Program Services – Projects/Grants. The decrease in Program Services – Projects/Grants, along with a related \$368K increase in Nondepreciable Capital Assets in the Statement of Net Position, were the net result of architectural, engineering, and cultural resource inventory fees of \$150K for the current period and an adjustment of \$218K for prior period costs. The overall costs were associated with the development of a restoration plan for certain properties held by GPT.

¹ OPA recognizes entities not subject to a Single Audit that achieved a status similar to "low-risk." OPA's criteria for such recognition requires that, for three consecutive periods, the entity issued its financial audit within six months of the FY and received an unmodified (clean) opinion on its financial statements with no material weaknesses, significant deficiencies, or questioned costs.

Subsequent Event – Rehabilitation of Historic F.Q. Sanchez School

GPT entered into a contract related to the rehabilitation of the Historic F.Q. Sanchez School in Humatak, Guam. The primary funding source for the rehabilitation is the \$3.5M authorized through P.L. 36-82. Total costs awarded for the construction company and construction administrator amounted to \$4.2M, with \$719K to be covered by GPT's operating funds.

Management Letter

A separate management letter from BCA identified seven matters and recommended the following to GPT:

Legal Authority of Grantor

- Obtain clarification on the Office of the Attorney General's legal authority to directly spend settlement funds.

Investment Policy/Restricted Funds

- Confirm with grantors whether exposing restricted funds to market risk is permissible.
- Update the investment policy to define an acceptable level of risk for restricted funds.

Travel Policy

- Consider revising the travel policy to:
 - Clearly outline the circumstances under which Business First class travel is permitted. Any approval for such travel should be documented and authorized by the Board of Directors.
 - Define when advance travel days are permissible and under what circumstances.
 - Specifically address travel authorized for multiple engagements occurring within a short timeframe and in the same geographical region. Side trips that are not directly enroute to the conference destination and back to Guam should be paid for by the traveler.
- All travel requests, including staff-level travel, be reviewed and approved by the Board of Directors. Additionally, all approvals should be properly documented in the Board meeting minutes.

Procurement

- A copy of the actual published advertisement, clearly showing the publication date, should be retained as part of the procurement documentation.

Policies

- Evaluate policies and procedures on a regular basis to consider if they remain efficient and consistent with GPT's mission.

Credit Card Statements

- Ensure that complete accounting records are retained in accordance with its records retention policy.

Permit Fees – Due from General Fund

- Urgently engage with the Department of Administration (DOA) to address and resolve discrepancies in unpaid building permit fees. To ensure resolution and maintain financial accountability, it is strongly recommended that GPT, DOA, and DPW collaborate to:
 - Reconcile the actual amounts due.
 - Establish robust internal control policies and procedures to ensure proper collection and remittance of permit fees in compliance with P.L. 36-107.
 - Implement regular reviews and audits to prevent future discrepancies and ensure statutory compliance.

For more details on GPT's operations, refer to the Management's Discussion and Analysis in the audit report at www.opaguam.org and www.guampreservationtrust.org.