

Guam Preservation Trust FY 2020 Financial Audit Released

Clariza Roque <croque@guamopa.com>

Thu, Jan 28, 2021 at 3:23 PM

To: "Honorable Amanda L. Shelton" <officeofsenatorshelton@guamlegislature.org>, "Honorable Christopher M. Duenas" <senatorchrisduenas@gmail.com>, "Honorable Clynton E. Ridgell" <sen.cridgell@teleguam.net>, "Honorable Frank F. Blas Jr." <office@senatorfrankblas.com>, "Honorable James C. Moylan" <officeofsenatormoylan@guamlegislature.org>, "Honorable Joanne M. Brown" <office@senatorjoannebrown.com>, "Honorable Joe S. San Agustin" <senatorjoessanagustin@gmail.com>, Honorable Jose Terlaje <senatorpedo@senatorjpterlaje.com>, Honorable Mary Camacho Torres <senatormary@guamlegislature.org>, "Honorable Sabina E. Perez" <office@senatorperez.org>, Honorable Telena Cruz Nelson <senatorcnelson@guamlegislature.org>, Honorable Telo Taitague <senatortelot@gmail.com>, "Honorable Therese M. Terlaje" <senatorterlajeguam@gmail.com>, Honorable Tina Muna Barnes <senatormunabarnes@guamlegislature.org>, "Honorable V. Anthony Ada" <senatorvanthonyada@gmail.com>

Hafa Adai!

Transmitted herewith is the Guam Preservation Trust (GPT) Fiscal Year 2020 audited Financial Statements, Report on Compliance and Internal Control, and Letter to Those Charged with Governance.

Independent auditors Ernst & Young LLP expressed an unmodified (clean) opinion on the GPT financial statements. No material weaknesses or deficiencies were identified in GPT's Report on Internal Control over Financial Reporting and Compliance. Attached are our highlights of the audit report.

For your convenience, you may also view and download the report in their entirety on our website (https://opaguam.org/financial-audits/opa-has-released-guam-preservation-trust-fy-2020-financial-statements).

Best Regards,

Clariza Mae G. Roque, CGFM, CGAP, CICA
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4 attachments

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*The Auditor's Communication With Those Charged
With Governance*

Guam Preservation Trust

Year ended September 30, 2020





Ernst & Young LLP
231 Ypao Road
Suite 201 Ernst & Young Building
Tamuning, Guam 96913

Tel: +1 671 649 3700
Fax: +1 671 649 3920
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January 20, 2021

The Board of Directors
Guam Preservation Trust

We have performed an audit of the financial statements of Guam Preservation Trust, a component unit of the Government of Guam, as of and for the year ended September 30, 2020, 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, and have issued our report thereon dated January 20, 2021.

This report summarizes our communications with those charged with governance as required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process.

REQUIRED COMMUNICATIONS

Professional standards require the auditor to provide the Board of Directors (the Board or those charged with governance) with additional information regarding the scope and results of the audit that may assist the Board (or those charged with governance) in overseeing the financial reporting and disclosure processes which the management of the Trust is responsible. We summarize these required communications as follows:

Auditors' responsibilities under auditing standards generally accepted in the United States and generally accepted government auditing standards

The financial statements are the responsibility of the Trust's management as prepared with the oversight of those charged with governance. Our audit was designed 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, to obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. We were not engaged to perform an audit of the Trust's internal control over financial reporting.

Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we will express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

Our responsibilities are included in our audit engagement letter.

Overview of the planned scope and timing of the audit

Our audit scope is consistent with the plan communicated during the November 18, 2020 entrance meeting.

Matters relevant to our evaluation of the entity's ability to continue as a going concern

We did not identify any events or conditions that led us to believe there was substantial doubt about the Trust's ability to continue as a going concern.

Our views about the qualitative aspects of the entity's significant accounting practices

The Trust has not selected or changed any significant policies or changed the application of those policies in the current year. We have discussed significant accounting policies and our views regarding accounting estimates and financial statement disclosures and related matters.

Sensitive Accounting Estimates

Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's expectations.

We determined that the Board is informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Management's judgment is called upon in:

- Preparing budgets that are used to administer and monitor the Trust's operations. These budgets include determining how existing financial resources will be used in the Trust's operations.
- Determining the valuation of investments held.
- Evaluating whether there are indications that the carrying value of the Trust's long-lived assets is impaired.
- Determining the adequacy of the allowance for doubtful accounts.

Uncorrected misstatements, related to accounts and disclosures, considered by management to be immaterial

We did not identify any uncorrected misstatements, related to accounts and disclosures, during our audit.

Material corrected misstatements related to accounts and disclosures

As a result of our audit procedures, material misstatements were brought to the attention of management and were corrected during the current period (see Appendix B – *Summary of Corrected Misstatements*).

Significant deficiencies and material weaknesses in internal control

No material weaknesses have been identified. However, during the entrance meeting, we discussed on the prior year management letter comments regarding the Trust's procurement policy that it has to be reviewed to ensure compliance with Guam Procurement Law and credit card policy that allows authorized users to charge personal expenditures provided immediately paid.

During our discussion, the Trust disclosed that these are now being addressed and undergoing review of the Board of Directors. Our audit did not result to material misstatements relating to the above.

Our responsibility, any procedures performed and the results relating to other information in documents containing audited financial statements

In the event that the Trust issues an Annual Report or other documentation that includes the audited financial statements, you will be required to have the other information in the Trust's Annual Report be reviewed by us. Material inconsistency or knowledge of a material misstatement of fact, if any, will be discussed with the management and to the Board of Directors, if deemed necessary.

Fraud and noncompliance with laws and regulations (illegal acts)

We are not aware of any matters that require communication.

Independence matters

We are not aware of any matters that in our professional judgment would impair our independence.

Engagement team's involvement with preparation of the financial statements

Under GAS 2011 Revision, Chapter 3 General Standards, Paragraph 3.34 Requirements for Performing Non-audit Services explains that the audit team should make consideration of management's ability to effectively oversee the non-audit (or non-attest) services to be performed. The engagement team should determine that the audited entity has designated an individual who possesses suitable skill, knowledge or experience and that the individual understands the services to be performed sufficiently to oversee them. The engagement team should document consideration of management's ability to oversee non-audit services to be performed.

The engagement team believes that this significant threat is reduced to an acceptable level upon application of the following safeguards:

- The preparation of the financial statements is based on the Trust trial balance with our understanding that the Trust's underlying books and records are maintained by the Trust's accounting department and that the final trial balance prepared by the Trust is complete.
- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of the Trust.

Engagement team’s involvement with preparation of the financial statements, continued

- The Trust has designated the Chief Programs Officer and the Administrative Service Coordinator to oversee and review the completeness and accuracy of the financial statements and footnote disclosures.

Representations we are requesting from management

We have obtained from management a letter of representations related to the audit and a copy of the letter of representations is included in Appendix A – *Management Representation Letter*.

Changes to the terms of the audit with no reasonable justification for the change

There were no changes to the terms of the audit.

Significant findings and issues arising during the audit relating to related parties

There were no significant findings and issues that arose during the audit relating to related parties.

Disagreements with management

There were no disagreements with management related to matters that are material to the Trust and/or require communication.

Control-related matters

We have issued a separate report dated January 20, 2021 on the Trust’s internal control over financial reporting and its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, which was based upon the audit performed in accordance with *Government Auditing Standards*.

AICPA ethics ruling regarding third-party service providers

From time to time, and depending on the circumstances, (1) we may subcontract portions of the Audit Services to other EY firms, who may deal with the Trust directly, although EY alone will remain responsible to you for the Audit Services and (2) personnel (including non-certified public accountants) from an affiliate of EY or another EY firm or any of their respective affiliates, or from independent third-party service providers (including independent contractors), may participate in providing the Audit Services. In addition, third-party service providers may perform services for EY in connection with the Audit Services.

This report is intended solely for the information and use of the Trust's Board of Directors, management and the Office of Public Accountability of Guam, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

Very truly yours,

Ernst + Young LLP

Appendices

A – Management Representation Letter

B – Summary of Corrected Misstatements

Appendix A – Management Representation Letter



January 20, 2021

Ernst & Young LLP
Ernst & Young Building
231 Ypao Road, Suite 201
Tamuning, Guam 96931

In connection with your audit of the basic financial statements of the Guam Preservation Trust (the Trust) as of September 30, 2020 and for year then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statements present fairly, in all material respects, the financial position of the Trust, and the respective changes in financial position and cash flows in conformity with U.S. generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

Management's Responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated September 10, 2019, for the preparation and fair presentation of the financial statements (including disclosures) in conformity with US generally accepted accounting principles (US GAAP) applied on a basis consistent with that of the preceding years.

We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, data, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within the Trust from whom you determined it necessary to obtain evidence

Appendix A – Management Representation Letter, continued

Ernst & Young LLP assisted in drafting the format of the financial statement footnotes and the formatting of the various fund financial statements that appear in the Trust's financial statements in accordance with standards of the Governmental Accounting Standards Board (GASB). Management accepts responsibility for the fund financial statements that appear in the Trust's financial statements as our own and have prepared the source documents for all transactions and have maintained accounting control.

We have made available to your representatives all financial records and related data.

The financial statements properly classify all funds and activities.

Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved. Required supplementary information (MD&A) and other schedules are measured and presented within prescribed guidelines.

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

From February 26, 2020 through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

Recipients of governmental financial assistance and/or audits performed in accordance with Government Auditing Standards

We recognize that we are responsible for the Trust's compliance with the laws, regulations, provisions of contracts and grant agreements that are applicable to it. We have identified and disclosed to your representatives, all laws, regulations, provisions of contracts and grant agreements that have direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

We have identified to your representatives all previous audits, attestation engagements, and other studies related to the audit objectives and whether the related recommendations have been implemented.

There has been no noncompliance or possible noncompliance with provisions of contracts or grant agreements in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

Uncorrected Misstatements

There are no uncorrected misstatements (including the effects of correcting or reversing prior year uncorrected misstatements), or uncorrected misstatements in disclosures relating to the

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Appendix A – Management Representation Letter, continued

current year financial statements.

Internal Control

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

We are not aware of any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting. There have been no significant changes in internal control since September 30, 2020.

Minutes and Contracts

The dates of meeting of directors and committees of directors from October 1, 2018 to date of this letter are as follows:

- November 27, 2019
- March 11, 2020
- August 12, 2020
- November 11, 2020
- January 17, 2020
- July 8, 2020
- October 14, 2020

We have made available to you all minutes of the meetings of directors and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

We also have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

Methods, significant assumptions, and date used in making accounting estimates

The appropriateness of the methods, the consistency in application, the accuracy and completeness of data, and the reasonableness of significant assumptions used by us in developing accounting estimates and related disclosures, including those measured at fair value, are reasonable and supportable.

Ownership and pledging of assets

Except for assets capitalized under capital leases, the Company has satisfactory title to all assets appearing in the statement of net position. No security agreements have been executed under the provisions of the Uniform Commercial Code, and there are no liens or encumbrances on assets, nor has any asset been pledged. All assets to which the Company has satisfactory title appear in the statement of net position (except assets leased to others under sales-type, direct financing or leveraged leases).

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Appendix A – Management Representation Letter, continued

Receivables and revenues

Receivables represent valid claims against the debtors indicated and do not include amounts for goods shipped or services provided subsequent to the statement of net position date, goods shipped on consignment, or other types of arrangements not constituting sales. Receivables have been determined in accordance with all relevant GASB Statements, including GASB Statements No. 33 and 62 – as amended.

Adequate provision has been made for losses, costs and expenses that may be incurred subsequent to the statement of net position date in respect of any sales and services rendered prior to that date and for uncollectible accounts, discounts, returns and allowances, etc., that may be incurred in the collection of receivables at that date.

We have disclosed to you all sales terms (both expressed and implied), including all rights of return or price adjustments and warranty provisions. We have made available to you all significant contracts, communications (either written or oral), and other relevant information pertaining to arrangements with our customers, including distributors and resellers.

Fair value measurements

We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or other third parties. Our valuation techniques have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as of the measurement date in accordance with the requirements of GASB Statement No. 72 – as amended. In addition, our disclosures related to fair value measurements are consistent with the objectives outlined in GASB Statement No. 72 – as amended.

Long-lived assets to be held and used, including amortizable intangible assets

No events or changes in circumstances have occurred that indicate the carrying amounts of long-lived assets to be held and used, including intangible assets that are subject to amortization, may not be recoverable.

Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties as defined in GASB Statement No. 56—as amended, has been considered and appropriate adjustments or disclosures are made in the basic financial statements, and information concerning these transactions and amounts have been made available to you.

Side agreements and other arrangements

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

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Appendix A – Management Representation Letter, continued

Arrangements with financial institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statements.

Events of default under debt agreements

The Trust does not have any debt agreements.

Contingent Liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of, that are probable of assertion and must be disclosed in accordance with GASB Statement No. 62 – as amended.

There have been no violations or possible violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

There have been no internal investigations or communications from regulatory agencies or government representatives concerning investigations or allegations of noncompliance with laws or regulations in any jurisdiction, noncompliance with or deficiencies in financial reporting practices, or other matters that could have a material effect on the financial statements.

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be accrued or disclosed by GASB Statement No. 62—as amended, nor are there any accruals for loss contingencies included in the statements of net position or gain contingencies reflected in earnings that are not in conformity with the provisions of GASB Statement No. 62—as amended.

Oral or written guarantees

There are no oral or written, including guarantees of the debt of others.

Pension Benefits

We have disclosed to you all significant pension benefits promised and have made available to you all significant summary plan descriptions, benefit communications, and all other relevant information, including plan changes that constitute the plan.

Purchase commitments

At September 30, 2020 the Trust had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at that date.

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Appendix A – Management Representation Letter, continued

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2020 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Required supplementary information

We acknowledge our responsibility for the required supplementary information on the management's discussion and analysis, which have been measured and presented in conformity with the guidelines established by the Governmental Accounting Standards Board in its GASB Statement No. 34.

There have been no changes in the methods of measurement or presentation of the required supplementary information from those used in the prior period.

There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

Supplementary information

We are responsible for the preparation and fair presentation of the Governmental Funds Balance Sheet/Statement of Net Position; Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/Statement of Activities; and the Schedule of Grant Projects Reserved for Encumbrances (the "supplementary information"). We believe the supplementary information, including the form and content, is fairly stated in all material respects in relation to the basic financial statements as a whole.

There have been no changes in the methods or measurement or presentation of the supplementary information from those used in the prior period.

There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

Effects of new accounting principles

As discussed in Note 1 to the financial statements, we have not completed the process of evaluating the effects that will result from adopting the amendments to the following codification provided in Governmental Accounting Standards Board (GASB):

- GASB Statement No. 84
- GASB Statement No. 87
- GASB Statement No. 89
- GASB Statement No. 90
- GASB Statement No. 91
- GASB Statement No. 92
- GASB Statement No. 93
- GASB Statement No. 94
- GASB Statement No. 96
- GASB Statement No. 97

The Trust is therefore unable to disclose the effects that adopting the amendments in the aforementioned GASB Statements will have on its financial position and the changes in its financial position when such statements are adopted.

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Appendix A – Management Representation Letter, continued

Fraud

We acknowledge our responsibility for the design and implementation and maintenance of programs and internal control to prevent and detect fraud.

We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Trust's internal control over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees where the fraud could have a material effect on the financial statements.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have disclosed to you all allegations of financial improprieties, including fraud or suspected fraud, coming to our attention (regardless of the source or form and including, without limitation, allegations by "whistle-blowers") where such allegations could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Trust.

Independence

We are not aware of any business relationship between the Trust and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

We are not aware of any reason that Ernst & Young LLP would not be considered to be independent for purposes of the Trust's audits.

Conflicts of Interest

There are no instances where any officer or employee of the Trust has an interest in a company with which the Trust does business that would be considered a "conflict of interest." Such an interest would be contrary to Trust policy.

Historic Preservation Archaeological Mitigation Fund (HPAMF)

In 2019, we discovered that the Historic Preservation Archaeological Mitigation Fund (Public Laws "PL 33-66") was not receiving any funding from the Building Permit Fees (the funding source as per PL 33-66). We also discovered that no account was set up since 2016 (the responsibility of Department of Parks and Recreation (DPR)/State Historic Preservation Office (SHPO)).

In 2019 an account was set-up but no rules and regulation (as required) for the account was ever created (SHPO/DPR Responsibility). The \$100,000.00 was transferred to the HPAMF in 2019. This should have been transferred directly from the Building Permit Fees to the HPAMF (DOA responsibility). Because DOA's accounting showed that the \$100,000.00 was transferred to the Trust in 2019, they requested that the Trust submit a request (to DOA) the transfer of \$100,000.00 to the HPAMF.

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Appendix A – Management Representation Letter, continued

We assert that the Guam Preservation Trust is not responsible for all this. The Guam Preservation Trust is concerned about its funding source and with diligence, try to assist. Furthermore, we assert that the Guam Preservation Trust does not owe \$300,000 to the HPAMF for the years 2016 to 2018.

Other Representations

- We have identified and disclosed to you, all laws, regulations and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- We have followed applicable laws and regulations in adopting, approving and amending budgets, deposits and investments, including collateral requirements on depository accounts and investments.
- The financial statements properly classify all funds and activities in accordance with GASB Statement No. 54 – as amended.
- Components of net position (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
- Provisions for uncollectible receivables have been properly identified and recorded.
- Special and extraordinary items are appropriately classified and reported.
- Risk disclosures associated with deposits and investment securities are presented in accordance with GASB requirements.
- Investments are properly valued.
- Capital assets are properly capitalized, reported and, if applicable, depreciated.
- The Trust's ability to continue as a going concern was evaluated.
- The supplementary information (management's discussion and analysis and other financial information) have been prepared in conformity with accounting principles generally accepted in the United States as required by the Governmental Accounting Standards Board, and are consistent with the accounting principles used to prepare basis financial statements. There have been no changes in the methods of measurement or presentation of the supplementary information from those used in the prior period. There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

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Appendix A – Management Representation Letter, continued

Subsequent Events

Subsequent to September 30, 2020, no events or transactions have occurred or are pending that would have a material effect on the basic financial statements at that date or for the period then ended, or that are of such significance in relation to the Trust's affairs to require mention in a note to the basic financial statements in order to make them not misleading regarding the financial position, changes in financial position, and cash flows of the Trust.

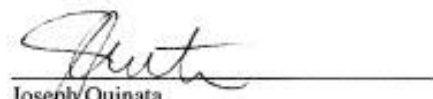
We recognize that we are responsible for the Trust's compliance with the laws, regulations, grant agreement, and contracts that are applicable to it. We have identified and disclosed to your representatives all laws and regulations that have a direct and material effect on the determination of the financial statement amounts.

We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States as promulgated by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and was, therefore, designed primarily for the purpose of expressing an opinion on the basic financial statements of the Trust and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,



Michael Makio
Chairman of the Board



Josephy Quinata
Chief Program Officer

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Appendix B – Summary of Corrected Misstatements

Communication schedule for corrected misstatements

Entity: Guam Preservation Trust

Period ended: 30-Sep-2020

Currency: USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
RJE01	K0110	To reclassify the George Flores house as a nondepreciable asset.								
		Nondepreciable capital assets		52,188						
		Depreciable capital assets, net		(52,188)						
RJE02	H0110	To properly classify account balances.								
		Cash & CE - Merrill	165,526							
		Cash & CE - R.J. & Assoc	2,876							
		Cash & CE - Fidelity Investments	507,479							
		Investments - Merrill Lynch	(165,526)							
		Investments - R.J. & Assoc	(2,876)							
		Investments - Fidelity Investments	(507,479)							
RJE03	VA0110	To reclassify project services that were charged to supporting services and record income for an awarded grant.								
		Program services - projects/grants							12,585	X
		Grants and other support							(10,000)	X
		Miscellaneous expense							(1,500)	X
		Travel expense							(941)	X
		Advertising							(144)	X
RJE04	N0100	To reclassify the current portion for FS presentation.								
		Long-term liabilities - due after one year			6,698					
		Long-term liabilities - due in one year			(6,698)					
AJE01	E0110	To adjust the balance of Accounts Receivable to reflect the amounts confirmed by Department of Administration as outstanding at September 30, 2020.								
		Due from Government of Guam Building Permit Fu	162,885							
		Deferred revenue			(147,877)					
		Revenues - Building permit fees							206,179	X
		Due from Government of Guam Building Permit Fu	(162,885)							
		Bad debts							(58,302)	X

Form 430GL (23 January 2020)

Appendix B – Summary of Corrected Misstatements, continued

Communication schedule for corrected misstatements

Entity: Period ended: Currency:

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
Total of corrected misstatements before income tax			0	0	(147,877)	0	0	0	147,877	
Financial statement amounts			12,306,972	0	(255,856)	0	(12,141,116)		38,456	
Effect of corrected misstatements on F/S amounts			0.0%	0.0%	57.8%	0.0%	0.0%		384.5%	

[For US PCAOB audits we are required to communicate all misstatements that are accumulated on our SAD.]

*Financial Statements and
Supplementary Information*

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

*Year ended September 30, 2020
with Report of Independent Auditors*



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

Financial Statements and
Supplementary Information

Year ended September 30, 2020

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Report of Independent Auditors

The Board of Directors
Guam Preservation Trust

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Guam Preservation Trust (the Trust), a component unit of the Government of Guam, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Trust as of September 30, 2020, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

Other matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4 through 12, and Budgetary Comparison Schedule – Governmental Funds on page 27 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 (GASB) which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated January 20, 2021 on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Trust's 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 Trust's internal control over financial reporting and compliance.

Ernst + Young LLP

January 20, 2021

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

Management’s Discussion and Analysis

The Management's Discussion and Analysis (MD&A) of the Guam Preservation Trust’s financial performance provides an overall review of the Trust's financial activities for the fiscal year ended September 30, 2020. This presentation is provided to better understand the Trust and its financial status in accordance with United States generally accepted accounting principles promulgated by the Standards of the Government Accounting Standards Board (GASB).

Introduction

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

Management

The Trust is a 501(c) 3 Non-profit Corporation comprised of ten board members representing five disciplines (Archaeology, Architecture, Chamorro Culture, Community Planning, and History). Each discipline is represented by a primary and an alternate Board Member. Board Members appointed by the Governor and approved by the Legislature to the Historic Review Board of the Guam Department of Parks and Recreation, automatically sit on the Trust Board. The Board of Directors conducts its regular monthly meeting on the second Wednesday of the month at 3:00pm. In Fiscal Year 2020, a total of five (5) Trust Board of Directors meetings were conducted and a total of twenty five (25) board resolutions were made. Attendance of Board Members representing four of the five disciplines constitute a quorum.



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

Management’s Discussion and Analysis, continued

Management, continued

The Trust Board Members by discipline are:

<u>Discipline</u>	<u>Primary Members</u>	<u>Alternate Members</u>
<i>Architecture</i>	Michael Makio, AIA (Board Chair)	(Vacant)
<i>Archaeology</i>	David Atienza	(Vacant)
<i>Chamorro Culture</i>	Rebecca Dueñas	Nicole Calvo
<i>History</i>	Eric Forbes	Vincent Leon Guerrero
<i>Planning</i>	Dave Lotz	Edwin Reyes

The Trust is currently staffed by Joseph Quinata, Chief Program Officer; Ruby Santos, Administrative Services Coordinator; Andrew Tenorio, Program Officer, Charmaine Ledesma, Program Officer, and Lawrence Borja, Development Officer. The Trust personnel are non-government employees and are governed by the Trust’s personnel handbook. Legal and accounting services are contracted by the Trust.

The Trust Vision

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

The Trust Mission

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

2020 Highlights

The year 2020 was with many challenges as the island was under COVID 19 Pandemic lockdown and mandated orders from the Governor of Guam. Work environment went virtual with teleworking from home and meetings and conferences were conducted virtually. The Guam Preservation Trust took steps to assess finances and evaluate programs and projects in preparation for the uncertainties due to the pandemic crisis and the spiral effects that would have impacted the community, the nation, and globally. Strategies were developed to minimize the impact to the operations and programs of the Guam Preservation Trust.

Capacity Building, Education, and Outreach

The Guam Preservation Trust continues to provide for education and outreach in various formats and due to the COVID 19 Pandemic, these activities have either been postponed or have changed to virtual formats. The *Guam History Day* (www.guamhistoryday.weebly.com) competition for middle and high school students was transformed virtually in place of the traditional face-to-face event. *Ekungok Estoria-ta* (www.pacificpreservation.org/eie) professional development workshop for CHamoru teachers was postponed and may be replaced by virtual training format. The *Architecture and Architects of Guam Book* was launched outdoors with multiple launch events to accommodate registered participants and meeting the COVID 19 mandated orders from the Governor of Guam. The *Humåtak Archaeology* (www.pacificpreservation.org/humatak) was postponed until summer of 2021.

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

Management's Discussion and Analysis, continued

Restoration, Rehabilitation, and Reconstruction of Historic Structures

For the last five years (2015 – 2020) The Guam Preservation Trust Board of Directors approved a total of \$3,474,130 for the rehabilitation and reconstruction of eight historic structures on Guam; the ***Historic Guam Congress Building***, Hagåtña (A/E Design & Construction), the ***F. Q. Sanchez School***, Humåtak (A/E Design), the ***Antonia Chargualaf House*** Inalåhan (A/E & Construction), the ***Doris Flores Lujan House***, Inalåhan (A/E Design & Construction), the ***Juan Flores House***, Inalåhan (A/E Design & Construction), The ***Augustine San Nicolas House***, Inalåhan (A/E Design), the ***Vicente Rosario House***, Hagåtña (A/E Design) and the ***Historic Courthouse***, Hagåtña (A/E Design). Although all eight capital projects have completed their respective Architectural and Engineering Design process, five projects completed the construction phase and are now functional facilities.

Community Partnerships and Investments

In 2020, the Trust partnered with over 50 public and private organizations, and individuals from the community to oversee 20 grants and projects to accomplish our *proposed outcomes* (Goals) for the year. All have been successful in their respective delivery to the community for their benefit and appreciation.

Regional, National, and International Support

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

Friends of the Mariana Trench, Palau Conservation Society, Micronesia Conservation Trust, Conservation Society of Pohnpei, St. Croix Crician Heritage and Nature Tourism, Asian & Pacific Islanders American for Historic Preservation (APIAHIP); National History Day, Inc. (NHD); The National Trust for Historic Preservation (NTHP); National Park Service; Association for Preservation Technology International (APT); U.S. Department of Interior (OIA/TAP); National Preservation Partners Network; University of Pompeu Fabra Barcelona, Spain, Xiamen University, Xiamen China

Trust Standards of Success (Goals)

Guam's preservation stakeholders presented the Trust Five-Year Historic Preservation Strategic Plan as a statement of our community's bold step towards taking action to preserve and protect our heritage for all to benefit. Today, the Trust presents its report as a testimony of the diligence and dedication of the Trust Board of Directors, staff, and the preservation community in accomplishing this year's *proposed outcomes* and achieving the *standards of success* or goals expected by the community.

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

Management's Discussion and Analysis, continued

The Guam Preservation Trust Goals

1. Historic Property Documentation and Register Nomination

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

Action Outcomes

No proposals were received for this category; therefore no funding was approved for FY20.

2. Public Interpretation and Presentation

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

Action Outcomes

Project Name	Date Approved	Approved Amount	Expenditures To Date	Balance at 9/30/20
Talaifak Bridge Signage	4/17/2013	\$10,000	\$1,761	\$8,239
Teaching With Historic Places	8/13/15	\$14,400	\$6,302	\$8,098
Capital Campaign	7/10/17	\$20,000	\$266	\$19,734
Pacific Heritage Youth Summit	7/10/17	\$20,000	\$6,960	\$13,040
Humatak Revitalization Plan	11/8/17	\$50,000	\$50,000	\$0
Latte in the Marianas & Art Icon	10/15/18	\$7,128	\$0	\$7,128
Ekungok I Estoria-ta	2/22/19	\$10,000	\$0	\$10,000
Modern Guam Rises from the Destruction of War	2/22/19	\$17,151	\$17,151	\$0
Learning CHamoru – Discovering Guam's History	8/9/19	\$9,950	\$7,960	\$1,990
Kãntan Hereru – A Blacksmith's Song, Film & Curriculum	9/6/19	\$7,660	\$6,128	\$1,532
Humatak Revitalization Book Printing	11/27/19	\$3,100	\$3,100	\$0
Architecture Book for Guam - Printing	11/27/20	\$6,973	\$6,973	\$0
Section 106 Training	1/17/20	\$7,000	\$0	\$7,000
Architecture Book Launch	3/11/20	\$700	\$375	\$325
Guam/National History Day Amended	3/11/20 7/8/20	\$25,000 (\$18,000)	\$7,000	\$0
Board Orientation	3/11/20	\$800	\$0	\$800
Spanish Shipwrecks of Guam	7/8/20	\$16,096	\$6,438	\$9,658
National History Day	2/22/19	\$20,000	\$17,640	\$2,360
World Heritage Day	11/27/19	\$500	\$407	\$93
Total		\$228,458	\$138,461	\$89,997

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

Management's Discussion and Analysis, continued

3. Architectural Research

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

Action Outcomes

Project Name	Date Approved	Approved Amount	Expenditures To Date	Balance at 9/30/20
FQ Sanchez Facility A&E	12/18/14	\$208,054	\$207,554	\$500
Architecture Book for Guam	2/23/15	\$49,500	\$49,500	\$0
Guam Historic Courthouse Restoration Planning	9/6/19	\$50,000	\$0	\$50,000
Total		\$307,554	\$257,054	\$50,500

4. Ethnography and Oral History

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

Action Outcomes

No proposals were received for this category; therefore no funding was approved for FY20.

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

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

Action Outcomes

Project Name	Date Approved	Approved Amount	Expenditures To Date	Balance at 9/30/20
Guam Congress Building	5/18/15	\$2,783,379	\$2,758,379	\$25,000
4 Historic Homes in Inarajan – Const. Admin	6/22/15	\$128,960	\$96,824	\$0
Amend to remove Meno House		\$(32,136)		
Antonia Chargualaf House	8/18/17	\$350,000	\$350,000	\$0
Change Order 1	9/29/17	\$43,350	\$43,350	\$0
Rosario House A&E	1/31/18	\$96,488	\$28,946	\$67,542
San Nicolas House A&E	1/31/18	\$83,217	\$24,965	\$58,252
Soils Testing	8/9/18	\$1,872	\$1,872	\$0
Fencing – Archbishop Flores House	4/13/18	\$10,000	\$6,493	\$3,507
Cliff Unit Renovation	7/8/20	\$9,000	\$0	\$9,000
Total		\$3,474,130	\$3,310,829	\$163,301

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

Management's Discussion and Analysis, continued

6. Archaeological Research

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

Action Outcomes

Project Name	Date Approved	Approved Amount	Expenditures To Date	Balance at 9/30/20
Latte Quarrying Project	10/22/15	\$6,200	\$2,592	\$3,608
Guam Rock Art Study	8/9/19	\$12,000	\$9,600	\$2,400
Archaeological Field School Training	7/8/20	\$2,500	\$0	\$2,500
Total		\$20,700	\$12,192	\$8,508

7. Archival Research

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

Action Outcomes

No proposals were received for this category; therefore no funding was approved for FY20.

8. Grants Awarded to GPT

The Guam Preservation Trust applied and was awarded grants from local, federal, and national institutions to fund community outreach programs in preservation.

Action Outcomes

Project Name	Date Approved	Approved Amount	Expenditures To Date	Balance at 9/30/20
Take Care Grant – Heritage Communities are Healthy Communities	1/11/19	\$3,000	\$2,027	\$973
NTHP Richard & Julia Moe Grant – Ekungok I Estoria-ta	2/22/19	\$10,000	\$5,662	\$4,338
Dept. of Interior Grant -Pacific Preservation Technologies	4/29/19	\$94,801	\$1,500	\$93,301
**Organization of American Historians Grant – Manenggon – National Historic Landmark Nomination	4/26/19	\$9,940	\$1,024	\$8,916
Dept. of Interior Grant - World Heritage Training and Workshop Opportunities	9/6/19	\$63,217	\$37,809	\$25,408
Humanities Guahan – Ekungok I Estoria-ta (Part II)	9/27/20	\$10,000	\$0	\$10,000
Total		\$190,958	\$48,022	\$142,936

**Remaining balance is for GPT Overhead

Guam Preservation Trust
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Management's Discussion and Analysis, continued

Financial Analysis

Our analysis is based on the following condensed financial data for the years ended September 30, 2020, 2019 and 2018.

	September 30, 2020	September 30, 2019	September 30, 2018	2020 % increase (decrease) from 2019
<u>Statement of Net Position</u>				
Assets:				
Cash and cash equivalents	\$ 1,019,778	\$ 684,031	\$ 765,712	49.08%
Investments	815,264	934,239	1,212,885	-12.73%
Due from building permit fund, net	---	82,118	122,889	-100.00%
Other receivable	4,286	4,286	---	---
Other assets	<u>10,557,644</u>	<u>10,563,838</u>	<u>10,282,859</u>	-0.06%
Total assets	<u>12,396,972</u>	<u>12,268,512</u>	<u>12,384,345</u>	1.05%
Liabilities:				
Accrued expenses	74,571	80,940	74,471	-7.87%
Deferred revenue	173,285	---	---	100.00%
Deposits payable - grants	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>	0.00%
Total liabilities	<u>255,856</u>	<u>88,940</u>	<u>82,471</u>	187.67%
Net position:				
Invested in capital assets	638,943	655,137	374,159	-2.47%
Unrestricted	1,583,472	1,615,734	2,019,015	-2.00%
Restricted	<u>9,918,701</u>	<u>9,908,701</u>	<u>9,908,700</u>	0.10%
Total net position	<u>\$ 12,141,116</u>	<u>\$ 12,179,572</u>	<u>\$ 12,301,874</u>	-0.32%

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

Management's Discussion and Analysis, continued

Financial Analysis, continued

	Year ended September 30, 2020	Year ended September 30, 2019	Year ended September 30, 2018	2020 % increase (decrease) from 2019
<u>Statement of Activities</u>				
Building permit fees	\$ 505,005	\$ 820,229	\$ 611,435	-38.43%
Grants / support - unrestricted	59,409	301,829	109,600	-80.32%
Interest income	<u>141,585</u>	<u>66,808</u>	<u>84,199</u>	111.93%
 Total revenues	 705,999	 1,188,866	 805,234	 -40.62%
 Expenditures	 (744,455)	 (1,211,168)	 (1,141,355)	 -38.53%
Transfer to other fund	<u>---</u>	<u>(100,000)</u>	<u>---</u>	-100.00%
Decrease in net position	 (38,456)	 (122,302)	 (336,121)	 -68.56%
 Net position at beginning of year	 <u>12,179,572</u>	 <u>12,301,874</u>	 <u>12,637,995</u>	 -0.99%
 Net position at end of year	 \$ <u><u>12,141,116</u></u>	 \$ <u><u>12,179,572</u></u>	 \$ <u><u>12,301,874</u></u>	 -0.32%

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

Management's Discussion and Analysis, continued

Revenues

The Trust receives most of its revenues from the Building Permit Fees administered by the Guam Department of Public Works. A compilation is conducted every quarter by our accounting services provider to cross check totals listed on the Trust's Special Accounts with the Guam Department of Administration. This allows a check and balance for any discrepancies. Such discrepancies are then reported to the Director of Public Works who oversees the Building Permit Section.

Public Law 66-33

Public Law 33-66 amended Article 6, Chapter 76, Title 21 of the Guam Code Annotated, to allow for 50% of all building permit fees to be deposited in the Trust's fund. This amendment was enacted to fund operations of the Department of Public Works and the Guam Museum. This became effective fiscal year ending September 30, 2016. In the same law, separate from the 50% re-allocation, the legislature further amended Article 6, Chapter 76, Title 21 that mandated \$100,000 annually to the Guam State Historic Preservation Office for the mitigation fund to hire archaeologist for the division. This amendment negatively impacted the Guam Preservation Trust's efforts to rehabilitate and restore historic buildings and other structures significant to Guam's heritage.

Building Permit Revenues Collection

For fiscal year 2020, a total of \$505,005 was collected from building permit fees due to the Guam Preservation Trust, a decrease of \$315,224 or about 38% from the FY 2019 total of \$820,229. This decrease is attributed to the decrease in construction activity in 2020. Construction activity can be as large as a hotel development or as small as renovation on a home or existing small structure.

Investments

Interest income on investments increased between FY 2019 and FY 2020. In FY 2020, \$141,585 was earned on interest income, compared to \$66,808 in FY 2019. The increase is attributed mainly to the fact that there were no drawdowns for the year.

Expenditures

Overall expenditures for FY 2020 is \$744,455, a decrease of approximately 39% from FY 2019 total of \$1,211,168. This is attributed to the adherence of strategies from the Guam Preservation Trust COVID-19 Response and Guidance/Financial Analysis to Address Economic Impact Due to COVID-19 Pandemic.

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

Governmental Funds Balance Sheet/Statement of Net Position

September 30, 2020

	<u>General</u> <u>Fund</u>	<u>Adjustments</u>	<u>Statement of</u> <u>Net Position</u>
Assets:			
Cash and cash equivalents	\$ 1,019,778	\$ ---	\$ 1,019,778
Investments	815,264	---	815,264
Other receivable	4,286	---	4,286
Depreciable capital assets, net	---	52,336	52,336
Nondepreciable capital assets	---	10,505,308	10,505,308
	<u>---</u>	<u>10,505,308</u>	<u>10,505,308</u>
Total assets	\$ <u>1,839,328</u>	<u>10,557,644</u>	<u>12,396,972</u>
Liabilities and Fund Balance/Net Position:			
Accrued expenses	\$ 26,095	---	26,095
Deferred revenue	173,285	---	173,285
Grant deposit	8,000	---	8,000
Long-term liability:			
Due in one year	---	6,698	6,698
Due after one year	---	41,778	41,778
	<u>---</u>	<u>48,476</u>	<u>48,476</u>
Total liabilities	<u>207,380</u>	<u>48,476</u>	<u>255,856</u>
Commitments and contingencies			
Fund balances - assigned	<u>1,631,948</u>	(<u>1,631,948</u>)	
Total fund balances	<u>1,631,948</u>	(<u>1,631,948</u>)	
Total liabilities and fund balances	\$ <u>1,839,328</u>		
Net position:			
Invested in capital assets		638,943	638,943
Unrestricted		1,583,472	1,583,472
Restricted		9,918,701	9,918,701
Total net position		<u>\$ 12,141,116</u>	<u>\$ 12,141,116</u>

See accompanying notes.

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

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

Year ended September 30, 2020

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
Building permit fees	\$ 505,005	\$ ---	\$ 505,005
Interest income	141,585	---	141,585
Grants and other support	<u>59,409</u>	<u>---</u>	<u>59,409</u>
Total revenues	<u>705,999</u>	<u>---</u>	<u>705,999</u>
Expenditures:			
Program services - projects/grants	<u>195,649</u>	<u>---</u>	<u>195,649</u>
Supporting services:			
Personnel	404,512	(3,685)	400,827
Contractual	55,653	---	55,653
Insurance	25,438	---	25,438
Supplies and equipment rental	17,294	---	17,294
Utilities	12,970	---	12,970
Travel	12,600	---	12,600
Trust fund and investment fees	9,602	---	9,602
Depreciation expense	---	6,194	6,194
Communication	4,135	---	4,135
Miscellaneous	1,602	---	1,602
Stipend	1,450	---	1,450
Advertising	<u>1,041</u>	<u>---</u>	<u>1,041</u>
	<u>546,297</u>	<u>2,509</u>	<u>548,806</u>
Total expenditures/expenses	<u>741,946</u>	<u>2,509</u>	<u>744,455</u>
Deficiency of revenues under expenditures	(35,947)	35,947	
Decrease in net position		(38,456)	(38,456)
Fund balance/net position:			
Beginning of year	<u>1,667,895</u>	<u>---</u>	<u>12,179,572</u>
End of year	<u>\$ 1,631,948</u>	<u>\$ ---</u>	<u>\$ 12,141,116</u>

See accompanying notes.

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

Notes to Financial Statements

Year ended September 30, 2020

1. Organization

The Guam Preservation Trust (the Trust) was established by Public Law 20-151 dated March 21, 1990 (as amended by Public Law 21-07 on April 19, 1991 and amended by Public Law 27-89 on May 6, 2004) as a public, non-profit corporation.

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

The Trust was created for the following purposes:

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

2. Summary of Significant Accounting Policies

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

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

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Government-wide Financial Statements

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

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

Measurement Focus/Government-wide and Fund Financial Statements

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

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

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

Fund Financial Statements

The Trust uses one governmental fund to report on its financial position and results of operations. The operations of this fund are accounted for with a self-balancing set of accounts that comprises its assets, liabilities, fund equity, revenues and expenditures.

Separate financial statements are provided for Governmental funds. The Trust presents a balance sheet and a statement of revenues, expenditures and changes in fund balance for its government fund. The ending fund balance on the balance sheet is then reconciled to the ending governmental net position.

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Fund Financial Statements, continued

Adjustments required to reconcile total governmental fund balance to net position of governmental activities in the statement of net position as of September 30, 2020 are as follows:

Fund balance – governmental funds	\$ 1,631,948
Add – capital assets	10,557,644
Less – compensated absences payable	(<u>48,476</u>)
Net position of governmental activities	<u>\$12,141,116</u>

Adjustments required to reconcile net change in total governmental fund balance to change in net position of governmental activities in the statement of activities for the year ended September 30, 2020 are as follows:

Net change in fund balances – governmental funds	\$(35,947)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which the depreciation exceeded capital outlays.	(6,194)
Some income and expenses reported in the statement of activities do not affect the current financial resources and therefore are not reported as income and expenditures in the governmental funds. This amount consists of the change in the compensated absence balance.	<u>3,685</u>
Change in net position of governmental activities	<u>\$(38,456)</u>

Cash and Cash Equivalents

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

Investments

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

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Budget

An Administration and Operations Budget is prepared annually as a fiducial duty and fiscal responsibility of the Board of Directors and the Trust. A true cost program budget is developed through the assessment of program performance and the analysis of revenues and cash flow projections to reflect current obligations and proposed outcomes.

Capital Assets

Property and equipment are stated at cost at the date of acquisition. The costs of normal maintenance and repairs that do not add to the asset value or materially extend the useful life of the assets are expensed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets are depreciated over a period of 3 to 25 years using the straight-line method.

Impairment of Capital Assets

In accordance with GASB Statement No. 42 *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* the Trust evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred.

A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used are reported at the lower of carrying value or fair value.

Revenue Recognition

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

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

Public Law 33-66 amended Article 6, Chapter 76, Title 21 of the Guam Code Annotated, to allow for 50% of all building permit fees to be deposited in the Trust's fund. This became effective starting fiscal year ending September 30, 2016.

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Income Taxes

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

Compensated Absences

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

The Trust compensates its employees for annual leave as follows:

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

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

Fund Balances - Assigned

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. GASB Statement No. 95 postponed the effective date of GASB 84 to fiscal year ending September 30, 2021.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. GASB Statement No. 95 postponed the effective date of GASB 87 to fiscal year ending September 30, 2023.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 95 postponed the effective date of GASB 89 to fiscal year ending September 30, 2022.

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. GASB Statement No. 95 postponed the effective date of GASB 90 to fiscal year ending September 30, 2021.

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No. 95 postponed the effective date of GASB 91 to fiscal year ending September 30, 2023.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. This Statement addresses a variety of topics and includes specific provisions about leases; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; applicability of Statement No. 73 and 84 for postemployment measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature and terminology used to refer to derivative instruments. GASB Statement No. 95 postponed the effective date of GASB 92 to fiscal year ending September 30, 2021.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates by either (a) changing the reference rate or (b) adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address the accounting and financial reporting effects that result from the replacement of IBORs with other reference rates in order to preserve the reliability, consistency, and comparability of reported information. GASB Statement No. 95 postponed the effective date of GASB 93 to fiscal year ending September 30, 2022.

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. Public-private and public-public partnerships, collectively referred to hereinafter PPPs, comprise a wide variety of arrangement between a government and another party that are engaged in providing services to a government's constituents. Availability payment arrangements (APAs) also have been used in practice to procure governmental services. The objective of this Statement is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments that enter into PPPs and APAs and by enhancing the understandability, reliability, relevance, and consistency of information about PPPs and APAs. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. It has become common for governments to enter into subscription-based contracts to use vendor-provided information technology (IT). Subscription-based information technology arrangements (SBITAs) provide governments with access to vendors' IT software and associated tangible capital assets for subscription payments without granting governments perpetual license or title to the IT software and associated tangible capital assets. Prior to the issuance of this Statement, there was no accounting or financial reporting guidance specifically for SBITAs. The objective of this Statement is to better meet the information needs of the financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans*. The primary objectives of this Statement are to (a) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (b) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (c) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

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

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

Notes to Financial Statements, continued

3. Cash and Cash Equivalents and Investments

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

Custodial Credit Risk

Custodial credit risk for cash and cash equivalents and investments is the risk that in the event of the failure of the counterparty to the transaction, the Trust's deposits and investments may not be returned to it. The Trust does not have a deposit and/or investment policy for custodial credit risk. As of September 30, 2020, cash and cash equivalents and investments were held by depositories and amounted to \$1,835,042 of which \$1,353,082 were insured and \$481,960 were uninsured and uncollateralized. Based on negotiated trust and custody contracts, all of the investments were held in the Trust's name by the Trust's custodial financial institution at September 30, 2020.

Interest Rate Risk

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

Concentration of Credit Risk

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Trust minimized credit risk losses by limiting investments to low risk securities. The following represents the Trust's investments as of September 30, 2020:

<u>Type</u>	<u>Amount</u>	<u>% of Portfolio</u>
Equity securities	\$367,901	45%
Mutual Funds	231,247	28%
Exchange Traded Funds (ETFs)	<u>216,116</u>	<u>27%</u>
	<u>\$815,264</u>	<u>100%</u>

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

Notes to Financial Statements, continued

3. Cash and Cash Equivalents and Investments, continued

Investments Measured at Fair Value

The Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The following presents the Trust's assets carried at fair value by fair value hierarchy at September 30, 2020:

	Total	Level 1	Level 2	Level 3
Investments by fair value :				
Equity securities	\$ 367,901	\$ 367,901	\$ ---	\$ ---
Mutual Funds	231,247	231,247	---	---
ETFs	216,116	216,116	---	---
Total investments by fair value level	<u>\$ 815,264</u>	<u>\$ 815,264</u>	<u>---</u>	<u>\$ ---</u>

At September 30, 2020, the Trust had the following investment maturities:

<u>Investment type</u>	<u>Total</u>	<u>Less than 1 Year</u>	<u>1 - 5 Years</u>	<u>6 - 10 Years</u>	<u>More than 10 Years</u>
Equity securities	\$ 367,901	\$ 367,901	\$ ---	\$ ---	\$ ---
Mutual Funds	231,247	231,247	---	---	---
ETFs	216,116	216,116	---	---	---
	<u>\$ 815,264</u>	<u>\$ 815,264</u>	<u>---</u>	<u>---</u>	<u>\$ ---</u>

4. Due from/to Government of Guam Building Permit Fund

The Trust records amounts due from the Government of Guam Building Permit Fund for accumulated building permit fees and re-inspection fees collected and deposited with the Treasurer of Guam by the Government of Guam's Department of Public Works but not yet transferred to the Trust. Management of the Trust is of the opinion that such balances are due and payable to the Trust. The Trust recorded an allowance for uncollectible receivables totaling \$1,535,014 as of September 30, 2020.

At September 30, 2020, the Government of Guam remitted \$147,877 to the Trust. This amount exceeds the amount called for in Public Law 33-66. The \$147,877 is recorded as a component of deferred revenue in accompanying governmental fund balance sheet/statement of net position.

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

Notes to Financial Statements, continued

5. Property and Equipment

The following is a summary of the changes in capital assets for the year ended September 30, 2020:

	Beginning Balance <u>October 1, 2019</u>	<u>Additions</u>	Transfers and <u>Deletions</u>	Ending Balance <u>September 30, 2020</u>
Capital assets depreciated:				
Furniture, fixtures, and equipment	\$ 122,809	\$ ---	\$ ---	\$ 122,809
Less accumulated depreciation	(<u>64,279</u>)	(<u>6,194</u>)	---	(<u>70,473</u>)
Net capital assets depreciated	\$ <u>58,530</u>	\$ (<u>6,194</u>)	\$ ---	\$ <u>52,336</u>
Capital assets not depreciated:				
Construction-in-progress	\$ 52,189	\$ ---	\$ ---	\$ 52,189
Land	<u>10,453,119</u>	---	---	<u>10,453,119</u>
	<u>\$10,505,308</u>	\$ ---	\$ ---	<u>\$10,505,308</u>

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

In January 2016, the Trust purchased a historical home which will be rehabilitated. The cost of the home is \$52,189.

6. Commitments and Contingencies

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

The Trust has commitments to pay \$321,332 to fund grants approved as of September 30, 2020. The Trust will release the funds to the grantees only upon satisfactory performance by the grantees of requirements called for in their respective grant agreements.

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

Notes to Financial Statements, continued

7. Employees' Retirement Plan

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

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

For the year ended September 30, 2020, the retirement contribution amounted to \$5,849 which is included as a component of personnel services in the accompanying Statement of Government Fund Revenues, Expenditures and Changes in Fund Balance/Statement of Activities.

8. Long-Term Liability

A summary of changes in long-term liability during fiscal year 2020 is as follows:

	<u>Outstanding</u> <u>October 1, 2019</u>	<u>Increase</u>	<u>Decrease</u>	<u>Outstanding</u> <u>September 30, 2020</u>	<u>Current</u>	<u>Noncurrent</u>
Compensated Absences	\$ 52,161	\$ 3,111	\$(6,796)	\$ 48,476	\$ 6,698	\$ 41,778

9. Risk and Uncertainties

The International Health Regulations Emergency Committee of the World Health Organization (WHO) declared the novel coronavirus (COVID-19) outbreak as a "Public Health Emergency of International Concern". On March 11, 2020, WHO officially declared COVID-19 a global pandemic. Due to continued uncertainties surrounding the extent and duration of the COVID-19 outbreak and its impact on the economy of Guam, the Trust is unable at this time to reasonably estimate the potential future impact on its financial statements.

10. Subsequent Events

The Trust has evaluated subsequent events through January 20, 2021. It is also the date that the financial statements were available to be issued.

Required Supplementary Information

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

Budgetary Comparison Schedule – Governmental Funds

Year ended September 30, 2020

	<u>Budgeted Amounts (Original / Final)*</u>	<u>Actual Amounts</u>	<u>Variance with Budget Positive (Negative)</u>
Revenues:			
Building permit fees	\$ 600,000	\$ 505,005	\$(94,995)
Interest income	200,000	59,409	(140,591)
Grants and other support	---	141,585	141,585
Total revenues	<u>800,000</u>	<u>705,999</u>	<u>(94,001)</u>
Expenditures:			
Program services - projects/grants	---	195,649	(195,649)
Supporting services:			
Personnel	472,803	404,512	68,291
Contractual	107,000	55,653	51,347
Insurance	26,500	25,438	1,062
Travel	25,500	12,600	12,900
Miscellaneous	23,717	1,602	22,115
Utilities	17,500	12,970	4,530
Supplies and equipment rental	8,000	17,294	(9,294)
Stipend	7,000	1,450	5,550
Communication	6,000	4,135	1,865
Advertising	4,100	1,041	3,059
Trust fund and investment fees	---	9,602	(9,602)
Total expenditures/expenses	<u>698,120</u>	<u>546,297</u>	<u>151,823</u>
Total expenditures/expenses	<u>698,120</u>	<u>741,946</u>	<u>(43,826)</u>
Excess of revenues over expenditures (deficiency of revenues over expenditures)	101,880	(35,947)	(137,827)
Beginning of year	<u>1,667,895</u>	<u>1,667,895</u>	<u>---</u>
End of year	<u>\$ 1,769,775</u>	<u>\$ 1,631,948</u>	<u>\$(137,827)</u>

*There were no changes from the original to the final budgeted amounts.

Supplementary Information

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

Governmental Funds
Balance Sheet/Statement of Net Position
September 30, 2020
(With comparative totals as of September 30, 2019)

	General Fund <u>2020</u>	General Fund <u>2019</u>	Statement of Net Position <u>2020</u>	Statement of Net Position <u>2019</u>
Assets:				
Cash and cash equivalents	\$ 1,019,778	\$ 684,031	\$ 1,019,778	\$ 684,031
Investments	815,264	934,239	815,264	934,239
Due from Government of Guam				
Building Permit Fund, net	---	82,118	---	82,118
Other receivable	4,286	4,286	4,286	4,286
Depreciable capital assets, net	---	---	52,336	58,530
Nondepreciable capital assets	---	---	10,505,308	10,505,308
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,839,328</u>	<u>\$ 1,704,674</u>	<u>12,396,972</u>	<u>12,268,512</u>
Liabilities and Net Position:				
Accrued expenses	\$ 26,095	\$ 28,779	26,095	28,779
Deferred revenue	173,285	---	173,285	---
Grant deposit	8,000	8,000	8,000	8,000
Long-term liability:				
Due in one year	---	---	6,698	10,467
Due after one year	---	---	41,778	41,694
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>207,380</u>	<u>36,779</u>	<u>255,856</u>	<u>88,940</u>
Fund balances - assigned	<u>1,631,948</u>	<u>1,667,895</u>	<u>---</u>	<u>---</u>
Total fund balances	<u>1,631,948</u>	<u>1,667,895</u>	<u>---</u>	<u>---</u>
Total liabilities and fund balances	<u>\$ 1,839,328</u>	<u>\$ 1,704,674</u>		
Net position:				
Invested in capital assets			638,943	655,137
Unrestricted			1,583,472	1,615,734
Restricted			<u>9,918,701</u>	<u>9,908,701</u>
Total net position			<u>\$ 12,141,116</u>	<u>\$ 12,179,572</u>

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

**Statement of Governmental Fund Revenues, Expenditures and
Changes in Fund Balance /Statement of Activities**
Year ended September 30, 2020
(With comparative totals for the year ended September 30, 2019)

	General Fund <u>2020</u>	General Fund <u>2019</u>	Statement of Activities <u>2020</u>	Statement of Activities <u>2019</u>
Revenues:				
Building permit fees	\$ 505,005	\$ 820,229	\$ 505,005	\$ 820,229
Interest income	141,585	66,808	141,585	66,808
Grants and other support	<u>59,409</u>	<u>20,269</u>	<u>59,409</u>	<u>301,829</u>
Total revenues	<u>705,999</u>	<u>907,306</u>	<u>705,999</u>	<u>1,188,866</u>
Expenditures:				
Program services - projects/grants	<u>195,649</u>	<u>626,883</u>	<u>195,649</u>	<u>626,883</u>
Supporting services:				
Personnel	404,512	415,273	400,827	421,788
Contractual	55,653	58,255	55,653	58,255
Insurance	25,438	26,757	25,438	26,757
Supplies and equipment rental	17,294	16,779	17,294	16,779
Utilities	12,970	15,214	12,970	15,214
Travel	12,600	17,067	12,600	17,067
Trust fund and investment fees	9,602	11,152	9,602	11,152
Communication	4,135	4,532	4,135	4,532
Miscellaneous	1,602	1,168	1,602	1,168
Stipend	1,450	1,550	1,450	1,550
Advertising	1,041	2,723	1,041	2,723
Depreciation expense	---	---	6,194	7,300
Capital outlay	<u>---</u>	<u>6,719</u>	<u>---</u>	<u>---</u>
Total expenditures/expenses	<u>546,297</u>	<u>577,189</u>	<u>548,806</u>	<u>584,285</u>
Total expenditures/expenses	<u>741,946</u>	<u>1,204,072</u>	<u>744,455</u>	<u>1,211,168</u>
Deficiency of revenues over expenditures before transfer	(35,947)	(296,766)	---	---
Other financing uses - transfer out to other fund	<u>---</u>	<u>(100,000)</u>	<u>---</u>	<u>(100,000)</u>
Deficiency of revenues over expenditures	(35,947)	(396,766)	---	---
Decrease in net position			(38,456)	(122,302)
Beginning of year	<u>1,667,895</u>	<u>2,064,661</u>	<u>12,179,572</u>	<u>12,301,874</u>
End of year	<u>\$ 1,631,948</u>	<u>\$ 1,667,895</u>	<u>\$ 12,141,116</u>	<u>\$ 12,179,572</u>

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

Schedule of Grant Projects Reserved for Encumbrances

Description	Grant no.	Date approved	Grant amount	Year-to-date expenditures FYE 09/30/19	Expenditures year-ended 09/30/20	Outstanding encumbrance 09/30/20
Taleyfak Bridge Signage	HS10-01(A)	04/17/13	\$ 10,000	\$ 215	\$ 1,546	\$ 8,239
FQ Sanchez Facility - A&E	HS15-01	12/18/14	208,054	207,554	-	500
Architecture Book for Guam	BP15-07	02/23/15	49,500	45,375	4,125	-
Guam Congress/Legislature	HS15-03	05/18/15	2,759,278	2,758,379	-	899
Change Order 1		07/12/16	24,101	-	-	24,101
Historic Inarajan 4 Homes-Const Admin	HS13-01	06/22/15	128,960	72,619	24,205	32,136
Amend to reduce Meno Hse \$32,136			(32,136)	-	-	(32,136)
Teaching with Historic Places	BP15-16	08/13/15	14,400	5,515	787	8,098
Latte Quarrying Project	BP16-02	10/22/15	6,200	2,592	-	3,608
Capital Campaign - GPT	BP17-10	07/10/17	20,000	266	-	19,734
Antonia Chargualaf House	HS17-01	08/18/17	350,000	310,665	39,335	-
Amendment 1		09/29/17	43,350	43,350	-	-
Rosario & San Nicolas A&E	HS18-01	01/31/18	179,706	53,912	-	125,794
Addendum Soils Testing		08/09/19	1,872	1,872	-	-
Humatak Revitalization Plan	BP18-02	11/08/17	50,000	37,500	12,500	-
Pacific Heritage Youth Summit	BP18-06	07/10/17	20,000	6,960	-	13,040
Latte in the Marianas & Art Icon in the Marianas	BP19-02	10/15/18	5,428	-	-	5,428
*Fencing - Archbishop Flores House	BP19-05	04/13/18	10,000	6,493	-	3,507
Ekungok I Estoriata	BP19-09	02/22/19	10,000	-	-	10,000
Modern Guam Rises From the Destruction of War	GPTG19-01	02/22/19	17,151	4,288	12,863	-
*National History Day	GPTG19-02	02/22/19	20,000	20,000	(2,360)	2,360
Guam Rock Art Study	GPTG19-03	08/09/19	12,000	-	9,600	2,400
Learning Chamoru - Discovering Guam's History	GPTG19-04	08/09/19	9,950	-	7,960	1,990
Kantan Hereru- A Blacksmith's Song Film & Curriculum	GPTG19-05	09/06/19	7,660	-	6,128	1,532
Guam Historic Courthouse Restoration Planning Project	GPTG19-06	09/06/19	50,000	-	-	50,000
NTHP Conference	BP20-01	09/06/19	3,458	-	3,458	-
APT Conference	BP20-02	09/06/19	2,700	-	2,700	-
APIAHIP Conference	BP20-03	01/17/20	3,185	-	3,185	-
*World Heritage	BP20-04	11/27/19	500	-	407	93
Humatak Revitalization Plan Printing	BP20-05	11/27/19	3,100	-	3,100	-
Architecture Book (printing)	BP20-06	11/27/19	6,973	-	6,973	-
Atantano Archaeology Workshop	BP20-07	07/08/20	2,500	-	-	2,500
*Architecture Book Launch	BP20-08	03/11/20	700	-	375	325
Section 106 Essentials Training	BP20-10	01/17/20	7,000	-	-	7,000
Board Orientation	BP20-11	03/11/20	800	-	-	800
Cliff Unit Renovation	BP20-12	07/08/20	9,000	-	-	9,000
Guam History Day/National History Day	GPTG20-01	03/11/20	25,000	-	7,000	18,000
Amended to decrease of \$18,000		07/08/20	(18,000)	-	-	(18,000)
Spanish Shipwrecks of Guam	GPTG20-02	07/08/20	16,096	-	6,438	9,658
Awarded grants:						
Latte in the Marianas & Art Icon in the Marianas (Ayuda Foundation)	BP19-02	10/15/18	1,700	-	-	1,700
Heritage Communities Are Healthy Communities (Take Care Grant)	BP19-04	01/11/19	3,000	2,027	-	973
Ekungok I Estoriata (Richard and Julia Moe)	BP19-09	02/22/19	10,000	493	5,169	4,338
Ekungok I Estoriata (Humanities Guahan)	BP20-09	09/27/20	10,000	-	-	10,000
Other grants:**						
Pacific Preservation Technology Project (Department of Interior - Office of Insular Affairs)	BP19-10	04/29/19	94,801	-	1,500	-
Manenggon Nomination - National Historic Landmark (Organization of American Historians)	BP19-13	04/26/19	9,940	178	846	-
World Heritage Training and Workshop Opportunities (Department of Interior - Office of Insular Affairs)	BP19-14	09/06/19	63,217	-	37,809	-
			<u>\$ 4,231,144</u>	<u>\$ 3,580,253</u>	<u>\$ 195,649</u>	<u>327,617</u>

Less: *Projects completed. Any unused portion will be reverted back to the Trust.

Total outstanding encumbrances as of FY2020

6,285
\$ 321,332

**These are grants received by the Trust from third parties that will be used for Trust's internal projects. The Trust has no encumbrances on these grants.

Compliance and Internal Control

Guam Preservation Trust

(A Component Unit of the Government of Guam)

September 30, 2020



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

Report on Compliance and Internal Control

September 30, 2020

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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Guam Preservation Trust

We have audited, 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, the financial statements of the governmental activities and the General Fund of the Guam Preservation Trust (the Trust), as of and for the year ended September 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated January 20, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst + Young LLP

January 20, 2021

*The Auditor's Communication With Those Charged
With Governance*

Guam Preservation Trust

Year ended September 30, 2020





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January 20, 2021

The Board of Directors
Guam Preservation Trust

We have performed an audit of the financial statements of Guam Preservation Trust, a component unit of the Government of Guam, as of and for the year ended September 30, 2020, 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, and have issued our report thereon dated January 20, 2021.

This report summarizes our communications with those charged with governance as required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process.

REQUIRED COMMUNICATIONS

Professional standards require the auditor to provide the Board of Directors (the Board or those charged with governance) with additional information regarding the scope and results of the audit that may assist the Board (or those charged with governance) in overseeing the financial reporting and disclosure processes which the management of the Trust is responsible. We summarize these required communications as follows:

Auditors' responsibilities under auditing standards generally accepted in the United States and generally accepted government auditing standards

The financial statements are the responsibility of the Trust's management as prepared with the oversight of those charged with governance. Our audit was designed 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, to obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. We were not engaged to perform an audit of the Trust's internal control over financial reporting.

Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we will express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

Our responsibilities are included in our audit engagement letter.

Overview of the planned scope and timing of the audit

Our audit scope is consistent with the plan communicated during the November 18, 2020 entrance meeting.

Matters relevant to our evaluation of the entity's ability to continue as a going concern

We did not identify any events or conditions that led us to believe there was substantial doubt about the Trust's ability to continue as a going concern.

Our views about the qualitative aspects of the entity's significant accounting practices

The Trust has not selected or changed any significant policies or changed the application of those policies in the current year. We have discussed significant accounting policies and our views regarding accounting estimates and financial statement disclosures and related matters.

Sensitive Accounting Estimates

Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's expectations.

We determined that the Board is informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Management's judgment is called upon in:

- Preparing budgets that are used to administer and monitor the Trust's operations. These budgets include determining how existing financial resources will be used in the Trust's operations.
- Determining the valuation of investments held.
- Evaluating whether there are indications that the carrying value of the Trust's long-lived assets is impaired.
- Determining the adequacy of the allowance for doubtful accounts.

Uncorrected misstatements, related to accounts and disclosures, considered by management to be immaterial

We did not identify any uncorrected misstatements, related to accounts and disclosures, during our audit.

Material corrected misstatements related to accounts and disclosures

As a result of our audit procedures, material misstatements were brought to the attention of management and were corrected during the current period (see Appendix B – *Summary of Corrected Misstatements*).

Significant deficiencies and material weaknesses in internal control

No material weaknesses have been identified. However, during the entrance meeting, we discussed on the prior year management letter comments regarding the Trust's procurement policy that it has to be reviewed to ensure compliance with Guam Procurement Law and credit card policy that allows authorized users to charge personal expenditures provided immediately paid.

During our discussion, the Trust disclosed that these are now being addressed and undergoing review of the Board of Directors. Our audit did not result to material misstatements relating to the above.

Our responsibility, any procedures performed and the results relating to other information in documents containing audited financial statements

In the event that the Trust issues an Annual Report or other documentation that includes the audited financial statements, you will be required to have the other information in the Trust's Annual Report be reviewed by us. Material inconsistency or knowledge of a material misstatement of fact, if any, will be discussed with the management and to the Board of Directors, if deemed necessary.

Fraud and noncompliance with laws and regulations (illegal acts)

We are not aware of any matters that require communication.

Independence matters

We are not aware of any matters that in our professional judgment would impair our independence.

Engagement team's involvement with preparation of the financial statements

Under GAS 2011 Revision, Chapter 3 General Standards, Paragraph 3.34 Requirements for Performing Non-audit Services explains that the audit team should make consideration of management's ability to effectively oversee the non-audit (or non-attest) services to be performed. The engagement team should determine that the audited entity has designated an individual who possesses suitable skill, knowledge or experience and that the individual understands the services to be performed sufficiently to oversee them. The engagement team should document consideration of management's ability to oversee non-audit services to be performed.

The engagement team believes that this significant threat is reduced to an acceptable level upon application of the following safeguards:

- The preparation of the financial statements is based on the Trust trial balance with our understanding that the Trust's underlying books and records are maintained by the Trust's accounting department and that the final trial balance prepared by the Trust is complete.
- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of the Trust.

Engagement team’s involvement with preparation of the financial statements, continued

- The Trust has designated the Chief Programs Officer and the Administrative Service Coordinator to oversee and review the completeness and accuracy of the financial statements and footnote disclosures.

Representations we are requesting from management

We have obtained from management a letter of representations related to the audit and a copy of the letter of representations is included in Appendix A – *Management Representation Letter*.

Changes to the terms of the audit with no reasonable justification for the change

There were no changes to the terms of the audit.

Significant findings and issues arising during the audit relating to related parties

There were no significant findings and issues that arose during the audit relating to related parties.

Disagreements with management

There were no disagreements with management related to matters that are material to the Trust and/or require communication.

Control-related matters

We have issued a separate report dated January 20, 2021 on the Trust’s internal control over financial reporting and its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, which was based upon the audit performed in accordance with *Government Auditing Standards*.

AICPA ethics ruling regarding third-party service providers

From time to time, and depending on the circumstances, (1) we may subcontract portions of the Audit Services to other EY firms, who may deal with the Trust directly, although EY alone will remain responsible to you for the Audit Services and (2) personnel (including non-certified public accountants) from an affiliate of EY or another EY firm or any of their respective affiliates, or from independent third-party service providers (including independent contractors), may participate in providing the Audit Services. In addition, third-party service providers may perform services for EY in connection with the Audit Services.

This report is intended solely for the information and use of the Trust's Board of Directors, management and the Office of Public Accountability of Guam, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

Very truly yours,

Ernst + Young LLP

Appendices

A – Management Representation Letter

B – Summary of Corrected Misstatements

Appendix A – Management Representation Letter



January 20, 2021

Ernst & Young LLP
Ernst & Young Building
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Tamuning, Guam 96931

In connection with your audit of the basic financial statements of the Guam Preservation Trust (the Trust) as of September 30, 2020 and for year then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statements present fairly, in all material respects, the financial position of the Trust, and the respective changes in financial position and cash flows in conformity with U.S. generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

Management's Responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated September 10, 2019, for the preparation and fair presentation of the financial statements (including disclosures) in conformity with US generally accepted accounting principles (US GAAP) applied on a basis consistent with that of the preceding years.

We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, data, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within the Trust from whom you determined it necessary to obtain evidence

Appendix A – Management Representation Letter, continued

Ernst & Young LLP assisted in drafting the format of the financial statement footnotes and the formatting of the various fund financial statements that appear in the Trust's financial statements in accordance with standards of the Governmental Accounting Standards Board (GASB). Management accepts responsibility for the fund financial statements that appear in the Trust's financial statements as our own and have prepared the source documents for all transactions and have maintained accounting control.

We have made available to your representatives all financial records and related data.

The financial statements properly classify all funds and activities.

Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved. Required supplementary information (MD&A) and other schedules are measured and presented within prescribed guidelines.

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

From February 26, 2020 through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

Recipients of governmental financial assistance and/or audits performed in accordance with Government Auditing Standards

We recognize that we are responsible for the Trust's compliance with the laws, regulations, provisions of contracts and grant agreements that are applicable to it. We have identified and disclosed to your representatives, all laws, regulations, provisions of contracts and grant agreements that have direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

We have identified to your representatives all previous audits, attestation engagements, and other studies related to the audit objectives and whether the related recommendations have been implemented.

There has been no noncompliance or possible noncompliance with provisions of contracts or grant agreements in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

Uncorrected Misstatements

There are no uncorrected misstatements (including the effects of correcting or reversing prior year uncorrected misstatements), or uncorrected misstatements in disclosures relating to the

GUAM PRESERVATION TRUST

INANGOKKON INADAHI GUAHAN

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Appendix A – Management Representation Letter, continued

current year financial statements.

Internal Control

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

We are not aware of any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting. There have been no significant changes in internal control since September 30, 2020.

Minutes and Contracts

The dates of meeting of directors and committees of directors from October 1, 2018 to date of this letter are as follows:

- November 27, 2019
- March 11, 2020
- August 12, 2020
- November 11, 2020
- January 17, 2020
- July 8, 2020
- October 14, 2020

We have made available to you all minutes of the meetings of directors and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

We also have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

Methods, significant assumptions, and date used in making accounting estimates

The appropriateness of the methods, the consistency in application, the accuracy and completeness of data, and the reasonableness of significant assumptions used by us in developing accounting estimates and related disclosures, including those measured at fair value, are reasonable and supportable.

Ownership and pledging of assets

Except for assets capitalized under capital leases, the Company has satisfactory title to all assets appearing in the statement of net position. No security agreements have been executed under the provisions of the Uniform Commercial Code, and there are no liens or encumbrances on assets, nor has any asset been pledged. All assets to which the Company has satisfactory title appear in the statement of net position (except assets leased to others under sales-type, direct financing or leveraged leases).

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Appendix A – Management Representation Letter, continued

Receivables and revenues

Receivables represent valid claims against the debtors indicated and do not include amounts for goods shipped or services provided subsequent to the statement of net position date, goods shipped on consignment, or other types of arrangements not constituting sales. Receivables have been determined in accordance with all relevant GASB Statements, including GASB Statements No. 33 and 62 – as amended.

Adequate provision has been made for losses, costs and expenses that may be incurred subsequent to the statement of net position date in respect of any sales and services rendered prior to that date and for uncollectible accounts, discounts, returns and allowances, etc., that may be incurred in the collection of receivables at that date.

We have disclosed to you all sales terms (both expressed and implied), including all rights of return or price adjustments and warranty provisions. We have made available to you all significant contracts, communications (either written or oral), and other relevant information pertaining to arrangements with our customers, including distributors and resellers.

Fair value measurements

We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or other third parties. Our valuation techniques have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as of the measurement date in accordance with the requirements of GASB Statement No. 72 – as amended. In addition, our disclosures related to fair value measurements are consistent with the objectives outlined in GASB Statement No. 72 – as amended.

Long-lived assets to be held and used, including amortizable intangible assets

No events or changes in circumstances have occurred that indicate the carrying amounts of long-lived assets to be held and used, including intangible assets that are subject to amortization, may not be recoverable.

Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties as defined in GASB Statement No. 56—as amended, has been considered and appropriate adjustments or disclosures are made in the basic financial statements, and information concerning these transactions and amounts have been made available to you.

Side agreements and other arrangements

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

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Appendix A – Management Representation Letter, continued

Arrangements with financial institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statements.

Events of default under debt agreements

The Trust does not have any debt agreements.

Contingent Liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of, that are probable of assertion and must be disclosed in accordance with GASB Statement No. 62 – as amended.

There have been no violations or possible violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

There have been no internal investigations or communications from regulatory agencies or government representatives concerning investigations or allegations of noncompliance with laws or regulations in any jurisdiction, noncompliance with or deficiencies in financial reporting practices, or other matters that could have a material effect on the financial statements.

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be accrued or disclosed by GASB Statement No. 62—as amended, nor are there any accruals for loss contingencies included in the statements of net position or gain contingencies reflected in earnings that are not in conformity with the provisions of GASB Statement No. 62—as amended.

Oral or written guarantees

There are no oral or written, including guarantees of the debt of others.

Pension Benefits

We have disclosed to you all significant pension benefits promised and have made available to you all significant summary plan descriptions, benefit communications, and all other relevant information, including plan changes that constitute the plan.

Purchase commitments

At September 30, 2020 the Trust had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at that date.

GUAM PRESERVATION TRUST

INANGOKKON INADAHI GUAHAN

P.O. Box 3036, Hagåtña, Guam 96932 • Tel: 671-472-9439/40 • Fax: 671-477-2047 • guampreservationtrust.org

Appendix A – Management Representation Letter, continued

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2020 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Required supplementary information

We acknowledge our responsibility for the required supplementary information on the management's discussion and analysis, which have been measured and presented in conformity with the guidelines established by the Governmental Accounting Standards Board in its GASB Statement No. 34.

There have been no changes in the methods of measurement or presentation of the required supplementary information from those used in the prior period.

There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

Supplementary information

We are responsible for the preparation and fair presentation of the Governmental Funds Balance Sheet/Statement of Net Position; Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/Statement of Activities; and the Schedule of Grant Projects Reserved for Encumbrances (the "supplementary information"). We believe the supplementary information, including the form and content, is fairly stated in all material respects in relation to the basic financial statements as a whole.

There have been no changes in the methods or measurement or presentation of the supplementary information from those used in the prior period.

There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

Effects of new accounting principles

As discussed in Note 1 to the financial statements, we have not completed the process of evaluating the effects that will result from adopting the amendments to the following codification provided in Governmental Accounting Standards Board (GASB):

- GASB Statement No. 84
- GASB Statement No. 87
- GASB Statement No. 89
- GASB Statement No. 90
- GASB Statement No. 91
- GASB Statement No. 92
- GASB Statement No. 93
- GASB Statement No. 94
- GASB Statement No. 96
- GASB Statement No. 97

The Trust is therefore unable to disclose the effects that adopting the amendments in the aforementioned GASB Statements will have on its financial position and the changes in its financial position when such statements are adopted.

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Appendix A – Management Representation Letter, continued

Fraud

We acknowledge our responsibility for the design and implementation and maintenance of programs and internal control to prevent and detect fraud.

We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Trust's internal control over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees where the fraud could have a material effect on the financial statements.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have disclosed to you all allegations of financial improprieties, including fraud or suspected fraud, coming to our attention (regardless of the source or form and including, without limitation, allegations by "whistle-blowers") where such allegations could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Trust.

Independence

We are not aware of any business relationship between the Trust and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

We are not aware of any reason that Ernst & Young LLP would not be considered to be independent for purposes of the Trust's audits.

Conflicts of Interest

There are no instances where any officer or employee of the Trust has an interest in a company with which the Trust does business that would be considered a "conflict of interest." Such an interest would be contrary to Trust policy.

Historic Preservation Archaeological Mitigation Fund (HPAMF)

In 2019, we discovered that the Historic Preservation Archaeological Mitigation Fund (Public Laws "PL 33-66") was not receiving any funding from the Building Permit Fees (the funding source as per PL 33-66). We also discovered that no account was set up since 2016 (the responsibility of Department of Parks and Recreation (DPR)/State Historic Preservation Office (SHPO)).

In 2019 an account was set-up but no rules and regulation (as required) for the account was ever created (SHPO/DPR Responsibility). The \$100,000.00 was transferred to the HPAMF in 2019. This should have been transferred directly from the Building Permit Fees to the HPAMF (DOA responsibility). Because DOA's accounting showed that the \$100,000.00 was transferred to the Trust in 2019, they requested that the Trust submit a request (to DOA) the transfer of \$100,000.00 to the HPAMF.

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Appendix A – Management Representation Letter, continued

We assert that the Guam Preservation Trust is not responsible for all this. The Guam Preservation Trust is concerned about its funding source and with diligence, try to assist. Furthermore, we assert that the Guam Preservation Trust does not owe \$300,000 to the HPAMF for the years 2016 to 2018.

Other Representations

- We have identified and disclosed to you, all laws, regulations and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- We have followed applicable laws and regulations in adopting, approving and amending budgets, deposits and investments, including collateral requirements on depository accounts and investments.
- The financial statements properly classify all funds and activities in accordance with GASB Statement No. 54 – as amended.
- Components of net position (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
- Provisions for uncollectible receivables have been properly identified and recorded.
- Special and extraordinary items are appropriately classified and reported.
- Risk disclosures associated with deposits and investment securities are presented in accordance with GASB requirements.
- Investments are properly valued.
- Capital assets are properly capitalized, reported and, if applicable, depreciated.
- The Trust's ability to continue as a going concern was evaluated.
- The supplementary information (management's discussion and analysis and other financial information) have been prepared in conformity with accounting principles generally accepted in the United States as required by the Governmental Accounting Standards Board, and are consistent with the accounting principles used to prepare basis financial statements. There have been no changes in the methods of measurement or presentation of the supplementary information from those used in the prior period. There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

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Appendix A – Management Representation Letter, continued

Subsequent Events

Subsequent to September 30, 2020, no events or transactions have occurred or are pending that would have a material effect on the basic financial statements at that date or for the period then ended, or that are of such significance in relation to the Trust's affairs to require mention in a note to the basic financial statements in order to make them not misleading regarding the financial position, changes in financial position, and cash flows of the Trust.

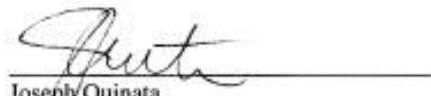
We recognize that we are responsible for the Trust's compliance with the laws, regulations, grant agreement, and contracts that are applicable to it. We have identified and disclosed to your representatives all laws and regulations that have a direct and material effect on the determination of the financial statement amounts.

We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States as promulgated by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and was, therefore, designed primarily for the purpose of expressing an opinion on the basic financial statements of the Trust and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,



Michael Makio
Chairman of the Board



Josephy Quinata
Chief Program Officer

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Appendix B – Summary of Corrected Misstatements

Communication schedule for corrected misstatements

Entity: Guam Preservation Trust

Period ended: 30-Sep-2020

Currency: USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
RJE01	K0110	To reclassify the George Flores house as a nondepreciable asset.								
		Nondepreciable capital assets		52,188						
		Depreciable capital assets, net		(52,188)						
RJE02	H0110	To properly classify account balances.								
		Cash & CE - Merrill	165,526							
		Cash & CE - R.J. & Assoc	2,876							
		Cash & CE - Fidelity Investments	507,479							
		Investments - Merrill Lynch	(165,526)							
		Investments - R.J. & Assoc	(2,876)							
		Investments - Fidelity Investments	(507,479)							
RJE03	VA0110	To reclassify project services that were charged to supporting services and record income for an awarded grant.								
		Program services - projects/grants							12,585	X
		Grants and other support							(10,000)	X
		Miscellaneous expense							(1,500)	X
		Travel expense							(941)	X
		Advertising							(144)	X
RJE04	N0100	To reclassify the current portion for FS presentation.								
		Long-term liabilities - due after one year			6,698					
		Long-term liabilities - due in one year			(6,698)					
AJE01	E0110	To adjust the balance of Accounts Receivable to reflect the amounts confirmed by Department of Administration as outstanding at September 30, 2020.								
		Due from Government of Guam Building Permit Fu	162,885							
		Deferred revenue			(147,877)					
		Revenues - Building permit fees							206,179	X
		Due from Government of Guam Building Permit Fu	(162,885)							
		Bad debts							(58,302)	X

Form 430GL (23 January 2020)

Appendix B – Summary of Corrected Misstatements, continued

Communication schedule for corrected misstatements

Entity: Period ended: Currency:

Corrected misstatements			Analysis of misstatements Debit/(Credit)							Income statement effect of the current period	
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Debit/(Credit)	Non taxable	
(misstatements are recorded as journal entries with a description)			Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)		
Total of corrected misstatements before income tax			0	0	(147,877)	0	0	0	147,877		
Financial statement amounts			12,306,972	0	(255,856)	0	(12,141,116)		38,456		
Effect of corrected misstatements on F/S amounts			0.0%	0.0%	57.8%	0.0%	0.0%		384.5%		

[For US PCAOB audits we are required to communicate all misstatements that are accumulated on our SAD.]