

**The Vieques Conservation and Historical Trust, Inc.
Auditor's Report and Financial Statements
Years ended September 30, 2016 and 2015**

The Vieques Conservation and Historical Trust, Inc.
Audited Financial Statements
Years ended September 30, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Vieques Conservation and Historical Trust, Inc.

I have audited the accompanying statements of financial position of The Vieques Conservation and Historical Trust, Inc. (the Organization) (a non-profit Puerto Rico corporation) as of September 30, 2016 and 2015, and the related statements of activities and of cash flows for the years then ended, and the notes to financial statements.

Management's Responsibility for the Financial Statements

The Organization's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits 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 judgement, 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 purposes of expressing opinion on the effectiveness of the entity's internal control. Accordingly, I 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my

opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Vieques Conservation and Historical Trust, Inc. as of September 30, 2016 and 2015 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Emilia Rodas Viñas

Emilia Rodas Viñas
License No. 1144
Expires December 1, 2019

November 4, 2016



The Vieques Conservation and Historical Trust, Inc.
Statements of Financial Position
September 30, 2016 and 2015

ASSETS	<u>2016</u>	<u>2015</u>
Current assets:		
Cash and cash equivalents, including bank account "Amigos del Fortin" for \$9,978 (Note 2)	\$ 363,073	\$ 379,959
Accounts receivable	3,815	1,035
Inventory- Gift Shop (Note 2)	15,301	7,632
Prepaid expenses	<u>9,566</u>	<u>8,164</u>
Total current assets	391,755	396,790
Property and equipment (Notes 2 and 3)	<u>229,742</u>	<u>230,315</u>
Total assets	<u>\$ 621,497</u>	<u>\$ 627,105</u>
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Funds in custody for "Amigos del Fortin" (Note 9)	\$ 9,978	\$ -
Accounts payable	6,360	5,537
Accrued expenses and withholdings	<u>6,860</u>	<u>5,223</u>
Total current liabilities	<u>23,198</u>	<u>10,760</u>
Net assets:		
Unrestricted	298,944	296,325
Temporarily restricted (Note 7)	<u>299,355</u>	<u>320,020</u>
Total net assets	<u>598,299</u>	<u>616,345</u>
Total liabilities and net assets	<u>\$ 621,497</u>	<u>\$ 627,105</u>

The accompanying notes are an integral part of the financial statements.

The Vieques Conservation and Historical Trust, Inc.
Statements of Activities
Years ended September 30, 2016 and 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Year 2016</u>	<u>Year 2015</u>
REVENUES:				
Direct public support (Note 8)	\$119,507	4,000	123,507	\$104,298
Grants (Note 7)	-	45,074	45,074	285,440
Gifts in kind	4,780	34,440	39,220	7,693
Membership dues	3,847	-	3,847	6,105
Gift shop net income (Note 4)	27,766	-	27,766	25,397
Fund-raising events net income	85,695	-	85,695	43,900
Manta program income	-	17,041	17,041	23,679
Miscellaneous services	382	-	382	649
Dividends and interest income	217	-	217	2,313
Total revenues	<u>242,194</u>	<u>100,555</u>	<u>342,749</u>	<u>499,474</u>
EXPENSES:				
Salaries	132,690	18,439	151,129	145,833
Payroll taxes	17,107	-	17,107	16,452
Employee benefits	17,379	-	17,379	13,125
Credit card and bank charges	7,249	-	7,249	6,886
Depreciation	3,431	-	3,431	3,431
Insurance	13,545	-	13,545	12,453
Laboratory supplies	817	-	817	-
Legal and audit fees	10,574	-	10,574	6,660
Office supplies and expenses	10,963	-	10,963	9,256
Repairs and maintenance	7,066	-	7,066	5,338
Taxes and licenses	1,077	-	1,077	1,794
Travel and meetings	4,795	-	4,795	2,411
Utilities	9,130	-	9,130	9,908
Program expenses	-	102,781	102,781	304,275
Miscellaneous	3,028	-	3,028	949
Total expenses	<u>238,851</u>	<u>121,220</u>	<u>360,071</u>	<u>538,771</u>
Decrease in net assets before other income	3,343	(20,665)	(17,322)	(39,297)
Other income (Note 6)	<u>2,650</u>	<u>-</u>	<u>2,650</u>	<u>2,681</u>
DECREASE IN NET ASSETS	<u>5,993</u>	<u>(20,665)</u>	<u>(14,672)</u>	<u>(36,616)</u>
Net assets, beginning of year	296,325	320,020	616,345	654,998
Prior years' adjustments (Note 10)	(3,374)	-	(3,374)	(2,037)
Net assets, end of year	<u>\$ 298,944</u>	<u>299,355</u>	<u>598,299</u>	<u>\$ 616,345</u>

The accompanying notes are an integral part of the financial statements.

The Vieques Conservation and Historical Trust, Inc.
Statements of Cash Flows
Years ended September 30, 2016 and 2015
(Increase (decrease) in cash)

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2016</u>	<u>2015</u>
Increase (decrease) in net assets	(<u>\$ 18,046</u>)	(<u>\$ 38,653</u>)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,431	3,431
Change in assets and liabilities:		
Decrease (increase) in gift shop inventory	(7,669)	4,045
Increase in accounts receivable	(2,780)	(6)
Decrease (increase) in other assets	(1,402)	455
Increase in accounts payable	823	1,399
Increase(decrease) in accrued expenses	1,637	(984)
Funds in custody for "Amigos del Fortin"	<u>9,978</u>	<u>-</u>
Total adjustments	<u>4,018</u>	<u>8,340</u>
Net cash provided by operating activities	(<u>14,028</u>)	(<u>30,313</u>)
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of equipment	(<u>2,858</u>)	(<u>4,175</u>)
Cash used by investing activities	(<u>2,858</u>)	(<u>4,175</u>)
 NET DECREASE IN CASH AND CASH EQUIVALENTS	 (16,886)	 (34,488)
Cash and cash equivalents, beginning of year	<u>379,959</u>	<u>414,447</u>
Cash and cash equivalents, end of year	<u>\$ 363,073</u>	<u>\$ 379,959</u>

The accompanying notes are an integral part of the financial statements.

The Vieques Conservation and Historical Trust, Inc.
Notes to Financial Statements
September 30, 2016 and 2015

NOTE 1- ORGANIZATION AND NATURE OF BUSINESS

The Vieques Conservation and Historical Trust, Inc. is a non-profit corporation (the Organization) organized under the laws of the Commonwealth of Puerto Rico on October 25, 1985. The Organization is engaged in the preservation and conservation of historic artifacts and historic sites, buildings and their surroundings and land in its natural state and wildlife preserves and other resources within and surrounding the island of Vieques, Puerto Rico, for charitable, scientific and educational purposes.

Its headquarters are located at the rural community of Esperanza of the Puerto Real Ward of Vieques, Puerto Rico, on real estate donated to the Organization in March of 1996.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting, and, accordingly, reflect all significant receivables, payables and other liabilities. Contributions are recognized when received or unconditionally pledged, but other revenues are accounted for under the accrual basis.

Financial Statement Presentation:

The Organization follows Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-profit Organizations" (SFAS 117). Under SFAS 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has no permanently restricted net assets.

Property and Equipment:

Purchased property and equipment are stated at cost. Donated property and equipment are recorded at their estimated fair value. Major renewals and betterments that extend the life of the assets are capitalized, while expenditures for repairs and maintenance are expensed when incurred. Depreciation, where applicable, is provided on the straight-line basis over the estimated useful lives of the related assets.

The Vieques Conservation and Historical Trust, Inc.
Notes to Financial Statements
September 30, 2016 and 2015

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Cash and Cash Equivalents:

Cash and cash equivalents consist of:	<u>2016</u>	<u>2015</u>
Current bank accounts, restricted use:		
Escuela Barbosa	\$ 35,177	\$ 38,107
VCHT Scholarship	16,168	20,678
DNER Bio Bay Road and "Conteo" accounts	19,897	32,274
EPA Grants accounts	-	3,000
Manta Education	6,289	795
General bank accounts, unrestricted use	20,792	16,092
Gift Shop bank account, unrestricted use	9,604	-
Scotiabank savings account, restricted use	236,974	257,756
Investment in marketable securities	<u>7,794</u>	<u>10,857</u>
	352,695	379,559
Petty cash	400	400
Bank account for "Amigos del Fortín"	<u>9,978</u>	<u>-</u>
	<u>\$ 363,073</u>	<u>\$ 379,959</u>

The investments in marketable securities consist of short-term investments in stock readily available for sale and are carried at market value.

Inventory:

The gift shop inventory, consisting of souvenirs, handicrafts, children's books, postcards, jewelry and other articles for sale, is stated at cost, under the first-in, first-out basis.

Contributed services and equipment:

In fiscal years 2016 and 2015 certain services, materials and equipment donated to the Organization by various individuals were recorded as gifts in kind. Normally the Organization pays for services requiring specific expertise. However, many individuals volunteer their time and perform various tasks that assist the Organization at its facilities, but these services do not meet the criteria for recognition as contributed services.

Presentation of Sales Tax:

The Government of Puerto Rico imposes a sales tax of 11.5% (effective August 2015) on all of the Organization's gift shop sales to non-exempt customers. The Organization collects the sales tax from its customers and remits 10.5% to the state Government and

The Vieques Conservation and Historical Trust, Inc.
Notes to Financial Statements
September 30, 2016 and 2015

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

1% to the municipality of Vieques. The Organization's accounting policy is to exclude the sales tax collected and remitted to the state and municipal governments from revenues and cost of sales.

Use of estimates:

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

NOTE 3- PROPERTY AND EQUIPMENT

Property and equipment consists of:	<u>2016</u>	<u>2015</u>
Land	\$ 79,200	\$ 79,200
Buildings and improvements	144,300	144,300
Furniture and equipment	46,214	43,356
Motor vehicle	<u>4,760</u>	<u>4,760</u>
	274,474	271,616
Less accumulated depreciation of furniture and equipment	<u>44,732</u>	<u>41,301</u>
	<u>\$ 229,742</u>	<u>\$ 230,315</u>

NOTE 4- GIFT SHOP NET INCOME

The Organization operates a gift shop on its premises as a means of obtaining additional funds for its educational and charitable activities. Following is the breakdown of the gift shop's net income for the years ended September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Gross sales	\$ 56,857	\$ 43,245
Cost of goods sold	<u>29,091</u>	<u>17,848</u>
Gross profit on sales	<u>\$ 27,766</u>	<u>\$ 25,397</u>

The Vieques Conservation and Historical Trust, Inc.
Notes to Financial Statements
September 30, 2016 and 2015

NOTE 4- GIFT SHOP NET INCOME (Cont.)

The gift shop's gross profit on sales was 49% in fiscal year 2016 and 58% in 2015.

NOTE 5- FUND-RAISING EVENTS NET INCOME

The Organization expenses carried out the following fund-raising activities during year ended September 30, 2015:

	<u>Income</u>	<u>Expenses</u>	<u>Net Income</u>
Celebrating Vieques Dinner Party	\$ 16,758	\$ 9,410	\$ 7,348
Vieques House and Arquitectural Tours	7,685	1,400	6,285
Playa Grande Plantation Tours	5,284	-	5,284
Other Fund-Raising Activities	57,891	310	57,581
Manta Appeal	<u>9,197</u>	<u>-</u>	<u>9,197</u>
	<u>\$ 96,815</u>	<u>\$11,120</u>	<u>\$ 85,695</u>

NOTE 6- OTHER INCOME

Other income consists of:	<u>2016</u>	<u>2015</u>
Realized gain on sale of stock	\$ 877	\$ 2,008
Unrealized gain on investments	<u>1,773</u>	<u>673</u>
	<u>\$ 2,650</u>	<u>\$ 2,681</u>

The unrealized gain (loss) on investments held in UBS Financial Services Inc. of Puerto Rico as of September 30, 2016 and 2015 is as follows:

	<u>2016</u>		
	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain/Loss</u>
Money market account	\$ 5,297	\$ 5,297	\$ -
Common stock:			
59 shares of Coca Cola Co.	<u>2,737</u>	<u>2,497</u>	<u>(240)</u>
	<u>\$ 8,034</u>	<u>\$ 7,794</u>	<u>(\$ 240)</u>

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Note 6- OTHER INCOME (Cont'd.)

	2015		Unrealized Gain/Loss
	Cost	Market Value	
Money market account	\$ 564	\$ 564	\$ -
Common stock:			
57 shares of Walt Disney Co.	5,369	5,825	456
50 shares of Carpenter Technology	<u>1,272</u>	<u>1,489</u>	<u>217</u>
	<u>6,641</u>	<u>7,314</u>	<u>673</u>
	<u>\$ 7,205</u>	<u>\$ 7,878</u>	<u>\$ 673</u>

NOTE 7- TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted assets as of September 30, 2016 consist of:

<u>Grant or Program Name</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Increase (Decrease) in Net Assets</u>
Scholarships	\$ 4,000	\$ 8,500	(\$ 4,500)
Manta Education Program	51,481	67,480	(15,999)
USFWS Biology Project	4,955	4,955	-
DNER Improvements to Bioluminescent Bay Public Access	6,000	16,310	(10,310)
DNER Partnership	5	5	-
EPA Funding of Bio Bay Erosion Control	119	494	(375)
EPA Vieques Septics System	8,975	1,308	7,667
Puerto Rico Legislature Donation	25,020	21,038	3,982
Barbosa School Maintenance	<u>-</u>	<u>1,130</u>	<u>(1,130)</u>
	<u>\$ 100,555</u>	<u>\$ 121,220</u>	<u>(20,665)</u>
Net temporarily restricted assets, beginning of year			<u>320,020</u>
Net temporarily restricted assets, end of year			<u>\$ 299,355</u>

The Vieques Conservation and Historical Trust, Inc.
Notes to Financial Statements
September 30, 2016 and 2015

NOTE 8- STOCK DONATIONS

Direct public support includes \$61,740 of the following stocks donated to the Organization during fiscal year 2016:

32 shares of Amgen Co.	\$ 5,117
59 shares of Coca Cola Co.	2,523
500 shares of Johnson & Johnson Co.	<u>54,100</u>
Total	<u>\$ 61,740</u>

As of September 30, 2016, the Amgen Co. and Johnson & Johnson Co. stock had been sold.

NOTE 9- "AMIGOS DEL FORTIN DE VIEQUES" AGREEMENT

In the month of June 2016, The Vieques Conservation and Historical Trust, Inc. formalized an agreement with the community group named "Amigos del Fortin de Vieques" to serve as their fiscal agent for the collection and disposition of donations used in the repair and restoration of the "Conde de Mirasol" Fortress in Vieques, P.R. The Organization will serve as the custodian and administrator of the donated funds for one year ending June 2017, for a service charge of 10% of the gross funds donated.

NOTE 10- PRIOR YEARS' ADJUSTMENTS

The prior years' adjustments for fiscal year 2016 consist of sales tax (IVU) of \$2,354 paid in March 2016 pertaining to years 2008 and 2009, resulting from a request of a Certificate of Debt from the P.R. Department of the Treasury and an October 2015 payment of \$1,020 relating to a 2011 Puerto Mosquito agreement.

The prior year's adjustment of fiscal year 2015 consists of penalty, interest and surcharges paid to the Puerto Rico Department of the Treasury on the late filing of the P.R. income tax return of year 2010, relating to the Organization's Puerto Rico tax exemption request.

NOTE 11- INCOME TAX STATUS

The Organization was granted tax exemption by the U.S.A. government under section 501(c) of the U.S.A. Internal Revenue Code almost since its inception. On June 15, 2011, the Organization filed an Application for Tax Exemption under Section 1101.01 of the

The Vieques Conservation and Historical Trust, Inc.
Notes to Financial Statements
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NOTE 11- INCOME TAX STATUS (Cont.)

Internal Revenue Code for a New Puerto Rico of 2011. On February 23, 2012 the Puerto Rico Department of the Treasury granted the Organization exemption from the payment of Income Tax under the dispositions of Section 1101.01(a)(2)(A)(i) of the Puerto Rico Code, as a charitable entity, effective January 1, 2011.

NOTE 12- SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 4, 2016, the date on which the financial statements were available to be issued.