

**The Vieques Conservation and Historical Trust, Inc.
Auditor's Report and Financial Statements
Years ended September 30, 2017 and 2016**

The Vieques Conservation and Historical Trust, Inc.
Audited Financial Statements
Years ended September 30, 2017 and 2016

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-12

Emilia Rodas Viñas
Certified Public Accountant

1519 Ponce de León Avenue, First Bank Bldg. Suite 310 San Juan, Puerto Rico 00909-1708
Tel (787) 721-1433 Fax (787) 723-7470

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, 2017 and 2016, 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.

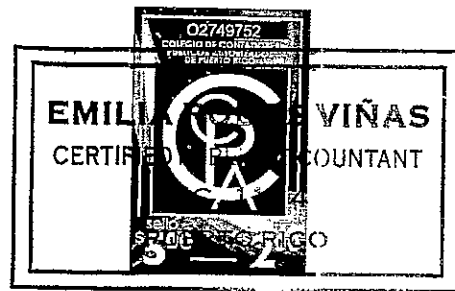
Opinion

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, 2017 and 2016 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

February 5, 2018



The Vieques Conservation and Historical Trust, Inc.
Statements of Financial Position
September 30, 2017 and 2016

ASSETS	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents, including bank account "Amigos del Fortin" (Note 2)	\$ 307,505	\$ 363,073
Accounts receivable	7,518	3,815
Inventory- Gift Shop (Note 2)	14,876	15,301
Prepaid expenses	<u>11,355</u>	<u>9,566</u>
Total current assets	341,254	391,755
Property and equipment (Notes 2 and 3)	<u>227,500</u>	<u>229,742</u>
Total assets	<u>\$ 568,754</u>	<u>\$ 621,497</u>
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Funds in custody for "Amigos del Fortin" (Note 9)	\$ 738	\$ 9,978
Accounts payable	717	6,360
Accrued expenses and withholdings	<u>6,546</u>	<u>6,860</u>
Total current liabilities	<u>8,001</u>	<u>23,198</u>
Net assets:		
Unrestricted	281,198	298,944
Temporarily restricted (Note 7)	<u>279,555</u>	<u>299,355</u>
Total net assets	<u>560,753</u>	<u>598,299</u>
Total liabilities and net assets	<u>\$ 568,754</u>	<u>\$ 621,497</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, 2017 and 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Year 2017</u>	<u>Year 2016</u>
REVENUES:				
Direct public support (Note 8)	\$ 61,361	14,500	75,861	\$ 123,507
Grants (Note 7)	-	31,134	31,134	45,074
Gifts in kind	6,032	49,989	56,021	39,220
Membership dues	8,620	-	8,620	3,847
Gift shop net income (Note 4)	16,326	-	16,326	27,766
Fund- raising events net income	97,941	-	97,941	85,695
Manta program income	-	27,517	27,517	17,041
Miscellaneous services	-	-	-	382
Dividends and interest income	633	-	633	217
Total revenues	<u>190,913</u>	<u>123,140</u>	<u>314,053</u>	<u>342,749</u>
EXPENSES:				
Salaries	120,857	19,440	140,297	151,129
Payroll taxes	14,655	-	14,655	17,107
Employee benefits	15,951	-	15,951	17,379
Credit card and bank charges	6,528	-	6,528	7,249
Depreciation	2,242	-	2,242	3,431
Insurance	14,100	-	14,100	13,545
Laboratory supplies	1,231	-	1,231	817
Legal and audit fees	6,681	-	6,681	10,574
Office supplies and expenses	7,217	-	7,217	10,963
Repairs and maintenance	2,220	-	2,220	7,066
Taxes and licenses	1,923	-	1,923	1,077
Travel and meetings	2,283	-	2,283	4,795
Utilities	8,756	-	8,756	9,130
Program expenses	-	123,500	123,500	102,781
Miscellaneous	3,084	-	3,084	3,028
Total expenses	<u>207,728</u>	<u>142,940</u>	<u>350,668</u>	<u>360,071</u>
Decrease in net assets before other income	(16,815)	(19,800)	(36,615)	(17,322)
Other income (Note 6)	922	-	922	2,650
DECREASE IN NET ASSETS	(15,893)	(19,800)	(35,693)	(14,672)
Net assets, beginning of year	298,944	299,355	598,299	616,345
Prior year's adjustment (Note 10)	(1,853)	-	(1,853)	(3,374)
Net assets, end of year	<u>\$ 281,198</u>	<u>279,555</u>	<u>560,753</u>	<u>\$ 598,299</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, 2017 and 2016
(Increase (decrease) in cash)

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2017</u>	<u>2016</u>
Increase (decrease) in net assets	(\$ 37,546)	(\$ 18,046)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,242	3,431
Change in assets and liabilities:		
Decrease in gift shop inventory	425	(7,669)
Increase in accounts receivable	(3,703)	(2,780)
Increase in other assets	(1,789)	(1,402)
Increase (decrease) in accounts payable	(5,643)	823
Increase (decrease) in accrued expenses	(314)	1,637
Funds in custody for "Amigos del Fortin"	(9,240)	9,978
Total adjustments	<u>(18,022)</u>	<u>4,018</u>
Net cash used by operating activities	(55,568)	(14,028)
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of equipment	(-)	(2,858)
Cash used by investing activities	(-)	(2,858)
 NET DECREASE IN CASH AND CASH EQUIVALENTS	 (55,568)	 (16,886)
Cash and cash equivalents, beginning of year	<u>363,073</u>	<u>379,959</u>
Cash and cash equivalents, end of year	<u>\$ 307,505</u>	<u>\$ 363,073</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, 2017 and 2016

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, 2017 and 2016

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

Cash and Cash Equivalents:	<u>2017</u>	<u>2016</u>
Cash and cash equivalents consist of:		
Current bank accounts, restricted use:		
Escuela Barbosa	\$ 34,400	\$ 35,177
VCHT Scholarship	16,168	16,168
DNER Partnership	257	19,897
Manta Education	9,708	6,289
General bank accounts, unrestricted use	4,768	20,792
Gift Shop bank account, unrestricted use	10,295	9,604
Scotiabank savings account, restricted use	217,484	236,974
Investment in marketable securities	<u>13,288</u>	<u>7,794</u>
	305,368	352,695
Petty cash	400	400
Bank account for "Amigos del Fortín"	<u>737</u>	<u>9,978</u>
	<u>\$ 307,505</u>	<u>\$ 363,073</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 the years 2017 and in period 2016 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, 2017 and 2016

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>2017</u>	<u>2016</u>
Land	\$ 79,200	\$ 79,200
Buildings and improvements	144,300	144,300
Furniture and equipment	46,214	46,214
Motor vehicle	<u>4,760</u>	<u>4,760</u>
	274,474	274,474
Less accumulated depreciation of furniture and equipment	<u>46,974</u>	<u>44,732</u>
	<u>\$ 227,500</u>	<u>\$ 229,742</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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Gross sales	\$ 36,520	\$ 56,857
Cost of goods sold	<u>20,194</u>	<u>29,091</u>
Gross profit on sales	<u>\$ 16,326</u>	<u>\$ 27,766</u>

The Vieques Conservation and Historical Trust, Inc.
Notes to Financial Statements
September 30, 2017 and 2016

NOTE 4- GIFT SHOP NET INCOME (Cont.)

The gift shop's gross profit on sales was 45% in fiscal year 2017 and 49% in 2016.

NOTE 5- FUND-RAISING EVENTS NET INCOME

The Organization carried out the following fund-raising activities during year ended September 30, 2017:

	<u>Income</u>	<u>Expenses</u>	<u>Net Income</u>
Preserving the Reserve Drive	\$ 10,342	-	\$ 10,342
Annual Appeal	10,635	-	10,635
Celebrating Vieques Dinner Party	14,814	7,684	7,130
Vieques House Tours	6,059	1,650	4,409
Playa Grande Plantation Tours	3,049	-	3,049
Fifty thousand (50K) in Fifty Days	52,350	-	52,350
Auction Gala	9,242	-	9,242
Other Fund-Raising Activities	<u>6,137</u>	<u>5,353</u>	<u>784</u>
	<u>\$112,628</u>	<u>14,687</u>	<u>\$ 97,941</u>

NOTE 6- OTHER INCOME

Other income consists of:

	<u>2017</u>	<u>2016</u>
Realized gain on sale of stock	\$ -	\$ 877
Unrealized gain on investments	<u>922</u>	<u>1,773</u>
	<u>\$ 922</u>	<u>\$ 2,650</u>

The unrealized gain (loss) on investments held in UBS Financial Services Inc. of Puerto Rico as of September 30, 2017 and 2016 is as follows:

	<u>2017</u>		
	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain/Loss</u>
Money market account	<u>\$ 5,238</u>	<u>\$ 5,238</u>	<u>\$ 0</u>
Common stock:			
119 shares of Coca Cola Co.	7,865	5,356	(2,509)
47 shares of T. Rowe Price Funds	<u>1,045</u>	<u>2,694</u>	<u>1,649</u>
	<u>8,910</u>	<u>8,050</u>	<u>(860)</u>
	<u>\$14,148</u>	<u>\$13,288</u>	<u>(\$ 860)</u>

The Vieques Conservation and Historical Trust, Inc.
Notes to Financial Statements
September 30, 2017 and 2016

Note 6- OTHER INCOME (Cont'd.)

	2016		
	Cost	Unrealized Market Value	Gain/Loss
Money market account	\$ 5,297	\$ 5,297	\$ 0
Common stock:			
59 shares of Coca Cola Co.	2,737	2,497	(240)
	\$ 8,034	\$ 7,794	(\$ 240)

NOTE 7- TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted assets as of September 30, 2017 consist of:

<u>Grant or Program Name</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Increase (Decrease) in Net Assets</u>
Scholarships	\$ 9,500	\$ 9,000	\$ 500
Manta Education Program	77,506	82,213	(4,707)
USFWS Biology Project	6,134	5,721	413
DNER Improvements to Bioluminescent Bay Public Access- Reimbursement of unused funds	-	19,196	(19,196)
Syracuse University Coastal Debris Removal Project	5,000	1,070	3,930
Puerto Rico Legislature Grant	25,000	25,000	-
Barbosa School Maintenance	-	740	(740)
	\$ 123,140	\$ 142,940	(19,800)
Net temporarily restricted assets, beginning of year			299,355
Net temporarily restricted assets, end of year			\$ 279,555

The Vieques Conservation and Historical Trust, Inc.
Notes to Financial Statements
September 30, 2017 and 2016

NOTE 8- STOCK DONATIONS

Direct public support includes \$4,627 of the following stocks donated to the Organization during fiscal year 2017:

52 shares of T. Rowe Price Funds	\$ 2,131
60 shares of Coca Cola Co.	<u>2,496</u>
	<u>\$ 4,627</u>

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 and disposition of donations used in the repair and restoration of the "Conde de Mirasol" Fortress in Vieques, P.R. The Organization served as the custodian and administrator of the donated funds for one year ending June 2017, for a service charge of 10% of the gross donated funds.

NOTE 10- PRIOR YEAR'S ADJUSTMENT

On November 4, 2016 a sales tax (IVU) debt of \$1,852.60 was paid, pertaining to the months of April, May, June and July of year 2016, this amount consisting principally of surcharges and penalties on the late deposit of sales taxes for these months.

The prior year's adjustment for fiscal year 2016 consists 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 Puerto Rico Department of the Treasury, and an October 2015 payment of \$1,020 relating to a 2011 Puerto Mosquito agreement.

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 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.

The Vieques Conservation and Historical Trust, Inc.
Notes to Financial Statements
September 30, 2017 and 2016

NOTE 12- HURRICANE MARIA LOSSES

On September 20, 2017, a category 5 hurricane named Maria hit and devastated Puerto Rico. The Vieques Conservation and Historical Trust, Inc.'s facilities were badly damaged and in the month of December 2017, the Organization filed an insurance claim with its insurance company for hurricane losses estimated at more than \$100,000.

As of auditor's report date, the Organization's insurance claim for losses caused by Hurricane Maria is pending resolution. Accordingly, no Hurricane losses have been accounted for nor reported in the accompanying financial statements.

NOTE 13- SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through February 5, 2018, the date on which the financial statements were available to be issued.