

**The Vieques Conservation and Historical Trust, Inc.
Auditor's Report and Financial Statements
Year ended September 30, 2015 and period of
nine months ended September 30, 2014**

The Vieques Conservation and Historical Trust, Inc.
Audited Financial Statements
Year ended September 30, 2015 and period of
nine months ended September 30, 2014

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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, 2015 and 2014, and the related statements of activities and of cash flows for the year ended September 30, 2015 and the period of nine months ended September 30, 2014, 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, 2015 and 2014 and the changes in its net assets and its cash flows for the year ended September 30, 2015 and the period of nine months ended September 30, 2014, 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, 2016

December 2, 2015



The Vieques Conservation and Historical Trust, Inc.
Statements of Financial Position
September 30, 2015 and 2014

ASSETS	<u>2015</u>	<u>2014</u>
Current assets:		
Cash and cash equivalents (Note 2)	\$ 379,959	\$ 414,447
Accounts receivable	1,035	1,029
Inventory- Gift Shop (Note 2)	7,632	11,677
Prepaid expenses	<u>8,164</u>	<u>8,619</u>
Total current assets	396,790	435,772
Property and equipment (Notes 2 and 3)	<u>230,315</u>	<u>229,572</u>
Total assets	<u>\$ 627,105</u>	<u>\$ 665,344</u>
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 5,537	\$ 4,138
Accrued expenses and withholdings	<u>5,223</u>	<u>6,208</u>
Total current liabilities	<u>10,760</u>	<u>10,346</u>
Net assets:		
Unrestricted	296,325	303,512
Temporarily restricted (Note 7)	<u>320,020</u>	<u>351,486</u>
Total net assets	<u>616,345</u>	<u>654,998</u>
Total liabilities and net assets	<u>\$ 627,105</u>	<u>\$ 665,344</u>

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

The Vieques Conservation and Historical Trust, Inc.
Statements of Activities
Year ended September 30, 2015 and period of
nine months ended September 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Year 2015</u>	<u>Period 2014</u>
REVENUES:				
Direct public support	\$ 98,998	5,300	104,298	\$ 62,646
Grants (Note 7)	-	285,440	285,440	218,162
Gifts in kind	7,693	-	7,693	1,283
Membership dues	6,105	-	6,105	7,785
Gift shop net income (Note 4)	25,397	-	25,397	15,553
Fund- raising events net income	43,900	-	43,900	32,995
Manta program income	-	23,679	23,679	20,257
Miscellaneous services	649	-	649	864
Dividends and interest income	<u>2,313</u>	<u>-</u>	<u>2,313</u>	<u>1,372</u>
Total revenues	<u>185,055</u>	<u>314,419</u>	<u>499,474</u>	<u>360,917</u>
EXPENSES:				
Salaries	104,223	41,610	145,833	90,101
Payroll taxes	16,452	-	16,452	11,688
Employee benefits	13,125	-	13,125	11,868
Contracted services	195	-	195	14,837
Credit card and bank charges	6,886	-	6,886	5,695
Depreciation	3,431	-	3,431	2,573
Insurance	12,453	-	12,453	8,806
Legal and audit fees	6,660	-	6,660	9,550
Office supplies and expenses	9,256	-	9,256	10,474
Repairs and maintenance	5,338	-	5,338	7,765
Taxes and licenses	1,794	-	1,794	2,484
Travel and meetings	2,411	-	2,411	12,153
Utilities	9,908	-	9,908	8,748
Program expenses	-	304,275	304,275	158,660
Miscellaneous	<u>754</u>	<u>-</u>	<u>754</u>	<u>468</u>
Total expenses	<u>192,886</u>	<u>345,885</u>	<u>538,771</u>	<u>355,870</u>
Increase (decrease) in net assets before other income	(7,831)	(31,466)	(39,297)	5,047
Other income (Note 6)	<u>2,681</u>	<u>-</u>	<u>2,681</u>	<u>9,756</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(5,150)</u>	<u>(31,466)</u>	<u>(36,616)</u>	<u>14,803</u>
Net assets, beginning of year	303,512	351,486	654,998	640,195
Prior years' adjustment (Note 8)	<u>(2,037)</u>	<u>-</u>	<u>(2,037)</u>	<u>-</u>
Net assets, end of year	<u>\$ 296,325</u>	<u>320,020</u>	<u>616,345</u>	<u>\$ 654,998</u>

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

The Vieques Conservation and Historical Trust, Inc.
Statements of Cash Flows
Year ended September 30, 2015 and period of nine months
ended September 30, 2014
(Increase (decrease) in cash)

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2015</u>	<u>2014</u>
Increase (decrease) in net assets	(<u>\$ 38,653</u>)	<u>\$ 14,803</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,431	2,573
Change in assets and liabilities:		
Decrease in gift shop inventory	4,045	5,808
Increase in accounts receivable	(6)	(65)
Decrease (increase) in other assets	455	(3,297)
Increase in accounts payable	1,399	1,140
Decrease in accrued expenses	(<u>984</u>)	(<u>1,399</u>)
Total adjustments	<u>8,340</u>	<u>4,760</u>
Net cash provided (used) by operating activities	(<u>30,313</u>)	<u>19,563</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of laboratory equipment	(<u>4,175</u>)	-
Cash used by investing activities	(<u>4,175</u>)	-
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (34,488)	 19,563
Cash and cash equivalents, beginning of year	<u>414,447</u>	<u>394,884</u>
Cash and cash equivalents, end of year	<u>\$ 379,959</u>	<u>\$ 414,447</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, 2015 and 2014

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, 2015 and 2014

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

Cash and Cash Equivalents:

Cash and cash equivalents consist of:	<u>2015</u>	<u>2014</u>
Current bank accounts, restricted use:		
Escuela Barbosa	\$ 38,107	\$ 33,858
VCHT Scholarship	20,678	20,570
DNER Bio Bay Road and "Conteo" accounts	32,274	22,921
EPA Grants accounts	3,000	3,229
Manta Education	795	15,874
General bank accounts, unrestricted use	16,092	34,850
Scotiabank savings account, restricted use	257,756	256,891
Investment in marketable securities	<u>10,857</u>	<u>25,949</u>
	379,559	414,142
Petty cash	<u>400</u>	<u>305</u>
	<u>\$ 379,959</u>	<u>\$ 414,447</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 year ended September 30, 2015 and in period 2014 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, 2015 and 2014

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. Prior to August 2015, the sales tax was 7%.

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>2015</u>	<u>2014</u>
Land	\$ 79,200	\$ 79,200
Buildings and improvements	144,300	144,300
Furniture and equipment	43,356	39,181
Motor vehicle	<u>4,760</u>	<u>4,760</u>
	271,616	267,441
Less accumulated depreciation of furniture and equipment	<u>41,301</u>	<u>37,869</u>
	<u>\$ 230,315</u>	<u>\$ 229,572</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 year ended September 30, 2015 and the period of nine months ended September 30, 2014:

	<u>2015</u>	<u>2014</u>
Gross sales	\$ 43,245	\$ 34,459
Cost of goods sold	<u>17,848</u>	<u>18,906</u>
Gross profit on sales	<u>\$ 25,397</u>	<u>\$ 15,553</u>

The Vieques Conservation and Historical Trust, Inc.
Notes to Financial Statements
September 30, 2015 and 2014

NOTE 4- GIFT SHOP NET INCOME (Cont.)

The gift shop's gross profit on sales increased from 45% in the period of nine months ended September 30, 14 to 58% in the year ended September 30, 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	\$ 16,350	7,839	\$ 8,511
Vieques House Tours	6,705	1,675	5,030
Playa Grande Plantation Tours	9,808	632	9,176
Household Items Sale for Barbosa School	4,916	-	4,916
Manta Fund-Raising (Appeal)	8,635	-	8,635
Miscellaneous Activities	9,573	1,941	7,632
	<u>\$ 55,987</u>	<u>12,087</u>	<u>\$ 43,900</u>

NOTE 6- OTHER INCOME

Other income consists of:	<u>2015</u>	<u>2014</u>
Realized gain on sale of stock	\$ 2,008	\$ 1,717
Unrealized gain on investments	673	8,039
	<u>\$ 2,681</u>	<u>\$ 9,756</u>

The unrealized gain (loss) on investments held in UBS Financial Services Inc. of Puerto Rico as of September 30, 2015 and 2014 is as follows:

	<u>2015</u>		
	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain/Loss</u>
Money market account	\$ 564	\$ 564	\$ 0
Common stock:			
57 shares of Walt Disney Co.	5,369	5,825	456
50 shares of Carpenter Technology	1,272	1,489	217
	<u>6,641</u>	<u>7,314</u>	<u>673</u>
	<u>\$ 7,205</u>	<u>\$ 7,878</u>	<u>\$ 673</u>

The Vieques Conservation and Historical Trust, Inc.
Notes to Financial Statements
September 30, 2015 and 2014

Note 6- OTHER INCOME (Cont'd.)

	<u>2014</u>		<u>Unrealized Gain/Loss</u>
	<u>Cost</u>	<u>Market Value</u>	
Money market account	\$ 385	\$ 385	\$ 0
Common stock:			
182 shares of AMGEN, Inc.	<u>17,525</u>	<u>25,564</u>	<u>8,039</u>
	<u>\$ 17,910</u>	<u>\$ 25,949</u>	<u>\$ 8,039</u>

NOTE 7- TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted assets as of September 30, 2015 consist of:

<u>Grant or Program Name</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Increase (Decrease) in Net Assets</u>
Scholarships	\$ 5,300	\$ 11,492	(\$ 6,192)
Manta Education Fund	23,679	21,021	2,658
DNER Improvements to Bioluminescent Bay Public Access	200,000	228,683	(28,683)
DNER Counting of Bio Bay Dinoflagellates	4,278	4,089	189
EPA Funding of Bio Bay Erosion Control	36,300	34,811	1,489
Toyota Manta Education	1,700	6,310	(4,610)
EPA Vieques Septics System	13,196	12,992	204
Puerto Rico Legislature Donation	25,000	24,850	150
Syracuse University	<u>4,966</u>	<u>1,637</u>	<u>3,329</u>
	<u>\$ 314,419</u>	<u>\$ 345,885</u>	<u>(31,446)</u>
Net temporarily restricted assets, beginning of year			<u>351,486</u>
Net temporarily restricted assets, end of year			<u>\$ 320,020</u>

The Vieques Conservation and Historical Trust, Inc.
Notes to Financial Statements
September 30, 2015 and 2014

NOTE 8- PRIOR YEAR'S ADJUSTMENT

On October 30, 2014, the Organization paid \$2,037 for penalty, interest and surcharges imposed by the Puerto Rico Department of the Treasury on the late filing of year 2010 P.R. income tax return, relating to the Organization's request for the Puerto Rico tax exemption. Since this tax is unrelated to the 2015 operations, it has been presented as a prior year's adjustment.

NOTE 9- CHANGE IN ACCOUNTING PERIOD

On November 5, 2014 the Puerto Rico Department of the Treasury approved the Organization's request to change its accounting period-end from December 31 to September 30, effective for the accounting year beginning October 1, 2014. Accordingly, the Organization filed a Puerto Rico Tax-exempt Return for the short period ending September 30, 2014 (nine months), as required under Section 1061.24 of the Puerto Rico Internal Revenue Code.

NOTE 10- 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.

NOTE 11- SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 2, 2015, the date on which the financial statements were available to be issued.