

**The Vieques Conservation and Historical Trust, Inc.  
Auditor's Report and Financial Statements  
Year ended September 30, 2019**

**The Vieques Conservation and Historical Trust, Inc.**  
**Audited Financial Statements**  
**Year ended September 30, 2019**

**TABLE OF CONTENTS**

	<b>PAGE</b>
Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-12

***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**

The Board of Directors  
The Vieques Conservation and Historical Trust, Inc.  
Vieques, Puerto Rico

I have audited the accompanying financial statements of The Vieques Conservation and Historical Trust, Inc. (a Puerto Rico nonprofit corporation) (the Organization) , which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses, and of cash flows for the year then ended, and the notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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 audit. I conducted my audit 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, whether due to fraud or error.

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 purpose 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

audit 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, 2019 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### **Emphasis of a Matter**

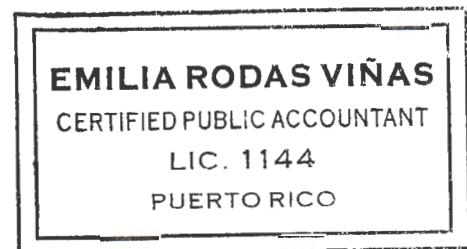
As discussed in Note 2 to the financial statements, as of September 30, 2019, the Organization adopted Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, methods used to allocate costs, and direction for consistency about information provided about expenses and investment return. The adoption of the standard resulted in additional footnote disclosures and changes to classification of net assets and disclosures related to net assets. My opinion is not modified with respect to this matter.

*Emilia Rodas Viñas*

Emilia Rodas Viñas  
License No. 1144  
Expires December 1, 2022

November 27, 2019

Stamp No. 02773664 of the Puerto Rico Society  
of CPA's was affixed to the original of this report.



**The Vieques Conservation and Historical Trust, Inc.**  
**Statement of Financial Position**  
**September 30, 2019**

**ASSETS**

Current assets:	
Cash and cash equivalents (Note 3)	\$ 436,206
Accounts receivable	2,988
Inventory- Gift Shop (Note 2)	12,753
Prepaid expenses	<u>24,659</u>
Total current assets	476,606
Property and equipment (Notes 2 and 4)	<u>247,088</u>
Total assets	<u>\$ 723,694</u>

**LIABILITIES AND NET ASSETS**

Current liabilities:	
Funds in custody for "Organizacion Vieques en Rescate, Inc."	\$ 7,910
Accounts payable	3,891
Accrued expenses and withholdings	<u>10,096</u>
Total current liabilities	<u>21,897</u>
Net assets:	
Without donor restrictions	
Undesignated	279,168
With donor restrictions	<u>422,629</u>
Total net assets	<u>701,797</u>
Total liabilities and net assets	<u>\$ 723,694</u>

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

**The Vieques Conservation and Historical Trust, Inc.**  
**Statement of Activities**  
**Year ended September 30, 2019**

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<b>REVENUES, SUPPORT AND GAINS</b>			
Support:			
Gifts, grants and contributions (Note 5)	\$ 319,733	219,623	\$ 539,356
In-kind contributions	<u>79,779</u>	<u>-</u>	<u>79,779</u>
	<u>399,512</u>	<u>219,623</u>	<u>619,135</u>
Net investment return:			
Interest and dividends	1,602	-	1,602
Realized loss	( 525)	-	( 525)
Unrealized loss	<u>( 571)</u>	<u>-</u>	<u>( 571)</u>
	<u>506</u>	<u>-</u>	<u>506</u>
 Total revenues and support	 <u>400,018</u>	 <u>219,623</u>	 <u>619,641</u>
<b>EXPENSES</b>			
Program services:			
Grants	-	40,920	40,920
Program expenses	<u>115,042</u>	<u>57,623</u>	<u>172,665</u>
Total program services	<u>115,042</u>	<u>98,543</u>	<u>213,585</u>
Supporting services:			
Management and general	308,117	-	308,117
Fundraising	<u>10,859</u>	<u>-</u>	<u>10,859</u>
Total supporting services	<u>318,976</u>	<u>-</u>	<u>318,976</u>
 Total expenses	 <u>434,018</u>	 <u>98,543</u>	 <u>532,561</u>
 <b>CHANGE IN NET ASSETS</b>	 <u>( 34,000)</u>	 <u>121,080</u>	 <u>87,080</u>
NET ASSETS, beginning of year	<u>313,168</u>	<u>301,549</u>	<u>614,717</u>
NET ASSETS, end of year	<u>\$ 279,168</u>	<u>422,629</u>	<u>\$ 701,797</u>

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

**The Vieques Conservation and Historical Trust, Inc.**  
**Statement of Functional Expenses**  
**Year ended September 30, 2019**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 10,138	160,415	-	\$ 170,553
Payroll taxes	-	20,625	-	20,625
Employee benefits	-	24,825	-	24,825
Credit card and bank charges	-	8,101	-	8,101
Depreciation	-	3,022	-	3,022
Insurance	1,300	27,386	750	29,436
Laboratory supplies	-	1,361	-	1,361
Legal and audit fees	-	15,385	-	15,385
Office supplies and expenses	-	8,046	-	8,046
Repairs and maintenance	2,934	16,245	-	19,179
Taxes and licenses	-	1,030	-	1,030
Travel and meetings	281	5,113	-	5,394
Utilities	-	8,366	-	8,366
Contracted services	55,634	2,737	4,154	62,525
Food and beverages	24,948	-	4,755	29,703
Transportation	8,121	-	1,200	9,321
T-shirts	6,092	-	-	6,092
Equipment rental	1,120	1,989	-	3,109
Petty cash	1,400	-	-	1,400
Donated tours	10,570	-	-	10,570
Scholarships paid	22,000	-	-	22,000
Grants computers and equipment	6,112	-	-	6,112
Supplies	10,074	-	-	10,074
Activities expenses	530	-	-	530
Staff development and training	3,559	-	-	3,559
Educational program guides	21,750	-	-	21,750
Satellite phones and internet	1,287	-	-	1,287
Teacher services	23,315	-	-	23,315
Miscellaneous	<u>2,420</u>	<u>3,471</u>	<u>-</u>	<u>5,891</u>
	<u>\$ 213,585</u>	<u>308,117</u>	<u>10,859</u>	<u>\$ 532,561</u>

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

**The Vieques Conservation and Historical Trust, Inc.**  
**Statement of Cash Flows**  
**Year ended September 30, 2019**  
**(Increase (decrease) in cash)**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets	<u>\$ 87,080</u>
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	3,022
Change in operating assets and liabilities:	
Gift shop inventory	( 1,818)
Accounts receivable	3,388
Prepaid expenses	( 6,147)
Accounts payable	406
Accrued expenses	1,569
Funds in custody for "Org.Vieques en Rescate, Inc."	<u>7,910</u>
Total adjustments	<u>8,330</u>
Net cash from operating activities	<u>95,410</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Acquisition of equipment	<u>( 24,455)</u>
Net cash from investing activities	<u>( 24,455)</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

70,955

Cash and cash equivalents, beginning of year 365,251

Cash and cash equivalents, end of year \$ 436,206

Supplemental disclosure of cash flows information:

Non-cash transactions:

In-kind contributions \$ 79,779

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



**The Vieques Conservation and Historical Trust, Inc.**  
**Notes to Financial Statements**  
**September 30, 2019**

**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 and Presentation

The financial statements of The Vieques Conservation and Historical Trust, Inc. have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle:

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, methods used to allocate costs, underwater endowments, and direction for consistency about the information provided about expenses and investment return. The Vieques Conservation and Historical Trust, Inc. has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain

**The Vieques Conservation and Historical Trust, Inc.**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

grantor) restrictions. The Board of Directors has designated, from net assets without donor restrictions, net assets for operating and administrative reserves.

**Net Assets With Donor Restrictions**

Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The bylaws of the Organization include a variance provision giving the Board of Directors the power, whenever any restriction or condition on the distribution of funds becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable, educational, and scientific needs of the communities or areas served, to modify any restriction or condition placed on the distribution of funds and to apply the whole or any part of the principal or income of funds as in its judgement is necessary to serve more effectively the charitable, educational and scientific purposes of the Organization.

Based on that provision, The Vieques Conservation and Historical Trust, Inc. classifies all contributions and assets, except as noted below, as net assets without donor restrictions for financial statements presentation. Donations received for the Manta summer educational program and for the scholarship program are classified as net assets with donor restrictions. Funds received from grants approved the Organization are also classified as net assets with donor restrictions. The Organization has no assets that are restricted in perpetuity.

**Cash and Cash Equivalents**

For purposes of the statement of financial position and the statement of cash flows, the Organization considers cash balances and highly liquid investments available for current use with an initial maturity of three months or less when acquired to be cash and cash equivalents. The Organization reports money markets accounts and investment in marketable securities as part of cash and cash equivalents. The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. After that, investment in marketable securities are reported at their fair values in the statement of financial position as part of the cash and cash equivalent balance.

**The Vieques Conservation and Historical Trust, Inc.**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Inventory:**

The gift shop inventory, consisting of souvenirs, handcrafts, children's books, postcards, t-shirts and other articles for sale, is stated at cost, under the first-in, first-out basis.

**Property and Equipment:**

The Organization records property and equipment additions over \$500 at cost, or, if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The cost and related depreciation of assets sold or disposed of are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

**Revenue and Revenue Recognition:**

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

**Donated Services and In-kind Contributions:**

Volunteers contribute significant amounts of time to The Vieques Conservation and Historical Trust, Inc.'s program services, administration and development activities. The donated services and goods, principally related to the Manta summer program and fundraising events, are reported in the statement of activities as In-kind Contributions. Contributed goods are recorded at fair value at the date of the donation. The organization records donated professional services at the respective fair values of the services received.

The Organization received marketable securities valued at \$23,225 on the date of the donation during year ended September 30, 2019 that have been reflected in the statement of activities.

**Grants and Program Services:**

The Organization's main programmatic areas consist of: the co-management of The Vieques Bioluminescent Bay Natural Reserve with the Puerto Rico Department of Environmental and

**The Vieques Conservation and Historical Trust, Inc.**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING PPOLICIES (continued)**

Natural Resources, the Elizabeth Langhorne Vieques Bioluminescence Laboratory, the Manta Summer Education program for children and youth, scholarships for deserving Vieques students for higher education, a community emergency/resiliency hub to provide emergency community services in case of natural disasters, and the Escuela Barbosa Community Innovation Hub Environmental Educational and Scientific Research Center focused on small islands' sustainability. These programs are principally financed from grant funds and donations received by the Organization.

**Presentation of Sales Tax:**

The Government of Puerto Rico imposes a sales tax of 11.5% on all of the Organization's gift shop sales to non-exempt customers. The Organization collects the sales tax "TVU" from its customers and remits 10.5% to the state Government and 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 certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, costs and expenses during the reporting period. Accordingly, the actual results could differ from those estimates, and the differences could be material.

**Income taxes:**

The Organization is a not-for-profit organization that is exempt fro income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Code as other than a private foundation. The Organization is also exempt from income tax under Section 1101.01(a)(2)(A)(1) of the Puerto Rico Code, as a charitable entity, effective January 1, 2011.

The Organization follows the guidance of FASB ASC 740-Accounting for Uncertainty in Income Taxes. As of September 30, 2019, management evaluated the Organization's tax positions and concluded that the Organization has maintained its tax-exempt status and had taken no uncertain tax positions that require adjustments to the financial statements.

**The Vieques Conservation and Historical Trust, Inc.**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Functional Expense Allocations:

The costs of the program and supporting services have been summarized on a functional basis in the statement of activities. The statement of Functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The Organization classifies its expenses based on the following categories:

Program Services

- Grants awarded the Organization
- Educational and Philanthropic Expenses: Operating expenses associated with developing, evaluating and processing scholarship applications, services to the Vieques community and educational programs for the Vieques youth and others

Management and General Expenses

- Expenses to hold board, committee or staff meetings
- Accounting
- Office management and any centralized services (such as human resources)
- Insurance

Fundraising Expenses

- Promotional and other expenses associated with events carried out to raise funds for the Organization's programs and services to the Vieques community and others

Salaries and employee benefits are charged to the program for which work has been done based on management estimates. Overhead is based on staff allocation to functional areas.

**NOTE 3- CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as of September 30, 2019 consist of:

Current bank accounts, restricted use:

Escuela Barbosa	\$ 4,560
VCHT Scholarship	12,765
Various grants	138,631
Manta Education	64
Scotiabank savings account, restricted use	<u>243,555</u>
	399,575

**The Vieques Conservation and Historical Trust, Inc.**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 3- CASH AND CASH EQUIVALENTS (continued)**

Balance carried forward	\$ 399,575
General bank accounts, unrestricted use	3,954
Gift Shop bank account, unrestricted use	2,300
Investment in marketable securities	<u>22,067</u>
	427,896
Petty cash	400
Bank account for "Organizacion Vieques en Rescate, Inc."	<u>7,910</u>
	<u>\$ 436,206</u>

**NOTE 4- PROPERTY AND EQUIPMENT**

Property and equipment consists of:

Land	\$ 79,200
Buildings and improvements	144,300
Furniture and equipment	61,075
Marine life exhibit	<u>9,594</u>
	294,169
Less accumulated depreciation of furniture and equipment	<u>47,081</u>
	<u>\$ 247,088</u>

**NOTE 5- GIFTS, GRANTS AND CONTRIBUTIONS**

Gifts, grants and contributions for year ended September 30, 2019 consist of:

Grants	\$ 219,623
Individual contributions	116,603
Membership dues	10,473
Fundraising events	44,770
Gift shop net income	6,896
Stock donations	23,225
Escuela Barbosa donations	7,000
Marine life exhibit donation	20,000
Manta summer program income	28,588
Scholarship program income	<u>15,000</u>
	492,178
Proceeds from insurance claims	<u>47,178</u>
	<u>\$ 539,356</u>

**The Vieques Conservation and Historical Trust, Inc.**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 5- GIFTS, GRANTS AND CONTRIBUTIONS (continued)**

The Organization operates a small gift shop on its premises as an additional means of raising funds to cover its operating expenses. Following is the gift shop's net income for year ended September 30, 2019:

Gross sales	\$ 17,925
Cost of goods sold	<u>11,029</u>
Gross profit on sales	<u>\$ 6,896</u>

**NOTE 6- LIQUIDITY AND AVAILABILITY**

The table below presents The Vieques Conservation and historical Trust, Inc.'s financial assets available for general expenditures within one year of the statement of financial position date:

Financial assets:

Cash and cash equivalents	\$ 192,651
Accounts receivable	2,988
Gift shop inventory	<u>12,753</u>
Total financial assets available to meet general expenditures within one year	<u>\$ 208,392</u>

**NOTE 7- SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events from year end of September 30, 2019 through November 27, 2019, which is the date the financial statements were available to be issued. No subsequent events were identified that required adjustment to or additional disclosure within the financial statements.