

**The Vieques Conservation and Historical Trust, Inc.
Auditor's Report and Financial Statements
Year ended September 30, 2022**

The Vieques Conservation and Historical Trust, Inc.
Audited Financial Statements
Year ended September 30, 2022

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	1-3
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8-14

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022, and the related statements of activities, functional expenses, and of cash flows for the year then ended, and the notes to the financial statements.

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, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of The Vieques Conservation and Historical Trust, Inc. and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Vieques Conservation and Historical Trust, Inc's ability to continue as a going

concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- . Exercise professional judgment and maintain professional skepticism throughout the audit
- . Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- . Obtain an understanding of internal control relevant to the audit 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 Vieques Conservation and Historical Trust, Inc's internal control
- . Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- . Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Vieques Conservation and Historical Trust, Inc's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

Emilia Rodas Viñas

Emilia Rodas Viñas
License No. 1144
Expires December 1, 2025

December 15, 2022



The Vieques Conservation and Historical Trust, Inc.
Statement of Financial Position
September 30, 2022

ASSETS

Current assets:	
Cash and cash equivalents (Notes 2 and 3)	\$ 423,874
Accounts receivable	3,942
Inventory- Gift Shop (Note 2)	11,840
Prepaid expenses	<u>18,521</u>
Total current assets	458,177
Property and equipment (Notes 2 and 4)	<u>261,371</u>
Total assets	<u>\$ 719,548</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 3,607
Accrued expenses and withholdings	<u>9,453</u>
Total current liabilities	<u>13,060</u>
Net assets:	
Without donor restrictions	
Undesignated	261,413
With donor restrictions	<u>445,075</u>
Total net assets	<u>706,488</u>
Total liabilities and net assets	<u>\$ 719,548</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, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, SUPPORT AND GAINS			
Support:			
Gifts, grants and contributions (Note 5)	\$ 194,379	355,663	\$ 550,042
In-kind contributions	520	18,995	19,515
Fundraising event	<u>18,360</u>	<u>-</u>	<u>18,360</u>
	<u>213,259</u>	<u>374,658</u>	<u>587,917</u>
Net investment return:			
Interest and dividends	12	-	12
Realized loss	<u>(105)</u>	<u>-</u>	<u>(105)</u>
	<u>(93)</u>	<u>-</u>	<u>(93)</u>
 Total revenues and support	 <u>213,166</u>	 <u>374,658</u>	 <u>587,824</u>
EXPENSES			
Program services:			
Grants	-	272,185	272,185
Program expenses	<u>-</u>	<u>77,997</u>	<u>77,997</u>
Total program services	<u>-</u>	<u>350,182</u>	<u>350,182</u>
Supporting services:			
Management and general	220,041	-	220,041
Fundraising	<u>3,031</u>	<u>-</u>	<u>3,031</u>
Total supporting services	<u>223,072</u>	<u>-</u>	<u>223,072</u>
 Total expenses	 <u>223,072</u>	 <u>350,182</u>	 <u>573,254</u>
 CHANGE IN NET ASSETS	 (9,906)	 24,476	 14,570
NET ASSETS , beginning of year	271,319	437,960	709,279
Return of unused donated funds (Note 6)	<u>-</u>	<u>(17,361)</u>	<u>(17,361)</u>
NET ASSETS , end of year	<u>\$ 261,413</u>	<u>445,075</u>	<u>\$ 706,488</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, 2022

	<u>Grants and Program</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 175,349	68,856	\$ 244,205
Payroll taxes	19,045	7,779	26,824
Employee benefits	-	28,081	28,081
Credit card and bank charges	-	5,619	5,619
Depreciation	-	5,681	5,681
Dues and subscriptions	-	5,196	5,196
Insurance	250	44,358	44,608
Laboratory and marine life exhibit supplies	245	3,504	3,749
Legal, accounting and audit fees	-	12,104	12,104
Office supplies and expenses	-	12,196	12,196
Repairs and maintenance	-	6,101	6,101
Licenses and permits	-	2,666	2,666
Travel and meetings	3,067	2,669	5,736
Utilities	-	10,412	10,412
Contracted services	9,960	-	9,960
Snacks and lunches	9,860	-	9,860
Transportation	2,330	-	2,330
Greenhouse maintenance and supplies	18,584	-	18,584
Lifeguards, boat rental and captain services	10,530	-	10,530
Photovoltaic system for mangrove nursery	19,100	-	19,100
Escuela Barbosa main` 12tenance	2,400	-	2,400
Escuela Barbosa consulting fee	8,000	-	8,000
Scholarships paid	19,100	-	19,100
Supplies	8,009	-	8,009
Manta t-shirts	8,650	-	8,650
Educational programs	22,642	-	22,642
Stipend payments- The Wizard of the Bay	5,190	-	5,190
Internet service	-	2,619	2,619
Tours to Mosquito Bay	7,205	-	7,205
Fundraising promotional articles	-	2,511	2,511
Fundraising music	-	520	520
Miscellaneous	<u>666</u>	<u>2,200</u>	<u>2,866</u>
	<u>\$350,182</u>	<u>223,072</u>	<u>\$ 573,254</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, 2022
(Increase (decrease) in cash)

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	(<u>\$ 2,791</u>)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	5,681
Change in operating assets and liabilities:	
Gift shop inventory	567
Accounts receivable	(2,814)
Prepaid expenses	19,794
Accounts payable	(2,923)
Accrued expenses	(675)
Funds in custody for two non-profit organizations	<u>(1,099)</u>
Total adjustments	<u>18,531</u>
Net cash from operating activities- Increase in cash and cash equivalents	15,740
Cash and cash equivalents, beginning of year	<u>408,134</u>
Cash and cash equivalents, end of year	<u>\$ 423,874</u>

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

The Vieques Conservation and Historical Trust, Inc.
Notes to Financial Statements
September 30, 2022

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.

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 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 Vieques Conservation and Historical Trust, Inc.
Notes to Financial Statements
September 30, 2022

Note 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. As of September 30, 2021 the Organization had no investment in marketable securities.

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

The Vieques Conservation and Historical Trust, Inc.
Notes to Financial Statements
September 30, 2022

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLOCIES (continued)

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 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 in fiscal year 2022, 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 \$1,020 on the date of the donation during year ended September 30, 2022, 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 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 Organization is required by the Government of Puerto Rico to collect a sales tax "TVU"

The Vieques Conservation and Historical Trust, Inc.
Notes to Financial Statements
September 30, 2022

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

of 11.5% on all fund-raising revenues and gift shop sales and to remit the tax to both the state and municipal governments. 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 from 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, 2021, 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.

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

The Vieques Conservation and Historical Trust, Inc.
Notes to Financial Statements
September 30, 2022

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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, 2022 consist of:

Current bank accounts, restricted use:	
Escuela Barbosa	\$ 248
VCHT Scholarship	27,015
Various grants	176,934
Manta Education	15,611
Cooperativa Ahorro y Credito Roosevelt Roads, restricted use	166,556
General bank accounts, unrestricted use	33,660
Gift Shop bank account, unrestricted use	2,530
Investment in marketable securities -UBS account	920
Petty cash	<u>400</u>
	<u>\$ 423,874</u>

The Vieques Conservation and Historical Trust, Inc.
Notes to Financial Statements
September 30, 2022

NOTE 4- PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2021 consists of:

Land	\$ 79,200
Buildings and improvements	149,060
Furniture and equipment	78,753
Marine life exhibit	<u>15,633</u>
	322,646
Less accumulated depreciation of furniture and equipment	<u>61,275</u>
	<u>\$ 261,371</u>

NOTE 5- GIFTS, GRANTS AND CONTRIBUTIONS

Gifts, grants and contributions for year ended September 30, 2022 are:

Grants	\$ 290,994
Individual contributions	178,905
Membership dues	12,955
Gift shop net income	(a) 1,498
Stock donations	1,020
Mangrove project	5,150
Manta summer program income	29,920
Scholarship program income	<u>29,600</u>
	<u>\$ 550,042</u>

(a)The Organization operated a small gift shop on its premises, as an additional means of raising funds to cover its operating expenses, through March 2020, when the gift shop was closed due to the coronavirus pandemic. Notwithstanding, miscellaneous gift shop sales amounting to \$375 were generated in fiscal year 2020-21 and \$1,498 in fiscal year 2021-22. At present, the gift shop is operating on a part-time basis.

NOTE 6- RETURN OF UNUSED DONATED FUNDS

On October 19, 2021, the Organization returned to the Puerto Rico Legislature \$17,360.70 of the \$44,650.00 donated to the Organization in the month of October 2020, which could not be used to develop some of the activities of the grant-financed project for the analysis of plankton populations and nutrients in the Puerto Mosquito Bioluminescent Bay in Vieques, light pollution monitoring and educational and citizens science activities, due to limitations imposed by the Coronavirus pandemic lockdown.

The Vieques Conservation and Historical Trust, Inc.
Notes to Financial Statements
September 30, 2022

NOTE 7- CESSION OF PERMANENT USE OF REAL ESTATE

On April 24, 2018, the municipality of Vieques ceded to The Vieques Conservation and Historical Trust, Inc. the permanent and total use of a property known as Escuela Jose Celso Barbosa, located at the Puerto Real Ward of the municipality of Vieques, free of charges, so that the Organization could establish a library and educational and scientific center and other facilities, to promote the general welfare of the Vieques community, for an indefinite and permanent time. The condition for the permanent use of the property ceded, is to continue its specified and restricted use as an educational and scientific center and that the Organization continue its existence as a non-profit and non-political legal entity.

NOTE 8- 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	\$ 257,318
Accounts receivable	3,142
Gift shop inventory	<u>11,840</u>
Total financial assets available to meet general expenditures within one year	<u>\$ 272,300</u>

NOTE 9- SUBSEQUENT EVENTS

The Organization has evaluated subsequent events from its year end of September 30, 2022 through December 15, 2022, the date of issuance of the financial statements, and deems that no subsequent events or transactions require disclosure.