

**The Vieques Conservation and Historical Trust, Inc.
Auditor's Report and Financial Statements
Years ended September 30, 2018 and 2017**

The Vieques Conservation and Historical Trust, Inc.
Audited Financial Statements
Years ended September 30, 2018 and 2017

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, 2018 and 2017, 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

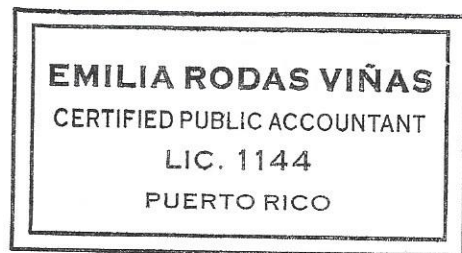
Emilia Rodas Viñas

License No. 1144

Expires December 1, 2019

November 19, 2018

Stamp No. 02761749 of the Puerto Rico Society of Certified Public Accountants was affixed to the original of this report.



The Vieques Conservation and Historical Trust, Inc.
Statements of Financial Position
September 30, 2018 and 2017

ASSETS	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 365,251	\$ 307,505
Accounts receivable	6,376	7,518
Inventory- Gift Shop (Note 2)	10,935	14,876
Prepaid expenses	<u>18,512</u>	<u>11,355</u>
Total current assets	401,074	341,254
Property and equipment (Notes 2 and 3)	<u>225,655</u>	<u>227,500</u>
Total assets	<u>\$ 626,729</u>	<u>\$ 568,754</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Funds in custody for "Amigos del Fortin" (Note 9)	\$ -	\$ 738
Accounts payable	3,485	717
Accrued expenses and withholdings	<u>8,527</u>	<u>6,546</u>
Total current liabilities	<u>12,012</u>	<u>8,001</u>
Net assets:		
Unrestricted	313,168	281,198
Temporarily restricted (Note 7)	<u>301,549</u>	<u>279,555</u>
Total net assets	<u>614,717</u>	<u>560,753</u>
Total liabilities and net assets	<u>\$ 626,729</u>	<u>\$ 568,754</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, 2018 and 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Year 2018</u>	<u>Year 2017</u>
REVENUES:				
Direct public support (Note 8)	\$ 295,508	45,120	340,628	75,861
Grants (Note 7)	-	70,583	70,583	31,134
Gifts in kind	-	26,195	26,195	56,021
Membership dues	2,160	-	2,160	8,620
Gift shop net income (Note 4)	(4,370)	-	(4,370)	16,326
Fund- raising events net income	-	-	-	97,941
Manta program income	-	24,581	24,581	27,517
Miscellaneous services	2,193	-	2,193	-
Dividends and interest income	<u>1,106</u>	-	<u>1,106</u>	<u>633</u>
Total revenues	<u>296,597</u>	<u>166,479</u>	<u>463,076</u>	<u>314,053</u>
EXPENSES:				
Salaries	153,732	5,104	158,836	140,297
Payroll taxes	19,796	-	19,796	14,655
Employee benefits	20,961	-	20,961	15,951
Credit card and bank charges	6,322	-	6,322	6,528
Depreciation	1,845	-	1,845	2,242
Insurance	16,472	-	16,472	14,100
Laboratory supplies	2,148	-	2,148	1,231
Legal and audit fees	13,752	-	13,752	6,681
Office supplies and expenses	6,078	709	6,787	7,217
Repairs and maintenance	10,186	-	10,186	2,220
Taxes and licenses	1,646	-	1,646	1,923
Travel and meetings	7,351	-	7,351	2,283
Utilities	2,911	2,127	5,038	8,756
Program expenses	-	136,545	136,545	123,500
Miscellaneous	<u>3,245</u>	-	<u>3,245</u>	<u>3,084</u>
Total expenses	<u>266,445</u>	<u>144,485</u>	<u>410,930</u>	<u>350,668</u>
Increase in net assets before other income	30,152	21,994	52,146	(36,615)
Other income (Note 6)	<u>1,818</u>	-	<u>1,818</u>	<u>922</u>
INCREASE IN NET ASSETS	<u>31,970</u>	<u>21,994</u>	<u>53,964</u>	<u>(35,693)</u>
Net assets, beginning of year	281,198	279,555	560,753	598,299
Prior year's adjustment	-	-	-	(1,853)
Net assets, end of year	<u>\$ 313,168</u>	<u>301,549</u>	<u>614,717</u>	<u>\$ 560,753</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, 2018 and 2017
(Increase (decrease) in cash)

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2018</u>	<u>2017</u>
Increase (decrease) in net assets	\$ 53,964	(\$ 37,546)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,845	2,242
Change in assets and liabilities:		
Decrease in gift shop inventory	3,941	425
Decrease (increase) in accounts receivable	1,142	(3,703)
Increase in other assets	(7,157)	(1,789)
Increase (decrease) in accounts payable	2,768	(5,643)
Increase (decrease) in accrued expenses	1,981	(314)
Funds in custody for "Amigos del Fortin"	(738)	(9,240)
Total adjustments	<u>3,782</u>	<u>(18,022)</u>
Net cash used by operating activities	<u>57,746</u>	<u>(55,568)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	57,746	(55,568)
Cash and cash equivalents, beginning of year	<u>307,505</u>	<u>363,073</u>
Cash and cash equivalents, end of year	<u>\$ 365,251</u>	<u>\$ 307,505</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, 2018 and 2017

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, 2018 and 2017

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

Cash and Cash Equivalents:	<u>2018</u>	<u>2017</u>
Cash and cash equivalents consist of:		
Current bank accounts, restricted use:		
Escuela Barbosa	\$ 38,907	\$ 34,400
VCHT Scholarship	23,765	16,168
DNER Partnership	378	257
Manta Education	10,553	9,708
General bank accounts, unrestricted use	22,657	4,768
Gift Shop bank account, unrestricted use	10,295	10,295
Scotiabank savings account, restricted use	218,028	217,484
Investment in marketable securities	<u>40,268</u>	<u>13,288</u>
	364,851	306,368
Petty cash	400	400
Bank account for "Amigos del Fortín"	<u>-</u>	<u>737</u>
	<u>\$ 365,251</u>	<u>\$ 307,505</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 2018 and 2017 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, 2018 and 2017

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>2018</u>	<u>2017</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>48,819</u>	<u>46,974</u>
	<u>\$ 225,655</u>	<u>\$ 227,500</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. As a result of the property damages caused by Hurricane Maria on September 20, 2017, the gift shop could not operate in fiscal year 2018. Notwithstanding, following is the breakdown of the gift shop's net income for fiscal year 2017:

Gross sales	\$ 36,520
Cost of goods sold	<u>20,194</u>
Gross profit on sales	<u>\$ 16,326</u>

The Vieques Conservation and Historical Trust, Inc.
Notes to Financial Statements
September 30, 2018 and 2017

NOTE 5- FUND-RAISING EVENTS NET INCOME

In fiscal year 2018, the Organization could not carry out any of the fund-raising activities of previous years. Following is the fund-raising activities of fiscal year 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>2018</u>	<u>2017</u>
Unrealized gain on investments	<u>\$ 1,818</u>	<u>\$ 922</u>

The unrealized gain (loss) on investments held in UBS Financial Services Inc. of Puerto Rico as of September 30, 2018 and 2017 is as follows:

	<u>2018</u>		
	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain/Loss</u>
Money market account	\$ 15,335	\$ 15,335	\$ 0
Common stock:			
174 shares of Coca Cola Co.	10,405	8,037	(2,368)
57 shares of Amgen Inc.	10,071	11,816	1,745
101.15 shares of T. Rowe Price Funds	<u>3,433</u>	<u>5,080</u>	<u>1,647</u>
	<u>23,909</u>	<u>24,933</u>	<u>1,024</u>
	<u>\$39,244</u>	<u>\$40,268</u>	<u>\$ 1,024</u>

The Vieques Conservation and Historical Trust, Inc.
Notes to Financial Statements
September 30, 2018 and 2017

Note 6- OTHER INCOME (Cont'd.)

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

NOTE 7- TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted assets as of September 30, 2018 consist of:

Grant or Program Name	Revenues	Expenses	Increase (Decrease) in Net Assets
Scholarships	\$ 40,120	\$ 20,963	\$ 19,157
Manta Education Program	50,776	58,549	(7,773)
USFWS Biology Project	3,116	-	3,116
USFWS Partnership Varronia Project	16,476	17,665	(1,189)
Sierra Club Grant	1,985	800	1,185
Staff Hurricane Relief	-	1,000	(1,000)
El Fondo Boricua- Children's Vaccinations	5,000	5,000	-
Puerto Rico Legislature Grant	21,600	20,830	770
Barbosa School Maintenance	27,406	19,678	7,728
	\$ 166,479	\$ 144,485	21,994
Net temporarily restricted assets, beginning of year			279,555
Net temporarily restricted assets, end of year			\$ 301,549

The Vieques Conservation and Historical Trust, Inc.
Notes to Financial Statements
September 30, 2018 and 2017

NOTE 8- STOCK DONATIONS

Direct public support includes \$14,999 of the following stocks donated to the Organization during fiscal year 2018:

48 shares of T. Rowe Price Funds	\$ 2,388
55 shares of Coca Cola Co.	2,540
57 shares of Amgen, Inc.	<u>10,071</u>
	<u>\$ 14,999</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 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- 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- HURRICANE MARIA LOSSES

On September 20, 2017, Hurricane Maria hit and devastated Puerto Rico. The Vieques Conservation and Historical Trust, Inc.'s facilities were badly damaged and the Organization filed an insurance claim with its insurance company for hurricane losses estimated at \$211,863.00.

As of auditor's report date, the Organization has not received any compensation for its hurricane losses and is considering taking legal proceedings against its insurance company.

**The Vieques Conservation and Historical Trust, Inc.
Notes to Financial Statements
September 30, 2018 and 2017**

NOTE 13- SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 19, 2018, the date on which the financial statements were available to be issued.