

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AND REPORTS AND SCHEDULE REQUIRED BY
THE UNIFORM GUIDANCE

Puerto Rico Conservation Trust Fund
Year Ended December 31, 2022
With Report of Independent Auditors



Puerto Rico Conservation Trust Fund

Audited Consolidated Financial Statements and
Reports and Schedule Required by the Uniform Guidance

Year Ended December 31, 2022

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Audited Consolidated Financial Statements



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Report of Independent Auditors

Management and Those Charged With Governance
Puerto Rico Conservation Trust Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of the Puerto Rico Conservation Trust Fund (the Trust), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, and cash flows for the years then ended and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust at December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trust, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust’s ability to continue as a going concern for one year after the date that the consolidated financial statements were available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 GAAS and *Government 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 GAAS and *Government Auditing Standards*, we:

- 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 Trust's internal control. Accordingly, no such opinion is expressed.
- 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedules of Investment Fees and Expenses and Other Expenses, and of Land Management and Project Costs for the year ended December 31, 2022, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management. The information has not been subjected to the auditing procedures applied in our audits of the financial statements and, accordingly, we express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2023, on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

Ernst & Young LLP

June 30, 2023

Stamp No. E512612 of the Puerto Rico
Society of Certified Public Accountants
was affixed to original of this report.

Puerto Rico Conservation Trust Fund
Consolidated Statements of Financial Position

	December 31	
	2022	2021
	<i>(In Thousands)</i>	
Assets		
Cash and cash equivalents	\$ 1,997	\$ 2,157
Cash and cash equivalents restricted for use	17,588	27,881
Marketable securities	230,657	272,466
Notes receivable	6,841	6,841
Interest and dividend receivable	1,544	1,822
Due from US IRS	–	2,304
Investments pledged to secured notes	204,839	214,777
Land and properties held for conservation, net of accumulated depreciation of properties held for conservation of \$25,047 in 2022 and \$22,917 in 2021	141,643	141,070
Motor vehicles, furniture, and equipment, net of accumulated depreciation of \$6,206 in 2022 and \$5,997 in 2021	1,535	1,567
Conservation easements	5,342	5,320
Other assets	11,311	12,179
Total assets	<u>\$ 623,297</u>	<u>\$ 688,384</u>
Liabilities and net assets		
Liabilities:		
Secured notes payable	\$ 204,839	\$ 214,777
Notes payable	9,600	11,434
Interest payable	3,093	3,382
Accounts payable, accrued expenses, and other liabilities	11,930	11,669
Total liabilities	<u>229,462</u>	<u>241,262</u>
Net assets:		
Without donor restrictions	145,377	143,541
With donor restrictions	248,458	303,581
Total net assets	<u>393,835</u>	<u>447,122</u>
Total liabilities and net assets	<u>\$ 623,297</u>	<u>\$ 688,384</u>

See accompanying notes.

Puerto Rico Conservation Trust Fund

Consolidated Statements of Activities

	Without Donor Restrictions	With Donor Restrictions	Year Ended December 31, 2022	Without Donor Restrictions	With Donor Restrictions	Year Ended December 31, 2021
	<i>(In Thousands)</i>					
Investment revenue:						
Interest and dividend income on marketable securities	\$ 294	\$ 6,726	\$ 7,020	\$ 325	\$ 6,643	\$ 6,968
Interest income on investments pledged to secured notes	14,790	–	14,790	14,784	–	14,784
Realized and unrealized gain on marketable securities	–	–	–	557	27,919	28,476
	<u>15,084</u>	<u>6,726</u>	<u>21,810</u>	<u>15,666</u>	<u>34,562</u>	<u>50,228</u>
Expenses:						
Realized and unrealized loss on marketable securities	1,653	45,778	47,431	–	–	–
Interest expense on secured notes payable	13,903	–	13,903	13,900	–	13,900
Other fees and expenses	640	–	640	734	–	734
	<u>16,196</u>	<u>45,778</u>	<u>61,974</u>	<u>14,634</u>	<u>–</u>	<u>14,634</u>
Net investment revenue (loss)	<u>(1,112)</u>	<u>(39,052)</u>	<u>(40,164)</u>	<u>1,032</u>	<u>34,562</u>	<u>35,594</u>
Non-investment income and support:						
Rum funds	–	6,201	6,201	–	15,644	15,644
Income from historic sites and nature reserves	671	–	671	745	–	745
Contributions and grants	7,373	1,386	8,760	2,925	3,682	6,607
Released from restrictions	23,659	(23,659)	–	17,129	(17,129)	–
Total non-investment income (loss) and support	<u>31,704</u>	<u>(16,071)</u>	<u>15,633</u>	<u>20,799</u>	<u>2,197</u>	<u>22,996</u>
Net investment revenue (loss) and non-investment income (loss) and support before other expenditures	<u>30,592</u>	<u>(55,123)</u>	<u>(24,531)</u>	<u>21,831</u>	<u>36,759</u>	<u>58,590</u>
Other expenditures:						
Program services:						
Communication	2,149	–	2,149	1,396	–	1,396
Land acquisition support	484	–	484	456	–	456
Resiliency Response Unit - Habitat	1,957	–	1,957	1,764	–	1,764
Natural protected areas	12,709	–	12,709	10,920	–	10,920
Other funded projects	3,347	–	3,347	839	–	839
Education, science and public policy	1,810	–	1,810	1,355	–	1,355
Total program services	<u>22,456</u>	<u>–</u>	<u>22,456</u>	<u>16,730</u>	<u>–</u>	<u>16,730</u>
Management and general support	5,297	–	5,297	4,619	–	4,619
Fundraising activities	1,003	–	1,003	714	–	714
Total other expenditures	<u>28,756</u>	<u>–</u>	<u>28,756</u>	<u>22,063</u>	<u>–</u>	<u>22,063</u>
(Decrease) increase in net assets	<u>1,836</u>	<u>(55,123)</u>	<u>(53,287)</u>	<u>(232)</u>	<u>36,759</u>	<u>36,527</u>
Net assets at beginning of year	<u>143,541</u>	<u>303,581</u>	<u>447,122</u>	<u>143,773</u>	<u>266,822</u>	<u>410,595</u>
Net assets at end of year	<u>\$ 145,377</u>	<u>\$ 248,458</u>	<u>\$ 393,835</u>	<u>\$ 143,541</u>	<u>\$ 303,581</u>	<u>\$ 447,122</u>

See accompanying notes.

Puerto Rico Conservation Trust Fund
Consolidated Statements of Cash Flows

	Year Ended December 31	
	2022	2021
	<i>(In Thousands)</i>	
Operating activities		
(Decrease) increase in net assets	\$ (53,287)	\$ 36,527
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:		
Depreciation	2,242	2,263
Contributed land held for conservation	(22)	(1,835)
Retirement of assets	532	211
Contributions restricted for long-term investments	(7,587)	(19,326)
Unrealized and realized loss (gain) on marketable securities	47,431	(28,476)
Changes in operating assets and liabilities:		
Interest and dividend receivable	278	(715)
Other assets	868	(253)
Due from US IRS	2,304	274
Interest payable	(289)	691
Accounts payable, accrued expenses, and other liabilities	261	(1,344)
Total adjustments	46,017	(48,510)
Net cash used in operating activities	(7,271)	(11,983)
Investing activities		
Purchases of marketable securities	(48,375)	(18,600)
Proceeds from sale of marketable securities	42,753	23,452
Acquisition of land and properties for conservation	(2,570)	(2,403)
Acquisition of motor vehicles, furniture and equipment	(743)	(376)
Net cash (used in) provided by investing activities	(8,935)	2,073
Financing activities		
Contributions restricted for long-term investments	7,587	19,326
Decrease in notes payable	(1,834)	(67)
Net cash provided by financing activities	5,753	19,259
Net change in cash and cash equivalents	(10,453)	9,349
Cash and cash equivalents at beginning of year	30,038	20,689
Cash and cash equivalents at end of year	\$ 19,585	\$ 30,038
Non-cash operating activities		
Contributed land	\$ 22	\$ 1,835

See accompanying notes.

Puerto Rico Conservation Trust Fund

Notes to Consolidated Financial Statements (In thousands)

December 31, 2022

1. Reporting Entity

The Puerto Rico Conservation Trust Fund (the PRCTF or the Trust) is organized pursuant to a memorandum of understanding agreed-upon on December 24, 1968, by the Governor of Puerto Rico, the Secretary of the Interior of the United States of America, and the Administrator of the Economic Development Administration of the Commonwealth of Puerto Rico. The PRCTF was constituted on January 23, 1970 as a charitable trust, created to protect and enhance the natural resources of Puerto Rico and to perform the functions of the United States and Puerto Rico in the area of conservation. The PRCTF is exempt from Puerto Rico income taxes under the Puerto Rico Income Tax Act of 1954, as amended, as well as property taxes and municipal licenses. The PRCTF is also exempt from U.S. income tax under the Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(3), and is further classified as a Section 509(a)(3) organization.

Interest on debt issued by the PRCTF is exempt from Puerto Rico income taxes by law. The PRCTF's primary sources of funds are derived from a portion of the Rum tax, investment revenue from marketable securities, and interest spread from pledged investments, and secured notes.

Para la Naturaleza, Inc. (PLN) is a non-for-profit corporation organized and existing under the laws of the Commonwealth of Puerto Rico, created to engage in any and all activities directed at securing functional and healthy ecological systems for the islands of Puerto Rico in order to inspire people to be stewards of nature so that shared social, economic and quality-of-life goals may be attained and, to this end, to provide necessary and indispensable services solely to the PRCTF. To fulfill this purpose, effective January 1, 2014, the PRCTF and PLN entered in a support services agreement, and employees and certain assets were transferred from the PRCTF to PLN, for it to begin operations. PLN is exempt from Puerto Rico income taxes under the Puerto Rico Income Tax Act of 1954, as amended, as well as property taxes and municipal licenses. PLN is also exempt from U.S. income tax under the Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(3) and is further classified as a Section 4942 private operating foundation. PLN's Board of Directors is composed of two of the individuals serving from time to time as the trustees of the PRCTF, and one independent director. Therefore, the PRCTF controls PLN through a majority voting interest in the board of PLN and is consolidated with PRCTF.

Jagüey Agro Corporation (Jagüey) is a corporation duly incorporated, organized, and existing under the laws of the Commonwealth of Puerto Rico. It was acquired by the Trust as part of the donation of Hacienda Margarita in Lares in 2020. Jagüey is the entity that managed the coffee plantation in the Hacienda. The Trust owns all of the shares of Jagüey.

Puerto Rico Conservation Trust Fund

Notes to Consolidated Financial Statements (continued) (In thousands)

December 31, 2022

2. Summary of Significant Accounting Policies

The accounting and reporting policies of the Trust conform with U.S. generally accepted accounting principles (U.S. GAAP) and, as such, include amounts based on judgments, estimates, and assumptions made by management that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Following is a description of the more significant accounting policies followed by the Trust:

Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with U.S. GAAP and include the accounts of the PRCTF, PLN and Jagüey. All intercompany transactions have been eliminated in the consolidation.

Basis of Presentation

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

- *Net Assets with Donor Restrictions* – The net assets of the Trust that are subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants). Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of the Trust and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. As of December 31, 2022 and 2021, the Trust's net assets with donor restrictions are restricted for the endowment corpus.
- *Net Assets without Donor Restrictions* – The net assets of the Trust that are available for general use and are not subject to donor-imposed restrictions.

Puerto Rico Conservation Trust Fund

Notes to Consolidated Financial Statements (continued) (In thousands)

December 31, 2022

2. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Support and revenues are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of restrictions on net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

The corpus of the Trust consists of securities, land, and properties obtained through donations, transfers, or with the proceeds of investment transactions, and from those amounts determined by the board of trustees under the provisions of the trust instrument which expressly vest the board of trustees with the discretionary power to allot both receipts and expenditures against either the Trust's corpus or revenue, or both.

Cash and Cash Equivalents

Cash and cash equivalents consists of short-term, highly liquid investments with original maturities of three months or less when purchased. The carrying values of cash and cash equivalents approximate their fair value due to the short-term nature of these instruments. The trust maintains amounts on deposit with various financial institutions, which may, at times, exceed federally insured limits.

Marketable Securities

Marketable securities are stated at fair value. The net realized and unrealized gains (losses) on marketable securities are reflected in the statements of activities.

Puerto Rico Conservation Trust Fund

Notes to Consolidated Financial Statements (continued) (In thousands)

December 31, 2022

2. Summary of Significant Accounting Policies (continued)

Investments Pledged to Secured Notes and Secured Notes Payable

The Trust issues long-term notes to unaffiliated entities and simultaneously purchases preferred securities, subordinated notes, and senior notes from financial institutions with matched terms to serve as collateral for the note issuance. Investors in the notes receive a tax advantaged rate of interest. The long-term notes are issued on a non-recourse basis with the sole source of repayment being cash flows from the related collateral securities. The Trust receives the spread, if any, between the income generated by the pledged investments and the interest expense generated by the notes.

Pledged investments and secured notes payable are recorded at fair value, with realized and unrealized gains and losses reflected in the statements of activities.

Land and Properties for Conservation

Acquired land is stated at cost. Contributed or transferred property is recorded at estimated fair value at the date of contribution. Expenditures for restoration, reconstruction, and development of properties are capitalized. These properties are maintained by the Trust for preservation purposes. Depreciation on restored properties is provided using the straight-line method over the estimated useful lives of the properties. Estimated useful lives range between five (5) to thirty (30) years.

Motor Vehicles, Furniture, and Equipment

Motor vehicles, furniture, and equipment are stated at amortized cost. Depreciation is being provided using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range between three (3) to five (5) years. Repair and maintenance costs are charged to expense in the period incurred.

Conservation Easements

Conservation easements are recorded as intangible assets and income when received. They are valued at estimated fair market value at the day of their acquisition.

Puerto Rico Conservation Trust Fund

Notes to Consolidated Financial Statements (continued) (In thousands)

December 31, 2022

2. Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

Fair value estimates are made based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The estimated fair values for cash and cash equivalents, interest receivable, and all liabilities, excluding secured notes payable, approximate their carrying amounts because of the short-term nature of these instruments.

The estimated fair value of marketable securities, investments pledged to secured notes and secured notes payable recorded at fair value is based on quoted market prices, in an active market, for those or similar investments or notes.

The Trust uses fair value measurements to state certain assets and liabilities. ASC Topic 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- *Level 1* – Quoted market prices in active markets for identical assets or liabilities.
- *Level 2* – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- *Level 3* – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Trust has segregated all financial assets and liabilities that are measured at fair value on a recurring basis into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date.

Puerto Rico Conservation Trust Fund

Notes to Consolidated Financial Statements (continued) (In thousands)

December 31, 2022

2. Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

ASC Topic 360, *Property, Plant, and Equipment*, addresses the conditions under which an impairment charge should be recorded related to long-lived assets to be held and used and those to be disposed of by sale or otherwise. Long-lived assets are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Events or circumstances that would result in an impairment review primarily include operating losses, a significant change in the use of an asset, or the planned disposal or sale of the asset. The asset would be considered impaired when the future net undiscounted cash flows generated by the asset are less than its carrying value. An impairment loss would be recognized based on the amount by which the carrying value of the asset exceeds its fair value. No events or circumstances resulting an impairment were present in 2022 and 2021.

Losses on assets held for disposal are recognized when management has approved and committed to a plan to dispose of the assets, and the assets are available for disposal. No losses were present in 2022 and 2021.

Use of Estimates

The preparation of the financial statements requires management of the Trust to make estimates and assumptions relating to the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the period. Actual results could differ from those estimates.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources, are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Legal costs incurred in connection with loss contingencies are charged to expense as incurred.

Puerto Rico Conservation Trust Fund

Notes to Consolidated Financial Statements (continued) (In thousands)

December 31, 2022

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Trust has various revenue streams mainly composed of rum funds, realized and unrealized gains (losses) on marketable securities, interest income on marketable securities and investments pledged to secured notes, contributions and grants. Realized gains and losses on security transactions are determined on the identified cost method. Market value re-evaluations on securities are recognized as unrealized gains or losses for the years ended December 31, 2022 and 2021. Rum Funds are recorded as revenue with donor restrictions which increases net assets with donor restrictions. As specified in Note 5, federal legislation authorizes a portion of the rum tax to be transferred to the Trust for a determined period of time. Rum funds do not contain donor-imposed conditions that need to be overcome before the Trust is entitled to the assets and can recognize the revenue. The Trust recognizes Rum Funds as revenue if the legislation is in effect. The Trust recognizes interest income when earned.

Liquidity and Availability

The Trust regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Trust has various sources of liquidity at its disposal, including cash and cash equivalents and marketable securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Trust considers all expenditures related to its ongoing activities of conservation and securing functional and healthy ecological systems as well as the conduct of services undertaken to support those activities to be general expenditures.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$1,821	\$1,996
Money market	176	161
	<u>\$1,997</u>	<u>\$2,157</u>

Puerto Rico Conservation Trust Fund

Notes to Consolidated Financial Statements (continued) (In thousands)

December 31, 2022

2. Summary of Significant Accounting Policies (continued)

Liquidity and Availability (continued)

The Trust has a goal to maintain financial assets, which consists of cash and marketable securities to be available as general expenditures, liabilities and other obligations become due. As described in Note 5, the endowment has a spending rate that is calculated annually. Distributions of \$13,973 will be available within the next 12 months.

Income Taxes

The Trust and PLN are both exempt from the payment of income taxes under Section 1101(4) of the Puerto Rico Internal Revenue Code of 1994, as amended, and under IRC Section 501(a) of the United States Internal Revenue Code as an organization described in Section 501(c)(3). The Trust is further classified as a Section 509(a)(3) organization, and PLN as private foundation within the meaning of Section 509(a) of the Code, and a private operating foundation under Section 4942(j)(3) of the Code. Jagüey Agro is a for profit corporation of individuals and is taxed as a pass-through entity.

Contributions

Contributions, including unconditional promises to give, are recorded as revenue in the period received. Contributions received with donor-imposed restrictions that are met in the same fiscal year are reported as revenue from net assets without donor restrictions. Conditional promises to give are not recognized as revenue until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received after one year are discounted, if practicable, at an appropriate discount rate commensurate with the risk involved.

Puerto Rico Conservation Trust Fund

Notes to Consolidated Financial Statements (continued) (In thousands)

December 31, 2022

2. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02 that amends the guidance for accounting and disclosure of leases. This new standard requires that lessees recognize the asset and liabilities that arise from leases on the statements of financial position, including leases classified as operating leases under current GAAP, and disclose qualitative and quantitative information about leasing agreements. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2019. Early application of the amendments in this Update is permitted for all entities. The Board issued a proposal that would defer the effective date of the new leases standard by one year for entities other than public business entities, not-for-profit entities that are conduit bond obligors and employee benefit plans that file or furnish financial statements with or to the Securities and Exchange Commission (SEC). For affected entities, the standard would be effective for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2021. The Trust adopted the standard using the modified retrospective method having no material impact on the 2022 financial statements. The Trust recognized a right of use asset and lease liability of approximately \$2 million, recorded within Other assets and Other liabilities, respectively in the Statement of Financial Position.

3. Fair Value Measurements

The Trust has elected the fair value option for its secured notes payable and the underlying collateral investments securing the notes payable.

Puerto Rico Conservation Trust Fund

Notes to Consolidated Financial Statements (continued)
(In thousands)

December 31, 2022

3. Fair Value Measurements (continued)

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	December 31, 2022				
	Level 1	Level 2	Level 3	Net Asset Value	Fair Value Measurement
Assets:					
Mutual funds - fixed income	\$ 45,510	\$ -	\$ -	\$ -	\$ 45,510
Equity securities	135,674	-	-	-	135,674
Corporate bonds	-	164,804	47,906	-	212,710
Municipal bonds	-	5,604	-	-	5,604
Agency-backed securities	-	2,479	-	-	2,479
Alternative investments	-	-	-	33,519	33,519
Total assets	\$ 181,184	\$ 172,887	\$ 47,906	\$ 33,519	\$ 435,496
Liabilities:					
Secured notes payable	\$ -	\$ 156,933	\$ 47,906	\$ -	\$ 204,839
Total liabilities	\$ -	\$ 156,933	\$ 47,906	\$ -	\$ 204,839
	December 31, 2021				
	Level 1	Level 2	Level 3	Net Asset Value	Fair Value Measurement
Assets:					
Mutual funds - fixed income	\$ 64,561	\$ -	\$ -	\$ -	\$ 64,561
Equity securities	180,381	-	-	-	180,381
Corporate bonds	-	173,972	34,926	-	208,898
Municipal bonds	-	1,181	-	-	1,181
Agency-backed securities	-	7,681	-	-	7,681
Alternative investments	-	-	-	24,541	24,541
Total assets	\$ 244,942	\$ 182,834	\$ 34,926	\$ 24,541	\$ 487,243
Liabilities:					
Secured notes payable	\$ -	\$ 179,851	\$ 34,926	\$ -	\$ 214,777
Total liabilities	\$ -	\$ 179,851	\$ 34,926	\$ -	\$ 214,777

Puerto Rico Conservation Trust Fund

Notes to Consolidated Financial Statements (continued) (In thousands)

December 31, 2022

3. Fair Value Measurements (continued)

Mutual funds – Investments in mutual funds are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which market prices are readily available.

Equity securities – Investments in equity securities are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing stock prices are readily available.

Corporate bonds, municipal bonds, and agency-backed securities – Investments in corporate bonds, municipal bonds, and agency-backed securities are measured at fair value using quoted market prices. They are classified as Level 2 as they are traded in markets that are not active or observable inputs over the full term of the asset.

Investments pledged to secured notes and secured notes payable – The Trust invests in mortgage backed securities and corporate bonds, which are classified as Level 2. The Trust also invests in bonds for which there is no readily determinable fair value and are classified as Level 3 as the valuation is based on significant unobservable inputs. In some cases, the investee has provided its investors with a fair value that has been calculated in accordance with the AICPA Audit and Accounting Guide, Investment Companies, and within the guidance provided in ASC 820. The Trust has estimated its fair value by using the fair value provided by the investee as of December 31, 2022 and 2021.

Alternative investments – The fair value of certain alternative investments represents the ownership interest in the net asset value (NAV) of the respective funds and has not been classified in the fair value hierarchy. The fair values of the investments held by funds that do not have readily determinable fair values are determined by each fund's investments manager and are based on appraisals or other estimates that require varying degrees of judgment. If no public market exists for the investments, the fair value is determined by the investment manager taking into consideration, among other things, the cost of the investment, prices of recent significant placements in similar investments of the same issuer, and the subsequent development concerning the companies to which the investments relate. The Trust has adopted the NAV practical expedient to measure the investments fair value. The Trust has performed due diligence regarding these investments and believes that the NAV of its alternative investments is a reasonable estimate of fair value as of December 31, 2022, and 2021.

Puerto Rico Conservation Trust Fund

Notes to Consolidated Financial Statements (continued) (In thousands)

December 31, 2022

3. Fair Value Measurements (continued)

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of Level 3 assets.

	<u>2022</u>	<u>2021</u>
Investments Pledged to Secured Notes		
Balance beginning of year	\$ 34,926	\$ 36,696
Addition	24,000	–
Unrealized loss	(11,020)	(1,770)
Balance end of year	<u>\$ 47,906</u>	<u>\$ 34,926</u>

Marketable securities primarily consist of shares in mutual funds of fixed income, equity securities and alternative investments. These securities are actively traded on the U.S. market. Investments pledged to secured notes primarily consist of in mortgage-backed securities and corporate bonds, which serve as collateral for the payment of secured notes payable. Marketable securities, hedge funds, investments pledged to secured notes and secured notes payable are carried at fair value with realized and unrealized gains and losses included in the statements of activities.

As the secured notes payable are solely dependent on the cash flows from the investments pledged to secured notes collateral, the fair value of the secured notes payable is predominantly aligned with that of its collateral after consideration is given to the tax advantaged nature of the secured notes payable.

In estimating the fair value of such assets and liabilities, the Trust has used the most recent observable transaction data made available to it and when such information was determined to be stale due to significant time differences, the Trust has made assumptions to adjust the price observed for changes in interest rates as well as credit spread movements of the issuer, or an entity determined to be similar, since the transaction date to estimate the fair values as of the end of the year. While the Trust believes the resulting fair values are reasonable, the assumptions made were highly judgmental and changes to the assumptions could result in significantly different fair values being determined.

Puerto Rico Conservation Trust Fund

Notes to Consolidated Financial Statements (continued) (In thousands)

December 31, 2022

4. Rum Funds

On December 17, 1999, the U.S. Congress approved a law that authorized a 30-month increase from \$10.50 to \$13.25 per proof gallon on the cover-over taxes received by Puerto Rico from the U.S. Treasury on rum imported to the United States. The legislation authorized such increase based on the commitment made by the then Governor of Puerto Rico to the effect that one-sixth of the \$2.75 increase was being assigned and would be transferred to the Trust. The U.S. Congress authorized the U.S. Treasury to transfer these funds. A joint resolution adopted by the Commonwealth's Legislature, which allows the Secretary of the Treasury of the Commonwealth to comply with said the stated commitment, was signed into law by the Governor of Puerto Rico. Upon expiration of the original 30-month term, Congress authorized an extension which expired on December 31, 2016. On February 9, 2018, Congress passed the Bipartisan Budget Act of 2018, which included an additional extension to the increase in the amount of rum carry-over funds until January 1, 2022. The Trust has been closely working with Congressional staff to secure a bipartisan and bicameral agreement in a text for a future legislative vehicle that would include the extension of these rum cover-over funds. On the other hand, the Government of Puerto Rico has also approached the White House asking for support for the rum carry-over tax permanence. Although no particular legislative vehicle has yet been identified, the Trust believes the tax extenders will be a feasible opportunity by year-end. The Trust also considers that the extension will be approved retroactively, as has happened before.

The revenue derived from such tax amounted to \$6,201 and \$15,644 in 2022 and 2021, respectively. Although no legislation has been in effect since January 1, 2022, the Trust received payments of \$6,201 allocated to calendar year 2022. Historically, the Trust recognizes that in the past, it has received rum tax carry-over payments during periods in which the extension to the authorizing legislation is pending approval, which has included the retroactive application of any such extension as has been custom. The Trust acknowledges that title over such funds or any obligation on the part of the Trust to return the same will be subject to the decision of the U.S. Congress on whether to renew the extension or make permanent the rum tax carry-over legislation under which the Trust's rum tax cover-over funds are assigned.

The Rum funds are donor-restricted to build up the Trust's endowment, not for operational expenses or expenditures in new projects or acquisitions.

Puerto Rico Conservation Trust Fund

Notes to Consolidated Financial Statements (continued) (In thousands)

December 31, 2022

5. Endowment

The Trust's endowment has accumulated since 1999, by the rum funds received from the federal government. As stated in note 4, the Trust receives one-sixth of the \$2.75 temporary increase in the tax per proof gallon of the rum shipped from Puerto Rico to the U.S. The endowment includes both amounts with donor restrictions and amounts without donor restrictions.

The endowment consists of the original amounts of rum funds received. The U.S. Congress has restricted these funds to build up the endowment and not be used for operational expenses or capital expenditures. The investment horizon of the endowment is long-term, and it is intended to be part of the corpus of the Trust. The amounts without donor restrictions consist mainly of interests, dividends, capital gains and distributions made from the endowment. Amounts without donor restrictions are also subdivided on the operational and reserve funds. While the reserve fund has a medium-term investment horizon the operational fund has a short-term investment horizon.

As stated in its Statement of Investment Policy, the Trust will determine the unrestricted excess funds available for use by applying a five year historical total-return method to calculate a Spending Rate for a given year. This method calculates the Spending Rate for a given year by applying the five year (or equivalent previous 60 months) average historical total-return (annualized) of the Endowment Portfolio as of December 31 of each year. For 2022 and 2021, the spending rate was calculated at 5.59% and 8.66% respectively.

Puerto Rico Conservation Trust Fund

Notes to Consolidated Financial Statements (continued)
(In thousands)

December 31, 2022

5. Endowment (continued)

Changes in endowment funds for the fiscal years ended December 31, 2022 and 2021, consisted of the following:

	December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ 1,120	\$ 303,581	\$ 304,701
Investment return, net	(1,112)	(39,052)	(40,164)
Rum funds	–	6,201	6,201
Contributions to endowments	–	1,386	1,386
Expenditures	(28,756)	–	(28,756)
Other changes:			
Interests, dividends and capital gains, and donations transferred to fund without donor restrictions	23,659	(23,659)	–
Endowment net assets at end of year	\$ (5,089)	\$ 248,458	\$ 243,369

	December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ 5,022	\$ 266,822	\$ 271,844
Investment return, net	1,032	34,562	35,594
Rum funds	–	15,644	15,644
Contributions to endowments	–	3,682	3,682
Expenditures	(22,063)	–	(22,063)
Other changes:			
Interests, dividends and capital gains, and donations transferred to fund without donor restrictions	17,129	(17,129)	–
Endowment net assets at end of year	\$ 1,120	\$ 303,581	\$ 304,701

Puerto Rico Conservation Trust Fund

Notes to Consolidated Financial Statements (continued) (In thousands)

December 31, 2022

6. Land and Properties Held for Conservation

The following summarizes the land and properties held for conservation for the years ended December 31, 2022 and 2021.

Land and Properties Held for Conservation	2022	2021
Properties in Corpus:		
Natural Protected Area Hacienda Buena Vista, Ponce	\$ 4,974	\$ 4,972
Natural Reserve Hacienda La Esperanza, Manatí	38,447	38,241
Natural Reserve Las Cabezas De San Juan, Fajardo	12,413	11,691
Natural Reserve La Parguera, Lajas	3,090	3,090
Natural Protected Area Cañón de San Cristóbal, Barranquitas-Aibonito	2,836	2,836
Natural Reserve Inés María Mendoza, Yabucoa	4,015	4,015
Natural Protected Area Jorge Sotomayor del Toro, Caguas	31	31
Natural Reserve Bosque Pterocarpus, Humacao-Naguabo	1,518	1,518
Natural Reserve of Punta Ballenas	1,705	1,705
Natural Protected Area Río Encantado, Ciales-Florida-Manatí	8,729	8,686
Natural Protected Area La Luisa, Manatí	124	124
Natural Reserve Punta Guaniquilla, Cabo Rojo	6,666	6,666
Natural Protected Area Bosque de Pterocarpus, Dorado	326	326
Natural Refuge El Buey, Vieques	756	740
Natural Protected Area Río Maricao, Maricao	429	429
Natural Protected Area Cuevas El Convento, Peñuelas-Guayanilla	2,704	2,704
Natural Protected Area Sierra La Pandura, Yabucoa-Maunabo	313	313
Natural Protected Area Marrueño, Ponce	470	470
Natural Protected Area Río Guaynabo, Río Piedras-Guaynabo	1,595	1,595
Antiguo Acueducto de San Juan	1,699	1,633
Natural Protected Area Paraíso Las Lunas	1,627	1,588
Natural Protected Area Finca La Robleda	1,706	1,706
Natural Protected Area Finca Marín Alto	833	730
Natural Protected Area Finca Unanue	1,657	1,657
Natural Protected Area Finca María Luisa, Lajas	21	21
Natural Protected Area Finca Luz Martínez Benítez, Canóvanas	684	684
Natural Protected Area Finca Gulin, Fajardo	12	12
Natural Protected Area Finca Santiago Villar, Caguas	1,466	1,466
Natural Protected Area Finca Santa Agueda, Naguabo	1,405	1,405
Natural Protected Area Finca Las Quintas, Ponce	370	370
Natural Protected Area Finca El Ojo de Agua, Juana Díaz	8,477	8,477
Natural Protected Area Finca Sector La Esperanza, Ponce	1,468	1,468
Natural Protected Area Finca Jobos, Salinas	655	655
Natural Protected Area Finca Barrio Bairoa, Caguas	5,546	5,546
Natural Protected Area Finca Altamira, Canóvanas	3,800	3,800
Natural Protected Area Finca Cordillera Sabana Alta, Cabo Rojo	1,594	1,594
Natural Protected Area Finca Guayanilla	760	760
Natural Protected Area Finca Coamo	1,540	1,540
Natural Protected Area Finca Barrio Jájome, Cayey	954	954
Natural Protected Area Finca Vazquez Rutter, Ponce	240	240
Natural Protected Area Hacienda Pelleja, Adjuntas	2,068	2,068
Natural Protected Area Finca Las Paldas, Guanica	4	2
Natural Protected Area, Finca Hacienda Covadonga	3	3
Natural Protected Area Finca Roberto Serrallé, Ponce	2	2
Natural Protected Area Finca Toa Vaca, Villalba	787	787
Natural Protected Area Hacienda Lago, Gurabo	384	384
Natural Protected Area Freddie Ramírez, Vega Baja	1,228	1,228
Natural Protected Area Río Prieto, Lares	5,290	5,251
Natural Protected Area Finca Bo. Los Ríos Jacaboa, Patillas	1,906	1,906
Natural Protected Area Finca Knowlton, Culebra	2,932	2,908
Natural Protected Area Finca Bo Quebrada Janer, San Lorenzo	1,130	1,130
Natural Protected Area Frank Wadsworth, Cabo Rojo	955	935
Natural Protected Area Ulpiano Casals, San Lorenzo	306	306
Natural Protected Area El Rabanal	152	152
Natural Protected Area Luz Martínez Benítez	9,850	9,850
Natural Protected Area Quebradilla	86	86
Natural Protected Area Finca Henle, Las Marias	52	52
Natural Protected Area Lomas de Guarionex, Camuy	510	510
Natural Protected Area Lomas del Noroeste, Hatillo	1,377	1,377
Natural Protected Area Charco Moron, Orocovis	83	-
Natural Protected Area Ledesma Moulrier, Orocovis	72	-
Natural Protected Area Los García, Quebradillas-Camuy	460	-
Natural Protected Area Finca Guilarte, Adjuntas-Guayanilla	443	-
Natural Protected Area Others	712	538
	158,447	155,933
Accumulated depreciation of properties in corpus held for conservation	(23,655)	(21,899)
Total costs-properties in corpus	134,792	134,034

Puerto Rico Conservation Trust Fund

Notes to Consolidated Financial Statements (continued) (In thousands)

December 31, 2022

6. Land and Properties Held for Conservation (continued)

Land and Properties Held for Conservation	2022	2021
Undesignated:		
Casa Ramón Power, San Juan	4,683	4,681
Antiguo Edificio Banco de España, San Juan	7	7
Cerro Las Mesas, Mayagüez	365	365
Finca Shapiro, Naguabo	42	42
Finca El Verde (Forest Service), Río Grande	199	199
Finca Los Frailes, Loíza	424	424
Edificio Blanco Olaya, San Juan	24	24
Edificio Ochoa, San Juan	1,059	957
Edificio Club de Leones, Barranquitas	590	590
Edificio Roosevelt Roads	182	179
Faro Culebrita, Culebra	668	586
	8,243	8,054
Accumulated depreciation of undesignated properties held for conservation	(1,392)	(1,018)
Total costs-properties outside corpus	6,851	7,036
Grand total	\$ 141,643	\$ 141,070

Puerto Rico Conservation Trust Fund

Notes to Consolidated Financial Statements (continued)
(In thousands)

December 31, 2022

7. Secured Notes Payable

Secured notes payable at December 31, 2022 and 2021, consist of the following:

	At Fair Value	
	2022	2021
Notes payable at maturity, at an annual interest rate of 4.95%, payable monthly, maturing in August 2028. These notes are payable from and secured by a pledge of 5.60% Ginnie Mae I Mortgage-Backed Certificates, with a par value of \$0 and \$6,953 as of December 31, 2022 and 2021, respectively.	\$ –	\$ 7,681
Notes payable at maturity, at an annual interest rate of 6.50%, payable quarterly, maturing in June 30, 2035. These notes are payable from and secured by a pledge of 6.75% Autopistas Metropolitanas de Puerto Rico, LLC, with a par value of \$45,171 and \$47,331 as of December 31, 2022, and 2021, respectively.	41,873	45,748
Notes payable at maturity, at an annual interest rate of 6.50%, payable quarterly, maturing in June 30, 2035. These notes are payable from and secured by a pledge of 6.75% Autopistas Metropolitanas de Puerto Rico, LLC, with a par value of \$29,277 and \$30,677 as of December 31, 2022, and 2021, respectively.	27,140	29,651
Notes payable at maturity, at an annual interest rate of 5.40%, payable quarterly, maturing in March 22, 2035. These notes are payable from and secured by a pledge of 5.75% Aerostar Airport Holdings, with a par value of \$32,657 and \$33,856 as of December 31, 2022, and 2021, respectively.	28,513	34,927
Notes payable at maturity, at an annual interest rate of 6.50%, payable quarterly, maturing in December 31, 2038. These notes are payable from and secured by a pledge of 7.00% Autopistas Metropolitanas de Puerto Rico, LLC, with a par value of \$100,000 for both December 31, 2022, and 2021.	87,920	96,770
Notes payable at maturity, at an annual interest rate of 4.62%, payable quarterly, maturing in December 31, 2035. These notes are payable from and secured by a pledge of 4.92% Aerostar Airport Holdings, with a par value of \$100,000 as of December 31, 2022.	19,393	–
	\$204,839	\$214,777

Puerto Rico Conservation Trust Fund

Notes to Consolidated Financial Statements (continued) (In thousands)

December 31, 2022

7. Secured Notes Payable (continued)

On May 26, 2022, the Trust entered in a secured notes agreement with Banco Popular and FirstBank. The banks subscribed \$13 million and \$11 million, respectively, collateralized with 2022 Senior Notes of Aerostar at a coupon rate of 4.92%. The notes mature on March 22, 2035. The Trust's spread is 30 base points, representing an annual income of \$72 thousand.

Approximate fair value of secured notes payable as of December 31, 2022 and 2021, was \$204,839 and \$214,777, respectively. Approximate fair value of underlying collateral investments securing the notes payable as of December 31, 2022 and 2021, was \$204,839 and \$214,777, respectively.

8. New Markets Tax Credit

On April 26, 2019, the Trust entered in a New Market Tax Credit (NMTC) operating costs transaction, in which Para la Naturaleza acted as a Qualified Active Low Income Community Business (QALICB) borrower, and the Trust acted as the leverage lender. The \$10,000 transaction involved Capital One, through an investment fund as the investor receiving the credit, and Banco Popular, through its subsidiary Popular Community Capital (PCC) as the Community Development Entity (CDE) awarded with the program allocation. With this NMTC transaction Para la Naturaleza entered into loan agreements with the Trust for leverage lending (Note A), and Capital One for NMTC equity (Note B), for \$6,841 (interest rate of 1.3%, maturing on April 30, 2049) and \$2,759 (interest rate of 1.3%, maturing on April 30, 2049), respectively. These loans constitute Qualified Low-Income Community Investments (QLICIs) for purposes of the NMTC program, and expire on April 2049. The loans (Note A & B) payable by PLN were recorded on the Statement of Financial Position as a Notes Payable by \$9,600 and the receivable from the Trust (Note A) was recorded as a Notes Receivable by \$6,841. In addition to the note agreements, Capital One and the Trust entered into a separate Investment Fund Put/Call Agreement in which in the event that the Capital One may wish to dispose of interest in the investment fund, and the Trust may wish to acquire such interest, this agreement becomes available to exercise during the period beginning on the Recapture Expiration Date (April 26, 2026), ending 180 calendar days after said date.

9. Functional Expenses

Direct costs are recorded to the functional category to which they relate. All other expenses which are not directly identifiable by program or supporting service, are allocated based on management's estimate of the relative functional activity.

Puerto Rico Conservation Trust Fund

Notes to Consolidated Financial Statements (continued)
(In thousands)

December 31, 2022

9. Functional Expenses (continued)

Functional expenses for the fiscal year ended December 31, 2022 are summarized below:

	2022			
	Management and General	Fundraising Activities	Program Services	Total
Salaries and vacations	\$ 1,510	\$ 413	\$ 5,519	\$ 7,442
Bonuses	113	30	303	446
Payroll taxes	150	37	665	852
Employee retirement and medical benefits	448	78	1,525	2,051
Non-capitalizable assets	11	—	32	43
Depreciation	285	7	2,554	2,846
General insurance	72	5	332	409
Taxes	25	—	1	26
Library dues, subscriptions, and memberships	27	23	37	87
Advertising	—	2	335	337
Meetings, conference, and seminars	16	1	151	168
Office supplies and postage	20	2	37	59
Other projects costs	1	48	1,516	1,565
Professional services	1,590	236	5,380	7,206
Information systems	279	20	218	517
Security	—	—	926	926
Rent and rental equipment	181	62	355	598
Repairs and maintenance	132	—	890	1,022
Supplies and materials	1	1	357	359
Travel and representation	40	8	76	124
Utilities	56	13	270	339
Vehicles	84	16	962	1,062
Other	256	1	15	272
Total	<u>\$ 5,297</u>	<u>\$ 1,003</u>	<u>\$ 22,456</u>	<u>\$ 28,756</u>

Puerto Rico Conservation Trust Fund

Notes to Consolidated Financial Statements (continued) (In thousands)

December 31, 2022

9. Functional Expenses (continued)

Functional expenses for the fiscal year ended December 31, 2021, are summarized below:

	2021			
	Management and General	Fundraising Activities	Program Services	Total
Salaries and vacations	\$ 1,299	\$ 272	\$ 4,407	\$ 5,978
Bonuses	95	21	220	336
Payroll taxes	124	23	582	729
Employee retirement and medical benefits	443	51	1,488	1,982
Non-capitalizable assets	4	–	72	76
Depreciation	22	2	2,453	2,477
General insurance	93	5	352	450
Taxes	84	–	–	84
Library dues, subscriptions, and memberships	59	24	17	100
Advertising	–	–	26	26
Meetings, conference, and seminars	11	–	47	58
Office supplies and postage	15	1	38	54
Other projects costs	21	44	1,197	1,262
Professional services	1,601	204	2,462	4,267
Information systems	202	7	172	381
Security	–	–	840	840
Rent and rental equipment	219	29	336	584
Repairs and maintenance	94	–	698	792
Supplies and materials	4	–	192	196
Travel and representation	51	4	45	100
Utilities	58	11	223	292
Vehicles	67	13	840	920
Other	53	3	23	79
Total	<u>\$ 4,619</u>	<u>\$ 714</u>	<u>\$ 16,730</u>	<u>\$ 22,063</u>

10. Commitments and Contingencies

The Trust is a defendant or codefendant in various lawsuits arising in the ordinary course of its charitable activities. Management believes that the additional liability, if any, resulting from the ultimate resolution of these matters will not have a material adverse effect on the Trust's financial position or changes in net assets.

Puerto Rico Conservation Trust Fund

Notes to Consolidated Financial Statements (continued) (In thousands)

December 31, 2022

11. Employee Benefit Plan

The Trust's defined contribution plan covers substantially all employees. Under the plan, the Trust makes matching contributions of 100% of the individual participant's salary deferrals of up to 5% of the employee's total compensation. The Trust's contribution to the plan during 2022 and 2021, amounted approximately \$604 thousand and \$550 thousand, respectively.

12. Subsequent Events

In connection with the preparation of the financial statements and in accordance with ASC 855-10, *Subsequent Events*, management has evaluated and reviewed the affairs of the Trust for subsequent events that would impact the consolidated financial statements for the year ended December 31, 2022, through the date the consolidated financial statements were issued which was June 30, 2023.

There were no events that required recognition or disclosure in the consolidated financial statements.

Supplementary Information

Puerto Rico Conservation Trust Fund

Investment Fees and Expenses and Other Expenses (Unaudited)
(In Thousands)

Year Ended December 31, 2022

	Program Expenses							Total	
	Management and General Support	Fundraising Activities	Communication	Land Acquisition Support	Education, Science and Public Policy	Resiliency Response Unit - Habitat	Other Funded Projects		Natural Protected Areas
Investment fees and expenses:									
Commissions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Custodial fee	-	-	-	-	-	-	-	-	-
Notaries and closing	-	-	-	-	-	-	-	-	-
Legal and financial counsel and other expenses	-	-	-	-	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other expenses:									
Salaries and vacations	\$ 1,510	\$ 413	\$ 409	\$ 271	\$ 461	\$ 796	\$ -	\$ 3,582	\$ 7,442
Bonuses	113	30	29	31	23	39	-	181	446
Payroll taxes	150	37	42	32	45	101	-	445	852
Employee retirement and medical benefits	448	78	113	59	125	205	-	1,023	2,051
Non-capitalizable assets	11	-	-	-	-	1	-	31	43
Depreciation	285	7	15	2	5	91	-	2,441	2,846
General insurance	72	5	6	5	5	27	7	282	409
Taxes	25	-	-	-	-	-	-	1	26
Library dues, subscriptions, and memberships	27	23	14	8	6	-	-	9	87
Advertising	-	2	334	-	-	-	-	1	337
Meetings, conference, and seminars	16	1	2	1	105	6	-	37	168
Office supplies and postage	20	2	5	-	3	2	-	27	59
Other projects costs	1	48	96	1	240	15	667	497	1,565
Professional services:									
Temporary services	4	-	3	-	-	221	-	111	339
Consultant	1,141	236	878	22	630	10	2,667	819	6,403
General legal fees	164	-	-	-	-	-	-	2	166
Auditing and accounting fees	281	-	-	-	-	-	-	17	298
Information systems	279	20	28	16	41	14	-	119	517
Security	-	-	6	-	-	-	-	920	926
Rent and rental equipment	181	62	124	14	22	14	-	181	598
Repairs and maintenance	132	-	-	-	12	66	-	812	1,022
Supplies and materials	1	1	4	-	51	40	5	257	359
Travel and representation	40	8	7	2	12	4	-	51	124
Trustees and advisory counsel expenses	146	-	-	-	-	-	-	-	146
Utilities	56	13	15	7	10	29	-	209	339
Vehicles	84	16	19	12	14	276	-	641	1,062
Other	110	1	-	1	-	-	1	13	126
Total	\$ 5,297	\$ 1,003	\$ 2,149	\$ 484	\$ 1,810	\$ 1,957	\$ 3,347	\$ 12,709	\$ 28,756

Puerto Rico Conservation Trust Fund
Land Management and Project Costs (Unaudited)
(In thousands)

Year Ended December 31, 2022

	Natural Protected Areas	Eco D'Tour	Ecolodges	Grants	North Region	South Region	West Region	East Region	San Juan Region	Jagüey Agro	Other Projects	Total
Salaries and vacations	\$ 291	\$ 106	\$ 160	\$ -	\$ 717	\$ 784	\$ 149	\$ 823	\$ 552	\$ -	\$ -	\$ 3,582
Bonuses	24	5	7	-	35	38	10	38	24	-	-	181
Payroll taxes	32	13	22	-	91	96	17	104	70	-	-	445
Employee retirement and medical benefits	77	26	56	-	237	220	35	224	148	-	-	1,023
Non-capitalizable assets	2	-	19	-	-	-	1	8	1	-	-	31
Depreciation	55	12	94	-	1,077	283	15	530	375	-	-	2,441
General Insurance	7	2	21	-	71	44	13	68	55	-	1	282
Taxes	1	-	-	-	-	-	-	-	-	-	-	1
Library dues, subscriptions, and memberships	3	1	-	-	2	1	-	1	1	-	-	9
Advertising	-	-	-	-	1	-	-	-	-	-	-	1
Meetings, conference, and seminars	1	2	2	1	8	6	2	11	4	-	-	37
Office supplies and postage	-	1	2	1	6	6	1	5	5	-	-	27
Other projects costs	2	52	1	333	28	10	-	25	24	-	22	497
Professional services:												-
Temporary services	1	-	-	-	43	3	-	6	10	48	-	111
Consultants	90	8	15	295	67	28	3	134	79	-	100	819
General legal fees	2	-	-	-	-	-	-	-	-	-	-	2
Auditing and accounting fees	-	-	-	-	-	-	-	-	-	17	-	17
Information systems	19	5	7	1	18	25	2	20	22	-	-	119
Security	-	-	143	-	240	134	-	259	144	-	-	920
Rent and rent equipment	20	2	4	3	34	38	9	68	3	-	-	181
Repairs and maintenance	3	1	168	6	218	169	13	146	81	2	5	812
Supplies and materials	8	7	14	85	58	21	4	32	20	3	5	257
Travel	3	2	3	15	3	5	1	12	1	-	6	51
Utilities	8	2	10	-	45	28	4	52	59	1	-	209
Vehicles	60	27	48	-	89	113	49	161	83	2	9	641
Other	1	-	1	-	1	4	1	3	1	1	-	13
Total	\$ 710	\$ 274	\$ 797	\$ 740	\$ 3,089	\$ 2,056	\$ 329	\$ 2,730	\$ 1,762	\$ 74	\$ 148	\$ 12,709

Puerto Rico Conservation Trust Fund
Consolidating Statement of Financial Position
(In thousands)

December 31, 2022

	FCPR	PLN	Jagüey	Eliminating Entries		Consolidated Total
				DR	CR	
Assets						
Cash and cash equivalents	\$ —	\$ 1,997	\$ —	\$ —	\$ —	\$ 1,997
Cash and cash equivalents restricted for use	16,122	1,398	68	—	—	17,588
Marketable securities	230,657	—	—	—	—	230,657
Notes receivable	6,841	—	—	—	—	6,841
Interest and dividend receivable	1,544	—	—	—	—	1,544
Due from subsidiaries	1,009	—	—	—	(1,009)	—
Investments pledged to secured notes	204,839	—	—	—	—	204,839
Land and properties held for conservation, net	141,643	—	—	—	—	141,643
Motor vehicles, furniture, and equipment, net	—	1,535	—	—	—	1,535
Conservation easements	5,342	—	—	—	—	5,342
Management fee receivable	—	15,602	—	—	(15,602)	—
Other assets	5,090	10,761	—	—	(4,540)	11,311
Total assets	\$ 613,087	\$ 31,293	\$ 68	\$ —	\$ (21,151)	\$ 623,297
Liabilities and net assets (deficit)						
Liabilities:						
Secured notes payable	\$ 204,839	\$ —	\$ —	\$ —	\$ —	\$ 204,839
Notes payable	—	9,600	—	—	—	9,600
Interest payable	3,093	—	—	—	—	3,093
Due to subsidiaries	—	904	105	(1,009)	—	—
Management fee payable	15,603	—	—	(15,603)	—	—
Accounts payable, accrued expenses, and other liabilities	759	11,169	2	—	—	11,930
Total liabilities	224,294	21,673	107	(16,612)	—	229,462
Net assets (deficit):						
Without donor restrictions	148,415	1,540	(39)	(4,539)	—	145,377
With donor restrictions	240,378	8,080	—	—	—	248,458
Total net assets	388,793	9,620	(39)	(4,539)	—	393,835
Total liabilities and net assets (deficit)	\$ 613,087	\$ 31,293	\$ 68	\$ (21,151)	\$ —	\$ 623,297

Puerto Rico Conservation Trust Fund

Consolidating Statement of Activities
(In thousands)

Year Ended December 31, 2022

	FCPR	PLN	Jaguey	Eliminating Entries		Consolidated Total
				DR	CR	
	<i>(In Thousands)</i>					
Investment revenue:						
Interest and dividend income on marketable securities	\$ 7,020	\$ -	\$ -	\$ -	\$ -	\$ 7,020
Interest income on investments pledged to secured notes	14,790	-	-	-	-	14,790
	21,810	-	-	-	-	21,810
Expenses:						
Realized and unrealized loss on marketable securities	47,431	-	-	-	-	47,431
Interest expense on secured notes payable	13,903	-	-	-	-	13,903
Management fees	25,127	-	-	-	(25,127)	-
Other fees and expenses	491	149	-	-	-	640
	86,952	149	-	-	(25,127)	61,974
Net investment (loss) revenue	(65,142)	(149)	-	-	25,127	(40,164)
Non-investment income and support:						
Rum funds	6,201	-	-	-	-	6,201
Income from historic sites and nature reserves	86	585	-	-	-	671
Management fees	-	25,127	-	(25,127)	-	-
Contributions and grants	658	8,101	-	-	-	8,759
Total non-investment income (loss) and support	6,946	33,813	-	(25,127)	-	15,632
Net investment revenue (loss) and non-investment income (loss) and support before other expenditures	(58,195)	33,664	-	(25,127)	25,127	(24,531)
Other expenditures:						
Program services:						
Communication	-	2,149	-	-	-	2,149
Land acquisition support	-	484	-	-	-	484
Resiliency Response Unit - Habitat	2	1,955	-	-	-	1,957
Natural protected areas	1,904	10,731	74	-	-	12,709
Other funded projects	619	2,728	-	-	-	3,347
Education, science and public policy	-	1,810	-	-	-	1,810
Total program services	2,525	19,857	74	-	-	22,456
Management and general support	258	5,039	-	-	-	5,297
Fundraising activities	-	1,003	-	-	-	1,003
Total other expenditures	2,783	25,899	74	-	-	28,756
(Decrease) increase in net assets	(60,978)	7,765	(74)	(25,127)	25,127	(53,287)
Net assets at beginning of year	445,232	1,855	35	-	-	447,122
Net assets at end of year	\$ 384,254	\$ 9,620	\$ (39)	\$ (25,127)	\$ 25,127	\$ 393,835



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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Trustees
Puerto Rico Conservation Trust Fund

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the Puerto Rico Conservation Trust Fund (the Trust), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 30, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

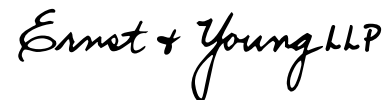
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



June 30, 2023

Stamp No. E512613 of the Puerto Rico
Society of Certified Public Accountants
was affixed to original of this report.

Reports and Schedule Required by the Uniform Guidance



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Report of Independent Auditors on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Trustees
Puerto Rico Conservation Trust Fund

Report of Independent Auditors on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Puerto Rico Conservation Trust Fund (the Trust)'s compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Trust's major federal programs for the year ended December 31, 2022. The Trust's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Trust complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Trust and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Trust's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Trust's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Trust's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Trust's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Trust's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Trust's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of the Trust as of and for the year ended December 31, 2022 and have issued our report thereon dated June 30, 2023, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Ernst & Young LLP

September 29, 2023

Stamp No. E538171 of the Puerto Rico Society of Certified Public Accountants was affixed to original of this report.

Puerto Rico Conservation Trust Fund
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

Federal Grantor / Program or Cluster Title	Direct Federal Awards Expenditures	Indirect Federal Awards Expenditures	Total Expenditures
US Department of Agriculture			
10.U01 Joint Chief Initiative	\$ 35,229	\$ –	\$ 35,229
10.912 Environmental Quality Incentives Program	87,952	–	87,952
Total US Department of Agriculture	123,181	–	123,181
US Department of Commerce			
11.473 Office for Coastal Management	85,508	–	85,508
Total US Department of Commerce	85,508	–	85,508
United States Department of Homeland Security			
97.036 Disaster Grants Public Assistance (Presidentially Declared Disasters)	704,775	–	704,775
Total United States Department of Homeland Security	704,775	–	704,775
National Endowment for the Humanities			
45.164 Promotion of the Humanities Public Programs	82,945	–	82,945
45.149 Promotion of the Humanities Division of Preservation and Access	7,922	–	7,922
Total National Endowment for the Humanities	90,867	–	90,867
US Department of Interior			
15.657 Endangered Species Recovery Implementation	2,673,652	267,365	2,941,017
15.631 Partners for Fish and Wildlife Program	25,600	–	25,600
Total US Department of Interior	2,699,252	267,365	2,966,617
Total Expenditures of Federal Awards	\$ 3,703,583	\$ 267,365	\$ 3,970,948

See accompanying notes.

Puerto Rico Conservation Trust Fund

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2022

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the expenditures of all Federal Awards Programs of Puerto Rico Conservation Trust (the Trust). The Trust's reporting entity is defined in the notes to the consolidated financial statements. Assistance Listing Numbers are presented for those programs for which such numbers were available. Federal programs are presented, as appropriate, by Federal agency.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

3. Matching Costs

Matching costs, such as the nonfederal share of certain program costs, are not included in the accompanying Schedule.

4. Relationship to Federal Financial Reports

The regulations and guidelines governing the preparation of Federal financial reports vary by Federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the Federal financial reports do not necessarily agree with the amounts reported in the accompanying schedule, which is prepared on the basis of accounting described in Note 2.

Office of Management and Budget under the Uniform Guidance requires that federal financial reports and claims for advances and reimbursements contain information that is supported by the books and records from which the basic financial statements have been prepared. The Trust prepares the federal financial reports and claims for reimbursements primarily based on information from the internal accounting records of the Puerto Rico Conservation Trust.

5. Contingencies

The grant amounts received are subject to audit and adjustment. If any expenditure is disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the Trust. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal laws and regulations.

Puerto Rico Conservation Trust Fund

Notes to Schedule of Expenditures of Federal Awards (continued)

Year Ended December 31, 2022

6. Indirect Cost Rate

The Trust does not have a negotiated indirect cost rate; therefore, the Trust uses the ten percent de minimis indirect cost rate allowed by the Uniform Guidance.

Puerto Rico Conservation Trust Fund
 Schedule of Findings and Questioned Costs

Year Ended December 31, 2022

Section I – Summary of Auditors’ Results

Financial Statements Section

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weaknesses identified?	_____ Yes	<u> X </u> No	
Significant deficiencies identified?	_____ Yes	<u> X </u> None reported	
Noncompliance material to financial statements noted?	_____ Yes	<u> X </u> No	

Federal Awards Section

Internal control over major federal programs:

Material weaknesses identified?	_____ Yes	<u> X </u> No	
Significant deficiencies identified?	_____ Yes	<u> X </u> None reported	

Type of auditor’s report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ Yes X No

Identification of major federal programs:

Name of Federal Program or Cluster	Assistance Listing Number (s)
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036
Endangered Species Recovery Implementation	15.657

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee? _____ Yes X No

Puerto Rico Conservation Trust Fund

Schedule of Findings and Questioned Costs (continued)

Year Ended December 31, 2022

Section II - Findings Related to the Financial Statements

None reported.

Puerto Rico Conservation Trust Fund

Schedule of Findings and Questioned Costs (continued)

Year Ended December 31, 2022

Section III – Federal Award Findings and Questioned Costs

None reported.

About EY

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