

PRESERVATION TRUST OF VERMONT, INC.

AUDIT REPORT

SEPTEMBER 30, 2015

PRESERVATION TRUST OF VERMONT, INC.
AUDIT REPORT
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Sullivan, Powers & Co., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

77 Barre Street
P.O. Box 947
Montpelier, VT 05601
802/223-2352
www.sullivanpowers.com

Fred Duplessis, CPA
Richard J. Brigham, CPA
Chad A. Hewitt, CPA
Wendy C. Gilwee, CPA
VT Lic. #92-000180

Independent Auditor's Report

To the Board of Directors
Preservation Trust of Vermont, Inc.
104 Church Street, Suite 21
Burlington, VT 05401-4449

We have audited the accompanying consolidated financial statements of the Preservation Trust of Vermont, Inc. and subsidiary, which comprise the consolidated statement of financial position as of September 30, 2015, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Preservation Trust of Vermont, Inc.'s preparation and fair presentation of the consolidated financial statements 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 Preservation Trust of Vermont, Inc.'s internal control. Accordingly, we 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 consolidated financial statements.

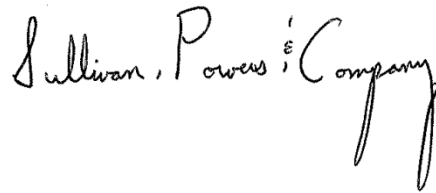
Preservation Trust of Vermont, Inc.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to previously present fairly, in all material respects, the financial position of the Preservation Trust of Vermont, Inc. and subsidiary as of September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

November 23, 2016
Montpelier, Vermont
VT Lic. #92-000180

A handwritten signature in black ink that reads "Sullivan, Powers & Company". The signature is written in a cursive style with a large, stylized 'S' and 'C'.

PRESERVATION TRUST OF VERMONT, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2015

ASSETS

Cash and Cash Equivalents - Note 2	\$ 145,217
Investments - Note 3	4,098,312
Beneficial Interest in Assets Held by Others - Note 4	75,168
Notes Receivable - Note 5	30,293
Contributions Receivable - Note 6	678,158
Other Receivables	27,071
Prepaid Expenses	17,637
Program-Related Investment -Limited Liability Company - Note 7	60,000
Program-Related Investment - Real & Personal Property - Note 8	475,045
Net Property, Plant and Equipment - Notes 9	<u>3,316,557</u>
 TOTAL ASSETS	 <u>\$ 8,923,458</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts Payable	\$ 34,734
Accrued Expenses	2,131
Refundable Advances - Note 10	940,253
Notes Payable & Advances from Individuals - Note 11	<u>299,770</u>
 Total Liabilities	 <u>1,276,888</u>

Net Assets:

Unrestricted	4,708,625
Temporarily Restricted - Note 14	753,711
Permanently Restricted - Note 14	<u>2,184,234</u>
 Total Net Assets	 <u>7,646,570</u>

 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 8,923,458</u>
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The accompanying notes are an integral part of this financial statement.

PRESERVATION TRUST OF VERMONT, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:				
Grants & Contributions	\$ 1,037,186	\$ 800,607	\$ 193,659	\$ 2,031,452
Special Events	38,025	10,797	0	48,822
Conference Fees	35,434	0	0	35,434
Rental Income & Maintenance Fees	10,861	0	0	10,861
Other Income	6,095	0	0	6,095
Change in Beneficial Interest in Assets Held by Others	(2,022)	0	0	(2,022)
Investment Income/(Loss)	(138,158)	822	0	(137,336)
Net Assets Released from Restrictions:				
Transfers to Fulfill Purpose Restrictions	<u>556,776</u>	<u>(556,776)</u>	<u>0</u>	<u>0</u>
Total Support and Revenue	<u>1,544,197</u>	<u>255,450</u>	<u>193,659</u>	<u>1,993,306</u>
Expenses:				
Program Services:				
Historic Preservation	1,704,875	0	0	1,704,875
Supporting Services:				
Management and General	83,024	0	0	83,024
Fundraising	<u>82,696</u>	<u>0</u>	<u>0</u>	<u>82,696</u>
Total Expenses	<u>1,870,595</u>	<u>0</u>	<u>0</u>	<u>1,870,595</u>
Change in Net Assets	(326,398)	255,450	193,659	122,711
Beginning Net Assets - As Restated	<u>5,035,023</u>	<u>498,261</u>	<u>1,990,575</u>	<u>7,523,859</u>
Ending Net Assets	<u>\$ 4,708,625</u>	<u>\$ 753,711</u>	<u>\$ 2,184,234</u>	<u>\$ 7,646,570</u>

The accompanying notes are an integral part of this financial statement.

PRESERVATION TRUST OF VERMONT, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Program Services	Management and General	Fundraising	Total
Salaries, Taxes and Benefits	\$ 247,326	\$ 31,640	\$ 53,115	\$ 332,081
Grants	927,486	0	0	927,486
Consultants	55,417	0	709	56,126
Dues and Subscriptions	4,337	0	0	4,337
Equipment Rental	133	1,195	0	1,328
Food and Beverage	4,776	611	1,025	6,412
Insurance	7,568	2,506	445	10,519
Lobbying	15,241	0	0	15,241
Miscellaneous	1,161	3,063	591	4,815
Meetings and Retreats	28,740	8,799	0	37,539
Fundraising Events	0	0	12,300	12,300
Printing and Publication Costs	1,860	1,837	3,648	7,345
Postage and Shipping	2,236	1,350	3,089	6,675
Professional Services	106,441	24,625	0	131,066
Property Taxes	401	0	0	401
Rent	6,182	4,327	1,853	12,362
Repairs and Maintenance	38,346	0	0	38,346
Supplies	2,930	262	1,047	4,239
Telephone	8,076	213	213	8,502
Training and Conferences	308	0	0	308
Travel	32,477	1,534	3,069	37,080
Utilities	1,960	0	0	1,960
Interest	1,214	0	0	1,214
Write Down of Investment in Limited Liability Company	110,673	0	0	110,673
Depreciation	99,586	1,062	1,592	102,240
Total Expenses	\$ 1,704,875	\$ 83,024	\$ 82,696	\$ 1,870,595

The accompanying notes are an integral part of this financial statement.

PRESERVATION TRUST OF VERMONT, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Increase/(Decrease) in Cash:

Cash Flow from Operating Activities:

Change in Net Assets		\$ 122,711
Add:	Items Providing Cash or Not Requiring Cash:	
	Depreciation Expense	102,240
	Write Down of Investment in Limited Liability Co.	110,673
	Pass through Loss from Limited Liability Company	10,378
	Unrealized Loss on Investments	196,678
	Change in Beneficial Interest in Assets Held by Others	2,022
	Decrease in Prepaid Expenses	84,478
	Decrease in Notes Receivable	1,456
	Increase in Refundable Advances	1,777
Deduct:	Items Requiring Cash or Not Providing Cash:	
	Contributions Restricted for Endowment and Capital Campaign	(204,259)
	Contributions of Real Property	(55,000)
	Increase in Contributions Receivable	(492,120)
	Increase in Other Receivables	(16,704)
	Decrease in Accounts Payable	(15,125)
	Decrease in Accrued Expenses	<u>(1,198)</u>
	Net Cash Provided/(Used) by Operating Activities	<u>(151,993)</u>

Cash Flow from Investing Activities:

Add:	Sources of Cash:	
	Sale of Investments	1,166,817
Deduct:	Uses of Cash:	
	Purchase of Investments	(1,054,435)
	Purchase of Program-Related Investment in Real Property	(429,940)
	Purchase of Property, Plant & Equipment	<u>(5,189)</u>
	Net Cash Provided/(Used) by Investing Activities	<u>(322,747)</u>

Cash Flow from Financing Activities:

Add:	Items Providing Cash or Not Requiring Cash:	
	Contributions Received for Endowment and Capital Campaign	204,259
	Proceeds from Notes Payable and Advances from Individuals	301,000
Deduct:	Items Requiring Cash or Not Providing Cash:	
	Payments on Capital Lease	(1,537)
	Payments on Notes Payable and Advances from Individuals	<u>(1,230)</u>
	Net Cash Provided by Financing Activities	<u>502,492</u>

Net Increase in Cash	27,752
Beginning Cash	<u>117,465</u>
Ending Cash	<u>\$ 145,217</u>

Supplemental Data:

Interest Paid	\$ 1,213
Contribution of Real Property Received	\$ 55,000

The accompanying notes are an integral part of this financial statement.

PRESERVATION TRUST OF VERMONT, INC.
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

The Preservation Trust of Vermont, Inc. (“PTV or the “Trust” or, along with Preservation Realty Holdings, Inc. discussed as follows, “the Organization”) is an independent, nonprofit Vermont corporation founded in 1980. The Trust provides public education, technical assistance and direct financial support to community preservation initiatives throughout Vermont in order to prevent sprawl, promote downtown vitality, and protect the State’s important architectural resources.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF ACCOUNTING

The Trust prepares its financial statements in accordance with generally accepted accounting principles utilizing the accrual basis of accounting; consequently revenues are recognized when earned and expenses are recognized when incurred.

B. CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements include the accounts of the Trust and its wholly owned subsidiary, Preservation Realty Holdings, Inc. (“PRH” or “Subsidiary”). PRH was organized as a nonprofit membership organization in 1998 to “acquire, own, lease, develop and preserve historically significant properties within the State of Vermont.” The Trust is PRH’s only member. All significant inter-company transactions and accounts have been eliminated in consolidation.

C. BASIS OF PRESENTATION

The Organization reports 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 based upon the existence or absence of donor-imposed restrictions. The three (3) classes are defined as follows:

Unrestricted Net Assets

These assets result from contributions and other inflows which have no restrictions and over which the Board of Directors retains full control in use in achieving any of its institutional purposes.

Temporarily Restricted Net Assets

These assets result from contributions and other inflows of assets whose use by the Trust is limited by donor imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Organization.

PRESERVATION TRUST OF VERMONT, INC.
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Note 1:
(Cont'd)

Permanently Restricted Net Assets

These assets result from contributions and other inflows of assets whose use by the Organization is restricted to specified purposes in perpetuity.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities net assets released from restrictions. Temporarily restricted contributions whose restrictions are met in the same period are shown as increases in temporarily restricted net assets with a corresponding transfer to unrestricted net assets. Funds received with donor conditions are recorded as refundable advances until the conditions are substantially met.

D. REVENUE RECOGNITION

Grants and contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Promises to give that are scheduled to be received after the balance sheet date are shown as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when the purpose and time restrictions are met. Promises to give subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in permanently restricted net assets. Conditional promises to give are not recognized 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. Contributions to be received after one year have not been discounted as of September 30, 2015 as the effect on the financial statements would be immaterial.

Amounts received from special events and conference fees are recognized at the time of the event or conference. Income from special events consists of funds received from hosting a silent auction and a raffle. Other revenue is recognized when received.

The Organization reports contributions of land, buildings or equipment as unrestricted nonoperating support unless the donor places restrictions on their use. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support until the assets are acquired and placed in service.

PRESERVATION TRUST OF VERMONT, INC.
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Note 1:
(Cont'd)

Dividends, interest and net gains on investments of endowments and similar funds are reported as follows:

- as increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the current use of income or net gains; and,
- as increases in unrestricted net assets in all other cases.

Rental income is recognized based on the terms of the lease agreement.

E. INCOME TAXES

The Trust is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code, and is classified as a publicly supported organization under Section 509(a)(1). Contributions to the Trust qualify for the charitable contribution deduction under Internal Revenue Code Section 170(b)(1)(A). PRH is exempt from federal income tax as an organization described in Section 501(c)(2) of the Internal Revenue Code.

The Trust adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes". The Trust evaluates its uncertain tax positions using the provisions of FASB ASC 450, "Contingencies". Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. The Trust evaluated its tax positions and determined that its positions are more likely-than-not to be sustained on examination.

The tax returns are subject to review and examination by federal and state authorities. Tax returns for the fiscal years ended September 30, 2014, 2013 and 2012 are open for examination.

PRESERVATION TRUST OF VERMONT, INC.
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Note 1:
(Cont'd)

F. PROGRAM ACTIVITIES

A description of the activities of the Organization is as follows:

Preservation Grants

With funding from several major Vermont foundations and many other individuals and organizations, the Trust distributed grants to over 50 towns, organizations and individuals in support of restoration, rehabilitation and flood recovery projects during the year ended September 30, 2015.

Grand Isle Lake House

The Organization, through its subsidiary, continues to preserve and renovate this historic property acquired in 1998 through donation. PRH leases the property to an unrelated for-profit entity that hosts weddings, special events, nonprofit meetings and business retreats.

Endangered Places

With funding provided by contributions from individuals and private organizations, the Organization supports and strengthens Vermont's downtown and village center areas through technical and program support.

Historic Preservation Easement Program

The Organization holds and monitors conservation easements on 108 historic buildings and archaeological sites throughout Vermont (often times in conjunction with the Vermont Housing and Conservation Board).

Field Service Program

The Organization provides on-site technical and financial assistance to over 100 communities throughout Vermont.

Historic Places Revolving Fund

With start-up funding provided by a private foundation, this new program is being used to help save historic sites throughout the State mainly through the acquisition of options on real property followed by a search for a suitable, long-term owner or steward.

PRESERVATION TRUST OF VERMONT, INC.
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Note 1:
(Cont'd)

G. CASH AND CASH EQUIVALENTS

The Organization treats all unrestricted, highly liquid investments with an initial maturity of three (3) months or less as cash equivalents, except for the money market funds included in the investment portfolio.

H. INVESTMENTS

Marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in revenue. Investments received by gift are recorded at market value at the date of acquisition. The policy of the Organization is to sell all gifts of securities immediately upon receipt.

I. RECEIVABLES

Receivables are due from individuals and/or other businesses for conference fee attendance and payment on the silent auction bids. Management determines all receivables past one (1) month or greater of the due date to be past due. The Organization does not charge interest on late receivables. Management reviews the age of the accounts periodically and establishes an allowance, if necessary. Delinquent receivables are written off only after all efforts at collection have been attempted. Based on management's review of receivables as of September 30, 2015, an allowance of \$8,266 has been established.

J. CONTRIBUTIONS RECEIVABLE

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Those expected to be collected future years are recorded at the present value of their estimated future cash flows. If material, discounts on those amounts are computed using estimated market interest rates applicable to the years in which the promises are received. Amortization of the discounts, if any, is reflected in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Management reviews the age of the contributions receivable periodically and establishes an allowance, if necessary. Delinquent contributions receivable are written off only after all efforts at collection have been attempted. Based on management's review of contributions receivable as of September 30, 2015, an allowance of \$34,000 has been established.

PRESERVATION TRUST OF VERMONT, INC.
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Note 1:
(Cont'd)

K. PREPAID EXPENSES

Payments made to vendors for services that will benefit periods beyond September 30 are recorded as prepaid expenses.

L. PROPERTY, PLANT AND EQUIPMENT

The Organization records property, plant and equipment at cost when purchased and at market value when donated. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. The Organization has not established a formal capitalization policy. Normal maintenance and repair costs are expensed as incurred. Depreciation is charged using the straight-line method over the range of estimated useful lives as follows:

<u>Property, Plant and Equipment</u>	<u>Useful Lives in Years</u>
Land	N/A
Buildings and Improvements	10-39 Years
Vehicles	5 Years
Furniture, Fixtures and Equipment	5-10 Years
Computer Equipment	3-5 Years
Collections	N/A

M. COLLECTIONS

The collections consist of a large library of historic glass plate negatives and multiple exhibits. The policy of the Organization is that all purchased items accessioned into collections are capitalized at cost, and if donated, are capitalized at their appraised or fair value on the accession. The Organization does not depreciate their collections.

N. USE OF ESTIMATES

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions 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 period. Actual results could differ from those estimates.

PRESERVATION TRUST OF VERMONT, INC.
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Note 1:
(Cont'd)

O. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the Schedule of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 2: CONCENTRATION OF CASH ON DEPOSIT

The Organization has concentrated its credit risk by maintaining deposits in financial institutions that at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Organization has not experienced any losses in such accounts and believes it is not exposed to any unreasonable credit risk for cash. As of September 30, 2015, all cash is FDIC insured.

Note 3: INVESTMENTS AND ENDOWMENTS

The Organization maintains nearly a dozen investment accounts for unrestricted, temporarily restricted, and permanently restricted funds. Earnings from the permanently restricted funds subsidize the Executive Director's position, help fund the periodic monitoring or conservation easements held by the Organization in furtherance of its mission, and support grant-making and other assistance of community efforts to preserve and strengthen Vermont's collection of historic and cultural resources.

Accounting Principle

The State of Vermont adopted the Uniform Prudent Management of Institutional Funds Act on May 5, 2009. The Trust's accounting for unappropriated investment earnings on endowment funds conforms to this law.

Interpretation of Relevant Law

The Organization interprets state law (under the Uniform Prudent Management of Institutional Funds Act – UPMIFA) to require the preservation of the fair value of the original gift as of the gift date of its permanently restricted endowment funds absent explicit donor stipulations to the contrary. Pursuant to UPMIFA and recently promulgated guidance from the Financial Accounting Standards Board (FASB), retained appreciation of permanently restricted funds, if any, in excess of historical cost basis, is shown as temporarily restricted net assets until appropriated by management for the fund's designated expenses.

PRESERVATION TRUST OF VERMONT, INC.
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Note 3:
(Cont'd)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Trust to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were (\$0) as of September 30, 2015.

Return Objectives, Risk Parameters and Investment Strategies

The Organization has adopted investment and spending policies for unrestricted and temporarily restricted investments, and for permanently restricted endowment funds that attempt to provide a predictable stream of funding to programs supported by its investments and endowments while seeking to maintain the purchasing power of the funds. Under this policy, the funds are invested in a manner that will provide long-term investment growth while minimizing declines in asset value. To satisfy its long-term rate of return objectives for its invested funds, the Organization relies on a total return strategy in which returns are achieved through a combination of capital appreciation (realized and unrealized capital gains) and current yield (interest and dividends). For all investment accounts, the Organization targets a diversified asset allocation with a mix of equities, fixed income-based investments, and cash equivalents to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and its Relation to Investment Strategies and Objectives

For the permanently restricted funds, the Organization's spending policy is to transfer approximately five percent (5%) of the market value of the investment account to support the fund's designated expenses. Earnings from the unrestricted and temporarily restricted investment accounts are not subject to a formal spending policy and activity includes transfers to and from operations based on cash needs. Over the long-term, the Organization expects its permanently restricted endowment to grow at an amount that it believes will protect the purchasing power of the endowment assets held in perpetuity.

PRESERVATION TRUST OF VERMONT, INC.
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Note 3:
(Cont'd)

The cost, fair market value (determined by “Level 1” inputs by reference to quoted market prices), and unrealized appreciation (depreciation) of the Organization’s investments, by investment class, are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized (Depreciation) Appreciation</u>
As of September 30, 2015:			
Certificates of Deposit - FDIC	\$ 180,206	\$ 180,206	\$ 0
Money Market Funds	946,197	946,197	0
Fixed Income Securities	754,753	779,119	24,366
Equity Securities	<u>1,626,547</u>	<u>2,192,790</u>	<u>566,243</u>
	<u>\$ 3,507,703</u>	<u>\$ 4,098,312</u>	<u>\$ 590,609</u>

The Organization values its investments in marketable securities with readily determinable fair values and all investments in debt securities at fair market value (determined by “Level 1” inputs by reference to quoted market prices) in the Consolidated Statement of Financial Position. Unrealized gains and losses are included in the change in net assets. A reconciliation of the beginning and ending balances of the Organization’s investment accounts, including the components of investment income by net asset class is summarized as follows:

	<u>Unrestricted Funds</u>	<u>Temporarily Restricted Funds</u>	<u>Permanently Restricted Funds</u>	<u>Total</u>
Beginning Value of Investments	\$ 2,218,273	\$ 194,643	\$ 1,990,575	\$ 4,403,491
Contributions received	-	-	173,659	173,659
Interest and dividends	82,091	-	-	82,091
Realized & unrealized gains / (losses)	(27,185)	(169,493)	-	(196,678)
Fees	(22,749)	-	-	(22,749)
Net investment income (loss)	<u>32,157</u>	<u>(169,493)</u>	<u>-</u>	<u>(137,336)</u>
Appropriated for operations	(178,100)	-	-	(178,100)
Other transfers	<u>(163,402)</u>	<u>-</u>	<u>-</u>	<u>(163,402)</u>
Ending Value of Investments	<u>\$ 1,908,928</u>	<u>\$ 25,150</u>	<u>\$ 2,164,234</u>	<u>\$ 4,098,312</u>

PRESERVATION TRUST OF VERMONT, INC.
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Note 3:
(Cont'd)

Except for a portion of the earnings on the Stewardship Endowment, which must be added back to principal (if earnings exceed appropriations), income from permanently restricted funds is for on-going projects of the Organization and considered unrestricted, once appropriated by management for operations.

Note 4: BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

In 1994, the Trust transferred \$50,000 to the Vermont Community Foundation for the establishment of a fund to benefit preservation projects in the Bennington, Vermont area. Income earned by the fund (i.e. the allocable amount of earnings from the Foundation's common pooled fund) is generally distributable to the Trust (at the direction of the Trust) on an annual basis. The Trust, however, has granted variance power to the Foundation which means that the Board of Trustees of the Foundation "has the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to a specified organization if, in the sole judgment of the Board, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served."

Note 5: NOTES RECEIVABLE

The Trust holds a note received from the Vermont Community Loan Fund. The note was originally dated August, 2006 in the amount of \$30,000 with an interest rate of 3% and maturing in December, 2015. The note receivable is unsecured. Accrued interest payments are due annually with the full principal due at maturity. The note receivable balance at September 30, 2015 is \$30,000. Subsequent to year end, this note receivable has been renewed under the same terms as the original note with a maturity date of December, 2025.

The Trust also holds a note receivable from an individual. The original note was date October 19, 2013 in the amount of \$3,500 with an interest rate of 0% for the first year and then 3% for each subsequent year and maturing December 4, 2015. The note receivable is unsecured. Principal and interest payments in the amount of \$3,207 have been received as of September 30, 2015. The note receivable balance as of September 30, 2015 is \$293. Subsequent to year end, this note receivable has been paid in full.

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CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
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Note 6: GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable at September 30, 2015 consisted of:

Unrestricted (Net of \$18,400 allowance)	\$132,011
Restricted – Capital Campaign (Net of \$15,600 allowance)	25,047
Restricted – Purchase of Marble Museum	45,000
Restricted – Civil War Lectures	7,500
Restricted – Hinesburg Responsible Growth	15,000
Restricted – Fenix Trust	<u>453,600</u>
 Total	 <u>\$678,158</u>

All net amounts are expected to be fully received during fiscal year 2016 with the exception of the Fenix Trust.

There were no material conditional promises to give at September 30, 2015. Conditional promises to give are not recorded until the conditions are substantially met.

Note 7: INVESTMENT IN LIMITED LIABILITY COMPANY

In May, 2013, the Trust received a fifty percent (50%) interest in historic real estate in Bennington, Vermont valued at \$175,000 and – with the Fund for North Bennington, an unrelated, non-profit organization dedicated to preservation projects in the Bennington area that received the other fifty percent (50%) – formed a limited liability company to own, preserve, improve and operate (via lease or leases to unrelated, commercial entities) the property. The Trust’s fifty percent (50%) interest in the limited liability company is recorded at cost (the \$175,000 value of the property contributed plus a total of \$10,200 in cash contributed in 2013 and 2014) adjusted by allocable gains and losses (for 2015 a loss of \$10,378 included in other income on the Statement of Activities) and reduced by future distributions, if any. Subsequent to year end, the Trust sold their interest in this limited liability company and, as a result, wrote down the value to \$60,000, the amount of the sale. The sales amount was established by prior agreement with the Fund for North Bennington at the time of the original gift.

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Note 8: VERMONT MARBLE MUSEUM PROJECT

The Trust has taken lead in a multi-year project to preserve the real property associated with the Vermont Marble Museum in Proctor, Vermont and to help ensure that the Museum remains open to the public. In December 2012, the Trust purchased the Museum's collections (including the exhibits and a large library of historic glass plate negatives) for \$250,000 and signed an option to purchase the real property. Through September 2014, the Trust had received over \$350,000 in cash donations and spent (in addition to the deposit payments and purchase of the collections) nearly \$160,000 in legal, consulting and other project expenses (including direct monetary support to the "operator" discussed below). Working with local volunteers, the Trust helped form a new, unrelated non-profit organization – "Vermont Marble Museum, Inc." (the operator) – that purchased other Museum gift shop inventory and began operating the Museum for the summer 2014 season. In December 2014, the Trust finished its fundraising campaign and purchased the Museum real property (for a final negotiated price of \$425,000, which was net a bargain purchase component (donation) of \$55,000, plus closing costs of \$4,940). The building is being depreciated over a life of thirty (30) years and \$9,895 depreciation was recorded in 2015.

The Trust plans to lease the property to the operator for five years (though no rent has been charged through September 30, 2015) and then make an outright gift of the real estate to the operator. At the time of purchase, the seller had an appraisal performed to assess the estimated fair market value of the collection. Based on the appraisal performed, the fair market value of the collection, based on the items appraised individually, was assessed at \$1,676,330. The Organization, therefore, has recognized a contribution of \$1,426,330 from this purchase. If an appraisal of the collection had been performed based on keeping the collection intact, the value could have been substantially lower. It is the intention of the Organization to keep the collection intact. The Board will decide on the ultimate disposition of the collection.

Note 9: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

Land	\$ 862,000
Buildings & Improvements	1,707,651
Vehicles	18,999
Furniture, Fixtures and Equipment	35,887
Computer Equipment	21,421
Collections	<u>1,676,330</u>
Subtotal	4,322,288
Less Accumulated Depreciation	<u>(1,005,731)</u>
Net Property, Plant and Equipment	<u>\$ 3,316,557</u>

PRESERVATION TRUST OF VERMONT, INC.
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Note 10: REFUNDABLE ADVANCES

A significant portion of the Trust’s activities involves “Preservation Grants.” In this program, the Organization reviews applications for support of renovation projects primarily from local communities and organizations. Qualifying projects are included in applications submitted several times per year by the Trust to a small group of major foundations. Amounts approved by the foundations are earmarked for specific local renovation projects. The Trust notifies the grantee that they have been approved but funding is conditioned upon satisfactory completion of the renovation work. The Trust treats the receipt of funds from the foundations as a refundable advance because the support is conditioned on the completion of the renovation work and the subsequent transfer of funds to the grantee. When the renovation work is completed and the funds are disbursed, the Trust recognizes grant revenue and grant expense. The balance in refundable advances at September 30, 2015 represents current and prior years’ grants that are still in progress but ultimately payable to the designated recipients (or conditioned on certain future expenditures). The activity in the refundable advances account is as follows:

Refundable advances, beginning of the year	\$938,476
Grant funds received	245,000
Grant funds disbursed	<u>(243,223)</u>
Refundable advances, end of the year	<u>\$940,253</u>

Note 11: NOTES PAYABLE AND ADVANCES FROM INDIVIDUALS

Note Payable – U.S. Department of Agriculture,
Monthly Principal and Interest Payments of
\$788. Interest at 3.5%, Due June 2045.
Secured by Vermont Marble Museum
Collections and Substantially all of
Borrower’s Other Personal Property. \$173,770

Note Payable – Vermont Housing and
Conservation Board, Interest Free, Deferred
Note. Due in Full on the Earlier of
June 30, 2020 or PTV’s transfer of the
Vermont Marble Museum Real Property to
Vermont Marble Museum, Inc. (At Which
Time the Note Will Be Forgiven). Secured
By First Mortgage on Vermont Marble
Museum Real Property. 106,000

Advances From Individuals (Hinesburg Responsible
Growth) – Interest Free,
Secured by \$15,000 Pledge Receivable and
\$5,000 Unsecured. Due on Demand 20,000

Total Notes Payable and Advances from Individuals \$299,770

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Note 11:
(Cont'd)

Maturities are as follows:

2016	\$ 23,139
2017	3,540
2018	3,666
2019	3,797
2020	109,932
Thereafter	<u>155,696</u>
Total	<u>\$299,770</u>

Interest expense on the notes and advances was \$1,134 for fiscal year ended September 30, 2015.

Note 12: SPECIAL EVENTS

Included in special event revenue is approximately \$25,500 from a silent auction and approximately \$22,900 from a raffle.

Note 13: REAL PROPERTY LEASES

PRH leases the Grand Isle Lake House to an unrelated entity that hosts social functions, conferences and retreats. The lease, signed May 1, 1998, had an initial three (3) year term and can be extended for three (3), five (5) year periods by notice from the tenant. The tenant has exercised the options and extended the term of the lease for the three (3) periods allowed. Since the tenant has exercised all of the options, PRH cannot sell the property without first offering the property to the tenant at the property's then fair market value. The minimum rental payments are approximately \$7,000 annually (adjusted each year for inflation – for fiscal year 2015, the annual rental payments were \$7,610). The tenant also makes payments of \$3,250 per year to a maintenance fund to pay for major repairs to the property. The balance in the maintenance fund as of September 30, 2015 was \$36,649 and is included in unrestricted net assets. Finally, the tenant owes percentage rent of ten percent (10%) of gross revenue from its operations at the site (to the extent such amounts exceed operating expenses paid by the tenant).

In 2001, PTV received, through bequest, a historic building that includes a home and general store in rural Vermont. The Trust accepted the gift with the understanding that the property would not be used for the Trust's economic gain but that the property would re-emerge as a general store and important gathering place for the community. In September, 2009, PTV entered into a three (3) year lease agreement with a local food market cooperative ("tenant") with the purpose of fulfilling the former owner's wishes. The tenant pays no rent unless gross revenue exceeds, on a calendar year basis, \$150,000 annually. The Trust also makes annual, \$10,000 grants to the tenant, over the term of the lease, to cover property taxes, insurance, and ongoing operating costs and expenses. The agreement has been informally extended through December, 2016 and the Organization is in the process of negotiating a formal lease modification.

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Note 13:
(Cont'd)

The Trust leases office space (and associated parking spaces) under a noncancelable lease ending September, 2017 with minimum lease payments of \$10,800 for each of the fiscal years ending September 30, 2016 and 2017. Rental expense under the lease was \$10,800.

Note 14: RESTRICTED NET ASSETS

Restricted net assets consist of the following:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Director's Fund Endowment \$	0	\$1,246,575	\$1,246,575
Stewardship Endowment	0	379,200	379,200
Field Services Endowment	0	250,000	250,000
Robert Sincerbeaux Fund	0	207,000	207,000
Stewart Fund for Downtowns And Villages	0	101,459	101,459
New Moran	8,701	0	8,701
Marble Museum	45,000	0	45,000
Revolving Fund	16,968	0	16,968
Barnes Lodge Smuggs	3,035	0	3,035
Daisy Turner House	55,316	0	55,316
Redundant Churches	9,500	0	9,500
Centennial Field	2,915	0	2,915
Mad River Valley Fund	5,000	0	5,000
Endangered Places	15,148	0	15,148
George Estate	75,000	0	75,000
Tree Grants	33,559	0	33,559
Easement Stewardship Legal Defense	22,000	0	22,000
Historic Barns	4,930	0	4,930
Civil War Lectures	3,000	0	3,000
Wilmington Trust	8	0	8
Irene Relief	31	0	31
Fenix Trust	<u>453,600</u>	<u>0</u>	<u>453,600</u>
Total	<u>\$ 753,711</u>	<u>\$2,184,234</u>	<u>\$2,937,945</u>

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CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
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Note 14:
(Cont'd)

In 2008, PTV launched a capital campaign with the goal of providing funds for capital improvements and special projects and to increase the Organization's permanent endowment (see disclosure in Note 3). Any restrictions on capital campaign contributions are by mutual agreement between PTV and the donors. Amounts that have not yet been designated to a specific purpose within the capital campaign are shown as unrestricted net assets.

Note 15: RESTATEMENT OF NET ASSETS

Net assets have been restated as follows:

Net Assets, as Originally Reported – September 30, 2014	\$5,990,982
Adjustment for Understatement of Contributions Receivable	80,000
Adjustment for Understatement of Collections	1,426,330
Adjustment for Overstatement of Refundable Advances	60,404
Adjustment for Understatement of Accounts Payable	<u>(33,857)</u>
Net Assets, as Restated – September 30, 2014	<u>\$7,523,859</u>

The effect of the restatement on the September 30, 2014 Consolidated Statement of Financial Position was that assets were understated by \$1,506,330, liabilities were overstated by \$26,547 and net assets were understated by \$1,532,877. The effect on the Consolidated Statement of Activities has not been determined.

Note 16: SUBSEQUENT EVENTS

As discussed in Note 13, the Organization is in the process of negotiating a formal modification for a lease of certain real property that expired in September 2012 (and which has been informally extended through December 2016).

Subsequent to year end, the Trust received a building through a donation. The appraised value of the building was \$125,000.

Subsequent events have been evaluated through November 23, 2016, which is the date the financial statements were available to be issued.