

**PRESERVATION TRUST OF VERMONT, INC.
AND SUBSIDIARY**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2017

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY

SEPTEMBER 30, 2017

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Independent Accountant's Compilation Report

To the Board of Directors
Preservation Trust of Vermont, Inc. and Subsidiary
Burlington, Vermont

Management is responsible for the accompanying financial statements of the Preservation Trust of Vermont, Inc. and Subsidiary (Vermont nonprofit organizations), which comprise the statement of financial position as of September 30, 2017 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements in accordance with U.S. generally accepted accounting principles. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements. The prior year summarized comparative information has been derived from the Organization's 2016 financial statements which were compiled by us and, in our report dated July 26, 2017, we noted that those statements were the representation of management and that we did not express any opinion or any other form of assurance on them.

The accompanying supplementary information following the notes is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have performed a compilation engagement on the information. We have not audited or reviewed the information and, accordingly, do not express an opinion, a conclusion, or provide any assurance on such information.



Vergennes, Vermont
July 9, 2018
Vermont Registration #108880

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2017
(With Summarized Information for 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents (Notes 1 & 4)	\$ 173,695	\$ 162,417
Grants and contributions receivable (Notes 1, 14 & 18)	430,022	278,053
Other receivables	24,065	25,377
Prepaid expenses	9,944	7,110
Notes receivable (Note 13)	31,857	73,238
Program-related investments - real & personal property (Note 17)	2,590,623	2,291,299
Beneficial interest in assets held by others (Note 7)	83,626	77,317
Beneficial interest in charitable remainder trust (Note 15)	115,800	110,200
Investments and endowments (Note 6)	5,224,733	4,913,166
Property and equipment, net of accumulated depreciation (Notes 1 & 5)	1,519,590	1,573,245
Deferred compensation plan assets (Note 8)	<u>92,473</u>	<u>44,824</u>
TOTAL ASSETS	<u><u>\$ 10,296,428</u></u>	<u><u>\$ 9,556,246</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 21,222	\$ 5,877
Accrued expenses	2,536	2,145
Refundable advances (Note 12)	1,060,511	1,006,516
Notes payable & advances from individuals (Notes 14, 17 & 18)	492,790	296,341
Deferred compensation plan liability (Note 9)	<u>92,473</u>	<u>44,824</u>
Total Liabilities	<u>1,669,532</u>	<u>1,355,703</u>
Net Assets:		
Unrestricted (Note 16)	5,408,484	5,010,127
Temporarily restricted (Note 16)	844,721	828,182
Permanently restricted (Note 16)	<u>2,373,691</u>	<u>2,362,234</u>
Total Net Assets	<u>8,626,896</u>	<u>8,200,543</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 10,296,428</u></u>	<u><u>\$ 9,556,246</u></u>

See accompanying notes and independent accountant's compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(With Summarized Information for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
Revenue:					
Grants & contributions (Notes 1, 12 & 14)	\$ 385,989	\$ 1,772,426	\$ 111,457	\$ 2,269,872	\$ 1,045,773
Developer mitigation payments	200,000	-	-	200,000	-
Donations of real and personal property (Notes 1 & 17)	-	-	-	-	206,375
Special events (Note 9)	42,377	-	-	42,377	44,277
Conference fees	37,491	-	-	37,491	29,640
Rental income & maintenance fees (Note 11)	10,989	-	-	10,989	10,099
Other income	21,118	-	-	21,118	3,062
Change in value of charitable remainder trust (Note 15)	5,600	-	-	5,600	6,600
Change in beneficial interest (Note 7)	10,241	-	-	10,241	6,130
Investment income (Note 6)	268,637	133,500	-	402,137	486,869
Net assets released from restrictions:					
Release of donor restriction	-	100,000	(100,000)	-	-
Transfers to fulfill time restrictions	200,000	(200,000)	-	-	-
Transfers to fulfill purpose restrictions	1,789,387	(1,789,387)	-	-	-
Total support and revenue	<u>2,971,829</u>	<u>16,539</u>	<u>11,457</u>	<u>2,999,825</u>	<u>1,838,825</u>
Expenses and losses:					
Program services (Note 1)	2,381,595	-	-	2,381,595	1,070,923
Supporting services					
Management and general	100,498	-	-	100,498	125,803
Fundraising	91,379	-	-	91,379	88,126
Total expenses and losses	<u>2,573,472</u>	<u>-</u>	<u>-</u>	<u>2,573,472</u>	<u>1,284,852</u>
Change in net assets	398,357	16,539	11,457	426,353	553,973
Net assets, beginning of year	<u>5,010,127</u>	<u>828,182</u>	<u>2,362,234</u>	<u>8,200,543</u>	<u>7,646,570</u>
Net assets, end of year	<u>\$ 5,408,484</u>	<u>\$ 844,721</u>	<u>\$ 2,373,691</u>	<u>\$ 8,626,896</u>	<u>\$ 8,200,543</u>

See accompanying notes and independent accountant's compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(With Summarized Information for 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 426,353	\$ 553,973
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	149,497	145,892
Contributions restricted for endowment & capital campaign	(111,457)	(92,000)
Contribution of real property	-	(206,375)
Realized and unrealized (gains) losses on investments	(342,929)	(426,433)
Increase in reserve for uncollectable notes receivable	30,000	-
Change in value of charitable remainder trust	(5,600)	(6,600)
Change in beneficial interest in assets held by others	(10,241)	(6,130)
(Increase) decrease in operating receivables	(176,969)	296,505
(Increase) decrease in other current assets	(1,522)	12,221
Increase (decrease) in accounts payable	15,345	(28,857)
Increase (decrease) in accrued expenses	391	14
Increase (decrease) in refundable advances	53,995	66,263
Net cash provided by (used in) operating activities	<u>26,863</u>	<u>308,473</u>
Cash flows from financing activities:		
Proceeds from notes receivable	200,000	-
Payments on notes payable and advances from individuals	(3,551)	(3,429)
Contributions received restricted for endowment & capital campaign	136,457	92,000
Net cash provided by financing activities	<u>332,906</u>	<u>88,571</u>
Cash flows from investing activities:		
Purchase of investments	(2,292,011)	(2,241,006)
Sale of investments	2,327,305	1,856,858
Proceeds from notes receivable	(18,619)	(13,237)
Repayments of notes receivable	30,000	30,000
Purchase of program-related real property	(359,267)	(5,069)
Acquisition of property and equipment	(35,899)	(7,390)
Net cash provided by (used in) investing activities	<u>(348,491)</u>	<u>(379,844)</u>
Net increase (decrease) in cash	11,278	17,200
Cash at the beginning of the year	<u>162,417</u>	<u>145,217</u>
Cash at the end of the year	\$ <u><u>173,695</u></u>	\$ <u><u>162,417</u></u>
Supplemental Data:		
Interest paid	\$ 5,905	\$ 6,061
Redemption of LLC interest through receipt of note receivable	-	60,000
Donations of real and personal property received	-	206,375

See accompanying notes and independent accountant's compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization and Activities:

The Preservation Trust of Vermont, Inc. (“PTV” or the “Trust” or, along with Preservation Realty Holdings, Inc. discussed below, “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.

Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of the Trust and its wholly controlled 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.

Financial Statement 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.

Contributions:

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 as 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.

Cash and Cash Equivalents:

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

Use of Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

See independent accountant’s compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative Financial Information:

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2016, from which the summarized information was derived.

Property and Equipment:

Additions to property and equipment are recorded 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. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Building and improvements	10 – 39 years
Vehicles	5 years
Furniture, fixtures and equipment	5 – 10 years
Computer equipment	3 – 5 years
Collections	40 years

Promises to Give:

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Those expected to be collected in 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.

Functional Allocation of Expenses:

The costs of providing the various programs have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications:

Portions of the 2016 financial statements have been reclassified to conform to the 2017 financial statement presentation.

See independent accountant's compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Description of programs:

A description of the major programs of the Organization is as follows:

“Preservation Grants” – With funding from several major Vermont foundations and many other individuals and organizations, the Trust distributed over \$660,000 in direct and “field service” grants to over 75 towns, organizations and individuals in support of restoration and rehabilitation projects during the year ended September 30, 2017 (nearly \$365,000 in direct grants to over 30 grantees in 2016).

“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 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 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.

NOTE 2 - 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 believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

See independent accountant’s compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 3 – RETIREMENT PLAN

The Trust maintains a “Savings Incentive Match Plan for Employees of Small Employers (SIMPLE)”, which is open to all employees whose annual compensation exceeds \$5,000. Employees can make contributions up to prescribed limits with the Organization making matching contributions up to 3% of total compensation. Employer expense under this plan totaled \$7,139 and \$6,308 for the years ended September 30, 2017 and 2016, respectively.

NOTE 4 – 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 to cash.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of September 30th:

	<u>2017</u>		<u>2016</u>
Land	\$ 862,000	\$	862,000
Buildings and improvements	1,748,250		1,713,551
Vehicles	18,999		18,999
Furniture, fixtures and equipment	35,887		35,887
Computer equipment	24,111		22,911
Subtotal	<u>2,689,247</u>		<u>2,653,348</u>
Less - accumulated depreciation	<u>(1,169,657)</u>		<u>(1,080,103)</u>
Net fixed assets	\$ <u><u>1,519,590</u></u>	\$	<u><u>1,573,245</u></u>

Depreciation expense (including \$59,973 in 2017 and \$59,020 in 2016 on real and personal property program investments discussed below) totaled \$149,497 and \$145,892 for the years ended September 30, 2017 and 2016, respectively.

NOTE 6 – 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 of 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.

See independent accountant’s compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6 – INVESTMENTS AND ENDOWMENTS (continued)

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 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.

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 is intended to yield an average, long-term rate of return that exceeds the long-term change in the Consumer Price Index by 4% (though actual returns in any given year may obviously vary from this amount). 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 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.

See independent accountant’s compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6 – INVESTMENTS AND ENDOWMENTS (continued)

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, 2017:			
Money market funds	\$ 885,155	\$ 885,155	\$ -
Fixed income securities	1,431,044	1,458,738	27,694
Equity securities & funds	<u>1,694,870</u>	<u>2,880,840</u>	<u>1,185,970</u>
	<u>\$ 4,011,069</u>	<u>\$ 5,224,733</u>	<u>\$ 1,213,664</u>
As of September 30, 2016:			
Money market funds	\$ 1,093,081	\$ 1,093,081	\$ -
Fixed income securities	1,081,430	1,119,772	38,342
Equity securities & funds	<u>1,731,607</u>	<u>2,700,313</u>	<u>968,707</u>
	<u>\$ 3,906,117</u>	<u>\$ 4,913,166</u>	<u>\$ 1,007,049</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 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 for the years ended September 30, 2016 and 2017, 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>
Value of Investments 10/1/15:	\$ 1,908,928	\$ 25,150	\$ 2,164,234	\$ 4,098,312
Contributions received	<u>-</u>	<u>-</u>	<u>98,000</u>	<u>98,000</u>
Interest and dividends	83,267	-	-	83,267
Realized & unrealized gains / (losses)	249,641	176,792	-	426,433
Fees	<u>(22,831)</u>	<u>-</u>	<u>-</u>	<u>(22,831)</u>
Net investment income (loss)	<u>310,077</u>	<u>176,792</u>	<u>-</u>	<u>486,869</u>
Appropriated for operations	(146,250)	-	-	(146,250)
Other transfers	<u>372,735</u>	<u>-</u>	<u>3,500</u>	<u>376,235</u>
Value of Investments 9/30/16:	<u>\$ 2,445,490</u>	<u>\$ 201,942</u>	<u>\$ 2,265,734</u>	<u>\$ 4,913,166</u>

See independent accountant’s compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6 – INVESTMENTS AND ENDOWMENTS (continued)

	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total
Value of Investments 10/1/16:	\$ 2,445,490	\$ 201,942	\$ 2,265,734	\$ 4,913,166
Contributions received	-	-	136,457	136,457
Interest and dividends	84,683	-	-	84,683
Realized & unrealized gains / (losses)	209,429	133,500	-	342,929
Fees	(25,475)	-	-	(25,475)
Net investment income (loss)	268,637	133,500	-	402,137
Appropriated for operations	(180,600)	-	-	(180,600)
Donor release of permanent restriction	-	-	(100,000)	(100,000)
Other transfers	53,573	-	-	53,573
Value of Investments 9/30/17:	\$ 2,587,100	\$ 335,442	\$ 2,302,191	\$ 5,224,733

Income from the permanently restricted funds is for on-going projects of the Organization and considered unrestricted once appropriated by management for operations.

NOTE 7 – 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 8 –DEFERRED COMPENSATION PLAN

In October 2015, the Organization established a “Non-Qualified Section 457 Tandem Deferred Compensation Plan” (“the Plan”) for the benefit of a long time employee. Under the Plan, the Trust will make annual contributions of approximately \$42,000 per year for five years (with the first contribution made in October 2015). The Trust has segregated the Plan assets in one of the investment accounts discussed in Note 6 above. Total plan assets – and the corresponding liability – totaled \$44,824 as of September 30, 2016 and \$92,473 as of September 30, 2017.

See independent accountant’s compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 9 – SPECIAL EVENTS

Included in special event revenue for the year ended September 30, 2017 is approximately \$18,400 from a silent auction and approximately \$24,000 from a raffle (\$22,000 and \$22,500 for 2016).

NOTE 10 – INVESTMENT IN LIMITED LIABILITY COMPANY

In May 2013, the Trust received a 50% interest in historic real estate in Bennington, Vermont valued at \$175,000 and - with an unrelated, non-profit organization dedicated to preservation projects in the Bennington area that received the other 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 50% interest in the limited liability company was recorded at cost (the \$175,000 value of the property contributed plus cash contributed) adjusted by allocable gains and losses. In 2015, the Trust agreed to a redemption of its interest in the limited liability company by the other LLC member and its investment was written down to the \$60,000 agreed-to redemption price. In 2016, the Trust's interest was redeemed in return for a \$60,000 note receivable (as discussed in Note 13 below).

NOTE 11 – REAL PROPERTY LEASES

As discussed in Note 1, PRH leases the Grand Isle Lake House to an unrelated entity that hosts social functions, conferences and retreats. The lease, first signed in 1998 and extended in May 2016, expires in April 2019 but allows the tenant to extend for three, five-year periods. Under the lease, PRH cannot sell the property before April 2020 and must first offer the property to the tenant at the property's then fair market value. Minimum rental payments to cover operating expenses are approximately \$7,900 annually (adjusted each year for inflation). The tenant also makes payments to a maintenance fund to pay for major repairs to the property in an annual amount of the greater of \$3,250 or .5% of the tenant's annual gross revenues. Finally, the tenant owes percentage rent of 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 lease agreement with a local food market cooperative ("tenant") with the purpose of fulfilling the former owner's wishes. Under the lease, which expired in 2012 but has been indefinitely extended on a month-to-month basis, the tenant pays no rent unless gross revenue exceeds, on a calendar year basis, \$150,000 annually. The Trust also makes annual grants to the tenant of \$10,000 to cover property taxes, insurance, and ongoing operating costs and expenses.

The Trust leases office space (and associated parking spaces) under a noncancelable lease ending September 2018 with minimum lease payments of \$900 per month through the end of the lease term. Rent expense under the lease was \$10,800 for both fiscal years ended September 30, 2016 and 2017.

See independent accountant's compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 12 – REFUNDABLE ADVANCES

As discussed in Note 1, a significant portion of the Organization’s activities involves “Preservation Grants” in which PTV 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 Organization to a small group of major foundations. Amounts approved by the foundations are earmarked for the specific local renovation projects. The Organization notifies the grantee that they have been approved, but funding is conditioned upon satisfactory completion of the renovation work. The Organization 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 Organization recognizes grant income and grant expense. The balance in refundable advances represents current and prior years’ grants that are still in progress but ultimately payable to the designated recipients (or conditioned on certain future Organizational expenditures). The activity in the refundable advances account for the years ended September 30, 2016 and 2017 is as follows:

	<u>2017</u>	<u>2016</u>
Refundable advances, beginning of the year	\$ 1,006,516	\$ 940,253
Grant funds received	235,000	230,000
Grant funds released from restriction	-	-
Grant funds disbursed	<u>(181,005)</u>	<u>(163,737)</u>
Refundable advances, end of the year	<u>\$ 1,060,511</u>	<u>\$ 1,006,516</u>

NOTE 13 – NOTES RECEIVABLE

Notes receivable consisted of the following as of September 30th:

	<u>2017</u>	<u>2016</u>
\$30,000 note receivable from the Vermont Community Loan Fund originally dated August 2006 and most recently renewed in December 2015 with current interest payable annually at 3% and due in full December 2025.	\$ 30,000	\$ 30,000
\$60,000 interest-free, note receivable from unrelated, Vermont non-profit organization dated March 2016 and issued in conjunction with the redemption of the Trust's interest in a limited liability company; paid in full March 2017.	-	30,000
\$31,857 in interest-free advances to the non-profit operator of the Vermont Marble Museum (\$8,238 dated July 2016, \$5,000 dated September 2016 and \$18,619 dated September 2017) with repayments originally anticipated to begin by December 2016 with payment in full by June 2018.	31,857	13,238
Reserve for estimated uncollectable amounts	<u>(30,000)</u>	<u>-</u>
	<u>\$ 31,857</u>	<u>\$ 73,238</u>

See independent accountant’s compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 14 – PROMISES TO GIVE

Grants and contributions receivable consisted of the following as of September 30th:

	<u>2017</u>	<u>2016</u>
Unrestricted (including amounts already expended on restricted grants and contributions):	\$ <u>276,522</u>	\$ <u>57,053</u>
Temporarily restricted:		
For future years	150,000	200,000
For specific program activities	<u>20,000</u>	<u>15,000</u>
	<u>170,000</u>	<u>215,000</u>
Permanently restricted:		
For the Directors Fund	<u>-</u>	<u>25,000</u>
Total unconditional promises to give	\$ <u>446,522</u>	\$ <u>297,053</u>
Receivable in less than one year	\$ 296,522	\$ 282,053
Receivable in one to five years	<u>150,000</u>	<u>15,000</u>
Total unconditional promises to give	446,522	297,053
Less discounts to net present value	-	-
Less allowance for uncollectable promises receivable	<u>(16,500)</u>	<u>(19,000)</u>
Net unconditional promises to give	\$ <u>430,022</u>	\$ <u>278,053</u>

There were no material conditional promises to give at September 30, 2017. Conditional promises to give are not recorded until the conditions are substantially met.

NOTE 15 – BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUST

Upon the death of the grantor in 2015, the Trust became a remainder beneficiary of a charitable remainder unitrust administered by an unrelated third party. The charitable remainder trust provides for the payment of distributions to a designated beneficiary over the beneficiary's lifetime with the remaining assets distributable to several non-profit organizations upon the end of the trust's term. The Trust estimated the fair value of its 10% remainder interest (using the beneficiary's estimated life expectancy and a discount rate of 4%) at \$103,600 as of September 30, 2015. Revising the discount rate to 5% and adjusting for changes in life expectancy, the Trust has estimated the fair value of its interest at \$115,800 as of September 30, 2017 (\$110,200 as of September 30, 2016) with the \$5,600 change for the fiscal year ended September 30, 2017 (\$6,600 for 2016) shown in the Statement of Activities as "change in value of charitable remainder trust."

See independent accountant's compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 16 – NET ASSETS

The three classes of net assets have the following donor restrictions:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
As of September 30, 2017:				
Director's Fund Endowment	\$ -	\$ 173,726	\$ 1,252,903	\$ 1,426,629
Stewardship Endowment Fund	-	45,032	403,200	448,232
Field Services Endowment Fund	-	65,313	250,000	315,313
The Robert Sincerbeaux Fund:				
In investments	-	34,136	220,500	254,636
In loan fund	-	-	71,500	71,500
The Stewart Fund for Downtowns & Villages	-	17,235	175,588	192,823
Advocacy Revolving Fund	5,999	-	-	5,999
Restricted to future time periods	-	265,800	-	265,800
Restricted to other special projects	-	243,479	-	243,479
Board designated Grand Isle Lake House Fund	642,277	-	-	642,277
Board designated capital campaign	1,009,515	-	-	1,009,515
Board designated for specific region	50,000	-	-	50,000
Investment in property & program investments	4,110,213	-	-	4,110,213
Non-endowment & property unrestricted	(409,520)	-	-	(409,520)
	<u>\$ 5,408,484</u>	<u>\$ 844,721</u>	<u>\$ 2,373,691</u>	<u>\$ 8,626,896</u>
As of September 30, 2016:				
Director's Fund Endowment:				
In investments	\$ -	\$ 106,918	\$ 1,226,575	\$ 1,333,493
In receivables	-	-	25,000	25,000
Stewardship Endowment Fund	-	16,144	403,200	419,344
Field Services Endowment Fund	-	49,653	250,000	299,653
The Robert Sincerbeaux Fund:				
In investments	-	22,242	215,500	237,742
In loan fund	-	-	71,500	71,500
The Stewart Fund for Downtowns & Villages	-	985	170,459	171,444
Advocacy Revolving Fund	5,967	-	-	5,967
Restricted to future time periods	-	310,200	-	310,200
Restricted to other special projects	-	322,040	-	322,040
Board designated Grand Isle Lake House Fund	608,434	-	-	608,434
Board designated capital campaign	1,009,515	-	-	1,009,515
Board designated for specific region	50,000	-	-	50,000
Investment in property & program investments	3,864,544	-	-	3,864,544
Non-endowment & property unrestricted	(528,333)	-	-	(528,333)
	<u>\$ 5,010,127</u>	<u>\$ 828,182</u>	<u>\$ 2,362,234</u>	<u>\$ 8,200,543</u>

See independent accountant's compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 16 – NET ASSETS (continued)

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. Since the Trust has substantial discretion over the use of non-permanently restricted capital campaign contributions, amounts that have not been designated to a specific permanently restricted fund are shown as board designated net assets.

NOTE 17 – PROGRAM-RELATED REAL AND PERSONAL PROPERTY INVESTMENTS

The Trust has taken the 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 valued at \$1,676,330 - for the bargain price of \$250,000. Working with local volunteers, the Trust helped form a new, unrelated non-profit organization – “Vermont Marble Museum, Inc.” (“the operator”) - that began operating the Museum in 2014. In December 2014, the Trust finished its fundraising campaign and purchased the Museum real property for \$480,000 (including a bargain purchase component (donation) of \$55,000). The Trust is leasing the property to the operator (though no rent has been charged through September 30, 2017). The Museum collection (now being depreciated over 40 years with depreciation of \$41,908 for both 2016 and 2017) is on permanent loan to the operator. Funded mainly by grants and contributions, the Trust made over \$340,000 in improvements to the VMM property in 2017.

The Trust’s work to preserve the Vermont Marble Museum has attracted other preservation-minded donors. In November 2015, the Trust received a donation of the “Fox Hill Center for Arts Property” – real estate in Poultney, Vermont with an appraised value of \$125,000. And, in December 2015, the Trust received another donation of quarrying-related collection items valued at approximately \$81,375.

In the fiscal year ended September 30, 2017, the Trust spearheaded the successful preservation of prime agricultural land at “Exit 4” in Randolph, Vermont, raising over \$1,000,000 in cash and pledges and purchasing the 22 acre parcel in July 2017. The Organization has capitalized the purchase at its \$17,000, agricultural-use only, appraised value with the approximate \$1,000,000 balance of acquisition (including a permanent conservation easement) and related costs included in program expenses for the year.

The Trust’s program related real and personal property investments are summarized as follows as of September 30th:

	2017	2016
Land	\$ 152,000	\$ 135,000
Buildings and improvements	822,276	480,009
Collections	1,757,705	1,757,705
Subtotal	2,731,981	2,372,714
Less - accumulated depreciation	(141,358)	(81,415)
Net fixed assets	\$ 2,590,623	\$ 2,291,299

See independent accountant’s compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 18 – NOTES PAYABLE AND ADVANCES FROM INDIVIDUALS

Notes payable consisted of the following at September 30th:

	<u>2017</u>	<u>2016</u>
\$175,000 term loan with the U.S. Department of Agriculture dated June 2015 with payments of principal and interest (at 3.5%) of \$788 due monthly through June 2045; secured by Vermont Marble Museum collections and substantially all of borrower's other personal property.	\$ 166,790	\$ 170,341
\$106,000 interest-free, "deferred" note payable with the Vermont Housing and Conservation Board dated December 2014; due in full on the earlier of 1) June 30, 2020 or 2) 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	106,000
\$100,000 loan from a private foundation with interest accruing at 2% per annum on the unpaid principal balance; secured by a 50% interest in certain pledges receivable secured in connection with the purchase of land at "Exit 4" in Randolph, Vermont; principal payments due as the pledges are collected and all remaining principal and interest due in full July 2019.	100,000	-
\$100,000 interest-free loan from an individual; secured by a 50% interest in certain pledges receivable secured in connection with the purchase of land at "Exit 4" in Randolph, Vermont; due in full July 2020.	100,000	-
Unsecured, interest-free advances from individuals; due on demand.	<u>20,000</u>	<u>20,000</u>
	\$ <u><u>492,790</u></u>	\$ <u><u>296,341</u></u>

Future maturities on notes payable are as follows:

2018	\$ 23,666
2019	103,797
2020	209,932
2021	4,071
2022	4,217
2023 & beyond	<u>147,107</u>
	\$ <u><u>492,790</u></u>

Interest expense on the above notes and advances was \$5,905 and \$6,061 for the fiscal years ended September 30, 2017 and 2016, respectively.

See independent accountant's compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 19 – CONSTRUCTION CONTRACT COMMITMENTS

As of September 30, 2017, there was approximately \$89,000 outstanding on construction contracts for improvements to the Vermont Marble Museum property discussed in Note 17 above.

NOTE 20 – SUBSEQUENT EVENTS AND REPORT ISSUANCE DATE

Management has evaluated events subsequent to September 30, 2017 through July 9, 2018 (the date these financial statements were available to be issued) for potential recognition or disclosure as required under U.S. generally accepted accounting principles.

In March 2018, PTV conveyed by grant to an unrelated non-profit arts organization the “Fox Hill” property discussed in Note 17 above – property with an approximate net book value of approximately \$124,000 as of September 30, 2017.

See independent accountant’s compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(With Summarized Information for 2016)

	Program	Management & General	Fundraising	2017 Total	2016 Total
Salaries, taxes and benefits	\$ 291,529	\$ 38,119	\$ 58,698	\$ 388,346	\$ 380,895
Grants	660,702	-	-	660,702	379,739
Purchase of development rights	983,915	-	-	983,915	-
Consultants	28,037	190	280	28,507	27,216
Dues and subscriptions	3,530	-	-	3,530	3,485
Equipment rental	150	1,354	-	1,504	1,114
Food and beverage	12,533	1,620	2,393	16,546	8,989
Insurance	9,636	2,735	567	12,938	9,083
Miscellaneous	4,641	5,087	1,286	11,014	15,324
Other direct expenses	12,510	185	11,000	23,695	27,669
Printing & publication costs	2,299	1,324	3,003	6,626	7,666
Postage and shipping	780	1,640	5,957	8,377	5,192
Professional services	115,942	33,430	300	149,672	158,002
Property taxes	4,282	-	-	4,282	4,282
Rent	6,237	4,366	1,870	12,473	12,410
Repairs and maintenance	13,985	-	-	13,985	20,698
Supplies	2,908	451	1,804	5,163	6,277
Telephone	5,663	180	180	6,023	7,061
Training, conferences & meetings	22,846	7,529	-	30,375	18,909
Travel	20,154	1,219	2,438	23,811	36,706
Utilities	1,361	-	-	1,361	2,182
Interest	5,905	-	-	5,905	6,061
Depreciation	146,825	1,069	1,603	149,497	145,892
	<u>\$ 2,381,595</u>	<u>\$ 100,498</u>	<u>\$ 91,379</u>	<u>\$ 2,573,472</u>	<u>\$ 1,284,852</u>

See independent accountant's compilation report.