

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

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2018

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY

SEPTEMBER 30, 2018

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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, 2018 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 2017 financial statements which were compiled by us and, in our report dated July 9, 2018, 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
April 26, 2019
Vermont Registration #108880

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2018
(With Summarized Information for 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents (Notes 1 & 4)	\$ 149,701	\$ 173,695
Grants and contributions receivable (Notes 1, 14 & 17)	492,075	430,022
Other receivables	54,172	24,065
Prepaid expenses	10,856	9,944
Notes receivable (Note 13)	104,593	31,857
Program-related investments - real & personal property (Note 16)	2,505,212	2,590,623
Beneficial interest in assets held by others (Note 7)	85,559	83,626
Beneficial interest in charitable remainder trust (Note 11)	121,000	115,800
Investments and endowments (Note 6)	5,632,819	5,224,733
Property and equipment, net of accumulated depreciation (Notes 1 & 5)	1,476,678	1,519,590
Deferred compensation plan assets (Note 8)	<u>141,227</u>	<u>92,473</u>
TOTAL ASSETS	\$ <u>10,773,892</u>	\$ <u>10,296,428</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 18,275	\$ 21,222
Accrued expenses	2,732	2,536
Refundable advances (Note 12)	1,066,383	1,060,511
Notes payable & advances from individuals (Notes 14, 16 & 17)	343,113	492,790
Deferred compensation plan liability (Note 8)	<u>141,227</u>	<u>92,473</u>
Total Liabilities	<u>1,571,730</u>	<u>1,669,532</u>
Net Assets:		
Unrestricted (Note 15)	5,284,846	5,408,484
Temporarily restricted (Note 15)	1,330,196	844,721
Permanently restricted (Note 15)	<u>2,587,120</u>	<u>2,373,691</u>
Total Net Assets	<u>9,202,162</u>	<u>8,626,896</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>10,773,892</u>	\$ <u>10,296,428</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, 2018
(With Summarized Information for 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
Revenue:					
Grants & contributions (Notes 1, 12 & 14)	\$ 236,381	\$ 1,364,716	\$ 213,429	\$ 1,814,526	\$ 2,269,872
Developer mitigation payments	-	-	-	-	200,000
Donations of real and personal property (Notes 1 & 16)	-	-	-	-	-
Conference fees	37,266	-	-	37,266	37,491
Special events (Note 9)	34,848	-	-	34,848	42,377
Rental income & maintenance fees (Note 10)	11,104	-	-	11,104	10,989
Other income	2,654	-	-	2,654	21,118
Change in value of charitable remainder trust (Note 11)	5,200	-	-	5,200	5,600
Change in beneficial interest (Note 7)	5,871	-	-	5,871	10,241
Investment income (Note 6)	274,351	126,179	-	400,530	402,137
Net assets released from restrictions:					
Transfers to fulfill time restrictions	50,000	(50,000)	-	-	-
Transfers to fulfill purpose restrictions	955,420	(955,420)	-	-	-
Total support and revenue	<u>1,613,095</u>	<u>485,475</u>	<u>213,429</u>	<u>2,311,999</u>	<u>2,999,825</u>
Expenses and losses:					
Program services (Note 1)	1,559,233	-	-	1,559,233	2,381,595
Supporting services					
Management and general	95,111	-	-	95,111	100,498
Fundraising	82,389	-	-	82,389	91,379
Total expenses and losses	<u>1,736,733</u>	<u>-</u>	<u>-</u>	<u>1,736,733</u>	<u>2,573,472</u>
Change in net assets	(123,638)	485,475	213,429	575,266	426,353
Net assets, beginning 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>
Net assets, end of year	<u>\$ 5,284,846</u>	<u>\$ 1,330,196</u>	<u>\$ 2,587,120</u>	<u>\$ 9,202,162</u>	<u>\$ 8,626,896</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, 2018
(With Summarized Information for 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 575,266	\$ 426,353
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	160,124	149,497
Contributions restricted for endowment & capital campaign	(213,429)	(111,457)
Grant paid through conveyance of program-related real property investment	123,648	-
Realized and unrealized (gains) losses on investments	(327,283)	(342,929)
Increase in reserve for uncollectable notes receivable	20,400	30,000
Change in value of charitable remainder trust	(5,200)	(5,600)
Change in beneficial interest in assets held by others	(5,871)	(10,241)
(Increase) decrease in operating receivables	(62,053)	(176,969)
(Increase) decrease in other current assets	(31,019)	(1,522)
Increase (decrease) in accounts payable	(2,947)	15,345
Increase (decrease) in accrued expenses	196	391
Increase (decrease) in refundable advances	5,872	53,995
Net cash provided by (used in) operating activities	<u>237,704</u>	<u>26,863</u>
Cash flows from financing activities:		
Proceeds from notes payable and advances from individuals	22,000	200,000
Payments on notes payable and advances from individuals	(171,677)	(3,551)
Contributions received restricted for endowment & capital campaign	213,429	136,457
Net cash provided by financing activities	<u>63,752</u>	<u>332,906</u>
Cash flows from investing activities:		
Purchase of investments	(2,210,260)	(2,292,011)
Sale of investments	2,133,395	2,327,305
Proceeds from notes receivable	(93,636)	(18,619)
Repayments of notes receivable	500	30,000
Purchase of program-related real property	(106,087)	(359,267)
Acquisition of property and equipment	(49,362)	(35,899)
Net cash provided by (used in) investing activities	<u>(325,450)</u>	<u>(348,491)</u>
Net increase (decrease) in cash	(23,994)	11,278
Cash at the beginning of the year	<u>173,695</u>	<u>162,417</u>
Cash at the end of the year	\$ <u>149,701</u>	\$ <u>173,695</u>
Supplemental Data:		
Interest paid	\$ 5,779	\$ 5,905
Grant paid through conveyance of program-related real property investment	123,648	-

See accompanying notes and independent accountant's compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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, 2018

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, 2017, 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.

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 \$600,000 in direct and “field service” grants to over 80 towns, organizations and individuals in support of restoration and rehabilitation projects during the year ended September 30, 2018 (over \$660,000 in direct grants to over 75 grantees in 2017).

See independent accountant's compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Description of programs (continued):

“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 – Preservation Fiscal Sponsorships” – 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.

“Community Supported Enterprises” – This priority is embedded in many of the existing programs. Community Supported Enterprises are projects that are identified as needs of a specific community by its residents who take an active role in raising funds needed to purchase property and equipment.

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, 2018

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 \$9,139 and \$7,139 for the years ended September 30, 2018 and 2017, 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:

	2018	2017
Land	\$ 862,000	\$ 862,000
Buildings and improvements	1,753,135	1,748,250
Vehicles	22,820	18,999
Furniture, fixtures and equipment	55,887	35,887
Computer equipment	25,770	24,111
Subtotal	<u>2,719,612</u>	<u>2,689,247</u>
Less - accumulated depreciation	<u>(1,242,934)</u>	<u>(1,169,657)</u>
Net fixed assets	<u>\$ 1,476,678</u>	<u>\$ 1,519,590</u>

Depreciation expense (including \$67,850 in 2018 and \$59,973 in 2017 on real and personal property program investments discussed below) totaled \$160,124 and \$149,497 for the years ended September 30, 2018 and 2017, 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, 2018

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, 2018

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, 2018:			
Money market funds	\$ 1,004,167	\$ 1,004,167	\$ -
Fixed income securities	1,444,700	1,453,320	8,620
Equity securities & funds	<u>1,619,200</u>	<u>3,175,331</u>	<u>1,556,131</u>
	<u>\$ 4,068,068</u>	<u>\$ 5,632,819</u>	<u>\$ 1,564,751</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>

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, 2017 and 2018, 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 10/1/16:	\$ 2,445,490	\$ 201,942	\$ 2,265,734	\$ 4,913,166
Contributions received	<u>-</u>	<u>-</u>	<u>136,457</u>	<u>136,457</u>
Interest and dividends	84,683	-	-	84,683
Realized & unrealized gains / (losses)	209,429	133,500	-	342,929
Fees	<u>(25,475)</u>	<u>-</u>	<u>-</u>	<u>(25,475)</u>
Net investment income (loss)	<u>268,637</u>	<u>133,500</u>	<u>-</u>	<u>402,137</u>
Appropriated for operations	(180,600)	-	-	(180,600)
Donor release of permanent restriction	-	-	(100,000)	(100,000)
Other transfers	<u>53,573</u>	<u>-</u>	<u>-</u>	<u>53,573</u>
Value of Investments 9/30/17:	<u>\$ 2,587,100</u>	<u>\$ 335,442</u>	<u>\$ 2,302,191</u>	<u>\$ 5,224,733</u>

See independent accountant’s compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 – INVESTMENTS AND ENDOWMENTS (continued)

	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total
Value of Investments 10/1/17:	\$ 2,587,100	\$ 335,442	\$ 2,302,191	\$ 5,224,733
Contributions received	-	-	213,429	213,429
Interest and dividends	100,923	-	-	100,923
Realized & unrealized gains / (losses)	201,104	126,179	-	327,283
Fees	(27,676)	-	-	(27,676)
Net investment income (loss)	274,351	126,179	-	400,530
Appropriated for operations	(202,623)	-	-	(202,623)
Other transfers	(3,250)	-	-	(3,250)
Value of Investments 9/30/18:	\$ 2,655,578	\$ 461,621	\$ 2,515,620	\$ 5,632,819

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 \$141,227 as of September 30, 2018 and \$92,473 as of September 30, 2017.

NOTE 9 –SPECIAL EVENTS

Included in special event revenue for the year ended September 30, 2018 is approximately \$22,100 from a silent auction and approximately \$12,700 from a raffle (\$18,400 and \$24,000 for 2017).

See independent accountant’s compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 10 – 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 most recently extended in April 2019, expires in April 2024 but allows the tenant to extend for an additional two, 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 the "Pierce's Store" in Shrewsbury, 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, renewed March 27, 2018 and expiring April 30, 2019, 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.

As discussed in Note 16, the Trust acquired the real property associated with the Vermont Marble Museum in Proctor, Vermont to help ensure that the Museum remains open to the public. The Trust leases the property to the operator, though no rent has been charged through September 30, 2018.

The Trust leases office space (and associated parking spaces) under a noncancelable lease ending September 2019 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, 2017 and 2018.

NOTE 11 – 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 5.25% and adjusting for changes in life expectancy, the Trust has estimated the fair value of its interest at \$121,000 as of September 30, 2018 (\$115,800 as of September 30, 2017) with the \$5,200 change for the fiscal year ended September 30, 2018 (\$5,600 for 2017) 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, 2018

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, 2017 and 2018 is as follows:

	<u>2018</u>	<u>2017</u>
Refundable advances, beginning of the year	\$ 1,060,511	\$ 1,006,516
Grant funds received	250,000	235,000
Grant funds disbursed	(244,128)	(181,005)
Refundable advances, end of the year	<u>\$ 1,066,383</u>	<u>\$ 1,060,511</u>

NOTE 13 – NOTES RECEIVABLE

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

	<u>2018</u>	<u>2017</u>
\$30,000 note receivable from the Vermont Community Loan Fund dated December 2015 with interest payable annually at 3%; due in full December 2025.	\$ 30,000	\$ 30,000
\$66,500 interest-free, note receivable from Housing Vermont dated January 2018; paid in full March 2019.	66,500	-
\$5,000 note receivable from the Montpelier, VT based non-profit "Another Way" dated February 2018; principal-only payments of \$83 per month for the first year and then payments of principal and interest interest (at 3%) of \$89 through February 2023.	4,500	-
\$53,993 in cumulative, interest-free advances to the non-profit operator of the Vermont Marble Museum.	53,993	31,857
Reserve for estimated uncollectable amounts	<u>(50,400)</u>	<u>(30,000)</u>
	<u>\$ 104,593</u>	<u>\$ 31,857</u>

See independent accountant’s compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 14 – PROMISES TO GIVE

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

	<u>2018</u>	<u>2017</u>
Unrestricted (including amounts already expended on restricted grants and contributions):	\$ <u>215,982</u>	\$ <u>276,522</u>
Temporarily restricted:		
For future years	100,000	150,000
For specific program activities	<u>190,000</u>	<u>20,000</u>
	<u>290,000</u>	<u>170,000</u>
Permanently restricted	<u>-</u>	<u>-</u>
Total unconditional promises to give	\$ <u><u>505,982</u></u>	\$ <u><u>446,522</u></u>
Receivable in less than one year	\$ 455,982	\$ 296,522
Receivable in one to five years	<u>50,000</u>	<u>150,000</u>
Total unconditional promises to give	505,982	446,522
Less discounts to net present value	-	-
Less allowance for uncollectable promises receivable	<u>(13,907)</u>	<u>(16,500)</u>
Net unconditional promises to give	\$ <u><u>492,075</u></u>	\$ <u><u>430,022</u></u>

Conditional promises to give at September 30, 2018 included a \$90,000 governmental grant and a \$219,213 governmental grant – both conditioned upon PTV incurring specified preservation costs. Conditional promises to give are not recorded until the conditions are substantially met.

See independent accountant's compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
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NOTE 15 –NET ASSETS

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
As of September 30, 2018:				
Director's Fund Endowment	\$ -	\$ 232,404	\$ 1,252,903	\$ 1,485,307
Stewardship Endowment Fund	-	66,442	403,200	469,642
Field Services Endowment Fund	-	80,588	250,000	330,588
The Robert Sincerbeaux Fund:				
In investments	-	46,555	325,500	372,055
In loan fund	-	-	71,500	71,500
The Stewart Fund for Downtowns & Villages	-	35,632	284,017	319,649
Advocacy Revolving Fund	6,128	-	-	6,128
Restricted to future time periods	-	221,000	-	221,000
Restricted to other special projects	-	647,575	-	647,575
Board designated Grand Isle Lake House Fund	676,260	-	-	676,260
Board designated capital campaign	1,009,515	-	-	1,009,515
Board designated for specific region	50,000	-	-	50,000
Investment in property & program investments	3,981,890	-	-	3,981,890
Non-endowment & property unrestricted	(438,947)	-	-	(438,947)
	<u>\$ 5,284,846</u>	<u>\$ 1,330,196</u>	<u>\$ 2,587,120</u>	<u>\$ 9,202,162</u>
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>

See independent accountant's compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 15 – 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 16 – 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 Museum collection (now being depreciated over 40 years with depreciation of \$41,908 for both 2017 and 2018) is on permanent loan to the operator. Funded mainly by grants and contributions, the Trust made over \$106,000 in improvements to the VMM property in 2018 (\$340,000 in 2017).

The Trust's work to preserve the Vermont Marble Museum has attracted other preservation-minded donors 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 fiscal year ended September 30, 2017.

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

	2018	2017
Land	\$ 127,000	\$ 152,000
Buildings and improvements	823,294	822,276
Collections	1,757,705	1,757,705
Subtotal	2,707,999	2,731,981
Less - accumulated depreciation	(202,787)	(141,358)
Net fixed assets	\$ 2,505,212	\$ 2,590,623

See independent accountant's compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 17 – NOTES PAYABLE AND ADVANCES FROM INDIVIDUALS

Notes payable consisted of the following at September 30th:

	<u>2018</u>	<u>2017</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.	\$ 163,113	\$ 166,790
\$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; paid in full January 2018.	-	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.	50,000	100,000
Unsecured, interest-free advances from individuals; due on demand.	<u>24,000</u>	<u>20,000</u>
	\$ <u><u>343,113</u></u>	\$ <u><u>492,790</u></u>

Future maturities on notes payable are as follows:

2019	\$ 27,797
2020	159,932
2021	4,071
2022	4,217
2023	4,366
2024 & beyond	<u>142,730</u>
	\$ <u><u>343,113</u></u>

Interest expense on the above notes and advances was \$5,779 and \$5,905 for the fiscal years ended September 30, 2018 and 2017, respectively.

See independent accountant's compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 18 – SUBSEQUENT EVENTS AND REPORT ISSUANCE DATE

Management has evaluated events subsequent to September 30, 2018 through April 26, 2019 (the date these financial statements were available to be issued) for potential recognition or disclosure as required under U.S. generally accepted accounting principles.

The note receivable owed by Housing Vermont for \$66,500 listed in Note 13 was repaid March 13, 2019 and deposited in The Robert Sincerbeaux Fund as specified by the donor.

See independent accountant's compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(With Summarized Information for 2017)

	Program	Management & General	Fundraising	2018 Total	2017 Total
Salaries, taxes and benefits	\$ 298,314	\$ 38,520	\$ 59,278	\$ 396,112	\$ 388,346
Grants	609,295	-	-	609,295	660,702
Purchase of development rights	-	-	-	-	983,915
Consultants and subcontractors	278,419	32,891	155	311,465	178,179
Dues and subscriptions	3,094	-	-	3,094	3,530
Equipment rental	178	1,599	-	1,777	1,504
Food and beverage	4,874	621	915	6,410	16,546
Insurance	11,500	2,971	676	15,147	12,938
Miscellaneous	10,646	4,331	2,305	17,282	11,014
Other direct expenses	13,736	5,003	8,030	26,769	23,695
Printing & publication costs	6,397	675	1,661	8,733	6,626
Postage and shipping	2,108	1,534	2,087	5,729	8,377
Property taxes	33,371	-	-	33,371	4,282
Rent	6,254	4,378	1,875	12,507	12,473
Repairs and maintenance	44,606	-	-	44,606	13,985
Supplies	3,520	534	2,136	6,190	5,163
Telephone	5,681	234	234	6,149	6,023
Training, conferences & meetings	30,222	-	-	30,222	30,375
Travel	18,588	616	1,231	20,435	23,811
Utilities	537	-	-	537	1,361
Interest	5,779	-	-	5,779	5,905
Depreciation	157,114	1,204	1,806	160,124	149,497
	<u>\$ 1,559,233</u>	<u>\$ 95,111</u>	<u>\$ 82,389</u>	<u>\$ 1,736,733</u>	<u>\$ 2,573,472</u>

See independent accountant's compilation report.