

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

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY

SEPTEMBER 30, 2020

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Tapia & Huckabay, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2020 and the related statements of activities, functional expenses 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 2019 financial statements which were compiled by us and, in our report dated April 15, 2020, 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.

Tapia & Huckabay, P.C.

Vergennes, Vermont
February 18, 2021
Vermont Registration #108880

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2020
(With Summarized Information for 2019)

	2020	(Note 22) 2019
ASSETS		
Cash and cash equivalents (Notes 1 & 4)	\$ 135,905	\$ 188,627
Grants and contributions receivable (Notes 1, 13 & 18)	105,000	185,162
Other receivables	496	34,892
Prepaid expenses	23,026	21,144
Notes receivable (Note 12)	39,566	43,021
Program-related investments - real & personal property (Notes 17 & 18)	2,345,440	2,416,826
Program-related investment - limited liability company (Note 20)	100,000	100,000
Beneficial interest in assets held by others (Note 7)	78,549	80,939
Beneficial interest in charitable remainder trust (Note 10)	125,730	123,160
Investments and endowments (Note 6)	7,249,917	5,869,646
Property and equipment, net of accumulated depreciation (Notes 1 & 5)	<u>1,395,370</u>	<u>1,437,321</u>
TOTAL ASSETS	<u>\$ 11,598,999</u>	<u>\$ 10,500,738</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 8,220	\$ 9,543
Accrued expenses	1,115	2,196
Grant payable (Note 22)	50,000	50,000
Refundable advances (Note 11)	1,225,009	1,022,564
Notes payable & advances from individuals (Notes 13, 17 & 18)	<u>281,362</u>	<u>296,306</u>
Total Liabilities	<u>1,565,706</u>	<u>1,380,609</u>
Net Assets: (Note 16)		
Without donor restrictions	6,095,700	5,338,388
With donor restrictions	<u>3,937,593</u>	<u>3,781,741</u>
Total Net Assets	<u>10,033,293</u>	<u>9,120,129</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,598,999</u>	<u>\$ 10,500,738</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, 2020
(With Summarized Information for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	(Note 22) 2019 Total
Revenue:				
Grants, contributions & bequests (Notes 1, 8, 11, 13 & 23)	\$ 1,122,141	\$ 997,525	\$ 2,119,666	\$ 1,244,141
Conference fees	3,449	-	3,449	46,661
Special events (Note 14)	-	-	-	44,593
Rental income & maintenance fees (Note 9)	22,576	-	22,576	19,814
Interest and other income	2,904	75	2,979	15,748
Change in value of charitable remainder trust (Note 10)	-	2,570	2,570	2,160
Change in beneficial interest (Note 7)	1,728	-	1,728	-
Investment income (Note 6)	348,765	216,911	565,676	362,678
Net assets released from restrictions:				
Transfers to fulfill time restrictions	55,000	(55,000)	-	-
Transfers to fulfill purpose restrictions	1,006,229	(1,006,229)	-	-
Total support and revenue	<u>2,562,792</u>	<u>155,852</u>	<u>2,718,644</u>	<u>1,735,795</u>
Expenses and losses:				
Program services (Note 1)	1,574,934	-	1,574,934	1,664,426
Supporting services:				
Management and general	139,170	-	139,170	92,739
Fundraising	91,376	-	91,376	90,044
Loss on the sale of program-related real property (Note 17)	-	-	-	5,010
Change in beneficial interest (Note 7)	<u>-</u>	<u>-</u>	<u>-</u>	<u>609</u>
Total expenses and losses	<u>1,805,480</u>	<u>-</u>	<u>1,805,480</u>	<u>1,852,828</u>
Change in net assets	757,312	155,852	913,164	(117,033)
Net assets, beginning of year (Note 22)	<u>5,338,388</u>	<u>3,781,741</u>	<u>9,120,129</u>	<u>9,237,162</u>
Net assets, end of year	<u>\$ 6,095,700</u>	<u>\$ 3,937,593</u>	<u>\$ 10,033,293</u>	<u>\$ 9,120,129</u>

See accompanying notes and independent accountant's compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(With Summarized Information for 2019)

					(Note 22)
	Program	Management & General	Fundraising	2020 Total	2019 Total
Salaries, taxes and benefits	\$ 303,023	\$ 33,850	\$ 48,826	\$ 385,699	\$ 418,981
Grants	859,437	-	-	859,437	570,538
Consultants and subcontractors	106,147	78,392	18,915	203,454	486,530
Dues and subscriptions	1,880	-	-	1,880	3,841
Equipment rental	160	1,443	-	1,603	1,732
Insurance	30,045	433	216	30,694	13,976
Miscellaneous	1,238	3,471	197	4,906	7,552
Other direct expenses	13,271	-	-	13,271	14,282
Printing, postage & shipping	2,033	915	15,548	18,496	14,546
Property taxes	9,581	-	-	9,581	20,050
Occupancy	33,823	4,432	1,899	40,154	19,179
Repairs and maintenance	46,235	-	-	46,235	11,499
Supplies	5,549	323	1,294	7,166	4,935
Telephone	4,421	100	100	4,621	5,306
Training, conferences & meetings	1,302	13,807	1,042	16,151	60,898
Travel	11,208	665	1,330	13,203	18,186
Interest	5,537	-	-	5,537	5,648
Depreciation	124,574	1,339	2,009	127,922	154,530
	<u>\$ 1,574,934</u>	<u>\$ 139,170</u>	<u>\$ 91,376</u>	<u>\$ 1,805,480</u>	<u>\$ 1,847,209</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, 2020
(With Summarized Information for 2019)

	2020	(Note 22) 2019
Cash flows from operating activities:		
Change in net assets	\$ 913,164	\$ (117,033)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	127,922	154,530
Contributions restricted for endowment	(132,828)	(20,000)
Loss on sale of program-related real property investment	-	5,010
Realized and unrealized (gains) losses on investments	(496,147)	(275,340)
Increase in reserve for uncollectable notes receivable	-	30,853
Change in value of charitable remainder trust	(2,570)	(2,160)
Change in beneficial interest in assets held by others	(4,119)	609
(Increase) decrease in grants and contributions receivable	80,162	306,913
(Increase) decrease in other current assets	32,514	8,992
Increase (decrease) in accounts payable	(1,323)	(8,732)
Increase (decrease) in grant payable	-	50,000
Increase (decrease) in accrued expenses	(1,081)	(536)
Increase (decrease) in refundable advances	202,445	(8,819)
Net cash provided by (used in) operating activities	<u>718,139</u>	<u>124,287</u>
Cash flows from financing activities:		
Proceeds from notes payable and advances from individuals	-	2,000
Payments on notes payable and advances from individuals	(14,944)	(48,807)
Contributions received restricted for endowment & capital campaign	132,828	20,000
Net cash provided by (used in) financing activities	<u>117,884</u>	<u>(26,807)</u>
Cash flows from investing activities:		
Purchase of investments	(3,930,195)	(1,899,675)
Sale of investments	3,052,580	1,914,938
Repayments of notes receivable	3,455	68,980
Investment in limited liability company	-	(100,000)
Proceeds from the sale of program-related real property	-	990
Acquisition of property and equipment	(14,585)	(43,787)
Net cash provided by (used in) investing activities	<u>(888,745)</u>	<u>(58,554)</u>
Net increase (decrease) in cash	(52,722)	38,926
Cash at the beginning of the year	<u>188,627</u>	<u>149,701</u>
Cash at the end of the year	<u>\$ 135,905</u>	<u>\$ 188,627</u>
Supplemental Data:		
Interest paid	\$ 5,537	\$ 5,648
Seller-financed mortgage on sale of program-related real property	-	11,000

See accompanying notes and independent accountant's compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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 two classes of net assets – those with donor restrictions and those without.

Contributions:

Contributions received are recorded as either “with donor restrictions” or “without donor restrictions” depending on the existence and/or nature of any such specific restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without and reported in the Statement of Activities as net assets released from restrictions. Contributions with donor restrictions whose restrictions are met in the same period are shown as increases in net assets with donor restrictions with a corresponding transfer to net assets without donor restrictions. 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, 2020

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 (and, for the Statement of Functional Expenses, in total but not by functional category). 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, 2019, 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.

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 nearly \$860,000 in direct and “field service” grants to over 100 towns, organizations and individuals in support of restoration and rehabilitation projects during the year ended September 30, 2020 (over \$570,000 in direct grants to over 90 grantees in 2019).

See independent accountant's compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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. The unrelated for-profit entity that had leased the property and hosted weddings, special events, non-profit meetings and business retreats since 1998 ceased operating in July 2020 due to financial repercussions of the COVID-19 pandemic. The board has issued a Request for Proposals from potential operators of the Grand Isle Lake House. The successful proposal will align with the Organization’s mission to enhance the social, historic, architectural, cultural and economic vitality of Vermont.

“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, 2020

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 \$6,305 and \$9,712 for the years ended September 30, 2020 and 2019, 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>2020</u>	<u>2019</u>
Land	\$ 862,000	\$ 862,000
Buildings and improvements	1,807,712	1,794,221
Vehicles	22,820	22,820
Furniture, fixtures and equipment	53,417	55,887
Computer equipment	16,372	28,470
Subtotal	<u>2,762,321</u>	<u>2,763,398</u>
Less - accumulated depreciation	<u>(1,366,951)</u>	<u>(1,326,077)</u>
Net fixed assets	<u>\$ 1,395,370</u>	<u>\$ 1,437,321</u>

Depreciation expense (including \$71,386 in both 2019 and 2020 on real and personal property program investments discussed below) totaled \$127,922 and \$154,530 for the years ended September 30, 2020 and 2019, respectively.

NOTE 6 – INVESTMENTS AND ENDOWMENTS

The Organization maintains eleven separate investment accounts for funds with and without donor restrictions (including several board designated funds). Earnings from the endowment funds invested in perpetuity 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, 2020

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 endowment funds absent explicit donor stipulations to the contrary. Pursuant to UPMIFA and guidance from the Financial Accounting Standards Board (“FASB”), retained appreciation of the endowment funds, if any, in excess of historical cost basis, is shown as net assets with donor restrictions until *appropriated* by management for the fund’s designated purposes.

Return Objectives, Risk Parameters and Investment Strategies:

The Organization has adopted investment and spending policies for its restricted and unrestricted endowment and investment 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 restricted endowment and board designated 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 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, 2020

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, 2020:			
Money market funds	\$ 1,752,366	\$ 1,752,366	\$ -
Fixed income securities	1,730,744	1,818,742	87,998
Equity securities & funds	<u>1,607,953</u>	<u>3,678,809</u>	<u>2,070,856</u>
	<u>\$ 5,091,063</u>	<u>\$ 7,249,917</u>	<u>\$ 2,158,854</u>
As of September 30, 2019:			
Money market funds	\$ 1,343,176	\$ 1,343,176	\$ -
Fixed income securities	1,231,622	1,262,935	31,313
Equity securities & funds	<u>1,540,427</u>	<u>3,263,535</u>	<u>1,723,108</u>
	<u>\$ 4,115,225</u>	<u>\$ 5,869,646</u>	<u>\$ 1,754,421</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, 2019 and 2020, by net asset class is summarized as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		
		<u>Unappropriated Appreciation</u>	<u>Original Gift Basis</u>	<u>Total</u>
Value of Investments 10/1/18:	\$ 2,655,578	\$ 461,621	\$ 2,515,620	\$ 5,632,819
Contributions received	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>
Interest and dividends	115,940	-	-	115,940
Realized & unrealized gains / (losses)	235,331	40,009	-	275,340
Fees	<u>(28,602)</u>	<u>-</u>	<u>-</u>	<u>(28,602)</u>
Net investment income (loss)	<u>322,669</u>	<u>40,009</u>	<u>-</u>	<u>362,678</u>
Appropriated for operations	(302,245)	-	-	(302,245)
Other transfers	<u>89,394</u>	<u>-</u>	<u>67,000</u>	<u>156,394</u>
Net transfers	<u>(212,851)</u>	<u>-</u>	<u>67,000</u>	<u>(145,851)</u>
Value of Investments 9/30/19:	<u>\$ 2,765,396</u>	<u>\$ 501,630</u>	<u>\$ 2,602,620</u>	<u>\$ 5,869,646</u>

See independent accountant’s compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 6 – INVESTMENTS AND ENDOWMENTS (continued)

	Without Donor	With Donor Restrictions		
	Restrictions	Unappropriated	Original	Total
		Appreciation	Gift Basis	
Value of Investments 10/1/19:	\$ 2,765,396	\$ 501,630	\$ 2,602,620	\$ 5,869,646
Contributions received	-	-	132,828	132,828
Interest and dividends	101,224	-	-	101,224
Realized & unrealized gains / (losses)	279,236	216,911	-	496,147
Fees	(31,695)	-	-	(31,695)
Net investment income (loss)	348,765	216,911	-	565,676
Appropriated for operations	(211,460)	-	-	(211,460)
Other transfers	893,227	-	-	893,227
Net transfers	681,767	-	-	681,767
Value of Investments 9/30/20:	\$ 3,795,928	\$ 718,541	\$ 2,735,448	\$ 7,249,917

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 made annual contributions of \$42,000 in October 2015, 2016, and 2017 and \$42,500 in October 2018. The Trust segregated the Plan assets in one of the investment accounts discussed in Note 6 above.

The employee passed away in September 2019 and, pursuant to the employee’s designation of beneficiary, those assets reverted to the Organization effective September 30, 2019 with PTV recognizing a bequest of approximately \$200,000 on that date (included in grants, contributions and bequests on the 2019 Statement of Activities).

See independent accountant’s compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 9 – REAL PROPERTY LEASES

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, most recently renewed in March 2018, 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 17, 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, 2020.

In April of 2019, the Trust began renting office and commercial space in the non-Museum portion of the Vermont Marble Museum building to unrelated third parties under leases with various terms. Rental income was \$16,857 for the fiscal year ended September 30, 2020.

The Trust leases office space (and associated parking spaces) under a noncancelable lease ending September 2021 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 2019 and 2020 (with the landlord forgiving six months of rent as a contribution to the Trust in 2020).

NOTE 10 – 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 5%) at \$103,600 as of September 30, 2015. Adjusting for changes in life expectancy, the Trust has estimated the fair value of its interest at \$125,730 as of September 30, 2020 (\$123,160 as of September 30, 2019) with the \$2,570 change for the fiscal year ended September 30, 2020 (\$2,160 for 2019) 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
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NOTE 11 – 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, 2019 and 2020 is as follows:

	<u>2020</u>	<u>2019</u>
Refundable advances, beginning of the year	\$ 1,022,564	\$ 1,031,383
Grant funds received	425,000	200,000
Grant funds disbursed	(222,555)	(208,819)
Refundable advances, end of the year	<u>\$ 1,225,009</u>	<u>\$ 1,022,564</u>

NOTE 12 – NOTES RECEIVABLE

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

	<u>2020</u>	<u>2019</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
\$11,000 note receivable from the Randolph Community Orchard dated March 2019 with monthly payments of \$300 including principal and interest (at .9%) through May 2022 and secured by real property; payments suspended June 2020 through September 2020 due to COVID.	7,113	9,514
\$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 (at 3%) of \$89 through February 2023.	<u>2,453</u>	<u>3,507</u>
	<u>\$ 39,566</u>	<u>\$ 43,021</u>

See independent accountant’s compilation report.

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NOTE 13 – PROMISES TO GIVE

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

	<u>2020</u>	<u>2019</u>
Unrestricted (including amounts already expended on restricted grants and contributions):	\$ <u>85,000</u>	\$ <u>105,162</u>
Temporarily restricted:		
For future years	-	50,000
For specific program activities	<u>20,000</u>	<u>30,000</u>
	<u>20,000</u>	<u>80,000</u>
Permanently restricted	<u>-</u>	<u>-</u>
Total unconditional promises to give	\$ <u>105,000</u>	\$ <u>185,162</u>
Receivable in less than one year	\$ 105,000	\$ 185,162
Receivable in one to five years	<u>-</u>	<u>-</u>
Total unconditional promises to give	105,000	185,162
Less discounts to net present value	-	-
Less allowance for uncollectable promises receivable	<u>-</u>	<u>-</u>
Net unconditional promises to give	\$ <u>105,000</u>	\$ <u>185,162</u>

Conditional promises to give at September 30, 2020 included the \$759,000 balance of two governmental grants – \$124,000 remaining on a \$219,000 grant from the Northern Borders Region Commission and \$635,000 remaining on the \$757,000 “Bruhn Historic Preservation Program” grant from the National Park Service – both conditioned upon PTV incurring specified preservation costs. Conditional promises to give are not recorded until the conditions are substantially met.

NOTE 14 – SPECIAL EVENTS

Included in special event revenue for the year ended September 30, 2019 is approximately \$31,800 from several silent auctions (one benefiting a local community group) and approximately \$12,800 from a raffle.

NOTE 15 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs have been summarized on a functional basis in the Statement of Activities. For those employees working in multiple functional categories, the Trust allocates its payroll, tax and benefit costs based on the estimated time worked on the various program, general and administrative and fundraising activities. Other costs (such as insurance, rent and depreciation on non-program related property and equipment) are attributable to and benefit one or more program or supporting services and are allocated based on the payroll allocation percentages discussed above.

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NOTE 16 – NET ASSETS

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

		Without Donor Restrictions	With Donor Restrictions		
			Other Restrictions	Invested in Perpetuity	Total
As of September 30, 2020:					
Director's Fund Endowment	\$	-	\$ 362,441	\$ 1,252,903	\$ 1,615,344
Stewardship Endowment Fund		-	100,971	409,200	510,171
Field Services Endowment Fund		-	103,232	251,000	354,232
The Robert Sincerbeaux Fund:					
In investments		-	68,584	427,500	496,084
In loan fund		-	-	4,500	4,500
The Stewart Fund for Downtowns & Villages		-	83,313	394,845	478,158
Restricted to future time periods		-	125,730	-	125,730
Restricted to other special projects			353,374	-	353,374
Board designated Grand Isle Lake House Fund		632,649	-	-	632,649
Board designated Jordan Community Fund		279,914	-	-	279,914
Board designated Paul Bruhn Fund		892,738	-	-	892,738
Board designated Operating Reserve Fund		432,590	-	-	432,590
Board designated for specific region		50,000	-	-	50,000
Investment in property & program investments		3,840,810	-	-	3,840,810
Non-endowment & property without restrictions		(33,001)	-	-	(33,001)
	\$	<u>6,095,700</u>	<u>\$ 1,197,645</u>	<u>\$ 2,739,948</u>	<u>\$ 10,033,293</u>
As of September 30, 2019 (see Note 22):					
Director's Fund Endowment	\$	-	\$ 249,155	\$ 1,252,903	\$ 1,502,058
Stewardship Endowment Fund		-	69,580	403,200	472,780
Field Services Endowment Fund		-	82,441	250,000	332,441
The Robert Sincerbeaux Fund:					
In investments		-	47,790	397,500	445,290
In loan fund		-	-	4,500	4,500
The Stewart Fund for Downtowns & Villages		-	52,664	299,017	351,681
Restricted to future time periods		-	178,160	-	178,160
Restricted to other special projects			494,831	-	494,831
Board designated Grand Isle Lake House Fund		588,921	-	-	588,921
Board designated Jordan Community Fund		250,574	-	-	250,574
Board designated capital campaign		971,148	-	-	971,148
Board designated for specific region		50,000	-	-	50,000
Investment in property & program investments		3,954,147	-	-	3,954,147
Non-endowment & property without restrictions		(476,402)	-	-	(476,402)
	\$	<u>5,338,388</u>	<u>\$ 1,174,621</u>	<u>\$ 2,607,120</u>	<u>\$ 9,120,129</u>

See independent accountant's compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
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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 Museum collection (now being depreciated over 40 years with depreciation of \$41,908 for both 2019 and 2020) is on permanent loan to the operator.

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 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 agriculture-use only parcel was sold to an unrelated non-profit community organization in March 2019.

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

	2020	2019
Land	\$ 110,000	\$ 110,000
Buildings and improvements	823,294	823,294
Collections	1,757,705	1,757,705
Subtotal	2,690,999	2,690,999
Less - accumulated depreciation	(345,559)	(274,173)
Net fixed assets	\$ 2,345,440	\$ 2,416,826

See independent accountant’s compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
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NOTE 18 – NOTES PAYABLE AND ADVANCES FROM INDIVIDUALS

Notes payable consisted of the following at September 30th:

	<u>2020</u>	<u>2019</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.	\$ 155,362	\$ 159,306
\$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, 2022 (modified from an original maturity date of 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 a first mortgage on Vermont Marble Museum real property.	106,000	106,000
\$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; originally due in full July 2020; informally extended until final pledge received.	20,000	30,000
Unsecured, interest-free advances from individuals; due on demand.	-	1,000
	<u>\$ 281,362</u>	<u>\$ 296,306</u>

Future maturities on notes payable are as follows:

2021	\$ 24,071
2022	110,217
2023	4,366
2024	4,522
2025	4,696
2026 & beyond	<u>133,490</u>
	<u>\$ 281,362</u>

Interest expense on the above notes and advances was \$5,537 and \$5,648 for the fiscal years ended September 30, 2020 and 2019, respectively.

NOTE 19 – RECLASSIFICATIONS

Portions of the 2019 financial statements have been reclassified to conform to the 2020 financial statement presentation.

See independent accountant's compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
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NOTE 20 – PROGRAM-RELATED INVESTMENT IN LIMITED LIABILITY COMPANY

In May 2019, the Trust made a \$100,000 “preferred membership” investment in a limited liability company working to preserve and renovate property in Bennington, Vermont. PTV earns “preferred distributions” on its investment at a rate of 3% per annum. Under the terms of the operating agreement – and assuming the limited liability company is in compliance with its loan obligations – the limited liability company will redeem PTV’s preferred membership interest in June 2024 at its original \$100,000 investment plus any accrued but unpaid preferred distributions.

NOTE 21 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization’s working capital and cash flows have seasonal variations during the year attributable to the timing of program activities, fundraising efforts and special events. The Organization manages liquidity by investing surplus funds – and then withdrawing them to operations as needed – in the unrestricted portion of its investment portfolio (mainly cash and short-term fixed income securities). The Board also authorizes transfers of board designated funds in order to fund special program and capital activities where current available resources are insufficient.

The following reflects the Organization’s financial assets as of September 30th, reduced by amounts not available for general use within one year because of donor-imposed restrictions or internal designations. Amounts available include amounts that are available for general expenditure in the following year (i.e. time restricted donations, if any). Amounts not available include amounts set aside for operating or other reserves that *could* be drawn upon if the board of directors approved the action.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 135,905	\$ 188,627
Non board or donor restricted portion of investments	1,558,037	954,753
Receivables expected to be collected in the coming year	105,496	220,054
Subtract: net assets with donor restrictions for specific purposes	<u>(353,374)</u>	<u>(494,831)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,446,064</u>	<u>\$ 868,603</u>

NOTE 22 – PRIOR PERIOD ADJUSTMENTS

Net assets as of September 30, 2019 have been adjusted – from amounts previously reported – as follows: 1) net assets without donor restrictions have been decreased by \$50,000 to recognize an unconditional grant payable (with corresponding increases to grant payable and grant expense as of and for the year ended September 30, 2019) and 2) net assets with donor restrictions has been decreased by \$3,340 to correct the balance of the beneficial interest in charitable remainder trust (with a corresponding decrease in the change in value of charitable remainder trust on the Statement of Activities for 2020).

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NOTE 23 – PAYCHECK PROTECTION PROGRAM INCOME

In April 2020, PTV applied for and received a \$69,900 Payroll Protection Program (“PPP”) loan from a local bank. Since the Organization used the funds for allowable purposes under the program and retained its employees during the period from the loan date through September 30, 2020, it believed it had substantially met the conditions for forgiveness contemplated in the loan and ultimately expected the loan to be fully forgiven. And since full forgiveness was contemplated at the inception of the loan, PTV is treating the receipt of the PPP funds as a conditional grant whose conditions have been substantially met as of the end of the fiscal year - with the \$69,900 included in grants, contributions and bequests on the Statement of Activities for the fiscal year then ended. The loan was forgiven in full in November 2020.

NOTE 24 – SUBSEQUENT EVENTS AND REPORT ISSUANCE DATE

Management has evaluated events subsequent to September 30, 2020 through February 18, 2021 (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 November 2020, in response to the continuing effects of – and uncertainty surrounding – the COVID-19 pandemic, PTV applied for and received a \$136,661 Economic Recovery Grant from the Vermont Agency of Commerce and Community Development.