

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

FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY

SEPTEMBER 30, 2019

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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, 2019 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 2018 financial statements which were compiled by us and, in our report dated April 26, 2019, 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.



Vergennes, Vermont
April 15, 2020
Vermont Registration #108880

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2019
(With Summarized Information for 2018)

	<u>2019</u>	<u>(Note 22)</u> <u>2018</u>
ASSETS		
Cash and cash equivalents (Notes 1 & 4)	\$ 188,627	\$ 149,701
Grants and contributions receivable (Notes 1, 13 & 18)	185,162	492,075
Other receivables	34,892	54,172
Prepaid expenses	21,144	10,856
Notes receivable (Note 12)	43,021	104,593
Program-related investments - real & personal property (Notes 17 & 18)	2,416,826	2,505,212
Program-related investment - limited liability company (Note 20)	100,000	-
Beneficial interest in assets held by others (Note 7)	80,939	85,559
Beneficial interest in charitable remainder trust (Note 10)	126,500	121,000
Investments and endowments (Note 6)	5,869,646	5,632,819
Property and equipment, net of accumulated depreciation (Notes 1 & 5)	1,437,321	1,476,678
Deferred compensation plan assets (Note 8)	<u>-</u>	<u>141,227</u>
TOTAL ASSETS	\$ <u>10,504,078</u>	\$ <u>10,773,892</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 9,543	\$ 18,275
Accrued expenses	2,196	2,732
Refundable advances (Note 11)	1,022,564	1,031,383
Notes payable & advances from individuals (Notes 13, 17 & 18)	296,306	343,113
Deferred compensation plan liability (Note 8)	<u>-</u>	<u>141,227</u>
Total Liabilities	<u>1,330,609</u>	<u>1,536,730</u>
Net Assets: (Note 16)		
Without donor restrictions	5,388,388	5,280,741
With donor restrictions	<u>3,785,081</u>	<u>3,956,421</u>
Total Net Assets	<u>9,173,469</u>	<u>9,237,162</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>10,504,078</u>	\$ <u>10,773,892</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, 2019
(With Summarized Information for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	(Note 22) 2018 Total
Revenue:				
Grants, contributions & bequests (Notes 1, 8, 11 & 13)	\$ 471,532	\$ 772,609	\$ 1,244,141	\$ 1,814,526
Conference fees	46,661	-	46,661	37,266
Special events (Note 14)	44,593	-	44,593	34,848
Rental income & maintenance fees (Note 9)	19,814	-	19,814	11,104
Other income	15,748	-	15,748	2,654
Change in value of charitable remainder trust (Note 10)	5,500	-	5,500	5,200
Change in beneficial interest (Note 7)	-	-	-	5,871
Investment income (Note 6)	322,669	40,009	362,678	400,530
Net assets released from restrictions:				
Transfers to fulfill time restrictions	50,000	(50,000)	-	-
Transfers to fulfill purpose restrictions	933,958	(933,958)	-	-
Total support and revenue	<u>1,910,475</u>	<u>(171,340)</u>	<u>1,739,135</u>	<u>2,311,999</u>
Expenses and losses:				
Program services (Note 1)	1,614,426	-	1,614,426	1,559,233
Supporting services:				
Management and general	92,739	-	92,739	95,111
Fundraising	90,044	-	90,044	82,389
Loss on the sale of program-related real property (Note 17)	5,010	-	5,010	-
Change in beneficial interest (Note 7)	609	-	609	-
Total expenses and losses	<u>1,802,828</u>	<u>-</u>	<u>1,802,828</u>	<u>1,736,733</u>
Change in net assets	107,647	(171,340)	(63,693)	575,266
Net assets, beginning of year	<u>5,280,741</u>	<u>3,956,421</u>	<u>9,237,162</u>	<u>8,661,896</u>
Net assets, end of year	<u>\$ 5,388,388</u>	<u>\$ 3,785,081</u>	<u>\$ 9,173,469</u>	<u>\$ 9,237,162</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, 2019
(With Summarized Information for 2018)

	Program	Management & General	Fundraising	2019 Total	2018 Total
Salaries, taxes and benefits	\$ 319,642	\$ 39,176	\$ 60,163	\$ 418,981	\$ 396,112
Grants	520,538	-	-	520,538	609,295
Consultants and subcontractors	449,943	25,675	1,113	476,731	311,465
Dues and subscriptions	3,841	-	-	3,841	3,094
Equipment rental	173	1,559	-	1,732	1,777
Food and beverage	4,541	545	798	5,884	6,410
Insurance	10,554	2,801	621	13,976	15,147
Miscellaneous	7,870	3,099	6,382	17,351	17,282
Other direct expenses	8,282	-	6,000	14,282	26,769
Printing & publication costs	3,111	2,380	3,960	9,451	8,733
Postage and shipping	648	468	3,979	5,095	5,729
Property taxes	20,050	-	-	20,050	33,371
Rent	6,301	4,411	1,889	12,601	12,507
Repairs and maintenance	11,499	-	-	11,499	44,606
Supplies	2,580	471	1,884	4,935	6,190
Telephone	4,910	198	198	5,306	6,149
Training, conferences & meetings	44,900	10,114	-	55,014	30,222
Travel	16,420	589	1,177	18,186	20,435
Utilities	6,578	-	-	6,578	537
Interest	5,648	-	-	5,648	5,779
Depreciation	151,397	1,253	1,880	154,530	160,124
	<u>\$ 1,614,426</u>	<u>\$ 92,739</u>	<u>\$ 90,044</u>	<u>\$ 1,797,209</u>	<u>\$ 1,736,733</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, 2019
(With Summarized Information for 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ (63,693)	\$ 575,266
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	154,530	160,124
Contributions restricted for endowment	(20,000)	(213,429)
Loss on sale of program-related real property investment	5,010	-
Grant paid through conveyance of program-related real property investment	-	123,648
Realized and unrealized (gains) losses on investments	(275,340)	(327,283)
Increase in reserve for uncollectable notes receivable	30,853	20,400
Change in value of charitable remainder trust	(5,500)	(5,200)
Change in beneficial interest in assets held by others	609	(5,871)
(Increase) decrease in operating receivables	306,913	(62,053)
(Increase) decrease in other current assets	8,992	(31,019)
Increase (decrease) in accounts payable	(8,732)	(2,947)
Increase (decrease) in accrued expenses	(536)	196
Increase (decrease) in refundable advances	(8,819)	5,872
Net cash provided by (used in) operating activities	<u>124,287</u>	<u>237,704</u>
Cash flows from financing activities:		
Proceeds from notes payable and advances from individuals	2,000	22,000
Payments on notes payable and advances from individuals	(48,807)	(171,677)
Contributions received restricted for endowment & capital campaign	20,000	213,429
Net cash provided by (used in) financing activities	<u>(26,807)</u>	<u>63,752</u>
Cash flows from investing activities:		
Purchase of investments	(1,899,675)	(2,210,260)
Sale of investments	1,914,938	2,133,395
Proceeds from notes receivable	-	(93,636)
Repayments of notes receivable	68,980	500
Investment in limited liability company	(100,000)	-
Proceeds from the sale of program-related real property	990	-
Purchase of program-related real property	-	(106,087)
Acquisition of property and equipment	(43,787)	(49,362)
Net cash provided by (used in) investing activities	<u>(58,554)</u>	<u>(325,450)</u>
Net increase (decrease) in cash	38,926	(23,994)
Cash at the beginning of the year	<u>149,701</u>	<u>173,695</u>
Cash at the end of the year	<u>\$ 188,627</u>	<u>\$ 149,701</u>
Supplemental Data:		
Interest paid	\$ 5,648	\$ 5,779
Seller-financed mortgage on sale of program-related real property	11,000	-
Grant paid through conveyance of program-related real property	-	123,648

See accompanying notes and independent accountant's compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2019

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, 2018, 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 over \$520,000 in direct and “field service” grants to nearly 90 towns, organizations and individuals in support of restoration and rehabilitation projects during the year ended September 30, 2019 (over \$600,000 in direct grants to over 80 grantees in 2018).

See independent accountant’s compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2019

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 \$9,712 and \$9,139 for the years ended September 30, 2019 and 2018, 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>2019</u>	<u>2018</u>
Land	\$ 862,000	\$ 862,000
Buildings and improvements	1,794,221	1,753,135
Vehicles	22,820	22,820
Furniture, fixtures and equipment	55,887	55,887
Computer equipment	<u>28,470</u>	<u>25,770</u>
Subtotal	2,763,398	2,719,612
Less - accumulated depreciation	<u>(1,326,077)</u>	<u>(1,242,934)</u>
Net fixed assets	<u>\$ 1,437,321</u>	<u>\$ 1,476,678</u>

Depreciation expense (including \$71,386 in 2019 and \$67,850 in 2018 on real and personal property program investments discussed below) totaled \$154,530 and \$160,124 for the years ended September 30, 2019 and 2018, respectively.

NOTE 6 – INVESTMENTS AND ENDOWMENTS

The Organization maintains nearly a dozen 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, 2019

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, 2019

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, 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>
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>

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, 2018 and 2019, by net asset class is summarized as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Unappropriated Appreciation</u>	<u>Original Gift Basis</u>	
Value of Investments 10/1/17:	\$ <u>2,587,100</u>	\$ <u>335,442</u>	\$ <u>2,302,191</u>	\$ <u>5,224,733</u>
Contributions received	<u>-</u>	<u>-</u>	<u>213,429</u>	<u>213,429</u>
Interest and dividends	100,923	-	-	100,923
Realized & unrealized gains / (losses)	201,104	126,179	-	327,283
Fees	<u>(27,676)</u>	<u>-</u>	<u>-</u>	<u>(27,676)</u>
Net investment income (loss)	<u>274,351</u>	<u>126,179</u>	<u>-</u>	<u>400,530</u>
Appropriated for operations	(202,623)	-	-	(202,623)
Other transfers	<u>(3,250)</u>	<u>-</u>	<u>-</u>	<u>(3,250)</u>
Value of Investments 9/30/18:	<u>\$ 2,655,578</u>	<u>\$ 461,621</u>	<u>\$ 2,515,620</u>	<u>\$ 5,632,819</u>

See independent accountant’s compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 6 – INVESTMENTS AND ENDOWMENTS (continued)

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

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. Total plan assets – and the corresponding liability – totaled \$141,227 as of September 30, 2018.

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, 2019

NOTE 9 – 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 \$8,000 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, 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, 2019.

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 approximately \$8,400 for the fiscal year ended September 30, 2019.

The Trust leases office space (and associated parking spaces) under a noncancelable lease ending September 2020 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, 2018 and 2019.

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 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 \$126,500 as of September 30, 2019 (\$121,000 as of September 30, 2018) with the \$5,500 change for the fiscal year ended September 30, 2019 (\$5,200 for 2018) 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, 2018 and 2019 is as follows:

	2019	(Note 22) 2018
Refundable advances, beginning of the year	\$ 1,031,383	\$ 1,025,511
Grant funds received	200,000	250,000
Grant funds disbursed	(208,819)	(244,128)
Refundable advances, end of the year	\$ 1,022,564	\$ 1,031,383

NOTE 12 – NOTES RECEIVABLE

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

	2019	2018
\$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 non-profit community organization dated March 2019 with monthly payments of \$300 including principal and interest (at .9%) through May 2022 and secured by real property.	9,514	-
\$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 (at 3%) of \$89 through February 2023.	3,507	4,500
\$81,253 in cumulative, interest-free advances to the non-profit operator of the Vermont Marble Museum.	81,253	53,993
Reserve for estimated uncollectable amounts	(81,253)	(50,400)
	\$ 43,021	\$ 104,593

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:

	2019	2018
Unrestricted (including amounts already expended on restricted grants and contributions):	\$ <u>105,162</u>	\$ <u>215,982</u>
Temporarily restricted:		
For future years	50,000	100,000
For specific program activities	<u>30,000</u>	<u>190,000</u>
	<u>80,000</u>	<u>290,000</u>
Permanently restricted	<u>-</u>	<u>-</u>
Total unconditional promises to give	\$ <u>185,162</u>	\$ <u>505,982</u>
Receivable in less than one year	\$ 185,162	\$ 455,982
Receivable in one to five years	<u>-</u>	<u>50,000</u>
Total unconditional promises to give	185,162	505,982
Less discounts to net present value	-	-
Less allowance for uncollectable promises receivable	<u>-</u>	<u>(13,907)</u>
Net unconditional promises to give	\$ <u>185,162</u>	\$ <u>492,075</u>

Conditional promises to give at September 30, 2019 included the \$209,000 balance of a governmental grant – 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 (\$22,100 and \$12,700 for 2018).

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		Total
		Other Restrictions	Invested in Perpetuity	
As of September 30, 2019:				
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	-	181,500	-	181,500
Restricted to other special projects	-	494,831	-	494,831
Board designated Grand Isle Lake House Fund	588,921	-	-	588,921
Board designated Impact Investing Fund	107,195	-	-	107,195
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	(283,023)	-	-	(283,023)
	<u>\$ 5,388,388</u>	<u>\$ 1,177,961</u>	<u>\$ 2,607,120</u>	<u>\$ 9,173,469</u>
As of September 30, 2018 (see Note 22):				
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	-	686,680	-	686,680
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	(443,052)	-	-	(443,052)
	<u>\$ 5,280,741</u>	<u>\$ 1,369,301</u>	<u>\$ 2,587,120</u>	<u>\$ 9,237,162</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 2018 and 2019) 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.

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:

	<u>2019</u>	<u>2018</u>
Land	\$ 110,000	\$ 127,000
Buildings and improvements	823,294	823,294
Collections	<u>1,757,705</u>	<u>1,757,705</u>
Subtotal	2,690,999	2,707,999
Less - accumulated depreciation	<u>(274,173)</u>	<u>(202,787)</u>
Net fixed assets	<u>\$ 2,416,826</u>	<u>\$ 2,505,212</u>

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:

	2019	2018
\$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.	\$ 159,306	\$ 163,113
\$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 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.	30,000	50,000
Unsecured, interest-free advances from individuals; due on demand.	1,000	24,000
	\$ 296,306	\$ 343,113

Future maturities on notes payable are as follows:

2020	\$ 140,932
2021	4,071
2022	4,217
2023	4,366
2024	4,522
2025 & beyond	138,198
	\$ 296,306

Interest expense on the above notes and advances was \$5,648 and \$5,779 for the fiscal years ended September 30, 2019 and 2018, respectively.

NOTE 19 – RECLASSIFICATION

Especially related to the 2019 implementation of the Financial Accounting Standards Board's *ASU 2016-14*, portions of the 2018 financial statements have been reclassified to conform to the 2019 financial statement presentation. The most significant reclassifications resulting from the implementation of *ASU 2016-14* were to combine amounts formerly shown as "temporarily" and "permanently" restricted net assets into "net assets with donor restrictions."

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.

	2019	2018
Cash and cash equivalents	\$ 188,627	\$ 149,701
Non board or donor restricted portion of investments	1,098,132	963,675
Receivables expected to be collected in the coming year	254,554	593,747
Subtract: net assets with donor restrictions for specific purposes	(494,831)	(686,680)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,046,482	\$ 1,020,443

NOTE 22 – PRIOR PERIOD ADJUSTMENTS

Net assets as of September 30, 2017 have been adjusted – from amounts previously reported – as follows: 1) net assets without donor restrictions have been increased by \$35,000 to correct the balance in refundable advances and 2) net assets with donor restrictions has been increased by \$39,105 (with net assets without donor restrictions reduced by the same amount) to correct the balance of net assets restricted to special projects.

See independent accountant’s compilation report.

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NOTE 23 – SUBSEQUENT EVENTS AND REPORT ISSUANCE DATE

Management has evaluated events subsequent to September 30, 2019 through April 15, 2020 (the date these financial statements were available to be issued) for potential recognition or disclosure as required under U.S. generally accepted accounting principles.

See independent accountant's compilation report.