

**Preservation Trust of Vermont, Inc. and Subsidiary**

Consolidated Financial Statements  
(with Independent Accountants' Review Report)

September 30, 2022 and 2021

**Preservation Trust of Vermont, Inc. and Subsidiary**  
September 30, 2022 and 2021

Table of Contents

	<u>Page(s)</u>
Independent Accountants' Review Report	
Consolidated Statements of Financial Position	2
Consolidated Statement of Activities and Changes in Net Assets	3
Consolidated Statement of Functional Expenses	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6-18

Independent Accountants' Review Report

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

We have reviewed the accompanying consolidated financial statements of Preservation Trust of Vermont, Inc. and Subsidiary (the "Organization"), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Accountants' Responsibility**


Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

**Accountants' Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

The 2021 consolidated financial statements as of September 30, 2021, were subjected to a compilation engagement by other accountants, whose report dated January 26, 2022, stated that they have not audited or reviewed the 2021 consolidated statements and do not express an opinion, a conclusion, nor provide any assurance on those consolidated financial statements.

  
South Burlington, Vermont  
July 25, 2023  
VT Reg. No. 92-349

**Preservation Trust of Vermont, Inc. and Subsidiary**  
Consolidated Statements of Financial Position  
September 30, 2022 and 2021

	<u>(Reviewed)</u> 2022	<u>(Compiled)</u> 2021
<b>Assets</b>		
Current assets:		
Cash (Notes 1 & 15)	\$ 67,158	\$ 103,731
Promises to give (Notes 1 & 10)	135,000	148,000
Other receivables	7,609	4,540
Prepaid expenses and deposits	16,385	34,021
Right of use asset (Note 12)	830,730	-
Notes receivables (Note 13)	<u>130,326</u>	<u>14,262</u>
Total current assets	1,187,208	304,554
Promises to give (Notes 1 & 10)	-	50,000
Program-related investments - real and personal property (Note 12)	1,438,006	2,291,123
Program-related investment - limited liability company (Note 13)	100,000	100,000
Beneficial interest in assets held by others (Note 4)	72,968	93,272
Beneficial interest in charitable remainder trust (Note 6)	132,020	128,830
Investments (Note 3)	7,462,229	8,089,819
Notes receivables (Note 9)	30,000	30,000
Property and equipment, net (Note 2)	<u>1,380,700</u>	<u>1,357,732</u>
<b>Total assets</b>	<u>\$ 11,803,131</u>	<u>\$ 12,445,330</u>
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable	\$ 20,279	\$ 9,224
Accrued expenses	18,852	2,241
Refundable advances (Note 8)	1,572,724	1,137,658
Current portion of long-term debt (Note 14)	<u>4,379</u>	<u>4,241</u>
Total current liabilities	1,616,234	1,153,364
Long-term debt, net of current portion (Note 14)	<u>142,671</u>	<u>253,038</u>
<b>Total liabilities</b>	<u>1,758,905</u>	<u>1,406,402</u>
Net assets: (Note 11)		
Without donor restriction	5,975,913	6,532,843
With donor restriction	<u>4,068,313</u>	<u>4,506,085</u>
Total net assets	<u>10,044,226</u>	<u>11,038,928</u>
<b>Total liabilities and net assets</b>	<u>\$ 11,803,131</u>	<u>\$ 12,445,330</u>

See accompanying notes and independent accountants' review report.

**Preservation Trust of Vermont, Inc. and Subsidiary**  
Consolidated Statement of Activities and Changes in Net Assets  
For the Year Ended September 30, 2022  
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	(Reviewed) 2022 Totals	(Compiled) 2021 Totals
<b>Revenues and support</b>				
Grants, contributions and bequests (Note 1, 8 & 10)	\$ 577,887	\$ 939,617	\$ 1,517,504	\$ 2,643,216
Interest and other income	3,948	-	3,948	15,035
Conference fees	8,318	-	8,318	976
Rental income and maintenance fees (Note 5)	35,181	-	35,181	27,117
Change in beneficial interest in assets held by others (Note 4)	4,000	-	4,000	18,779
Investment income available to operations (Note 3)	338,600	135,486	474,086	260,694
Net assets released from restrictions	<u>931,760</u>	<u>(931,760)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>1,899,694</u>	<u>143,343</u>	<u>2,043,037</u>	<u>2,965,817</u>
<b>Operating expenditures</b>				
Program services (Note 1)	1,801,176	-	1,801,176	2,348,944
Support services:				
Management and general	95,077	-	95,077	129,807
Fundraising	<u>122,567</u>	<u>-</u>	<u>122,567</u>	<u>106,733</u>
Total expenses	<u>2,018,820</u>	<u>-</u>	<u>2,018,820</u>	<u>2,585,484</u>
Change in net assets from operations	<u>(119,126)</u>	<u>143,343</u>	<u>24,217</u>	<u>380,333</u>
Other changes:				
Gain on transfer of property	153,770	-	153,770	-
Non-operating investment income (loss) (Note 3)	(591,574)	(769,305)	(1,360,879)	516,952
Change in value of charitable remainder trust (Note 5)	-	3,190	3,190	3,100
Contributions restricted for investment perpetuity	<u>-</u>	<u>185,000</u>	<u>185,000</u>	<u>105,250</u>
Total other changes	(437,804)	(581,115)	(1,018,919)	625,302
Change in net assets	(556,930)	(437,772)	(994,702)	1,005,635
<b>Net assets, beginning of year</b>	<u>6,532,843</u>	<u>4,506,085</u>	<u>11,038,928</u>	<u>10,033,293</u>
<b>Net assets, end of year</b>	<u>\$ 5,975,913</u>	<u>\$ 4,068,313</u>	<u>\$ 10,044,226</u>	<u>\$ 11,038,928</u>

See accompanying notes and independent accountants' review report.

**Preservation Trust of Vermont, Inc. and Subsidiary**  
Consolidated Statement of Functional Expenses  
For the Year Ended September 30, 2022  
(With Comparative Totals for 2021)

	Program Services	Support Services		(Reviewed)	(Compiled)
		Management and General	Fundraising	2022 Totals	2021 Totals
Salaries, taxes and benefits	\$ 403,693	\$ 47,870	\$ 83,165	\$ 534,728	\$ 468,845
Consultants and subcontractors	93,466	24,095	13,323	130,884	161,916
Depreciation	112,799	1,076	1,614	115,489	114,907
Dues and subscriptions	1,835	-	-	1,835	4,232
Equipment rental	213	1,930	-	2,143	2,180
Grants	893,594	-	-	893,594	1,571,880
Insurance	45,557	629	315	46,501	48,480
Interest	5,227	-	-	5,227	5,373
Lobbying	22,500	-	-	22,500	15,305
Miscellaneous	545	6,233	437	7,215	4,069
Occupancy	48,303	4,193	1,797	54,293	48,922
Other direct expenses	30,160	-	-	30,160	3,682
Printing, postage and shipping	2,239	1,119	19,027	22,385	26,245
Property taxes	57,320	-	-	57,320	57,425
Repairs and maintenance	59,783	-	-	59,783	26,508
Supplies	3,152	422	1,689	5,263	2,484
Telephone	5,303	-	-	5,303	5,819
Training, conferences and meetings	2,356	6,910	-	9,266	8,022
Travel	13,131	600	1,200	14,931	9,190
<b>Total expenses</b>	<b>\$ 1,801,176</b>	<b>\$ 95,077</b>	<b>\$ 122,567</b>	<b>\$ 2,018,820</b>	<b>\$ 2,585,484</b>

See accompanying notes and independent accountants' review report.

**Preservation Trust of Vermont, Inc. and Subsidiary**  
Consolidated Statements of Cash Flows  
For the Years Ended September 30, 2022 and 2021

	<u>(Reviewed)</u> 2022	<u>(Compiled)</u> 2021
Cash flows from operating activities:		
Change in net assets	\$ (994,702)	\$ 1,005,635
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	115,489	114,907
Contributions restricted for investment in perpetuity	(185,000)	(105,250)
Right of use asset obtained	(830,730)	-
Unrealized (gain) loss on investments	972,703	(727,148)
Gain on transfer of assets	(153,770)	-
Changes in:		
Beneficial interest in assets held by others	(4,000)	(18,779)
Charitable remainder trust	(3,190)	(3,100)
Grants and contributions receivable	148,000	(93,000)
Other current assets	17,636	(15,039)
Accounts payable	11,055	1,004
Grants payable	-	(50,000)
Accrued expenses	16,611	1,126
Refundable advances	<u>22,968</u>	<u>(87,351)</u>
Net cash provided (used) by operating activities	<u>(866,930)</u>	<u>23,005</u>
Cash flows from investing activities:		
Purchase of investments	(614,768)	(1,241,000)
Sale of investments	1,440,195	1,132,302
Notes receivable to others	(121,000)	(9,000)
Repayments of notes receivable	4,936	4,304
Acquisition of property and equipment	<u>(68,235)</u>	<u>(22,952)</u>
Net cash provided (used) in investing activities	<u>641,128</u>	<u>(136,346)</u>
Cash flows from financing activities:		
Payments on notes payable and advances from individuals	4,229	(24,083)
Contributions received restricted for investment in perpetuity	<u>185,000</u>	<u>105,250</u>
Net cash provided by financing activities	<u>189,229</u>	<u>81,167</u>
Net change in cash	(36,573)	(32,174)
Cash, beginning of year	<u>103,731</u>	<u>135,905</u>
Cash, end of year	<u>\$ 67,158</u>	<u>\$ 103,731</u>

Supplemental disclosures of non-cash flow information:

Noncash financing activities in 2022 consists of a transfer of an outstanding loan balance totaling \$106,000 as described in Note 12.

## Preservation Trust of Vermont, Inc. and Subsidiary

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

### 1. Summary of Operations and Significant Accounting Policies

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.

#### (a) 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.

#### (b) 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.

#### (c) Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are stated at fair value. The cost assigned to investments received by gift is the market value at the date the gift is received. The net realized and unrealized gains (losses) on investments are reflected in the consolidated statements of activities and changes in net assets.

#### (d) 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 consolidated statement of activities and changes in net assets 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.

#### (e) 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.

#### (f) Use of Estimates

The preparation of consolidated 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.



**Preservation Trust of Vermont, Inc. and Subsidiary**

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

Summary of Operations and Significant Accounting Policies (continued)

(g) Comparative Financial Information

The consolidated 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 consolidated financial statements for the year ended September 30, 2021, from which the summarized information was derived.

(h) 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
Exhibit items	40 years

(i) 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.

(j) 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 \$1,068,000 in direct and “field service” grants to over 148 towns, organizations and individuals in support of restoration and rehabilitation projects during the year ended September 30, 2022.

“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 leases the property and hosts weddings, special events, non-profit meetings and business retreats. The prior lessee used the property from 1998 until they ceased operating in July 2020 due to financial repercussions of the COVID-19 pandemic. The board issued a Request for Proposals from potential operators of the Grand Isle Lake House. In February 2022, the new operator was selected and a lease was signed.

“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.

**Preservation Trust of Vermont, Inc. and Subsidiary**

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

Summary of Operations and Significant Accounting Policies (continued)

“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.

(k) 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 consolidated financial statements. The Organization is no longer subject to federal and state income tax examinations by tax authorities for years before the year ended September 30, 2019.

(l) 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. Total expense under this plan totaled \$13,642 and \$11,931 for the years ended September 30, 2022 and 2021, respectively.

(m) 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.

(n) Subsequent Events

The Trust evaluated subsequent events through July 25, 2023, the date of the Trust’s consolidated financial statements were available to be used.

**Preservation Trust of Vermont, Inc. and Subsidiary**

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

**2. Property and Equipment**

Property and equipment consist of the following as of September 30<sup>th</sup>:

	<u>2022</u>		<u>2021</u>
Land	\$ 862,000	\$	862,000
Buildings and improvements	1,875,951		1,807,712
Vehicles	22,820		22,820
Furniture, fixtures and equipment	73,081		58,081
Computer equipment	<u>16,372</u>		<u>16,372</u>
Subtotal	2,850,224		2,766,985
Less - accumulated depreciation	<u>(1,469,524)</u>		<u>(1,409,253)</u>
Property and equipment, net	\$ <u>1,380,700</u>	\$	<u>1,357,732</u>

Depreciation expense including depreciation expense on real and personal property program investments totaled \$115,489 and \$114,907 for the years ended September 30, 2022 and 2021, respectively. See note 12 for program-related real and personal property investments.

**3. Investments**

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 periodic monitoring, 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.

*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 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.

**Preservation Trust of Vermont, Inc. and Subsidiary**  
Notes to Consolidated Financial Statements  
September 30, 2022 and 2021

Investments (continued)

*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.

Generally accepted accounting principles in the United States of America establishes a framework for measuring fair value. That framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Trust has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value. There has been no change in the methodology used at September 30, 2022 and 2021.

*Equities and bonds:* Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Preservation Trust of Vermont, Inc. and Subsidiary**

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

Investments (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, 2022:			
Money market funds	\$ 1,144,150	\$ 1,144,150	\$ -
Fixed income securities	2,599,783	2,438,677	(161,106)
Equity securities and funds	<u>2,132,138</u>	<u>3,879,402</u>	<u>1,747,264</u>
	\$ <u>5,876,071</u>	\$ <u>7,462,229</u>	\$ <u>1,586,158</u>
As of September 30, 2021:			
Money market funds	\$ 1,075,367	\$ 1,075,367	\$ -
Fixed income securities	2,126,629	2,193,771	67,142
Equity securities and funds	<u>2,109,067</u>	<u>4,820,681</u>	<u>2,711,614</u>
	\$ <u>5,311,063</u>	\$ <u>8,089,819</u>	\$ <u>2,778,756</u>

The Organization values its investments in marketable securities with readily determinable fair values and all investments in debt securities at fair market value (determined by “Level 1” inputs by reference to quoted market prices) in the consolidated statements 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, 2022 and 2021, by net asset class is summarized as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Original Gift Basis</u>	<u>Total</u>
		<u>Unappropriated Appreciation</u>		
Value of Investments 10/1/21:	\$ <u>4,198,782</u>	\$ <u>1,050,339</u>	\$ <u>2,840,698</u>	\$ <u>8,089,819</u>
Contributions received	-	-	<u>185,000</u>	<u>185,000</u>
Interest and dividends	122,850	-	-	122,850
Realized & unrealized gains / (losses)	(327,187)	(633,819)	-	(961,006)
Fees	<u>(48,637)</u>	-	-	<u>(48,637)</u>
Net investment income (loss)	<u>(252,974)</u>	<u>(633,819)</u>	-	<u>(886,793)</u>
Appropriated for operations	(338,600)	(135,486)	-	(474,086)
Other transfers	<u>548,289</u>	-	-	<u>548,289</u>
Net transfers	<u>209,689</u>	<u>(135,486)</u>	-	<u>74,203</u>
Value of Investments 9/30/22:	\$ <u>4,155,497</u>	\$ <u>281,034</u>	\$ <u>3,025,698</u>	\$ <u>7,462,229</u>

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

## Preservation Trust of Vermont, Inc. and Subsidiary

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

### 4. Beneficial Interest in Assets Held by Others

In 1994, the Trust transferred \$50,000 to the Vermont Community Foundation for the establishment of a fund to benefit preservation projects in the Bennington, Vermont area. Income earned by the fund (i.e. the allocable amount of earnings from the Foundation's common pooled fund) is generally distributable to the Trust (at the direction of the Trust) on an annual basis. The Trust, however, has granted variance power to the Foundation which means that the Board of Trustees of the Foundation "has the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to a specified organization if, in the sole judgment of the Board, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served." Total fund balances were \$72,968 and \$93,272 at September 30, 2022 and 2021, respectively.

### 5. 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 12, 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, 2022.

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 \$35,181 and \$27,117 for the fiscal years ended September 30, 2022 and 2021, respectively.

The Trust leases office space (and associated parking spaces) under a month to month lease with minimum lease payments of \$900. Rent expense under the lease was \$10,800 for both 2022 and 2021.

### 6. 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 \$132,020 as of September 30, 2022 (\$128,830 as of September 30, 2021) with the \$3,190 change for the fiscal year ended September 30, 2022 (\$3,100 for 2021) shown in the consolidated statement of activities and changes in net assets as "change in value of charitable remainder trust."

### 7. Functional Allocation of Expenses

The costs of providing the various programs have been summarized on a functional basis in the consolidated statement of activities and changes in net assets. 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.

**Preservation Trust of Vermont, Inc. and Subsidiary**

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

8. Refundable Advances

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, 2022 and 2021 is as follows:

		<u>2022</u>		<u>2021</u>
Refundable advances, beginning of the year	\$	1,137,658	\$	1,225,009
Grant funds received		975,000		425,000
Grant funds disbursed		<u>(539,934)</u>		<u>(512,351)</u>
Refundable advances, end of the year	\$	<u>1,572,724</u>	\$	<u>1,137,658</u>

9. Notes Receivable

Notes receivable consisted of the following as of September 30<sup>th</sup>:

		<u>2022</u>		<u>2021</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; paid in full October 2021.		-		3,814
\$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.		326		1,448
\$130,000 interest-free note receivable from the North Calais Memorial Hall Association dated April 2022; due in full April 2023.		130,000		-
\$9,000 informal and interest-free advance to community preservation organization dated August 2021; paid in full October 2021.		<u>-</u>		<u>9,000</u>
	\$	<u>160,326</u>	\$	<u>44,262</u>

**Preservation Trust of Vermont, Inc. and Subsidiary**  
Notes to Consolidated Financial Statements  
September 30, 2022 and 2021

10. Promises to Give

Promises to give consisted of the following as of September 30<sup>th</sup>:

	<u>2022</u>	<u>2021</u>
Without donor restrictions (including amounts already expended on restricted grants and contributions):	\$ <u>85,000</u>	\$ <u>98,000</u>
With donor restrictions:		
For future years	50,000	100,000
For specific program activities	<u>-</u>	<u>-</u>
	<u>50,000</u>	<u>100,000</u>
Total unconditional promises to give	\$ <u>135,000</u>	\$ <u>198,000</u>
Receivable in less than one year	\$ 135,000	\$ 148,000
Receivable in one to five years	<u>-</u>	<u>50,000</u>
Total unconditional promises to give	135,000	198,000
Less discounts to net present value	-	-
Less allowance for uncollectable promises receivable	<u>-</u>	<u>-</u>
Net unconditional promises to give	\$ <u>135,000</u>	\$ <u>198,000</u>

Conditional promises to give at September 30, 2022 included the \$532,245 remaining on a \$670,000 Round #2 “Bruhn Historic Preservation Program” grant also from the National Park Service – all conditioned upon PTV incurring specified preservation costs. Conditional promises to give are not recorded until the conditions are substantially met.



**Preservation Trust of Vermont, Inc. and Subsidiary**

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

11. Net Assets

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

As of September 30, 2022:

		<u>With Donor Restrictions</u>		
	<u>Without Donor Restrictions</u>	<u>Other Restrictions</u>	<u>Invested in Perpetuity</u>	<u>Total</u>
Director's Fund Endowment	\$ -	\$ 213,107	\$ 1,252,903	\$ 1,466,010
Stewardship Endowment Fund	-	98,228	409,200	507,428
Field Services Endowment Fund	-	72,542	251,000	323,542
The Robert Sincerbeaux Fund:				
In investments	-	19,226	427,500	446,726
In loan fund	-	-	4,500	4,500
The Stewart Fund for Downtowns & Villages	-	275,220	394,845	670,065
Restricted to future time periods	-	232,020	-	232,020
Restricted to other special projects	-	418,023	-	418,022
Board designated Grand Isle Lake House Fund	462,797	-	-	462,797
Board designated Jordan Community Fund	254,733	-	-	254,733
Board designated Paul Bruhn Fund	942,187	-	-	942,187
Board designated Operating Reserve Fund	636,646	-	-	636,646
Board designated for specific region	50,000	-	-	50,000
Investment in property and program investments	3,750,830	-	-	3,750,830
Non-endowment and property without restrictions	<u>(121,280)</u>	<u>-</u>	<u>-</u>	<u>(121,279)</u>
	\$ <u>5,975,913</u>	\$ <u>1,328,366</u>	\$ <u>2,739,948</u>	\$ <u>10,044,227</u>

As of September 30, 2021:

		<u>With Donor Restrictions</u>		
	<u>Without Donor Restrictions</u>	<u>Other Restrictions</u>	<u>Invested in Perpetuity</u>	<u>Total</u>
Director's Fund Endowment	\$ -	\$ 510,765	\$ 1,252,903	\$ 1,763,668
Stewardship Endowment Fund	-	149,178	409,200	558,378
Field Services Endowment Fund	-	137,161	251,250	388,411
The Robert Sincerbeaux Fund:				
In investments	-	107,348	432,500	539,848
In loan fund	-	-	4,500	4,500
The Stewart Fund for Downtowns & Villages	-	145,887	494,845	640,732
Restricted to future time periods	-	228,830	-	228,830
Restricted to other special projects	-	381,718	-	381,718
Board designated Grand Isle Lake House Fund	692,128	-	-	692,128
Board designated Jordan Community Fund	308,231	-	-	308,231
Board designated Paul Bruhn Fund	962,756	-	-	962,756
Board designated Operating Reserve Fund	830,451	-	-	830,451
Board designated for specific region	50,000	-	-	50,000
Investment in property and program investments	3,748,855	-	-	3,748,855
Non-endowment and property without restrictions	<u>(59,578)</u>	<u>-</u>	<u>-</u>	<u>(59,578)</u>
	\$ <u>6,532,843</u>	\$ <u>1,660,887</u>	\$ <u>2,845,198</u>	\$ <u>11,038,928</u>

**Preservation Trust of Vermont, Inc. and Subsidiary**

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

**12. 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 September 2022, the Trust transferred the Vermont Marble Museum buildings, improvements and land to The Zion Corporation. The Trust transferred the property to The Zion Corporation for \$1 and transfer of loan balance of \$106,000. As part of the arrangement, the Trust entered into an agreement to lease a portion of the building to use as a public museum, including exhibits, offices, and storage to operate the Vermont Marble Museum. The agreement requires the organization to make annual payments of \$1 through July 31, 2121. The Trust recognized in the accompanying consolidated statement of financial position as of September 30, 2022 \$830,730 as right of use asset obtained which represents fair market value of the leased space and a \$153,770 gain on transfer of property.

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

	<u>2022</u>		<u>2021</u>
Land	\$ -	\$	110,000
Buildings and improvements	-		841,582
Collections	1,757,705		1,757,705
Less - accumulated depreciation	<u>(319,699)</u>		<u>(418,164)</u>
Property and equipment, net	\$ <u>1,438,006</u>	\$	<u>2,291,123</u>

**13. 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.

**Preservation Trust of Vermont, Inc. and Subsidiary**

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

14. Notes Payable and Advances From Individuals

Notes payable consisted of the following at September 30<sup>th</sup>:

	<u>2022</u>	<u>2021</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.	\$ 147,050	\$ 151,279
\$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.	<u>-</u>	<u>106,000</u>
Total long-term debt	147,050	257,279
Less current portion	<u>4,379</u>	<u>4,241</u>
Long-term, net of current	\$ <u>142,671</u>	\$ <u>253,038</u>

Future maturities on notes payable are as follows:

2023	\$ 4,379
2024	4,535
2025	4,696
2026	4,863
2027	5,036
Thereafter	<u>123,541</u>
	\$ <u>147,050</u>

Interest expense on the above notes and advances was \$5,227 and \$5,373 for the fiscal years ended September 30, 2022 and 2021, respectively.

15. 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.

**Preservation Trust of Vermont, Inc. and Subsidiary**

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

Liquidity and Availability of Financial Assets (continued)

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>2022</u>		<u>2021</u>
Cash and cash equivalents	\$ 67,158	\$	103,731
Non board or donor restricted portion of investments	1,752,079		1,405,216
Receivables expected to be collected in the coming year	272,935		152,540
Subtract: net assets with donor restrictions for specific purposes	<u>(339,210)</u>		<u>(385,894)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>1,752,962</u>	\$	<u>1,275,593</u>