

CROSS VERMONT TRAIL ASSOCIATION, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2019

CROSS VERMONT TRAIL ASSOCIATION, INC.

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TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position.....	2
Statement of Activities.....	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6 - 9

INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
Cross Vermont Trail Association, Inc.

We have audited the accompanying financial statements of Cross Vermont Trail Association, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cross Vermont Trail Association, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Pace & Hawley, LLC

Berlin, VT
February 19, 2020

Robert Pace, CPA, - Nathan Hawley, CPA
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CROSS VERMONT TRAIL ASSOCIATION, INC.
Statement of Financial Position
June 30, 2019

Assets	
Cash	\$ 204,455
Contributions and grants receivable	21,000
Prepaid expenses	1,586
Land	10,000
Other assets	50
Cash restricted long-term stewardship	<u>9,835</u>
Total assets	<u>\$ 246,926</u>
 Liabilities and net assets	
Accounts payable	\$ 3,439
Accrued wages and payroll taxes	1,276
Refundable advances	<u>5,000</u>
Total liabilities	<u>9,715</u>
 Net assets:	
Net assets without donor restrictions	40,957
Net assets with donor restrictions	<u>196,254</u>
Total net assets	<u>237,211</u>
 Total liabilities and net assets	 <u>\$ 246,926</u>

The accompanying notes are an integral part of these financial statements.

CROSS VERMONT TRAIL ASSOCIATION, INC.

Statement of Activities

For the Year Ended June 30, 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	<u>Totals</u>
Revenues			
Contributions	\$ 20,129	\$ 25,495	\$ 45,624
Grants	17,000	34,201	51,201
Program and event income	2,805	-	2,805
Less: cost of sales	(1,678)	-	(1,678)
Contributions in-kind	675	-	675
Interest	<u>6</u>	<u>315</u>	<u>321</u>
Total revenue	<u>38,937</u>	<u>60,011</u>	<u>98,948</u>
Net assets released from restrictions			
Satisfaction of program restrictions	<u>34,801</u>	<u>(34,801)</u>	<u>-</u>
Expenses			
Program services:			
Trail activities	<u>60,814</u>	<u>-</u>	<u>60,814</u>
Supporting activities:			
Management and general	10,724	-	10,724
Fundraising	<u>2,061</u>	<u>-</u>	<u>2,061</u>
Total supporting activities	<u>12,785</u>	<u>-</u>	<u>12,785</u>
Total expenses	<u>73,599</u>	<u>-</u>	<u>73,599</u>
Change in net assets	139	25,210	25,349
Net assets, beginning of year	<u>40,818</u>	<u>171,044</u>	<u>211,862</u>
Net assets, end of year	\$ <u>40,957</u>	\$ <u>196,254</u>	\$ <u>237,211</u>

The accompanying notes are an integral part of these financial statements.

CROSS VERMONT TRAIL ASSOCIATION, INC.

Statement of Cash Flows

For the Year Ended June 30, 2019

Cash flows from operating activities	
Change in net assets	\$ 25,349
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) decrease in contributions receivable	23,839
(Increase) decrease in prepaid expenses	31
(Increase) decrease in other assets	234
Increase (decrease) in accounts payable	(21,451)
Increase (decrease) in accrued payroll and taxes	(162)
Increase (decrease) in refundable advances	<u>(2,300)</u>
Net cash provided by operating activities	<u>25,540</u>
 Cash flows from financing activities	
Principal payments on note payable	<u>(3,475)</u>
 Net increase in cash	<u>22,065</u>
 Cash, beginning of year	182,390
Cash restricted long-term, beginning of year	<u>9,835</u>
Total cash, beginning of year	<u>192,225</u>
 Cash, end of year	204,455
Cash restricted long-term, end of year	<u>9,835</u>
Total cash, end of year	\$ <u>214,290</u>
 Supplemental disclosure of cash flow information	
Cash paid during the year for interest	\$ <u>186</u>

The accompanying notes are an integral part of these financial statements.

CROSS VERMONT TRAIL ASSOCIATION, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2019

	<u>Programs</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Wages and payroll taxes	\$ 13,133	\$ 1,077	\$ 861	\$ 15,071
Advertising	-	-	85	85
Professional and technical services	14,449	5,412	564	20,425
Project contractor	19,554	-	-	19,554
Insurance	-	1,699	-	1,699
Telephone	-	107	-	107
Postage	-	175	364	539
Member dues	-	733	-	733
Printing and publications	-	-	187	187
Supplies & materials	12,419	20	-	12,439
Bank fees	-	118	-	118
Facility	-	1,113	-	1,113
Interest	-	186	-	186
Other	1,259	84	-	1,343
	<u>\$ 60,814</u>	<u>\$ 10,724</u>	<u>\$ 2,061</u>	<u>\$ 73,599</u>

The accompanying notes are an integral part of these financial statements.

CROSS VERMONT TRAIL ASSOCIATION, INC.
Notes to Financial Statements
June 30, 2019

1. Summary of significant accounting policies

Cross Vermont Trail Association, Inc. (the Organization) is a non-profit organization established to assist municipalities, recreation groups, and landowners in the creation and management of a four-season, multi-use trail across the state of Vermont for public recreation, alternative transportation, and awareness of our natural and cultural heritage. The Organization is governed by a Board of Directors with an administrative office located in Montpelier, Vermont. The Organization is supported primarily through grants and contributions.

- A. Reporting entity - The Organization is classified as a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from United States federal and state income taxes. Contributions to the Organization are deductible as allowed under Section 170(b)(1)(A)(vi) of the Code.
- B. Financial statement presentation - The Organization presents its financial statements in accordance with accounting principles generally accepted in the United States of America as promulgated by the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) No 958, Not-for-Profit Entities, section 205, *Presentation of Financial Statements of Not-for-Profit Organizations*. Under section 205, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor 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 donor restrictions 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 contributions with donor restrictions.
- C. Basis of accounting -The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.
- D. Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- E. Cash – Cash includes demand deposits, money market funds and certificates of deposit which have no potential loss of principal. Cash, for purposes of the statement of cash flows, includes cash restricted for long-term purposes.
- F. Property and equipment - Property and equipment in excess of \$5,000 are capitalized at cost when purchased or estimated fair market value, if received by donation or acquired under a capital lease agreement. Donations of property and equipment are recorded as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation and amortization are computed using the straight-line method over the assets estimated useful lives.
- G. Income taxes – The Organization has received a determination letter from the Internal Revenue Service stating that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code for its exempt function income and is classified as a publicly supported organization under Section 509(a)(1). Contributions to the Organization qualify for the charitable contribution deduction under Internal Revenue Code Section 170(b)(1)(A)(vi). In addition, the Organization is not subject to state income taxes on its exempt function income. The Organization has adopted the provisions of Financial Accounting Standards Board's – Accounting for Uncertain Income Tax Positions (FASB ASC 740-10) as it might apply to the Organizations' financial transactions. The Organization 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. The years 2019, 2018, and 2017 are open for possible examination by the Internal Revenue Service.

CROSS VERMONT TRAIL ASSOCIATION, INC.
Notes to Financial Statements
June 30, 2019

1. Summary of significant accounting policies (continued)

- H. Advertising - The Organization's policy is to expense advertising costs as incurred. The Organization has recorded \$85 in advertising expense for the year ended June 30, 2019.
- I. Contributions and grants receivable – Contributions and grants receivable reflect unconditional promises to give that are recognized as revenue when the promise is received or, if conditional, upon satisfaction of the condition. The Organization believes that these receivables will be collected in full; accordingly, these statements do not contain a provision for uncollectible accounts.
- J. Refundable advances – The Organization records conditional grant awards and contributions received in advance of fulfillment of conditions as refundable advances. Amounts in the refundable advance account are recognized as revenue upon satisfaction of the conditions.
- K. Contributions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as net assets with donor restrictions. Unconditional promises to give, which do not state a due date, are presumed to be time-restricted by the donor and consequently are reported as net assets with donor restrictions.
- L. Conservation lands – Conservation land is real property with significant ecological and recreational value. These properties are either managed in an effort to protect the natural environment or transferred to other organizations who will manage the lands in a similar fashion. The Organization records land at cost if purchased or at fair value at the date of acquisition, if all or part of the land was received as a donation.
- M. Conservation easements – Easements acquired by the Organization are conservation easements and represent numerous restrictions over the use and development of land not owned by the Organization. Since these easements have no marketable value, and therefore no future economic benefit, they are not recorded as assets on the statement of financial position. All easements acquired by purchase are expensed in the statement of financial position. In all cases, the Organization monitors activities on the land and enforces restrictions.
- N. Functional expenses – The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include postage, which is allocated based on the estimated anticipated use.
- O. New accounting standards implemented - The Organization has implemented ASU 2016-14, *Not-for-Profit Entities*, for the year ended June 30, 2019. The impact on these financial statements is to report net asset classifications in two categories; with and without donor restrictions and include notes about the Organization's liquidity, financial performance and cash flows. The Organization has implemented ASU 2016-08, *Statement of Cash Flows: Restricted Cash*, for the year ended June 30, 2019. The impact on these financial statements is to include restricted cash when reconciling the beginning of year and end of year periods.
- P. Change in accounting principles – The Organization has changed its policy to report contributions with donor restrictions whose restrictions are met in the same period within the net assets with donor restrictions column of the statement of activities. Previously these contributions were reported as net assets without donor restriction. The effect on the financial statements is how the statement of activities is presented for the year ended June 30, 2019. Beginning net assets are not affected by this change.

CROSS VERMONT TRAIL ASSOCIATION, INC.
Notes to Financial Statements
June 30, 2019

2. Stewardship fund

The Organization maintains and manages a stewardship fund to provide income for meeting the Organization's stewardship responsibilities as well as to cover legal costs associated with the enforcement of easement violations. Investment earnings from assets held in the stewardship fund are required to be used solely to support the CVTA easement stewardship program. The original principal amount in the stewardship fund is required to remain intact unless written approval is obtained from the funding agency, Vermont Housing and Conservation Board.

The Organization's policy is to invest the funds in an FDIC insured interest-bearing account. The Organization has adopted a policy not to withdraw any funds from the stewardship fund until it reaches \$25,000. Changes in stewardship fund net assets for the year ended June 30, 2019 were as follows:

		<u>With Donor Restrictions</u>
Balance, beginning of year	\$	10,525
Investment return		<u>149</u>
Balance, end of year	\$	<u><u>10,674</u></u>

3. Net assets with donor restrictions

As of June 30, 2019, net assets with donor restrictions were restricted for the following purposes:

Subject to expenditure for specific purpose:		<u>2019</u>
Stewardship	\$	10,674
Powerdam project		170,530
Other trail projects		<u>15,050</u>
	\$	<u><u>196,254</u></u>

As of June 30, 2019, the Organization maintained a donor restricted fund, the powerdam project, for the purpose of matching federal funding for new trail construction and a bridge over the Winooski River in East Montpelier, Berlin and Barre Town.

4. Contributions and grants receivable

As of June 30, 2019, the Organization recorded contributions and grants receivable in the amount of \$21,000. The Organization anticipates collecting the entire amount of contributions and grants receivable during the year ending June 30, 2020.

5. Property, plant and equipment

Property, plant and equipment at June 30, 2019 consisted of \$10,000 in conservation land.

6. Concentration of revenue

The Organization receives a substantial amount of revenue from a limited number of grantors. Of the \$98,948 recorded as total revenue and gains for the year ending June 30, 2019, \$45,378 came from three sources, which represents 46% of total revenue and gains.

CROSS VERMONT TRAIL ASSOCIATION, INC.
Notes to Financial Statements
June 30, 2019

7. Grants

The Organization has been awarded approximately \$948,316 in contracts and grants at June 30, 2019, which have not been received or expended. These awards, which represent commitment of sponsors to provide funds on a cost-reimbursement basis for trail and bridge construction, will not be reflected in the financial statements until reimbursable activities have been conducted in accordance with the provisions of the grants.

8. Commitments and contingencies

As of June 30, 2019, the Organization had a \$99,009 contract with an engineering firm to provide professional engineering services for the design of a bridge over the Winooski River. The Organization reported \$15,367 in project expenses during the year ended June 30, 2019, related to this contract. The remaining amount of this contract for future years is \$25,326.

As of June 30, 2019, the Organization had a \$59,915 contract with an engineering firm to provide professional engineering services for the design of a new trail along-side Route 2. The Organization reported \$3,064 in project expenses during the year ended June 30, 2019, related to this contract. The remaining amount of this contract for future years is \$21,491.

These projects are anticipated to be funded with grants and contributions.

9. Line of credit

As of June 30, 2019, the Organization had available a \$20,000 line of credit at a variable interest rate indexed to the Wall Street Journal Prime Rate plus 3%. The line of credit matures on March 28, 2020. As of June 30, 2019, \$0 was borrowed against this line of credit.

10. Financial assets available to meet cash needs

The following reflects the Organization's financial assets as of June 30, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

Financial assets, end of year	\$ 235,290
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions	<u>201,254</u>
 Financial assets available to meet cash needs for general expenditures within one year of June 30, 2019	 \$ <u>34,036</u>

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization has a goal to maintain \$10,000 in unrestricted cash on hand to meet four months of normal operating expenses, which are, on average approximately \$2,500, monthly.

11. Subsequent events

The Organization evaluated its June 30, 2019 financial statements for subsequent events through February 19, 2020, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.