

CROSS VERMONT TRAIL ASSOCIATION, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2018

CROSS VERMONT TRAIL ASSOCIATION, INC.

JUNE 30, 2018

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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, 2018, 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, 2018, 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 8, 2019

Robert Pace, CPA, - Nathan Hawley, CPA
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CROSS VERMONT TRAIL ASSOCIATION, INC.
Statement of Financial Position
June 30, 2018

Assets

Cash and cash equivalents	\$ 182,390
Contributions and grants receivable	44,839
Prepaid expenses	1,617
Land	10,000
Other assets	284
Restricted long term cash - stewardship	<u>9,835</u>
Total assets	<u>\$ 248,965</u>

Liabilities and net assets

Accounts payable	\$ 24,890
Accrued wages and payroll taxes	1,438
Refundable advances	7,300
Line of credit	<u>3,475</u>
Total liabilities	<u>37,103</u>

Net assets:

Unrestricted	40,818
Temporarily restricted	161,209
Permanently restricted	<u>9,835</u>
Total net assets	<u>211,862</u>
 Total liabilities and net assets	 <u>\$ 248,965</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, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Revenues				
Contributions	\$ 12,907	\$ 17,886	\$ -	\$ 30,793
Contributions in-kind	746	-	-	746
Grants	71,911	-	2,000	73,911
Program and event income	1,528	-	-	1,528
Less: cost of sales	(1,286)	-	-	(1,286)
Interest	7	241	-	248
Miscellaneous	4	-	-	4
Total revenue	<u>85,817</u>	<u>18,127</u>	<u>2,000</u>	<u>105,944</u>
Net assets released from restrictions				
Satisfaction of program restrictions	<u>8,000</u>	<u>(8,000)</u>	<u>-</u>	<u>-</u>
Expenses				
Program services:				
Trail activities	<u>88,799</u>	<u>-</u>	<u>-</u>	<u>88,799</u>
Supporting activities:				
Management and general	9,390	-	-	9,390
Fundraising	999	-	-	999
Total supporting activities	<u>10,389</u>	<u>-</u>	<u>-</u>	<u>10,389</u>
Total expenses	<u>99,188</u>	<u>-</u>	<u>-</u>	<u>99,188</u>
Loss on uncollectible receivable	<u>10,100</u>	<u>-</u>	<u>-</u>	<u>10,100</u>
Change in net assets	(15,471)	10,127	2,000	(3,344)
Net assets, beginning of year	<u>56,289</u>	<u>151,082</u>	<u>7,835</u>	<u>215,206</u>
Net assets, end of year	\$ <u>40,818</u>	\$ <u>161,209</u>	\$ <u>9,835</u>	\$ <u>211,862</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, 2018

Cash flows from operating activities	
Change in net assets	\$ (3,344)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Contributions restricted for permanent endowment	(2,000)
(Increase) decrease in contributions receivable	206
(Increase) decrease in prepaid expenses	359
(Increase) decrease in other assets	37
Increase (decrease) in accounts payable	22,543
Increase (decrease) in accrued payroll	(718)
Increase (decrease) in refundable advances	<u>(2,776)</u>
Net cash provided by operating activities	<u>14,307</u>
 Cash flows from investing activities	
Contributions to permanent endowment	<u>(2,000)</u>
 Cash flows from financing activities	
Contributions restricted for permanent endowment	2,000
Principal payments on note payable	<u>3,475</u>
Net cash (used) by investing activities	<u>5,475</u>
 Net increase in cash	 17,782
 Cash and cash equivalents, beginning of year	 <u>164,608</u>
 Cash and cash equivalents, end of year	 \$ <u><u>182,390</u></u>

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

CROSS VERMONT TRAIL ASSOCIATION, INC.
Notes to Financial Statements
June 30, 2018

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. Financial statement presentation - The Organization presents its financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") as established by the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) No 958, 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 three classes of net assets: unrestricted, temporarily restricted, and permanently restricted depending upon the existence and/or nature of any donor-imposed restrictions.
- B. 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.
- C. 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.
- D. Cash and cash equivalents – Cash and cash equivalents include demand deposits, money market funds and certificates of deposit which have no potential loss of principal. Cash and cash equivalents, for purposes of the statement of cash flows, exclude permanently restricted cash and cash equivalents.
- E. 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.
- F. Advertising - The Organization's policy is to expense advertising costs as incurred. The Organization has recorded \$135 in advertising expense for the year ended June 30, 2018.
- 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 2018, 2017, and 2016 are open for possible examination by the Internal Revenue Service.
- H. 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.

CROSS VERMONT TRAIL ASSOCIATION, INC.
Notes to Financial Statements
June 30, 2018

1. Summary of significant accounting policies (continued)

- I. 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.
- J. Contributions – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and nature of any donor restrictions. Contributions of cash and other assets are reported as temporarily restricted if they are received with donor stipulations that limit the use of the donated assets. Permanently restricted net assets represent contributions from donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the actions of the organization. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.
- K. 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.
- L. 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.

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, 2018 were as follows:

	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Balance, beginning of year	\$ 609	\$ 7,835	\$ 8,444
Contributions	-	2,000	2,000
Investment return	<u>81</u>	<u>-</u>	<u>81</u>
Balance, end of year	<u>\$ 690</u>	<u>\$ 9,835</u>	<u>\$ 10,525</u>

CROSS VERMONT TRAIL ASSOCIATION, INC.
Notes to Financial Statements
June 30, 2018

3. Temporarily restricted net assets

Temporarily restricted net assets consisted of the following as of June 30, 2018:

Stewardship	\$ 691
Powerdam project	157,518
Other	<u>3,000</u>
	\$ <u>161,209</u>

As of June 30, 2018, the Organization maintained a temporarily 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, 2018, the Organization recorded contributions and grants receivable in the amount of \$44,839. The Organization anticipates collecting the entire amount of contributions and grants receivable during the year ending June 30, 2019.

5. Property, plant and equipment

Property, plant and equipment at June 30, 2018 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 \$105,944 recorded as total revenue and gains for the year ending June 30, 2018, \$68,359 came from three sources.

7. Donated office space and payroll processing

The Organization's office space is currently donated by the Central Vermont Regional Planning Commission. Accordingly, for the year ended June 30, 2018, the Organization has recognized a contribution and rent expense of \$540. This amount represents an estimate of the fair value of the donated office space. The Central Vermont Regional Planning Commission also provides payroll processing for the Organization free of charge. Accordingly, for the year ended June 30, 2018, the Organization has recognized a contribution and payroll service expense of \$206. This amount represents an estimate of the fair market value of the donated payroll processing.

8. Commitments and contingencies

As of June 30, 2018, 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 \$60,786 in project expenses during the year ended June 30, 2018, related to this contract. These projects are anticipated to be funded with grants and contributions.

9. Line of credit

As of June 30, 2018, 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, 2019. As of June 30, 2018, \$3,475 was borrowed against this line of credit.

CROSS VERMONT TRAIL ASSOCIATION, INC.
Notes to Financial Statements
June 30, 2018

10. Subsequent events

The Organization evaluated its June 30, 2018 financial statements for subsequent events through February 8, 2019, 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.