

CROSS VERMONT TRAIL ASSOCIATION, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2021

CROSS VERMONT TRAIL ASSOCIATION, INC.

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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, 2021, and the related statements of activities, functional expenses 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, 2021, 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, Vermont
June 16, 2022

CROSS VERMONT TRAIL ASSOCIATION, INC.
Statement of Financial Position
June 30, 2021

Assets	
Cash	\$ 360,160
Contributions and grants receivable	124,555
Prepaid expenses	1,022
Land	35,000
Cash restricted long-term stewardship	13,835
Total assets	<u>\$ 534,572</u>
 Liabilities and net assets	
Accounts payable	\$ 226,486
Accrued wages and payroll taxes	1,614
Refundable advances	<u>6,836</u>
Total liabilities	<u>234,936</u>
 Net assets:	
Net assets without donor restrictions	106,893
Net assets with donor restrictions	<u>192,743</u>
Total net assets	<u>299,636</u>
 Total liabilities and net assets	 <u>\$ 534,572</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, 2021

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	<u>Totals</u>
Revenues			
Contributions	\$ 53,706	\$ 31,159	\$ 84,865
Grants	19,402	458,341	477,743
Program and event income	3,920	-	3,920
Less: cost of sales	(2,852)	-	(2,852)
Interest	<u>9</u>	<u>256</u>	<u>265</u>
Total revenue	<u>74,185</u>	<u>489,756</u>	<u>563,941</u>
Net assets released from restrictions			
Satisfaction of program restrictions	<u>590,204</u>	<u>(590,204)</u>	<u>-</u>
Expenses			
Program services:			
Trail activities	<u>611,773</u>	<u>-</u>	<u>611,773</u>
Supporting activities:			
Management and general	12,711	-	12,711
Fundraising	<u>1,783</u>	<u>-</u>	<u>1,783</u>
Total supporting activities	<u>14,494</u>	<u>-</u>	<u>14,494</u>
Total expenses	<u>626,267</u>	<u>-</u>	<u>626,267</u>
Change in net assets	38,122	(100,448)	(62,326)
Net assets, beginning of year	<u>68,771</u>	<u>293,191</u>	<u>361,962</u>
Net assets, end of year	\$ <u>106,893</u>	\$ <u>192,743</u>	\$ <u>299,636</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, 2021

	Programs	Management & General	Fundraising	Total Expenses
Advertising	\$ 33	\$ -	\$ 25	\$ 58
Dues	-	705	-	705
Facility	-	1,477	-	1,477
Fees	-	154	-	154
Information technology	-	294	-	294
Insurance	-	1,553	-	1,553
Interest	-	4	-	4
Office expense	83	216	835	1,134
Professional and technical services	21,539	5,324	277	27,140
Property taxes	1,467	-	-	1,467
Trail projects direct expenses	23,124	-	-	23,124
Trail projects contractor expenses	547,514	-	-	547,514
Uncollectable receivable	-	1,800	-	1,800
Wages and payroll taxes	17,547	1,184	646	19,377
Other	466	-	-	466
	<u>\$ 611,773</u>	<u>\$ 12,711</u>	<u>\$ 1,783</u>	<u>\$ 626,267</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, 2021

Cash flows from operating activities	
Change in net assets	\$ (62,326)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) decrease in contributions receivable	(66,298)
(Increase) decrease in prepaid expenses	672
(Increase) decrease in other assets	25
Increase (decrease) in accounts payable	209,795
Increase (decrease) in accrued payroll and taxes	(685)
Increase (decrease) in refundable advance	1,836
Interest income reinvested in stewardship endowment	<u>(198)</u>
Net cash provided by operating activities	<u>82,821</u>
 Cash flows from financing activities	
Interest income reinvested in stewardship	<u>198</u>
 Net increase in cash	<u>83,019</u>
 Cash, beginning of year	277,141
Restricted cash, beginning of year	<u>13,835</u>
	<u>290,976</u>
 Cash, end of year	360,160
Restricted cash, end of year	<u>13,835</u>
	<u>\$ 373,995</u>
 Supplemental disclosure of cash flow information	
Cash paid during the year for interest	\$ <u><u>4</u></u>
 Supplemental disclosure of non-cash investing and financing activity	
Forgiveness of paycheck protection program "PPP" loan	\$ <u><u>2,500</u></u>

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

CROSS VERMONT TRAIL ASSOCIATION, INC.
Notes to Financial Statements
June 30, 2021

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. Depreciation expense for the fiscal year ended June 30, 2021 was \$0.
- G. Income taxes – The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from State of Vermont income taxes and, therefore, has made no provision for Federal or State Income taxes. FASB Accounting Standards Codification Topic 740 entitled *Accounting for Income Taxes* requires the Organizations to report uncertain tax positions for financial reporting purposes. The Organizations had no uncertain tax positions as of June 30, 2021, and accordingly, did not have any unrecognized tax benefits that need to be recognized or disclosed in the financial statements.
- H. Advertising - The Organization's policy is to expense advertising costs as incurred. The Organization has recorded \$58 in advertising expense for the year ended June 30, 2021.

CROSS VERMONT TRAIL ASSOCIATION, INC.
Notes to Financial Statements
June 30, 2021

1. Summary of significant accounting policies (continued)

- 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. Unconditional promises to give expected to be collected within one year are recorded at net realizable value. The allowance for uncollectible contributions and grants receivable is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions and grants receivable are written off when deemed uncollectable. As of June 30, 2021, the allowance was \$0.
- 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.

2. Concentration of credit risk

The Organization maintains bank deposits at local financial institutions in Vermont. The Organization's demand deposits are insured by the Federal Deposit Insurance Corporation up to a total of \$250,000 per financial institution. Deposits in excess of federally insured limits and uncollateralized as of June 30, 2021, totaled \$120,932. The Organization does not have a formal concentration of credit risk policy. However, the Organization considers the creditworthiness of financial institutions maintaining its deposits to be sufficient and has not experienced any losses on these accounts.

3. 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.

CROSS VERMONT TRAIL ASSOCIATION, INC.
Notes to Financial Statements
June 30, 2021

3. Stewardship fund (continued)

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, 2021, were as follows:

		<u>With Donor</u>	
		<u>Restrictions</u>	
Balance, beginning of year	\$	14,873	
Investment return		<u>132</u>	
Balance, end of year	\$	<u><u>15,005</u></u>	

4. Net assets with donor restrictions

As of June 30, 2021, net assets with donor restrictions were restricted for the following purposes:

		<u>2021</u>	
Subject to expenditure for specific purpose:			
Stewardship	\$	15,005	
Powerdam project		174,846	
Other trail projects		<u>2,892</u>	
	\$	<u><u>192,743</u></u>	

As of June 30, 2021, 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.

5. Contributions and grants receivable

As of June 30, 2021, the Organization recorded contributions and grants receivable in the amount of \$124,555. The Organization anticipates collecting all of the contributions and grants receivable during the year ending June 30, 2022.

6. Property, plant, and equipment

Property, plant, and equipment as of June 30, 2021, consisted of \$35,000 in conservation land. Depreciation expense for the fiscal year ended June 30, 2021, was \$0.

7. Concentration of revenue

The Organization receives a substantial amount of revenue from a limited number of grantors. Of the \$563,941 recorded as total revenue and gains for the year ending June 30, 2021, \$471,714 came from two sources, which represents 83.6% of total revenue and gains.

8. Conditional promises

The Organization has been awarded approximately \$908,222 in contracts and grants as of June 30, 2021, which have not been received. These awards represent commitments of sponsors to provide funds, on a cost-reimbursement basis, for trail and bridge construction and will not be reflected in the financial statements until reimbursable activities have been conducted in accordance with the provisions of the grants.

CROSS VERMONT TRAIL ASSOCIATION, INC.
Notes to Financial Statements
June 30, 2021

9. Line of credit

As of June 30, 2021, the Organization had available a \$20,000 line of credit at a variable interest rate indexed to the Wall Street Journal Prime Rate plus 3.00%. However, in no event will the interest rate be less than 7.250%. The line of credit matures on March 28, 2022. As of June 30, 2021, \$0 was borrowed against this line of credit.

On July 3, 2020, the Organization received a \$2,500 Paycheck Protection Program (“PPP”) loan at an interest rate of 1.00% maturing on July 3, 2025. During the fiscal year-end June 30, 2021, this loan was forgiven by the Small Business Administration and the Organization included the loan forgiveness in revenue.

10. Financial assets available to meet cash needs

The following reflects the Organization’s financial assets as of June 30, 2021, 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	\$ 498,550
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions	<u>199,579</u>
 Financial assets available to meet cash needs for general expenditures within one year of June 30, 2021	 \$ <u>298,971</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, 2021, financial statements for subsequent events through June 16, 2022, 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.