

CROSS VERMONT TRAIL ASSOCIATION, INC.

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2012

CROSS VERMONT TRAIL ASSOCIATION, INC.

JUNE 30, 2012

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Cross Vermont Trail Association

We have audited the accompanying statement of financial position of Cross Vermont Trail Association, Inc. (a non-profit organization) as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the changes in its net assets and its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

Pace & Hawley, LLC

Montpelier, VT
November 7, 2014

Cross Vermont Trail Association, Inc.
Statement of Financial Position
June 30, 2012

Assets

Current assets:

Cash and cash equivalents	\$ 2,233
Accounts receivable	21,962
Prepaid expenses	<u>1,414</u>
Total current assets	<u>25,609</u>

Noncurrent assets:

Cash and cash equivalents - stewardship	7,835
Land	<u>10,000</u>
Total noncurrent assets	<u>17,835</u>

Total assets \$ 43,444

Liabilities and net assets

Current liabilities:

Accounts payable	\$ 1,639
Accrued wages and payroll taxes	2,265
Refundable advances	<u>1,039</u>
Total current liabilities	<u>4,943</u>

Total liabilities 4,943

Net assets:

Unrestricted	29,076
Temporarily restricted	1,590
Permanently restricted	<u>7,835</u>
Total net assets	<u>38,501</u>

Total liabilities and net assets \$ 43,444

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, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenues and support				
Donations	\$ 7,630	\$ 1,100	\$ -	\$ 8,730
Donations in-kind	4,886	-	-	4,886
Grants	59,375	-	-	59,375
Investment income	-	38	-	38
Program and event income	4,573	-	-	4,573
Less: cost of sales	(2,719)	-	-	(2,719)
Miscellaneous	116	-	-	116
Net assets released from restrictions	-	-	-	-
Total revenues and support	73,861	1,138	-	74,999
Expenses				
Program expenses:				
Programs	49,074	-	-	49,074
Total program expenses	49,074	-	-	49,074
Support services:				
Management and general	20,600	-	-	20,600
Fundraising	7,723	-	-	7,723
Total support services	28,323	-	-	28,323
Total expenses	77,397	-	-	77,397
Change in net assets	(3,536)	1,138	-	(2,398)
Net assets, beginning of year (as restated)	32,612	452	7,835	40,899
Net assets, end of year	\$ 29,076	\$ 1,590	\$ 7,835	\$ 38,501

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, 2012

Cash flows from operating activities	
Change in net assets	\$ (2,398)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	94
Interest income	-
(Increase) decrease in accounts receivable	19,801
(Increase) decrease in prepaid expenses	370
Increase (decrease) in accounts payable	(19,985)
Increase (decrease) in accrued payroll	2,265
Increase (decrease) in refundable advances	1,039
Interest income reinvested in stewardship	<u>(38)</u>
Net cash provided by operating activities	<u>1,148</u>
 Cash flows from financing activities	
Interest income reinvested in stewardship	38
Principle payment on loan from employee	<u>(1,000)</u>
Net cash provided by investing activities	<u>(962)</u>
 Net increase in cash	 186
 Cash and cash equivalents, beginning of year	 <u>2,047</u>
 Cash and cash equivalents, end of year	 \$ <u>2,233</u>
 <i>Supplemental disclosures:</i>	
Interest and finance charges paid	\$ <u>357</u>
Income taxes paid	\$ <u>-</u>

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

CROSS VERMONT TRAIL ASSOCIATION, INC.
Notes to Financial Statements
June 30, 2012

1. Summary of significant accounting policies

Cross Vermont Trail Association (the Organization) is a non-profit organization dedicated to the conservation of exceptional lands along Vermont's waters. Incorporated in 1995, the Organization leads partnerships between landowners, municipalities, state and federal agencies, businesses and other conservation organizations to keep land along the waters of Vermont open for equitable and responsible community use and enjoyment in all of Vermont.

- 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. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions whose restrictions are met in the same period are shown as increases in temporarily restricted net assets with a corresponding transfer to unrestricted net assets. The transfer of assets with donor or grantor-imposed conditions is accounted for as an advance payment, instead of as a contribution, until the conditions have been substantially met.
- 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 - For purposes of the statement of cash flows, the Organization considers demand deposits and all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents, for purposes of the statement of cash flows, exclude cash and cash equivalents permanently restricted.
- 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 \$0 in advertising expense for the year ended June 30, 2012.

CROSS VERMONT TRAIL ASSOCIATION, INC.
Notes to Financial Statements
June 30, 2012

1. Summary of significant accounting policies (continued)

- 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 fiscal years 2013, 2012 and 2011 are open for possible examination by the Internal Revenue Service.
- H. Accounts receivable – Receivables are reflected on the balance sheet net of allowances for doubtful accounts. The Organization evaluates its accounts receivable and estimates its allowance for doubtful accounts based upon the age of the balance and the historical experience with the customer.
- I. Refundable advances – The Organization records conditional grant awards as refundable advances until it is expended for the purpose of the grant, at which time it is recognized as revenue. The balance in refundable advances at June 30, 2012, represents amounts received under cost reimbursement grants that will be expended in subsequent fiscal years in accordance with the terms of the grant.
- J. 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 temporarily restricted or permanently restricted support that increases those asset classes. Unconditional promises to give, which do not state a due date, are presumed to be time-restricted by the donor until received and are reported as temporarily restricted net assets.

A donor restriction expires when a time restriction ends, when an unconditional promise with an implied time restriction is collected, or when a purpose restriction is completed. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase to restricted support at the time of receipt and as net assets released from restrictions. Permanently restricted net assets include the principal amount of contributions accepted with the stipulation from the donor that the principal be maintained in perpetuity, and only the income from the investment thereof be expended for either general purposes or a purpose specified by the donor.

- 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 and land interest 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.

CROSS VERMONT TRAIL ASSOCIATION, INC.
Notes to Financial Statements
June 30, 2012

2. Stewardship endowment fund

The Organization maintains and manages a stewardship endowment 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 endowment until it reaches \$25,000. Changes in stewardship endowment net assets for the year ending June 30, 2012 were as follows:

		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, beginning of year	\$	427	\$ 7,835	\$ 8,262
Investment return		<u>38</u>	<u>-</u>	<u>38</u>
Balance, end of year	\$	<u>465</u>	\$ <u>7,835</u>	\$ <u>8,300</u>

3. Property, plant and equipment

Property, plant and equipment at June 30, 2012 consisted of \$10,000 in conservation land.

4. Refundable advances

Refundable advances represent contributions received by the Organization in advance of fulfilling a required condition specified by the awarding entity. At June 30, 2012, the Organization reported advance payments of \$1,039 received from various grantor agencies and foundations.

5. Line of credit

During the year ending June 30, 2012, the Organization borrowed and repaid a \$20,000 line of credit at a variable interest rate indexed to the Wall Street Journal Prime Rate plus 3.0%. The line of credit matures on December 21, 2012. No amounts were borrowed against this line of credit at fiscal year-end but the \$20,000 was available for borrowing.

6. Loan due to employee

During the year ending June 30, 2012, the Organization repaid a \$1,000 no interest loan from an employee to temporarily cover operating costs.

7. Temporarily restricted net assets

Temporarily restricted net assets consisted of the following as of June 30, 2012:

Stewardship	\$	465		
Other		<u>1,125</u>		
	\$	<u>1,590</u>		

CROSS VERMONT TRAIL ASSOCIATION, INC.
Notes to Financial Statements
June 30, 2012

8. Concentration of revenue

The Organization receives a substantial amount of grant revenue from a limited number of grantors. Of the \$59,375 recorded as grant revenue for the year ending June 30, 2012, \$42,072 came from three sources.

9. 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, 2012, the Organization has recognized a contribution and rent expense of \$1,800. This amount represents an estimate of the fair market 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, 2012, the Organization has recognized a contribution and payroll service expense of \$1,047. This amount represents an estimate of the fair market value of the donated payroll processing.

10. Prior period restatement

The Organization restated the beginning unrestricted net assets from \$20,950 to \$32,612 as a result of recording additional grants receivable of \$17,462 and additional accounts payable of \$5,800 at June 30, 2011.

11. Subsequent events

The Organization evaluated its June 30, 2012 financial statements for subsequent events through November 7, 2014, the date the financial statement 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.

11/19/2014 4:52PM

Entry #	Status	Account/Co	Description	Workpaper	Debit	Credit
AJE 1	Posted	3098.0 4999.0	Refund of Prior Year Expenditu Misc Income	SS-1/1	119.00	119.00
			Adjust net assets to 6/30/2011 Reviewed Financial Statement balance			
AJE 2	Posted	4201.0 3010.0	Non-Gov't Grants Unrestricted Net Assets	10-2/1 7/	10,984.21	10,984.21
			Adjust 6/30/2011 balance for LCBP-2011-01 activity incurred in FY'2011			
AJE 3	Posted	3010.0 8742.0	Unrestricted Net Assets Youth Conservation Corps Exp	30-1/2	5,800.00	5,800.00
			Adjust VYCC invoice #1153 for work perfor in FY'11 on LCBP 2011-016 Grant			
AJE 4	Posted	4501.0 3010.0	Government Grants Unrestricted Net Assets	10-2/7	6,477.50	6,477.50
			Adjust revenue associated with VHCB grant 2007-106 to prior years.			
AJE 5	Posted	3010.0 3110.0	Unrestricted Net Assets Temporarily Restricted Net Ass	SS-1	1,137.00	1,137.00
			Adjust temporarily restricted net assets actuat at 6/30/2012			
TOTALS					24,517.71	24,517.71

CVTA
 Summary of Uncorrected Misstatements
 6/30/2012

PAJE	W/P	Type	Assets	Liabilities	Revenues	Expenses	Transfers	Other	Income	Equity
Prior year misstatements:										
LCBP 2011-076	10-2/2 3/	KM	1,962	-	n/a	n/a	n/a	n/a	n/a	(1,962)
Accrued wages at 6/30/2011	PYAA-1/5	KM	-	(2,471)	n/a	n/a	n/a	n/a	n/a	2,471
Total prior year misstatements			1,962	(2,471)	-	-	-	-	-	509
Reverse of prior misstatements:										
LCBP 2011-076	10-2/2 3/	KM	(1,962)	-	1,962	-	-	-	1,962	n/a
Accrued wages at 6/30/2011	PY AA-1/5	KM	-	2,471	-	(2,471)	-	-	(2,471)	n/a
Total reverse of prior year misstatements			(1,962)	2,471	1,962	(2,471)	-	-	(509)	n/a
Cumulative effect of prior year misstatements			-	-	n/a	n/a	n/a	n/a	n/a	-
Current year misstatements:										
Total current year misstatements			-	-	-	-	-	-	-	n/a
Total cumulative misstatements			-	-	-	-	-	-	(509)	-

Total misstatement to current year income
 Cumulative misstatements to equity