

**PRESERVATION TRUST OF VERMONT, INC.
AND SUBSIDIARY**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2013

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY

SEPTEMBER 30, 2013

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Independent Accountant's Compilation Report

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

We have compiled the accompanying statement of financial position of the Preservation Trust of Vermont, Inc. and Subsidiary (nonprofit organizations) as of September 30, 2013, and the related statements of activities and cash flows for the year then ended, and the accompanying supplementary schedule of functional expenses, which is presented only for supplementary analysis purposes. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with U.S. generally accepted accounting principles.

Management is responsible for the preparation and fair presentation of financial statements in accordance with U.S. generally accepted accounting principles and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

The prior year summarized comparative information has been derived from the Organization's 2012 financial statements which were compiled by us and, in our report dated September 26, 2013, we noted that those statements were the representation of management and that we did not express any opinion or any other form of assurance on them.

Wallace W. Tapia, P. C.

Burlington, Vermont
August 22, 2014
Vermont Registration #333

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2013
(With Summarized Information for 2012)

ASSETS	2013	2012
Cash and cash equivalents (Notes 1 & 4)	\$ 161,932	\$ 124,012
Grants and contributions receivable (Notes 1 & 12)	65,105	75,804
Other receivables	26,030	23,064
Prepaid expenses (Note 16)	43,275	51,515
Note receivable (Note 11)	30,000	30,000
Program-related investment - personal property (Note 16)	250,000	-
Program-related investment - limited liability company (Note 14)	180,000	-
Beneficial interest in assets held by others (Note 7)	79,418	74,526
Investments (Note 6)	4,123,025	4,317,550
Property and equipment, net of accumulated depreciation (Notes 1, 5 & 13)	1,817,640	1,875,445
TOTAL ASSETS	\$ 6,776,425	\$ 6,571,916
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 13,867	\$ 23,395
Accrued expenses (Note 9)	32,626	47,938
Capital lease payable (Note 13)	3,873	5,878
Refundable advances (Note 10)	1,110,353	1,125,247
Total Liabilities	1,160,719	1,202,458
Net Assets:		
Unrestricted (Note 15)	2,081,464	1,955,080
Temporarily restricted (Notes 6 & 15)	1,633,417	1,600,553
Permanently restricted (Notes 6 & 15)	1,900,825	1,813,825
Total Net Assets	5,615,706	5,369,458
TOTAL LIABILITIES AND NET ASSETS	\$ 6,776,425	\$ 6,571,916

See accompanying notes and independent accountant's compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(With Summarized Information for 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013 Total</u>	<u>2012 Total</u>
Revenue:					
Grants & contributions (Notes 1, 10 & 12)	\$ 281,698	\$ 1,358,264	\$ 87,000	\$ 1,726,962	\$ 2,157,142
Special events (Note 8)	38,282	-	-	38,282	40,135
Conference fees	17,509	-	-	17,509	14,298
Rental income & maintenance fees (Note 9)	19,119	-	-	19,119	5,401
Change in beneficial interest (Note 7)	8,510	-	-	8,510	9,951
Other income	13,620	-	-	13,620	8,909
Investment income (Note 6)	193,049	65,907	-	258,956	306,583
Net assets released from restrictions:					
Transfers to fulfill purpose restrictions	<u>1,391,307</u>	<u>(1,391,307)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,963,094</u>	<u>32,864</u>	<u>87,000</u>	<u>2,082,958</u>	<u>2,542,419</u>
Expenses and losses:					
Program (Note 1)	1,666,964	-	-	1,666,964	2,109,259
Management and general	81,118	-	-	81,118	74,363
Fundraising	<u>88,628</u>	<u>-</u>	<u>-</u>	<u>88,628</u>	<u>90,461</u>
Total expenses and losses	<u>1,836,710</u>	<u>-</u>	<u>-</u>	<u>1,836,710</u>	<u>2,274,083</u>
Change in net assets	126,384	32,864	87,000	246,248	268,336
Net assets, beginning of year	<u>1,955,080</u>	<u>1,600,553</u>	<u>1,813,825</u>	<u>5,369,458</u>	<u>5,101,122</u>
Net assets, end of year	<u>\$ 2,081,464</u>	<u>\$ 1,633,417</u>	<u>\$ 1,900,825</u>	<u>\$ 5,615,706</u>	<u>\$ 5,369,458</u>

See accompanying notes and independent accountant's compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(With Summarized Information for 2012)

	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ 246,248	\$ 268,336
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	84,804	84,618
Contributions restricted for endowment & capital campaign	(112,000)	(152,200)
Contribution of real property	(175,000)	-
Realized and unrealized (gains) losses on investments	(200,569)	(250,938)
Change in beneficial interest in assets held by others	(8,510)	(9,951)
(Increase) decrease in operating receivables	699	(10,707)
(Increase) decrease in other current assets	5,274	(44,596)
Increase (decrease) in accounts payable	(9,528)	4,537
Increase (decrease) in accrued expenses	(15,312)	5,312
Increase (decrease) in refundable advances	(14,894)	268,527
Net cash provided by (used in) operating activities	(198,788)	162,938
Cash flows from financing activities:		
Net proceeds from (payments on) capital lease payable	(2,005)	(1,720)
Contributions received restricted for endowment & capital campaign	122,000	220,339
Net cash provided by financing activities	119,995	218,619
Cash flows from investing activities:		
Purchase of investments	(1,641,167)	(3,005,507)
Sale of investments	2,039,879	2,552,827
Investment in limited liability company	(5,000)	-
Purchase of program-related personal property	(250,000)	-
Acquisition of property and equipment	(26,999)	(5,969)
Net cash provided by (used in) investing activities	116,713	(458,649)
Net increase (decrease) in cash	37,920	(77,092)
Cash at the beginning of the year	124,012	201,104
Cash at the end of the year	\$ 161,932	\$ 124,012
Supplemental Data:		
Interest paid	\$ 791	\$ 1,050
Contribution of real property to limited liability company	175,000	-

See accompanying notes and independent accountant's compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization and Activities:

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.

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.

Financial Statement Presentation:

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Contributions:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on 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. Funds received with donor conditions are recorded as refundable advances until the conditions are substantially met.

Comparative Financial Information:

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. 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 financial statements for the year ended September 30, 2012, from which the summarized information was derived.

See independent accountant’s compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Use of Estimates:

The preparation of 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.

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

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.

Functional Allocation of Expenses:

The costs of providing the various programs have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

See independent accountant's compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Description of programs:

A description of the major programs of the Organization is as follows:

“Preservation Grants” – With funding from several major Vermont foundations, the Department of Housing and Urban Development, and many other individuals and organizations, the Trust distributed over \$1,000,000 in direct grants to nearly 100 towns, organizations and individuals in support of restoration, rehabilitation and flood recovery projects during the year ended September 30, 2013.

“Grand Isle Lake House” – The Organization, through its subsidiary, continues to preserve and renovate this historic property acquired in 1998 through donation. PRH leases the property to an unrelated, for-profit entity that hosts weddings, special events, nonprofit meetings and business retreats.

“Endangered Places” – 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.

“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.

Reclassification:

Portions of the 2012 financial statements have been reclassified to conform to the 2013 financial statement presentation.

NOTE 2 - 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 financial statements.

See independent accountant’s compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013

NOTE 3 – RETIREMENT PLAN

The Trust maintains “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. Employer expense under this plan totaled \$7,315 and \$7,078 for the years ended September 30, 2013 and 2012, respectively.

NOTE 4 – 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.

NOTE 5 – PROPERTY AND EQUIPMENT

Fixed assets consist of the following as of September 30:

	<u>2013</u>	<u>2012</u>
Land	\$ 862,000	\$ 862,000
Buildings and improvements	1,707,651	1,699,651
Vehicles	18,999	21,323
Furniture, fixtures and equipment	35,887	35,887
Computer equipment	13,988	13,988
Subtotal	<u>2,638,525</u>	<u>2,632,849</u>
Less - accumulated depreciation	<u>(820,885)</u>	<u>(757,404)</u>
Net fixed assets	<u>\$ 1,817,640</u>	<u>\$ 1,875,445</u>

Depreciation expense totaled \$84,804 and \$84,618 for the years ended September 30, 2013 and 2012, respectively.

NOTE 6 – INVESTMENTS AND ENDOWMENTS

The Organization maintains nearly a dozen investment accounts for unrestricted, temporarily restricted, and permanently restricted funds. Earnings from the permanently restricted funds subsidize the Executive Director’s position, 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.

See independent accountant’s compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 6 – INVESTMENTS AND ENDOWMENTS (continued)

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 permanently restricted endowment funds absent explicit donor stipulations to the contrary. Pursuant to UPMIFA and recently promulgated guidance from the Financial Accounting Standards Board (“FASB”), retained appreciation of permanently restricted funds, if any, in excess of historical cost basis, is shown as temporarily restricted net assets until *appropriated* by management for the fund’s designated expenses.

Return Objectives, Risk Parameters and Investment Strategies:

The Organization has adopted investment and spending policies for unrestricted and temporarily restricted investments, and for permanently restricted endowment 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 obviously 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 currently weighted toward fixed income-based investments and cash equivalents to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and its Relation to Investment Strategies and Objectives:

For the permanently restricted funds, the Organization’s spending policy is to transfer approximately 5% of the average market value of the investment account to support the fund’s designated expenses. Earnings from the unrestricted and temporarily restricted 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.

See independent accountant’s compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 6 – INVESTMENTS AND ENDOWMENTS (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, 2013:			
Money market funds			
& certificates of deposit	\$ 1,336,975	\$ 1,336,975	\$ -
Fixed income securities	712,728	741,250	28,522
Equity securities & funds	<u>1,493,035</u>	<u>2,044,800</u>	<u>551,765</u>
	<u>\$ 3,542,738</u>	<u>\$ 4,123,025</u>	<u>\$ 580,287</u>
As of September 30, 2012:			
Money market funds			
& certificates of deposit	\$ 1,945,280	\$ 1,945,280	\$ -
Fixed income securities	721,362	771,433	50,071
Equity securities & funds	<u>1,251,310</u>	<u>1,600,837</u>	<u>349,527</u>
	<u>\$ 3,917,952</u>	<u>\$ 4,317,550</u>	<u>\$ 399,598</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 Statement 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, 2012 and 2013, by net asset class is summarized as follows:

	<u>Unrestricted Funds</u>	<u>Temporarily Restricted Funds</u>	<u>Permanently Restricted Funds</u>	<u>Total</u>
Value of Investments 10/1/11:	\$ 1,824,654	\$ 124,210	\$ 1,661,625	\$ 3,610,489
Contributions received	-	-	152,200	152,200
Interest and dividends	72,502	-	-	72,502
Realized & unrealized gains / (losses)	232,977	17,961	-	250,938
Fees	(16,896)	-	-	(16,896)
Net investment income (loss)	<u>288,583</u>	<u>17,961</u>	<u>-</u>	<u>306,544</u>
Appropriated for operations	(91,300)	-	-	(91,300)
Other transfers	<u>371,780</u>	<u>(32,163)</u>	<u>-</u>	<u>339,617</u>
Value of Investments 9/30/12:	<u>\$ 2,393,717</u>	<u>\$ 110,008</u>	<u>\$ 1,813,825</u>	<u>\$ 4,317,550</u>

See independent accountant’s compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 6 – INVESTMENTS AND ENDOWMENTS (continued)

	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total
Value of Investments 10/1/12:	\$ 2,393,717	\$ 110,008	\$ 1,813,825	\$ 4,317,550
Contributions received	-	-	87,000	87,000
Interest and dividends	78,698	-	-	78,698
Realized & unrealized gains / (losses)	134,662	65,907	-	200,569
Fees	(20,311)	-	-	(20,311)
Net investment income (loss)	193,049	65,907	-	258,956
Appropriated for operations	(111,600)	-	-	(111,600)
Other transfers	(399,160)	(29,721)	-	(428,881)
Value of Investments 9/30/13:	<u>\$ 2,076,006</u>	<u>\$ 146,194</u>	<u>\$ 1,900,825</u>	<u>\$ 4,123,025</u>

Except for a portion of the earnings on the Stewardship Endowment, which must be added back to principal (if earnings exceed appropriations), income from the permanently restricted funds is for on-going projects of the Organization and considered unrestricted, once appropriated by management for operations.

NOTE 7 – 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.”

NOTE 8 –SPECIAL EVENTS

Included in special event revenue is approximately \$16,500 in 2013 and \$17,400 in 2012 from a silent auction and approximately \$21,800 in 2013 and \$22,700 in 2012 from a raffle.

See independent accountant’s compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 9 – REAL PROPERTY LEASES

As discussed in Note 1, PRH leases the Grand Isle Lake House to an unrelated entity that hosts social functions, conferences and retreats. The lease, signed May 1, 1998, had an initial three-year term and can be extended for three, five-year periods by notice from the tenant. The tenant has exercised the options and extended the term of the lease for the three periods allowed. Since the tenant has exercised all of the options, PRH cannot sell the property without first offering the property to the tenant at the property's then fair market value. The minimum rental payments are approximately \$7,000 annually (adjusted each year for inflation). The tenant also makes payments of \$3,250 per year to a maintenance fund to pay for major repairs to the property. PRH used \$11,000 from the fund to pay for major repairs during the fiscal year ended September 2013. The balance in the fund as of September 30, 2013 and 2012 was \$29,294 and \$37,731 respectively, and is included in accrued expenses on the Statement of Financial Position. Finally, the tenant owes percentage rent of 10% of gross revenue from its operations at the site (to the extent such amounts exceed operating expenses paid by the tenant).

In 2001, PTV received, through bequest, a historic building that includes a home and general store in rural 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 three-year lease agreement with a local food market cooperative ("tenant") with the purpose of fulfilling the former owner's wishes. The tenant pays no rent unless gross revenue exceeds, on a calendar year basis, \$150,000 annually. The Trust also makes annual, \$10,000 grants to the tenant, over the term of the lease, to cover property taxes, insurance, and ongoing operating costs and expenses. The agreement has been informally extended through December 2014 and the Organization is in the process of negotiating a formal lease modification.

NOTE 10 – REFUNDABLE ADVANCES

As discussed in Note 1, a significant portion of the Organization's activities involves "Preservation Grants." In this program, the Organization 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. In 2012, the Organization also disbursed over \$150,000 in grants to assist towns and organizations recover from damage from Tropical Storm Irene. The balance in refundable advances at September 30, 2013 and 2012, represents current and prior years' grants that are still in progress but ultimately payable to the designated recipients. The activity in the refundable advances account for the years ended September 30 is as follows:

See independent accountant's compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 10 – REFUNDABLE ADVANCES (continued)

	2013	2012
Refundable advances, beginning of the year	\$ 1,125,147	\$ 856,720
Grant funds received	886,014	602,430
Grant funds released from restriction	(4,986)	(4,986)
Grant funds disbursed	(895,822)	(329,017)
Refundable advances, end of the year	\$ 1,110,353	\$ 1,125,147

NOTE 11 – NOTES RECEIVABLE

Note receivable consisted of a note from the Vermont Community Loan Fund originally dated August 2006 and renewed in December 2010 with current interest payable annually at 3% and due in full December 2015.

NOTE 12 – PROMISES TO GIVE

Grants and contributions receivable at September 30, 2013 consisted of \$54,958 in unrestricted promises to give and \$10,147 (net of a \$10,500 reserve for estimated uncollectible amounts) temporarily restricted for the capital campaign discussed below. All amounts are expected to be fully received during the fiscal year ending September 30, 2014.

Grants and contributions receivable at September 30, 2012 consisted of \$54,657 in unrestricted promises to give and \$21,147 temporarily restricted for the capital campaign.

Conditional promises to give at September 30, 2013, consisted of the \$75,000 balance of a \$300,000 matching grant receivable restricted to the permanently restricted Director’s Fund discussed below as well as \$240,000 in conditional promises related to the Vermont Marble Museum project discussed below. Conditional promises to give are not recorded until the conditions are substantially met.

NOTE 13 – CAPITAL LEASE

In April 2010, the Trust purchased equipment under a five-year capital lease agreement. The future minimum payments required under the lease terms are \$2,772 and \$1,617 for the years ending September 30, 2014 and 2015, respectively. Amortization of the asset held under the capital lease is included in depreciation expense.

NOTE 14 – INVESTMENT IN LIMITED LIABILITY COMPANY

In May 2013, the Trust received a 50% interest in historic real estate in Bennington, Vermont valued at \$175,000 and - with an unrelated, non-profit organization dedicated to preservation projects in the Bennington area that received the other 50% - formed a limited liability company to own, preserve, improve and operate (via lease or leases to unrelated, commercial entities) the property. The Trust’s 50% interest in the limited liability company is recorded at cost (the \$175,000 value of the property contributed plus \$5,000 in cash) to be adjusted by allocable gains and losses and reduced by future distributions.

See independent accountant’s compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 15 – NET ASSETS

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
As of September 30, 2013:				
Director's Fund Endowment	\$ -	\$ 45,608	\$ 1,092,825	\$ 1,138,433
Stewardship Endowment Fund	-	207	361,200	361,407
Field Services Endowment Fund	-	27,740	250,000	277,740
The Robert Sincerbeaux Fund	-	10,313	196,800	207,113
Advocacy Revolving Fund	37,690	62,326	-	100,016
Board designated Grand Isle Lake House Fund	557,660	-	-	557,660
Restricted to other special projects	-	510,511	-	510,511
Capital campaign - undesignated	-	976,712	-	976,712
Board designated for specific region	50,000	-	-	50,000
Investment in property & program investments	2,247,640	-	-	2,247,640
Non-endowment & property unrestricted	<u>(811,526)</u>	<u>-</u>	<u>-</u>	<u>(811,526)</u>
	<u>\$ 2,081,464</u>	<u>\$ 1,633,417</u>	<u>\$ 1,900,825</u>	<u>\$ 5,615,706</u>
As of September 30, 2012:				
Director's Fund Endowment	\$ (925)	\$ -	\$ 1,017,825	\$ 1,016,900
Stewardship Endowment Fund	(14,865)	-	349,200	334,335
Field Services Endowment Fund	-	14,558	250,000	264,558
The Robert Sincerbeaux Fund	-	3,403	196,800	200,203
Advocacy Revolving Fund	39,326	92,047	-	131,373
Board designated Grand Isle Lake House Fund	529,304	-	-	529,304
Restricted to other special projects	-	422,726	-	422,726
Capital campaign - undesignated	-	1,067,819	-	1,067,819
Board designated for specific region	50,000	-	-	50,000
Investment in property & program investments	1,875,445	-	-	1,875,445
Non-endowment & property unrestricted	<u>(523,205)</u>	<u>-</u>	<u>-</u>	<u>(523,205)</u>
	<u>\$ 1,955,080</u>	<u>\$ 1,600,553</u>	<u>\$ 1,813,825</u>	<u>\$ 5,369,458</u>

In 2008, PTV launched a capital campaign with the goal of providing funds for capital improvements and special projects and to increase the Organization's permanent endowment. Any restrictions on capital campaign contributions are by mutual agreement between PTV and the donors. Amounts that have not yet been designated to a specific purpose within the capital campaign are shown as temporarily restricted net assets.

See independent accountant's compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 16 – VERMONT MARBLE MUSEUM PROJECT

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 December 2012, the Trust purchased certain Museum personal property for \$250,000 and has an option (most recently renewed and amended in July 2014) to purchase the real property for \$480,000 (less a \$25,000 option payment made in September 2012 and included in prepaid expenses at both September 30, 2012 and 2013). Through September 2013, the Trust had received nearly \$130,000 in cash donations and spent approximately \$42,000 in legal, consulting and other project expenses. In addition, the Trust has received \$240,000 in pledges in support of the project – considered conditional promises to give (conditioned upon reasonable progress towards the project’s ultimate completion). Working with local volunteers, the Trust helped form a new, unrelated non-profit organization (“the operator”) which has purchased other Museum personal property and began operating the Museum for the summer 2014 season. If the Trust does not purchase Museum real property by the March 1, 2015 deadline, the operator has the right to enter into a three-year lease for the space (with financial support to be provided by the Trust). The Trust plans to either lease the Museum personal property acquired in December 2012 to the operator for a nominal fee or to make an outright gift of the property.

NOTE 17 – SUBSEQUENT EVENTS AND REPORT ISSUANCE DATE

Management has evaluated “events” subsequent to September 30, 2013 through August 22, 2014 (the date these financial statements were available to be issued) for potential recognition or disclosure as required under U.S. generally accepted accounting principles.

As discussed in Note 9, the Organization is in the process of negotiating a formal modification for a lease of certain real property that expired in September 2012 (and which has been informally extended through December 2014).

See independent accountant’s compilation report.

PRESERVATION TRUST OF VERMONT, INC. AND SUBSIDIARY
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(With Summarized Information for 2012)

	<u>Program</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>2013 Total</u>	<u>2012 Total</u>
Salaries, taxes and benefits	\$ 237,297	\$ 31,206	\$ 52,874	\$ 321,377	\$ 317,214
Grants	1,082,345	-	-	1,082,345	1,532,743
Consultants	61,090	-	-	61,090	55,951
Dues and subscriptions	3,526	269	-	3,795	4,167
Equipment rental	342	325	-	667	1,598
Food and beverage	13,827	1,818	3,080	18,725	20,053
Insurance	3,474	2,026	204	5,704	3,817
Lobbying	11,250	-	-	11,250	11,250
Miscellaneous	1,829	4,352	770	6,951	7,285
Other direct expenses	16,210	3,265	12,851	32,326	61,172
Printing & publication costs	2,907	1,574	8,453	12,934	13,531
Postage and shipping	1,026	1,038	2,478	4,542	4,849
Professional services	93,327	28,001	-	121,328	77,880
Rent	6,055	4,239	1,816	12,110	10,987
Repairs and maintenance	17,799	-	-	17,799	14,707
Supplies	2,704	374	1,495	4,573	5,330
Telephone	6,196	236	236	6,668	7,930
Training and conferences	1,210	-	-	1,210	165
Travel	20,155	1,554	3,109	24,818	36,014
Utilities	903	-	-	903	1,772
Interest	791	-	-	791	1,050
Depreciation	82,701	841	1,262	84,804	84,618
	<u>\$ 1,666,964</u>	<u>\$ 81,118</u>	<u>\$ 88,628</u>	<u>\$ 1,836,710</u>	<u>\$ 2,274,083</u>

See independent accountant's compilation report.