

FRIENDS OF STOWE CONSERVATION, INC.  
D/B/A STOWE LAND TRUST  
FINANCIAL STATEMENTS  
Year ended September 30, 2018

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**GRIPPIN DONLAN PINKHAM**

CERTIFIED PUBLIC ACCOUNTANTS  
CONSULTANTS AND ADVISORS

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**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

To the Board of Directors of  
Stowe Land Trust  
Stowe, Vermont

We have reviewed the accompanying financial statements of Friends of Stowe Conservation, Inc. d/b/a Stowe Land Trust (a nonprofit organization), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

**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.

**Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

**Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Registration number 553  
January 22, 2019

FRIENDS OF STOWE CONSERVATION, INC.  
d/b/a STOWE LAND TRUST  
STATEMENT OF FINANCIAL POSITION  
September 30, 2018

**Assets**

Cash and cash equivalents	\$ 439,809
Cash - temporarily restricted	20,414
Prepaid expenses	6,306
Pledges receivable	26,000
Security deposit	1,450
Investments	966,490
Land	2,125,040
Property and equipment, net	<u>99,965</u>

**Total Assets** \$ 3,685,474

**Liabilities**

Credit card payable	\$ 4,359
Accrued wages and liabilities	<u>20,371</u>

**Total liabilities** 24,730

**Net Assets**

Undesignated	366,402
Board-designated for stewardship and projects	535,500
Temporarily restricted	587,302
Permanently restricted	<u>2,171,540</u>

**Total Net Assets** 3,660,744

**Total Liabilities and Net Assets** \$ 3,685,474

See accompanying notes and independent accountant's review report

FRIENDS OF STOWE CONSERVATION, INC.  
d/b/a STOWE LAND TRUST  
STATEMENT OF ACTIVITIES  
Year ended September 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and Revenue</b>				
Grants and contributions	\$ 347,972	\$ 235,594	\$ 0	\$ 583,566
Event	44,602	0	0	44,602
Other revenues	718	0	0	718
Investment return	<u>41,038</u>	<u>9,893</u>	<u>0</u>	<u>50,931</u>
Total support and revenues before net assets released from restrictions	434,330	245,487	0	679,817
Released from restrictions	<u>6,144</u>	<u>(6,144)</u>	<u>0</u>	<u>0</u>
<b>Total Support and Revenue</b>	<u>440,474</u>	<u>239,343</u>	<u>0</u>	<u>679,817</u>
<b>Expenses</b>				
Program	208,748	0	0	208,748
Fundraising & membership development	63,213	0	0	63,213
Management & general	<u>71,727</u>	<u>0</u>	<u>0</u>	<u>71,727</u>
<b>Total Expenses</b>	<u>343,688</u>	<u>0</u>	<u>0</u>	<u>343,688</u>
<b>Increase in Net Assets</b>	96,786	239,343	0	336,129
<b>Net Assets - Beginning of Year</b>	<u>805,116</u>	<u>347,959</u>	<u>2,171,540</u>	<u>3,324,615</u>
<b>Net Assets - End of Year</b>	<u>\$ 901,902</u>	<u>\$ 587,302</u>	<u>\$ 2,171,540</u>	<u>\$ 3,660,744</u>

See accompanying notes and independent accountant's review report

FRIENDS OF STOWE CONSERVATION, INC.  
d/b/a STOWE LAND TRUST  
STATEMENT OF FUNCTIONAL EXPENSES  
Year ended September 30, 2018

	<u>Program</u>	<u>Fundraising &amp; Membership Development</u>	<u>Management &amp; General</u>	<u>Total</u>
Payroll and benefits	\$ 85,242	\$ 36,467	\$ 48,388	\$ 170,097
Bank charges	1,217	521	691	2,429
Copier lease and printing	1,401	600	795	2,796
Depreciation	4,401	0	0	4,401
Dues and subscriptions	1,185	507	673	2,365
Easement acquisition	3,234	0	0	3,234
Event	5,000	2,939	0	7,939
Information technology	1,446	618	821	2,885
Insurance	4,702	2,012	2,669	9,383
Land projects	50,180	0	0	50,180
Licenses and fees	339	145	193	677
Marketing and promotion	7,133	4,902	1,684	13,719
Miscellaneous	1,080	0	0	1,080
Office and postage	1,073	476	1,057	2,606
Professional fees	12,783	6,554	4,841	24,178
Rent and occupancy	10,902	4,664	6,188	21,754
Staff education	4,178	1,787	2,372	8,337
Stewardship	10,865	0	0	10,865
Telephone expenses	853	365	484	1,702
Travel	<u>1,534</u>	<u>656</u>	<u>871</u>	<u>3,061</u>
<b>Total Expenses</b>	<b><u>\$ 208,748</u></b>	<b><u>\$ 63,213</u></b>	<b><u>\$ 71,727</u></b>	<b><u>\$ 343,688</u></b>

See accompanying notes and independent accountant's review report

FRIENDS OF STOWE CONSERVATION, INC.  
d/b/a STOWE LAND TRUST  
STATEMENT OF CASH FLOWS  
Year ended September 30, 2018

<b>Cash Flows from Operating Activities</b>	
Increase in net assets	\$ 336,129
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	4,401
Unrealized gain on investments	(6,275)
Realized gain on investments	(104)
(Increase) decrease in:	
Cash - temporarily restricted	31,144
Prepaid expenses	14
Pledges receivable	(26,000)
Security deposits	900
Increase (decrease) in:	
Accounts payable	(239)
Credit card payable	(2,496)
Accrued wages and liabilities	(1,807)
<b>Net Cash Provided by Operating Activities</b>	<u>335,667</u>
<b>Cash Flows from Investing Activities</b>	
Proceeds from sale of investments	33,623
Purchase of investments	(202,200)
Change in other investments	2,629
Cash paid for property and equipment	<u>(1,730)</u>
<b>Net Cash Used by Investing Activities</b>	<u>(167,678)</u>
<b>Net Increase In Cash and Cash Equivalents</b>	167,989
<b>Cash and Cash Equivalents, beginning of year</b>	<u>271,820</u>
<b>Cash and Cash Equivalents, end of year</b>	<u>\$ 439,809</u>

See accompanying notes and independent accountant's review report

FRIENDS OF STOWE CONSERVATION, INC.  
d/b/a STOWE LAND TRUST  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2018

**Note 1. Nature of Activities**

Friends of Stowe Conservation, Inc., d/b/a Stowe Land Trust (the Land Trust) is a land conservation organization. The mission of the Land Trust is the conservation of scenic, recreational, and productive farm and forest lands for the benefit of the greater Stowe community. The Land Trust, which operates from an office in Stowe, Vermont, was incorporated in the State of Vermont in 1987. The Land Trust has completed over 30 conservation projects, five of which are owned and managed by the Land Trust.

The Land Trust's primary sources of revenues are contributions from the general public, events, investment income and grants.

**Note 2. Summary of Significant Accounting Policies**

Basis of financial statement presentation - The financial statements are presented on the accrual basis of accounting.

Classification of net assets - The Land Trust's net assets have been grouped into the following three classes:

Permanently restricted net assets - Contributions and other inflows of assets whose use by the Land Trust is limited by donor-imposed stipulations that the resources must be maintained permanently by the Land Trust.

Temporarily restricted net assets - Contributions and other inflows of assets whose use by the Land Trust is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Land Trust, such as usage for specific programs.

Unrestricted net assets - Contributions and other inflows of assets whose use by the Land Trust is not limited by donor-imposed restrictions. Certain unrestricted net assets have been designated by the Board of Directors to be maintained as land preservation funds, endowment funds, and other land stewardship funds.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure or contingent assets and liabilities and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents - The Land Trust considers highly liquid investments with an original maturity of three months or less to be cash equivalents.

Pledges receivable - Unconditional promises to give are recorded at net realizable value. Conditional promises to give are not included in contribution revenue until the conditions are substantially met. At September 30, 2018 there were no estimated uncollectible amounts.

See independent accountant's review report



FRIENDS OF STOWE CONSERVATION, INC.  
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NOTES TO FINANCIAL STATEMENTS  
September 30, 2018

**Note 2. Summary of Significant Accounting Policies (Continued)**

Investments - Investments in marketable securities with readily determinable fair values are carried at their fair market value in the statement of financial position. Realized and unrealized gains and losses are included in investment return. Investment return is allocated within the unrestricted and temporarily restricted fund groups based on the investment policy.

Fair value measurements - FASB ASC 820 provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Land Trust has the ability to access.

Level 2: Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Land - Land consists of parcels of land received at various times from various donors or through purchase. Such properties are recorded at fair values as of the date donated or cost as of the date of purchase.

Conservation easements - The Land Trust acquires conservation easements and development rights on property through purchase and donation. Conservation easements impose numerous restrictions over the use and development of the land. Since these easements have no marketable value, they are not recorded as assets on the statement of financial position, but rather disclosed in the footnotes to the financial statements. All easements acquired by purchase are expensed as easement acquisition expenses in the statement of functional expenses.

Property and equipment - Property and equipment are stated at cost and depreciated over their estimated useful economic lives by the straight-line method. The Land Trust's policy is to capitalize property and equipment with a cost or value of \$1,500 or more.

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FRIENDS OF STOWE CONSERVATION, INC.  
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NOTES TO FINANCIAL STATEMENTS  
September 30, 2018

**Note 2. Summary of Significant Accounting Policies (Continued)**

Advertising - The Land Trust expenses advertising costs as they are incurred.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. Temporarily restricted contributions for which the restrictions are met in the same fiscal year in which they are contributed are classified as unrestricted.

When a donor 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 are reported on the statement of activities as net assets released from restrictions.

Functional expenses - Expenses that are not specifically identifiable to one of the three expense classifications are allocated based on the allocation of payroll.

Income taxes - The Land Trust is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Land Trust is subject to tax on unrelated business income.

The Land Trust has analyzed tax positions taken on its tax returns and believes that all tax positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Land Trust's financial condition, results of operations or cash flows. Accordingly, the Land Trust has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at September 30, 2018.

**Note 3. Pledges Receivable**

Pledges receivable consist of unconditional promises to give and are due from individuals. As of September 30, 2018 \$13,500 of pledges receivable are due in less than one year and \$12,500 of pledges receivable are due in one to two years.

Conditional promises are recognized as revenue when the conditions on which they depend have been substantially met. As of September 30, 2018, the Land Trust has received a conditional pledge for future support of \$13,750 for unrestricted purposes, for which conditions stipulated by the donors have not yet been met.

**Note 4. Investments**

The following table provides the investments carried at fair value measured on a recurring basis as of September 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 966,490	\$ 0	\$ 0	\$ 966,490

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FRIENDS OF STOWE CONSERVATION, INC.  
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NOTES TO FINANCIAL STATEMENTS  
September 30, 2018

**Note 4. Investments (Continued)**

Investment return consists of the following for the year ended September 30, 2018:

Dividend and interest income	\$ 44,552
Realized gain	104
Unrealized gain	<u>6,275</u>
Investment return	<u>\$ 50,931</u>

**Note 5. Endowment Funds**

The Land Trust has previously received specially earmarked grants for its permanent endowment fund and the Board of Directors has designated unrestricted funds to be held as Board Designated endowment. These funds are held for long-term growth with the intent to generate on-going income or reserves. Investments includes endowment and non endowment funds.

The funds are managed according to the investment policy of the Land Trust. This policy dictates that investment decisions shall be prudent and conservative and ensure a reasonable mix and diversification of assets. The goals of the policy are to have sufficient cash resources to meet current spending needs and maintain a positive return on assets held for longer term goals.

The Board of Directors has interpreted the state Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Land Trust classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the endowment funds. The remaining portion of the donor-restricted endowment funds that are not classified as permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Land Trust in a manner consistent with the standard of prudence prescribed by UPMIFA.

The endowment fund activity for the year ended September 30, 2018 is as follows:

	<u>Board- Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets				
Beginning of year	\$ 478,716	\$ 28,460	\$ 46,500	\$ 553,676
Transfers	57,000	0	0	57,000
Unrealized gain (loss)	(216)	6,491	0	6,275
Investment return	<u>0</u>	<u>3,402</u>	<u>0</u>	<u>3,402</u>
Endowment net assets				
End of year	<u>\$ 535,500</u>	<u>\$ 38,353</u>	<u>\$ 46,500</u>	<u>\$ 620,353</u>

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FRIENDS OF STOWE CONSERVATION, INC.  
d/b/a STOWE LAND TRUST  
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September 30, 2018

**Note 6. Land**

Land consisted of the following:

<u>Year received</u>	<u>Description</u>	<u>Acres</u>	<u>Town</u>	<u>Transaction Type</u>
2010	Kirchner Woods	72.5	Stowe	Fee simple purchase
2004	Dumont Land	47	Stowe	Fee simple donation
2004	Mill Trail	31	Stowe	Fee simple purchase
1998	Page Property	99	Stowe	Fee simple donation
1993	Wiessner Woods	79	Stowe	Fee simple donation

The recorded value of these properties of \$2,125,040 is included in permanently restricted net assets.

**Note 7. Easements Held and Deed Restrictions**

As of September 30, 2018 the Land Trust held the following 32 conservation easements:

<u>Easement</u>	<u># Conservation Easements</u>	<u>Acreage</u>
Held by the Land Trust		
Adams	1	95
Bouchard Farm/Landmark Meadow	2	196
Bryant	1	5
Crawford	1	63
Grandview Farm	1	65
Halvorson	1	32
Hunnewell	1	12
Joe's Pond	1	32
Lepine	1	47
Little River Properties	2	9
Mayo Farm	1	235
Palmer	1	12
Stancliff	1	10
Stowe Club Meadows	1	22
Strawberry Hill Farm	1	51
Trapps	1	1,100
Co-held with Town of Stowe and Vermont Housing & Conservation Board (VHCB)		
Adams Camp	1	513
Bingham Falls	1	72
Nichols	2	37
Co-held with Vermont Land Trust		
Mill Trail	1	31

See independent accountant's review report

FRIENDS OF STOWE CONSERVATION, INC.  
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**Note 7. Easements Held and Deed Restriction (Continued)**

<u>Easement</u>	<u># Conservation Easements</u>	<u>Acreage</u>
Co-held with VHCB		
Burnham Farm	1	107
Cady Hill Forest	1	258
Maple Run Lane-Chase	1	26
Moscow Recreation Field	1	5
Pinnacle Meadow	2	134
Sunset Rock	1	23
Valcour	1	29
Executory Interest - Co-held with Vermont Land Trust and VHCB		
Kaiser Farm	1	49

As of September 30, 2018 the Land Trust held 3 deed restrictions for 25 acres at Wiessner Woods Lots 1, 2 and 3.

**Note 8. Property and Equipment**

Property and equipment consists of the following at September 30, 2018:

Building	\$ 85,733
Furnishings	2,412
Land improvements	19,625
Leasehold improvements	2,049
Artwork	<u>3,000</u>
	112,819
Less accumulated depreciation	<u>(12,854)</u>
	<u>\$ 99,965</u>

Depreciation expense was \$4,401 for the year ended September 30, 2018.

**Note 9. Pension Plan**

The Land Trust has a defined contribution salary deferral plan (Internal Revenue Code Section 403(b)) available to all employees. No contributions were made to the plan by the Land Trust for the year ended September 30, 2018.

**Note 10. Board-Designated Funds**

Of the total unrestricted funds the Board has designated \$535,500 to be used for projects, stewardship activities, legal enforcement, and long-term growth.

See independent accountant's review report

FRIENDS OF STOWE CONSERVATION, INC.  
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**Note 11. Temporarily Restricted Net Assets**

Temporarily restricted net assets as of September 30, 2018 consist of the following donor-restricted funds:

Fee land stewardship	\$ 84,500
Easement stewardship	134,493
Land acquisition	68,500
Land projects	241,042
Land Trust Alliance 2017	15,000
Mill trail improvements	5,414
Permanent fund investment return	<u>38,353</u>
Temporarily restricted net assets	<u>\$ 587,302</u>

Stewardship funds are available to cover the costs of carrying out stewardship program objectives, including, but not limited to: monitoring visits, responding to landowner and public concerns, preparing and implementing management plans, and responding to easement violations. Stewardship funds are also permitted to be used to prepare Baseline Documentation Reports. Stewardship contributions are pooled and invested prudently and conservatively so that the Land Trust will be able to meet its future stewardship responsibilities on all conserved properties. Land acquisition funds are available for land or easement acquisition. Land project funds are available for specifically identified land projects. Land Trust Alliance contributions are available to increase staff capacity to complete land protection projects, including hiring consultants for land protection work. Mill trail contributions are funds to improve the Mill trail.

**Note 12. Permanently Restricted Net Assets**

\$46,500 of investments is permanently restricted by the grantor, VHCB, to be permanently invested with the income restricted to expenditures for land stewardship, enforcement of conservation easements, and land management.

Permanently restricted net assets as of September 30, 2018 consist of the following donor-restricted funds to be held in perpetuity:

VHCB grant	\$ 46,500
Land	<u>2,125,040</u>
Permanently restricted net assets	<u>\$ 2,171,540</u>

**Note 13. Concentrations of Credit Risk**

The Land Trust is potentially subject to concentrations of credit risk for cash. Cash balances fluctuate during the year, and at times exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC).

See independent accountant's review report

FRIENDS OF STOWE CONSERVATION, INC.  
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NOTES TO FINANCIAL STATEMENTS  
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**Note 14. Related Party Transactions**

During the year ended September 30, 2017 Canadian Friends of Stowe Land Trust (the Canadian Land Trust) was incorporated as a related non-for-profit organization. The Canadian Land Trust provides support for recreational areas located in and around the town of Stowe. During the year ended September 30, 2018 the Canadian Land Trust contributed \$18,000 for stewardship and land protection staff time costs and \$10,000 for the Hunger Mountain Land Project. At September 30, 2018 there were no outstanding balances between the Trusts.

**Note 15. Operating Leases**

On June 1, 2017, the Land Trust entered into a sixty month non-cancelable operating lease for a new office space which expires on May 31, 2022. This lease has an option to renew for an additional sixty month term. Annual rent increases are 3%. Rent expense for the year ended September 30, 2018 was \$17,574 and is included in rent and occupancy expense.

The Land Trust leases a photocopier for \$148 a month from De Lage Landen Financial Services under a sixty month operating lease starting January 14, 2015. Copier lease payments are included in copier lease and printing expenses.

Future minimum lease payments under these leases for the years ending September 30 are as follows:

2019	\$	19,884
2020		19,244
2021		19,212
2022		<u>13,064</u>
Total	\$	<u><u>71,404</u></u>

**Note 16. Date of Management Review**

Subsequent events were evaluated through January 22, 2019, the date the financial statements were available to be issued.

See independent accountant's review report