

FRIENDS OF STOWE CONSERVATION, INC.
D/B/A STOWE LAND TRUST
FINANCIAL STATEMENTS
Year ended September 30, 2017

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TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1
<u>Financial Statements</u>	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6



GRIPPIN DONLAN PINKHAM

CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS AND ADVISORS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Stowe Land Trust

We have audited 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, 2017 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 Friends of Stowe Conservation, Inc. d/b/a Stowe Land Trust as of September 30, 2017, 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.

Grippin, Donlan & Pinkham, PC

Registration number 553

January 10, 2018

FRIENDS OF STOWE CONSERVATION, INC.
d/b/a STOWE LAND TRUST
STATEMENT OF FINANCIAL POSITION
September 30, 2017

Assets

Cash and cash equivalents	\$ 271,820
Cash - temporarily restricted	51,558
Prepaid expenses	6,320
Security deposits	2,350
Investments	794,163
Land	2,125,040
Property and equipment, net	<u>102,636</u>

Total Assets \$ 3,353,887

Liabilities

Accounts payable	\$ 239
Credit card payable	6,855
Accrued wages and liabilities	<u>22,178</u>

Total liabilities 29,272

Net Assets

Undesignated	326,400
Board-designated for stewardship and projects	478,716
Temporarily restricted	347,959
Permanently restricted	<u>2,171,540</u>

Total Net Assets 3,324,615

Total Liabilities and Net Assets \$ 3,353,887

See notes to financial statements

FRIENDS OF STOWE CONSERVATION, INC.
d/b/a STOWE LAND TRUST
STATEMENT OF ACTIVITIES
Year ended September 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue				
Grants and contributions	\$ 417,824	\$ 89,233	\$ 0	\$ 507,057
Event	25,842	0	0	25,842
Other revenues	3,700	0	0	3,700
Investment return	<u>51,435</u>	<u>9,239</u>	<u>0</u>	<u>60,674</u>
Total support and revenues before net assets released from restrictions	498,801	98,472	0	597,273
Released from restriction	<u>41,161</u>	<u>(41,161)</u>	<u>0</u>	<u>0</u>
Total Support and Revenue	<u>539,962</u>	<u>57,311</u>	<u>0</u>	<u>597,273</u>
Expenses				
Program	188,159	0	0	188,159
Fundraising & membership development	73,668	0	0	73,668
Management & general	<u>71,982</u>	<u>0</u>	<u>0</u>	<u>71,982</u>
Total Expenses	<u>333,809</u>	<u>0</u>	<u>0</u>	<u>333,809</u>
Increase in Net Assets	206,153	57,311	0	263,464
Net Assets - Beginning of Year	<u>598,963</u>	<u>290,648</u>	<u>2,171,540</u>	<u>3,061,151</u>
Net Assets - End of Year	<u>\$ 805,116</u>	<u>\$ 347,959</u>	<u>\$ 2,171,540</u>	<u>\$ 3,324,615</u>

See notes to financial statements

FRIENDS OF STOWE CONSERVATION, INC.
d/b/a STOWE LAND TRUST
STATEMENT OF FUNCTIONAL EXPENSES
Year ended September 30, 2017

	<u>Program</u>	<u>Fundraising & Membership Development</u>	<u>Management & General</u>	<u>Total</u>
Payroll and benefits	\$ 106,004	\$ 37,597	\$ 51,909	\$ 195,510
Bank charges	1,458	517	714	2,689
Copier lease and printing	1,735	615	849	3,199
Depreciation	3,482	0	0	3,482
Dues and subscriptions	1,047	371	513	1,931
Easement acquisition	5,266	0	0	5,266
Event	8,624	4,126	0	12,750
Information technology	1,840	653	901	3,394
Insurance	4,863	1,725	2,382	8,970
Licenses and fees	298	106	146	550
Marketing and promotion	8,045	6,188	33	14,266
Miscellaneous	3,441	0	0	3,441
Office and postage	4,182	1,454	2,546	8,182
Professional fees	9,849	14,663	4,184	28,696
Rent and occupancy	11,051	3,919	5,411	20,381
Staff education	1,791	635	877	3,303
Stewardship	12,085	0	0	12,085
Telephone expenses	988	350	484	1,822
Travel	2,110	749	1,033	3,892
Total Expenses	<u>\$ 188,159</u>	<u>\$ 73,668</u>	<u>\$ 71,982</u>	<u>\$ 333,809</u>

See notes to financial statements

FRIENDS OF STOWE CONSERVATION, INC.
d/b/a STOWE LAND TRUST
STATEMENT OF CASH FLOWS
Year ended September 30, 2017

Cash Flows from Operating Activities	
Increase in net assets	\$ 263,464
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	3,482
Unrealized gain on investments	(30,394)
Realized gain on investments	(1,474)
(Increase) in:	
Cash - temporarily restricted	(44,918)
Prepaid expenses	(1,476)
Security deposits	(1,450)
Increase (decrease) in:	
Accounts payable	(6,389)
Credit card payable	6,631
Accrued wages and liabilities	14,376
Net Cash Provided by Operating Activities	<u>201,852</u>
Cash Flows from Investing Activities	
Proceeds from sale of investments	36,100
Purchase of investments	(106,570)
Change in other investments	(5,065)
Cash paid for property and equipment	(9,540)
Net Cash Used by Investing Activities	<u>(85,075)</u>
Net Increase In Cash and Cash Equivalents	116,777
Cash and Cash Equivalents, beginning of year	<u>155,043</u>
Cash and Cash Equivalents, end of year	<u>\$ 271,820</u>

See notes to financial statements

FRIENDS OF STOWE CONSERVATION, INC.
d/b/a STOWE LAND TRUST
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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 and 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 of 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.

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.

FRIENDS OF STOWE CONSERVATION, INC.
d/b/a STOWE LAND TRUST
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

Note 2. Summary of Significant Accounting Policies (Continued)

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 easements and development rights on property through purchase and donation. Easements acquired by the Land Trust are conservation easements and represent 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.

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

FRIENDS OF STOWE CONSERVATION, INC.
d/b/a STOWE LAND TRUST
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

Note 2. Summary of Significant Accounting Policies (Continued)

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 a tax on income from any 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, 2017.

Note 3. Conditional Promises

Conditional promises are recognized as revenue when the conditions on which they depend have been substantially met. As of September 30, 2017, the Land Trust has received conditional pledges for future support totaling approximately \$200,000 for a conservation easement and \$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, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 794,163	\$ 0	\$ 0	\$ 794,163

Investment return consists of the following for the year ended September 30, 2017:

Dividend and interest income	\$ 28,806
Realized gain	1,474
Unrealized gain	<u>30,394</u>
Investment return	<u>\$ 60,674</u>

FRIENDS OF STOWE CONSERVATION, INC.
d/b/a STOWE LAND TRUST
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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, (b) the original value of subsequent gifts to the permanent endowment and (c) 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 twelve months ended September 30, 2017 is as follows:

	<u>Board- Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets				
Beginning of year	\$ 378,529	\$ 19,221	\$ 46,500	\$ 444,250
Transfers	74,521	0	0	74,521
Unrealized gain	25,666	4,728	0	30,394
Investment return	<u>0</u>	<u>4,511</u>	<u>0</u>	<u>4,511</u>
Endowment net assets				
End of year	<u>\$ 478,716</u>	<u>\$ 28,460</u>	<u>\$ 46,500</u>	<u>\$ 553,676</u>

FRIENDS OF STOWE CONSERVATION, INC.
d/b/a STOWE LAND TRUST
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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, 2017 the Land Trust held the following 31 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
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

FRIENDS OF STOWE CONSERVATION, INC.
d/b/a STOWE LAND TRUST
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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, 2017 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, 2017:

Building	\$ 85,733
Furnishings	2,412
Land improvements	17,895
Leasehold improvements	2,049
Painting	<u>3,000</u>
	111,089
Less accumulated depreciation	<u>(8,453)</u>
	<u>\$ 102,636</u>

Depreciation expense was \$3,482 for the year ended September 30, 2017.

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 by the Land Trust for the year ended September 30, 2017.

Note 10. Donated Services

The Land Trust receives donated services from unpaid volunteers who assist with projects and stewardship. The value of these services are not recorded on the financial statements because the services do not meet the criteria for recognition under generally accepted accounting principles, or the value cannot be reasonably determined.

FRIENDS OF STOWE CONSERVATION, INC.
d/b/a STOWE LAND TRUST
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

Note 11. Board-Designated Funds

Of the total unrestricted funds the Board has designated \$478,716 to be used for projects, stewardship activities, legal enforcement, and long-term growth.

Note 12. Temporarily Restricted Net Assets

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.

Temporarily restricted net assets as of September 30, 2017 consist of the following donor-restricted funds:

Fee land stewardship	\$ 84,500
Easement stewardship	131,441
Land acquisition	52,000
Permanent fund investment return	28,460
Hunger Mountain Headwaters Project	25,000
Land Trust Alliance 2017	15,000
Mill trail improvements	10,000
Dumont restoration	<u>1,558</u>
Temporarily restricted net assets	<u>\$ 347,959</u>

Note 13. Permanently Restricted Net Assets

Of the investment total, \$46,500 has been 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, 2017 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 14. Related Party Transactions

During the year ending September 30, 2017 the Land Trust paid \$9,168 in legal fees to assist in the incorporation of a related non-for-profit organization, Canadian Friends of Stowe Land Trust (the Canadian Land Trust). The Canadian Land Trust plans to provide support for recreational areas located in and around the town of Stowe on land owned by the Land Trust.

FRIENDS OF STOWE CONSERVATION, INC.
d/b/a STOWE LAND TRUST
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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%. The Land Trust is required to continue to pay under a non-cancelable operating lease for its old office space through October 31, 2017. Rent expense for the year ended September 30, 2017 was \$17,190 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:

2018	\$ 19,352
2019	19,884
2020	19,244
2021	19,212
2022	<u>13,064</u>
Total	<u>\$ 90,756</u>

Note 16. 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).

Note 17. Date of Management Review

Subsequent events were evaluated through January 10, 2018, the date the financial statements were available to be issued.