

VERMONT NATURAL RESOURCES COUNCIL, INC.
REVIEW REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2010

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FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



John E. (Jeff) Fothergill, CPA
Michael L. Segale, CPA
Sheila R. Valley, CPA
Teresa H. Kajenski, CPA
Jane M. Burroughs, CPA
Donald J. Murray, CPA

August 19, 2010

To the Board of Directors
Vermont Natural Resources Council, Inc.
Montpelier, Vermont

We have reviewed the accompanying statement of financial position of the Vermont Natural Resources Council, Inc. (a not-for-profit organization) as of June 30, 2010, and the related statements of activities, cash flows and functional expenses for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Vermont Natural Resources Council, Inc.

A review consists principally of inquiries of Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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 conformity with generally accepted accounting principles.

Respectfully submitted,

Fothergill Segale & Valley, CPAs

FOTHERGILL SEGALE & VALLEY, CPAs
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STATEMENT OF FINANCIAL POSITION

JUNE 30, 2010

ASSETS

CURRENT ASSETS

Cash	\$ 249,075	
Accounts receivable	21,262	
Due from employees	39	
Prepaid expenses	869	
Prepaid awards	2,499	
Total current assets		273,744

PROPERTY AND EQUIPMENT

Building	477,984	
Furniture and equipment	87,753	
	565,737	
Less accumulated deprec./amortization	(246,981)	
Total property and equipment		318,756

OTHER ASSETS

Investments - Legal Fund	581,322	
Investments - General and other	636,972	
Total other assets		1,218,294
Total assets		<u>\$ 1,810,794</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 1,441	
Health and dependent care reimbursement plans	436	
Accrued wages & taxes	34,531	
Accrued vacation	57,929	
Total current liabilities		94,337

NET ASSETS

Unrestricted		
Designated for endowment purposes	200,000	
Designated for specific purposes (Note 5)	372,630	
Undesignated	429,815	
Total unrestricted	1,002,445	
Temporarily restricted	714,012	
Total net assets (Exhibit B)		1,716,457
Total liabilities and net assets		<u>\$ 1,810,794</u>

See Accountant's Review Report
and Notes to Financial Statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Renewals and gifts	\$ 634,613	\$ 10,000	\$ 644,613
Grants	8,329	199,525	207,854
Interest/dividends, net of \$12,585 investment exp.	20,850	0	20,850
Unrealized gain on investments	79,404	0	79,404
Realized gain on investments	40,737	0	40,737
Donated services	75,916	0	75,916
Other	40,412	0	40,412
	<u>900,261</u>	<u>209,525</u>	<u>1,109,786</u>
Net assets released from restrictions	165,369	(165,369)	0
	<u>1,065,630</u>	<u>44,156</u>	<u>1,109,786</u>
EXPENSES			
Program Services			
Water	223,147	0	223,147
Forest, wildlife and public lands	286,608	0	286,608
Sustainable communities	250,263	0	250,263
Energy	146,016	0	146,016
General program services	26,516	0	26,516
	<u>932,550</u>	<u>0</u>	<u>932,550</u>
Supporting Services			
Administrative	42,419	0	42,419
Development	61,701	0	61,701
	<u>104,120</u>	<u>0</u>	<u>104,120</u>
Total supporting services	104,120	0	104,120
Total expenses	<u>1,036,670</u>	<u>0</u>	<u>1,036,670</u>
CHANGE IN NET ASSETS	28,960	44,156	73,116
NET ASSETS - July 1, 2009 (as restated)	973,485	669,856	1,643,341
NET ASSETS - June 30, 2010 (Ehibit A)	<u>\$ 1,002,445</u>	<u>\$ 714,012</u>	<u>\$ 1,716,457</u>

See Accountant's Review Report
and Notes to Financial Statements.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2010

CASH FLOWS FROM (TO) OPERATING ACTIVITIES:

Change in net assets	\$ 73,116
Adjustment to reconcile change in net assets to cash provided by operating activities:	
Depreciation and amortization	20,824
Unrealized gain on investments	(79,404)
Realized gain on investments	(40,737)
(Increase) decrease in current assets:	
Accounts receivable	(15,670)
Prepaid expenses	1,450
Increase (decrease) in current liabilities:	
Accounts payable	(4,754)
Accrued wages and taxes	34,531
Other accrued liabilities	11,135
Total adjustments	<u>(72,625)</u>
Net cash flows from operating activities	<u>491</u>

CASH FLOWS FROM (TO) INVESTING ACTIVITIES:

Purchase of equipment/building improvements	(12,025)
Sales of investments	572,875
Purchases of investments	<u>(509,247)</u>
Net cash flows from investing activities	<u>51,603</u>

NET INCREASE IN CASH

52,094

CASH - JULY 1, 2009

196,981

CASH - JUNE 30, 2010

\$ 249,075

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for:

Interest	\$ 0
Taxes	0

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2010

	Program Services				Supporting Services			Total Functional Expenses			
	Water	Forest Wildlife & Public Lands	Sustainable Communities	Energy	General	Program Services	Admin.		Development	Supporting Services	
EXPENSES											
Wages	\$ 160,395	\$ 154,883	\$ 186,185	\$ 84,701	\$ 23,451	\$ 609,615	\$ 39,754	\$ 30,592	\$ 70,346	\$ 679,961	
Payroll taxes	12,893	12,585	14,749	6,891	1,904	49,022	1,209	2,975	4,184	53,206	
Grants awarded	11,275	9,700	0	17,120	0	38,095	0	0	0	38,095	
Equipment maintenance	1,715	2,311	1,745	1,745	0	7,516	109	0	109	7,625	
Vehicle lease	1,048	1,048	1,048	1,048	0	4,192	0	0	0	4,192	
Insurance	2,614	2,612	2,588	2,653	0	10,467	0	0	0	10,467	
Licenses and dues	729	1,365	832	439	0	3,365	44	0	44	3,409	
Office supplies	1,345	1,345	1,345	1,384	0	5,419	363	1,312	1,675	7,094	
Postage	614	656	686	614	0	2,570	0	4,819	4,819	7,389	
Printing and artwork	2,963	2,965	3,016	2,963	0	11,907	0	0	0	11,907	
Professional services	4,192	67,111	11,317	4,106	525	87,251	0	12,092	12,092	99,343	
Rent and facilities	3,508	3,508	3,488	3,488	0	13,992	18	0	18	14,010	
Advertising	117	0	117	897	0	1,131	0	1,646	1,646	2,777	
Subscriptions/publications	1,691	1,691	1,719	1,691	0	6,792	0	18	18	6,810	
Property taxes	2,353	2,352	2,352	2,352	0	9,409	0	0	0	9,409	
Telephone	2,261	2,245	2,204	2,370	0	9,080	0	0	0	9,080	
Staff training	72	72	494	595	0	1,233	0	0	0	1,233	
Interns	600	2,273	600	600	0	4,073	0	0	0	4,073	
Travel	1,193	2,859	1,391	933	124	6,500	29	152	181	6,681	
Special events	1,673	3,861	1,636	1,198	0	8,368	0	6,612	6,612	14,980	
Accounting	4,174	4,174	4,174	4,174	0	16,696	0	0	0	16,696	
Miscellaneous, meetings	397	439	2,728	222	0	3,786	19	289	308	4,094	
Electricity	588	588	588	588	0	2,352	0	0	0	2,352	
Bank fees	419	419	419	419	0	1,676	53	0	53	1,729	
Depreciation	4,318	5,546	4,842	2,825	512	18,043	821	1,194	2,015	20,058	
Total expenses	\$ 223,147	\$ 286,608	\$ 250,263	\$ 146,016	\$ 26,516	\$ 932,550	\$ 42,419	\$ 61,701	\$ 104,120	\$ 1,036,670	

See Accountant's Review Report
and Notes to Financial Statements.

VERMONT NATURAL RESOURCES COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Vermont Natural Resources Council, Inc. (the Council) was formed to protect Vermont's natural resources and environment for present and future generations through research, policy analysis, education, and advocacy. The Council provides the following program services:

Water - As Vermont continues to grow, pollution run off increases and the stress on our groundwater resources grows due both to development and erratic weather patterns caused by climate change; we need to ensure that we use all available tools to protect Vermont's water resources. Key to protecting our water resources is to increase public awareness of the importance of and threats to Vermont's groundwater.

Forest, wildlife and public lands - Advance policies and strategies to promote forestland conservation for sustainable forest management, carbon sequestration and storage, wildlife habitat, ecosystem services, and our working landscape.

Sustainable communities - This campaign will put in place the policies, programs and tools needed to enable Vermont communities to confront the challenges of the 21st century, including climate change, energy depletion, sprawling development patterns, and the erosion of community vitality due to national and global economic pressures.

Energy - The Council helps to build a more informed and involved public which actively advances creative tools and proven strategies to reduce greenhouse gas emissions. By working with key partners to organize local energy committees in strategic communities across Vermont, by collaborating with an increasingly diversified stratum of Vermonters and by cultivating greater leadership from the grassroots to the State House and beyond, VNRC helps Vermont save energy, curb greenhouse gas emissions and move towards a cleaner, greener, renewable energy future.

General - The Council provides general services to protect Vermont's natural resources that aren't specific to one of the above four programs.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting

The accompanying financial statements are presented using the accrual basis of accounting.

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in accordance with Accounting Standards Codification. Under these standards, the Council is required to report 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. The Council did not have any permanently restricted net assets as of June 30, 2010.

VERMONT NATURAL RESOURCES COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Equivalents

The Council considers all liquid investments with a maturity of three months or less to be cash equivalents.

Investments

Marketable securities are carried at fair value. Donated investments are recorded at their fair value on the date of receipt.

For fiscal year 2010, the Council has applied the provisions of SFAS 157 “Fair Value Measurement” (now FASB ASC 820-10). This provision provides fair value measurement and disclosure principles for certain financial and non-financial assets and liabilities. For the Council, this new standard only affects its investments and certain disclosures regarding them. It does not affect the measurement of the investments, which continue to be reflected at fair value.

Accounts Receivable

The Council uses the direct write-off method to record bad debts for trade receivables. All receivables at June 30, 2010 are considered collectible.

Contributions

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in accordance with Accounting Standards Codifications regarding contributions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contribution was made. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Property and Services

Donated assets, if any, are recorded at their fair value at date of gift, if determinable.

Property and Equipment

Property and equipment costing in excess of \$500 and having an estimated useful life of one year or more are capitalized at cost and depreciated using the straight line method over the estimated useful lives. The estimated useful lives are as follows:

Buildings and improvements	40 years
Furniture and equipment	5 – 10 years
Vehicles	5 years

VERMONT NATURAL RESOURCES COUNCIL, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010
 (Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Taxes

Vermont Natural Resources Council, Inc. is a not-for-profit organization and is exempt from Federal and State income taxation under Section 501(c)(3) of the Internal Revenue Code on exempt function income. As required, the Council files Form 990-T with the Internal Revenue Service to report non-exempt function income in years where reportable income exceeds the threshold for filing. There was no tax due for the year ended June 30, 2010.

Expense Allocation

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

NOTE 2 – CASH

The Council's cash accounts consisted of the following at June 30, 2010:

Bank balance - all FDIC insured	\$ 222,851
Reconciling items	26,224
Total book balance	<u>\$ 249,075</u>

The difference between the book and bank balance is due to outstanding checks and deposits in transit.

NOTE 3 – INVESTMENTS

The cost and fair value at June 30, 2010 is as follows:

	Cost	Fair Value	Fair Value Over (Under) Cost	Unreal. Loss Greater Than 12 Months
U.S. Gov. obligations	\$ 86,617	\$ 97,991	\$ 11,374	\$ 0
Stocks	707,625	698,529	(9,096)	(9,096)
Other	295,104	294,903	(201)	(201)
Cash equivalents	126,871	126,871	0	0
Total	<u>\$1,216,217</u>	<u>\$1,218,294</u>	<u>\$ 2,077</u>	<u>\$ (9,297)</u>

For the year ended June 30, 2010 unrealized gains were \$79,404 for an accumulated unrealized loss of \$2,077.

VERMONT NATURAL RESOURCES COUNCIL, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010
 (Continued)

NOTE 3 – INVESTMENTS (Continued)

The fair value of the investments above was obtained from the brokerage holding the securities and is deemed to be valued at “Level 1” – quoted prices in an active market.

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets represent contributions and grants made with donor imposed restrictions. The balance of the temporarily restricted net assets at June 30, 2010 is as follows:

Sustainable communities:	
Smarth Growth Vermont	\$ 955
Lintilhac	2,335
VCF - Transportation	5,875
Education Foundation	19,076
Forest:	
Davis	9,713
NWF - FWC	2,500
NFF-FWC	7,466
Water:	
Park Foundation	29,905
Lintilhac-Marshall	3,731
Energy:	
GMCR - VECAN	13,901
High Meadows	27,233
General:	
Block Foundation	10,000
Legal	581,322
Total	<u>\$ 714,012</u>

NOTE 5 – DESIGNATED NET ASSETS

Designated net assets represent funds that are earmarked by the Board for specific purposes. The balance of designated net assets at June 30, 2010 is as follows:

Endowment	\$ 200,000
Fund for the future	268,203
Albright fund	50,211
Red Arnold	24,116
Act 250	30,100
Total	<u>\$ 572,630</u>

NOTE 6 – OPERATING LEASES

In November 2007 the Council entered into an operating lease for a copier. Future minimum lease payments are as follows:

FY 2011	\$ 3,392
FY 2012	1,413
	<u>\$ 4,805</u>

VERMONT NATURAL RESOURCES COUNCIL, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010
 (Continued)

NOTE 6 – OPERATING LEASES (Continued)

In November 2005 the Council entered into an operating lease for a mailing machine and scale. Future minimum lease payments are as follows:

FY 2011	\$ 609
	<u> </u>

In March 2009 the Council entered into a lease agreement for a vehicle. Future minimum lease payments are as follows:

FY 2011	\$ 2,810
FY 2012	1,873
	<u> </u>
	<u>\$ 4,683</u>

Lease expense during fiscal year 2010 was \$7,014.

NOTE 7 – LOBBYING EXPENSE

Lobbying expenses totaling \$11,858 are included in various program services on Exhibit B as they are an integral component of the mission and programs of the Council as follows:

Water	\$ 6,915
Forest	2,283
Energy	1,234
Sustainable communities	1,426
Total	<u>\$ 11,858</u>

NOTE 8 – LINE OF CREDIT

The Council has a line of credit of \$100,000 with the Vermont State Employees Credit Union at a rate of 1% over Wall Street Journal Prime Rate. The credit line matures on May 13, 2011. No funds have been drawn on that line of credit.

NOTE 9 - DONATED SERVICES

The value of donated services and items included as in-kind contributions in the financial statements for the year ended June 30, 2010 are as follows:

	Energy	Water	Forest	Development	Sustainable Communities	Total
Prof. services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 63,193	\$ 63,193
Special events	0	0	0	6,948	0	6,948
Printing & art	1,444	1,444	1,444	0	1,443	5,775
Total	<u>\$ 1,444</u>	<u>\$ 1,444</u>	<u>\$ 1,444</u>	<u>\$ 6,948</u>	<u>\$ 64,636</u>	<u>\$ 75,916</u>

VERMONT NATURAL RESOURCES COUNCIL, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010
 (Continued)

NOTE 10 – CONTINGENCY

The Council receives grant funds which are subject to be returned to the grantor if funds are not used for the purposes outlined in the grant agreement. The Council anticipates all grant funds to be used as outlined in the grant agreement and therefore does not anticipate any grant funds will need to be returned to the grantor.

NOTE 11 – RECLASSIFICATIONS OF NET ASSETS

In fiscal year 2009, the Legal fund had been reported as unrestricted instead of temporarily restricted. Also the Red Arnold fund was reported as temporarily restricted instead of unrestricted. The beginning net assets as of July 1, 2009 have been restated to correctly reflect those changes to net assets as follows:

	Unrestricted	Temporarily Restricted	Total
Net assets - as originally stated	\$ 1,495,434	\$ 147,907	\$ 1,643,341
Prior Period Adjustments			
Legal	(545,287)	545,287	0
Red Arnold	23,338	(23,338)	0
Net assets - restated	\$ 973,485	\$ 669,856	\$ 1,643,341

NOTE 12 – ENDOWMENT FUND

Board-designated Endowment

In 2002, the Board of Directors had designated \$200,000 of unrestricted net assets as a general endowment fund to support the mission of the Council. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

The Council has a spending policy of appropriating for distribution each year 4 to 5% of its board-designated endowment fund's fair value in the spring of the fiscal year in which the distribution is planned. In establishing this policy, the Council considered the long-term expected investment return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its general endowment fund to remain at \$200,000.

The Council has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well diversified asset mix, which includes corporate bonds, money market funds and U.S. government securities. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

VERMONT NATURAL RESOURCES COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)

NOTE 12 – ENDOWMENT FUND (Continued)

Composition of and changes in endowment net assets for the year ended June 30, 2010 were as follows:

Board-designated endowment net assets, beginning of year	\$ 200,000
Net investment income	19,195
Amounts appropriated for expenditure	<u>(19,195)</u>
Board-designated endowment net assets, end of year	<u><u>\$ 200,000</u></u>

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 19, 2010, the date which the financial statements were available for issue. Management is not aware of any subsequent events which require disclosure.