

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

JUNE 30, 2011

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

September 13, 2011

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

We have reviewed the accompanying statement of financial position of Vermont Natural Resources Council, Inc. (a not-for-profit organization) as of June 30, 2011, and the related statements of activities, cash flows and functional expenses for the year then ended.

A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization 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 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America 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 review in accordance with Statements of Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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 accounting principles generally accepted in the United States of America.

Respectfully submitted,

Fothergill Segale & Valley, CPAs

FOTHERGILL SEGALE & VALLEY, CPAs
Vermont Public Accountancy License #110

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011

ASSETS

CURRENT ASSETS

Cash	\$ 69,676	
Accounts receivable	3,263	
Pledges receivable	69,500	
Due from employees	33	
Prepaid expenses	2,641	
Prepaid awards	2,499	
Total current assets		147,612

PROPERTY AND EQUIPMENT

Building	477,984	
Furniture and equipment	123,074	
	601,058	
Less accumulated deprec./amortization	(274,993)	
Total property and equipment		326,065

OTHER ASSETS

Investments - Legal Fund	648,229	
Investments - General and other	858,155	
Pledges receivables due after one year	31,000	
Total other assets		1,537,384
Total assets		\$ 2,011,061

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 4,855	
Health and dependent care reimbursement plans	1,141	
Accrued wages and taxes	11,333	
Accrued vacation	39,742	
Total current liabilities		57,071

NET ASSETS

Unrestricted		
Designated for endowment purposes	204,819	
Designated for specific purposes	539,612	
Total designated (Note 6)	744,431	
Undesignated	575,770	
Total unrestricted	1,320,201	
Temporarily restricted	633,789	
Total net assets (Exhibit B)		1,953,990
Total liabilities and net assets		\$ 2,011,061

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

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Renewals and gifts	\$ 406,231	\$ 0	\$ 406,231
Grants	10,097	275,585	285,682
Interest/dividends, net of \$13,006 investment exp.	21,064	0	21,064
Unrealized gain on investments	166,070	0	166,070
Realized gain on investments	26,052	0	26,052
Donated services	16,259	0	16,259
Other	20,091	0	20,091
Total	665,864	275,585	941,449
Net assets released from restrictions	355,808	(355,808)	0
Total support and revenues	1,021,672	(80,223)	941,449
EXPENSES			
Program Services			
Water	177,966	0	177,966
Forest, wildlife and public lands	215,983	0	215,983
Sustainable communities	158,820	0	158,820
Energy	204,905	0	204,905
General program services	11,223	0	11,223
Total program services	768,897	0	768,897
Supporting Services			
Administrative	44,458	0	44,458
Development	50,311	0	50,311
Total supporting services	94,769	0	94,769
Total expenses	863,666	0	863,666
CHANGE IN NET ASSETS	158,006	(80,223)	77,783
NET ASSETS - July 1, 2010 (as restated)	1,162,195	714,012	1,876,207
NET ASSETS - June 30, 2011 (Exhibit A)	\$ 1,320,201	\$ 633,789	\$ 1,953,990

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM (TO) OPERATING ACTIVITIES:

Change in net assets	\$ 77,783
Adjustment to reconcile change in net assets to cash provided by operating activities:	
Depreciation and amortization	28,012
Unrealized gain on investments	(166,070)
Realized gain on investments	(26,052)
(Increase) decrease in current assets:	
Accounts receivable	18,005
Pledges receivable	59,250
Prepaid expenses	(1,772)
Increase (decrease) in current liabilities:	
Accounts payable	3,414
Accrued wages and taxes	(23,198)
Other accrued liabilities	(17,482)
Total adjustments	<u>(125,893)</u>
Net cash flows to operating activities	<u>(48,110)</u>

CASH FLOWS FROM (TO) INVESTING ACTIVITIES:

Purchase of equipment/building improvements	(35,321)
Sales of investments	345,091
Purchases of investments	<u>(441,059)</u>
Net cash flows to investing activities	<u>(131,289)</u>

NET DECREASE IN CASH (179,399)CASH - JULY 1, 2010 249,075CASH - JUNE 30, 2011 \$ 69,676

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for:

Interest	\$ 0
Taxes	0

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2011

	Program Services						Supporting Services			Total Functional Expenses
	Water	Forest Wildlife & Public Lands	Sustainable Communities	Energy	General	Total Program Services	Admin.	Development	Total Supporting Services	
EXPENSES										
Wages	\$ 128,438	\$ 128,082	\$ 101,862	\$ 120,009	\$ 10,058	\$ 488,449	\$ 35,148	\$ 27,596	\$ 62,744	\$ 551,193
Payroll taxes	11,065	9,976	8,498	9,769	791	40,099	121	2,364	2,485	42,584
Equipment maintenance	2,454	2,454	2,454	2,454	0	9,816	377	0	377	10,193
Vehicle lease	1,169	1,169	1,169	1,169	0	4,676	0	0	0	4,676
Insurance	2,597	2,597	2,597	2,597	0	10,388	5	0	5	10,393
Licenses and dues	766	861	1,734	536	0	3,897	30	0	30	3,927
Office supplies	1,037	1,849	1,037	1,037	0	4,960	1,120	2,264	3,384	8,344
Postage	303	310	362	368	0	1,343	88	5,448	5,536	6,879
Printing and artwork	2,838	3,055	3,217	11,977	0	21,087	0	3,009	3,009	24,096
Professional services	5,200	26,081	12,910	30,563	0	74,754	1,845	3,498	5,343	80,097
Rent and facilities	2,743	2,743	2,743	2,743	0	10,972	0	0	0	10,972
Advertising	26	0	26	26	0	78	0	0	0	78
Subscriptions/publications	1,778	1,900	1,964	1,778	0	7,420	180	59	239	7,659
Property taxes	1,996	1,996	1,996	1,996	0	7,984	0	0	0	7,984
Telephone	1,975	1,936	1,954	2,039	0	7,904	0	299	299	8,203
Staff training	279	355	235	205	0	1,074	0	125	125	1,199
Interns	417	417	417	417	0	1,668	0	0	0	1,668
Travel	1,113	1,527	844	1,148	20	4,652	24	337	361	5,013
Special events	(855)	2,339	1,402	1,390	0	4,276	0	3,569	3,569	7,845
Accounting	4,296	4,296	4,296	4,296	0	17,184	4,000	0	4,000	21,184
Miscellaneous, meetings	1,642	14,151	1,018	848	0	17,659	0	147	147	17,806
Electricity	695	695	695	695	0	2,780	0	0	0	2,780
Bank fees	375	375	375	375	0	1,500	116	8	124	1,624
Depreciation	5,619	6,819	5,015	6,470	354	24,277	1,404	1,588	2,992	27,269
Total expenses	\$ 177,966	\$ 215,983	\$ 158,820	\$ 204,905	\$ 11,223	\$ 768,897	\$ 44,458	\$ 50,311	\$ 94,769	\$ 863,666

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

VERMONT NATURAL RESOURCES COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011.

VERMONT NATURAL RESOURCES COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(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.

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 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, 2011 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, 2011
 (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 \$68 of tax due for the year ended June 30, 2011.

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, 2011:

Bank balance - all FDIC insured	\$ 70,517
Reconciling items	(841)
Total book balance	<u>\$ 69,676</u>

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

NOTE 3 – PLEDGES RECEIVABLE

At June 30, 2011, pledges receivable were as follows:

Unrestricted - Fund for the Future	<u>\$ 100,500</u>
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The pledges are to be received as follows:

Fiscal year 2012	\$ 69,500
Fiscal year 2013	15,450
Fiscal year 2014	<u>15,550</u>
Total pledges receivable	<u>\$ 100,500</u>

VERMONT NATURAL RESOURCES COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

NOTE 4 – INVESTMENTS

The cost and fair value at June 30, 2011 is as follows:

	Cost	Fair Value	Fair Value Over (Under) Cost	Unreal. Loss Greater Than 12 Months
U.S. Gov. obligations	\$ 86,468	\$ 97,345	\$ 10,877	\$ 0
Bonds	264,570	280,890	16,320	0
Stocks	669,854	812,814	142,960	0
Other	154,960	152,950	(2,010)	0
Cash equivalents	162,385	162,385	0	0
Total	<u>\$1,338,237</u>	<u>\$1,506,384</u>	<u>\$ 168,147</u>	<u>\$ 0</u>

For the year ended June 30, 2011 unrealized gains were \$166,070 for an accumulated unrealized gain of \$168,147.

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 5 – 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, 2011 is as follows:

Smarth Growth Vermont	\$ 445
Johnson - Transportation	4,979
Forest:	
Biomass	2,790
US Forest Service - Critical Pathway	843
NWF - FWC	1,790
NFF-FWC	7,802
Energy:	
Biomass	2,790
GMCR	13,311
High Meadows	10,380
Block	11,242
VEIC - conference	6,500
VEIC - tech. assistance	6,477
General:	
B&J Comprehensive Energy Plan	675
VCF General	1,796
Legal	561,969
Total	<u>\$ 633,789</u>

VERMONT NATURAL RESOURCES COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

NOTE 6 – 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, 2011 is as follows:

Endowment	\$ 204,819
Fund for the future	431,613
Albright Fund	51,931
Red Arnold	24,944
Act 250	31,124
	<u>31,124</u>
Total	<u>\$ 744,431</u>

NOTE 7 – OPERATING LEASES

In November 2007, the Council entered into an operating lease for a copier. Future minimum lease payments are \$1,413 for fiscal year 2012.

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

FY 2012	\$ 891
FY 2013	891
FY 2014	891
FY 2015	891
FY 2016	891
	<u>891</u>
Total	<u>\$ 4,455</u>

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

FY 2012	<u>\$ 1,873</u>
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Lease expense during fiscal year 2011 was \$7,323.

NOTE 8 – LOBBYING EXPENSE

Lobbying expenses totaling \$2,246 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	\$ 325
Forest	1,052
Energy	399
Sustainable communities	470
	<u>470</u>
Total	<u>\$ 2,246</u>

VERMONT NATURAL RESOURCES COUNCIL, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011
 (Continued)

NOTE 9 – 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, 2012. No funds have been drawn on that line of credit.

NOTE 10 - DONATED SERVICES

The value of donated services and items included as in-kind contributions in the financial statements for the year ended June 30, 2011 are as follows:

	Energy	Water	Forest	Sustainable Communities	Total
Prof. services	\$ 0	\$ 0	\$ 0	\$ 6,205	\$ 6,205
Special events	1,501	1,501	1,501	1,501	6,004
Printing & art	1,012	1,012	1,013	1,013	4,050
Total	<u>\$ 2,513</u>	<u>\$ 2,513</u>	<u>\$ 2,514</u>	<u>\$ 8,719</u>	<u>\$ 16,259</u>

NOTE 11 – 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 12 – RESTATEMENT OF NET ASSETS

The Council had received pledges for Fund for the Future donations for which the pledges receivable and corresponding donations had not been recorded. The beginning net assets as of July 1, 2010 have been restated to correctly reflect the change to net assets as follows:

	Unrestricted	Temporarily Restricted	Total
Net assets - as originally stated	\$ 1,002,445	\$ 714,012	\$ 1,716,457
Prior Period Adjustments			
Fund for the Future pledges outstanding	159,750	0	159,750
Net assets - restated	<u>\$ 1,162,195</u>	<u>\$ 714,012</u>	<u>\$ 1,876,207</u>

VERMONT NATURAL RESOURCES COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

NOTE 13 – 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 approximately \$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.

Composition of and changes in endowment net assets for the year ended June 30, 2011 were as follows:

Board-designated endowment net assets, beginning of year	\$ 200,000
Net investment income	25,137
Amounts appropriated for expenditure	<u>(20,318)</u>
Board-designated endowment net assets, end of year	<u><u>\$ 204,819</u></u>

NOTE 14 – SUBSEQUENT EVENT

Management has evaluated subsequent events through September 13, 2011, the date which the financial statements were available for issue.

In July 2011, the Council is acquiring the assets of Smart Growth Vermont, another non-profit organization. The assets are estimated at approximately \$68,000 and consist of unspent grant funds.