

VERMONT NATURAL RESOURCES COUNCIL, INC.

AUDIT REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2012

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INDEPENDENT AUDITOR'S REPORT

November 21, 2012

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

We have audited the accompanying statement of financial position of Vermont Natural Resources Council, Inc. (a nonprofit organization) as of June 30, 2012, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Vermont Natural Resources Council, Inc.'s management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vermont Natural Resources Council, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended 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, 2012

ASSETS

CURRENT ASSETS

Cash	\$ 143,622	
Grants receivable	26,457	
Accounts receivable	9,594	
Pledges receivable	60,400	
Prepaid expenses	26,345	
Prepaid awards	2,499	
Total current assets		268,917

PROPERTY AND EQUIPMENT

Building	477,984	
Furniture and equipment	130,740	
	608,724	
Less accumulated deprec./amortization	(298,923)	
Total property and equipment		309,801

OTHER ASSETS

Investments - Legal Fund	633,369	
Investments - General and other	1,064,047	
Pledges receivables due after one year	15,550	
Total other assets		1,712,966
Total assets		\$ 2,291,684

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 9,290	
Health and dependent care reimbursement plans	2,099	
Deferred income - 50th Anniversary	28,340	
Accrued wages and taxes	12,255	
Accrued vacation	56,701	
Total current liabilities		108,685

NET ASSETS

Unrestricted		
Designated for endowment purposes	204,414	
Designated for specific purposes	559,211	
Total designated (Note 6)	763,625	
Undesignated	835,941	
Total unrestricted	1,599,566	
Temporarily restricted	583,433	
Total net assets (Exhibit B)		2,182,999
Total liabilities and net assets		\$ 2,291,684

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Renewals and gifts	\$ 516,142	\$ 18,850	\$ 534,992
Grants	0	370,538	370,538
Bequests	139,811	0	139,811
Interest/dividends, net of \$14,985 investment exp.	26,366	0	26,366
Unrealized loss on investments	(7,003)	0	(7,003)
Realized gain on investments	20,283	0	20,283
Donated services	19,634	0	19,634
Other	16,169	0	16,169
Total	731,402	389,388	1,120,790
Net assets released from restrictions	439,744	(439,744)	0
Total support and revenues	1,171,146	(50,356)	1,120,790
EXPENSES			
Program Services			
Water	96,939	0	96,939
Forest, wildlife and public lands	132,422	0	132,422
Sustainable communities	111,783	0	111,783
Energy	166,160	0	166,160
General program services	218,207	0	218,207
Total program services	725,511	0	725,511
Supporting Services			
Administrative	72,118	0	72,118
Development	94,152	0	94,152
Total supporting services	166,270	0	166,270
Total expenses	891,781	0	891,781
CHANGE IN NET ASSETS	279,365	(50,356)	229,009
NET ASSETS - July 1, 2011	1,320,201	633,789	1,953,990
NET ASSETS - June 30, 2012 (Exhibit A)	\$ 1,599,566	\$ 583,433	\$ 2,182,999

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM (TO) OPERATING ACTIVITIES:

Change in net assets	<u>\$ 229,009</u>
Adjustment to reconcile change in net assets to cash provided by operating activities:	
Depreciation and amortization	26,224
Unrealized loss on investments	7,003
Realized gain on investments	(20,283)
(Increase) decrease in current assets:	
Accounts receivable	(6,298)
Grants receivable	(26,457)
Pledges receivable	24,550
Prepaid expenses	(23,704)
Increase (decrease) in current liabilities:	
Accounts payable	4,435
Accrued wages and taxes	17,881
Deferred income	28,340
Other accrued liabilities	958
Total adjustments	<u>32,649</u>
Net cash flows from operating activities	<u>261,658</u>

CASH FLOWS FROM (TO) INVESTING ACTIVITIES:

Purchase of equipment/building improvements	(9,960)
Sales of investments	329,230
Purchases of investments	<u>(506,982)</u>
Net cash flows to investing activities	<u>(187,712)</u>

NET INCREASE IN CASH 73,946CASH - JULY 1, 2011 69,676CASH - JUNE 30, 2012 \$ 143,622

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for:

Interest	\$ 0
Taxes	68

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2012

	Program Services					Supporting Services			Total Functional Expenses	
	Water	Forest Wildlife & Public Lands	Sustainable Communities	Energy	General	Program Services	Admin.	Development		Supporting Services
EXPENSES										
Wages	\$ 64,600	\$ 88,602	\$ 66,415	\$ 100,473	\$ 145,882	\$ 465,972	\$ 49,795	\$ 58,892	\$ 108,687	\$ 574,659
Payroll taxes	5,175	6,561	5,391	7,583	10,889	35,599	3,994	4,420	8,414	44,013
Grants awarded	3,000	5,000	0	20,175	400	28,575	0	0	0	28,575
Equipment maintenance	1,096	1,083	1,088	977	1,017	5,261	1,502	994	2,496	7,757
Vehicle lease	444	444	441	444	444	2,217	444	444	888	3,105
Insurance	2,094	2,273	2,108	2,361	2,700	11,536	1,312	439	1,751	13,287
Licenses and dues	428	363	1,611	253	179	2,834	179	142	321	3,155
Office supplies	873	813	1,879	823	2,521	6,909	1,262	1,250	2,512	9,421
Postage	100	101	100	155	1,678	2,134	231	4,284	4,515	6,649
Printing and artwork	0	127	0	0	9,781	9,908	351	5,518	5,869	15,777
Professional services	51	9,314	17,869	13,406	7,172	47,812	867	8,270	9,137	56,949
Rent and facilities	1,457	1,457	1,457	1,457	1,457	7,285	1,506	1,434	2,940	10,225
Advertising	0	0	0	272	1,050	1,322	0	0	0	1,322
Subscriptions/publications	2,014	2,036	2,038	2,610	180	8,878	821	0	821	9,699
Property taxes	1,099	1,099	1,099	1,099	1,099	5,495	1,099	1,096	2,195	7,690
Telephone	658	763	670	697	897	3,685	682	671	1,353	5,038
Staff training	671	4	284	119	319	1,397	94	94	188	1,585
Interns	508	2,508	2,108	3,476	0	8,600	0	0	0	8,600
Travel	1,003	1,067	520	900	(219)	3,271	476	93	569	3,840
Special events	0	245	195	70	19,137	19,647	939	42	981	20,628
Accounting	1,953	2,679	2,258	3,371	4,432	14,693	1,457	1,929	3,386	18,079
Miscellaneous, meetings	6,540	1,678	644	253	502	9,617	1,595	998	2,593	12,210
Electricity	322	322	322	322	322	1,610	322	322	644	2,254
Bank fees	0	0	0	0	0	0	1,040	0	1,040	1,040
Depreciation	2,853	3,883	3,286	4,864	6,368	21,254	2,150	2,820	4,970	26,224
Total expenses	\$ 96,939	\$ 132,422	\$ 111,783	\$ 166,160	\$ 218,207	\$ 725,511	\$ 72,118	\$ 94,152	\$ 166,270	\$ 891,781

VERMONT NATURAL RESOURCES COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012.

VERMONT NATURAL RESOURCES COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(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, 2012 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, 2012
(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 \$74 of tax due for the year ended June 30, 2012.

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, 2012:

Bank balance - all FDIC insured	\$ 153,662
Reconciling items	<u>(10,040)</u>
Total book balance	<u><u>\$ 143,622</u></u>

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

NOTE 3 – PLEDGES RECEIVABLE

At June 30, 2012, pledges receivable were as follows:

Unrestricted - Fund for the Future	<u><u>\$ 75,950</u></u>
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The pledges are to be received as follows:

Fiscal year 2013	\$ 60,400
Fiscal year 2014	<u>15,550</u>
Total pledges receivable	<u><u>\$ 75,950</u></u>

VERMONT NATURAL RESOURCES COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

NOTE 4 – INVESTMENTS

The cost and fair value at June 30, 2012 is as follows:

	Cost	Fair Value	Fair Value Over (Under) Cost	Unreal. Loss Greater Than 12 Months
U.S. Gov. obligations	\$ 59,976	\$ 63,324	\$ 3,348	\$ 0
Bonds	394,727	413,474	18,747	0
Stocks	621,346	763,473	142,127	0
Exchange traded funds	246,982	244,741	(2,241)	(2,010)
Cash equivalents	212,404	212,404	0	0
Total	<u>\$ 1,535,435</u>	<u>\$ 1,697,416</u>	<u>\$ 161,981</u>	<u>\$ (2,010)</u>

For the year ended June 30, 2012, unrealized losses were \$7,003 for an accumulated unrealized gain of \$161,981.

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, 2012 is as follows:

Sustainable communities:	
Smarth Growth Vermont	\$ 8,538
Building better VT communities	10,000
Ben & Jerry's - Toolbox community design	3,579
People's United - Toolbox housing	888
Forest:	
Forest roundtable	108
Water:	
Orchard Foundation	14,860
GMCR - anti-degradation	2,457
GMCR - river management conference	3,063
Energy:	
GMCR	3,857
High Meadows	7,713
Block	15,000
VEIC - toolbox energy & transportation	2,211
General:	
Loeb fellowship	5,000
Legacy book	7,784
Legal	498,375
Total	<u>\$ 583,433</u>

VERMONT NATURAL RESOURCES COUNCIL, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012
 (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, 2012 is as follows:

Endowment	\$ 204,414
Fund for the future	452,613
Albright Fund	51,257
Red Arnold	24,620
Act 250	<u>30,721</u>
Total	<u><u>\$ 763,625</u></u>

NOTE 7 – OPERATING LEASES

In November 2007, the Council entered into an operating lease for a copier. The lease expired in 2012 but continues on a month to month basis.

In May 2011, the Council entered into an operating lease for a mailing machine and scale. Future minimum lease payments are as follows:

FY 2013	\$ 891
FY 2014	891
FY 2015	891
FY 2016	<u>891</u>
Total	<u><u>\$ 3,564</u></u>

In March 2012, the Council entered into a lease agreement for a vehicle. Future minimum lease payments are as follows:

FY 2013	\$ 3,640
FY 2014	3,640
FY 2015	<u>2,426</u>
Total	<u><u>\$ 9,706</u></u>

Lease expense during fiscal year 2012 was \$9,258.

NOTE 8 – LOBBYING EXPENSE

Lobbying expenses totaling \$6,622 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	\$ 1,344
Forest	2,333
Energy	1,061
Sustainable communities	<u>1,884</u>
Total	<u><u>\$ 6,622</u></u>

VERMONT NATURAL RESOURCES COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(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 June 14, 2013. No funds have been drawn on that line of credit as of November 26, 2012.

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, 2012 are as follows:

	Energy	General Program	Total
Prof. services	\$ 6,205	\$ 0	\$ 6,205
Special events	0	13,429	13,429
Total	\$ 6,205	\$ 13,429	\$ 19,634

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 – SMART GROWTH ACQUISITION

In July 2011, the Council acquired the assets of Smart Growth Vermont, another non-profit organization. The assets acquired consisted of unspent grant funds of approximately \$68,000.

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.

VERMONT NATURAL RESOURCES COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

NOTE 13 – ENDOWMENT FUND (Continued)

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, 2012 were as follows:

	<u>Unrestricted Net Assets</u>
Board-designated endowment net assets, beginning of year	\$ 204,819
Net investment income (expense)	<u>(405)</u>
Board-designated endowment net assets, end of year	<u><u>\$ 204,414</u></u>

NOTE 14 – SUBSEQUENT EVENT

Management has evaluated subsequent events through November 21, 2012, the date which the financial statements were available for issue. Management is not aware of any subsequent events which require disclosure.