

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

JUNE 30, 2014

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT ACCOUNTANT'S REVIEW REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	Exhibit A 2
Statement of Activities	Exhibit B 3
Statement of Cash Flows	Exhibit C 4
Statement of Functional Expenses	Exhibit D 5
NOTES TO FINANCIAL STATEMENTS	6 - 12

# FOTHERGILL SEGALE & VALLEY

*Certified Public Accountants*



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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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, 2014, 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 Company 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 on 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 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  
Montpelier, Vermont  
Vermont Public Accountancy License #110

November 5, 2014

## STATEMENT OF FINANCIAL POSITION

JUNE 30, 2014

## ASSETS

## CURRENT ASSETS

Cash	\$ 112,268	
Grants receivable	5,200	
Accounts receivable	15,452	
Pledges receivable	2,500	
Prepaid expenses	1,494	
Total current assets		136,914

## PROPERTY AND EQUIPMENT

Building	477,984	
Furniture and equipment	142,278	
	620,262	
Less accumulated deprec./amortization	(344,145)	
Total property and equipment		276,117

## OTHER ASSETS

Book inventory	452	
Investments - Legal Fund	734,578	
Investments - General and other	1,616,011	
Total other assets		2,351,041
Total assets		\$ 2,764,072

## LIABILITIES AND NET ASSETS

## CURRENT LIABILITIES

Accounts payable	\$ 8,254	
Health and dependent care reimbursement plans	1,525	
Accrued wages and taxes	15,099	
Accrued vacation	48,122	
Total current liabilities		73,000

## NET ASSETS

Unrestricted		
Designated for endowment purposes	200,000	
Designated for specific purposes	971,737	
Total designated (Note 6)	1,171,737	
Undesignated	851,524	
Total unrestricted	2,023,261	
Temporarily restricted	667,811	
Total net assets (Exhibit B)		2,691,072
Total liabilities and net assets		\$ 2,764,072

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

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUES</b>			
Renewals and gifts	\$ 412,333	\$ 0	\$ 412,333
Grants	0	397,655	397,655
Vermont League of Conservation Voters	46,939	0	46,939
Interest/dividends, net of \$21,844 investment exp.	38,465	0	38,465
Unrealized loss on investments	(109,330)	0	(109,330)
Realized gain on investments	339,534	0	339,534
Special events	5,715	0	5,715
Donated services	10,859	0	10,859
Other	36,389	0	36,389
Total	780,904	397,655	1,178,559
Net assets released from restrictions	354,847	(354,847)	0
Total support and revenues	1,135,751	42,808	1,178,559
<b>EXPENSES</b>			
Program Services			
Water	110,117	0	110,117
Forest, wildlife and public lands	181,674	0	181,674
Sustainable communities	159,793	0	159,793
Energy	140,157	0	140,157
VCV	16,299	0	16,299
General program services	173,955	0	173,955
Total program services	781,995	0	781,995
Supporting Services			
Administrative	138,635	0	138,635
Development	97,802	0	97,802
Total supporting services	236,437	0	236,437
Total expenses	1,018,432	0	1,018,432
CHANGE IN NET ASSETS	117,319	42,808	160,127
NET ASSETS - July 1, 2013	1,905,942	625,003	2,530,945
NET ASSETS - June 30, 2014 (Exhibit A)	\$ 2,023,261	\$ 667,811	\$ 2,691,072

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

## STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2014

## CASH FLOWS FROM (TO) OPERATING ACTIVITIES:

Change in net assets	\$ 160,127
Adjustment to reconcile change in net assets to cash provided by operating activities:	
Depreciation and amortization	17,850
Decrease in inventory	4,972
Unrealized gain on investments	109,330
Realized gain on investments	(339,534)
(Increase) decrease in current assets:	
Grants receivable	13,046
Accounts receivable	(13,177)
Pledges receivable	8,450
Prepaid expenses	5,569
Prepaid awards	2,499
Increase (decrease) in current liabilities:	
Accounts payable	(5,018)
Accrued wages and taxes	5,016
Other accrued liabilities	334
Total adjustments	<u>(190,663)</u>
Net cash flows to operating activities	<u>(30,536)</u>

## CASH FLOWS FROM (TO) INVESTING ACTIVITIES:

Purchase of equipment/building improvements	(4,898)
Sales of investments	1,962,686
Purchases of investments	<u>(1,960,653)</u>
Net cash flows to investing activities	<u>(2,865)</u>

## NET DECREASE IN CASH

(33,401)

CASH - JULY 1, 2013

145,669

CASH - JUNE 30, 2014

\$ 112,268

## NON-CASH ITEMS NOT AFFECTING CASH:

Donated items	\$ 10,859
Donated items used	(10,859)

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

## VERMONT NATURAL RESOURCES COUNCIL, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2014

EXPENSES	Program Services						Total Program Services	Supporting Services		Total Supporting Services	Total Functional Expenses
	Water	Forest Wildlife & Public Lands	Sustainable Communities	Energy	VCV	General		Admin.	Development		
Wages	\$ 80,369	\$ 97,280	\$ 73,405	\$ 91,685	\$ 9,930	\$ 101,315	\$ 453,984	\$ 96,287	\$ 47,914	\$ 144,201	\$ 598,185
Payroll taxes	7,541	8,812	6,670	7,929	1,208	9,571	41,731	11,298	4,200	15,498	57,229
Grants awarded	0	0	56,500	0	0	0	56,500	0	0	0	56,500
Equipment maintenance	760	761	761	761	82	802	3,927	761	718	1,479	5,406
Vehicle lease	460	460	460	460	114	462	2,416	460	460	920	3,336
Insurance	1,073	1,415	1,322	1,213	224	1,374	6,621	6,023	1,032	7,055	13,676
Licenses and dues	261	38	1,244	28	0	768	2,339	927	28	955	3,294
Office supplies	920	1,161	1,256	1,523	642	1,851	7,353	1,389	539	1,928	9,281
Postage	237	1,409	229	248	71	2,217	4,411	213	6,600	6,813	11,224
Printing and artwork	2,172	0	0	0	0	13,689	15,861	0	14,171	14,171	30,032
Uncollectible pledge	0	0	0	0	0	0	0	0	10,950	10,950	10,950
Professional services	742	42,322	4,621	15,184	638	7,499	71,006	1,690	2,222	3,912	74,918
Rent and facilities	2,261	2,261	2,261	2,261	537	2,344	11,925	8,331	2,179	10,510	22,435
Advertising	1,700	0	0	216	0	2,303	4,219	0	25	25	4,244
Subscriptions/publications	4,063	13,640	2,563	2,563	0	299	23,128	1,014	0	1,014	24,142
Property taxes	1,228	1,228	1,228	1,228	28	1,228	6,168	1,228	1,228	2,456	8,624
Telephone	485	475	475	590	302	726	3,053	550	347	897	3,950
Staff training	415	455	171	1,316	1,244	69	3,670	115	0	115	3,785
Interns	0	0	0	5,912	0	1,085	6,997	150	0	150	7,147
Travel	769	479	941	1,358	175	1,049	4,771	1,466	461	1,927	6,698
Special events	0	0	0	0	0	14,690	14,690	0	625	625	15,315
Accounting	1,690	2,788	2,452	2,151	284	2,669	12,034	2,128	1,501	3,629	15,663
Miscellaneous, meetings	771	3,238	166	787	470	4,629	10,061	1,173	619	1,792	11,853
Electricity	268	268	268	268	64	267	1,403	267	267	534	1,937
Bank fees	2	0	0	19	0	0	21	735	2	737	758
Depreciation	1,930	3,184	2,800	2,457	286	3,049	13,706	2,430	1,714	4,144	17,850
<b>Total expenses</b>	<b>\$ 110,117</b>	<b>\$ 181,674</b>	<b>\$ 159,793</b>	<b>\$ 140,157</b>	<b>\$ 16,299</b>	<b>\$ 173,955</b>	<b>\$ 781,995</b>	<b>\$ 138,635</b>	<b>\$ 97,802</b>	<b>\$ 236,437</b>	<b>\$ 1,018,432</b>

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

VERMONT NATURAL RESOURCES COUNCIL, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

(See Independent Accountant's Review Report)

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.

**Vermont Conservation Voters (VCV)** - To educate Vermonters on environmental issues and how to be active citizens.

**General** - The Council provides general services to protect Vermont's natural resources that aren't specific to one of the above five 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, 2014.

VERMONT NATURAL RESOURCES COUNCIL, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014  
(See Independent Accountant's Review Report)  
(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, 2014 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, 2014  
 (See Independent Accountant's Review Report)  
 (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. The Council's Form 990, Return of Organization Exempt from Income Tax, for the years ended June 30, 2011, 2012, 2013 and 2014 are subject to examination by the IRS, generally for 3 years after they were filed. 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, 2014.

*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, 2014:

Bank balance - all FDIC insured	\$	129,183
Reconciliation items		(16,915)
Total book balance	\$	<u>112,268</u>

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

**NOTE 3 – PLEDGES RECEIVABLE**

At June 30, 2014 pledges receivable were as follows:

Unrestricted - Fund for the Future	\$	<u>2,500</u>
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The pledges are to be received in fiscal year 2015.

VERMONT NATURAL RESOURCES COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(See Independent Accountant's Review Report)

(Continued)

**NOTE 4 – INVESTMENTS**

The cost and fair value at June 30, 2014 is as follows:

	Cost	Fair Value	Fair Value Over (Under) Cost
Bonds	\$ 547,549	\$ 558,899	\$ 11,350
Stocks	1,498,882	1,644,344	145,462
Exchange traded funds	30,560	31,613	1,053
Cash equivalents	115,733	115,733	0
Total	<u>\$2,192,724</u>	<u>\$2,350,589</u>	<u>\$ 157,865</u>

For the year ended June 30, 2014, unrealized losses were \$109,330 for an accumulated unrealized gain of \$157,865.

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, 2014 is as follows:

VCV	\$ 142
Forest:	
Davis - wildlife habitat	10,000
Cox - staying connected	14,429
Sands - community strategies	362
Water:	
Park - defining the public trust	11,529
Energy:	
Block	15,000
Solar project	3,265
Tar sands	1,754
Sustainable Communities:	
Community resilience	406
New England municipal sustainability	2,500
Development:	
Planned giving	8,841
Legal	<u>599,583</u>
	<u>\$ 667,811</u>

VERMONT NATURAL RESOURCES COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(See Independent Accountant's Review Report)

(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, 2014 is as follows:

Endowment	\$ 200,000
Fund for the future	845,404
Albright Fund	60,746
Red Arnold	29,177
Act 250	36,410
Total	<u>\$ 1,171,737</u>

**NOTE 7 – OPERATING LEASES**

In April 2014, the Council entered into an operating lease for a copier. Future minimum lease payments are as follows:

FY 2015	\$ 2,473
FY 2016	2,473
FY 2017	2,473
FY 2018	2,473
FY 2019	1,855
Total	<u>\$ 11,747</u>

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

FY 2015	\$ 891
FY 2016	891
Total	<u>\$ 1,782</u>

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

FY 2015	<u>\$ 2,426</u>
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Lease expense during fiscal year 2014 was \$7,845.

VERMONT NATURAL RESOURCES COUNCIL, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2014  
 (See Independent Accountant's Review Report)  
 (Continued)

**NOTE 8 – LOBBYING EXPENSE**

Lobbying expenses totaling \$11,305 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	\$ 1,894
Forest	4,087
Energy	2,513
Sustainable communities	2,713
General programs	98
Total	\$ 11,305

**NOTE 9 – LINE OF CREDIT**

The Council has a line of credit of \$50,000 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, 2015. No funds have been drawn on that line of credit as of November 5, 2014.

**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, 2014 are as follows:

	General Program
Special events	\$ 10,859

**NOTE 11 – CONCENTRATION**

*Major Donors and Grantor*

The Council had one major donor that accounted for 36% of its total renewals and gifts income. The Council also had one grantor that accounted for 18% of its total grant revenue.

**NOTE 12 – 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 13 – VERMONT LEAGUE OF CONSERVATION VOTERS ACQUISITION**

In July 2013, the Council acquired the assets of Vermont League of Conservation Voters, another non-profit organization. The assets acquired consisted of cash of approximately \$46,000. This amount is recorded as revenue in fiscal year 2014.

VERMONT NATURAL RESOURCES COUNCIL, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014  
(See Independent Accountant's Review Report)  
(Continued)

**NOTE 14 – 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, 2014 were as follows:

	Unrestricted Net Assets
Board-designated endowment net assets, beginning of year	\$ 200,000
Net investment income (expense)	22,499
Expenditures	(22,499)
Board-designated endowment net assets, end of year	\$ 200,000

**NOTE 15 – SUBSEQUENT EVENT**

Management has evaluated subsequent events through November 5, 2014, the date which the financial statements were available for issue.