

**VERMONT ASSOCIATION OF
SNOW TRAVELERS, INC.**

**FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2020
AND
INDEPENDENT AUDITOR'S REPORTS**

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
SEPTEMBER 30, 2021
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2020

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Vermont Association of Snow Travelers, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the Vermont Association of Snow Travelers, Inc. (a Vermont not-for-profit corporation) (VAST), which comprise the Consolidated Statement of Assets, Liabilities and Net Assets - Modified Cash Basis as of September 30, 2021, and the related Consolidated Statement of Revenues, Expenses, and Change in Net Assets - Modified Cash Basis, Consolidated Statement of Cash Flows - Modified Cash Basis, and the Consolidated Statement of Functional Expenses - Modified Cash Basis 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 the modified cash basis of accounting described in note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in these circumstances. Management is also responsible for 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 VAST'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 VAST'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 assets and liabilities arising from cash transactions of the Vermont Association of Snow Travelers, Inc. as of September 30, 2021, and the changes in its revenues and expenses and its cash flows during the year then ended in accordance with the modified cash basis of accounting described in note 1.

Basis of Accounting

We draw attention to note 1.B. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Report on Summarized Comparative Information

We have previously audited Vermont Association of Snow Travelers, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 2, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supporting Schedule of Divisions - Modified Cash Basis (VAST only) is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supporting Schedule of Divisions - Modified Cash Basis (VAST only) is fairly stated in all material respects in relation to the financial statements as a whole.

Montpelier, Vermont
July 18, 2022

Melgett Jennett 9
Shah-Nair, P.C.

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
SEPTEMBER 30, 2021 AND 2020
(Page 1 of 2)

	2021			2020		
	VAST	Snow Trails Conservancy Charitable Trust	VAST Consolidated Total	VAST	Snow Trails Conservancy Charitable Trust	VAST Consolidated Total
ASSETS						
CURRENT:						
Cash and cash equivalents	\$ 3,708,147	\$ 86,873	\$ 3,795,020	\$ 2,985,018	\$ 86,523	\$ 3,071,541
NONCURRENT:						
Property and equipment -						
Land	56,000	-	56,000	56,000	-	56,000
Easements	-	51,390	51,390	-	51,390	51,390
Building	207,128	-	207,128	207,128	-	207,128
Equipment	114,767	-	114,767	105,787	-	105,787
Vehicles	104,869	-	104,869	115,569	-	115,569
Software	56,980	-	56,980	56,980	-	56,980
Total property and equipment (at cost)	539,744	51,390	591,134	541,464	51,390	592,854
Less accumulated depreciation	(342,573)	-	(342,573)	(317,005)	-	(317,005)
Net property, plant and equipment	197,171	51,390	248,561	224,459	51,390	275,849
Stock investment	36,147	-	36,147	31,527	-	31,527
Total assets	\$ 3,941,465	\$ 138,263	\$ 4,079,728	\$ 3,241,004	\$ 137,913	\$ 3,378,917

The notes to financial statements are an integral part of these statements.

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
SEPTEMBER 30, 2021 AND 2020
(Page 2 of 2)

	2021			2020		
	VAST	Snow Trails Conservancy Charitable Trust	VAST Consolidated Total	VAST	Snow Trails Conservancy Charitable Trust	VAST Consolidated Total
LIABILITIES AND NET ASSETS						
LIABILITIES:						
Current liabilities -						
Accrued payroll	\$ -	\$ -	\$ -	\$ 1,751	\$ -	\$ 1,751
Note payable	<u>14,949</u>	<u>-</u>	<u>14,949</u>	<u>15,241</u>	<u>-</u>	<u>15,241</u>
Total current liabilities	14,949	-	14,949	16,992	-	16,992
Noncurrent liabilities -						
Note payable	<u>21,745</u>	<u>-</u>	<u>21,745</u>	<u>37,298</u>	<u>-</u>	<u>37,298</u>
Total liabilities	<u>36,694</u>	<u>-</u>	<u>36,694</u>	<u>54,290</u>	<u>-</u>	<u>54,290</u>
NET ASSETS:						
Without donor restrictions -						
Board designated -						
Trails	3,850,256	-	3,850,256	3,129,305	-	3,129,305
Scholarships	3,276	-	3,276	3,768	-	3,768
Vermont Snow Trails Conservancy Charitable Trust	-	138,263	138,263	-	137,913	137,913
With donor restrictions	<u>51,239</u>	<u>-</u>	<u>51,239</u>	<u>53,641</u>	<u>-</u>	<u>53,641</u>
Total net assets	<u>3,904,771</u>	<u>138,263</u>	<u>4,043,034</u>	<u>3,186,714</u>	<u>137,913</u>	<u>3,324,627</u>
Total liabilities and net assets	\$ <u>3,941,465</u>	\$ <u>138,263</u>	\$ <u>4,079,728</u>	\$ <u>3,241,004</u>	\$ <u>137,913</u>	\$ <u>3,378,917</u>

The notes to financial statements are an integral part of these statements.

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
CONSOLIDATED STATEMENT OF REVENUES, EXPENSES,
AND CHANGE IN NET ASSETS - MODIFIED CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021 WITH COMPARITIVE TOTALS FOR 2020

	2021		2020	
	Without Donor Restrictions	With Donor Restrictions	Consolidated Total	Consolidated Total
REVENUES AND OTHER SUPPORT:				
Grants and donations -				
Project grants	\$ 242,697	\$ -	\$ 242,697	\$ 672,745
Donations	23,638	200	23,838	185,430
Member income -				
Memberships and registrations	3,852,805	-	3,852,805	2,963,657
Promotional and VAST News	44,218	-	44,218	82,204
Annual meeting	1,380	-	1,380	-
Other income -				
Dividends and interest	10,228	-	10,228	15,153
Unrealized gain (loss) on stock	3,074	-	3,074	(12,908)
Equipment and other income	141,797	-	141,797	50,041
Net assets released from restrictions	<u>2,602</u>	<u>(2,602)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>4,322,439</u>	<u>(2,402)</u>	<u>4,320,037</u>	<u>3,956,322</u>
EXPENSES:				
Program services -				
VAST	2,009,454	-	2,009,454	2,133,420
SSTP	765,801	-	765,801	262,896
LVRT	29,269	-	29,269	357,065
Support services -				
Management and general	797,106	-	797,106	795,752
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>	<u>918</u>
Total expenses	<u>3,601,630</u>	<u>-</u>	<u>3,601,630</u>	<u>3,550,051</u>
INCREASE (DECREASE) IN NET ASSETS	720,809	(2,402)	718,407	406,271
NET ASSETS, beginning of year	<u>3,270,986</u>	<u>53,641</u>	<u>3,324,627</u>	<u>2,918,356</u>
NET ASSETS, end of year	<u>\$ 3,991,795</u>	<u>\$ 51,239</u>	<u>\$ 4,043,034</u>	<u>\$ 3,324,627</u>

The notes to financial statements are an integral part of these statements.

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021			2020		
	VAST	Snow Trails Conservancy Charitable Trust	VAST Consolidated Total	VAST	Snow Trails Conservancy Charitable Trust	VAST Consolidated Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Change in net assets	\$ 718,057	\$ 350	\$ 718,407	\$ 411,857	\$ (5,586)	\$ 406,271
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities -						
Depreciation	36,267	-	36,267	37,305	-	37,305
Changes in assets and liabilities:						
Increase (decrease) in accrued payroll	(1,751)	-	(1,751)	1,751	-	1,751
Contribution of stock	-	-	-	(44,435)	-	(44,435)
Unrealized (gain) loss on stock	(3,074)	-	(3,074)	14,031	-	14,031
Dividends and interest reinvested	(1,546)	-	(1,546)	(1,123)	-	(1,123)
Net cash provided (used) by operating activities	<u>747,953</u>	<u>350</u>	<u>748,303</u>	<u>419,386</u>	<u>(5,586)</u>	<u>413,800</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of property and equipment	(8,979)	-	(8,979)	(14,620)	-	(14,620)
Net cash provided (used) by investing activities	<u>(8,979)</u>	<u>-</u>	<u>(8,979)</u>	<u>(14,620)</u>	<u>-</u>	<u>(14,620)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:						
Proceeds from line of credit	-	-	-	70,000	-	70,000
Payments on line of credit	-	-	-	(187,315)	-	(187,315)
Payments on note payable	(15,845)	-	(15,845)	(13,607)	-	(13,607)
Net cash provided (used) by financing activities	<u>(15,845)</u>	<u>-</u>	<u>(15,845)</u>	<u>(130,922)</u>	<u>-</u>	<u>(130,922)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	723,129	350	723,479	273,844	(5,586)	268,258
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,985,018</u>	<u>86,523</u>	<u>3,071,541</u>	<u>2,711,174</u>	<u>92,109</u>	<u>2,803,283</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 3,708,147</u>	<u>\$ 86,873</u>	<u>\$ 3,795,020</u>	<u>\$ 2,985,018</u>	<u>\$ 86,523</u>	<u>\$ 3,071,541</u>

The notes to financial statements are an integral part of these statements.

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

(Page 1 of 2)

	2021								
	Program Activities				Supporting Activities				<u>Total Expenses</u>
	<u>VAST</u>	<u>SSTP</u>	<u>LVRT</u>	<u>Program Subtotals</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Supporting Subtotal</u>		
Salary and benefits	\$ 177,764	\$ -	\$ -	\$ 177,764	\$ 345,072	\$ -	\$ 345,072	\$ 522,836	
Personnel and travel	-	-	396	396	7,903	-	7,903	8,299	
Office	629	10,570	1,076	12,275	208,831	-	208,831	221,106	
General and trail insurance	-	238,638	-	238,638	53,525	-	53,525	292,163	
Administrative and professional fees	-	-	-	-	44,655	-	44,655	44,655	
Media and communications	54,189	-	-	54,189	-	-	-	54,189	
Committees and meetings	-	-	-	-	19,739	-	19,739	19,739	
PR and marketing	-	-	50	50	20,114	-	20,114	20,164	
Government relations	-	-	-	-	61,000	-	61,000	61,000	
Trail expenses	1,929,772	360,693	7,146	2,297,611	-	-	-	2,297,611	
Depreciation	-	-	-	-	36,267	-	36,267	36,267	
LVRT phase 1C	-	-	20,601	20,601	-	-	-	20,601	
Scholarship fund	3,000	-	-	3,000	-	-	-	3,000	
Transfers between functions	<u>(155,900)</u>	<u>155,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total expenses	<u>\$ 2,009,454</u>	<u>\$ 765,801</u>	<u>\$ 29,269</u>	<u>\$ 2,804,524</u>	<u>\$ 797,106</u>	<u>\$ -</u>	<u>\$ 797,106</u>	<u>\$ 3,601,630</u>	

The notes to financial statements are an integral part of these statements.

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

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	2020							
	Program Activities			Supporting Activities				
	<u>VAST</u>	<u>SSTP</u>	<u>LVRT</u>	<u>Program Subtotals</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Supporting Subtotal</u>	<u>Total Expenses</u>
Salary and benefits	\$ 181,265	\$ -	\$ -	\$ 181,265	\$ 351,868	\$ -	\$ 351,868	\$ 533,133
Personnel and travel	-	75	902	977	7,850	-	7,850	8,827
Office	924	10,823	2,958	14,705	123,340	-	123,340	138,045
General and trail insurance	-	5,906	-	5,906	83,791	-	83,791	89,697
Administrative and professional fees	6,469	-	-	6,469	57,125	-	57,125	63,594
Media and communications	77,701	-	-	77,701	-	-	-	77,701
Committees and meetings	35	-	-	35	33,431	-	33,431	33,466
PR and marketing	-	-	2,700	2,700	33,792	918	34,710	37,410
Government relations	-	-	-	-	67,250	-	67,250	67,250
Trail expenses	1,864,026	246,092	38,820	2,148,938	-	-	-	2,148,938
Depreciation	-	-	-	-	37,305	-	37,305	37,305
LVRT phase 1C	-	-	311,685	311,685	-	-	-	311,685
Scholarship fund	3,000	-	-	3,000	-	-	-	3,000
Total expenses	\$ <u>2,133,420</u>	\$ <u>262,896</u>	\$ <u>357,065</u>	\$ <u>2,753,381</u>	\$ <u>795,752</u>	\$ <u>918</u>	\$ <u>796,670</u>	\$ <u>3,550,051</u>

The notes to financial statements are an integral part of these statements.

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

1. Nature of activities and significant accounting policies:

- A. Nature of activities - The Vermont Association of Snow Travelers, Inc. (VAST) is a Vermont based not-for-profit corporation founded in 1967. The purpose of VAST is to coordinate the development, maintenance, and management of Vermont's Statewide Snowmobile Trails System (SSTS) as well as to educate Vermont snowmobilers about the safe, responsible operation of snowmobiles, and the protection of Vermont's environment.

The SSTS is comprised of more than 6,000 miles of interconnected snowmobile trails that extend from the Canadian Border in the north, to the Massachusetts border in the south, and from the New Hampshire border in the east, to the New York border in the west.

As snowmobiling gained in popularity, the State of Vermont started a program called the "Statewide Snowmobile Trails Program" (SSTP) with the goal of developing an SSTS. In 1977 the State decided that it did not have the personnel, or the expertise to manage the SSTP. The State of Vermont sent out a "Request for Proposal" (RFP), for the development, maintenance, and management of the SSTP. VAST submitted a response to the RFP, and ultimately, was awarded a Cooperative Agreement and Partnership with the State of Vermont for the future development, maintenance and management of the SSTP. To this date, Vermont is the only state, of 27 snow-belt states, to operate its snowmobile trails program in partnership with a private not-for-profit corporation.

VAST has consistently grown in all aspects of managing the SSTP since 1977. Budgets have grown over the years, from tens of thousands of dollars, to today, where the total annual VAST budget is around \$6,000,000. Currently, VAST operates three separate programs with their own budgets which at September 30, 2021 consisted of the following:

Statewide Snowmobile Trails Program - Funding for this program comes through the State of Vermont, Agency of Natural Resources, Department of Forests, Parks and Recreation, and is from the following sources:

- a. The revenue collected from the sale of Vermont snowmobile registrations; five dollars of each registration is retained by the State to fund law enforcement. The Department of Forests, Parks and Recreation takes \$11,500 off the top for administrative expenses.
- b. The return of fines and penalties that Vermont collects from citations issued for snowmobile law and rule violations.
- c. Based on a formula defined in Chapter 20, Title 10, Vermont Statutes Annotated, VAST receives an amount annually from the total gas tax collected.

VAST General Program - The major revenue source for this budget is the sale of a trail pass (Trails Maintenance Assessment, or "TMA") required by Vermont law in order to operate a snowmobile on the SSTS. This program also receives grant funding. One source of grant revenue is the National Recreational Trails Program. VAST has other partnerships with federal agencies, like the United States Forest Service and the United States Fish and Wildlife Service that bring in additional revenues. VAST sells advertising in its magazine (published five times annually) for additional program revenue. This program is broken down into three divisions as listed on the following page.

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

1. Nature of activities and significant accounting policies (continued):

A. VAST General Program (continued) -

- a. Administration - This division of the program pays for administrative services for the balance of the program, including all salaries, wages, and fringe benefits paid to VAST staff. The major income sources are a portion of the TMA revenue raised annually and the sale of advertising within Snowmobile Vermont and the VAST website. Snowmobile Vermont is the primary tool for communication with its membership. This program division is also reimbursed for employee wages and benefits that are expended on behalf of other programs of VAST.
- b. Trails - This division of the program is, by far, the largest. VAST runs grant-in-aid programs for local clubs that are paid from this portion of the VAST budget. Grant-in-aid programs include: trail construction; trail maintenance; trail signing; trail debrushing; emergency allocations; grooming equipment; grooming of the SSTS; etc. This division of the program also funds VAST public relations and communications. Major funding for this division comes from the sale of the TMA, as well as grants generated throughout the year.
- c. Scholarships - One tenth of one percent of every VAST TMA goes to help fund this program division. In addition, on July 15, 2019 VAST opened an annuity with Great American Insurance Group in an effort to gain more interest on board designated amounts for scholarships. VAST is no longer affiliated with the Affinity Program with Liberty Mutual Insurance Company. Currently, VAST gives two \$1,500 scholarships annually. The goal is to build the fund until it becomes self-supporting and able to grant two annual \$2,500 scholarships.

Lamoille Valley Rail Trail Program - More than a decade ago VAST started working on a project that today is known as the Lamoille Valley Rail Trail (LVRT). In 1998 the State of Vermont, through three of Vermont's regional planning commissions, developed a request for proposal for the future use of the old Lamoille Valley Railroad. VAST was one of three respondents to the RFP, and ultimately, the proposal from VAST, to create a 93-mile long four-season recreational trail, was selected as the best use of the old railroad. VAST had been using the old rail bed as a part of its SSTS for nearly five years prior to the RFP's issuance. VAST created a committee called the Lamoille Valley Rail Trail Committee (LVRTC) to oversee the development of the project. The LVRTC is comprised of representatives from both motorized and non-motorized recreational vehicle users.

With the help of then-State Representative Bernie Sanders, VAST was successful in receiving a \$5.2 million federal grant for the project. The federal grant requires that VAST contribute a 20% match for the project; at a minimum VAST must provide \$1.4 million to match the federal grant. Currently, it is projected that the total cost to complete the LVRT will be around \$16.8 million and will be funded by federal and state sources. As of September 30, 2021 and 2020 this division had a deficit of \$710,507 and \$670,416, respectively.

On August 10, 2020 Governor Phil Scott and VAST announced that the Legislature approved funding to accelerate the completion of the LVRT which will significantly speed up the timeline for completing this project. VAST has already completed more than 33 miles of the 90 mile trail.

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

1. Nature of activities and significant accounting policies (continued):

A. LVRT Program (continued) -

The State had previously contracted with VAST for construction and maintenance of the LVRT and had relied on assistance from towns along the trail, private donations and VAST's own investment to fulfill those efforts. State funding for the remainder of the construction will ensure this project is finished. Future private donations to VAST for the LVRT will be used for trail maintenance and repairs.

VAST will continue working with the Town of Hardwick to complete a small section of the trail this summer using private donations matched by federal dollars through the Agency of Transportation, as well as re-decking two bridges east of Hardwick using a \$200,000 Northern Border Regional Commission federal grant that matched \$50,000 in local funds raised by Hardwick.

B. Basis of accounting and presentation - The financial statements of VAST have been prepared on the modified cash basis of accounting, which is a special purpose framework other than accounting principles generally accepted in the United States of America (U.S. GAAP). Under that basis, the only assets recognized are cash, a stock investment, property and equipment, and related depreciation. Certificates of deposit with initial maturities of three months or more are recorded as a separate line item in the noncurrent assets. The Organization's stock investment in a single energy company has been recorded as a separate line item in the noncurrent assets. VAST's modified cash basis of accounting also records line of credit draws and accrued payroll as liabilities as well as in-kind contributions as revenue and expense when the activity occurs.

Contributions and other transactions are recognized as either cash receipts or disbursements, and any other noncash transactions are not recognized. VAST's modified cash basis of accounting differs from U.S. GAAP primarily because receivables, and payables are not included as assets and liabilities in the financial statements.

VAST has adopted a financial statement presentation in accordance with the recommendations of the Financial Accounting Standards Board (FASB) as prescribed in financial accounting standards literature. Under financial accounting standards, VAST has reported the modifications to its cash basis of accounting, discussed previously, as well as net assets without donor restrictions and net assets with donor restrictions in accordance with the recommendations of the FASB. VAST had \$51,239 in net assets with donor restrictions at September 30, 2021 that are donor restricted for various sections of the LVRT.

C. Grants and contributions - Grants and contributions are reported as increases in net assets with donor restrictions or net assets without donor restrictions, depending on the nature of any restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Revenues, Expenses, and Change in Net Assets - Modified Cash Basis as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the period in which the support was recognized.

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

1. Nature of activities and significant accounting policies (continued):

- D. Expense recognition and allocation - The expenses of VAST are summarized on a functional and natural classification basis in the Statement of Functional Expenses - Modified Cash Basis and on a divisional basis in the Supporting Schedule of Divisions - Modified Cash Basis (VAST only). Costs common to multiple functions have been allocated among the various functions benefited. Expenses that can be identified with a specific program are charged directly to that program.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of VAST.

- E. Tax status - VAST is incorporated and exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (the Code), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the Code). The tax years ended September 30, 2020, 2019, and 2018 are still open to audit for both federal and state purposes. Contributions to VAST are tax deductible to donors under section 170 of the Code. VAST is not classified as a private foundation.
- F. Cash and cash equivalents - For purposes of financial statement presentation, VAST considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.
- G. Property and equipment - VAST capitalizes and depreciates all property, furniture, and equipment with a cost greater than \$5,000, using the modified accelerated cost recovery system and straight-line methods over 3 to 39 years. Depreciation expense for 2021 and 2020 was \$36,267 and \$37,305, respectively.
- H. Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- I. Advertising and fundraising - VAST expenses advertising and fundraising costs when paid. Advertising expense was \$20,164 and \$36,492 for the years ended September 30, 2021 and 2020, respectively. Fundraising expenses were \$0 and \$918 for the years ended September 30, 2021 and 2020, respectively.
- J. Revenue recognition - Memberships, registrations, grant revenue, and advertising are recognized in the fiscal year in which they are received.
- K. Contributed services - VAST recognizes revenue and expense associated with contributed services in the period the service occurred.
- L. Employee benefit plans - All full-time VAST employees are eligible for participation in a Tax Sheltered Annuity (TSA) retirement account as governed by IRC Code section 403(b). These accounts are owned solely by the VAST employee and participants are fully vested immediately. VAST contributes up to 5 percent of annual gross wages to all participating employees' TSA account as funds are available. VAST also contributes the equivalent amount to wages for every hour of employees' unused personal time at the end of each calendar year. VAST made these contributions for full-time employees in fiscal years 2021 and 2020. Six VAST employees participated in the TSA plan, with a total VAST contribution of \$26,408 and \$23,348

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

1. Nature of activities and significant accounting policies (continued):

L. Employee benefit plans (continued) -

for the years ended September 30, 2021 and 2020, respectively. Employees may also contribute to this same account up to the maximum allowed by law through elective tax deferred contributions.

M. Prior year totals - The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with the modified cash basis of accounting discussed previously, which is a special purpose framework and not U.S. GAAP.

2. Cash:

Custodial credit risk - deposits - Custodial credit risk is the risk that in the event of a bank failure, VAST's deposits may not be returned to it. VAST does not have a deposit policy for custodial credit risk. As of September 30, 2021 and 2020, \$948,347 and \$697,694, respectively, of VAST's bank balances were uninsured and the remaining VAST bank balances were insured or collateralized.

3. Investment in stock:

VAST's investment in a domestic energy stock, stated at fair value (see note 4), at September 30, 2021 and 2020 was \$36,147 and \$31,527, respectively. Interest and dividend income relating to this investment was \$1,546 and \$1,123 for the years ended September 30, 2021 and 2020, respectively. The unrealized gain/(loss) on this stock was \$3,074 and \$(14,031) for the years ended September 30, 2021 and 2020, respectively.

4. Fair value measurements:

VAST is required to report its fair value measurements in one of three levels, which are based on the ability to observe in the marketplace the inputs to VAST's valuation techniques. Level 1, the most observable level of inputs, is for investments measured at quoted prices in active markets for identical products as of September 30, 2021. Level 2 is for investments measured using inputs such as quoted prices for similar assets, quoted prices for the identical asset in inactive markets, and for investments measured at net asset value that can be redeemed in the near term. Level 3 is for investments measured using inputs that are unobservable, and is used in situations for which there is little, if any, market activity for the investment. When available, VAST measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not always available for the assets and liabilities that VAST is required to measure at fair value (for example, in-kind contributions).

The primary uses of fair value measures in VAST's financial statements are for the measurement of a stock investment and in-kind contributions.

The fair value of VAST's stock investment is determined by the closing price on the last business day of the fiscal year as determined by level 1 inputs. VAST does not have any products that use level 2 and level 3 inputs. There were no transfers between levels 1, 2 and 3 during the year. VAST's stock investment is subject to various risks, such as interest rate, credit, and overall market volatility risks.

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

5. Line of credit, loan to Lamoille Valley Rail Trail Program, guarantees:

VAST had a \$750,000 line of credit that expired on January 5, 2021 with variable interest payable monthly at 3.50% or equal to an independent index which is in the *Wall Street Journal* money rate section, whichever is greater. The line is secured by all of VAST's real and personal property. During fiscal year 2020 VAST borrowed \$70,000 and paid off the balance of \$187,314 on this line of credit. Interest paid on this line of credit during fiscal year 2020 was \$1,901.

The VAST membership had approved lending up to \$850,000 towards the Lamoille Valley Rail Trail Program. However, due to the natural disasters in fiscal year 2011, the membership voted to apply \$150,000 of those designated funds towards repairs of the LVRT and \$250,000 towards repairs of the SSTS. During fiscal year 2018 the Board approved loaning the LVRT Program additional funds to pay down a line of credit and legal fees totaling \$401,331. As of September 30, 2021 and 2020, VAST had loaned \$851,331 to the LVRT Program.

The table below details loans to local snowmobile clubs that VAST has guaranteed. These loans are guaranteed by substantially all real and personal property of VAST in the event payment is not made by the local snowmobile club.

Club Name	Interest Rate	Maturity	Loan Amount	9/30/21 Balance
Mountain Tamers, Inc.	6.50%	6/1/2022	\$ 65,000	\$ 10,285
Derry Sled Dogs, Inc.	5.25%	6/1/2022	20,000	4,323
Mount Holly Snowflyers, Inc.	6.25%	6/1/2023	48,158	20,550
Shaftsbury Snow Pilots	6.50%	6/1/2023	35,000	14,535
Coles Pond Sledders, Inc.	6.00%	6/1/2024	48,140	24,915
East Montpelier Gully Jumpers, Inc.	6.375%	6/1/2025	58,500	40,359
Tri-Town Travelers, Inc.	4.25%	6/1/2025	22,200	18,117
Topsham Ridge Runners	4.75%	6/1/2025	45,000	34,227
			\$ <u>341,998</u>	\$ <u>167,311</u>

As of July 18, 2022, VAST has not had to make any payments on the above loan(s) on behalf of the clubs.

6. Long-term debt:

In August 2017 VAST purchased a truck for \$40,016. \$37,016 of this amount was financed with a five-year 4.99% note payable with monthly principal and interest payments of \$700, beginning October 2017. In July 2020 VAST purchased a truck for \$49,733. \$44,733 of this amount was financed with a six-year 0% note with monthly principal payments of \$621, beginning September 2020. Future principal and interest payments are detailed on the following page.

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

6. Long-term debt (continued):

	<u>Principal</u>	<u>Interest</u>
Year ending September 30,		
2022	\$ 14,949	\$ 214
2023	7,456	-
2024	7,456	-
2025	<u>6,833</u>	<u>-</u>
	\$ <u>36,694</u>	\$ <u>214</u>

7. Vermont Snow Trails Conservancy Charitable Trust:

VAST donated \$25,000 at the end of fiscal year 2010 and \$150,000 during fiscal year 2011 to the Vermont Snow Trails Conservancy Charitable Trust (the Trust) for the purpose of furthering VAST through development of winter recreational snow trails in the State of Vermont by purchasing, leasing, or otherwise acquiring new land for use as trails. Because VAST holds control of the Trust through a majority voting interest in the board, and an economic interest in the Trust (which is fully funded by VAST), the Trust is included in the VAST consolidated financial statements. The Trust was created during the year ended September 30, 2010.

8. American Outdoor Risk Retention Group:

As of July 18, 2022 VAST is in the approval process with the State of Vermont to form the American Outdoor Risk Retention Group (RRG) which will be a separate insurance company controlled by VAST with no less than a 51% ownership interest. Management estimates that approval of this RRG will be received sometime in August or September of 2022. Once approval is received for this RRG VAST is planning to open a \$1.25 million line of credit to cover any claims and continue paying an annual amount to the RRG in place of its current trail liability insurance to fund any claims. In August 2021 VAST paid \$238,638 for trail liability insurance coverage for the year ending September 30, 2022. VAST management estimates that an RRG would reduce this annual cost for trail liability insurance to around \$150,000. With an RRG VAST would have the option on which types of insurance policies it will enter into and has the ability to develop policies through the RRG that would cover organizations besides VAST. Lastly, with an RRG VAST will be able to hire it's own legal council that specializes in defending the snowmobile industry. In the event there are no or few claims during a coverage period, dividends could be paid out by the RRG to the policy holder(s) if VAST elects to provide coverage to other organizations.

9. Commitments, contingencies and subsequent events:

Economic dependency - VAST receives a significant portion of its revenue from the U.S. Department of Transportation passed through the State of Vermont for contracted services performed on the Lamoille Valley Rail Trail and the Vermont Agency of Natural Resources for the Statewide Snowmobile Trail Program. A significant reduction of this revenue and support would have a significant effect on VAST's programs and activities. Additionally, a significant amount of VAST revenue is from memberships and registrations from in-state and out-of-state snowmobilers which tie directly to the amount of snowfall each year.

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

9. Commitments, contingencies and subsequent events (continued):

Grants - VAST receives significant financial assistance from the U.S. Government and the State of Vermont. Entitlement to these resources is generally based on compliance with terms and conditions of grant agreements and any applicable federal or state regulations, including but not limited to the expenditures of resources for eligible purposes. Substantially all of the grants are subject to financial and compliance audits by the grantors. Any disallowance as a result of these audits becomes a liability to VAST. As of September 30, 2021, VAST management estimates that no material liabilities will result from such audits.

Risk management - VAST is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. VAST maintains commercial insurance coverage for each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to VAST.

Subsequent events - VAST's management has evaluated subsequent events through July 18, 2022 which is the date the financial statements were available for issuance.

10. Annuity:

In June of 2019 VAST transferred board designated cash relating to scholarships of \$218,377 into a fixed-indexed annuity. The cash surrender value of this annuity at September 30, 2021 was \$223,622. Under the terms of this annuity VAST can withdraw up to 10% of the account value on the most recent contract anniversary penalty-free. Early withdrawal fees end after five years of account opening. The value of this annuity has been excluded from VAST's financial statements since VAST reports on a modified cash basis of accounting that does not record fixed-indexed annuities.

11. Liquidity and availability:

VAST regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment in its available funds. VAST has various sources of liquidity at its disposal, including cash and cash equivalents, grants and other receivables, and investment funds.

For purposes of analyzing resources available to meet general expenses over a twelve month period, VAST considers all expenses related to its ongoing activities of program services as well as the conduct of services undertaken to support those activities to be general expenses.

In addition to financial assets available to meet general expenses over the next twelve months, VAST operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenses not covered by donor restricted resources.

As of September 30, 2021, the table on the following page shows the total financial assets held by VAST and the amounts of those financial assets which could readily be made available within one year of the Consolidated Statement of Assets, Liabilities and Net Assets - Modified Cash Basis to meet general expenses.

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

11. Liquidity and availability (continued):

Cash and cash equivalents	\$ 3,708,147
Cash surrender value of annuity	<u>223,622</u>
	3,931,769
Less amounts not available to meet general expenses in the next 12 months:	
Net assets required for current debt service	<u>(14,949)</u>
Total assets available to meet general expenses in the next twelve months	\$ <u><u>3,916,820</u></u>

12. In-kind contributions:

VAST occasionally receives in-kind contributions from individuals and organizations. Goods and services, including program costs, and general and administrative expenses, are included in the financial statements at fair value at the time of the contribution. The amount of in-kind revenue recognized during the fiscal years ended September 30, 2021 and 2020 was \$0.

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
SUPPORTING SCHEDULE OF DIVISIONS - MODIFIED CASH BASIS (VAST ONLY)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>VAST</u>	<u>SSTP</u>	<u>LVRT</u>	<u>Total</u>	<u>Reclassifications and Eliminations</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT:						
Grants and donations -						
Project grants	\$ 188,132	\$ -	\$ 54,565	\$ 242,697	\$ -	\$ 242,697
Donations	1,473	-	19,690	21,163	-	21,163
Member income -						
Memberships and registrations	2,847,469	1,005,336	-	3,852,805	-	3,852,805
Promotional and VAST News	44,218	-	-	44,218	-	44,218
Annual meeting	1,380	-	-	1,380	-	1,380
Other income -						
Administrative and payroll reimbursement	135,638	-	-	135,638	(135,638)	-
Dividends and interest	10,173	-	5	10,178	-	10,178
Unrealized gain (loss) on stock	3,074	-	-	3,074	-	3,074
Equipment and other income	<u>143,799</u>	<u>4,000</u>	<u>-</u>	<u>147,799</u>	<u>(6,000)</u>	<u>141,799</u>
Total revenues and other support	<u>3,375,356</u>	<u>1,009,336</u>	<u>74,260</u>	<u>4,458,952</u>	<u>(141,638)</u>	<u>4,317,314</u>
EXPENSES:						
Salary and benefits	522,836	-	-	522,836	-	522,836
Personnel and travel	7,903	-	396	8,299	-	8,299
Office	209,460	16,570	1,076	227,106	(6,000)	221,106
General and trail insurance	52,733	238,638	-	291,371	-	291,371
Administrative and professional fees	32,674	141,138	4,900	178,712	(135,638)	43,074
Media and communications	54,189	-	-	54,189	-	54,189
Committees and meetings	19,739	-	-	19,739	-	19,739
PR and marketing	20,114	-	50	20,164	-	20,164
Government relations	61,000	-	-	61,000	-	61,000
Trail expenses	1,929,772	360,693	7,146	2,297,611	-	2,297,611
Depreciation	33,243	3,024	-	36,267	-	36,267

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
SUPPORTING SCHEDULE OF DIVISIONS - MODIFIED CASH BASIS (VAST ONLY)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>VAST</u>	<u>SSTP</u>	<u>LVRT</u>	<u>Total</u>	<u>Reclassifications and Eliminations</u>	<u>Total</u>
EXPENSES (CONTINUED):						
LVRT phase 1C	-	-	20,601	20,601	-	20,601
Scholarship fund	3,000	-	-	3,000	-	3,000
Transfers between functions	<u>(155,900)</u>	<u>155,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>2,790,763</u>	<u>915,963</u>	<u>34,169</u>	<u>3,740,895</u>	<u>(141,638)</u>	<u>3,599,257</u>
INCREASE (DECREASE) IN NET ASSETS	584,593	93,373	40,091	718,057	-	718,057
NET ASSETS, beginning of year	<u>3,840,761</u>	<u>56,460</u>	<u>(710,507)</u>	<u>3,186,714</u>	<u>-</u>	<u>3,186,714</u>
NET ASSETS, end of year	\$ <u>4,425,354</u>	\$ <u>149,833</u>	\$ <u>(670,416)</u>	\$ <u>3,904,771</u>	\$ <u>-</u>	\$ <u>3,904,771</u>