

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

**CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2021
AND
INDEPENDENT AUDITOR'S REPORTS**

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
SEPTEMBER 30, 2022
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of the Vermont Association of Snow Travelers, Inc. (VAST), which comprise the Consolidated Statement of Assets, Liabilities and Net Assets - Modified Cash Basis as of September 30, 2022, 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 Consolidated Statements of Functional Expenses - Modified Cash Basis for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of VAST as of September 30, 2022, and its cash receipts, disbursements and functional disbursements during the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of VAST and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 1 of the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared on a 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.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the consolidated financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a

higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 VAST's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about VAST's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited VAST's September 30, 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated July 18, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Supporting Schedule of Divisions – Modified Cash Basis (VAST only) for the year ended September 30, 2022 is presented for purposes of additional analysis and is not a required consolidated financial statement. 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information, for the year ended September 30, 2022, is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Melgett Bennett
Shah-Nair, P.L.

Montpelier, Vermont
July 7, 2023

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
SEPTEMBER 30, 2022 AND 2021
(Page 1 of 2)

	2022			2021		
	VAST	Snow Trails Conservancy Charitable Trust	VAST Consolidated Total	VAST	Snow Trails Conservancy Charitable Trust	VAST Consolidated Total
ASSETS						
CURRENT:						
Cash and cash equivalents	\$ <u>3,052,289</u>	\$ <u>85,680</u>	\$ <u>3,137,969</u>	\$ <u>3,708,147</u>	\$ <u>86,873</u>	\$ <u>3,795,020</u>
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	120,687	-	120,687	114,767	-	114,767
Vehicles	104,869	-	104,869	104,869	-	104,869
Software	<u>56,980</u>	<u>-</u>	<u>56,980</u>	<u>56,980</u>	<u>-</u>	<u>56,980</u>
Total property and equipment (at cost)	545,664	51,390	597,054	539,744	51,390	591,134
Less accumulated depreciation	<u>(364,725)</u>	<u>-</u>	<u>(364,725)</u>	<u>(342,573)</u>	<u>-</u>	<u>(342,573)</u>
Net property, plant and equipment	<u>180,939</u>	<u>51,390</u>	<u>232,329</u>	<u>197,171</u>	<u>51,390</u>	<u>248,561</u>
Certificates of deposit (Note 5)	1,250,863	-	1,250,863	-	-	-
Stock investment	<u>34,234</u>	<u>-</u>	<u>34,234</u>	<u>36,147</u>	<u>-</u>	<u>36,147</u>
Total assets	\$ <u>4,518,325</u>	\$ <u>137,070</u>	\$ <u>4,655,395</u>	\$ <u>3,941,465</u>	\$ <u>138,263</u>	\$ <u>4,079,728</u>

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, 2022 AND 2021
(Page 2 of 2)

	2022			2021		
	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 -						
Note payable	\$ <u>7,456</u>	\$ <u>-</u>	\$ <u>7,456</u>	\$ <u>14,949</u>	\$ <u>-</u>	\$ <u>14,949</u>
Noncurrent liabilities -						
Note payable	<u>13,668</u>	<u>-</u>	<u>13,668</u>	<u>21,745</u>	<u>-</u>	<u>21,745</u>
Total liabilities	<u>21,124</u>	<u>-</u>	<u>21,124</u>	<u>36,694</u>	<u>-</u>	<u>36,694</u>
NET ASSETS:						
Without donor restrictions -						
Undesignated	869,595	-	869,595	1,453,242	-	1,453,242
Property and equipment, net	159,815	51,390	211,205	160,477	51,390	211,867
Board designated -						
Trails	1,709,785	-	1,709,785	2,146,351	-	2,146,351
Scholarships	3,025	-	3,025	3,276	-	3,276
Building reserve	31,343	-	31,343	51,308	-	51,308
Equipment reserve	24,435	-	24,435	38,878	-	38,878
Self insurance	1,640,026	-	1,640,026	-	-	-
Vermont Snow Trails Conservancy						
Charitable Trust	44,650	85,680	130,330	-	86,873	86,873
With donor restrictions	<u>14,527</u>	<u>-</u>	<u>14,527</u>	<u>51,239</u>	<u>-</u>	<u>51,239</u>
Total net assets	<u>4,497,201</u>	<u>137,070</u>	<u>4,634,271</u>	<u>3,904,771</u>	<u>138,263</u>	<u>4,043,034</u>
Total liabilities and net assets	\$ <u>4,518,325</u>	\$ <u>137,070</u>	\$ <u>4,655,395</u>	\$ <u>3,941,465</u>	\$ <u>138,263</u>	\$ <u>4,079,728</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, 2022 WITH COMPARITIVE TOTALS FOR 2021

	2022		2021	
	Without Donor Restrictions	With Donor Restrictions	Consolidated Total	Consolidated Total
REVENUES AND OTHER SUPPORT:				
Grants and donations -				
Project grants	\$ 111,647	\$ -	\$ 111,647	\$ 242,697
Donations	4,560	9,423	13,983	23,838
Member income -				
Memberships and registrations	3,334,312	-	3,334,312	3,852,805
Promotional and VAST News	62,043	-	62,043	44,218
Annual meeting	-	-	-	1,380
Other income -				
Interest and dividends	10,913	-	10,913	10,228
Unrealized gain (loss)	(1,913)	-	(1,913)	3,074
Equipment and other income	147,867	-	147,867	141,797
Net assets released from restrictions	<u>46,135</u>	<u>(46,135)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>3,715,564</u>	<u>(36,712)</u>	<u>3,678,852</u>	<u>4,320,037</u>
EXPENSES:				
Program services -				
VAST	1,627,530	-	1,627,530	2,009,454
SSTP	461,057	-	461,057	765,801
LVRT	48,526	-	48,526	29,269
Support services -				
Management and general	<u>950,502</u>	<u>-</u>	<u>950,502</u>	<u>797,106</u>
Total expenses	<u>3,087,615</u>	<u>-</u>	<u>3,087,615</u>	<u>3,601,630</u>
INCREASE (DECREASE) IN NET ASSETS	627,949	(36,712)	591,237	718,407
NET ASSETS, beginning of year	<u>3,991,795</u>	<u>51,239</u>	<u>4,043,034</u>	<u>3,324,627</u>
NET ASSETS, end of year	<u>\$ 4,619,744</u>	<u>\$ 14,527</u>	<u>\$ 4,634,271</u>	<u>\$ 4,043,034</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, 2022 AND 2021

	2022			2021		
	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	\$ 592,430	\$ (1,193)	\$ 591,237	\$ 718,057	\$ 350	\$ 718,407
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities -						
Depreciation	33,769	-	33,769	36,267	-	36,267
Changes in assets and liabilities:						
Increase (decrease) in accrued payroll	-	-	-	(1,751)	-	(1,751)
Unrealized (gain) loss on stock	1,913	-	1,913	(3,074)	-	(3,074)
Dividends and interest reinvested	(863)	-	(863)	(1,546)	-	(1,546)
Net cash provided (used) by operating activities	627,249	(1,193)	626,056	747,953	350	748,303
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of certificates of deposit	(1,250,000)	-	(1,250,000)	-	-	-
Purchase of equipment and improvements	(17,537)	-	(17,537)	(8,979)	-	(8,979)
Net cash provided (used) by investing activities	(1,267,537)	-	(1,267,537)	(8,979)	-	(8,979)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Payments on note payable	(15,570)	-	(15,570)	(15,845)	-	(15,845)
Net cash provided (used) by financing activities	(15,570)	-	(15,570)	(15,845)	-	(15,845)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(655,858)	(1,193)	(657,051)	723,129	350	723,479
CASH AND CASH EQUIVALENTS, beginning of year	3,708,147	86,873	3,795,020	2,985,018	86,523	3,071,541
CASH AND CASH EQUIVALENTS, end of year	\$ 3,052,289	\$ 85,680	\$ 3,137,969	\$ 3,708,147	\$ 86,873	\$ 3,795,020
Supplemental data:						
Interest paid	\$ 193	\$ -	\$ 193	\$ 629	\$ -	\$ 629

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, 2022 AND 2021

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2022

	Program Activities			Supporting Activities			Total Expenses	
	VAST	SSTP	LVRT	Program Subtotals	Management and General	Fundraising		Supporting Subtotal
Salary and benefits	\$ 178,443	\$ -	\$ -	\$ 178,443	\$ 346,388	\$ -	\$ 346,388	\$ 524,831
Personnel and travel	-	-	354	354	21,483	-	21,483	21,837
Office	193	6,500	2,029	8,722	249,224	-	249,224	257,946
General and trail insurance	-	-	-	-	88,786	-	88,786	88,786
Administrative and professional fees	-	-	-	-	94,266	-	94,266	94,266
Media and communications	72,775	-	-	72,775	-	-	-	72,775
Committees and meetings	-	-	-	-	21,550	-	21,550	21,550
PR and marketing	-	-	8	8	32,742	-	32,742	32,750
Government relations	-	-	-	-	62,162	-	62,162	62,162
Trail expenses	1,612,259	215,417	46,135	1,873,811	-	-	-	1,873,811
Depreciation	-	-	-	-	33,769	-	33,769	33,769
Scholarship fund	3,000	-	-	3,000	-	-	-	3,000
Transfers between functions	(239,140)	239,140	-	-	-	-	-	-
Miscellaneous	-	-	-	-	132	-	132	132
Total expenses	\$ <u>1,627,530</u>	\$ <u>461,057</u>	\$ <u>48,526</u>	\$ <u>2,137,113</u>	\$ <u>950,502</u>	\$ <u>-</u>	\$ <u>950,502</u>	\$ <u>3,087,615</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, 2022 AND 2021

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	2021							
	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	\$ 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.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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 \$4,600,000. Currently, VAST operates three separate programs with their own budgets which at September 30, 2022 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, 2022 AND 2021

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 debrising; 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, 2022 and 2021 this division had a deficit of \$709,517 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, 2022 AND 2021

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.

During the year ended September 30, 2022 VAST completed a small section of the Hardwick section of the LVRT 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.

In December of 2022 VAST and the Agency of Transportation entered into a no payment lease agreement beginning July 1, 2022 and ending on June 30, 2023 for VAST to operate and maintain the LVRT as a snowmobile trail from December 16 through April 15 with maintenance and other winter trail related work to commence no sooner than November 12th and end no later than May 1st. Under this agreement VAST is required to coordinate any major maintenance and repair projects, such as bridge decks, brush cutting, and other repairs with the Agency of Transportation.

- 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 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 \$14,527 and \$51,239 in net assets with donor restrictions at September 30, 2022 and 2021, respectively, that are donor restricted for maintenance and various sections of the LVRT.

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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

- 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.
- 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, 2021, 2020, and 2019 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 2022 and 2021 was \$33,769 and \$36,267, 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 \$32,750 and \$20,164 for the years ended September 30, 2022 and 2021, respectively. Fundraising expenses was \$0 for the years ended September 30, 2022 and 2021.
- 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.

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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

- L. Employee benefit plans - On January 1, 2022 VAST closed out its Tax Sheltered Annuity (TSA) retirement plan with Mass Mutual Annuity and opened a 401K plan retirement and ROTH IRA plan with Guideline. This was due to Mass Mutual phasing out its Annuity 403(b) plans. All VAST employees, full time, seasonal and part time are eligible for participation in a 401K retirement plan through Guideline. 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' 401K 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 2022 and 2021. Six VAST employees and one seasonal employee participated in the 401K plan, with a total VAST contribution of \$18,392 and \$26,408. 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, 2022 and 2021, \$580,979 and \$948,347, respectively, of VAST's bank balances were uninsured and uncollateralized 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, 2022 and 2021 was \$34,234 and \$36,147, respectively. Interest and dividend income relating to this investment was \$1,622 and \$1,546 for the years ended September 30, 2022 and 2021, respectively. The unrealized gain/(loss) on this stock was \$(1,913) and \$3,074 for the years ended September 30, 2022 and 2021, 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, 2022. 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.

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

4. Fair value measurements (continued):

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.

5. Promissory note, loan to Lamoille Valley Rail Trail Program, and guarantees:

On July 20, 2022 VAST entered into a \$1,250,000 promissory note (see Note 8) maturing July 20, 2023 with variable interest payable monthly at 3.25% or equal to an independent index which is in the *Wall Street Journal* money rate section, whichever is greater. This note is secured by VAST's certificate of deposit which had a balance of \$1,250,863 at September 30, 2022. As of the date of this report VAST has not drawn on this note.

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, 2022 and 2021, 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	9/30/22 Balance
Mount Holly Snowflyers, Inc.	6.25%	6/1/2023	\$ 48,158	\$ 10,566
Shaftsbury Snow Pilots	6.50%	6/1/2023	35,000	7,481
Coles Pond Sledgers, Inc.	6.00%	6/1/2024	48,140	15,178
East Montpelier Gully Jumpers, Inc.	6.375%	6/1/2025	58,500	31,258
Tri-Town Travelers, Inc.	4.25%	6/1/2025	22,200	13,873
Topsham Ridge Runners	4.75%	6/1/2025	45,000	25,744
			<u>\$ 256,998</u>	<u>\$ 104,100</u>

As of July 7, 2023 VAST has not had to make any payments on the above loan(s) on behalf of the clubs.

6. Long-term debt:

In July 2019 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 2019. Future principal payments are detailed on the following page.

**VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

6. Long-term debt (continued):

Year ending September 30,	<u>Principal</u>
2023	\$ 7,456
2024	7,456
2025	<u>6,212</u>
	\$ <u>21,124</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:

On June 30, 2022 VAST formed the American Outdoors Risk Retention Group, Inc. (AORRG), a Vermont domestic profit corporation, after receiving approval from the Vermont Department of Financial Regulation and Vermont Secretary of State. The purpose of the AORRG is to engage in the business of insuring and reinsuring various types of risk and to carry on and conduct any other lawful business or activity permitted to insurance companies under Vermont law. As of September 30, 2022 VAST was the sole shareholder and AORRG was included in the VAST consolidated financial statements. As a condition of being a shareholder VAST is required to make a capital contribution in an amount of no less than \$1,000,000 to the AORRG. To satisfy this requirement VAST opened \$1,250,000 in certificates of deposit (which totaled \$1,250,863 at September 30, 2022) as collateral for a \$1,250,000 promissory note taken out by the AORRG. Additionally, the AORRG had cash of \$354,434 at September 30, 2022 which was contributed by VAST. No claims were received by the AORRG during the year ended September 30, 2022 and the AORRG did not borrow on its promissory note during the year.

9. Commitments, contingencies and subsequent events:

Economic dependency - VAST receives a significant portion of its revenue from 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.

Grants - VAST receives significant financial assistance from 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

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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

as a result of these audits becomes a liability to VAST. As of September 30, 2022, 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 7, 2023 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, 2022 and 2021 was \$225,770 and \$223,622, respectively. 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 five years after account opening. VAST has not deposited or withdrawn any amounts from this annuity since it was opened in June of 2019. 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, 2022 and 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, 2022 AND 2021

11. Liquidity and availability (continued):

	2022	2021
Cash and cash equivalents	\$ 3,052,289	\$ 3,708,147
Investment in stock	34,234	36,147
Cash surrender value of annuity	225,770	223,622
	3,312,293	3,967,916
Less amounts not available to meet general expenses:		
Donor restricted donations for the LVRT	(14,527)	(51,239)
Board designated amounts	(2,202,401)	(2,239,813)
Total assets available to meet general expenses in the next twelve months	\$ 1,095,365	\$ 1,676,864

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, 2022 and 2021 was \$0.

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
SUPPORTING SCHEDULE OF DIVISIONS - MODIFIED CASH BASIS (VAST ONLY)
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<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	\$ 111,647	\$ -	\$ -	\$ 111,647	\$ -	\$ 111,647
Donations	4,560	-	9,423	13,983	-	13,983
Member income -						
Memberships and registrations	2,793,070	541,242	-	3,334,312	-	3,334,312
Promotional and VAST News	62,043	-	-	62,043	-	62,043
Other income -						
Administrative and payroll reimbursement	139,386	-	-	139,386	(139,386)	-
Interest and dividends	10,854	-	-	10,854	-	10,854
Unrealized gain (loss)	(1,913)	-	-	(1,913)	-	(1,913)
Equipment and other income	<u>153,867</u>	<u>-</u>	<u>-</u>	<u>153,867</u>	<u>(6,000)</u>	<u>147,867</u>
Total revenues and other support	<u>3,273,514</u>	<u>541,242</u>	<u>9,423</u>	<u>3,824,179</u>	<u>(145,386)</u>	<u>3,678,793</u>
EXPENSES:						
Salary and benefits	524,831	-	-	524,831	-	524,831
Personnel and travel	21,483	-	354	21,837	-	21,837
Office	249,417	12,500	2,029	263,946	(6,000)	257,946
General and trail insurance	87,968	-	-	87,968	-	87,968
Administrative and professional fees	93,331	139,886	-	233,217	(139,386)	93,831
Media and communications	72,775	-	-	72,775	-	72,775
Committees and meetings	21,550	-	-	21,550	-	21,550
PR and marketing	32,744	-	6	32,750	-	32,750
Government relations	62,162	-	-	62,162	-	62,162
Trail expenses	1,612,259	215,417	46,135	1,873,811	-	1,873,811
Depreciation	30,745	3,024	-	33,769	-	33,769

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
SUPPORTING SCHEDULE OF DIVISIONS - MODIFIED CASH BASIS (VAST ONLY)
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>VAST</u>	<u>SSTP</u>	<u>LVRT</u>	<u>Total</u>	<u>Reclassifications and Eliminations</u>	<u>Total</u>
EXPENSES (CONTINUED):						
Scholarship fund	3,000	-	-	3,000	-	3,000
Transfers between functions	(239,140)	239,140	-	-	-	-
Miscellaneous	<u>133</u>	<u>-</u>	<u>-</u>	<u>133</u>	<u>-</u>	<u>133</u>
Total expenses	<u>2,573,258</u>	<u>609,967</u>	<u>48,524</u>	<u>3,231,749</u>	<u>(145,386)</u>	<u>3,086,363</u>
INCREASE (DECREASE) IN NET ASSETS	700,256	(68,725)	(39,101)	592,430	-	592,430
NET ASSETS, beginning 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>
NET ASSETS, end of year	\$ <u>5,125,610</u>	\$ <u>81,108</u>	\$ <u>(709,517)</u>	\$ <u>4,497,201</u>	\$ <u>-</u>	\$ <u>4,497,201</u>