

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

**FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2016
AND
INDEPENDENT AUDITOR'S REPORTS**

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
SEPTEMBER 30, 2017
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2016

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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), which comprise the Consolidated Statement of Assets, Liabilities and Net Assets - Modified Cash Basis as of September 30, 2017, and the related Consolidated Statement of Revenues, Expenses, and Change in Net Assets - Modified Cash Basis and the Consolidated Statement of Cash Flows - 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 the 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 the entity'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 entity'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,

2017, 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 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016 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 Schedule of Functional Expenses - Modified Cash Basis (VAST only), Supporting Schedule of Programs - Modified Cash Basis (VAST only), and the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are 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 Schedule of Functional Expenses - Modified Cash Basis (VAST only), Supporting Schedule of Programs - Modified Cash Basis (VAST only), and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2018 on our consideration of Vermont Association of Snow Travelers, Inc.'s internal control over financial reporting; on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and on other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Vermont Association of Snow Travelers, Inc.'s internal control over financial reporting and compliance.

Montpelier, Vermont
June 19, 2018

*Madgett, Kenneth &
Hugh Wisner, P.C.*

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
SEPTEMBER 30, 2017 AND 2016

(Page 1 of 2)

	2017			2016		
	VAST	Snow Trails Conservancy Charitable Trust	VAST Consolidated Total	VAST	Snow Trails Conservancy Charitable Trust	VAST Consolidated Total
ASSETS						
CURRENT:						
Cash and cash equivalents	\$ 3,029,614	\$ 92,226	\$ 3,121,840	\$ 2,683,316	\$ 94,902	\$ 2,778,218
Certificates of deposit	-	-	-	12,281	-	12,281
Total current assets	3,029,614	92,226	3,121,840	2,695,597	94,902	2,790,499
NONCURRENT:						
Property and equipment:						
Land	56,000	-	56,000	56,000	-	56,000
Easements	-	51,390	51,390	-	51,390	51,390
Building	180,228	-	180,228	170,189	-	170,189
Equipment	119,871	-	119,871	98,596	-	98,596
Vehicles	73,044	-	73,044	33,028	-	33,028
Software	56,980	-	56,980	54,380	-	54,380
Total property and equipment (at cost)	486,123	51,390	537,513	412,193	51,390	463,583
Less accumulated depreciation	(249,902)	-	(249,902)	(218,815)	-	(218,815)
Net property, plant and equipment	236,221	51,390	287,611	193,378	51,390	244,768
Certificates of deposit	253,504	-	253,504	246,762	-	246,762
Total assets	\$ 3,519,339	\$ 143,616	\$ 3,662,955	\$ 3,135,737	\$ 146,292	\$ 3,282,029

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, 2017 AND 2016

(Page 2 of 2)

	2017			2016		
	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 -						
Line of credit	\$ 508,698	\$ -	\$ 508,698	\$ 243,197	\$ -	\$ 243,197
Note payable	<u>6,156</u>	<u>-</u>	<u>6,156</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>514,854</u>	<u>-</u>	<u>514,854</u>	<u>243,197</u>	<u>-</u>	<u>243,197</u>
Noncurrent liabilities -						
Note payable	<u>30,316</u>	<u>-</u>	<u>30,316</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>545,170</u>	<u>-</u>	<u>545,170</u>	<u>243,197</u>	<u>-</u>	<u>243,197</u>
NET ASSETS:						
Unrestricted -						
Designated -						
Trails	2,764,396	-	2,764,396	2,689,736	-	2,689,736
Scholarships	209,773	-	209,773	202,804	-	202,804
Vermont Snow Trails Conservancy Charitable Trust	<u>-</u>	<u>143,616</u>	<u>143,616</u>	<u>-</u>	<u>146,292</u>	<u>146,292</u>
Total net assets	<u>2,974,169</u>	<u>143,616</u>	<u>3,117,785</u>	<u>2,892,540</u>	<u>146,292</u>	<u>3,038,832</u>
Total liabilities and net assets	\$ <u>3,519,339</u>	\$ <u>143,616</u>	\$ <u>3,662,955</u>	\$ <u>3,135,737</u>	\$ <u>146,292</u>	\$ <u>3,282,029</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, 2017 WITH COMPARITIVE TOTALS FOR 2016

	2017			2016		
	VAST <u>Unrestricted</u>	Snow Trails Conservancy Charitable Trust <u>Unrestricted</u>	Consolidated <u>Total</u>	VAST <u>Unrestricted</u>	Snow Trails Conservancy Charitable Trust <u>Unrestricted</u>	Consolidated <u>Total</u>
REVENUES AND OTHER SUPPORT:						
Grants and donations -						
Project grants	\$ 972,743	\$ -	\$ 972,743	\$ 1,147,300	\$ -	\$ 1,147,300
Donations	81,983	570	82,553	17,372	105	17,477
In-kind services	2,578	-	2,578	17,546	-	17,546
Member income -						
Memberships and registrations	2,859,440	-	2,859,440	2,114,256	-	2,114,256
Promotional and VAST News	99,464	-	99,464	118,377	-	118,377
Annual meeting	2,345	-	2,345	3,407	-	3,407
Other income -						
Interest income	11,057	145	11,202	8,944	157	9,101
Equipment and other income	50,073	-	50,073	189,236	-	189,236
Total revenues and other support	<u>4,079,683</u>	<u>715</u>	<u>4,080,398</u>	<u>3,616,438</u>	<u>262</u>	<u>3,616,700</u>
EXPENSES:						
Program services -						
VAST general	1,827,954	-	1,827,954	1,841,995	-	1,841,995
Statewide snowmobile trails	379,452	-	379,452	425,954	-	425,954
Lamoille Valley Rail Trail	1,018,480	-	1,018,480	819,857	-	819,857
Support services -						
Management and general	706,247	3,391	709,638	623,355	2,456	625,811
Fundraising	65,921	-	65,921	4,418	-	4,418
Total expenses	<u>3,998,054</u>	<u>3,391</u>	<u>4,001,445</u>	<u>3,715,579</u>	<u>2,456</u>	<u>3,718,035</u>
INCREASE (DECREASE)						
IN NET ASSETS	81,629	(2,676)	78,953	(99,141)	(2,194)	(101,335)
NET ASSETS, beginning of year	<u>2,892,540</u>	<u>146,292</u>	<u>3,038,832</u>	<u>2,991,681</u>	<u>148,486</u>	<u>3,140,167</u>
NET ASSETS, end of year	\$ <u>2,974,169</u>	\$ <u>143,616</u>	\$ <u>3,117,785</u>	\$ <u>2,892,540</u>	\$ <u>146,292</u>	\$ <u>3,038,832</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, 2017 and 2016

	2017			2016		
	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	\$ 81,629	\$ (2,676)	\$ 78,953	\$ (99,141)	\$ (2,194)	\$ (101,335)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities -						
Depreciation	31,088	-	31,088	31,611	-	31,611
Changes in assets and liabilities:						
(Increase) decrease in certificates of deposit	5,539	-	5,539	(12,281)	-	(12,281)
Increase (decrease) in deferred income	-	-	-	(177)	-	(177)
Net cash provided (used) by operating activities	<u>118,256</u>	<u>(2,676)</u>	<u>115,580</u>	<u>(79,988)</u>	<u>(2,194)</u>	<u>(82,182)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of certificates of deposit	-	-	-	(176,031)	-	(176,031)
Land easements	-	-	-	-	(10,000)	(10,000)
Purchase of property and equipment	(73,931)	-	(73,931)	(17,800)	-	(17,800)
Net cash provided (used) by investing activities	<u>(73,931)</u>	<u>-</u>	<u>(73,931)</u>	<u>(193,831)</u>	<u>(10,000)</u>	<u>(203,831)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:						
Proceeds from line of credit	370,796	-	370,796	1,076,948	-	1,076,948
Proceeds from note payable	37,016	-	37,016	-	-	-
Payments on line of credit	(105,295)	-	(105,295)	(1,143,766)	-	(1,143,766)
Payments on note payable	(544)	-	(544)	-	-	-
Net cash provided (used) by financing activities	<u>301,973</u>	<u>-</u>	<u>301,973</u>	<u>(66,818)</u>	<u>-</u>	<u>(66,818)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	346,298	(2,676)	343,622	(340,637)	(12,194)	(352,831)
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,683,316</u>	<u>94,902</u>	<u>2,778,218</u>	<u>3,023,953</u>	<u>107,096</u>	<u>3,131,049</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 3,029,614</u>	<u>\$ 92,226</u>	<u>\$ 3,121,840</u>	<u>\$ 2,683,316</u>	<u>\$ 94,902</u>	<u>\$ 2,778,218</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, 2017 AND 2016

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 4,700 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, 2017 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 newsletter (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, 2017 AND 2016

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

A. Nature of activities (continued) -

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 Magazine and the VAST website. This Magazine 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 - Ten cents of every VAST TMA goes to help fund this program division. In addition, VAST has received revenue through an Affinity Program with Liberty Mutual Insurance Company that has been board designated for scholarships. 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. 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 \$1.3 million to match the federal grant. Currently, it is projected that the total cost to complete the LVRT will be in excess of \$12 to \$15 million. As of September 30, 2017 and 2016 this program had a deficit of \$813,894 and \$457,508, respectively. Management anticipates financing of this project to come from future capital campaigns as well as funding from the VAST General Program.

- 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, certificates of deposit, property and equipment, and related depreciation. Certificates of deposit with initial maturities of three months or more are recorded as a separate line

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

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

B. Basis of accounting and presentation (continued) -

item in the noncurrent assets. VAST's modified cash basis of accounting also records line of credit draws as liabilities and 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, payables, and accrued payroll 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 unrestricted, temporarily restricted, and permanently restricted net asset balances in accordance with the recommendations of the FASB. VAST had no temporarily or permanently restricted net assets at September 30, 2017, and 2016.

C. Grants and contributions - Grants and contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of any restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets 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 unrestricted net assets 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 basis in the Schedule of Functional Expenses - Modified Cash Basis (VAST only) and on a program basis in the Supporting Schedule of Programs - 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, 2016, 2015, and 2014 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 2017 and 2016 was \$31,088 and \$31,611, respectively.

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

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

- 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 incurred. Advertising expense was \$56,398 and \$74,930 for the years ended September 30, 2017 and 2016, respectively. Fundraising expenses were \$65,921 and \$4,418 for the years ended September 30, 2017 and 2016, 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 made this contribution for full-time employees in fiscal years 2017 and 2016. Six VAST employees participated in this plan, with a total VAST contribution of \$19,011 and \$13,952 for the years ended September 30, 2017 and 2016, 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, 2017 and 2016, \$125,667 and \$170,781, respectively, of VAST's bank balances were uninsured and the remaining VAST bank balances were insured or collateralized.

3. 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, 2017. 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.

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

3. Fair value measurements (continued):

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 certificates of deposit and in-kind contributions.

The fair value of VAST's certificates of deposit are 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.

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

VAST had available a \$750,000 line of credit expiring on January 5, 2018 with variable interest payable monthly at 3.50% or equal to the prime rate as quoted in the *Wall Street Journal* money rate section, whichever is greater. The line is secured by all of VAST's real and personal property. The outstanding balance on this line of credit at September 30, 2017 was \$508,698. During fiscal year 2017 VAST borrowed \$370,842 and repaid \$105,341 on this line of credit.

Subsequent to fiscal year end, VAST obtained a \$750,000 line of credit expiring on January 5, 2019 with variable interest payable monthly at 3.50% or equal to an independent index which is the *Wall Street Journal* money rate section, whichever is greater. The line is secured by all of VAST's real and personal property.

From September 30, 2017 through the date of this report, VAST has borrowed \$123,824 and repaid \$585,208 on the line of credit discussed above.

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 2017 the Board approved loaning the Lamoille Valley Rail Trail Program additional funds to pay down a line of credit. As of September 30, 2017 and 2016, VAST had loaned \$450,000 to the Lamoille Valley Rail Trail Program.

Subsequent to fiscal year end, an additional \$401,331 was loaned to the Lamoille Valley Rail Trail Program to pay down a line of credit.

VAST has guaranteed a 4.25% loan of \$28,000 for the Tri-Town Trail Travelers, a local snowmobile club, maturing June 2020. VAST has also guaranteed a 4.25% loan of \$65,000 for the Mountain Tamers, a local snowmobile club, maturing June 2022. 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. The outstanding balances of these loans at September 30, 2017 were \$16,780, and \$47,396 respectively. As of the date of this report, VAST has not had to make any payments on these loans on behalf of the clubs.

Subsequent to fiscal year end, VAST guaranteed a 5.25% loan of \$20,000 for the Derry Sled Dogs, a local snowmobile club, maturing June 2022.

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

5. Long-term debt:

During the year 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. Future principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>
Year ending September 30,		
2018	\$ 6,156	\$ 1,541
2019	7,043	1,353
2020	7,403	993
2021	7,781	615
2022	<u>8,089</u>	<u>309</u>
	\$ <u>36,472</u>	\$ <u>4,811</u>

6. Truck lease:

During the year VAST entered into a three year operating lease for a truck. The monthly lease payment is \$332 with final due November 2019. The following is a schedule of future minimum lease payments:

Year ending September 30,	
2018	\$ 3,984
2019	3,984
2020	<u>996</u>
	\$ <u>8,964</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. 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 Trails 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, 2017 AND 2016

8. 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, 2017, 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 June 19, 2018 which is the date the financial statements were available for issuance.

9. In-kind contributions:

VAST receives in-kind contributions from various individuals and organizations throughout the year. 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, 2017 and 2016 was \$2,578 and \$0, respectively.

10. Reclassifications:

Certain prior year amounts have been reclassified to be comparable to the current year presentation. These changes are reflected in the 2016 columns of the financial statements and in the notes to the financial statements.

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
SCHEDULE OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS (VAST ONLY)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Schedule 1

	VAST							
	2017				2016			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salary and benefits	\$ 169,668	\$ 329,354	\$ -	\$ 499,022	\$ 147,591	\$ 285,827	\$ -	\$ 433,418
Personnel and travel	2,149	21,459	-	23,608	3,088	13,358	-	16,446
Office	23,129	114,440	-	137,569	21,537	102,966	-	124,503
General and trail insurance	149,831	21,896	-	171,727	146,608	14,621	-	161,229
Administrative and professional fees	2,774	58,734	-	61,508	-	57,701	-	57,701
Media and communications	96,335	-	-	96,335	107,990	-	-	107,990
Committees and meetings	-	40,996	-	40,996	-	37,162	-	37,162
PR and marketing	4,044	52,354	65,921	122,319	22,316	52,614	4,418	79,348
Government relations	-	35,927	-	35,927	-	27,495	-	27,495
Trail expenses	1,777,707	-	-	1,777,707	1,860,803	-	-	1,860,803
Depreciation	-	31,087	-	31,087	-	31,611	-	31,611
LVRT phase 1A	-	-	-	-	85,046	-	-	85,046
LVRT phase 1B	993,911	-	-	993,911	689,627	-	-	689,627
LVRT phase 1C	760	-	-	760	200	-	-	200
In-kind services	2,578	-	-	2,578	-	-	-	-
Scholarship fund	3,000	-	-	3,000	3,000	-	-	3,000
Total expenses	\$ <u>3,225,886</u>	\$ <u>706,247</u>	\$ <u>65,921</u>	\$ <u>3,998,054</u>	\$ <u>3,087,806</u>	\$ <u>623,355</u>	\$ <u>4,418</u>	\$ <u>3,715,579</u>

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
SUPPORTING SCHEDULE OF PROGRAMS - MODIFIED CASH BASIS (VAST ONLY)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Schedule 2
Page 1 of 2

	<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	\$ 280,134	\$ -	\$ 692,609	\$ 972,743	\$ -	\$ 972,743
Donations	-	-	81,983	81,983	-	81,983
In-kind services	-	-	2,578	2,578	-	2,578
Member income -						
Memberships and registrations	2,305,064	554,376	-	2,859,440	-	2,859,440
Promotional and VAST News	99,464	-	-	99,464	-	99,464
Annual meeting	2,345	-	-	2,345	-	2,345
Other income -						
Administrative and payroll reimbursement	117,027	-	-	117,027	(117,027)	-
Interest income	10,731	-	326	11,057	-	11,057
Equipment and other income	98,422	-	2	98,424	(48,351)	50,073
Total revenues and other support	<u>2,913,187</u>	<u>554,376</u>	<u>777,498</u>	<u>4,245,061</u>	<u>(165,378)</u>	<u>4,079,683</u>
EXPENSES:						
Salary and benefits	499,022	-	-	499,022	-	499,022
Personnel and travel	21,459	600	1,549	23,608	-	23,608
Office	114,593	16,772	12,203	143,568	(6,000)	137,568
General and trail insurance	21,896	149,831	-	171,727	-	171,727
Administrative and professional fees	49,376	122,027	7,132	178,535	(117,027)	61,508
Media and communications	96,335	-	-	96,335	-	96,335
Committees and meetings	40,996	-	-	40,996	-	40,996
PR and marketing	52,354	-	112,316	164,670	(42,351)	122,319
Government relations	10,927	25,000	-	35,927	-	35,927
Trail expenses	1,556,022	218,250	3,435	1,777,707	-	1,777,707
Depreciation	29,559	1,529	-	31,088	-	31,088

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
SUPPORTING SCHEDULE OF PROGRAMS - MODIFIED CASH BASIS (VAST ONLY)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Schedule 2
Page 2 of 2

	<u>VAST</u>	<u>SSTP</u>	<u>LVRT</u>	<u>Total</u>	<u>Reclassifications and Eliminations</u>	<u>Total</u>
EXPENSES (CONTINUED):						
LVRT phase 1B	-	-	993,911	993,911	-	993,911
LVRT phase 1C	-	-	760	760	-	760
In-kind services	-	-	2,578	2,578	-	2,578
Scholarship fund	3,000	-	-	3,000	-	3,000
Total expenses	<u>2,495,539</u>	<u>534,009</u>	<u>1,133,884</u>	<u>4,163,432</u>	<u>(165,378)</u>	<u>3,998,054</u>
INCREASE (DECREASE) IN NET ASSETS	417,648	20,367	(356,386)	81,629	-	81,629
NET ASSETS, beginning of year	<u>3,284,798</u>	<u>65,250</u>	<u>(457,508)</u>	<u>2,892,540</u>	<u>-</u>	<u>2,892,540</u>
NET ASSETS, end of year	<u>\$ 3,702,446</u>	<u>\$ 85,617</u>	<u>\$ (813,894)</u>	<u>\$ 2,974,169</u>	<u>\$ -</u>	<u>\$ 2,974,169</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the 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, the financial statements of Vermont Association of Snow Travelers, Inc. (a Vermont not-for-profit corporation), which comprise the Consolidated Statement of Assets, Liabilities and Net Assets – Modified Cash Basis as of September 30, 2017, and the related Consolidated Statement of Revenues, Expenses, and Change in Net Assets – Modified Cash Basis and Consolidated Statement of Cash Flows – Modified Cash Basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 19, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Vermont Association of Snow Travelers, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Vermont Association of Snow Travelers, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Vermont Association of Snow Travelers, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vermont Association of Snow Travelers, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Montpelier, Vermont
June 19, 2018

Mudgett, Jarrett &
Hugh-Visor, P.C.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Vermont Association of Snow Travelers, Inc.'s compliance with the types of compliance requirements described in the Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Vermont Association of Snow Travelers, Inc.'s major federal programs for the year ended September 30, 2017. Vermont Association of Snow Travelers, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Vermont Association of Snow Travelers, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Vermont Association of Snow Travelers, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Vermont Association of Snow Travelers, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Vermont Association of Snow Travelers, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control Over Compliance

Management of Vermont Association of Snow Travelers, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Vermont Association of Snow Travelers, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Vermont Association of Snow Travelers, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Montpelier, Vermont
June 19, 2018

Mudgett, Jennett &
Shroyer-Wilson, P.C.

**VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

<u>Federal Grantor/Pass-through Grantor Program Title</u>	<u>Federal CFDA/ Identifying Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Through to Subrecipients</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation:				
Passed through the Vermont Agency of Transportation -				
Highway Planning and Construction	20.205	CA0197	\$ -	\$ 886,764
Passed through Vermont Agency of Natural Resources -				
Recreational Trails Program	20.219	06130-RTP 17-01	-	<u>259,027</u>
Total U.S. Department of Transportation - Highway Planning and Construction Cluster			-	<u>1,145,791</u>
U.S. Department of Agriculture:				
Direct Programs -				
U.S. Forest Service:				
Green Mountain National Forest	12-CS-11092000-067		-	42,124
Green Mountain National Forest	12-CS-11092000-047		-	6,950
Green Mountain National Forest	17-CS-11092000-024		-	<u>24,637</u>
Total U.S. Department of Agriculture			-	<u>73,711</u>
Total federal award expenditures			\$ -	<u>\$ 1,219,502</u>

The accompanying notes are an integral part of this schedule.

VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2017

1. Organization and significant accounting policies:

- A. Organization - 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.
- B. Basis of presentation - The information in the accompanying Schedule of Expenditures of Federal Awards (the Schedule) is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of VAST, it is not intended to and does not present the financial position, changes in financial position, or cash flows of VAST.
- C. Basis of accounting - Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. VAST has not elected to use the 10 percent de minimis indirect cost rate as allowed in the Uniform Guidance.

**VERMONT ASSOCIATION OF SNOW TRAVELERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

A. Summary of Auditor's Results:

Financial Statements -

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified? *None reported*

Noncompliance material to financial statements noted? *No*

Federal Awards -

Internal control over major programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified? *None reported*

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? *No*

Identification of the major programs:

- *U.S. Department of Transportation -*

CFDA 20.205, CFDA 20.219 – Highway Planning and Construction Cluster

Dollar threshold used to distinguish between type A and type B programs: *\$750,000*

Auditee qualified as low-risk auditee? *No*

B. Audit findings - financial statements:

There were no audit findings identified for the year ended September 30, 2017.

C. Audit findings - federal awards:

There were no audit findings identified for the year ended September 30, 2017.

**STATUS OF PRIOR AUDIT FINDINGS
AS OF SEPTEMBER 30, 2017**

There are no prior audit findings applicable to this auditee.