

VERMONT LAND TRUST, INC.
FINANCIAL STATEMENTS
JUNE 30, 2011
AND
INDEPENDENT AUDITOR'S REPORT

Robert E. Moses

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Vermont Land Trust, Inc.:

We have audited the accompanying statement of financial position of Vermont Land Trust, Inc. (a Vermont non-profit corporation) as of June 30, 2011 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vermont Land Trust, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Robert E. Moses

Lebanon, New Hampshire
December 15, 2011

Vermont License #316

VERMONT LAND TRUST, INC.
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011

ASSETS

Cash and cash equivalents	\$ 375,534
Money market funds	2,276,545
Contributions receivable from:	
- Program related activities	7,091
- Bequests	890,500
- Charitable remainder trusts	817,807
- Charitable lead trusts	432,900
- Unconditional promises to give	232,800
Notes and grants receivable	306,718
Investments, at fair value	10,498,264
Beneficial interest in net assets held by Vermont Community Foundation	8,930,898
Land and timber investments, net	2,403,267
Real property held for program related activities	2,760,001
Transferable development rights	835,000
Conservation property	1,378,874
Property, furniture and equipment, net	288,609
Other assets	<u>109,331</u>
	<u>\$ 32,544,139</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Notes payable	\$ 406,296
Accounts payable and accrued expenses	256,577
Deferred charitable annuities	<u>1,864,959</u>
	<u>2,527,832</u>
Commitments	
Net assets:	
Unrestricted	9,606,691
Temporarily restricted	12,410,426
Permanently restricted	7,999,190
	<u>30,016,307</u>
	<u>\$ 32,544,139</u>

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

VERMONT LAND TRUST, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND ADDITIONS TO NET ASSETS:				
Program support:				
- Gifts and contributions	\$ 1,091,770	\$ 180,663	\$ 600	\$ 1,273,033
- Program grants	-	66,500	-	66,500
- Technical assistance	-	645,783	-	645,783
- Project support	-	204,515	-	204,515
- Timber sales	-	119,184	-	119,184
- Farm sales	-	2,431	-	2,431
- Other	28,785	44,570	-	73,355
Capital support:				
- Contributions and pledges for the purchase of development rights	-	8,781,427	-	8,781,427
- Sale of conservation property	255,500	1,075,000	2,500	1,333,000
Endowments and reserves:				
- Gifts of conservation property	235,000	984,600	-	1,219,600
- Gifts and contributions	1,168,600	-	-	1,168,600
- Investment income	122,510	206,996	-	329,506
- Stewardship endowment support	-	-	315,000	315,000
- Valuation adjustments to split-interest agreements	(2,156)	-	-	(2,156)
- Net realized and unrealized gains and losses:				
Investments	737,120	635,798	-	1,372,918
Beneficial interest in net assets held by Vermont Community Foundation	151,884	949,314	-	1,101,198
	<u>3,789,013</u>	<u>13,896,781</u>	<u>318,100</u>	<u>18,003,894</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>13,079,552</u>	<u>(13,079,552)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE AND ADDITIONS	<u>16,868,565</u>	<u>817,229</u>	<u>318,100</u>	<u>18,003,894</u>
EXPENSES AND REDUCTIONS IN NET ASSETS:				
Program services	13,558,134	-	-	13,558,134
Management and support	677,624	-	-	677,624
Development	441,737	-	-	441,737
TOTAL EXPENSES AND REDUCTIONS	<u>14,677,495</u>	<u>-</u>	<u>-</u>	<u>14,677,495</u>
NET INCREASE IN NET ASSETS	2,191,070	817,229	318,100	3,326,399
NET ASSETS, beginning of year	<u>7,415,621</u>	<u>11,593,197</u>	<u>7,681,090</u>	<u>26,689,908</u>
NET ASSETS, end of year	<u>\$ 9,606,691</u>	<u>\$ 12,410,426</u>	<u>\$ 7,999,190</u>	<u>\$ 30,016,307</u>

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

VERMONT LAND TRUST, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Program</u>	<u>Management & General</u>	<u>Development</u>	<u>Total</u>
Purchase of development rights	\$ 8,826,057	\$ -	\$ -	\$ 8,826,057
Staff costs	2,035,648	370,779	368,684	2,775,111
Cost of conservation property sold	1,175,900	-	-	1,175,900
Operating expenses	344,435	132,641	62,964	540,040
Professional fees	160,194	86,628	-	246,822
Project feasibility, transaction and legal fees	206,230	-	-	206,230
Charitable gift annuity expense	174,157	-	-	174,157
Occupancy expenses	105,033	29,928	-	134,961
Timber harvesting expenses	118,798	-	-	118,798
Travel	75,526	3,646	7,739	86,911
Property taxes	67,712	13,595	-	81,307
Depreciation	54,511	21,149	888	76,548
Miscellaneous	59,752	4,496	-	64,248
Assigned sale to public entity	50,000	-	-	50,000
Timberland operating expenses	49,167	-	-	49,167
Insurance	31,130	14,762	1,462	47,354
Farm expenses	17,401	-	-	17,401
Depletion	6,483	-	-	6,483
	<u>\$ 13,558,134</u>	<u>\$ 677,624</u>	<u>\$ 441,737</u>	<u>\$ 14,677,495</u>

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

VERMONT LAND TRUST, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net increase in net assets	\$ 3,326,399
Adjustments to reconcile net increase in net assets to net cash provided by operating activities:	
Depreciation and depletion	83,031
Discounts on notes receivable	(12,000)
Gifts of conservation property	(1,219,600)
Market value adjustments to conservation property for conservation restrictions	400,000
Valuation adjustments to split interest agreements	2,156
Gain on sale of conservation property	(157,100)
Conveyance of conservation property	50,000
Realized and unrealized gains and losses on investments	(1,372,918)
Realized and unrealized gains and losses on beneficial interest in net assets held by Vermont Community Foundation	(1,101,198)
Change in beneficial interest in net assets held by Vermont Community Foundation	(62,399)
Charitable remainder and lead trusts	165,845
Deferred charitable annuities	592,770
Changes in operating assets and liabilities:	
Contributions receivable	(868,150)
Other assets	12,917
Accounts payable and accrued expenses	<u>(55,049)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(215,296)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sale of conservation property	1,150,100
Payments received from Vermont Community Foundation	363,737
Payments received from notes receivable	23,586
Proceeds from sale of investments	1,761,110
Purchases of investments and net change in money market funds	(1,700,153)
Contributions made to Vermont Community Foundation	(997,600)
Acquisition of conservation property	(700,000)
Acquisition of property held for program related activities	(158,380)
Acquisition of property and equipment	<u>(32,921)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(290,521)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Net activity on line of credit	147,500
Repayment of borrowings for conservation projects	<u>(191,201)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(43,701)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(549,518)
CASH AND CASH EQUIVALENTS, beginning of year	<u>925,052</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 375,534</u>

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

VERMONT LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

1. Summary of significant accounting policies:

Nature of operations - Vermont Land Trust, Inc. ("VLT" or "the Trust") is a non-profit corporation and operates solely for charitable and educational purposes within the State of Vermont. The Trust's principal goal is to protect productive agricultural and forestlands.

Basis of presentation - The Trust has adopted Statement of Financial Accounting Standards (FASB) Accounting Standards Codification (ASC) Topic 958, Not-for-Profit Entities, Section 205, *Presentation of Financial Statements*, and Section 605, *Revenue Recognition* (previously Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Made*, and SFAS No. 117, *Financial Statements for Not-for-Profit Organizations*). ASC Section 958-205 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions.

FASB ASC Topic 958-205, *Presentation of Financial Statements*, Section 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for non-for-profit organizations that are subject to an enacted version of the *Uniform Prudent Management of Institutional Funds Act of 2006* (UPMIFA). UPMIFA is a model act approved by the Uniform Law Commission that serves as a guideline for states to use in enacting legislation. Section 958-205 also improved disclosure about an organization's endowment funds, both donor-restricted endowment funds and board-designated endowment funds. The State of Vermont adopted UPMIFA effective May 5, 2009. The Trust has adopted FASB ASC Topic 958-205 for the year ended June 30, 2009. The following provides a description of the net asset classifications represented in the Trust's assets:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Included in unrestricted net assets are significant resources subject to contractual agreements with external parties for charitable gift annuities.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Trust and/or by the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Trust. Generally, the donors of these assets permit the Trust to use all or part of the income earned on related investments for general or specific purposes.

Cash and cash equivalents - Cash and cash equivalents include interest bearing deposits and short-term investments purchased with a maturity of three months or less and national brokerage money market funds. At times, FDIC insurance limits may be exceeded. As of June 30, 2011 VLT had overnight repurchase agreements in the amount of \$132,263. Due to the short-term nature of the agreements, the Company did not take possession of the securities, which were instead held in VLT's safekeeping account at its bank.

Contributions receivable - Contributions receivable represents amounts committed by donors that have not been received by the Trust. The Trust estimates it will collect substantially all contributions receivable from memberships, program related activities, bequests and foundations within one year. Contributions receivable from charitable remainder trusts are recorded at present value based on the life expectancy of the donors and the annual payments made to the donors.

Depreciation - The Trust follows the policy of charging to operating expenses annual amounts of depreciation which allocates the cost of property, furnishings and equipment over their estimated useful lives. The Trust employs the straight-line method for determining the annual charge for depreciation. Expenditures for repairs and maintenance are expensed when incurred.

Depletion - The Trust follows the policy of charging annual amounts of depletion that allocates timber costs to the year in which sold. A growth factor which approximates 2.5% is used to calculate growth of timber per year.

VERMONT LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

1. Summary of significant accounting policies (continued):

Investments - Investments are stated at fair value. The fair value of debt securities and marketable equity securities are based on quoted market prices. The Trust carries alternative investments at estimated fair value as determined by management based upon valuations provided by the fund manager. Alternative investments consist of a hedge fund. The Trust's investments are subject to various risks, such as interest rate, credit and overall market volatility, which may substantially impact the value of such investments at any given time.

The Trust's management is responsible for the fair measurement of investments reported in the financial statements. The Trust has implemented policies and procedures to assess the reasonableness of the fair values provided. Because of the inherent uncertainty of valuation for alternative investments, the estimate of the fund manager may differ from actual values, and the differences could be significant. The Trust believes that reported fair values of its alternative investment are reasonable.

Investment income is allocated within the unrestricted and temporarily restricted fund groups based upon fair value.

Income taxes - The Trust is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Contributions to the Trust are deductible as allowed under Section 170(b)(1)(A)(vi) of the Code.

The Trust adopted the accounting methods under FASB ASC Section 740-10 for Uncertain Tax Positions (UTP) on July 1, 2009. The UTP rules prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken in an organization's tax return. The Trust believes that it has appropriate support for the tax positions taken and, as such, does not have any uncertain tax positions that might result in a material impact on the Trust's statements of financial position, activities and changes in net assets and cash flows. With few exceptions, the Trust is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before June 30, 2008.

Timber sales - The Trust accounts for sales of timber based on the percentage of completion method. Under this method, revenue is recognized based on the board feet cut in relation to the board feet under contract.

Conservation easements - Easements acquired by the Trust are conservation easements and represent numerous restrictions over the use and development of land not owned by the Trust. Since these easements have no marketable value, they are not recorded as assets on the statement of financial position. All easements acquired by purchase are expensed as development rights in the statement of functional expenses. In some instances when the Trust purchases a conservation easement on farmland, it may also acquire an option to purchase the conserved farm at agricultural value in the event the landowner elects to sell the property to an unrelated party or to someone who is not a qualified farmer as defined in the easement agreement. The Trust also holds title to certain parcels which management deems not to have any fair market value due to the conservation restrictions or other limitations. In all cases, the Trust monitors activities on the land and enforces restrictions.

Nonfinancial assets held for others - The Trust on occasion acts as an intermediary to facilitate the transfer of nonfinancial assets between a potential donor and potential beneficiary. The Trust does not recognize an asset or a liability for nonfinancial assets held for others.

Fair value of financial instruments - The Trust estimates that the carrying amounts of all financial instruments, such as cash, contributions receivable, notes and grants receivable, accounts payable and notes payable approximated their fair values due to the short-term maturity of these instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could affect estimates.

VERMONT LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

1. Summary of significant accounting policies (continued):

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

2. Property, furniture and equipment:

Property, furniture and equipment consists of the following as of June 30, 2011:

Land and buildings	\$	462,467
Office equipment and furniture		417,703
Automobiles		<u>51,326</u>
		931,496
Less accumulated depreciation		<u>642,887</u>
	\$	<u>288,609</u>

3. Timber sales:

Timber sales were concentrated with two major customers for the year ended June 30, 2011:

Customer A	\$	64,357	54.00%
Customer B		42,235	35.44%
Others		<u>12,592</u>	<u>10.56%</u>
	\$	<u>119,184</u>	<u>100.00%</u>

VERMONT LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

4. Notes and grants receivable:

Notes and grants receivable consists of the following as of June 30, 2011:

1% note receivable to an individual, secured by land, payable in one payment in approximately 30 years. The interest rate may be adjusted upwards if certain conservation performance requirements are not fulfilled. The face value of the note is \$315,000. The trust has discounted the note by \$156,000 to its estimated present value due to the below market interest rate and uncertain payment terms.	\$ 171,000
5% for first two years and then increased to 6% note receivable to an individual, secured by land, payable in various monthly installments, including interest through November 1, 2012.	66,464
5% note receivable, secured by land, payable in monthly installments of \$395 beginning November 1, 2012, with a final payment due on November 1, 2017.	50,000
4% note receivable to an individual, secured by land, payable in various monthly installments, including interest, through September 2012.	8,472
4% note receivable, payable in monthly installments of \$738 including interest, secured by land, due December 2010.	10,782
	<u>\$ 306,718</u>

Expected cash flows in subsequent fiscal years are as follows:

June 30, 2012	\$ 19,417
June 30, 2013	67,819
June 30, 2014	2,375
June 30, 2015	2,496
June 30, 2016	2,624
Thereafter	211,987
	<u>\$ 306,718</u>

VERMONT LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

5. Unconditional promises to give:

The Trust anticipates collecting unconditional promises to give during the following fiscal years:

June 30, 2012	\$ 157,800
June 30, 2013	75,000
	\$ 232,800

6. Notes payable:

Notes payable consisted of the following as of June 30, 2011:

The trust has available up to \$1,000,000 on a line of credit at the Wall Street Journal prime rate with a financial institution. The line of credit is unsecured and expires annually, unless renewed.

5% demand note payable to a limited liability company

Non-interest bearing notes payable to individuals with whom the Trust has acquired property or easements.

5% demand note payable to an individual supporter of the Trust

	\$ 147,500
	245,796
	8,000
	5,000
	\$ 406,296

Maturities of notes payable in subsequent fiscal years are as follows:

June 30, 2012 (including demand notes payable)
 Thereafter

June 30, 2012 (including demand notes payable)	\$ 160,500
Thereafter	245,796
	\$ 406,296

VERMONT LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

7. Supplemental cash flow information:

Non-cash investing and financing activities consisted of the following as of June 30, 2011:

Note payable repaid directly from proceeds of a conservation property sale	\$ 170,000
Conveyance of conservation property at acquired cost	\$ 50,000
Market value adjustments to conservation property for conservation restrictions	\$ 400,000

8. Conservation property:

Conservation property consisted of the following as of June 30, 2011:

Arlington (Remainder interest)	\$ 591,350
Bridgewater	400,000
West Halifax	235,000
Starksboro (Remainder interest)	164,220
Greensboro (Remainder interest)	38,495
Starksboro	18,000
Charleston (Remainder interest)	16,809
Andover	<u>15,000</u>
	1,478,874
Less Conservation property reserve fund	<u>(100,000)</u>
	<u>\$ 1,378,874</u>

The Trust capitalizes certain engineering, legal, tax, and interest expenses incurred in connection with conservation projects requiring temporary ownership by the Trust in order to accurately measure the costs of each project. Upon disposition, the land cost plus any capitalized expenses are treated as costs of land sold.

The Trust has established a conservation property reserve fund to estimate decreases in the fair market value of properties held by the Trust as a result of the conservation restrictions the Trust is implementing. The reserve fund amounted to \$100,000 as of June 30, 2011.

VERMONT LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

9. Restricted funds:

The Trust reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets are available for the following purposes:

Atlas Timberlands Partnership	\$ 2,953,055
Brewster Uplands Conservation Trust	1,400,102
Revolving Fund for Land Acquisition	1,093,429
Freeman Foundation Conservation Fund	948,684
South West Region Fund	937,623
Charitable Remainder Trusts	817,807
Conservation Property - Charitable Remainder Interests	810,874
Operating Reserve Fund	570,688
Charitable Lead Trusts	432,900
TCF/VLT Forestland Fund	414,827
Agriculture Assessment	270,798
Mad River Valley Conservation Fund	268,716
East Haven Fund	259,107
Net unrealized investment gains on permanently restricted net assets	253,456
Project pledges receivable	229,800
Mettowee Fund	151,609
Project related notes and grants receivable	135,719
CV Greenbelt Fund	102,727
Chateauguay Fund	67,202
Hosmer Ponds Project	62,228
Winooski River Fund	56,595
VELCO Project	54,173
Miscellaneous projects and funds with balances less than \$30,000	43,949
McNair Farm Fund	38,548
Lake Raponda Fund	35,810
	<u>\$ 12,410,426</u>

Permanently restricted net assets are restricted to investment in perpetuity. The Trust distributes approximately 5% of invested funds annually based on the three year rolling average of fair value:

VLT Stewardship Endowment Fund held by Vermont Community Foundation	\$ 3,514,016
VLT/VHCB Stewardship Endowment Fund held by Vermont Community Foundation	3,337,803
Easement Enforcement Fund	608,072
King Farm and King Farm Endowment Fund	434,208
Angell Fund	100,000
Contributions Receivable - Stewardship Endowment Funds	5,091
	<u>\$ 7,999,190</u>

VERMONT LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

9. Restricted funds (continued):

There were no permanently restricted net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by donors during the year ended June 30, 2011.

On June 25, 1996, the Vermont Land Trust, Inc. and The Vermont Community Foundation ("Foundation") agreed to establish two endowment funds; the Vermont Land Trust Stewardship Endowment and the Vermont Land Trust/Vermont Housing and Conservation Board Stewardship Endowment. The Trust, in order to encourage and enhance contributions, to insure perpetual continuity and to provide for professional investment management of its endowment funds has established these funds within the Foundation designated solely and exclusively to support the operation of the Vermont Land Trust's Conservation Stewardship Program, a program which monitors and enforces perpetual conservation easements on properties throughout Vermont.

Under this agreement, it is the responsibility of the Foundation to pay the Trust annually. In no event shall the amount paid be less than 4% of the value of the Endowment Fund. In the discretion of the Foundation, distributions in excess of 4% may be made to the Trust. All distributions may only be used for the purpose of monitoring and enforcing conservation easements. Variance power has been granted to the Foundation under an amendment to the terms of the initial agreement in September 2009 to ensure the Foundation complies with governmental regulations. However, under FASB ASC Topic 958 605 55, if a resource provider (VLT) transfers assets to a recipient organization (Foundation) and specifies itself as the beneficiary, there is a presumption that the transfer is reciprocal, and therefore not a contribution even if the resource provider explicitly grants the recipient organization variance power. Accordingly, the Trust has recorded an asset on its books to reflect its beneficial interest in the net assets held by The Vermont Community Foundation.

For the year ended June 30, 2011, the Trust contributed additional principal to the Endowment Funds at The Vermont Community Foundation in the amount of \$997,600. Total distributions received by the Trust from the Foundation during the year ended June 30, 2011, to support the Trust's conservation stewardship program amounted to \$363,737.

The VLT Stewardship Endowment Fund held by the Vermont Community Foundation is comprised of the following net assets as of June 30, 2011:

Permanently restricted net assets	\$ 6,851,819
Unrestricted net assets	2,079,079
	<u>\$ 8,930,898</u>

The following schedule summarizes unrealized and realized gains and losses in the statement of activities on the Trust's beneficial interest in net assets held by the Vermont Community Foundation for the year ended June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Unrealized gains and losses	\$ 152,836	\$ 950,047	\$ -	\$ 1,102,883
Realized gains and losses	(952)	(733)	-	(1,685)
	<u>\$ 151,884</u>	<u>\$ 949,314</u>	<u>\$ -</u>	<u>\$ 1,101,198</u>

The Trust maintains an Easement Enforcement Fund to support legal or related costs associated with enforcing conservation restrictions and other property interests it holds.

VERMONT LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

10. Significant funding sources:

The Trust received significant grants from a private foundation and the Vermont Housing and Conservation Board ("VHCB"). For the year ended June 30, 2011, grants in the amount of \$900,000 were received from the private foundation. No additional amounts have been pledged to be disbursed before December 31, 2011. Grants received from VHCB during the year ended June 30, 2011 amounted to \$6,432,986. All conditions on VHCB grants had been met as of June 30, 2011.

11. Land and timber investments:

Land and timber investments consist of the following as of June 30, 2011:

	<u>Atlas Timberlands Partnership</u>
Land	\$ 111,098
Timber	<u>2,414,875</u>
	2,525,973
Less - Accumulated depletion	<u>(122,706)</u>
	<u>\$ 2,403,267</u>

On December 29, 1997, VLT and The Nature Conservancy of Vermont ("TNC") acquired land and timber in Northern Vermont and New York States in a project known as the Atlas Timberlands Partnership. The property is owned as tenants-in-common between VLT and TNC. The New York property was sold in November, 2000.

VLT and TNC have entered into a memorandum of understanding which articulates the Project's goals and objectives, decision-making process, allocation of responsibilities, financial participation and management and related matters. It is the intent of the parties to share in the project equally. The allocated cost of land and timber has been determined based on the estimated timber value as determined by a timber cruise to the estimated fair market value of the land and timber. VLT and TNC intend to place conservation easements on significant portions of the property.

12. Pension plan:

The Trust has adopted a defined contribution salary reduction pension plan, which covers all employees with one year of employment. Each employee may elect to defer a percentage of their salary into the plan, subject to annual maximums as prescribed by the Internal Revenue Service. The salary reduction plan allows for the Trust to make discretionary contributions. There were no discretionary contributions for the year ended June 30, 2011.

VERMONT LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

13. Real property held for program related activities:

Real property held for program related activities consisted of the following as of June 30, 2011:

	<u>Brewster Uplands Conservation Trust</u>	<u>King Farm</u>	<u>Conservation Property</u>	<u>Total</u>
Land:				
Cambridge	\$ 847,568	\$ -	\$ -	\$ 847,568
Woodstock	-	14,616	-	14,616
Conservation property	-	-	1,283,166	1,283,166
Buildings, furniture and equipment	675,191	300,467	-	975,658
	<u>1,522,759</u>	<u>315,083</u>	<u>1,283,166</u>	<u>3,121,008</u>
Less - Accumulated depreciation	<u>(134,727)</u>	<u>(226,280)</u>	<u>-</u>	<u>(361,007)</u>
	<u>\$ 1,388,032</u>	<u>\$ 88,803</u>	<u>\$ 1,283,166</u>	<u>\$ 2,760,001</u>

On November 30, 2006, VLT formed Brewster Uplands Conservation Trust, LLC (BUCT), a single member limited liability company for the purpose of receiving a gift of real estate from the Bryan Family Foundation, a supporting organization of the Vermont Community Foundation. BUCT received approximately 1,074 acres of land with three houses and various outbuildings in Cambridge, Vermont with a fair market value of \$1,349,500 on the date of the gift. It is the intent of VLT to assure the protection of the property's natural resources, conduct long term, professional management of forest resources, and to maintain and enhance the productivity of agricultural soils.

VLT has been designated the beneficiary of the Brewster Uplands Conservation Fund at the Vermont Community Foundation. Variance power has been granted to the Vermont Community Foundation. Accordingly, VLT is not required to record a beneficial interest in the net assets held at the Vermont Community Foundation. As of June 30, 2011, the fair market value of the fund was \$3,901,638 and VLT received no grant distributions during the year ending June 30, 2011.

In 1986, VLT received the land and buildings of the King Farm by bequest. The farm served as VLT's headquarters for many years and now continues as a satellite office.

Conservation Property is property that VLT has acquired or received by gift that VLT intends to convey to a conservation partner or hold and use for programmatic purposes.

VERMONT LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

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14. Investments:

Investments as of June 30, 2011 are summarized as follows at fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 792,000	\$ -	\$ -	\$ 792,000
Mutual fund investments:				
Fixed income funds	1,585,117	-	-	1,585,117
Equity funds	3,703,229	-	-	3,703,229
Common stock investments	2,324,497	-	-	2,324,497
Alternative investment	-	-	2,093,421	2,093,421
	<u>\$ 8,404,843</u>	<u>\$ -</u>	<u>\$ 2,093,421</u>	<u>\$ 10,498,264</u>

In accordance with FASB ASC Topic 820, the Trust classifies its investments into Level 1, which refers to investments traded in an active market; Level 2, which refers to investments not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to investments not traded in an active market and for which no significant observable market inputs are available. Generally, Level 3 investments are valued based upon information provided by fund managers, including audited financial statements of the investment fund. The levels relate to valuation only and do not necessarily indicate a measure of risk.

Fair Value Measurements using Significant Unobservable Inputs (Level 3):

	<u>Alternative Investment Hedge Fund</u>	<u>Vermont Sustainable Jobs Fund, Inc.</u>	<u>Total</u>
Fair value, beginning of year	\$ 1,836,135	\$ -	\$ 1,836,135
Purchase of Class B membership units in the Vermont Sustainable Jobs Fund, Inc.	-	30,000	30,000
Total realized and unrealized gains and losses	<u>227,286</u>	<u>-</u>	<u>227,286</u>
Fair value, end of year	<u>\$ 2,063,421</u>	<u>\$ 30,000</u>	<u>\$ 2,093,421</u>

The following schedule summarizes unrealized and realized gains and losses in the statement of activities for the year ended June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Unrealized gains and losses	\$ 732,116	\$ 494,148	\$ 124,063	\$ 1,350,327
Realized gains and losses	<u>13,700</u>	<u>11,800</u>	<u>(2,909)</u>	<u>22,591</u>
	<u>\$ 745,816</u>	<u>\$ 505,948</u>	<u>\$ 121,154</u>	<u>\$ 1,372,918</u>

VERMONT LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

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15. Leases:

The Trust leases office space and office equipment under various lease agreements. Rent expense amounted to \$43,223 for the year ended June 30, 2011. Minimum lease payments for subsequent fiscal years are as follows:

June 30, 2011	\$	58,140
June 30, 2012		58,140
		116,280
	\$	116,280

16. Split-interest agreements:

The Trust enters into charitable gift annuities and charitable remainder unitrusts with donors.

A charitable gift annuity is a contribution whereby the donors have contributed assets to VLT in exchange for the right to receive a fixed dollar annual return during their lifetimes. A portion of the transfer is considered to be a charitable contribution for income tax purposes. The fair value of the annuity gift over the present value of the liability for future payments, determined on an actuarial basis using discount rates published by the Internal Revenue Service, has been recognized as a contribution at the date of gift. When the terms of the annuity gift have been met, the remaining amount of the contribution will be reclassified to net assets. Annuity contracts are a general obligation of VLT to be satisfied out of unrestricted assets. VLT has designated a portion of its unrestricted assets as an annuity reserve. As of June 30, 2011, the Trust has annual payment obligations of \$184,323 and has recorded a liability of \$1,864,959 to reflect these obligations. Investments designated as an annuity reserve had a fair market value of \$2,069,379 as of June 30, 2011.

Charitable remainder unitrust gifts are time-restricted contributions not available to VLT until after the death of the donor, who, while living, receives an annual pay-out from the unitrust based on a fixed percentage of the market value of the invested funds each year. As of June 30, 2011, the actuarial value of charitable remainder unitrusts known to VLT amounted to \$817,807. VLT does not administer any charitable remainder unitrusts.

VLT is the beneficiary of the income from a charitable lead trust that it does not administer. The present value of income to be received in future years is recorded as contributions receivable from charitable lead trusts. As of June 30, 2011, the present value of principal and imputed interest at 2.8% through 2030 is as follows:

	<u>Present Value</u>	<u>Imputed Interest</u>	<u>Total Receivable</u>
June 30, 2012	\$ 17,875	\$ 12,125	\$ 30,000
June 30, 2013	18,376	11,624	30,000
June 30, 2014	18,890	11,110	30,000
June 30, 2015	19,419	10,581	30,000
June 30, 2016	19,963	10,037	30,000
Thereafter	338,506	74,071	412,577
	\$ 433,029	\$ 129,548	\$ 562,577

VERMONT LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

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17. Transferable development rights:

On September 30, 2009, the Trust acquired approximately 98 transferable development rights (“TDR’s”) to two parcels of land in the City of South Burlington, Vermont for \$985,000 in connection with a farm protection project. Simultaneously, the Trust was assigned an option held by the seller with an unrelated third party (“Optionee”) to acquire a minimum of 25 TDR’s and up to a maximum of 56 TDR’s for a price of \$17,000 per TDR subject to various adjustments as outlined in the option agreement. The option expires on February 12, 2013 and requires annual non-refundable payments of \$25,000, all of which shall be applied to the purchase price in the event that the Optionee exercises its option. As of June 30, 2011, the option had not been exercised. The Trust has reallocated \$150,000 of a previously established conservation property reserve fund as of June 30, 2011 as a valuation allowance against the original purchase price of the TDR’s. The carrying value as of June 30, 2011 is as follows:

98 transferable development rights at original cost	\$ 985,000
Less - estimated valuation allowance	<u>(150,000)</u>
	<u>\$ 835,000</u>

18. Commitments:

On January 5, 2011, the Trust committed \$100,000 to purchase Class B member units in the Vermont Sustainable Jobs Fund, Inc. As of June 30, 2011, the Trust’s unfunded commitment totals \$70,000.

19. Subsequent events:

Subsequent events have been evaluated through December 15, 2011, the date on which the June 30, 2011 financial statements were available to be issued. Management believes there are no other subsequent events to be reported in accordance with generally accepted accounting principles.