

**VSA ARTS of VERMONT, INC.**

**FINANCIAL REPORT**

**September 30, 2006 and 2005**

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# Montgomery & Merrill PC

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
VSA Arts of Vermont, Inc.

We have audited the accompanying statements of financial position of VSA Arts of Vermont, Inc., (a nonprofit organization) as of September 30, 2006 and 2005, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 that our audits provide 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 VSA Arts of Vermont, Inc., as of September 30, 2006 and 2005 and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Montgomery & Merrill PC*

Burlington, Vermont  
Registration No. 449  
December 12, 2007

**VSA ARTS OF VERMONT, INC.**

**STATEMENTS OF FINANCIAL POSITION**  
**September 30, 2006 and 2005**

ASSETS	<u>2006</u>	<u>2005</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 94,816	\$ 26,854
Grants receivable (Note 2)	8,000	20,800
Prepaid expenses	<u>2,044</u>	<u>1,282</u>
Total current assets	<u>104,860</u>	<u>48,936</u>
EQUIPMENT, net (Note 4)	<u>--</u>	<u>--</u>
OTHER ASSETS	<u>650</u>	<u>650</u>
Total assets	<u>\$ 105,510</u>	<u>\$ 49,586</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 4,385	\$ 12,172
Note payable – related party (Note 5)	15,000	--
Refundable advance	<u>9,750</u>	<u>--</u>
Total current liabilities	<u>29,135</u>	<u>12,172</u>
<b>NET ASSETS</b>		
Unrestricted	40,375	2,206
Temporarily restricted (Note 6)	<u>36,000</u>	<u>35,208</u>
	<u>76,375</u>	<u>37,414</u>
Total liabilities and net assets	<u>\$ 105,510</u>	<u>\$ 49,586</u>

See Notes to Financial Statements.

**VSA ARTS OF VERMONT, INC.**

**STATEMENTS OF ACTIVITIES**  
**Years Ended September 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Changes in unrestricted net assets:		
Revenues and gains:		
Contributions	\$ 59,894	\$ 4,110
Grants and awards	75,050	132,146
Program	--	10,855
Interest	3,862	1,865
Other fundraising	<u>--</u>	<u>1,243</u>
Total unrestricted revenues and gains	138,806	150,219
Net assets released from restrictions	<u>108,145</u>	<u>34,999</u>
Total unrestricted revenues, gains and other support	<u>246,951</u>	<u>185,218</u>
Expenses:		
Program	191,797	155,109
Administration	11,803	23,211
Fund raising	<u>5,182</u>	<u>5,678</u>
Total expenses	<u>208,782</u>	<u>183,998</u>
Increase in unrestricted net assets	<u>38,169</u>	<u>1,220</u>
Changes in temporarily restricted net assets		
Contributions and grants	108,937	38,995
Net assets released from restrictions	<u>(108,145)</u>	<u>(34,999)</u>
Increase in temporarily restricted net assets	<u>792</u>	<u>3,996</u>
Increase in net assets	38,961	5,216
Net assets, beginning	<u>37,414</u>	<u>32,198</u>
Net assets, ending	<u>\$ 76,375</u>	<u>\$ 37,414</u>

See Notes to Financial Statements.

**VSA ARTS OF VERMONT, INC.**

**STATEMENTS OF CASH FLOWS**  
**Years Ended September 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 38,961	\$ 5,216
Adjustments to reconcile increase (decrease) in net assets to net cash and cash equivalents provided (used) by operating activities:		
Changes in:		
Grants receivable	12,800	3,200
Prepaid expenses	(762)	(672)
Accounts payable and accrued expenses	(7,787)	(2,893)
Refundable advance	<u>9,750</u>	<u>(18,265)</u>
Net cash and cash equivalents provided (used) by operating activities	<u>52,962</u>	<u>(13,414)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from note payable	<u>15,000</u>	<u>--</u>
Net cash and cash equivalents provided by financing	<u>15,000</u>	<u>--</u>
Net increase (decrease) in cash and cash equivalents	67,962	(13,414)
Cash and cash equivalents:		
Beginning	<u>26,854</u>	<u>40,268</u>
Ending	<u>\$ 94,816</u>	<u>\$ 26,854</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash payments for interest:	<u>\$ --</u>	<u>\$ 377</u>

See Notes to Financial Statements.

## **VSA ARTS OF VERMONT, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

#### **Note 1. Nature of Organization and Significant Accounting Policies**

##### **Nature of organization**

VSA Arts of Vermont, Inc., (the Organization), located in Winooski, Vermont, was created for the purpose of making the world of arts accessible to all Vermonters through training and education, through resource referral, and through public arts programs. The Organization is funded primarily by the following sources:

- Contributions from local individuals and businesses.
- Grants from private foundations.
- Federal program awards passed-through from the State of Vermont, the Vermont Arts Council, and Very Special Arts, the Organization's national affiliate.

A summary of significant accounting policies follows:

##### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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.

##### **Cash equivalents**

Highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents and consist primarily of money market funds.

##### **Revenue recognition**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. It 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 restriction.

Federal funds and other contract revenues are recognized upon performance of the contract requirements. Program income is recognized as income as the service is provided.

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Nature of Organization and Significant Accounting Policies (Continued)

#### Public support and revenue

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

#### Contributed goods and services

Income and expenses relating to contributed goods are recognized when received and estimable. Contributed services are recognized as income and expense if they increase non-financial assets or are provided by an expert which would otherwise need to be purchased. There are no contributed services included in these statements.

#### Advertising

Advertising costs are expensed when incurred and are included in program expenses.

#### Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has a classification that is not a private foundation under Section 509(a)(2).

#### Equipment

Equipment is stated at cost, or in the case of donated assets, at fair market value at date of receipt. Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method.

### Note 2. Grants and Awards

Grants receivable consist primarily of federal and foundation funds retained by the grantor until submittal of final reports.

### Note 3. Major Revenue Sources

Very Special Arts, the Organization's national affiliate, provided 27% and 56% of the Organization's revenue in 2006 and 2005, respectively.

**NOTES TO FINANCIAL STATEMENTS**

**Note 4. Equipment**

Equipment consisted of the following at September 30:

	<u>Life</u>	<u>2006</u>	<u>2005</u>
Equipment	3	\$ 18,183	\$ 18,183
Less accumulated depreciation		<u>18,183</u>	<u>18,183</u>
		<u>\$ --</u>	<u>\$ --</u>
Depreciation expense		<u>\$ --</u>	<u>\$ --</u>

**Note 5. Note Payable – Related Party**

This note payable consists of a demand note from a member of the Organization’s Board of Directors at no interest.

**Note 6. Temporarily Restricted Net Assets**

Temporarily restricted net assets are restricted as follows:

Vermont Access to the Arts Institute	\$ --	\$ 4,157
Organization activities	--	14,501
Start with the Arts	<u>36,000</u>	<u>16,550</u>
	<u>\$ 36,000</u>	<u>\$ 35,208</u>

**Note 7. Operating Lease**

The Organization leases operating space at \$500 per month plus utilities, taxes and common area maintenance on a month-to-month basis. Rent expense for years ended September 30, 2006 and 2005 was \$6,057 and \$7,477, respectively.

**Note 8. Contingency**

VSA Arts of Vermont, Inc. receives significant financial assistance from the United States government. Entitlement to the resources is generally based on compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund that receives the grant. As of September 30, 2006, the Organization estimates that no material liabilities will result from such audits.

**SUPPLEMENTARY INFORMATION**

# Montgomery & Merrill PC

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

To the Board of Directors  
VSA Arts of Vermont, Inc.

Our report on our audits of the basic financial statements of VSA Arts of Vermont, Inc. for years ending September 30, 2006 and 2005 appears on page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Montgomery & Merrill PC*

Burlington, Vermont  
Registration No. 449  
December 12, 2007

**VSA ARTS OF VERMONT, INC.**

**SCHEDULE OF FUNCTIONAL EXPENSES**  
**Year Ended September 30, 2006**

	<u>Program</u>	<u>Administration</u>	<u>Fund-raising</u>	<u>Total</u>
Salary & wages	\$ 110,645	\$ 1,684	\$ 2,962	\$ 115,291
Payroll taxes	10,964	410	296	11,670
Employee benefits	3,852	26	--	3,878
Postage	2,002	60	324	2,386
Office supplies expense	39	703	--	742
Printing and publications	1,995	686	1,100	3,781
Telephone	3,390	156	--	3,546
Travel & meals	6,025	64	--	6,089
Meetings & conferences	220	1,470	--	1,690
Rent	5,442	615	--	6,057
Professional services	--	5,209	--	5,209
Insurance	2,807	220	--	3,027
Direct Costs				
Artists	825	--	--	825
Art supplies	8,789	500	500	9,789
Instructors	<u>34,802</u>	<u>--</u>	<u>--</u>	<u>34,802</u>
	<u>\$ 191,797</u>	<u>\$ 11,803</u>	<u>\$ 5,182</u>	<u>\$ 208,782</u>

**VSA ARTS OF VERMONT, INC.**

**SCHEDULE OF FUNCTIONAL EXPENSES  
Year Ended September 30, 2005**

	<u>Program</u>	<u>Administration</u>	<u>Fund-raising</u>	<u>Total</u>
Salary & wages	\$ 52,211	\$ 7,439	\$ 1,860	\$ 61,510
Payroll taxes	6,987	995	249	8,231
Employee benefits	6,408	953	239	7,600
Postage	1,033	275	69	1,377
Office supplies expense	6,509	3,673	918	11,100
Printing and publications	55	44	11	110
Telephone	2,434	650	162	3,246
Travel & meals	3,216	662	165	4,043
Rent	5,608	1,495	374	7,477
Professional services	3,232	5,170	1,293	9,695
Depreciation	--	--	--	--
Interest	--	302	75	377
Insurance	--	727	182	909
Repairs	--	500	--	500
Direct Costs				
Artists & instructors	54,160	--	--	54,160
Art supplies	<u>13,256</u>	<u>326</u>	<u>81</u>	<u>13,663</u>
	<u>\$ 155,109</u>	<u>\$ 23,211</u>	<u>\$ 5,678</u>	<u>\$ 183,998</u>