

VSA ARTS of VERMONT, INC.

FINANCIAL REPORT

September 30, 2009

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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, 2009 and 2008, 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, 2009 and 2008 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.



Burlington, Vermont
Registration No. 449
February 15, 2010

VSA ARTS OF VERMONT, INC.

STATEMENTS OF FINANCIAL POSITION
September 30, 2009 and 2008

ASSETS	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 77,913	\$ 69,362
Grants receivable	37,981	55,823
Prepaid expenses	<u>2,180</u>	<u>1,263</u>
Total current assets	<u>118,074</u>	<u>126,448</u>
PROPERTY AND EQUIPMENT, net	<u>3,493</u>	<u>--</u>
OTHER ASSETS	<u>650</u>	<u>650</u>
Total assets	<u>\$ 122,217</u>	<u>\$ 127,098</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 14,729	\$ 17,213
Deferred revenue	<u>1,500</u>	<u>5,750</u>
Total current liabilities	<u>16,229</u>	<u>22,963</u>
NET ASSETS		
Unrestricted	55,488	31,833
Temporarily restricted	<u>50,500</u>	<u>72,302</u>
	<u>105,988</u>	<u>104,135</u>
Total liabilities and net assets	<u>\$ 122,217</u>	<u>\$ 127,098</u>

See Notes to Financial Statements.

VSA ARTS OF VERMONT, INC.

STATEMENTS OF ACTIVITIES
Years Ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Changes in unrestricted net assets:		
Revenues and gains:		
Contributions	\$ 87,458	\$ 68,655
Grants and awards	107,517	121,415
Interest	408	1,128
Gain (loss) on asset	<u>369</u>	<u>(118)</u>
Total unrestricted revenues and gains	195,752	191,080
Net assets released from restrictions	<u>108,822</u>	<u>122,115</u>
Total unrestricted revenues, gains and other support	<u>304,574</u>	<u>313,195</u>
Expenses:		
Program	251,090	294,294
Administration	24,866	26,373
Fund raising	<u>4,963</u>	<u>6,554</u>
Total expenses	<u>280,919</u>	<u>327,221</u>
Increase (decrease) in unrestricted net assets	<u>23,655</u>	<u>(14,026)</u>
Changes in temporarily restricted net assets		
Contributions and grants	87,020	151,909
Net assets released from restrictions	<u>(108,822)</u>	<u>(122,115)</u>
Increase (decrease) in temporarily restricted net assets	<u>(21,802)</u>	<u>29,794</u>
Increase in net assets	1,853	15,768
Net assets, beginning	<u>104,135</u>	<u>88,367</u>
Net assets, ending	<u>\$ 105,988</u>	<u>\$ 104,135</u>

See Notes to Financial Statements.

VSA ARTS OF VERMONT, INC.

STATEMENTS OF CASH FLOWS
Years Ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,853	\$ 15,768
Adjustments to reconcile increase in net assets to net cash and cash equivalents provided (used) by operating activities:		
Contribution of equipment	(3,493)	--
Changes in:		
Grants receivable	17,842	(25,903)
Prepaid expenses	(917)	(58)
Accounts payable and accrued expenses	(2,484)	2,423
Deferred revenue	<u>(4,250)</u>	<u>--</u>
Net cash and cash equivalents provided (used) by operating activities	<u>8,551</u>	<u>(7,770)</u>
Net increase (decrease) in cash and cash equivalents	8,551	(7,770)
Cash and cash equivalents:		
Beginning	<u>69,362</u>	<u>77,132</u>
Ending	<u>\$ 77,913</u>	<u>\$ 69,362</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES		
Equipment acquired by donation	<u>\$ 3,493</u>	<u>\$ --</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 VSA 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 and 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. Property and Equipment

Property and equipment consists of the following at September 30:

	<u>2009</u>	<u>2008</u>
Equipment	\$ 18,183	\$ 18,183
Software	<u>3,493</u>	<u>--</u>
	21,676	18,183
Less accumulated depreciation	<u>18,183</u>	<u>18,183</u>
	<u>\$ 3,493</u>	<u>\$ --</u>
Depreciation expense	<u>\$ --</u>	<u>\$ --</u>

NOTES TO FINANCIAL STATEMENTS

Note 3. Grants and Awards

Grants receivable consist of federal and foundation funds retained by the grantor until submittal of final reports, and promises to give which are restricted to program activities. All receivables are reviewed regularly for collectibility. At September 30, 2009, all receivables are considered collectible.

Note 4. Major Revenue Sources

VSA Arts, the Organization's national affiliate, provided 28% and 23% of the Organization's revenue in 2009 and 2008, respectively.

Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted as follows:

	<u>2009</u>	<u>2008</u>
Home in The Arts	\$ 12,000	\$ 22,000
Aha! Adaptive Horses & Arts	3,500	--
Start With The Arts	35,000	45,000
Chirelstein Fund for Children's Programs	<u>--</u>	<u>5,302</u>
	<u>\$ 50,500</u>	<u>\$ 72,302</u>

Note 6. Operating Lease

The Organization has a two-year lease for operating space at \$600 per month plus utilities, taxes and common area maintenance that expires July 2011. The lease cost increases annually by the percent increase in the consumer price index. Rent expense for years ended September 30, 2009 and 2008 was \$8,654 and \$8,180, respectively.

Future lease payments in the aggregate and for the lease term are as follows:

Years ending September 30:	
2010	\$ 7,200
2011	<u>6,000</u>
	<u>\$ 13,200</u>

NOTES TO FINANCIAL STATEMENTS

Note 7. 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, 2009, 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, 2009 and 2008 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.

A handwritten signature in black ink that reads "Montgomery & Merrill PC". The script is fluid and cursive, with the letters "M" and "P" being particularly large and stylized.

Burlington, Vermont
Registration No. 449
February 15, 2010

VSA ARTS OF VERMONT, INC.

**SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended September 30, 2009**

	<u>Program</u>	<u>Administration</u>	<u>Fund-raising</u>	<u>Total</u>
Salary & wages	\$ 133,536	\$ 5,016	\$ 1,260	\$ 139,812
Payroll taxes	11,032	414	104	11,550
Employee benefits	9,088	341	86	9,515
Postage	68	--	841	909
Office expense	651	98	35	784
Printing and publications	249	--	1,065	1,314
Travel & meals	17,970	303	110	18,383
Professional services	9,251	14,876	645	24,772
Occupancy	--	2,225	--	2,225
Online services	2,318	--	569	2,887
Other indirect	22,076	785	198	23,059
Other miscellaneous	--	540	--	540
Direct Costs				
Art supplies	5,772	104	50	5,926
Instructors	620	--	--	620
Safe arts	37,849	--	--	37,849
Program awards	<u>610</u>	<u>164</u>	<u>--</u>	<u>774</u>
	<u>\$ 251,090</u>	<u>\$ 24,866</u>	<u>\$ 4,963</u>	<u>\$ 280,919</u>

VSA ARTS OF VERMONT, INC.

**SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended September 30, 2008**

	<u>Program</u>	<u>Administration</u>	<u>Fund-raising</u>	<u>Total</u>
Salary & wages	\$ 143,881	\$ 6,805	\$ 2,415	\$ 153,101
Payroll taxes	12,302	582	207	13,091
Employee benefits	6,885	73	18	6,976
Postage	187	--	570	757
Office expense	2,169	1,855	102	4,126
Printing and publications	1,402	--	587	1,989
Travel & meals	13,455	504	1,185	15,144
Professional services	24,116	14,225	953	39,294
Facilities	1,350	--	--	1,350
Occupancy	--	1,328	--	1,328
Online services	4,015	--	31	4,046
Other indirect	21,171	1,001	355	22,527
Direct Costs				
Artists fees	379	--	--	379
Art supplies	4,749	--	131	4,880
Instructors	2,085	--	--	2,085
Safe arts	55,773	--	--	55,773
Program awards	<u>375</u>	<u>--</u>	<u>--</u>	<u>375</u>
	<u>\$ 294,294</u>	<u>\$ 26,373</u>	<u>\$ 6,554</u>	<u>\$ 327,221</u>