

**VSA VERMONT, INC.**

**FINANCIAL REPORT**

**September 30, 2010**

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# Montgomery & Merrill PC

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
VSA Vermont, Inc.

We have audited the accompanying statements of financial position of VSA Vermont, Inc., (a nonprofit organization) as of September 30, 2010 and 2009, 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 Vermont, Inc., as of September 30, 2010 and 2009 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.

A handwritten signature in black ink that reads "Montgomery & Merrill PC". The signature is written in a cursive, flowing style.

Burlington, Vermont  
Registration No. 449  
March 30, 2011

**VSA VERMONT, INC.**

**STATEMENTS OF FINANCIAL POSITION**  
**September 30, 2010 and 2009**

ASSETS	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 86,722	\$ 77,913
Grants receivable	19,975	37,981
Prepaid expenses	<u>3,059</u>	<u>2,180</u>
Total current assets	<u>109,756</u>	<u>118,074</u>
PROPERTY AND EQUIPMENT, net	<u>2,329</u>	<u>3,493</u>
OTHER ASSETS	<u>650</u>	<u>650</u>
Total assets	<u>\$ 112,735</u>	<u>\$ 122,217</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 8,305	\$ 14,729
Deferred revenue	<u>--</u>	<u>1,500</u>
Total current liabilities	<u>8,305</u>	<u>16,229</u>
NET ASSETS		
Unrestricted	55,830	55,488
Temporarily restricted	<u>48,600</u>	<u>50,500</u>
	<u>104,430</u>	<u>105,988</u>
Total liabilities and net assets	<u>\$ 112,735</u>	<u>\$ 122,217</u>

See Notes to Financial Statements.

**VSA VERMONT, INC.**

**STATEMENTS OF ACTIVITIES**  
**Years Ended September 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Changes in unrestricted net assets:		
Revenues and gains:		
Contributions	\$ 59,991	\$ 64,330
Program fees	34,584	23,128
Grants and awards	102,400	107,517
Interest	631	408
Gain (loss) on asset	<u>--</u>	<u>369</u>
Total unrestricted revenues and gains	197,606	195,752
Net assets released from restrictions	<u>148,530</u>	<u>108,822</u>
Total unrestricted revenues, gains and other support	<u>346,136</u>	<u>304,574</u>
Expenses:		
Program	314,199	251,090
Administration	24,862	24,866
Fund raising	<u>6,733</u>	<u>4,963</u>
Total expenses	<u>345,794</u>	<u>280,919</u>
Increase in unrestricted net assets	<u>342</u>	<u>23,655</u>
Changes in temporarily restricted net assets		
Contributions and grants	146,630	87,020
Net assets released from restrictions	<u>(148,530)</u>	<u>(108,822)</u>
Decrease in temporarily restricted net assets	<u>(1,900)</u>	<u>(21,802)</u>
Increase (decrease) in net assets	(1,558)	1,853
Net assets, beginning	<u>105,988</u>	<u>104,135</u>
Net assets, ending	<u>\$ 104,430</u>	<u>\$ 105,988</u>

See Notes to Financial Statements.

**VSA VERMONT, INC.**

**STATEMENTS OF CASH FLOWS**  
**Years Ended September 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ (1,588)	\$ 1,853
Adjustments to reconcile increase in net assets to net cash and cash equivalents provided by operating activities:		
Contribution of equipment	--	(3,493)
Depreciation	1,164	--
Changes in:		
Grants receivable	18,006	17,842
Prepaid expenses	(879)	(917)
Accounts payable and accrued expenses	(6,424)	(2,484)
Deferred revenue	<u>(1,500)</u>	<u>(4,250)</u>
Net cash and cash equivalents provided by operating activities	<u>8,809</u>	<u>8,551</u>
Net increase in cash and cash equivalents	8,809	8,551
Cash and cash equivalents:		
Beginning	<u>77,913</u>	<u>69,362</u>
Ending	<u>\$ 86,722</u>	<u>\$ 77,913</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES</b>		
Equipment acquired by donation	<u>\$ --</u>	<u>\$ 3,493</u>

See Notes to Financial Statements.

## **VSA VERMONT, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

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

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

VSA Vermont, Inc., (formerly, 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, 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>2010</u>	<u>2009</u>
Equipment	\$ 18,183	\$ 18,183
Software	<u>3,493</u>	<u>3,493</u>
	21,676	21,676
Less accumulated depreciation	<u>19,347</u>	<u>18,183</u>
	<u>\$ 2,329</u>	<u>\$ 3,493</u>
Depreciation expense	<u>\$ 1,164</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 collectability. At September 30, 2010, all receivables are considered collectible.

**Note 4. Major Revenue Sources**

VSA, the Organization's national affiliate, provided 24% and 28% of the Organization's revenue in 2010 and 2009, respectively.

**Note 5. Temporarily Restricted Net Assets**

Temporarily restricted net assets are restricted as follows:

	<u>2010</u>	<u>2009</u>
Home in The Arts	\$ 5,000	\$ 12,000
Aha! Adaptive Horses & Arts	--	3,500
Start With The Arts	28,600	35,000
Chirelstein Fund for Children's Programs	<u>15,000</u>	<u>    --</u>
	<u>\$ 48,600</u>	<u>\$ 50,500</u>

**Note 6. Operating Lease**

The Organization has a two-year lease for operating space at \$612 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, 2010 and 2009 was \$7,212 and \$7,200, respectively.

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

Years ending September 30:

2011	\$ 7,344
2012	<u>6,120</u>
	<u>\$ 13,464</u>

## NOTES TO FINANCIAL STATEMENTS

### **Note 7. Contingency**

VSA 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, 2010, the Organization estimates that no material liabilities will result from such audits.

### **Note 8. Subsequent Event**

At the October 2010 Board of Directors meeting, the Board designated \$50,000 to a reserved net asset account as a rainy day fund.

**SUPPLEMENTARY INFORMATION**

# Montgomery & Merrill PC

Certified Public Accountants

## **INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION**

To the Board of Directors  
VSA Vermont, Inc.

Our report on our audits of the basic financial statements of VSA Vermont, Inc. for years ending September 30, 2010 and 2009 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 cursive and fluid, with the letters connected. The "M" and "M" are particularly large and stylized.

Burlington, Vermont  
Registration No. 449  
March 20, 2011

VSA VERMONT, INC.

**SCHEDULE OF FUNCTIONAL EXPENSES**

**Year Ended September 30, 2010**

	<u>Program</u>	<u>Administration</u>	<u>Fund-raising</u>	<u>Total</u>
Salary and wages	\$ 154,220	\$ 6,120	\$ 2,100	\$ 162,440
Payroll taxes	12,741	475	166	13,382
Employee benefits	14,530	704	200	15,434
Postage	--	--	602	602
Office expense	1,490	1,581	--	3,071
Printing and publications	136	--	1,745	1,881
Travel and meals	24,290	1,103	143	25,536
Professional services	--	12,099	965	13,064
Online services	1,763	--	120	1,883
Other indirect	27,868	1,467	384	29,719
Other miscellaneous	--	74	308	382
Depreciation	--	1,164	--	1,164
Art supplies	3,983	--	--	3,983
Contracted services	4,228	--	--	4,228
Safe arts	67,992	--	--	67,992
Program awards	<u>958</u>	<u>75</u>	<u>--</u>	<u>1,033</u>
	<u>\$ 314,199</u>	<u>\$ 24,862</u>	<u>\$ 6,733</u>	<u>\$ 345,794</u>

VSA 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 and 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 and 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
Art supplies	5,772	104	50	5,926
Contracted services	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>