

VSA VERMONT, INC.

FINANCIAL REPORT

September 30, 2011

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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, 2011 and 2010, 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, 2011 and 2010 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
February 3, 2012

VSA VERMONT, INC.

STATEMENTS OF FINANCIAL POSITION
September 30, 2011 and 2010

ASSETS	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 176,793	\$ 86,722
Grants receivable	37,549	19,975
Prepaid expenses	<u>4,703</u>	<u>3,059</u>
Total current assets	<u>219,045</u>	<u>109,756</u>
PROPERTY AND EQUIPMENT, net	<u>1,165</u>	<u>2,329</u>
OTHER ASSETS	<u>650</u>	<u>650</u>
Total assets	<u>\$ 220,860</u>	<u>\$ 112,735</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 16,376	\$ 8,305
Deferred revenue	<u>5,500</u>	<u>--</u>
Total current liabilities	<u>21,876</u>	<u>8,305</u>
NET ASSETS		
Unrestricted		
Undesignated	76,984	55,830
Board designated	50,000	--
Temporarily restricted	<u>72,000</u>	<u>48,600</u>
	<u>198,984</u>	<u>104,430</u>
Total liabilities and net assets	<u>\$ 220,860</u>	<u>\$ 112,735</u>

See Notes to Financial Statements.

VSA VERMONT, INC.

STATEMENTS OF ACTIVITIES
Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Changes in unrestricted net assets:		
Revenues and gains:		
Contributions	\$ 59,443	\$ 49,905
Special event revenue	12,714	10,086
Less: Costs of direct benefits to donors	<u>(757)</u>	<u>(890)</u>
Net revenue from special events	11,957	9,196
Program fees	32,378	34,584
Grants and awards	153,550	102,400
Interest	<u>847</u>	<u>631</u>
Total unrestricted revenues and gains	258,175	196,716
Net assets released from restrictions	<u>145,547</u>	<u>148,530</u>
Total unrestricted revenues, gains and other support	<u>403,722</u>	<u>345,246</u>
Expenses:		
Program	300,857	314,199
Administration	19,251	24,862
Fund raising	<u>12,460</u>	<u>5,843</u>
Total expenses	<u>332,568</u>	<u>344,904</u>
Increase in unrestricted net assets	<u>71,154</u>	<u>342</u>
Changes in temporarily restricted net assets		
Contributions and grants	168,947	146,630
Net assets released from restrictions	<u>(145,547)</u>	<u>(148,530)</u>
Increase (decrease) in temporarily restricted net assets	<u>23,400</u>	<u>(1,900)</u>
Increase (decrease) in net assets	94,554	(1,558)
Net assets, beginning	<u>104,430</u>	<u>105,988</u>
Net assets, ending	<u>\$ 198,984</u>	<u>\$ 104,430</u>

See Notes to Financial Statements.

VSA VERMONT, INC.

STATEMENTS OF CASH FLOWS
Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 94,554	\$ (1,558)
Adjustments to reconcile increase in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	1,164	1,164
Changes in:		
Grants receivable	(17,574)	18,006
Prepaid expenses	(1,644)	(879)
Accounts payable and accrued expenses	8,071	(6,424)
Deferred revenue	<u>5,500</u>	<u>(1,500)</u>
Net cash and cash equivalents provided by operating activities	<u>90,071</u>	<u>8,809</u>
Net increase in cash and cash equivalents	90,071	8,809
Cash and cash equivalents:		
Beginning	<u>86,722</u>	<u>77,913</u>
Ending	<u>\$ 176,793</u>	<u>\$ 86,722</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.

The Organization has the following major classes of programs:

Arts Education: In collaboration with partner organizations, we provide inclusive arts education workshops in visual arts, music, theater, and dance for Vermonters of all ages and abilities.

Professional Development: Our professional development workshops are designed for artists to learn inclusive teaching methods, and for educators and social service providers to learn to use the arts as a way to more fully engage their students or those receiving services.

Cultural Access: In partnership with venues such as the Flynn Center for the Performing Arts and the Shelburne Museum, VSA assists in increasing the number of artists with disabilities presented at those venues and the number of audience members with disabilities welcomed and accommodated.

Public Awareness and Outreach: These programs include our e-newsletter, public access television broadcasts and special events that promote awareness of the skills and contributions of Vermonters with disabilities as well as awareness of the importance of the arts in providing the means for people of all abilities to use their voices for full community participation. In addition, these programs produce public displays and performances of artwork created in VSAVT's education programs.

NOTES TO FINANCIAL STATEMENTS

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

A summary of significant accounting policies follows:

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 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.

Grants receivable

Management records grants receivable at face value when the grant is receivable within one year, and at discounted value for amounts to be received after one year. The Organization uses the allowance method for recording expected uncollectable grants. However, management considers the receivable balances on these statements to be 100% collectible, and therefore, has not recorded any allowance.

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.

Public support and revenue

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

NOTES TO FINANCIAL STATEMENTS

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

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 administration expenses.

Equipment

Equipment with an estimated life of one year or more and costing \$1,500 or more is capitalized. 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 of three to five years using the straight-line method.

Note 2. Property and Equipment

Property and equipment consists of the following at September 30:

	<u>2011</u>	<u>2010</u>
Equipment	\$ 18,183	\$ 18,183
Software	<u>3,493</u>	<u>3,493</u>
	21,676	21,676
Less accumulated depreciation	<u>20,511</u>	<u>19,347</u>
	<u>\$ 1,165</u>	<u>\$ 2,329</u>
Depreciation expense	<u>\$ 1,164</u>	<u>\$ 1,164</u>

NOTES TO FINANCIAL STATEMENTS

Note 3. Grants and Awards

Grants receivable consist of federal and foundation funds retained by the grantor until acceptance of final reports, and promises to give which are restricted to program activities. All receivables are reviewed regularly for collectability. At September 30, 2011, all receivables are considered collectible.

Note 4. Major Revenue Sources

VSA, the Organization's national affiliate, provided 26% and 24% of the Organization's revenue in 2011 and 2010, respectively.

Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted as follows:

	<u>2011</u>	<u>2010</u>
Home in The Arts	\$ --	\$ 5,000
Aha! Adaptive Horses & Arts	2,500	--
Start With The Arts	41,000	28,600
Chirelstein Fund for Children's Programs	--	15,000
Cultural Access	<u>28,500</u>	<u>--</u>
	<u>\$ 72,000</u>	<u>\$ 48,600</u>

Note 6. Board Designated Net Assets

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Operating Lease

The Organization has a two-year lease for operating space at \$642 per month plus utilities, taxes and common area maintenance that expires July 2013. The lease cost increases annually by the percent increase in the consumer price index. Rent expense for years ended September 30, 2011 and 2010 was \$7,404 and \$7,212, respectively.

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

Years ending September 30:

2012	\$ 7,704
2013	<u>6,420</u>
	<u>\$ 14,124</u>

Note 8. Income Taxes

Exempt Status

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).

Uncertain Tax Positions

As evaluated against criteria established by professional standards, management believes there are no significant tax positions requiring accounting recognition in the financial statements. The Organization's federal forms 990 are subject to examination by the Internal Revenue Service generally for the years ended September 2010, 2009, and 2008.

Note 9. 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, 2011, the Organization estimates that no material liabilities will result from such audits.

NOTES TO FINANCIAL STATEMENTS

Note 10. Subsequent Events

Management has evaluated subsequent events through February 3, 2012, the date at which the financial statements were available to be issued.

Note 11. Reclassification

Certain amounts in the 2010 statements have been reclassified to conform to the 2011 presentation.

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, 2011 and 2010 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
February 3, 2012

VSA VERMONT, INC.

**SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended September 30, 2011**

	<u>Program</u>	<u>Administration</u>	<u>Fund-raising</u>	<u>Total</u>
Salary and wages	\$ 169,658	\$ 7,158	\$ 5,290	\$ 182,106
Payroll taxes	14,344	574	424	15,342
Employee benefits	13,591	573	424	14,588
Postage	94	--	840	934
Office expense	1,206	1,925	531	3,662
Printing and publications	422	38	1,549	2,009
Travel and meals	26,474	903	62	27,439
Professional services	16,083	5,040	--	21,123
Insurance	--	--	950	950
Online services	2,845	--	559	3,404
Other indirect	37,332	1,575	1,164	40,071
Other miscellaneous	--	271	--	271
Depreciation	--	1,164	--	1,164
Art supplies	6,411	--	541	6,952
Contracted services	2,616	--	--	2,616
Safe arts	6,887	--	--	6,887
Program awards	<u>2,894</u>	<u>30</u>	<u>126</u>	<u>3,050</u>
	<u>\$ 300,857</u>	<u>\$ 19,251</u>	<u>\$ 12,460</u>	<u>\$ 332,568</u>

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	75	12,174
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>\$ 5,843</u>	<u>\$ 344,904</u>