

VSA VERMONT, INC.

FINANCIAL REPORT

September 30, 2012

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 10
SUPPLEMENTARY INFORMATION	
INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION	11
Schedules of Functional Expenses	12 - 13

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, 2012 and 2011, 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, 2012 and 2011 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 5, 2013

VSA VERMONT, INC.

STATEMENTS OF FINANCIAL POSITION
September 30, 2012 and 2011

ASSETS	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 255,938	\$ 176,793
Grants receivable	9,408	37,549
Prepaid expenses	<u>4,779</u>	<u>4,703</u>
Total current assets	<u>270,125</u>	<u>219,045</u>
PROPERTY AND EQUIPMENT, net	<u>--</u>	<u>1,165</u>
OTHER ASSETS	<u>650</u>	<u>650</u>
Total assets	<u>\$ 270,775</u>	<u>\$ 220,860</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 21,772	\$ 16,376
Deferred revenue	<u>14,445</u>	<u>5,500</u>
Total current liabilities	<u>36,217</u>	<u>21,876</u>
NET ASSETS		
Unrestricted		
Undesignated	69,858	76,984
Board designated	73,000	50,000
Temporarily restricted	<u>91,700</u>	<u>72,000</u>
	<u>234,558</u>	<u>198,984</u>
Total liabilities and net assets	<u>\$ 270,775</u>	<u>\$ 220,860</u>

See Notes to Financial Statements.

VSA VERMONT, INC.

STATEMENTS OF ACTIVITIES
Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Changes in unrestricted net assets:		
Revenues and gains:		
Contributions	\$ 84,698	\$ 59,443
Special event revenue	1,675	12,714
Less: Costs of direct benefits to donors	<u>(268)</u>	<u>(757)</u>
Net revenue from special events	<u>1,407</u>	<u>11,957</u>
Program fees	30,762	32,378
Grants and awards	65,000	153,550
Interest	908	847
Other income	<u>364</u>	<u>--</u>
Total unrestricted revenues and gains	183,139	258,175
Net assets released from restrictions	<u>202,203</u>	<u>145,547</u>
Total unrestricted revenues, gains and other support	<u>385,342</u>	<u>403,722</u>
Expenses:		
Program	341,690	300,857
Administration	17,630	19,251
Fund raising	<u>10,148</u>	<u>12,460</u>
Total expenses	<u>369,468</u>	<u>332,568</u>
Increase in unrestricted net assets	<u>15,874</u>	<u>71,154</u>
Changes in temporarily restricted net assets		
Contributions and grants	221,903	168,947
Net assets released from restrictions	<u>(202,203)</u>	<u>(145,547)</u>
Increase in temporarily restricted net assets	<u>19,700</u>	<u>23,400</u>
Increase in net assets	35,574	94,554
Net assets, beginning	<u>198,984</u>	<u>104,430</u>
Net assets, ending	<u>\$ 234,558</u>	<u>\$ 198,984</u>

See Notes to Financial Statements.

VSA VERMONT, INC.

STATEMENTS OF CASH FLOWS
Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 35,574	\$ 94,554
Adjustments to reconcile increase in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	1,165	1,164
Changes in:		
Grants receivable	28,141	(17,574)
Prepaid expenses	(76)	(1,644)
Accounts payable and accrued expenses	5,396	8,071
Deferred revenue	<u>8,945</u>	<u>5,500</u>
Net cash and cash equivalents provided by operating activities	<u>79,145</u>	<u>90,071</u>
Net increase in cash and cash equivalents	79,145	90,071
Cash and cash equivalents:		
Beginning	<u>176,793</u>	<u>86,722</u>
Ending	<u>\$ 255,938</u>	<u>\$ 176,793</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.) (VSA VT, 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 VT 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 VSA VT'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>2012</u>	<u>2011</u>
Equipment	\$ --	\$ 18,183
Software	<u>3,493</u>	<u>3,493</u>
	3,493	21,676
Less accumulated depreciation	<u>3,493</u>	<u>20,511</u>
	<u>\$ --</u>	<u>\$ 1,165</u>
Depreciation expense	<u>\$ 1,165</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, 2012, all receivables are considered collectible.

Note 4. Major Revenue Sources

VSA, the Organization's national affiliate, provided 26% of the Organization in 2011. In 2012, VSA is no longer a major revenue source.

Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted as follows:

	<u>2012</u>	<u>2011</u>
Can Do Arts – Veterans	\$ 1,700	\$ --
Aha! Adaptive Horses & Arts	--	2,500
Start With The Arts	80,000	41,000
Engage	10,000	--
Cultural Access	--	28,500
	<u>\$ 91,700</u>	<u>\$ 72,000</u>

Note 6. Board Designated Net Assets

At the October 2011 Board of Directors meeting, the Board designated an additional \$23,000 to the reserved net asset account, which is designated 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 (increased to \$657 effective August 1, 2012) 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, 2012 and 2011 was \$7,734 and \$7,404, respectively.

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

Years ending September 30:

2013	<u>\$ 6,570</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 2011, 2010, and 2009.

Note 9. Contingency

VSA Vermont, Inc. receives 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, 2012, 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 March 5, 2013, the date at which the financial statements were available to be issued.

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, 2012 and 2011 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
March 5, 2013

VSA VERMONT, INC.

**SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended September 30, 2012**

	<u>Program</u>	<u>Administration</u>	<u>Fund-raising</u>	<u>Total</u>
Salary and wages	\$ 192,460	\$ 5,597	\$ 5,429	\$ 203,486
Payroll taxes	16,452	453	452	17,357
Employee benefits	18,676	541	526	19,743
Postage	45	--	753	798
Office expense	1,166	2,060	429	3,655
Printing and publications	1,929	--	844	2,773
Travel and meals	30,795	566	121	31,482
Professional services	--	5,067	--	5,067
Online services	--	--	579	579
Other indirect	35,845	1,038	1,009	37,892
Other miscellaneous	1,785	1,050	--	2,835
Depreciation	--	1,165	--	1,165
Art supplies	9,305	--	6	9,311
Contracted services	30,954	--	--	30,954
Safe arts	1,049	--	--	1,049
Program awards	<u>1,229</u>	<u>93</u>	<u>--</u>	<u>1,322</u>
	<u>\$ 341,690</u>	<u>\$ 17,630</u>	<u>\$ 10,148</u>	<u>\$ 369,468</u>

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>