

VSA VERMONT, INC.

FINANCIAL REPORT

September 30, 2013

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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 financial statements of VSA Vermont, Inc., (a nonprofit organization), which comprise the statements of financial position as of September 30, 2013 and 2012 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with auditing standards generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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, 2013 and 2012 and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Burlington, Vermont
Registration No. 449
June 30, 2014

VSA VERMONT, INC.

STATEMENTS OF FINANCIAL POSITION
September 30, 2013 and 2012

ASSETS	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 260,073	\$ 255,938
Grants receivable	2,170	9,408
Prepaid expenses	<u>4,353</u>	<u>4,779</u>
Total current assets	<u>266,596</u>	<u>270,125</u>
OTHER ASSETS	<u>650</u>	<u>650</u>
Total assets	<u>\$ 267,246</u>	<u>\$ 270,775</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 11,307	\$ 21,772
Deferred revenue	<u>--</u>	<u>14,445</u>
Total current liabilities	<u>11,307</u>	<u>36,217</u>
NET ASSETS		
Unrestricted		
Undesignated	109,939	69,858
Board designated	73,000	73,000
Temporarily restricted	<u>73,000</u>	<u>91,700</u>
	<u>255,939</u>	<u>234,558</u>
Total liabilities and net assets	<u>\$ 267,246</u>	<u>\$ 270,775</u>

See Notes to Financial Statements.

VSA VERMONT, INC.

STATEMENTS OF ACTIVITIES
Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Changes in unrestricted net assets:		
Revenues and gains:		
Contributions	\$ 81,062	\$ 84,698
Special event revenue	12,802	1,675
Less: Costs of direct benefits to donors	<u>(10,781)</u>	<u>(268)</u>
Net revenue from special events	<u>2,021</u>	<u>1,407</u>
Program fees	38,462	30,762
Grants and awards	70,735	65,000
Interest	598	908
Other income	<u>--</u>	<u>364</u>
Total unrestricted revenues and gains	192,878	183,139
Net assets released from restrictions	<u>215,184</u>	<u>202,203</u>
Total unrestricted revenues, gains and other support	<u>408,062</u>	<u>385,342</u>
Expenses:		
Program	323,117	341,690
Administration	31,340	17,630
Fund raising	<u>14,397</u>	<u>10,148</u>
Total expenses	<u>368,854</u>	<u>369,468</u>
Increase in unrestricted net assets	<u>39,208</u>	<u>15,874</u>
Changes in temporarily restricted net assets		
Contributions and grants	197,357	221,903
Net assets released from restrictions	<u>(215,184)</u>	<u>(202,203)</u>
(Decrease) increase in temporarily restricted net assets	<u>(17,827)</u>	<u>19,700</u>
Increase in net assets	21,381	35,574
Net assets, beginning	<u>234,558</u>	<u>198,984</u>
Net assets, ending	<u>\$ 255,939</u>	<u>\$ 234,558</u>

See Notes to Financial Statements.

VSA VERMONT, INC.

STATEMENTS OF CASH FLOWS
Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 21,381	\$ 35,574
Adjustments to reconcile increase in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	--	1,165
Changes in:		
Grants receivable	7,238	28,141
Prepaid expenses	426	(76)
Accounts payable and accrued expenses	(10,465)	5,396
Deferred revenue	<u>(14,445)</u>	<u>8,945</u>
Net cash and cash equivalents provided by operating activities	<u>4,135</u>	<u>79,145</u>
Net increase in cash and cash equivalents	4,135	79,145
Cash and cash equivalents:		
Beginning	<u>255,938</u>	<u>176,793</u>
Ending	<u>\$ 260,073</u>	<u>\$ 255,938</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 partnering educational and social service organizations, VSA VT provides inclusive arts education and workshops in visual arts, music, theater and dance for Vermonters of all ages and abilities. Our education programs are designed to help participants use their strongest expressive means for engaged community participation.

Professional Development: VSA VT professional development workshops and classes are designed to help artists learn inclusive teaching methods, and to help educators and social service providers use the arts to more fully engage their students or clients. VSA VT professional development programs are presented in collaboration with a variety of arts and education partners.

Cultural Access: VSA VT assists arts organizations in presenting more artists with disabilities and in welcoming more visitors and audience members with disabilities. We also engage the public in inclusive arts activities such as exhibitions, performances and events including our free BOOM VT drum festival. VSA VT cultural access programs are presented in collaboration with community cultural organizations and businesses across Vermont.

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.

Deferred Revenue

Deferred revenue consists of government grants for which performance of the contract requirements are not yet complete.

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 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>2013</u>	<u>2012</u>
Software	\$ <u>3,493</u>	\$ <u>3,493</u>
Less accumulated depreciation	<u>3,493</u>	<u>3,493</u>
	<u>\$ --</u>	<u>\$ --</u>
Depreciation expense	<u>\$ --</u>	<u>\$ 1,165</u>

NOTES TO FINANCIAL STATEMENTS

Note 3. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted as follows:

	<u>2013</u>	<u>2012</u>
Can Do Arts – Veterans	\$ --	\$ 1,700
Self-Advocacy Theater	5,000	--
Start With The Arts	51,000	80,000
Home in the Arts	2,000	--
Engage	--	10,000
Capacity Building	<u>15,000</u>	<u>--</u>
	<u>\$ 73,000</u>	<u>\$ 91,700</u>

Note 4. Board Designated Net Assets

The Board designated assets are designated as a rainy day fund.

Note 5. 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, 2013, all receivables are considered collectible.

Note 6. Major Revenue Sources

The Organization's received 17% of its 2013 revenue from a single foundation.

Note 7. Special Events

Special events consisted of the following:

	<u>Revenue</u>	<u>Expense</u>	<u>Net</u>
<u>September 30, 2013:</u>			
Boom Drumming Event	\$ 8,470	\$ 9,781	\$ (1,311)
Bowl-A-Thon	<u>4,332</u>	<u>1,000</u>	<u>3,332</u>
	<u>\$ 12,802</u>	<u>\$ 10,781</u>	<u>\$ 2,021</u>
<u>September 30, 2012:</u>			
Engage Art Event	<u>\$ 1,675</u>	<u>\$ 268</u>	<u>\$ 1,407</u>

NOTES TO FINANCIAL STATEMENTS

Note 8. Operating Lease

The Organization's two-year lease for operating space (\$657 per month plus utilities, taxes and common area maintenance) expired July 2013, at which time occupancy continued on a month-to-month basis. Rent expense for years ended September 30, 2013 and 2012 was \$7,982 and \$7,734, respectively.

Note 9. 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 2012, 2011, and 2010.

Note 10. 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, 2013, the Organization estimates that no material liabilities will result from such audits.

Note 11. Subsequent Events

Management has evaluated subsequent events through June 30, 2014, 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.

We have audited the financial statements of VSA Vermont, Inc. for years ending September 30, 2013 and 2012 and have issued our report thereon dated June 30, 2014, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 signature is written in a cursive, flowing style.

Burlington, Vermont
Registration No. 449
June 30, 2014

VSA VERMONT, INC.

**SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended September 30, 2013**

	<u>Program</u>	<u>Administration</u>	<u>Fund-raising</u>	<u>Total</u>
Salary and wages	\$ 188,699	\$ 7,585	\$ 8,643	\$ 204,927
Payroll taxes	16,142	612	714	17,468
Employee benefits	18,068	1,180	1,032	20,280
Postage	149	--	909	1,058
Office expense	137	1,358	498	1,993
Printing and publications	703	--	126	829
Travel and meals	30,131	940	49	31,120
Professional services	--	10,219	--	10,219
Online services	2,400	--	591	2,991
Indirect	24,921	1,002	1,141	27,064
Other miscellaneous	1,197	1,987	662	3,846
Art supplies	6,762	40	--	6,802
Contracted services	29,391	6,266	32	35,689
Grants	855	--	--	855
Program awards	<u>3,562</u>	<u>151</u>	<u>--</u>	<u>3,713</u>
	<u>\$ 323,117</u>	<u>\$ 31,340</u>	<u>\$ 14,397</u>	<u>\$ 368,854</u>

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
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
Grants	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>