

**VSA VERMONT, INC.**

**FINANCIAL REPORT**

**September 30, 2015**

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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, 2015 and 2014 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, 2015 and 2014 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  
January 22, 2016

**VSA VERMONT, INC.**

**STATEMENTS OF FINANCIAL POSITION**  
**September 30, 2015 and 2014**

ASSETS	<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 255,757	\$ 233,308
Grants receivable	37,712	51,337
Other receivables	1,440	1,060
Prepaid expenses	<u>6,018</u>	<u>8,432</u>
Total current assets	<u>300,927</u>	<u>294,137</u>
<b>OTHER ASSETS</b>	<u>1,200</u>	<u>650</u>
Total assets	<u>\$ 302,127</u>	<u>\$ 294,787</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 18,577	\$ 13,096
Deferred revenue	<u>--</u>	<u>3,960</u>
Total current liabilities	<u>18,577</u>	<u>17,056</u>
<b>NET ASSETS</b>		
Unrestricted		
Undesignated	154,213	124,114
Board designated	83,000	83,000
Temporarily restricted	<u>46,337</u>	<u>70,617</u>
	<u>283,550</u>	<u>277,731</u>
Total liabilities and net assets	<u>\$ 302,127</u>	<u>\$ 294,787</u>

See Notes to Financial Statements.

VSA VERMONT, INC.

STATEMENTS OF ACTIVITIES  
Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Changes in unrestricted net assets:		
Revenues and gains:		
Contributions	\$ 132,882	\$ 117,368
Special event revenue	4,249	--
Less: Costs of direct benefits to donors	<u>(5,906)</u>	<u>--</u>
Net revenue from special events	<u>(1,657)</u>	<u>--</u>
Program fees	44,662	41,337
Government grants and awards	70,300	63,947
Interest	433	506
Other income	<u>--</u>	<u>113</u>
Total unrestricted revenues and gains	246,620	223,271
Net assets released from restrictions	<u>176,519</u>	<u>148,743</u>
Total unrestricted revenues, gains and other support	<u>423,139</u>	<u>372,014</u>
Expenses:		
Program	296,535	243,038
Administration	45,966	52,826
Fund raising	<u>50,539</u>	<u>51,975</u>
Total expenses	<u>393,040</u>	<u>347,839</u>
Increase in unrestricted net assets	<u>30,099</u>	<u>24,175</u>
Changes in temporarily restricted net assets		
Contributions and grants	152,239	146,360
Net assets released from restrictions	<u>(176,519)</u>	<u>(148,743)</u>
Decrease in temporarily restricted net assets	<u>(24,280)</u>	<u>(2,383)</u>
Increase in net assets	5,819	21,792
Net assets, beginning	<u>277,731</u>	<u>255,939</u>
Net assets, ending	<u>\$ 283,550</u>	<u>\$ 277,731</u>

See Notes to Financial Statements.

**VSA VERMONT, INC.**

**STATEMENTS OF CASH FLOWS**  
**Years Ended September 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 5,819	\$ 21,792
Adjustments to reconcile increase in net assets to net cash and cash equivalents provided (used) by operating activities:		
Changes in:		
Grants and other receivables	13,245	(50,227)
Prepaid expenses	2,414	(4,079)
Other assets	(550)	--
Accounts payable and accrued expenses	5,481	1,789
Deferred revenue	<u>(3,960)</u>	<u>3,960</u>
Net cash and cash equivalents provided (used) by operating activities	<u>22,449</u>	<u>(26,765)</u>
Net increase (decrease) in cash and cash equivalents	22,449	(26,765)
Cash and cash equivalents:		
Beginning	<u>233,308</u>	<u>260,073</u>
Ending	<u>\$ 255,757</u>	<u>\$ 233,308</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 Essex Junction, 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.

#### 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 \$3,000 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. There are currently no undepreciated assets.

### Note 2. Grants Receivable and Major Revenue Sources

Revenues of \$110,000 from two major contributors were received during the year, representing 27% of the Organization's total revenue. There are no receivables relating to these revenues.

### Note 3. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted as follows:

	<u>2015</u>	<u>2014</u>
BOOM VT	\$ --	\$ 5,530
Start With The Arts	46,087	61,087
High School Advocacy	--	4,000
Cultural Access	<u>250</u>	<u>--</u>
	<u>\$ 46,337</u>	<u>\$ 70,617</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Board Designated Net Assets

The Board designated assets are designated as a rainy day fund and are invested in money market funds.

### Note 5. Special Events

For the year ended September 30, 2015, special events consisted of the Boom Drumming Event:

	<u>Revenue</u>	<u>Expense</u>	<u>Net</u>
Direct Event	\$ 4,249	\$ (5,906)	\$ (1,657)
Temporarily restricted income released	<u>3,030</u>	<u>—</u>	<u>3,030</u>
Total	<u>\$ 7,279</u>	<u>\$ (5,906)</u>	<u>\$ 1,373</u>

No special events were held during the year ended September 30, 2014.

### Note 6. Contributed Services

The Organization recognized \$6,638 of contributed computer support services.

### Note 7. Operating Lease

Effective June 2015, the Organization leased operating space in Essex Junction at \$14,400 per year, with utilities (electric and gas) included in this amount. The lease includes a 1% annual increase and an early termination fee equal to all sums due until the effective date of termination. The lease will expire May 31, 2020.

Future minimum rent payments in the aggregate and for the life of the lease are as follows:

During the year ended September 30:	
2016	\$ 14,450
2017	14,600
2018	14,750
2019	14,900
2020	<u>9,954</u>
	<u>\$ 68,654</u>

Rent expense for the years ended September 30, 2015 and 2014 was \$12,335 and \$10,462, respectively.

## NOTES TO FINANCIAL STATEMENTS

### **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 2014, 2013, and 2012.

### **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, 2015, the Organization estimates that no material liabilities will result from such audits.

### **Note 10. Subsequent Events**

Management has evaluated subsequent events through January 22, 2016, 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, 2015 and 2014 and have issued our report thereon dated January 22, 2016, 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.

*Montgomery & Merrill PC*

Burlington, Vermont  
Registration No. 449  
January 22, 2016

VSA VERMONT, INC.

**SCHEDULE OF FUNCTIONAL EXPENSES**  
**Year Ended September 30, 2015**

	<u>Program</u>	<u>Administration</u>	<u>Fund-raising</u>	<u>Total</u>
Salary and wages	\$ 176,294	\$ 19,347	\$ 33,906	\$ 229,547
Payroll taxes	15,671	1,340	2,966	19,977
Employee benefits	--	6,969	--	6,969
Postage	--	--	653	653
Printing and publications	--	--	1,679	1,679
Travel and meals	27,299	685	407	28,391
Professional services	--	10,172	--	10,172
Online services	624	--	160	784
Indirect	36,532	4,009	7,026	47,567
Other miscellaneous	4,299	2,602	1,236	8,137
Art supplies	13,208	--	--	13,208
Contracted services	18,938	842	2,506	22,286
Program awards	<u>3,670</u>	<u>--</u>	<u>--</u>	<u>3,670</u>
	<u>\$ 296,535</u>	<u>\$ 45,966</u>	<u>\$ 50,539</u>	<u>\$ 393,040</u>

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**VSA VERMONT, INC.**

**SCHEDULE OF FUNCTIONAL EXPENSES**  
**Year Ended September 30, 2014**

	<u>Program</u>	<u>Administration</u>	<u>Fund-raising</u>	<u>Total</u>
Salary and wages	\$ 151,378	\$ 27,458	\$ 36,276	\$ 215,112
Payroll taxes	13,383	2,183	3,163	18,729
Employee benefits	5,299	2,255	2,960	10,514
Postage	--	--	1,010	1,010
Office expense	--	1,218	89	1,307
Printing and publications	335	--	1,439	1,774
Travel and meals	28,056	675	254	28,985
Professional services	--	12,069	--	12,069
Online services	--	--	679	679
Indirect	23,276	4,222	5,578	33,076
Other miscellaneous	4,130	2,746	495	7,371
Art supplies	4,006	--	--	4,006
Contracted services	7,853	--	32	7,885
Grants	--	--	--	--
Program awards	<u>5,322</u>	<u>--</u>	<u>--</u>	<u>5,322</u>
	<u>\$ 243,038</u>	<u>\$ 52,826</u>	<u>\$ 51,975</u>	<u>\$ 347,839</u>