



VSA VERMONT, INC.
FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

JMM & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

VSA VERMONT, INC.
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SEPTEMBER 30, 2017 AND 2016

VSA VERMONT, INC.
TABLE OF CONTENTS
SEPTEMBER 30, 2017 AND 2016

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statement of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 10



VT License #92-0000171

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
VSA Vermont, Inc.
Essex Junction, Vermont

Report on the Financial Statements

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, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, the statement of functional expenses for the year ended September 30, 2017, and related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair representation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to 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 the 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 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 audit 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Jmm & Associates

February 2, 2018

VSA VERMONT, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2017 AND 2016

ASSETS

	2017	2016
CURRENT ASSETS		
Cash	\$ 351,197	\$ 311,679
Grants and other receivables	49,429	24,168
Prepaid expenses	5,039	5,814
TOTAL CURRENT ASSETS	<u>405,665</u>	<u>341,661</u>
TOTAL ASSETS	<u>\$ 405,665</u>	<u>\$ 341,661</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 5,958	\$ 7,870
Accrued payroll and related liabilities	14,845	10,645
TOTAL CURRENT LIABILITIES	<u>20,803</u>	<u>18,515</u>
NET ASSETS		
Unrestricted:		
Board-designated	100,000	100,000
Undesignated	147,357	153,809
Total unrestricted	247,357	253,809
Temporarily restricted	137,505	69,337
TOTAL NET ASSETS	<u>384,862</u>	<u>323,146</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 405,665</u>	<u>\$ 341,661</u>

See accompanying notes.

VSA VERMONT, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
CHANGE IN UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Public contributions	\$ 147,916	\$ 174,858
Grants	45,600	48,695
Donated goods and services	13,200	19,800
Program fees	33,257	35,999
Interest income	23	515
Subtotal - Support and Revenue	239,996	279,867
Net assets released from restrictions	176,462	167,926
TOTAL SUPPORT AND REVENUE	416,458	447,793
EXPENSES		
Program services	330,091	317,883
General and administrative	41,819	62,310
Fundraising	51,000	51,004
TOTAL EXPENSES	422,910	431,197
CHANGE IN UNRESTRICTED NET ASSETS	(6,452)	16,596
BEGINNING UNRESTRICTED NET ASSETS	253,809	237,213
ENDING UNRESTRICTED NET ASSETS	\$ 247,357	\$ 253,809
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Contributions	\$ 244,630	\$ 190,926
Net assets released from restrictions	(176,462)	(167,926)
TOTAL SUPPORT AND REVENUE	68,168	23,000
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	68,168	23,000
BEGINNING TEMPORARILY RESTRICTED NET ASSETS	69,337	46,337
ENDING TEMPORARILY RESTRICTED NET ASSETS	\$ 137,505	\$ 69,337
TOTAL CHANGE IN NET ASSETS	\$ 61,716	\$ 39,596

See accompanying notes.

VSA VERMONT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>2017 Total</u>	<u>2016 Total</u>
Salaries and wages	\$ 204,277	\$ 17,086	\$ 35,691	\$ 257,054	\$ 250,055
Payroll taxes	18,689	1,778	2,993	23,460	21,988
Fringe benefits	12,060	1,680	3,585	17,325	11,311
Total Personnel	<u>235,026</u>	<u>20,544</u>	<u>42,269</u>	<u>297,839</u>	<u>283,354</u>
Travel and meals	25,137	909	265	26,311	29,845
Contracted services	21,401	-	-	21,401	25,433
Office expenses	10,802	1,779	2,926	15,507	11,700
Occupancy	11,736	1,000	2,026	14,762	15,466
Donated services	-	13,200	-	13,200	19,800
Professional services	8,251	2,756	1,442	12,449	15,246
Program supplies	9,198	-	324	9,522	13,186
Online services	4,827	404	1,092	6,323	5,635
Insurance	3,391	284	592	4,267	4,086
Advertising	320	887	50	1,257	1,455
Miscellaneous	2	56	14	72	948
Equipment expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,043</u>
TOTAL EXPENSES	<u><u>\$ 330,091</u></u>	<u><u>\$ 41,819</u></u>	<u><u>\$ 51,000</u></u>	<u><u>\$ 422,910</u></u>	<u><u>\$ 431,197</u></u>

See accompanying notes.

VSA VERMONT, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants and contracts	\$ 20,339	\$ 63,679
Cash received from contributions	392,546	365,784
Program and miscellaneous income	33,257	35,999
Interest received	23	515
Cash paid to suppliers for goods and services	(113,008)	(125,424)
Cash paid for salaries, taxes and benefits	(293,639)	(284,631)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>39,518</u>	<u>55,922</u>
INCREASE IN CASH	39,518	55,922
BEGINNING CASH	<u>311,679</u>	<u>255,757</u>
ENDING CASH	<u><u>\$ 351,197</u></u>	<u><u>\$ 311,679</u></u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 61,716	\$ 39,596
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in:		
Grants and other receivables	(25,261)	14,984
Prepaid expenses	775	1,404
Increase (decrease) in:		
Accounts payable	(1,912)	1,215
Accrued payroll and related liabilities	4,200	(1,277)
Total adjustments	<u>(22,198)</u>	<u>16,326</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 39,518</u></u>	<u><u>\$ 55,922</u></u>

See accompanying notes.

VSA VERMONT, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

VSA Vermont, Inc. (VSA VT) 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 referrals and through public arts programs. The Organization receives revenue primarily from government and foundation grants and private contributions.

Programs and activities

VSA VT's programs include:

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.

Basis of accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded as incurred.

Financial statement presentation

VSA Vermont, Inc. is required to report its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. There were no permanently restricted net assets as of September 30, 2017 or 2016.

VSA VERMONT, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For purposes of the Statements of Cash Flows, VSA Vermont, Inc. considers all unrestricted, highly-liquid investments with an initial maturity of three months or less to be cash equivalents. Amounts on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank per depositor. Amounts in excess of the FDIC limit were \$2,008 and \$62,175 as of September 30, 2017 and 2016, respectively.

Functional allocation of expenses

Expenses are charged directly to program or management in general categories based on specific identification. Indirect expenses have been allocated based on methods determined by management.

Property and equipment

VSA Vermont, Inc. capitalizes acquisitions of property and equipment with a value of \$3,000 or more. Property and equipment is stated at cost if purchased, or at fair value if donated. 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. There are currently no undepreciated assets.

Income taxes

VSA Vermont, Inc. is a nonprofit corporation exempt from income taxes under IRC Section 501(c)(3) except for net income derived from unrelated business income activities, if any. VSA VT has been classified as an organization that is not a private foundation under IRC 509(a)(2), and donations to the Organization qualify as charitable deductions for individual donors. The Organization believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

Contributions

VSA Vermont, Inc. reports its contributions as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Temporarily restricted net assets result from contributions and other inflows of assets whose use by VSA VT is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of VSA VT. Contributions of long-lived assets or cash used to acquire long-lived assets (property and equipment) are released from time restrictions, if not expressed by the donor, over the asset's expected useful life. There are no permanently restricted net assets to report.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

VSA VERMONT, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated services, assets and facilities

Donated services that meet certain criteria are reflected in the financial statements at the fair value of the services received. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Numerous volunteers perform various clerical functions to support program activities, and no amounts have been recorded for these services.

Grant and contract support

VSA Vermont, Inc. recognizes grant and contract funds on an exchange basis. As such, revenues are booked as the grant is earned. In accordance with the normal policies of the contracting organizations, VSA VT may retain unexpended funds for use in future periods provided expenses incurred are in compliance with the specified terms of each grant or contract, as defined. The organizations may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by VSA VT with the terms of the grants or contracts.

Summarized financial information

Certain financial information for the year ended September 30, 2016 is presented for comparative purposes, and is not intended to be a complete financial statement presentation by fund. Accordingly, such information should be read in conjunction with VSA VT's financial statements for the year ended September 30, 2016, from which the summarized information was derived.

Reclassification

Certain amounts in the 2016 financial statements have been reclassified in order to provide an improved comparison with the 2017 financial statements.

2) GRANTS AND OTHER RECEIVABLES

Grants and contracts receivable represent grants due from the grantor in less than one year. Due to the current nature of the amounts, no allowance for uncollectible accounts has been recorded. There was no bad debt expense related to grants receivable for the years ended September 30, 2017 or 2016.

3) BOARD-DESIGNATED NET ASSETS

The Board of Directors of VSA Vermont, Inc. has designated a portion of its unrestricted net assets to serve as an operating reserve. The funds are invested in money market accounts, and Board-designated net assets were \$100,000 as of September 30, 2017 and 2016.

VSA VERMONT, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

4) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of September 30:

	<u>2017</u>	<u>2016</u>
Start with the Arts	\$ 105,305	\$ 38,837
High School Arts	6,000	18,000
Arts to Smarts	23,000	10,000
Mentoring	3,200	-
K - 8 Arts Education	-	2,500
	<u>\$ 137,505</u>	<u>\$ 69,337</u>

5) LEASES

Effective June 2015, VSA Vermont, Inc. leased office space in Essex Junction, Vermont under an lease that expires in May 2020. Rent expense was \$14,592 and \$14,448 for the years ended September 30, 2017 and 2016, respectively.

Future minimum lease commitments for the years ending September 30 are as follows:

2018	\$ 14,700
2019	14,900
2020	10,000
	<u>\$ 39,600</u>

6) CONTINGENCY

VSA Vermont, Inc. receives financial assistance from the Federal government, entitlement to which is generally based on compliance with the terms and conditions of the grant agreements and applicable federal regulations. Substantially all of these grants are subject to financial and compliance audits by the grantors, and any disallowances as a result of such audits would become a liability of VSA VT. As of September 30, 2017, management estimates that there are no material liabilities that would result from audits.

7) SUBSEQUENT EVENTS

VSA Vermont, Inc. has evaluated events and transactions for potential recognition or disclosure through February 2, 2018, the date the financial statements were available to be issued.