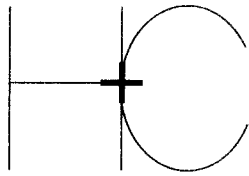


VSA ARTS OF MASSACHUSETTS, INC.
FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

VSA ARTS OF MASSACHUSETTS, INC.

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6



One West Foster Street
Melrose, MA 02176.3852
Telephone 781.665.7100
Facsimile 781.665.9380

Certified Public Accountants

David J. McCaughrin, CPA
John C. McNamara, CPA

Independent Auditors' Report

To the Board of Directors
VSA arts of Massachusetts, Inc.
Boston, Massachusetts

We have audited the accompanying statements of financial position of VSA arts of Massachusetts, Inc. as of September 30, 2009 and 2008, and the related statements of activities, functional expenses 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 U. S. generally accepted auditing standards. 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 arts of Massachusetts, Inc. as of September 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Hughes and Company, P.C.

HUGHES AND COMPANY, P.C.
Melrose, Massachusetts
June 16, 2010

VSA ARTS OF MASSACHUSETTS, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2009 AND 2008

	<u>ASSETS</u>	
	<u>2009</u>	<u>2008</u>
Current Assets		
Cash and cash equivalents	\$ 231,837	\$ 284,581
Investments	71,383	67,723
Accounts receivable	87,595	73,034
Pledges receivable	60,000	-
Prepaid expenses	9,147	4,031
Total Current Assets	<u>459,962</u>	<u>429,369</u>
Property and Equipment		
Furniture and equipment	33,836	87,994
Leasehold improvements	8,834	59,024
	<u>42,670</u>	<u>147,018</u>
Less accumulated depreciation	(10,482)	(145,861)
Property and Equipment, Net	<u>32,188</u>	<u>1,157</u>
Other Assets		
Deposits	<u>2,795</u>	<u>1,125</u>
Total Assets	<u>\$ 494,945</u>	<u>\$ 431,651</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 19,109	\$ 36,959
Accrued expenses	31,572	19,571
Total Current Liabilities	<u>50,681</u>	<u>56,530</u>
Net Assets		
Unrestricted, operating	199,362	186,551
Unrestricted, Board designated, Maida Abrams Memorial Fund	71,383	67,723
Unrestricted, property and equipment	32,188	1,157
Temporarily restricted	141,331	119,690
Total Net Assets	<u>444,264</u>	<u>375,121</u>
Total Liabilities and Net Assets	<u>\$ 494,945</u>	<u>\$ 431,651</u>

The accompanying notes are an integral part of the financial statements.

VSA ARTS OF MASSACHUSETTS, INC.
 STATEMENTS OF ACTIVITIES
 YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
UNRESTRICTED NET ASSETS		
Support and Revenue		
Very Special Arts (National)	\$ 80,000	\$ 99,000
Massachusetts Department of Education	160,000	160,000
Massachusetts Cultural Council	41,050	41,550
Massachusetts Rehabilitation Commission	21,155	30,179
Foundations and corporations	132,810	66,299
Maida Abrams Memorial Fund	5,000	5,000
Individual support	16,556	13,770
Program service revenue	102,746	117,937
In-Kind contributions	42,325	25,351
ADA grants returned	11,000	-
National Endowment for the Arts	20,000	-
Total Support and Revenue	<u>632,642</u>	<u>559,086</u>
Net Assets Released from Restrictions	<u>118,465</u>	<u>118,066</u>
	<u>751,107</u>	<u>677,152</u>
Expenses		
Program services	588,379	532,435
Management and general	102,764	132,105
Fundraising	15,381	10,907
Total Expenses	<u>706,524</u>	<u>675,447</u>
Increase in Unrestricted Net Assets Before Non-Operating Activities	44,583	1,705
Non-Operating Activities		
Investment income	5,653	7,427
Unrealized Gain (Loss) on investments	<u>(2,734)</u>	<u>(20,721)</u>
Total Non-Operating Activities	2,919	(13,294)
Increase (Decrease) in Unrestricted Net Assets	<u>47,502</u>	<u>(11,589)</u>
TEMPORARILY RESTRICTED NET ASSETS		
Foundations and corporations	140,106	115,628
Net assets released from restrictions		
Satisfaction of program restrictions	<u>(118,465)</u>	<u>(118,066)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>21,641</u>	<u>(2,438)</u>
Increase (Decrease) in Net Assets	69,143	(14,027)
Net Assets, Beginning of Year	<u>375,121</u>	<u>389,148</u>
Net Assets, End of Year	<u>\$ 444,264</u>	<u>\$ 375,121</u>

The accompanying notes are an integral part of the financial statements.

VSA ARTS OF MASSACHUSETTS, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES
 YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Fundraising</u>	<u>2009</u> <u>Totals</u>	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Fundraising</u>	<u>2008</u> <u>Totals</u>
Salaries	\$ 199,864	\$ 60,570	\$ 3,035	\$ 263,469	\$ 189,565	\$ 65,020	\$ 4,377	\$ 258,962
Payroll taxes	17,624	5,674	264	23,562	16,961	5,818	392	23,171
Employee benefits	40,726	10,132	575	51,433	46,457	15,935	1,073	63,465
Advertising	175	-	-	175	680	-	-	680
Audit	-	6,200	-	6,200	-	6,200	-	6,200
Bank charges	1,290	333	69	1,692	-	-	-	-
Conferences and meetings	1,030	-	655	1,685	1,655	3,196	-	4,851
Consultants	163,414	1,003	7,399	171,816	166,519	14,288	-	180,807
Depreciation	-	4,369	-	4,369	-	747	-	747
Dues and subscriptions	501	67	14	582	292	265	-	557
Equipment rental	3,695	955	199	4,849	3,432	1,177	79	4,688
Food, lodging and travel	25,340	737	223	26,300	15,336	3,816	3	19,155
Grants	24,397	-	-	24,397	33,383	-	-	33,383
Insurance	7,046	1,822	379	9,247	3,440	2,249	98	5,787
Miscellaneous	2,883	1,266	152	4,301	28	473	-	501
Occupancy	43,541	7,480	1,557	52,578	29,886	9,513	640	40,039
Printing and copying	1,708	447	93	2,248	3,256	374	3,735	7,365
Postage and shipping	1,358	297	329	1,984	2,976	625	278	3,879
Public relations	15,245	-	-	15,245	-	325	-	325
Supplies	15,654	453	238	16,345	12,674	558	129	13,361
Training and development	662	19	4	685	1,385	-	-	1,385
Telephone and internet	3,765	940	196	4,901	4,510	1,526	103	6,139
Video	18,461	-	-	18,461	-	-	-	-
Total Expenses	<u>\$ 588,379</u>	<u>\$ 102,764</u>	<u>\$ 15,381</u>	<u>\$ 706,524</u>	<u>\$ 532,435</u>	<u>\$ 132,105</u>	<u>\$ 10,907</u>	<u>\$ 675,447</u>

The accompanying notes are an integral part of the financial statements.

VSA ARTS OF MASSACHUSETTS, INC.
 STATEMENTS OF CASH FLOWS
 YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	\$ 69,143	\$ (14,027)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation	4,369	747
Unrealized (gain) loss on investments	2,734	20,721
Changes in assets and liabilities effecting operating activities:		
(Increase) Decrease in:		
Accounts receivable	(14,541)	14,442
Pledges receivable	(60,000)	-
Prepaid expenses	(5,116)	1,865
Increase (Decrease) in:		
Accounts payable	(17,850)	175
Accrued expenses	12,001	332
Net Cash Provided by (Used in) Operating Activities	<u>(9,260)</u>	<u>24,255</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(35,781)	-
Purchase of investments	(7,703)	(7,212)
Net Cash Provided by (Used in) Investing Activities	<u>(43,484)</u>	<u>(7,212)</u>
Net Increase (Decrease) in Cash	(52,744)	17,043
Cash, Beginning	<u>284,581</u>	<u>267,538</u>
Cash, Ending	<u>\$ 231,837</u>	<u>\$ 284,581</u>
Supplemental Disclosures of Cash Flows Information:		
Cash paid during the year for		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

VSA ARTS OF MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

Note 1 - Description of Organization

VSA arts of Massachusetts, Inc. is a non-profit organization located in Boston, Massachusetts. The Organization develops and operates art programs for individuals with disabilities.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and support and revenues are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period as received are shown as unrestricted contributions.

Property and Equipment

Property and equipment purchases are recorded at cost. Donated property and equipment are recorded at fair value. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets, which range from 5 to 7 years. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. Depreciation equaled \$4,369 and \$747 for the years ended September 30, 2009 and 2008, respectively.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(C)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in these financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents.

VSA ARTS OF MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2009 AND 2008

Note 2 - Summary of Significant Accounting Policies (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Accounts Receivable

Accounts receivable are considered by management to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary.

Investments

In accordance with Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-For-Profit Organizations*, investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. The unrealized gain or loss on these investments are reflected in the statement of activities.

Contributed Facilities and Services

Contributed facilities represent the estimated fair rental value of office space provided. Contributed services are reflected in the financial statements at fair value of the services received. The contributions of services are recognized if the services received create or enhance non-financial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Functional Allocation of Expenses

The costs of providing the Organization's programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services, management and general, and fundraising categories.

VSA ARTS OF MASSACHUSETTS, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2009 AND 2008

Note 2 - Summary of Significant Accounting Policies (continued)

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Note 3 - Concentration of Credit Risk

The Organization maintains its cash balances in various financial institutions located in the Boston area. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of September 30, 2009, bank deposits did not exceed the Federally insured limit.

Note 4 - Investments

Investments are recorded at fair value. The value assigned to investments received by gift is the market value at the date of donation. Amortized cost and fair value of investments at September 30, 2009 and 2008 are as follows:

	<u>Amortized Cost</u>	<u>Fair Value</u>
September 30, 2009		
Equity securities	<u>\$ 88,827</u>	<u>\$ 71,383</u>
September 30, 2008		
Equity securities	<u>\$ 82,434</u>	<u>\$ 67,723</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended September 30, 2009 and 2008:

	<u>Unrestricted</u>	
	<u>2009</u>	<u>2008</u>
Investment income	\$ 5,653	\$ 7,427
Unrealized gain (loss)	<u>(2,734)</u>	<u>(20,721)</u>
	<u>\$ 2,919</u>	<u>\$ (13,294)</u>

VSA ARTS OF MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2009 AND 2008

Note 5 - Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Support for the "Arts Extension Project"	\$ 75,000	\$ 110,000
Support for education and training services	1,331	5,190
Support for arts-based learning activities	60,000	-
Support for a "Web Consultation" project	5,000	-
Support for a "Massachusetts Follow-up Forum on Artists and Disabilities"	-	4,500
	<u>\$ 141,331</u>	<u>\$ 119,690</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	<u>2009</u>	<u>2008</u>
Support for the "Arts Extension Project"	\$ 110,000	\$ 110,000
Support for education and training services	3,965	8,066
Support for a "Massachusetts Follow-up Forum on Artists and Disabilities"	4,500	-
	<u>\$ 118,465</u>	<u>\$ 118,066</u>

Unrestricted Board designated net assets consist of the following:

	<u>2009</u>	<u>2008</u>
Maida Abrams Memorial Fund	<u>\$ 71,383</u>	<u>\$ 67,723</u>

Note 6 - In-Kind Contributions

The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses for consultants, rent and other as follows:

	<u>2009</u>	<u>2008</u>
Consultants	\$ 27,075	\$ 21,201
Rent	11,750	2,150
Supplies	-	2,000
Other	3,500	-
	<u>\$ 42,325</u>	<u>\$ 25,351</u>

VSA ARTS OF MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2009 AND 2008

Note 7 - Affiliate Transactions

VSA arts of Massachusetts, Inc. receives grants from VSA arts, a national affiliate, in the normal course of their activities. Grants from VSA arts were \$80,000 and \$99,000 in 2009 and 2008, respectively. Amounts due from VSA arts equaled \$11,600 and \$8,000 as of September 30, 2009 and 2008, respectively.

Note 8 - Retirement Plan

The Organization has implemented a 401(k) Profit Sharing Plan for the benefit of its eligible employees. The Organization's contributions to the Plan are discretionary. The Organization has accrued \$14,489 and \$15,822 of contributions to the Plan as of September 30, 2009 and 2008, respectively.

Note 9 - Reclassification

Certain amounts in the 2008 financial statements have been reclassified to conform to the 2009 presentation.

Note 10 - Lease Commitment

During 2009, the Organization entered into a lease agreement which expires in February, 2015. The lease provides for minimum rent, plus additional amounts for real estate taxes and operating expenses.

Approximate future minimum rentals under the lease are as follows:

2010	\$	33,500
2011		34,500
2012		35,200
2013		35,700
2014		36,300
		<u>\$ 175,200</u>