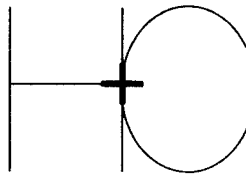


VSA ARTS OF MASSACHUSETTS, INC.  
FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010 AND 2009

VSA ARTS OF MASSACHUSETTS, INC.

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*Certified Public Accountants*

David J. McCaughin, CPA  
John S. 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, 2010 and 2009, 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 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 arts of Massachusetts, Inc. as of September 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Hughes and Company, P.C.*

HUGHES AND COMPANY, P.C.  
Melrose, Massachusetts  
February 3, 2011

VSA ARTS OF MASSACHUSETTS, INC.  
STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2010 AND 2009

<u>ASSETS</u>		
	<u>2010</u>	<u>2009</u>
Current Assets		
Cash and cash equivalents	\$ 327,242	\$ 245,795
Investments	61,855	57,425
Accounts receivable	39,465	87,595
Pledges receivable	12,500	60,000
Prepaid expenses	11,417	9,147
Total Current Assets	452,479	459,962
Property and Equipment		
Furniture and equipment	36,525	33,836
Leasehold improvements	9,936	8,834
	46,461	42,670
Less accumulated depreciation	(18,086)	(10,482)
Property and Equipment, Net	28,375	32,188
Other Assets		
Deposits	2,795	2,795
	2,795	2,795
Total Assets	\$ 483,649	\$ 494,945
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 9,284	\$ 19,109
Accrued expenses	37,504	31,572
Total Current Liabilities	46,788	50,681
Net Assets		
Unrestricted, operating	249,556	199,362
Unrestricted, Board designated, Maida Abrams Memorial Fund	77,064	71,383
Unrestricted, property and equipment	28,375	32,188
Temporarily restricted	81,866	141,331
Total Net Assets	436,861	444,264
Total Liabilities and Net Assets	\$ 483,649	\$ 494,945

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

VSA ARTS OF MASSACHUSETTS, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<b>UNRESTRICTED NET ASSETS</b>		
Support and Revenue		
Very Special Arts (National)	\$ 87,646	\$ 80,000
Massachusetts Department of Education	136,500	160,000
Massachusetts Cultural Council	8,650	41,050
Local Cultural Councils	3,625	-
Massachusetts Rehabilitation Commission	21,461	21,155
Foundations and corporations	124,505	132,810
Maida Abrams Memorial Fund	-	5,000
Individual support	69,365	16,556
Program service revenue	96,472	102,746
In-Kind contributions	46,236	42,325
ADA grants returned	-	11,000
National Endowment for the Arts	-	20,000
Total Support and Revenue	<u>594,460</u>	<u>632,642</u>
Net Assets Released from Restrictions	<u>140,315</u>	<u>118,465</u>
	<u>734,775</u>	<u>751,107</u>
Expenses		
Program services	582,496	588,379
Management and general	92,721	102,764
Fundraising	15,369	15,381
Total Expenses	<u>690,586</u>	<u>706,524</u>
Increase in Unrestricted Net Assets Before Non-Operating Activities	<u>44,189</u>	<u>44,583</u>
Non-Operating Activities		
Investment income	3,442	5,653
Unrealized Gain (Loss) on investments	4,430	(2,734)
Total Non-Operating Activities	<u>7,872</u>	<u>2,919</u>
Increase in Unrestricted Net Assets	<u>52,061</u>	<u>47,502</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Foundations and corporations	80,851	140,106
Net assets released from restrictions		
Satisfaction of program restrictions	<u>(140,315)</u>	<u>(118,465)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>(59,464)</u>	<u>21,641</u>
Increase (Decrease) in Net Assets	(7,403)	69,143
Net Assets, Beginning of Year	<u>444,264</u>	<u>375,121</u>
Net Assets, End of Year	<u>\$ 436,861</u>	<u>\$ 444,264</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, 2010 AND 2009

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2010 Totals</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2009 Totals</u>
Salaries	\$ 231,642	\$ 43,478	\$ 568	\$ 275,688	\$ 199,864	\$ 60,570	\$ 3,035	\$ 263,469
Payroll taxes	20,655	3,867	51	24,573	17,624	5,674	264	23,562
Employee benefits	44,472	8,327	109	52,908	40,726	10,132	575	51,433
Advertising	75	-	-	75	175	-	-	175
Audit	-	6,600	-	6,600	-	6,200	-	6,200
Bank charges	-	-	-	-	1,290	333	69	1,692
Conferences and meetings	3,752	458	14	4,224	1,030	-	655	1,685
Consultants	179,134	11,092	13,033	203,259	163,414	1,003	7,399	171,816
Depreciation	-	7,603	-	7,603	-	4,369	-	4,369
Dues and subscriptions	923	47	1	971	501	67	14	582
Equipment rental	2,992	570	17	3,579	3,695	955	199	4,849
Food, lodging and travel	18,294	1,107	205	19,606	25,340	737	223	26,300
Grants	-	-	-	-	24,397	-	-	24,397
Insurance	9,025	1,718	51	10,794	7,046	1,822	379	9,247
Miscellaneous	287	22	2	311	2,883	1,266	152	4,301
Occupancy	39,790	6,385	191	46,366	43,541	7,480	1,557	52,578
Printing and copying	2,119	403	12	2,534	1,708	447	93	2,248
Postage and shipping	1,425	225	33	1,683	1,358	297	329	1,984
Public relations	1,500	-	-	1,500	15,245	-	-	15,245
Supplies	19,428	204	1,034	20,666	15,654	453	238	16,345
Training and development	1,020	-	-	1,020	662	19	4	685
Telephone and internet	4,313	615	48	4,976	3,765	940	196	4,901
Video	1,650	-	-	1,650	18,461	-	-	18,461
<b>Total Expenses</b>	<b>\$ 582,496</b>	<b>\$ 92,721</b>	<b>\$ 15,369</b>	<b>\$ 690,586</b>	<b>\$ 588,379</b>	<b>\$ 102,764</b>	<b>\$ 15,381</b>	<b>\$ 706,524</b>

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

VSA ARTS OF MASSACHUSETTS, INC.  
 STATEMENTS OF CASH FLOWS  
 YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	\$ (7,403)	\$ 69,143
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation	7,603	4,369
Unrealized (gain) loss on investments	(4,430)	2,734
Changes in assets and liabilities effecting operating activities:		
(Increase) Decrease in:		
Accounts receivable	48,130	(14,541)
Pledges receivable	47,500	(60,000)
Prepaid expenses	(2,270)	(5,116)
Increase (Decrease) in:		
Accounts payable	(9,824)	(17,850)
Accrued expenses	5,932	12,001
Net Cash Provided by (Used in) Operating Activities	85,238	(9,260)
Cash Flows from Investing Activities		
Purchase of property and equipment	(3,791)	(35,781)
Purchase of investments	-	(7,703)
Net Cash Provided by (Used in) Investing Activities	(3,791)	(43,484)
Net Increase (Decrease) in Cash	81,447	(52,744)
Cash, Beginning	245,795	298,539
Cash, Ending	\$ 327,242	\$ 245,795
Supplemental Disclosures of Cash Flows Information:		
Cash paid during the year for		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

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

VSA ARTS OF MASSACHUSETTS, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010 AND 2009

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 \$7,603 and \$4,369 for the years ended September 30, 2010 and 2009, 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.



VSA ARTS OF MASSACHUSETTS, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2010 AND 2009

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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

Under accounting standards for non-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.

VSA ARTS OF MASSACHUSETTS, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2010 AND 2009

Note 2 - Summary of Significant Accounting Policies (continued)

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.

Subsequent Events

The Organization has evaluated subsequent events through February 3, 2011 which is the date the financial statements were available to be issued.

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, 2010, 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, 2010 and 2009 are as follows:

	<u>Amortized Cost</u>	<u>Fair Value</u>
September 30, 2010		
Equity securities	<u>\$ 74,869</u>	<u>\$ 61,855</u>
September 30, 2009		
Equity securities	<u>\$ 74,869</u>	<u>\$ 57,425</u>

VSA ARTS OF MASSACHUSETTS, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2010 AND 2009

Note 4 - Investments (continued)

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended September 30, 2010 and 2009:

	<u>Unrestricted</u>	
	<u>2010</u>	<u>2009</u>
Investment income	\$ 3,442	\$ 5,653
Unrealized gain (loss)	4,430	(2,734)
	<u>\$ 7,872</u>	<u>\$ 2,919</u>

Note 5 - Pledges Receivable

Pledges receivable consist of the following:

	<u>2010</u>	<u>2009</u>
Gross Pledges	\$ 12,500	\$ 60,000
Less: Discount to present value	-	-
Net Pledges Receivable	<u>\$ 12,500</u>	<u>\$ 60,000</u>
Amounts Due In:		
Less than one year	<u>\$ 12,500</u>	<u>\$ 60,000</u>

Uncollectible pledges are expected to be insignificant. Accordingly, no provision is made for uncollectible amounts.

Note 6 - Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Support for the "Arts Extension Project"	\$ 56,250	\$ 75,000
Support for education and training services	3,951	1,331
Support for the "Cultural Inclusion Project"	18,750	-
Support for arts-based learning activities	-	60,000
Support for a "Web Consultation" project	-	5,000
Support for various cultural events	2,915	-
	<u>\$ 81,866</u>	<u>\$ 141,331</u>

VSA ARTS OF MASSACHUSETTS, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2010 AND 2009

Note 6 - Net Assets (continued)

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

	<u>2010</u>	<u>2009</u>
Support for the "Arts Extension Project"	\$ 75,000	\$ 110,000
Support for education and training services	315	3,965
Support for a "Massachusetts Follow-up Forum on Artists"	-	4,500
Support for a "Web Consultation" project	5,000	-
Support for arts-based learning activities	60,000	-
	<u>\$ 140,315</u>	<u>\$ 118,465</u>

Unrestricted Board designated net assets consist of the following:

	<u>2010</u>	<u>2009</u>
Maida Abrams Memorial Fund:		
Cash	\$ 15,209	\$ 13,958
Investments	61,855	57,425
	<u>\$ 77,064</u>	<u>\$ 71,383</u>

Note 7 - 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>2010</u>	<u>2009</u>
Consultants	\$ 34,300	\$ 27,075
Rent	6,250	11,750
Supplies	4,325	-
Other	1,361	3,500
	<u>\$ 46,236</u>	<u>\$ 42,325</u>

Note 8 - 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 \$87,646 and \$80,000 in 2010 and 2009, respectively. Amounts due from VSA arts equaled \$8,465 and \$11,600 as of September 30, 2010 and 2009, respectively.

VSA ARTS OF MASSACHUSETTS, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2010 AND 2009

Note 9 - 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 \$16,717 and \$14,489 of contributions to the Plan as of September 30, 2010 and 2009, respectively.

Note 10 - Reclassification

Certain amounts in the 2009 financial statements have been reclassified to conform to the 2010 presentation.

Note 11 - 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:

2011	\$	34,500
2012		35,200
2013		35,700
2014		36,300
2015		15,100
		<u>\$ 156,800</u>