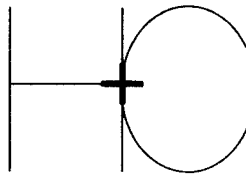


VSA ARTS OF MASSACHUSETTS, INC.
FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009

VSA ARTS OF MASSACHUSETTS, INC.

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Certified Public Accountants

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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 | <u>452,479</u> | <u>459,962</u> |
| Property and Equipment | | |
| Furniture and equipment | 36,525 | 33,836 |
| Leasehold improvements | 9,936 | 8,834 |
| | <u>46,461</u> | <u>42,670</u> |
| Less accumulated depreciation | (18,086) | (10,482) |
| Property and Equipment, Net | <u>28,375</u> | <u>32,188</u> |
| Other Assets | | |
| Deposits | <u>2,795</u> | <u>2,795</u> |
| Total Assets | <u>\$ 483,649</u> | <u>\$ 494,945</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current Liabilities | | |
| Accounts payable | \$ 9,284 | \$ 19,109 |
| Accrued expenses | 37,504 | 31,572 |
| Total Current Liabilities | <u>46,788</u> | <u>50,681</u> |
| 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 | <u>436,861</u> | <u>444,264</u> |
| Total Liabilities and Net Assets | <u>\$ 483,649</u> | <u>\$ 494,945</u> |

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> |
|---------------------------------------------------------------------|-------------------|-------------------|
| UNRESTRICTED NET ASSETS | | |
| 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> |
| TEMPORARILY RESTRICTED NET ASSETS | | |
| 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 |
| Total Expenses | \$ 582,496 | \$ 92,721 | \$ 15,369 | \$ 690,586 | \$ 588,379 | \$ 102,764 | \$ 15,381 | \$ 706,524 |

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> |