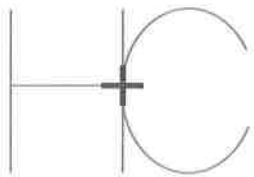


VSA MASSACHUSETTS, INC.
FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

VSA MASSACHUSETTS, INC.

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Certified Public Accountants

David J. McCaughin, CPA
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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of VSA Massachusetts, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2014 and 2013, and the related statements of activities, functional expenses, 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 accounting principles 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 audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers

To the Board of Directors
Page two

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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of VSA Massachusetts, Inc. as of September 30, 2014 and 2013, 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.

Hughes and Company, P.C.

HUGHES AND COMPANY, P.C.
Melrose, Massachusetts
March 11, 2015

VSA MASSACHUSETTS, INC.
 STATEMENTS OF FINANCIAL POSITION
 SEPTEMBER 30, 2014 AND 2013

<u>ASSETS</u>		<u>2014</u>	<u>2013</u>
Current Assets			
Cash and cash equivalents	\$	202,445	\$ 177,433
Investments		115,280	99,840
Accounts receivable		81,837	56,553
Prepaid expenses		12,043	11,051
Total Current Assets		411,605	344,877
Property and Equipment			
Furniture and equipment		35,675	35,675
Leasehold improvements		9,936	9,936
		45,611	45,611
Less accumulated depreciation		(43,192)	(38,530)
Property and Equipment, Net		2,419	7,081
Other Assets			
Cash, restricted		-	12,442
Security deposit		2,795	2,795
		2,795	15,237
Total Assets	\$	416,819	\$ 367,195

LIABILITIES AND NET ASSETS

Current Liabilities			
Accounts payable	\$	27,328	\$ 10,060
Accrued expenses		35,400	26,265
Due to fiscal agencies		14,975	12,515
Total Current Liabilities		77,703	48,840
Net Assets			
Unrestricted, operating		120,775	121,913
Unrestricted, Board designated, Maida Abrams Memorial Fund		135,760	113,249
Unrestricted, property and equipment		2,419	7,081
Temporarily restricted		80,162	76,112
Total Net Assets		339,116	318,355
Total Liabilities and Net Assets	\$	416,819	\$ 367,195

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

VSA MASSACHUSETTS, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
UNRESTRICTED NET ASSETS		
Support and Revenue		
The Kennedy Center VSA	\$ 38,370	\$ 40,530
Massachusetts Department of Education	179,150	170,000
Massachusetts Cultural Council	14,575	10,525
Local Cultural Councils	4,000	-
Massachusetts Rehabilitation Commission	16,976	18,000
Foundations and corporations	85,001	66,093
Maida Abrams Memorial Fund	5,000	-
Individual support	32,619	27,777
Program service revenue	122,075	145,565
In-Kind contributions	7,986	27,756
Total Support and Revenue	<u>505,752</u>	<u>506,246</u>
Net Assets Released from Restrictions	72,450	56,250
	<u>578,202</u>	<u>562,496</u>
Expenses		
Program services	443,477	407,070
Management and general	94,026	84,207
Fundraising	41,681	53,411
Total Expenses	<u>579,184</u>	<u>544,688</u>
Increase (Decrease) in Unrestricted Net Assets Before Non-Operating Activities	<u>(982)</u>	<u>17,808</u>
Non-Operating Activities		
Investment income	2,253	2,263
Realized gain (loss)	-	(125)
Unrealized gain on investments	15,440	12,084
Total Non-Operating Activities	<u>17,693</u>	<u>14,222</u>
Increase in Unrestricted Net Assets	<u>16,711</u>	<u>32,030</u>
TEMPORARILY RESTRICTED NET ASSETS		
Foundations and corporations	76,500	72,450
Net assets released from restrictions		
Satisfaction of program restrictions	<u>(72,450)</u>	<u>(56,250)</u>
Increase in Temporarily Restricted Net Assets	<u>4,050</u>	<u>16,200</u>
Change in Net Assets	20,761	48,230
Net Assets, Beginning of Year	<u>318,355</u>	<u>270,125</u>
Net Assets, End of Year	<u>\$ 339,116</u>	<u>\$ 318,355</u>

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

VSA MASSACHUSETTS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2014 Totals</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2013 Totals</u>
Salaries	\$ 131,933	\$ 56,618	\$ 26,170	\$ 214,721	\$ 139,697	\$ 62,317	\$ 23,782	\$ 225,796
Payroll taxes	17,805	3,587	2,970	24,362	13,016	2,622	2,170	17,808
Employee benefits	23,862	10,644	4,062	38,568	24,084	4,852	4,016	32,952
Advertising	574	-	-	574	350	-	-	350
Audit	-	7,100	-	7,100	5,408	1,090	902	7,400
Bank charges	1,446	70	80	1,596	100	128	238	466
Conferences and meetings	380	-	-	380	85	-	7,819	7,904
Consultants	180,030	232	475	180,737	151,740	1,600	174	153,514
Depreciation	-	4,662	-	4,662	5,577	1,124	930	7,631
Dues and subscriptions	205	365	-	570	150	265	-	415
Equipment rental	-	-	-	-	-	-	1,220	1,220
Food, lodging and travel	6,372	1,372	24	7,768	3,930	450	1,026	5,406
Insurance	6,903	2,301	1,105	10,309	7,573	2,576	1,263	11,412
Occupancy	29,444	5,340	4,420	39,204	29,305	5,501	4,553	39,359
Printing and copying	1,119	-	-	1,119	924	11	506	1,441
Postage and shipping	1,075	160	445	1,680	1,429	213	592	2,234
Program support	7,502	-	-	7,502	2,285	-	-	2,285
Public relations	3,000	-	-	3,000	4,500	-	-	4,500
Repairs and maintenance	2,021	407	337	2,765	1,899	383	317	2,599
Supplies	24,366	96	479	24,941	9,798	161	806	10,765
Training and development	-	67	-	67	463	20	-	483
Telephone and internet	3,914	697	860	5,471	3,444	629	1,058	5,131
Utilities	1,526	308	254	2,088	1,313	265	219	1,797
Video	-	-	-	-	-	-	1,820	1,820
Total Expenses	\$ 443,477	\$ 94,026	\$ 41,681	\$ 579,184	\$ 407,070	\$ 84,207	\$ 53,411	\$ 544,688

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

VSA MASSACHUSETTS, INC.
 STATEMENTS OF CASH FLOWS
 YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 20,761	\$ 48,230
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation	4,662	7,630
Realized loss on investments	-	125
Unrealized (gain) loss on investments	(15,440)	(12,084)
Changes in assets and liabilities effecting operating activities:		
(Increase) Decrease in:		
Accounts receivable	(25,284)	(16,239)
Prepaid expenses	(992)	582
Restricted cash	12,442	(12,442)
Increase (Decrease) in:		
Accounts payable	17,268	(3,189)
Accrued expenses	9,135	(10,593)
Due to fiscal agencies	2,460	12,515
Net Cash Provided by Operating Activities	<u>25,012</u>	<u>14,535</u>
Cash Flows from Investing Activities		
Purchase of fixed asset	<u>-</u>	<u>(1,739)</u>
Net Cash Provided by (Used in) Investing Activities	<u>-</u>	<u>(1,739)</u>
Net Increase in Cash	25,012	12,796
Cash, Beginning	<u>177,433</u>	<u>164,637</u>
Cash, Ending	<u>\$ 202,445</u>	<u>\$ 177,433</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 MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

Note 1 - Description of Organization

VSA Massachusetts, Inc. (formerly VSA arts of Massachusetts, Inc.) is a non-profit organization located in Boston, Massachusetts. The Organization was formed in 1980 and promotes the involvement of people of all abilities in the cultural life of our communities. The Organization develops multi-sensory, arts-integrated teaching strategies in schools, and sponsors exhibitions and performances by artists of all abilities.

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 with an acquisition cost of \$1,000 or more, with a useful life of more than one year, are capitalized and 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 \$4,662 and \$7,630 for the years ended September 30, 2014 and 2013, 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 MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014 AND 2013

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.

Fair Value

The Organization follows the *Fair Value Measurements and Disclosures* standards. These standards define fair value, establish a framework for measuring fair value under U. S. GAAP, and mandate disclosures about fair value measurements. This policy establishes a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value. The Organization values its qualifying assets and liabilities using Level I inputs. Level I inputs reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

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.

VSA MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014 AND 2013

Note 2 - Summary of Significant Accounting Policies (continued)

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. Expenses related directly to a program are distributed to that program, while other expenses are allocated to programs based upon management's estimate of the percentage attributable to each function. Accordingly, certain costs have been allocated among the program services, management and general, and fundraising categories.

Advertising

The Organization expenses advertising costs as they are incurred.

Subsequent Events

The Organization has evaluated subsequent events through March 11, 2015 which is the date the financial statements were available to be issued.

VSA Massachusetts, Inc., has negotiated an agreement to become an affiliate of Seven Hills Foundation. Effective November 1, 2014, VSA Massachusetts, Inc. will be operated within the Seven Hills Foundation. The Foundation's Board and Officers, including the President and CEO, will serve as the Board and Officers of VSA Massachusetts, Inc. The VSA Massachusetts Executive Director will serve Seven Hills Foundation as Vice President and Chief Operating Officer for VSA Massachusetts. The existing VSA MA Board of Directors, with the exception of Martha McKenna will resign their positions and all will become VSA Massachusetts Advisors and will provide guidance to the President and Vice President on matters related to accomplishing the mission and the disposition of the Maida S. Abrams Fund. Martha McKenna will serve on the Seven Hills Foundation Board of Directors.

VSA MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014 AND 2013

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 - Concentrations of Risk - Cash Balances

The Organization maintains its cash balances in various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At September 30, 2014, the Organization's bank balances were fully insured.

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, 2014 and 2013 are as follows:

	<u>Amortized</u> <u>Cost</u>	<u>Level 1</u> <u>Fair Value</u>
September 30, 2014		
Equity securities	<u>\$ 83,318</u>	<u>\$ 115,280</u>
September 30, 2013		
Equity securities	<u>\$ 83,318</u>	<u>\$ 99,840</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended September 30, 2014 and 2013:

	<u>Unrestricted</u>	
	<u>2014</u>	<u>2013</u>
Investment income	\$ 2,253	\$ 2,263
Realized loss	-	(125)
Unrealized gain	15,440	12,084
	<u>\$ 17,693</u>	<u>\$ 14,222</u>

VSA MASSACHUSETTS, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2014 AND 2013

Note 5 - Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Support for the "Cool Schools Worcester Program"	\$ 1,500	\$ -
Support for education and training services	3,662	3,662
Support for residencies	48,750	51,750
Support for professional development	26,250	14,700
Support for Greater Worcester Community	-	6,000
	<u>\$ 80,162</u>	<u>\$ 76,112</u>

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

	<u>2014</u>	<u>2013</u>
Support for the "Arts Extension Project"	\$ -	\$ 56,250
Support for residencies	51,750	-
Support for professional development	14,700	-
Support for Greater Worcester Community	6,000	-
	<u>\$ 72,450</u>	<u>\$ 56,250</u>

Unrestricted Board designated net assets consist of the following:

	<u>2014</u>	<u>2013</u>
Maida Abrams Memorial Fund:		
Cash	\$ 20,480	\$ 13,409
Investments	115,280	99,840
	<u>\$ 135,760</u>	<u>\$ 113,249</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 as follows:

	<u>2014</u>	<u>2013</u>
Payroll costs	\$ -	\$ 11,769
Consultants	6,660	10,800
Rent	1,000	2,000
Training and development	-	882
Supplies	-	2,305
Other	326	-
	<u>\$ 7,986</u>	<u>\$ 27,756</u>

VSA MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014 AND 2013

Note 7 - Affiliate Transactions

VSA Massachusetts, Inc. receives contracts from The Kennedy Center VSA, a national affiliate, in the normal course of their activities. Contracts from The Kennedy Center VSA were \$38,370 and \$40,530 in 2014 and 2013, respectively. Amounts due from The Kennedy Center VSA equaled \$8,000 and \$-0- as of September 30, 2014 and 2013, 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. Accrued contributions to the Plan equal \$14,673 and \$5,735 as of September 30, 2014 and 2013, respectively.

Note 9 - Uncertainty in Income Taxes

The Organization follows the *Accounting for Uncertainty in Income Taxes* standard which requires the Organization to report uncertain tax positions, related interest and penalties, and to adjust its assets and liabilities related to unrecognized tax benefits and accrued interest and penalties accordingly. As of September 30, 2014, the Organization determined that there are no material unrecognized tax benefits to report.

Information returns filed for the years ended September 30, 2013, 2012 and 2011 remain subject to examination by the Internal Revenue Service and the Commonwealth of Massachusetts. The Organization does not expect that the amounts of unrecognized tax benefits will change significantly within the next twelve months.

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:

2015	<u>\$ 15,100</u>
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