

VERMONT SUPERINTENDENTS' ASSOCIATION, INC.

AUDIT REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2017

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



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Donald J. Murray, CPA

September 8, 2017

Board of Trustees
Vermont Superintendents' Association, Inc.
Montpelier, Vermont

We have audited the financial statements of Vermont Superintendents' Association, Inc. as of and for the year ended June 30, 2017, and have issued our report thereon dated September 8, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 14, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Association are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management's estimate of the useful life of fixed assets is based on life expectancy of the assets. We evaluated the key factors and assumptions used to develop these lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The uncorrected misstatement of the financial statements, which management determined and we agreed was immaterial were due to:

1. Prior year unrecorded copier receivable.

We proposed five adjustments to your financial statements which were accepted and recorded by management. The adjustments were to record the change in the investment in Two Prospect Street Partners LLC, annual depreciation and prepaid expenses. The adjustments were not material to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 8, 2017.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements, or to the financial statements themselves.

This information is intended solely for the use of the Board and management of the Association and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



FOTHERGILL SEGALE & VALLEY, CPAs
Vermont Public Accountancy License #110

VERMONT SUPERINTENDENTS' ASSOCIATION, INC.

AUDIT REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Vermont Superintendents' Association, Inc.
Montpelier, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the Vermont Superintendents' Association, Inc. (a Vermont nonprofit organization) which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year 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 the 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 risks 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 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 the Vermont Superintendents' Association, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Schedules 1 and 2 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

Fothergill Segale & Valley CPAs
FOTHERGILL SEGALE & VALLEY, CPAs
Montpelier, Vermont
Vermont Public Accountancy License #110

September 8, 2017

VERMONT SUPERINTENDENTS' ASSOCIATION, INC.

EXHIBIT A

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

ASSETS

Current Assets	\$ 512,825	
Cash and cash equivalents	26,572	
Accounts receivable	3,952	
Prepaids		
Total current assets		543,349
Furniture and Equipment	14,459	
Furniture and equipment	(13,494)	
Less accumulated depreciation		
Total furniture and equipment		965
Other Assets		
Investment in Two Prospect Street Partners LLC		43,133
Total assets		<u>\$ 587,447</u>

LIABILITIES AND NET ASSETS

Current Liabilities	\$ 54,941	
Prepaid conference fees		
Total current liabilities		<u>54,941</u>
Net Assets		
Unrestricted	418,153	
Undesignated	104,925	523,078
Designated for Energy		
Temporarily restricted - Scholarships		9,428
Total net assets (Exhibit B)		<u>532,506</u>
Total liabilities and net assets		<u>\$ 587,447</u>

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

UNRESTRICTED NET ASSETS

UNRESTRICTED REVENUES

VSA operating	\$ 224,605
Dues	23,085
Service fees	141,454
Conferences and workshops	16,806
Directories	1,088
Interest income	361
Other income	<u>407,399</u>
Total operating revenues	
Energy	100,000
Agency grants and contracts	26,100
Assessments	271
Interest	<u>126,371</u>
Total energy revenues	
Other income (loss)	<u>(1,665)</u>
Investment in Two Prospect Street Partners LLC	
	<u>2,856</u>
Net assets released from restrictions	<u>534,961</u>
Total unrestricted revenues	

EXPENSES

Programs	320,920
VSA	140,254
Energy expenses	69,619
General and administrative	<u>530,793</u>
Total expenses	

INCREASE IN UNRESTRICTED NET ASSETS

4,168**TEMPORARILY RESTRICTED NET ASSETS**

Contributions	2,483
Net assets released from restrictions	<u>(2,856)</u>
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(373)</u>

NET ASSETS - July 1, 2016

528,711

NET ASSETS - June 30, 2017 (Exhibit A)

\$ 532,506

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM (TO) OPERATING ACTIVITIES:

Increase in net assets		\$ 3,795
Adjustments to reconcile change in net assets:		
Depreciation	657	
Loss from investment in Two Prospect Street Partners LLC	1,665	
Changes in assets and liabilities:		
Increase in accounts receivable	(25,234)	
Decrease in prepaids	8,970	
Decrease in account payable	(2,505)	
Increase in prepaid conference fees	<u>54,941</u>	
Total adjustments		<u>38,494</u>
Net cash to operating activities		<u>42,289</u>
NET INCREASE IN CASH		42,289
CASH - July 1, 2016		<u>470,536</u>
CASH - June 30, 2017		<u>\$ 512,825</u>

NONCASH TRANSACTION

During fiscal year 2017, the Association's share of net loss from Two Prospect Street Partners LLC was \$1,665.

VERMONT SUPERINTENDENTS' ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The Association's membership is made up of all Vermont Superintendents. Programs provided by the Association include:

VSA – The program provides for opportunities for studying educational problems; to keep members aware of pertinent educational issues; to provide a forum for the discussion of such issues; to formulate positions on such issues; to establish close and continuous communication and cooperation in matters of mutual concern; to cooperate with other educational and lay organizations in the promotion of effective public education; and promote and maintain high professional standards and a spirit of fellowship among school administrators.

Energy - The program works with School Districts to perform walk-through energy assessments of school facilities and report on them.

The following significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements of Vermont Superintendents' Association, Inc. are prepared on the accrual basis.

Basis of Presentation - The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in accordance with Accounting Standards Codification. Under these standards, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Equipment and Depreciation - Equipment costing in excess of \$1,500 and having an estimated useful life of one year or more is capitalized and depreciated using the straightline method over the estimated useful lives ranging between five and seven years.

Dues Recognition - Dues are recognized in the year for which the dues are budgeted as revenues.

Tax Status - The Association is tax exempt as a 501(c)(6) nonprofit professional organization.

Cash Equivalents - The Association considers all liquid investments with a maturity of twelve months or less to be cash equivalents.

Investments - The Association's investment in the Two Prospect Street Partners LLC is accounted for on the equity method.

VERMONT SUPERINTENDENTS' ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash balances held at June 30, 2017 are as follows and are all covered under FDIC and NCUA:

<u>Book Balance</u>	<u>Bank Balance</u>
<u>\$ 512,825</u>	<u>\$ 509,689</u>

The difference between the bank balance and book balance is due to outstanding checks.

NOTE 3 - INVESTMENT

Vermont Superintendents' Association, Inc. has a 26% partnership interest in the Two Prospect Street Partners LLC. The partnership is comprised of three not-for-profit organizations who own a building for office space. The investment in the partnership was \$43,133 at June 30, 2017.

NOTE 4 - RELATED PARTY TRANSACTION

The Association signs an operating lease with Two Prospect Street Partners LLC annually, of which it is a partner, for rental use of its offices. Total rent expense for fiscal year 2017 was \$13,608. For fiscal year 2018, the lease calls for monthly payments of \$1,134 for a total of \$13,608.

NOTE 5 - PENSION

The Association contributed 7% of eligible salaries into a 401(k) plan with VALIC. The plan covers all full time employees twenty-one years of age or older. Eligible employees are allowed to make elective deferrals. The cost for the Association for the year ended June 30, 2017 was \$17,776.

The total wages paid to participating employees totaled \$253,943 out of a total payroll of \$279,039.

VERMONT SUPERINTENDENTS' ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 6 - COMMITMENT AND CONTINGENCIES

Vermont Superintendents' Association, Inc. is a guarantor of a mortgage payable to Vermont State Employees Credit Union as a partner in the Two Prospect Street Partners LLC. At June 30, 2017, the mortgage balance was \$126,926. The loan is collateralized by a building located at Two Prospect Street in Montpelier, Vermont.

NOTE 7 – SUBCONTRACTOR AGREEMENTS

On April 28, 2015, the Vermont Superintendents' Association entered into an agreement with Vermont Energy Investment Corporation. The agreement calls for the Association to assist with Project Green School and encourages the K-12 community to develop long-term energy specific goals. The agreement runs from January 1, 2015 until December 31, 2017.

The following amounts will be paid to the Association on a yearly basis:

	<u>Yearly Amount</u>
FY 2018	<u>\$ 50,000</u>

NOTE 8 - GRANT CONTINGENCY

The Association participated in federally assisted grant programs which were subject to audits by the grantors. The audits of these programs, for or including the year ended June 30, 2017, have not yet been reviewed by the grantor agency. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although the Association expects such amounts, if any, to be immaterial.

NOTE 9 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 8, 2017, the date which the financial statements were available for issue. Management is not aware of any subsequent events which require disclosure.

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL

VSA PROGRAM

YEAR ENDED JUNE 30, 2017

	Actual	Budget	Variance Favorable (Unfavorable)
REVENUES			
VSA operating			
Dues	\$ 224,605	\$ 222,100	\$ 2,505
Service fees	23,085	23,600	(515)
Conferences and workshops	141,454	70,500	70,954
Interest income	1,088	1,000	88
Directories	16,806	8,000	8,806
Other income	2,844	1,500	1,344
Total operating revenue	<u>409,882</u>	<u>326,700</u>	<u>83,182</u>
Other income (loss)			
Investment in Two Prospect Street Partners LLC	(1,665)	0	(1,665)
Total revenues	<u>408,217</u>	<u>326,700</u>	<u>81,517</u>
EXPENSES			
Personnel			
Exec. Dir. salary	130,542	130,305	(237)
Admin. Assist. salary	61,992	58,578	(3,414)
FICA	13,679	14,471	792
Workmen's compensation	353	1,000	647
Unemployment	828	550	(278)
Employee benefits	48,498	32,566	(15,932)
Pension	11,720	13,222	1,502
Travel and conferences	6,870	6,000	(870)
Dues and subscriptions	598	1,150	552
Education	0	300	300
Total personnel	<u>275,080</u>	<u>258,142</u>	<u>(16,938)</u>
Office			
Office lease	9,720	9,715	(5)
Bank and payroll charges	1,676	1,400	(276)
Legal services	1,000	1,250	250
Supplies	1,077	1,250	173
Telephone	1,401	1,400	(1)
Postage	960	1,500	540
Audit and consulting	7,865	7,300	(565)
Web site maintenance	474	600	126
Equipment	989	1,000	11
Copier expenses	(2,364)	2,200	4,564
Total office	<u>22,798</u>	<u>27,615</u>	<u>4,817</u>

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL

VSA PROGRAM

YEAR ENDED JUNE 30, 2017

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
EXPENSES (Continued)			
Trustees	1,211	900	(311)
Trustees meetings	837	1,250	413
Leadership activities	2,997	3,300	303
Liability insurance	0	100	100
Contributions	5,045	5,550	505
Total trustees	<u>5,045</u>	<u>5,550</u>	<u>505</u>
Other	68,882	40,000	(28,882)
Conferences and workshops	4,838	6,500	1,662
Policy activities	7,240	0	(7,240)
Directory printing	1,651	2,000	349
Special projects	405	0	(405)
Depreciation	149	1,500	1,351
Miscellaneous	4,451	2,800	(1,651)
Awards and scholarships	87,616	52,800	(34,816)
Total other	<u>87,616</u>	<u>52,800</u>	<u>(34,816)</u>
Total expenses	<u>390,539</u>	<u>344,107</u>	<u>(46,432)</u>
CHANGE IN NET ASSETS	<u>\$ 17,678</u>	<u>\$ (17,407)</u>	<u>\$ 35,085</u>

VERMONT SUPERINTENDENTS' ASSOCIATION, INC.

SCHEDULE 2

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENERGY PROGRAM

YEAR ENDED JUNE 30, 2017

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
REVENUES			
Energy			\$ 0
Agency grants and contracts	\$ 100,000	\$ 100,000	(2,150)
Assessments	26,100	28,250	11
Interest	271	260	(2,139)
Total energy revenue	<u>126,371</u>	<u>128,510</u>	
EXPENSES			
Energy expenses			524
Salary	86,505	87,029	(45)
Payroll taxes	6,967	6,922	(1,305)
Benefits	9,707	8,402	(31)
Conferences and training	3,031	3,000	370
Dues and subscriptions	230	600	36
Pension	6,056	6,092	427
VSA fees	17,085	17,512	97
Rent	3,888	3,985	(686)
Travel	2,809	2,123	878
Consulting	250	1,128	13
Audit	500	513	29
Copying	263	292	124
Depreciation	252	376	400
Liability insurance	0	400	(1,019)
Miscellaneous	1,519	500	31
Postage	44	75	1,181
Supplies	19	1,200	208
Telephone	1,129	1,337	1,232
Total energy expenses	<u>140,254</u>	<u>141,486</u>	
CHANGE IN NET ASSETS	<u>\$ (13,883)</u>	<u>\$ (12,976)</u>	<u>\$ (907)</u>