

FOTHERGILL SEGALE & VALLEY

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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, 2019, and the related statements of activities, cash flows and functional expenses 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, 2019, 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. Schedule 1 is presented for purposes of additional analysis and is 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

Montpelier, Vermont

Vermont Public Accountancy License #110

August 26, 2019

VERMONT SUPERINTENDENTS' ASSOCIATION, INC.
AUDIT REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2019

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STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

ASSETS

Current Assets		
Cash and cash equivalents	\$ 443,168	
Accounts receivable	27,876	
Prepays	<u>4,621</u>	
Total current assets		475,665
Furniture and Equipment		
Furniture and equipment	14,459	
Less accumulated depreciation	<u>(14,459)</u>	
Total furniture and equipment		0
Other Assets		
Investment in Two Prospect Street Partners LLC		<u>38,111</u>
Total assets		<u>\$ 513,776</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 14,122	
Accrued salaries	<u>12,500</u>	
Total current liabilities		<u>26,622</u>
Net Assets		
Without donor restrictions		
Undesignated	403,384	
Designated for Energy	<u>72,897</u>	476,281
Net assets with donor restrictions - Scholarships		<u>10,873</u>
Total net assets (Exhibit B)		<u>487,154</u>
Total liabilities and net assets		<u>\$ 513,776</u>

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

NET ASSETS WITHOUT DONOR RESTRICTIONS	
UNRESTRICTED REVENUES	
VSA operating	
Dues	\$ 212,850
Conferences and workshops	259,730
Directories	15,888
Interest income	3,899
Other income	218
Total operating revenues	<u>492,585</u>
Energy	
Interest	289
Total energy revenues	<u>289</u>
Other income (loss)	
Investment in Two Prospect Street Partners LLC	<u>(3,551)</u>
Net assets released from restrictions	<u>3,286</u>
Total unrestricted revenues and other support without donor restrictions	<u>492,609</u>
EXPENSES	
Programs	
VSA	367,878
Energy expenses	6,213
General and administrative	<u>180,871</u>
Total expenses	<u>554,962</u>
DECREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>(62,353)</u>
NET ASSETS WITH DONOR RESTRICTIONS	
Contributions	3,960
Net assets released from restrictions	<u>(3,286)</u>
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>674</u>
DECREASE IN NET ASSETS	(61,679)
NET ASSETS - July 1, 2018	<u>548,833</u>
NET ASSETS - June 30, 2019 (Exhibit A)	<u>\$ 487,154</u>

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM (TO) OPERATING ACTIVITIES:

Decrease in net assets		\$ (61,679)
Adjustments to reconcile change in net assets:		
Depreciation	325	
Loss from investment in Two Prospect Street Partners LLC	3,551	
Changes in assets and liabilities:		
Increase in accounts receivable	(2,478)	
Decrease in prepaids	3,165	
Decrease in prepaid dues	(520)	
Increase in accounts payable	14,122	
Increase in accrued salaries	<u>12,500</u>	
Total adjustments		<u>30,665</u>
Net cash to operating activities		<u>(31,014)</u>
NET DECREASE IN CASH		(31,014)
CASH - July 1, 2018		<u>474,182</u>
CASH - June 30, 2019		<u>\$ 443,168</u>

NONCASH TRANSACTION

During fiscal year 2019, the Association's share of net loss from Two Prospect Street Partners LLC was \$3,551.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	VSA Programs	Energy Program	General and Adminstrative	Total
Personnel				
Salaries	\$ 116,463	\$ 0	\$ 132,501	\$248,964
Payroll taxes	7,809	0	10,248	18,057
Workmen's compensation	529	0	596	1,125
Employee benefits	12,902	0	14,550	27,452
Pension	8,044	(1,259)	9,071	15,856
Travel and conferences	4,314	0	1,078	5,392
Dues and subscriptions	1,080	0	270	1,350
Education	0	0	100	100
Total personnel	<u>151,141</u>	<u>(1,259)</u>	<u>168,414</u>	<u>318,296</u>
Office				
Office lease	7,039	0	7,937	14,976
Bank and payroll charges	740	0	835	1,575
Legal services	470	0	530	1,000
Supplies	343	5	387	735
Telephone	892	27	1,006	1,925
Postage	417	0	470	887
Audit and consulting	4,585	0	5,171	9,756
Web site maintenance	386	0	436	822
Equipment	1,515	0	379	1,894
Copier expenses	1,764	10	1,989	3,763
Total office	<u>18,151</u>	<u>42</u>	<u>19,140</u>	<u>37,333</u>
Trustees				
Trustees meetings	955	0	0	955
Leadership activities	1,632	0	0	1,632
Liability insurance	4,067	0	0	4,067
Contributions	100	0	0	100
Total trustees	<u>6,754</u>	<u>0</u>	<u>0</u>	<u>6,754</u>
Other				
Conferences and workshops	165,735	0	0	165,735
Policy activities	6,500	0	0	6,500
Directory printing	6,752	0	0	6,752
Special projects	1,185	7,221	0	8,406
Depreciation	150	130	45	325
Miscellaneous	294	79	0	373
Awards and scholarships	4,488	0	0	4,488
Total other	<u>185,104</u>	<u>7,430</u>	<u>45</u>	<u>192,579</u>
Total expenses	<u>\$ 361,150</u>	<u>\$ 6,213</u>	<u>\$ 187,599</u>	<u>\$554,962</u>

VERMONT SUPERINTENDENTS' ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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. Starting in fiscal year 2018, the activities of the Vermont School Energy Program has been discontinued due to the elimination of significant grant and contract revenues which, heretofore, had provided funding support for the Program.

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

Change in Accounting Principle - On August 18, 2016, the FAS issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, which is effective for this fiscal year. The Association has adjusted the presentation of its financial statements accordingly. The new standards change the following aspects of the Association's financial statements:

- The temporarily restricted net asset class has been renamed net assets with donor restrictions.
- The unrestricted net asset class has been renamed *net assets without donor restrictions*.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 8).
- The financial statements include a required statement of functional expenses. (Exhibit D).

Basis of Accounting and Presentation - The accompanying financial statements are presented on the accrual basis, recognizing expenses when incurred and revenue when earned. Program revenues which are received in advance are held as deferred revenue until the program occurs, at which point the revenue is recognized.

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

VERMONT SUPERINTENDENTS' ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those that the donor stipulates that resources be maintained in perpetuity. The Organization's unspent contributions are reported in net assets with donor contributions if the donor limited their use, as are promised contributions that are not yet due.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

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.

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.

Functional Expenses - The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

VERMONT SUPERINTENDENTS' ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash balances held at June 30, 2019 are as follows and are all covered under FDIC and NCUA:

<u>Book Balance</u>	<u>Bank Balance</u>
<u>\$ 443,168</u>	<u>\$ 457,848</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 \$38,111 at June 30, 2019.

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 2019 was \$14,976. For fiscal year 2020, the lease calls for monthly payments of \$1,273 for a total of \$15,276.

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, 2019 was \$17,115.

The total wages paid to participating employees totaled \$244,500 out of a total payroll of \$248,964.

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, 2019, the mortgage balance was \$105,011. The loan is collateralized by a building located at Two Prospect Street in Montpelier, Vermont.

NOTE 7 – DEFERRED COMPENSATION

The Executive Director can work up to 25 days per year for extra days worked for a maximum of \$12,500 per year for a three year period.

VERMONT SUPERINTENDENTS' ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 8 - LIQUIDITY

The Organization has the following financial assets available within one year of the statement of financial position to meet cash needs for general expenditures. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position.

Financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash	\$ 443,168
Accounts receivable	<u>27,876</u>
Total financial assets	471,044
Less amounts with donor restrictions	<u>(10,873)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 460,171</u>

NOTE 9 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 26, 2019, 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, 2019

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
REVENUES			
VSA operating			
Dues	\$ 212,850	\$ 213,300	\$ (450)
Service fees	0	17,600	(17,600)
Conferences and workshops	259,730	75,500	184,230
Interest income	3,899	1,000	2,899
Directories	15,888	16,000	(112)
Other income	4,178	1,000	3,178
Total operating revenue	<u>496,545</u>	<u>324,400</u>	<u>172,145</u>
Other income (loss)			
Investment in Two Prospect Street Partners LLC	(3,551)	0	(3,551)
Total revenues	<u>492,994</u>	<u>324,400</u>	<u>168,594</u>
EXPENSES			
Personnel			
Exec. Dir. salary	125,070	124,444	(626)
Office Manager salary	51,797	51,792	(5)
Director of Communications	59,597	70,000	10,403
FICA	17,845	23,867	6,022
Deferred compensation	12,500	0	(12,500)
Workmen's compensation	1,125	1,300	175
Unemployment	212	550	338
Employee benefits	27,452	39,973	12,521
Pension	17,115	17,236	121
Travel and conferences	5,392	8,500	3,108
Dues and subscriptions	1,350	750	(600)
Education	100	300	200
Total personnel	<u>319,555</u>	<u>338,712</u>	<u>19,157</u>
Office			
Office lease	14,976	14,432	(544)
Bank and payroll charges	1,575	1,460	(115)
Legal services	1,000	1,250	250
Supplies	730	1,250	520
Telephone	1,898	1,250	(648)
Postage	887	1,250	363
Audit and consulting	9,756	7,300	(2,456)
Web site maintenance	822	825	3
Equipment	1,894	1,000	(894)
Copier expenses	3,753	1,800	(1,953)
Total office	<u>37,291</u>	<u>31,817</u>	<u>(5,474)</u>

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL

VSA PROGRAM

YEAR ENDED JUNE 30, 2019

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
EXPENSES (Continued)			
Trustees			
Trustees meetings	955	1,000	45
Leadership activities	1,632	1,250	(382)
Liability insurance	4,067	3,300	(767)
Contributions	100	100	0
Total trustees	<u>6,754</u>	<u>5,650</u>	<u>(1,104)</u>
Other			
Conferences and workshops	165,735	40,000	(125,735)
Policy activities	6,500	6,500	0
Directory printing	6,752	5,200	(1,552)
Special projects	1,185	3,000	1,815
Depreciation	195	0	(195)
Miscellaneous	294	1,000	706
Awards and scholarships	4,488	3,500	(988)
Total other	<u>185,149</u>	<u>59,200</u>	<u>(125,949)</u>
Total expenses	<u>548,749</u>	<u>435,379</u>	<u>(113,370)</u>
CHANGE IN NET ASSETS	<u>\$ (55,755)</u>	<u>\$ (110,979)</u>	<u>\$ 55,224</u>