

Vermont Center for Geographic Information, Inc.

**Audited Financial Statements
and Supplemental Information**

*As of and for the period from July 1, 2014 to March 29, 2015
with Report of Independent Auditors*

Vermont Center for Geographic Information, Inc.

Audited Financial Statements
and Supplemental Information

As of and for the period from July 1, 2014 to March 29, 2015

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Report of Independent Auditors

Board of Directors
Vermont Center for Geographic Information, Inc.

We have audited the accompanying financial statements of Vermont Center for Geographic Information, Inc. (VCGI) which comprise the statement of financial position as of March 29, 2015, and the related statements of activities and cash flows for the period from July 1, 2014 to March 29, 2015, 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 audit. 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 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 Vermont Center for Geographic Information, Inc. as of March 29, 2015, and the changes in its net assets and its cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During the 2013-2014 Legislative Session, the Vermont House of Representatives and Senate passed Bill H.885 which was signed into law as Act 179 by Governor Shumlin of Vermont on June 9, 2014. Under the terms of Act 179, VCGI will become a division within the Vermont Agency of Commerce and Community Development (ACCD), and will become the Vermont Center for Geographic Information (the Center) within ACCD. Act 179, as enacted, calls for this transition into ACCD to be effective July 1, 2014. As a result of the move into state government, the Center will no longer be a non-profit entity after March 30, 2015. On July 2, 2014 the Vermont General Assembly provided a Statement of Legislative Intent that clarified some of the language in Act 179 and enabled all the parties involved to implement an orderly transition of resources, personnel and existing contractual obligations to ACCD by the March 30, 2015 end date. Management does not believe that any adjustments to the carrying values of assets and liabilities as reported in these financial statements are required as a result of this transition. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Revenues and Expenses and Schedule of Overhead Calculation 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 other 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.

A handwritten signature in cursive script that reads "Johnson Lambert LLP".

Burlington, Vermont
May 18, 2015
Firm registration: 092-0000267

Vermont Center for Geographic Information, Inc.

Statement of Financial Position

As of March 29, 2015

Assets

Current assets:

Cash and cash equivalents - undesignated	\$	179,765
Cash and cash equivalents - designated for capital reserve		30,000
Accounts receivable		2,148
Prepaid expenses		<u>5,263</u>
Total current assets		217,176

Property and equipment, net of accumulated depreciation		<u>15,370</u>
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Total assets	\$	<u><u>232,546</u></u>
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Liabilities and Net Assets

Liabilities:

Accounts payable	\$	379
Accrued expenses		2,592
Deferred revenue		87,391
Funds held - VT Orthophoto Buy-Up Program		<u>379</u>
Total liabilities		<u>90,741</u>

Net assets:

Unrestricted - Board-designated for capital reserve		30,000
Unrestricted - Undesignated		<u>111,805</u>
Total net assets		<u>141,805</u>

Total liabilities and net assets	\$	<u><u>232,546</u></u>
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See accompanying notes to the financial statements.

Vermont Center for Geographic Information, Inc.

Statement of Activities

As of and for the period from July 1, 2014 to March 29, 2015

Revenue

State of Vermont grant	\$	291,309
Project income		457,419
Imagery program income		1,200
Interest and miscellaneous income		688
Conference income		<u>70</u>
Total revenue		750,686

Expenses

Direct costs:		
Direct labor		155,332
Payroll taxes and employee benefits		65,957
Subcontract costs		270,575
Costs of projects and reproductions		18,811
Cost of imagery program		1,613
Cost of outreach program		<u>5,542</u>
Total direct costs		<u>517,830</u>

Operating expenses:

Indirect salaries and wages		120,140
Payroll taxes and employee benefits		60,257
Rent		24,024
Computer support and maintenance		10,426
Office expense		7,383
Professional fees		45,014
Depreciation		10,344
Travel and training		2,976
Insurance		4,014
Telephone		2,146
Utility expense		1,502
Miscellaneous		<u>256</u>

Total operating expenses 288,482

Total expenses 806,312

Change in unrestricted net assets (55,626)

Net assets, beginning of period 197,431

Net assets, end of period \$ 141,805

See accompanying notes to the financial statements.

Vermont Center for Geographic Information, Inc.

Statement of Cash Flows

As of and for the period from July 1, 2014 to March 29, 2015

Cash flows from operating activities	
Change in net assets	\$ (55,626)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	10,344
Changes in operating assets and liabilities:	
Accounts receivable	14,609
Unbilled receivables	18,074
Prepaid expenses	6,562
Accounts payable	(1,058)
Accrued vacation	(10,796)
Accrued wages	(16,761)
Accrued expenses	(19,092)
Deferred revenue	<u>87,391</u>
Net cash provided by operating activities	33,647
Cash flows from investing activities	
Purchase of property and equipment and net cash used in investing activities	<u>(4,745)</u>
Change in cash and cash equivalents	28,902
Cash and cash equivalents, beginning of period	<u>180,863</u>
Cash and cash equivalents, end of period	<u>\$ 209,765</u>

See accompanying notes to the financial statements.

Vermont Center for Geographic Information, Inc.

Notes to the Financial Statements

As of and for the period from July 1, 2014 to March 29, 2015

Note A - Organization and Significant Accounting Policies

Organization

The Vermont Center for Geographic Information, Inc. (VCGI) is a Vermont non-profit corporation established as an instrumentality of the State of Vermont. VCGI commenced operations on July 1, 1992, and is the successor agency to the Vermont Office of Geographic Information Services. VCGI is organized to construct and maintain public statewide geographic information databases, provide geographic information services to state and local governments, planning commissions and private citizens; and to support geographic information education. VCGI is supported primarily through a Special Fund allocation from the State of Vermont, federal grant funding for the State Broadband Data and Development (SBDD) program, and fees for services provided to private and public organizations.

During the 2013-2014 Legislative Session, the Vermont House of Representatives and Senate passed Bill H.885 which was signed into law as Act 179 by Governor Shumlin of Vermont on June 9, 2014. Under the terms of Act 179, VCGI will become a division within the Vermont Agency of Commerce and Community Development (ACCD), and will become the Vermont Center for Geographic Information (the Center) within ACCD. Act 179, as enacted, calls for this transition into ACCD to be effective July 1, 2014. As a result of the move into state government, the Center will no longer be a non-profit entity after March 30, 2015. On July 2, 2014 the Vermont General Assembly provided a Statement of Legislative Intent that clarified some of the language in Act 179 and enabled all the parties involved to implement an orderly transition of resources, personnel and existing contractual obligations to ACCD by the March 30, 2015 end date. Management does not believe that any adjustments to the carrying values of assets and liabilities as reported in these financial statements are required as a result of this transition.

Basis of Reporting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) promulgated by the Financial Accounting Standards Board Accounting Standards Codification (ASC or the guidance). Additionally, as required by GAAP, VCGI reports its net assets as unrestricted, temporarily, and permanently restricted net assets. Unrestricted net assets represent resources which have met all applicable restrictions and are considered to be available for unrestricted use. VCGI does not have temporarily or permanently restricted net assets as of March 29, 2015.

Vermont Center for Geographic Information, Inc.

Notes to the Financial Statements (Continued)

Note A - Organization and Significant Accounting Policies (Continued)

Use of Estimates

Preparation of financial statements in accordance with GAAP 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.

Subsequent Events

VCGI has evaluated subsequent events for disclosure and recognition through May 18, 2015, the date on which these financial statements were available to be issued and has considered any relevant matters in the preparation of the financial statements and footnotes.

Income Taxes

VCGI is a non-profit corporation exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code. VCGI does not believe there are any material uncertain tax positions and, accordingly, has not recognized any liability for unrecognized tax benefits.

Accounts Receivable

Accounts receivable represent amounts outstanding for work performed on geographic information service projects for private and public sector organizations. VCGI uses the allowance method of accounting for uncollectible accounts. Due to the current status of accounts receivable, management has not recorded an allowance for doubtful accounts as of March 29, 2015.

Property and Equipment

Depreciation on property and equipment is computed on a straight-line basis over the estimated useful lives of the assets, generally three to five years. VCGI's policy is to capitalize items in excess of \$1,000; items of a lesser cost are expensed when purchased. Maintenance and repairs are charged to expense when incurred. Depreciation expense was \$10,344 for the period ended March 29, 2015.

Cash and Cash Equivalents

VCGI considers cash on hand, cash deposited in banks and money market funds to be cash equivalents. VCGI maintains its cash in accounts at a local bank. The Federal Deposit Insurance Corporation (FDIC) insures amounts on deposit up to limits as prescribed by law. VCGI may hold funds with financial institutions in excess of the FDIC insured limit, however, VCGI has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

Vermont Center for Geographic Information, Inc.

Notes to the Financial Statements (Continued)

Note A - Organization and Significant Accounting Policies (Continued)

Project Income Revenue Recognition

A significant portion of VCGI's project income is performed under grants and contracts from federal and state governments. Project income revenue is based on allowable expenses incurred or based on milestones achieved, in accordance with the terms of the respective federal and state grant agreements. Deferred revenue consists of contract and grant advances from customers and grantors for work to be performed in the next year.

Funds held - VT Orthophoto Buy-Up Program

The VT Orthophotography Buy-up Program (the Buy-Up Program) is an extension of the five year, statewide orthophotography program. VCGI facilitates data acquisition under the statewide orthophotography program. The Buy-Up Program allows local and regional authorities in Vermont to request acquisition of higher resolution orthophotography in an area determined by their needs. It also enables local and regional authorities to piggy-back on the existing statewide orthophotography contract which provides time and cost savings. VCGI provides this service at no cost to the buyer. Funds held as of March 29, 2015 represent advance funds received from participants of the Buy-Up Program.

Note B - Property and Equipment

Property and equipment as of March 29, 2015 consisted of the following:

	<u>2015</u>
Computer hardware	\$ 47,406
Computer software	26,652
Office furniture and equipment	<u>16,698</u>
	90,756
Less: accumulated depreciation	<u>(75,386)</u>
Total property and equipment, net	<u>\$ 15,370</u>

Note C - Retirement Plan

VCGI has a contributory, defined contribution, 401(k) profit-sharing plan in which VCGI, at its discretion, contributes 10% of an eligible employee's wages to the plan. Employees are 50% vested after two years of service and 100% vested after four years of service. All employees who have completed 1,000 hours of service and attained the age of 21 may participate in the plan. The retirement plan was closed on February 28, 2015. Upon closure and final reconciliation of all accounts by the plan administrator, each employee was provided with various distribution options and received 100% of their account values upon closure. Retirement expense was \$25,113 for the period from July 1, 2014 to February 28, 2015, the date at which the retirement plan was closed.

Vermont Center for Geographic Information, Inc.

Notes to the Financial Statements (Continued)

Note D - Commitments and Contingencies

VCGI is obligated under a lease agreement for office space. The lease agreement became effective on July 1, 2012 for a period of three years with provisions for annual increases. Rent expense was \$24,024 for the period ended March 29, 2015. The lease expires on June 30, 2015.

Grants and contracts require the fulfillment of certain conditions as set forth in the instrument of the grant or contract. Failure to fulfill the conditions could result in the return of funds to the grantor. Although that is a possibility, management deems the contingency remote.

Note E - Board Designated Net Assets

VCGI's Board of Directors has approved creation of a capital reserve fund from unrestricted net assets. The balance of the board-designated net assets was \$30,000 as of March 29, 2015.

Note F - Federal Grants

A significant portion of VCGI's revenues are from federal grants. The following is a brief description of VCGI's only significant federal grant for the period ended March 29, 2015.

The American Recovery and Reinvestment Act (ARRA or the Act) provided the U.S. Department of Commerce, through the National Telecommunications and Information Administration (NTIA) and the U.S. Department of Agriculture's Rural Utilities Service (RUS) with \$7.2 billion to expand access to broadband services in the United States. Of those funds, the Act provided \$4.7 billion to the NTIA to support the deployment of broadband infrastructure, enhance and expand public computer centers, encourage sustainable adoption of broadband service, and develop and maintain a nationwide public map of broadband service capability and availability.

As of March 29, 2015, VCGI has been awarded a total of \$3,542,996 under the SBDD Program, which is a component of the NTIA ARRA project described above. This balance includes the original award of \$1,197,496 and supplemental funding of \$2,345,500. The SBDD is intended to collect, verify, display and update state-level broadband availability information, and to fund initiatives that coalesce and support increased availability and adoption activities at tribal, state, regional, and local levels.

Vermont Center for Geographic Information, Inc.

Schedule of Revenues and Expenses

For the period from July 1, 2014 to March 29, 2015

	Per General Ledger	Overhead Expenses	Not Allowed	Reference
Revenue				
State of Vermont grant	\$ 291,309			
Project income	457,419			
Imagery program income	1,200			
Interest and miscellaneous income	688			
Conference income	<u>70</u>			
Total revenue	<u>750,686</u>			
Expenses				
Direct costs:				
Direct labor	155,332	\$ -	\$ 155,332	(1)
Payroll taxes and employee benefits	65,957	65,957	-	
Subcontract costs	270,575	-	270,575	(1)
Costs of projects and reproductions	18,811	-	18,811	(1)
Cost of imagery program	1,613	-	1,613	(1)
Cost of outreach program	<u>5,542</u>	<u>-</u>	<u>5,542</u>	(1)
Total direct costs	<u>517,830</u>	<u>65,957</u>	<u>451,873</u>	
Operating expenses:				
Indirect salaries and wages	120,140	120,140	-	
Payroll taxes and employee benefits	60,257	60,257	-	
Rent	24,024	24,024	-	
Computer support and maintenance	10,426	10,426	-	
Office expense	7,383	7,383	-	
Professional fees	45,014	45,014	-	
Depreciation	10,344	10,344	-	
Travel and training	2,976	2,976	-	
Insurance	4,014	4,014	-	
Telephone	2,146	2,146	-	
Utility expense	1,502	1,502	-	
Miscellaneous	<u>256</u>	<u>256</u>	<u>-</u>	
Total operating expenses:	<u>288,482</u>	<u>288,482</u>	<u>-</u>	
Total expenses	<u>806,312</u>	<u>\$ 354,439</u>	<u>\$ 451,873</u>	
Change in unrestricted net assets	<u>\$ (55,626)</u>			

(1) These items are direct costs billed to individual projects or consumers.

Vermont Center for Geographic Information, Inc.

Schedule of Overhead Calculation

For the period from July 1, 2014 to March 29, 2015

	<u>Amount</u>	<u>%</u>
Direct labor	\$ 155,332	100.0 %
Overhead expenses	<u>354,439</u>	<u>228.2 %</u>
Total direct labor and overhead expenses	509,771	328.2 %
Less: Direct labor	<u>155,332</u>	<u>100.0 %</u>
Overhead rate	<u>\$ 354,439</u>	<u>228.2 %</u>