



**VERMONT INFORMATION  
TECHNOLOGY LEADERS, INC.**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2014 AND 2013**

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VT License #92-0000171

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Vermont Information Technology Leaders, Inc.  
Montpelier, Vermont

### Report on the Financial Statements

We have audited the accompanying financial statements of Vermont Information Technology Leaders, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, the statement of functional expenses for the year ended June 30, 2014, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair representation 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 risk 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 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 Information Technology Leaders, Inc. as of June 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.

### **Other Matters**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, 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 audits 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2014 on our consideration of Vermont Information Technology Leaders, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Vermont Information Technology Leaders, Inc.'s internal control over financial reporting and compliance.

*Jmm b Associates*

September 8, 2014

**VERMONT INFORMATION TECHNOLOGY LEADERS, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2014 AND 2013**

**A S S E T S**

	<b>2014</b>	<b>2013</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 109,223	\$ 787,742
Accounts receivable	73,699	8,400
Grants receivable	1,758,786	1,444,809
Prepaid expenses	54,872	37,891
	<b>1,996,580</b>	<b>2,278,842</b>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment	155,905	140,517
Leasehold improvements	77,590	38,629
	<b>233,495</b>	<b>179,146</b>
Less accumulated depreciation	(155,431)	(127,335)
	<b>78,064</b>	<b>51,811</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,074,644</b>	<b>\$ 2,330,653</b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 304,377	\$ 449,935
Accrued salaries and related taxes	151,116	89,125
Accrued vacation	162,713	123,605
Deferred revenue and refundable advances	818,920	740,550
	<b>1,437,126</b>	<b>1,403,215</b>
<b>NET ASSETS</b>		
Unrestricted	<b>637,518</b>	<b>927,438</b>
<b>TOTAL NET ASSETS</b>	<b>637,518</b>	<b>927,438</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,074,644</b>	<b>\$ 2,330,653</b>

See accompanying notes.

VERMONT INFORMATION TECHNOLOGY LEADERS, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>		
<b>SUPPORT AND REVENUE</b>		
Federal and state grants	\$ 6,521,243	\$ 5,774,656
Program service fees	70,616	23,782
Conference revenue	31,710	37,877
Interest income	571	755
<b>TOTAL SUPPORT AND REVENUE</b>	<u>6,624,140</u>	<u>5,837,070</u>
<b>EXPENSES</b>		
Program services	<u>5,982,585</u>	<u>3,804,752</u>
Support services		
General and administrative	926,417	1,701,880
Advocacy	<u>5,058</u>	<u>5,663</u>
Subtotal - support services	<u>931,475</u>	<u>1,707,543</u>
<b>TOTAL EXPENSES</b>	<u>6,914,060</u>	<u>5,512,295</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	(289,920)	324,775
<b>BEGINNING UNRESTRICTED NET ASSETS</b>	<u>927,438</u>	<u>602,663</u>
<b>ENDING UNRESTRICTED NET ASSETS</b>	<u>\$ 637,518</u>	<u>\$ 927,438</u>

See accompanying notes.

VERMONT INFORMATION TECHNOLOGY LEADERS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2014  
(WITH COMPARATIVE TOTALS FOR 2013)

	Program Services	General and Administrative	Advocacy	Total 2014	Total 2013
Salaries, taxes and benefits	\$ 3,001,449	\$ 644,922	\$ 3,333	\$ 3,649,704	\$ 2,665,770
Implementation expenses	1,320,008	-	-	1,320,008	1,573,339
Consultants and subcontractors	737,151	35,240	700	773,091	396,466
Equipment rental and maintenance	156,834	35,308	174	192,316	105,897
Conferences, meetings and travel	147,711	12,945	164	160,820	124,526
Marketing and education	119,519	26,907	133	146,559	50,483
Occupancy	118,195	26,609	131	144,935	113,822
Professional fees	114,791	25,843	127	140,761	118,111
Telecommunications	87,569	19,714	97	107,380	81,012
Insurance	84,663	19,060	94	103,817	116,070
Office expenses	46,016	53,901	51	99,968	99,752
Depreciation	22,886	5,185	25	28,096	38,303
Professional development	9,664	17,152	11	26,827	10,027
Dues and subscriptions	16,129	3,631	18	19,778	18,717
<b>TOTAL EXPENSES</b>	<b>\$ 5,982,585</b>	<b>\$ 926,417</b>	<b>\$ 5,058</b>	<b>\$ 6,914,060</b>	<b>\$ 5,512,295</b>

See accompanying notes.



**VERMONT INFORMATION TECHNOLOGY LEADERS, INC.**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from grants	\$ 6,285,636	\$ 5,607,182
Cash received from fees and services	37,027	78,241
Interest received	571	755
Cash paid for personnel	(3,548,605)	(2,625,141)
Cash paid for goods and services	(3,398,799)	(2,503,828)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(624,170)</b>	<b>557,209</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	(54,349)	-
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(54,349)</b>	<b>-</b>
<b>INCREASE (DECREASE) IN CASH</b>	<b>(678,519)</b>	<b>557,209</b>
<b>BEGINNING CASH</b>	<b>787,742</b>	<b>230,533</b>
<b>ENDING CASH</b>	<b>\$ 109,223</b>	<b>\$ 787,742</b>
 <b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ (289,920)	\$ 324,775
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	28,096	38,303
(Increase) decrease in:		
Accounts receivable	(65,299)	16,582
Grants receivable	(313,977)	(545,307)
Prepaid expenses	(16,981)	(3,005)
Increase (decrease) in:		
Accounts payable	(145,558)	307,399
Accrued salaries and related taxes	61,991	21,102
Accrued vacation	39,108	19,527
Deferred revenue and refundable advances	78,370	377,833
<b>Total adjustments</b>	<b>(334,250)</b>	<b>232,434</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (624,170)</b>	<b>\$ 557,209</b>

See accompanying notes.

**VERMONT INFORMATION TECHNOLOGY LEADERS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

**1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES**

Operations

Incorporated in Vermont in 2005, Vermont Information Technology Leaders, Inc. (VITL or Organization) is a nonprofit, public-private partnership whose vision is a transformed health care system where health information is secure and readily available when people need it, positioning Vermont as a national example of high quality, cost-effective care. VITL is a multi-stakeholder corporation facilitating participation in the process by providers, payers, employers, patients, and state agencies.

With start-up funding in 2006 from the Vermont Banking, Insurance, Securities and Health Care Administration (BISHCA) and continuation funding beginning in 2007 from the Vermont Department of Information and Innovation (DII, specifically from its Health Information Technology fund beginning in 2008), and guided by the Vermont Blueprint for Health, VITL has developed the Vermont Health Information Technology Plan, created an associated pilot "electronic medical history project", worked with information technology contractors to develop a Chronic Care Information System (CCIS) with funding from the Vermont Department of Health, and facilitated a multi-year Electronic Health Records (EHR) pilot project funded by several health insurance companies and the Office of Vermont Health Access (OVHA).

VITL earns program service revenue from transaction processing fees from health care institutions participating in the electronic medical history pilot project discussed above, from sponsorships and revenue related to its annual health information technology summit and from federal subcontracts (including one to study health information security and privacy issues in the State).

Financial statement presentation

Vermont Information Technology Leaders, Inc. is required to report its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. VITL did not have any temporarily or permanently restricted net assets as of June 30, 2014 or 2013.

Cash and cash equivalents

For purposes of the Statements of Cash Flows, Vermont Information Technology Leaders, Inc. considers all unrestricted, highly-liquid investments with an initial maturity of three months or less to be cash equivalents. Amounts on deposit in financial institutions are insured by the FDIC to a maximum of \$250,000 per depositor, per insured bank. Amounts on deposit in excess of the FDIC limit were \$0 and \$761,661 at June 30, 2014 and 2013, respectively.

**VERMONT INFORMATION TECHNOLOGY LEADERS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

**1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

Estimates

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

Income taxes

Vermont Information Technology Leaders, Inc. is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code, and is exempt from federal income taxes on income related to its exempt purpose as a public charity pursuant to Section 509(a)(1). In addition, contributions to VITL qualify for the charitable contribution deduction under Section 170(b)(1)(A)(vi). The Organization believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements. VITL's information returns (Form 990) for the years ended June 30, 2013, 2012 and 2011 are subject to examination by taxing authorities, generally for a period of three years from the date filed.

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The 2013 information in the Statement of Functional Expenses is summarized comparative information and does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Donated services

Donated services are reflected in the financial statements at the fair value of the services received. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. VITL generally pays for services requiring specific expertise.

Property and equipment

Property and equipment are carried at cost when acquired by purchase and at estimated fair market value when contributed. VITL's policy is to capitalize all acquisitions over \$5,000 having a useful life of more than one year. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Depreciation expense was \$28,096 and \$38,303 for the years ended June 30, 2014 and 2013, respectively.

VERMONT INFORMATION TECHNOLOGY LEADERS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Grant and contract support

Vermont Information Technology Leaders, Inc. recognizes grant and contract funds on an exchange basis. As such, revenues are booked as the grant is earned. In accordance with the normal policies of the contracting organizations, Vermont Information Technology Leaders, Inc. may retain unexpended funds for use in future periods provided expenses incurred are in compliance with the specified terms of each grant or contract, as defined. The organizations may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by VITL within the terms of the grants or contracts.

2) ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts due from government agencies for services performed. Due to their current nature, no allowance for uncollectible accounts receivable is considered necessary. There was no bad debt expense related to accounts receivable in 2014 or 2013.

3) GRANTS RECEIVABLE

Grants receivable consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
HIE grant	\$ 974,485	\$ 982,269
RHITEC grant	2,173	402,890
REC matching grant	(6,043)	32,850
SIM grant	788,171	-
HRSA Bi-state grant	-	26,800
	<u>\$ 1,758,786</u>	<u>\$ 1,444,809</u>

Due to their current nature, no allowance for uncollectible grants receivable is considered necessary. Bad debt expense related to grants receivable was \$0 in 2014 and 2013. Grants receivable from the State of Vermont represented 100% and 70% of total grants receivable as of June 30, 2014 and 2013, respectively.

**VERMONT INFORMATION TECHNOLOGY LEADERS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

**4) LINE OF CREDIT**

Vermont Information Technology Leaders, Inc. has a \$500,000 line of credit agreement through TD Bank. The line bears interest at the Wall Street Journal Prime Rate plus 1% (4.25% at June 30, 2014). The line of credit is due on demand and expires in September 2014. There were no amounts outstanding under this agreement as of June 30, 2014.

**5) DEFERRED REVENUE AND REFUNDABLE ADVANCES**

Deferred revenue and refundable advances consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
HIE grant	\$ 809,256	\$ 733,991
VITL summit registrations	9,664	6,559
	<u>\$ 818,920</u>	<u>\$ 740,550</u>

**6) PENSION PLAN**

VITL has established a "Safe Harbor 401(k) Plan" open to all full-time employees with at least one year of service. Under the plan, the Organization makes a "safe harbor" contribution (a one-to-one match up to 3% of employee deferrals and a one-to-two match for deferrals between 3% and 5%) for the benefit of each participating employee, as well as an annual discretionary "profit-sharing contribution" (which can be weighted in favor of certain employees based on age and employment class). Employees can make salary deferrals in excess of 5% up to prescribed limits. Employer contributions to the plan were \$118,752 and \$136,940 for the years ended June 30, 2014 and 2013, respectively.

**7) CONCENTRATION OF REVENUE**

Approximately 92% and 89% of VITL's total revenue were earned under two federally-funded grants passed through the State of Vermont in 2014 and 2013, respectively.

**VERMONT INFORMATION TECHNOLOGY LEADERS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

**8) OPERATING LEASE**

VITL rents office space in Montpelier and Burlington under various office leases that begin to expire in 2015. Rent expense (including incidental charges) was approximately \$123,000 and \$96,000 for the years ended June 30, 2014 and 2013, respectively. Future minimum lease payments are as follows for the years ending June 30:

2015	\$	131,000
2016		141,000
2017		146,000
2018		152,000
2019		<u>158,000</u>
	\$	<u><u>728,000</u></u>

In 2014, VITL leased additional office space in Burlington adjacent to the Organization's current offices. In conjunction with the new space, VITL incurred leasehold improvements of \$38,961.

**9) SUBSEQUENT EVENTS**

Vermont Information Technology Leaders, Inc. has evaluated events and transactions for potential recognition or disclosure through September 8, 2014, the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**VERMONT INFORMATION TECHNOLOGY LEADERS, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

<b>Federal Grantor Pass-through Grantor Program Title</b>	<b>Passthrough #</b>	<b>CFDA Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Health and Human Services</b>			
<i>Direct funding:</i>			
Health Information Technology Regional Extension Centers		ARRA-93.718	\$ 482,269
<i>Passed through the Department of Vermont Health Access:</i>			
ACA - State Innovation Models	03410-1275-14	93.624	1,077,919
Medical Assistance Program	03410-0256-14	93.778	<u>1,759,001</u>
<b>Total U.S. Department of Health and Human Services</b>			<u><u>3,319,189</u></u>
<b>TOTAL FEDERAL AWARDS EXPENDED</b>			<u><u>\$ 3,319,189</u></u>

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE 1: BASIS OF PRESENTATION**

This schedule of expenditures of federal awards includes the federal grant activity of Vermont Information Technology Leaders, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.