

Financial Statements

THE ARC OF LOUDOUN

June 30, 2015

GENERAL ORGANIZATIONAL DATA

ORGANIZATION AND PURPOSE

The Arc of Loudoun (The Arc) was incorporated under the laws of the Commonwealth of Virginia on September 1, 1967, to operate a non-stock, nonprofit organization. The organization changed its name from Loudoun Association for Retarded Citizens to The Arc of Loudoun effective January 31, 2008. The Arc also operates under its registered doing business name as Margaret Paxton Memorial Learning and Resource Campus.

The Arc was organized to advocate for persons with disabilities by promoting individual support and equitable participation with their non-disabled peers in all aspects of community life, including education, residence, vocation and healthcare. Our goal is to secure the full range of human and civil rights for children and adults with disabilities.

The Arc was granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code on November 21, 1977.

OFFICERS AND BOARD OF DIRECTORS

OFFICERS

Lisa Broyhill, President
Marty Martinez, Vice President
Mary Pellicano, Treasurer
Linda Holtslander, Secretary

BOARD OF DIRECTORS

Heather Bensel
Rick Berry
Lisa Broyhill
Curt Carlson
Linda Holtslander
Lisa Jett
Michael Kosin
Patricia Martin
Marty Martinez
Mary Pellicano

EXECUTIVE DIRECTOR

Jennifer Lassiter

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
-------------------------------------	---

FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 – 9

MITCHELL & Co., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

JEFFREY D. MITCHELL, CPA
SANDRA M. TONDREAU, CPA
W. MATTHEW BURNS, CPA

AMANDA L. MASON, CPA
AMANDA M. HALSEY, CPA

110 EAST MARKET STREET | SUITE 200
LEESBURG, VIRGINIA 20176
P 703.777.4900 | F 703.771.3082
WWW.MCOCPA.COM

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

VIRGINIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Arc of Loudoun
Leesburg, Virginia

We have audited the accompanying financial statements of The Arc of Loudoun (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses 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 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 The Arc of Loudoun as of June 30, 2015, 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.

Leesburg, Virginia
December 4, 2015

Mitchell & Co., P.C.

THE ARC OF LOUDOUN

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2015

ASSETS

Current assets

Cash and cash equivalents	\$ 213,991
Accounts receivable	301,658
Program materials and supplies	10,000
Prepaid expenses	<u>21,115</u>
Total current assets	546,764

Furniture, equipment, and leasehold improvements,
net of accumulated depreciation of \$259,881

846,167

Total assets

\$ 1,392,931

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$ 26,843
Accrued liabilities	166,487
Advances	39,446
Prepaid tuition	<u>27,345</u>
Total liabilities	<u>260,121</u>

Net assets

Unrestricted	1,098,948
Temporarily restricted	<u>33,862</u>
Total net assets	<u>1,132,810</u>

Total liabilities and net assets

\$ 1,392,931

See Notes to Financial Statements.

THE ARC OF LOUDOUN

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Public support			
Contributions (in-kind \$54,677)	\$ 256,006	\$ 69,881	\$ 325,887
Capital grant - Loudoun County	-	296,044	296,044
Fundraising events, net of expenses of \$70,223	174,753	-	174,753
Donated facilities use and services	122,553	-	122,553
Membership dues	3,255	-	3,255
Total public support	<u>556,567</u>	<u>365,925</u>	<u>922,492</u>
Revenue			
Tuition and fees	3,212,071	-	3,212,071
Training workshops	1,765	-	1,765
Miscellaneous	328	-	328
Total revenue	<u>3,214,164</u>	<u>-</u>	<u>3,214,164</u>
Net assets released from restrictions:			
Satisfaction of usage restrictions	369,193	(369,193)	-
Total support and revenue	<u>4,139,924</u>	<u>(3,268)</u>	<u>4,136,656</u>
EXPENSES			
Program services	3,470,792	-	3,470,792
Supportive services:			
Management and general	99,535	-	99,535
Fundraising	114,768	-	114,768
Total expenses	<u>3,685,095</u>	<u>-</u>	<u>3,685,095</u>
Change in net assets	454,829	(3,268)	451,561
Net assets, beginning of year	<u>644,119</u>	<u>37,130</u>	<u>681,249</u>
Net assets, end of year	<u>\$ 1,098,948</u>	<u>\$ 33,862</u>	<u>\$ 1,132,810</u>

See Notes to Financial Statements.

THE ARC OF LOUDOUN

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015**

	Supporting Services			Total
	Programs	Management & General	Fundraising	
Salaries	\$ 2,457,816	\$ 24,862	\$ 80,482	\$ 2,563,160
Fringe benefits	235,559	1,727	6,361	243,647
Payroll taxes	199,035	2,070	6,724	207,829
Total salaries and related expenses	2,892,410	28,659	93,567	3,014,636
Accreditation	2,103	-	-	2,103
Advertising	3,688	26	104	3,818
Occupancy (in-kind \$103,303)	99,130	229	3,944	103,303
Professional fees	5,920	69,633	725	76,278
Office supplies	29,198	42	693	29,933
Equipment leasing	14,091	6	108	14,205
Education supplies and software	30,492	2	38	30,532
Family support	83,926	-	180	84,106
Insurance	34,019	79	1,353	35,451
Postage and printing (in-kind \$1,000)	5,405	6	102	5,513
Telephone and internet	33,809	325	2,178	36,312
Utilities	35,876	34	465	36,375
Association memberships	15,267	38	605	15,910
Staff training	25,817	52	320	26,189
Travel	4,684	4	62	4,750
Maintenance	75,883	230	2,913	79,026
Depreciation	66,170	32	7,278	73,480
Other	12,904	138	133	13,175
	578,382	70,876	21,201	670,459
Total expenses	\$ 3,470,792	\$ 99,535	\$ 114,768	\$ 3,685,095

See Notes to Financial Statements.

THE ARC OF LOUDOUN

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015**

Cash Flows From Operating Activities

Change in net assets	\$ 451,561
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	73,480
(Increase) decrease in assets:	
Accounts receivable	(80,024)
Prepaid expenses	(7,412)
Increase (decrease) in liabilities:	
Accounts payable	6,848
Accrued liabilities	(25,846)
Advances	39,445
Unearned income	5,084
Net cash provided by operating activities	<u>463,136</u>

Cash Flows From Investing Activities

Purchase of property and equipment	<u>(449,527)</u>
Net cash used in investing activities	<u>(449,527)</u>

Net increase in cash and equivalents 13,609

Cash and Cash Equivalents

Beginning of year	<u>200,382</u>
End of year	<u>\$ 213,991</u>

See Notes to Financial Statements.

THE ARC OF LOUDOUN

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Organization

The Arc of Loudoun (The Arc) was organized to advocate for persons with disabilities by promoting individual support and equitable participation with their non-disabled peers in all aspects of community life, including education, residence, vocation and healthcare. Our goal is to secure the full range of human and civil rights for children and adults with disabilities.

Significant Accounting Policies

The accounting and reporting policies of The Arc conform to generally accepted accounting principles and the reporting practices appropriate for nonprofit and voluntary health and welfare organizations. The nature of business and significant accounting principles are summarized below:

Basis of Accounting: The financial statements of The Arc have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation: Financial statements presentation follows the recommendations of the Financial Accounting Standards Board (FASB) as defined in the FASB Accounting Standards Codification (ASC) Topic 958, *Not-For-Profit Entities*. Under ASC Topic 958, 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.

Cash and Cash Equivalents: For purposes of reporting cash flows, The Arc considers all funds in banks and highly liquid investments with a maturity of three months or less to be cash equivalents.

Plant Assets and Depreciation: Furniture and equipment is recorded at cost or at estimated fair value at the date of gift. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is computed on a straight-line basis over the estimated useful lives. Cost of major equipment additions are capitalized while normal repairs and maintenance are expensed as incurred.

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. Unconditional promises to give due in the next year are recorded at their net realized value.

Income Taxes: The Arc was granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code November 21, 1977. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization has adopted the guidance under ASC Topic 740, *Income Taxes*. Management has evaluated the Organization's tax positions and concluded that the Organization has taken no uncertain tax provisions that would require adjustment to, or disclosure in, the financial statements to comply with the provisions of the guidance. Income tax reporting years open for IRS audit include 2012, 2013, 2014, and 2015.

THE ARC OF LOUDOUN

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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.

Revenue Recognition: Program fees and grants are reported as income as the income is earned. Funds received in advance of participation and for future periods are reported as unearned or deferred.

Donated In-kind Goods and Services: Donated services are recognized as contributions in accordance with FASB ASC, 958-605, *Not-for-Profit Entities*, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the organization.

A substantial number of unpaid volunteers have made significant contributions of their time in Organization's administrative and operating activities. The value of this donated time is not reflected in these financial statements in as much as no objective basis is available to measure the value of such services.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among program and supportive services.

Note 2. Cash

At June 30, 2015, bank cash deposits and reported cash deposits consist of the following:

Description	Bank Balance	Reported Cash Balances
TD Bank	\$ 234,408	\$ 213,991

Individual bank combined cash account deposits up to \$250,000 are insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2015, there were no balances in excess of deposits insured under FDIC.

Note 3. Property and Equipment

The following is a summary of property and equipment at June 30, 2015:

Description	Amount
Paxton leasehold improvements	\$ 845,778
Furniture and equipment	260,270
Less accumulated depreciation	(259,881)
	<u>\$ 846,167</u>

THE ARC OF LOUDOUN

NOTES TO FINANCIAL STATEMENTS

Note 4. Line of Credit

The Arc has a \$200,000 line of credit with TD Bank which automatically renews annually. Interest accrues and is payable monthly on the unpaid balance at the bank's Prime Rate (3.25% at June 30, 2015) plus 2.00%. There were no outstanding borrowings under the line of credit at June 30, 2015.

Note 5. Accrued Liabilities

Accrued liabilities at June 30, 2015 consist of the following:

Description	Amount
Accrued payroll and related payroll taxes	\$ 92,151
Accrued vacation leave	62,352
Other accrued operating expenses	11,984
	<u>\$ 166,487</u>

Note 6. Operating Leases

Paxton Property Lease: The Arc entered into a property lease for the Paxton facility located in Leesburg, Virginia including the building facilities and specific designated grounds. The Arc operates the Aurora School and administrative offices from this facility. The lease commenced on December 1, 2009 upon obtaining occupancy use permits and is for ten years with additional renewal options totaling an additional ten years. The lease terms states no monthly rent is due; however, The Arc is responsible for property renovations and continued maintenance and upkeep. Through June 30, 2015, major renovations to the facility are substantially complete. Property renovations will be amortized over the projected lease period. Other than the facility renovations, maintenance and upkeep, there is no monthly rental lease obligation. The donated in-kind value of the facility use of the Paxton Property for the year ended June 30, 2015 is estimated to be \$103,303.

Note 7. Operating Equipment Lease

The Arc leases office equipment under five operating equipment leases. The lease requires monthly payments of \$921 through June 2016; monthly payments of \$686 through June 2017; monthly payments of \$550 through June 2018; and monthly payments of \$253 through September 2019. Minimum operating lease payments are as follows: 2016, \$11,049; 2017, \$8,231; 2018, \$7,282; 2019, \$3,338 and 2020, \$605.

Note 8. Fundraising

The Organization conducts fundraising events during the year. A summary of fundraising revenues and expenses follows:

Special Events - Fundraising	Amount
Revenue	\$ 244,976
Expenses	(70,223)
	<u>\$ 174,753</u>

THE ARC OF LOUDOUN

NOTES TO FINANCIAL STATEMENTS

Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets are available at June 30, 2015 for the following purposes:

Purpose	Amount
Sensory Sensitive Movie Program	\$ 1,030
Campus funds	1,677
Family support	8,230
Computers	250
Emergency support	18,324
Transitional age support	4,351
	<u>\$ 33,862</u>

Note 10. Concentration of Credit Risk

Financial instruments that potentially subject The Arc to concentrations of credit risk consist principally of accounts receivable. Concentrations of credit risk with respect to trade receivables are limited due to the large portion of receivables due from local government entities through contract agreements. As of June 30, 2015, the Organization had no other significant concentrations of credit risk.

Note 11. Fair Value of Instruments

The Arc's financial instruments are cash and cash equivalents, accounts receivable, and accounts payable, the recorded values of which approximate their fair values based on their short-term nature.

Note 12. Subsequent Events

The Arc has evaluated subsequent events from June 30, 2015 through December 4, 2015, the date these financial statements were available to be issued, and determined that there were no material subsequent events requiring adjustment to, or disclosure in, the financial statements for the year ended June 30, 2015.