

*Financial Statements*

THE ARC OF LOUDOUN

June 30, 2021

## **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**

Ara Bagdasarian, President  
Stacy Cleveland, Vice President  
Bobbi Desai, Treasurer  
Scott Billigmeier, Secretary

### **BOARD OF DIRECTORS**

Ara Bagdasarian  
Ellie Addae  
Scott Billigmeier  
Stacy Cleveland  
Paul Cluff  
Bobbi Desai  
Michael Fischetti  
W. Roger Gwinn  
Bonnie Hoffman  
Beatriz McNelly  
Vicki Phillos  
Ricardo Robinson  
John Stine  
Sonny Swann

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## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Arc of Loudoun and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Arc of Loudoun's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Arc of Loudoun's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Arc of Loudoun's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Leesburg, Virginia  
November 18, 2021

*Mitchell & Co., P.C.*

**THE ARC OF LOUDOUN**

**STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2021**

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**ASSETS**

Cash and cash equivalents	\$ 2,121,425
Tuition receivable, net of allowance \$21,928	367,161
Other receivables	5,869
Prepaid expenses and other assets	41,448
Beneficial interest in assets held by others	3,757
Property and equipment, net of accumulated depreciation of \$789,232	<u>1,428,385</u>

**Total assets** \$ 3,968,045

**LIABILITIES AND NET ASSETS**

Accounts payable and accrued expenses	50,731
Accrued payroll	401,225
Payroll liabilities	6,389
Advance from Margaret Paxton Memorial for Convalescent Children	39,446
Prepaid tuition	<u>14,316</u>
<b>Total liabilities</b>	<u>512,107</u>

Net assets

Without donor restriction:

Undesignated	1,748,487
Invested in capital assets	1,428,385
With donor restriction	<u>279,066</u>
<b>Total net assets</b>	<u>3,455,938</u>

**Total liabilities and net assets** \$ 3,968,045

See Notes to Financial Statements.

THE ARC OF LOUDOUN

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restriction			With Donor Restriction	Total
	Operations	Capital/ Non-operating	Total		
<b>SUPPORT AND REVENUE</b>					
Public support					
Contributions	\$ 66,262	\$ -	\$ 66,262	\$ 91,033	\$ 157,295
Grants	2,500	-	2,500	521,854	524,354
CARES Act PPP Funding				850,131	850,131
Fundraising events, net of expenses of \$40,243	(4,195)	-	(4,195)	-	(4,195)
Donated facilities use and services	636,549	24,822	661,371	-	661,371
<b>Total public support</b>	<b>701,116</b>	<b>24,822</b>	<b>725,938</b>	<b>1,463,018</b>	<b>2,188,956</b>
Revenue					
Tuition and fees	4,111,940	-	4,111,940	-	4,111,940
Training workshops	652,223	-	652,223	-	652,223
Miscellaneous	1,590	-	1,590	-	1,590
<b>Total revenue</b>	<b>4,765,753</b>	<b>-</b>	<b>4,765,753</b>	<b>-</b>	<b>4,765,753</b>
Net assets released from restrictions:					
Satisfaction of usage restrictions	1,360,566	130,210	1,490,776	(1,490,776)	-
<b>Total support and revenue</b>	<b>6,827,435</b>	<b>155,032</b>	<b>6,982,467</b>	<b>(27,758)</b>	<b>6,954,709</b>
<b>EXPENSES</b>					
Program services	4,932,482	140,390	5,072,872	-	5,072,872
Supportive services:					
Management and general	505,293	995	506,288	-	506,288
Fundraising	283,204	6,935	290,139	-	290,139
<b>Total expenses</b>	<b>5,720,979</b>	<b>148,320</b>	<b>5,869,299</b>	<b>-</b>	<b>5,869,299</b>
<b>Change in net assets</b>	<b>1,106,456</b>	<b>6,712</b>	<b>1,113,168</b>	<b>(27,758)</b>	<b>1,085,410</b>
<b>Net asset reclassification</b>	<b>(227,055)</b>	<b>227,055</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets, beginning of year</b>	<b>\$ 869,086</b>	<b>\$ 1,194,618</b>	<b>\$ 2,063,704</b>	<b>\$ 306,824</b>	<b>\$ 2,370,528</b>
<b>Net assets, end of year</b>	<b>\$ 1,748,487</b>	<b>\$ 1,428,385</b>	<b>\$ 3,176,872</b>	<b>\$ 279,066</b>	<b>\$ 3,455,938</b>

See Notes to Financial Statements.

**THE ARC OF LOUDOUN**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Supporting Services</u>			Total
	Programs	Management & General	Fundraising	
Salaries	\$ 3,135,159	\$ 329,568	\$ 195,522	\$ 3,660,249
Fringe benefits	319,524	35,445	13,958	368,927
Payroll taxes	227,896	12,784	11,717	252,397
<b>Total salaries and related expenses</b>	<u>3,682,579</u>	<u>377,797</u>	<u>221,197</u>	<u>4,281,573</u>
Advertising	2,882	215	13,261	16,358
Occupancy (in-kind \$598,217)	572,117	888	25,212	598,217
Professional fees	41,430	90,220	-	131,650
Office supplies (in-kind \$12,205)	53,328	3,377	2,059	58,764
Equipment leasing	21,683	489	290	22,462
Education supplies and software	9,307	-	-	9,307
Scholarships	1,536	-	-	1,536
Family support	65,630	-	-	65,630
Insurance	65,204	6,854	4,066	76,124
Postage and printing	1,519	130	85	1,734
Technology	62,976	6,134	3,681	72,791
Utilities	34,714	846	920	36,480
Association memberships	17,268	1,695	5,587	24,550
Staff training	10,005	303	295	10,603
Travel	13,469	2	1	13,472
Maintenance	62,839	6,039	3,583	72,461
Depreciation	140,390	995	6,935	148,320
Interest	-	866	-	866
Bank and other fees	6,377	2,444	396	9,217
Payroll processing	-	3,711	-	3,711
Bad Debt Expense	200,218	-	2,500	202,718
Accreditation	3,937	-	-	3,937
Other Expenses	3,464	3,283	71	6,818
	<u>1,390,293</u>	<u>128,491</u>	<u>68,942</u>	<u>1,587,726</u>
<b>Total expenses</b>	<u>\$ 5,072,872</u>	<u>\$ 506,288</u>	<u>\$ 290,139</u>	<u>\$ 5,869,299</u>

See Notes to Financial Statements.



**THE ARC OF LOUDOUN**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2021**

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**Cash Flows From Operating Activities**

Change in net assets	\$ 1,085,410
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	148,320
Loss on Disposal of Asset	273
Donated capital items	(24,822)
(Increase) decrease in assets:	
Tuition receivable	(27,267)
Grants and other receivables	9,052
Prepaid expenses	(4,796)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(13,461)
Accrued payroll	28,896
Unearned income	(4,379)
<b>Net cash provided by operating activities</b>	<u>1,197,226</u>

**Cash Flows From Investing Activities**

Purchase of property and equipment	(357,538)
Beneficial interest in assets held by others	(713)
<b>Net cash used in investing activities</b>	<u>(358,251)</u>

**Net increase in cash and equivalents** 838,975

**Cash and Cash Equivalents**

Beginning of year	<u>1,282,450</u>
End of year	<u><u>\$ 2,121,425</u></u>

See Notes to Financial Statements.

# THE ARC OF LOUDOUN

## NOTES TO FINANCIAL STATEMENTS

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### 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 statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) as defined in the FASB Accounting Standards Codification (ASC) Topic 958 dated August 2016, *Not-For-Profit Entities*, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations”. (ASC) 9588-205 was effective January 1, 2018. Under ASC Topic 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

*Net Assets Without Donor Restriction:* Net assets not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization’s board may designate assets without restrictions for specific operational purposes from time to time.

*Net Assets With Donor Restriction:* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity

*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.

*Property, Equipment, 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.

# THE ARC OF LOUDOUN

## NOTES TO FINANCIAL STATEMENTS

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

*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 2018, 2019, 2020, and 2021.

*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 Expense:* The cost of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include the following:

Description	Method
Personnel costs	Time and effort
Administrative costs	Salaries percentage
Professional fees and other	Direct

**THE ARC OF LOUDOUN**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 2. Cash**

At June 30, 2021, bank cash deposits and reported cash deposits consist of the following:

Description	Bank Balance	Reported Cash Balances
TD Bank	\$ 373,729	\$ 377,881
Bank of Charles Town	494,165	698,779
Bank of Charles Town - ICS	1,043,130	1,043,130
US Bank	820	820
TD Money Market	15	15
Cash on hand	-	800
	<u>\$ 1,911,859</u>	<u>\$ 2,121,425</u>

Individual bank combined cash account deposits up to \$250,000 are insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2021, Bank of Charles Town balances were in excess of deposits insured under FDIC by \$1,287,295. TD Bank balances were in excess of FDIC Insurance by \$123,729.

**Note 3. Beneficial Interest in Assets Held by Others**

The ARC of Loudoun (ARC) established an agency beneficial interest endowment fund with Community Foundation for Loudoun and Northern Fauquier Counties (CFLNFC). ARC provided these funds to CFLNFC to hold, invest and distribute back to ARC as specific needs arise and disbursement requests are made. All funds held by CFLNFC are dedicated for charitable purposes and directed disbursements are done under the CFLNFC distribution policy. The funds held are subject to the terms and provisions of the articles of incorporation and bylaws of the Foundation including the ability of the Foundation Board of Directors to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to a specified charitable organization if in the sole judgment of the Foundation Board, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served.

A 2021 summary of beneficial interest assets held by Community Foundation for Loudoun and Northern Fauquier Counties for the benefit of The ARC of Loudoun at June 30, 2021 is as follows:

Summary of Activity	Amount
Reported estimated fair value July 1, 2020	\$ 3,044
Contributions	-
Net investment return	713
Reported estimated fair value June 30, 2021	<u>\$ 3,757</u>

## THE ARC OF LOUDOUN

### NOTES TO FINANCIAL STATEMENTS

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#### Note 4. Property and Equipment

The following is a summary of property and equipment at June 30, 2021:

Description	Amount
Paxton leasehold improvements	\$ 1,775,772
Furniture and equipment	441,845
Less accumulated depreciation	(789,232)
	<u>\$ 1,428,385</u>

#### Note 5. 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 7%. There were no outstanding borrowings under the line of credit at June 30, 2021.

#### Note 6. Accrued Payroll

Accrued payroll at June 30, 2021 consist of the following:

Description	Amount
Accrued payroll and related payroll taxes	\$ 228,572
Accrued vacation leave	172,653
	<u>\$ 401,225</u>

#### Note 7. Net Assets with Donor Restriction

Net assets with donor restriction are available at June 30, 2021 for the following purposes:

Purpose	Balance	Additions	Deletions	Balance
Aurora School	\$ -	\$ 1,800	\$ (1,800)	\$ -
Scholarship support	20,228	32,450	(12,793)	39,885
Advocacy services	10,250	21,750	(16,900)	15,100
Facility development & improvements	250,000	250,000	(298,070)	201,930
Administrative services	-	62,033	(62,033)	-
Family Support	-	50,450	(33,922)	16,528
Equipment	14,998	-	(9,375)	5,623
Barn Grant	-	130,210	(130,210)	-
COVID Funding	-	64,194	(64,194)	-
PPP Loan	-	850,131	(850,131)	-
Client future COVID-19 need	11,348	-	(11,348)	-
	<u>\$ 306,824</u>	<u>\$ 1,463,018</u>	<u>\$ (1,490,776)</u>	<u>\$ 279,066</u>

All net assets with donor restriction were restricted for a specific purpose at June 30, 2021.

## THE ARC OF LOUDOUN

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 8. 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, 2021, 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, 2021 is estimated to be \$598,217.

#### **Note 9. Operating Equipment Lease**

The Arc leases office equipment under five operating equipment leases. The lease requires monthly payments of \$624 through June 2021; and monthly payments of \$701 through February 2021. Minimum operating lease payments are \$1,615 in 2021.

#### **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, 2021, 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.

## THE ARC OF LOUDOUN

### NOTES TO FINANCIAL STATEMENTS

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#### Note 12. In-Kind Contributions and Donations

In-kind contributions and donations include the following:

Type	Fundraising	Capital and Operating	Total
Occupancy	\$ -	\$ 598,217	\$ 598,217
Paxton Campus improvements/maintenance	-	18,272	18,272
Furniture	-	1,450	1,450
Office supplies/equipment	-	12,205	12,205
Melwood	-	12,915	12,915
Shocktober	18,312	-	18,312
	<u>\$ 18,312</u>	<u>\$ 643,059</u>	<u>\$ 661,371</u>

#### Note 13. CARES Act PPP Funding

ARC was granted full forgiveness for the previous \$854,302 CARES Act PPP loan received during fiscal year ending June 30, 2020.

On February 16, 2021, ARC was granted a loan for \$850,131 from the Bank of Charles Town pursuant to the second round of the paycheck protection program of the Cares Act. The loan and accrued interest are forgivable after an eight (8) week period or twenty four (24) week period provided ARC uses the funds to support eligible expenses including payroll, employee benefits, rent, utilities, and maintains its payroll level.

ARC determined that it has incurred eligible expenses through June 30, 2021 for loan forgiveness and anticipates complete forgiveness of the loan once the application is completed during fiscal year ending June 30, 2022. ARC expects to meet the PPP eligibility criteria and has concluded that the PPP loan represents, in substance, a grant that is expected to be forgiven and has accounted for such PPP loan in accordance with FASB ASC 958-605 as a conditional contribution.

#### Note 14. Related Party Transactions

During fiscal year ended 2021, The Arc procured the following service from a related party board member business:

Related Party	Services Provided	Amount
Dinamic Communications, LLC	PR Services	<u>\$ 6,000</u>

The Arc board of directors reviews and discloses any service provided by a related party board member to verify and determine services provided and fees charged are reasonable and customary.

## THE ARC OF LOUDOUN

### NOTES TO FINANCIAL STATEMENTS

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#### Note 15. Liquidity

The Organization's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Description	Amount
Cash and cash equivalents	\$ 2,121,425
Less: Amounts restricted for specific purpose	(279,066)
	<u>\$ 1,842,359</u>

#### Note 16. Risks and Uncertainties

*COVID-19:* The extent of the impact of COVID-19 on ARC's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, as well as the impact on ARC's customers, employees, and vendors, all of which are uncertain and cannot be reasonably predicted.

#### Note 17. Subsequent Events

The ARC has evaluated subsequent events from June 30, 2021 through November 18, 2021, 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, 2021.