

*Financial Statements*

THE ARC OF LOUDOUN

June 30, 2016

## **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  
Michael Kosin, Treasurer  
Patricia Martin, Secretary

### **BOARD OF DIRECTORS**

Heather Bensel  
Jennifer Bickerstaff  
Dawn Billow  
Lisa Broyhill  
Curt Carlson  
Diane Culp  
Linda Holtlander  
Michael Kosin  
Patricia Martin  
Marty Martinez  
Dianne Murphy  
George Pellicano  
Rev. Daniel Vélez-Rivera

### **EXECUTIVE DIRECTOR**

Jennifer Lassiter

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**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, 2016, 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, 2016, 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 15, 2016

*Mitchell & Co., P.C.*

**THE ARC OF LOUDOUN**

**STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2016**

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**ASSETS**

Current assets

Cash and cash equivalents	\$ 244,711
Accounts receivable	325,154
Program materials and supplies	10,000
Prepaid expenses	21,721
<b>Total current assets</b>	<u>601,586</u>

Furniture, equipment, and leasehold improvements,  
net of accumulated depreciation of \$335,947

867,883

**Total assets**

\$ 1,469,469

**LIABILITIES AND NET ASSETS**

Current liabilities

Accounts payable	\$ 38,433
Accrued liabilities	223,676
Advances	39,446
Prepaid tuition	27,321
<b>Total liabilities</b>	<u>328,876</u>

Net assets

Unrestricted	
Undesignated	211,877
Designated for capital assets	867,883
Temporarily restricted	60,833
<b>Total net assets</b>	<u>1,140,593</u>

**Total liabilities and net assets**

\$ 1,469,469

See Notes to Financial Statements.

**THE ARC OF LOUDOUN**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
Public support			
Contributions (in-kind \$64,999)	\$ 210,577	\$ 164,750	\$ 375,327
Fundraising events, net of expenses of \$97,244	211,765	-	211,765
Donated facilities use and services	563,853	-	563,853
Membership dues	3,250	-	3,250
Total public support	<u>989,445</u>	<u>164,750</u>	<u>1,154,195</u>
Revenue			
Tuition and fees	3,751,867	-	3,751,867
Training workshops	70	-	70
Miscellaneous	3,430	-	3,430
Total revenue	<u>3,755,367</u>	<u>-</u>	<u>3,755,367</u>
Net assets released from restrictions:			
Satisfaction of usage restrictions	137,779	(137,779)	-
<b>Total support and revenue</b>	<u>4,882,591</u>	<u>26,971</u>	<u>4,909,562</u>
<b>EXPENSES</b>			
Program services	4,642,835	-	4,642,835
Supportive services:			
Management and general	120,192	-	120,192
Fundraising	138,752	-	138,752
<b>Total expenses</b>	<u>4,901,779</u>	<u>-</u>	<u>4,901,779</u>
<b>Change in net assets</b>	(19,188)	26,971	7,783
<b>Net assets, beginning of year</b>	<u>1,098,948</u>	<u>33,862</u>	<u>1,132,810</u>
<b>Net assets, end of year</b>	<u>\$ 1,079,760</u>	<u>\$ 60,833</u>	<u>\$ 1,140,593</u>

See Notes to Financial Statements.

**THE ARC OF LOUDOUN**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Supporting Services</u>			Total
	Programs	Management		
		& General	Fundraising	
Salaries	\$ 2,988,668	\$ 40,042	\$ 89,729	\$ 3,118,439
Fringe benefits	327,599	1,842	5,831	335,272
Payroll taxes	234,574	2,695	6,865	244,134
<b>Total salaries and related expenses</b>	<b>3,550,841</b>	<b>44,579</b>	<b>102,425</b>	<b>3,697,845</b>
Accreditation	2,348	-	-	2,348
Advertising	3,099	20	13	3,132
Occupancy (in-kind \$543,750)	521,416	582	21,752	543,750
Professional fees	57,129	73,180	315	130,624
Office supplies (in-kind \$2,350)	30,315	132	591	31,038
Equipment leasing	16,860	(207)	83	16,736
Education supplies and software (in-kind \$1,400)	35,454	14	44	35,512
Family support (in-kind \$50,660)	98,528	4	13	98,545
Insurance	43,516	439	1,322	45,277
Postage and printing	5,765	46	140	5,951
Telephone and internet	29,138	287	865	30,290
Utilities	36,581	210	332	37,123
Association memberships	17,035	164	514	17,713
Staff training	26,876	(239)	237	26,874
Travel (in-kind \$2,500)	3,607	-	-	3,607
Maintenance (in-kind \$2,000)	81,532	715	2,148	84,395
Depreciation	69,177	129	7,871	77,177
Other	13,618	137	87	13,842
	<b>1,091,994</b>	<b>75,613</b>	<b>36,327</b>	<b>1,203,934</b>
<b>Total expenses</b>	<b>\$ 4,642,835</b>	<b>\$ 120,192</b>	<b>\$ 138,752</b>	<b>\$ 4,901,779</b>

See Notes to Financial Statements.

**THE ARC OF LOUDOUN**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**Cash Flows From Operating Activities**

Change in net assets	\$ 7,783
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	77,177
Loss on disposition of assets	358
Donated assets	(8,477)
(Increase) decrease in assets:	
Accounts receivable	(23,496)
Prepaid expenses	(606)
Increase (decrease) in liabilities:	
Accounts payable	11,590
Accrued liabilities	57,189
Advances	-
Unearned income	(24)
<b>Net cash provided by operating activities</b>	<u>121,494</u>

**Cash Flows From Investing Activities**

Purchase of property and equipment	<u>(90,774)</u>
<b>Net cash used in investing activities</b>	<u>(90,774)</u>

**Net increase in cash and equivalents** 30,720

**Cash and Cash Equivalents**

Beginning of year	<u>213,991</u>
End of year	<u><u>\$ 244,711</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 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 2013, 2014, 2015, and 2016.

# THE ARC OF LOUDOUN

## NOTES TO FINANCIAL STATEMENTS

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### 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, 2016, bank cash deposits and reported cash deposits consist of the following:

Description	Bank Balance	Reported Cash Balances
TD Bank	\$ 176,499	\$ 244,711

Individual bank combined cash account deposits up to \$250,000 are insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2016, 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, 2016:

Description	Amount
Paxton leasehold improvements	\$ 891,817
Furniture and equipment	312,013
Less accumulated depreciation	(335,947)
	<u>\$ 867,883</u>

## THE ARC OF LOUDOUN

### NOTES TO FINANCIAL STATEMENTS

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#### 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, 2016) plus 2.00%. There were no outstanding borrowings under the line of credit at June 30, 2016.

#### Note 5. Accrued Liabilities

Accrued liabilities at June 30, 2016 consist of the following:

Description	Amount
Accrued payroll and related payroll taxes	\$ 127,095
Accrued vacation leave	87,455
Other accrued operating expenses	9,126
	<u>\$ 223,676</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, 2016, 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, 2016 is estimated to be \$543,750.

#### Note 7. Operating Equipment Lease

The Arc leases office equipment under five operating equipment leases. The lease requires monthly payments of \$894 through June 2017; monthly payments of \$894 through June 2018; monthly payments of \$758 through June 2019; monthly payments of \$457 through June 2020; and monthly payments of \$202 through February 2021. Minimum operating lease payments are as follows: 2017, \$10,727; 2018, \$9,778; 2019, \$5,781; 2020, \$3,031 and 2021, \$1,615.

#### Note 8. Fundraising

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

Special Events - Fundraising	Amount
Revenue	\$ 309,009
Expenses	(97,244)
	<u>\$ 211,765</u>

## THE ARC OF LOUDOUN

### NOTES TO FINANCIAL STATEMENTS

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#### Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets are available at June 30, 2016 for the following purposes:

Purpose	Amount
Sensory Sensitive Movie Program	\$ 310
Campus funds	38,902
Shocktober	5,000
Printing services	172
Emergency support	14,153
Transitional age support	2,296
	<u>\$ 60,833</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, 2016, 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, 2016 through December 15, 2016, 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, 2016.