Financial Statements

THE ARC OF LOUDOUN

June 30, 2019

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
Ellie Addae, Treasurer
Scott Billigmeier, Secretary
George Pellicano, Ex-officio President
Lisa Kimball, Chief Executive Officer

BOARD OF DIRECTORS

Ara Bagdasarian
Ellie Addae
Jennifer Bickerstaff
Scott Billigmeier
Stacy Cleveland
Diane Culp
Michael Fischetti
Bonnie Hoffman
Beatriz McNelly
Dianne Murphy
George Pellicano
Vicki Phillos
John Stine
Sonny Swann

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

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

AMANDA M. NOORDHOFF, CPA
KARA J. SANTMYER, CPA
TONJI M. LEISS, CPA

110 EAST MARKET STREET
SUITE 200
LEESBURG, VIRGINIA 20176
703.777.4900

108 W. WASHINGTON STREET
SUITE 203
MIDDLEBURG, VIRGINIA 20117
540.883.3173

WWW.MCOCPA.COM | FAX: 703.771.3082

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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, 2019, 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, 2019, 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
October 22, 2019

THE ARC OF LOUDOUN

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS	
Current assets	
Cash and cash equivalents	$ 312,258
Tuition receivable (net of allowance $25,513)	454,707
Grants and other receivables	18,897
Prepaid expenses	28,796
Total current assets	814,658
Furniture, equipment, and leasehold improvements, net of accumulated depreciation of $583,535	1,272,824
Total assets	$ 2,087,482
LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable	$ 30,913
Accrued liabilities	269,522
Advance from Margaret Paxton Memorial for Convalescent Children	39,446
Prepaid tuition	19,972
Total liabilities	359,853
Net assets	
Without donor restriction:	
Undesignated	416,969
Invested in capital assets	1,272,824
With donor restriction	37,836
Total net assets	1,727,629
Total liabilities and net assets	$ 2,087,482

See Notes to Financial Statements.

THE ARC OF LOUDOUN

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restriction				
	Operations	Capital/ Non-operating	Total	With Donor Restriction	Total
SUPPORT AND REVENUE					
Public support					
Contributions (in-kind $83,756)	$ 97,307	$ 62,928	$ 160,235	$ 41,580	$ 201,815
Grants	25,500	-	25,500	217,759	243,259
Reduction in grant funding	(130,544)	-	(130,544)	-	(130,544)
Fundraising events, net of expenses of $185,246	488,012	-	488,012	-	488,012
Donated facilities use and services	598,217	-	598,217	-	598,217
Membership dues	341	-	341	-	341
Total public support	1,078,833	62,928	1,141,761	259,339	1,401,100
Revenue					
Tuition and fees	4,054,612	-	4,054,612	-	4,054,612
Training workshops	354,927	-	354,927	-	354,927
Miscellaneous	390	-	390	-	390
Total revenue	4,409,929	-	4,409,929	-	4,409,929
Net assets released from restrictions:					
Satisfaction of usage restrictions	331,245	-	331,245	(331,245)	-
Total support and revenue	5,820,007	62,928	5,882,935	(71,906)	5,811,029
EXPENSES					
Program services	5,052,542	125,693	5,178,235	-	5,178,235
Supportive services:					
Management and general	412,049	119	412,168	-	412,168
Fundraising	201,936	3,803	205,739	-	205,739
Total expenses	5,666,527	129,615	5,796,142	-	5,796,142
Change in net assets	153,480	(66,687)	86,793	(71,906)	14,887
Net asset reclassification	(3,000)	3,000	-	-	-
Net assets, beginning of year	266,489	1,336,511	1,603,000	109,742	1,712,742
Net assets, end of year	$ 416,969	$ 1,272,824	$ 1,689,793	$ 37,836	$ 1,727,629

THE ARC OF LOUDOUN

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

		Supporting Services		
	Programs	Management & General	Fundraising	Total
Salaries	$ 3,359,269	$ 258,750	$ 124,424	$ 3,742,443
Fringe benefits	379,934	12,127	10,678	402,739
Payroll taxes	255,698	17,778	9,346	282,822
Total salaries and related expenses	3,994,901	288,655	144,448	4,428,004
Advertising (in-kind $31,471)	38,220	446	1,791	40,457
Occupancy (in-kind $598,217)	572,117	888	25,212	598,217
Professional fees	5,545	112,697	5,101	123,343
Contract services	9,171	-	-	9,171
Office supplies (in-kind $6,937)	28,580	144	579	29,303
Equipment leasing	19,569	51	202	19,822
Education supplies and software	44,102	-	-	44,102
Family support (in-kind $2,625)	48,293	-	-	48,293
Insurance	72,326	856	3,417	76,599
Postage and printing	1,760	20	81	1,861
Telephone and internet	18,046	229	937	19,212
Utilities	39,426	37	2,014	41,477
Association memberships	20,213	203	1,849	22,265
Staff training	23,100	-	-	23,100
Travel	4,536	-	-	4,536
Maintenance	100,936	1,070	4,269	106,275
Depreciation	125,693	119	3,803	129,615
Interest	4,981	59	236	5,276
Merchant processing fees	-	-	7,856	7,856
Bank fees	-	2,771	3,844	6,615
Payroll processing	-	3,919	-	3,919
Other (in-kind $2,750)	6,720	4	100	6,824
	1,183,334	123,513	61,291	1,368,138
Total expenses	$ 5,178,235	$ 412,168	$ 205,739	$ 5,796,142

See Notes to Financial Statements.

THE ARC OF LOUDOUN

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

Cash Flows From Operating Activities	
Change in net assets	$ 14,887
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	129,615
Donated capital items	(35,000)
(Increase) decrease in assets:	
Tuition receivable	(58,367)
Grants and other receivables	135,767
Prepaid expenses	3,595
Increase (decrease) in liabilities:	
Accounts payable	(11,264)
Accrued liabilities	27,882
Unearned income	(16,635)
Net cash provided by operating activities	190,480
Cash Flows From Investing Activities	
Purchase of property and equipment	(27,928)
Net cash used in investing activities	(27,928)
Cash Flows From Financing Activities	
Bank line of credit	(75,000)
Net cash used in financing activities	(75,000)
Net increase in cash and equivalents	87,552
Cash and Cash Equivalents	
Beginning of year	224,706
End of year	$ 312,258

See 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 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.

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.

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 2016, 2017, 2018, and 2019.

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

Note 2. Cash

At June 30, 2019, bank cash deposits and reported cash deposits consist of the following:

Description	Bank Balance	Reported Cash Balances
TD Bank	$ 306,121	$ 306,778
US Bank	2,044	2,044
Cash on hand	-	845
Undeposited funds	-	2,591
	$ 308,165	$ 312,258

Individual bank combined cash account deposits up to $250,000 are insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2019, TD bank balances were in excess of deposits insured under FDIC by $56,121.

Note 3. Property and Equipment

The following is a summary of property and equipment at June 30, 2019:

Description	Amount
Paxton leasehold improvements	$ 1,443,381
Furniture and equipment	412,978
Less accumulated depreciation	(583,535)
	$ 1,272,824

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 7%. There were no outstanding borrowings under the line of credit at June 30, 2019.

Note 5. Accrued Liabilities

Accrued liabilities at June 30, 2019 consist of the following:

Description	Amount
Accrued payroll and related payroll taxes	$ 170,796
Accrued vacation leave	95,242
Other accrued operating expenses	3,484
	$ 269,522

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, 2019, 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, 2019 is estimated to be $598,217.

Note 7. Operating Equipment Lease

The Arc leases office equipment under five operating equipment leases. The lease requires 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: 2020, $3,031 and 2021, $1,615.

Note 8. 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, 2018, the Organization had no other significant concentrations of credit risk.

Note 9. 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 10. In-Kind Contributions and Donations

In-kind contributions and donations include the following:

Type	Fundraising	Capital and Operating	Total
Occupancy	$ -	$ 598,217	$ 598,217
Advertising	-	31,471	31,471
Office supplies	-	6,937	6,937
Program Enrichment	-	2,625	2,625
Other - vehicles	-	2,750	2,750
Capital improvements	-	35,000	35,000
Shocktober	4,973	-	4,973
	$ 4,973	$ 677,000	$ 681,973

Note 11. With Donor Restriction Net Assets

With donor restriction net assets are available at June 30, 2019 for the following purposes:

Purpose	6/30/2018 Balance	Additions	Deletions	6/30/2019 Balance
Aurora School	$ -	$ 7,285	$ (6,785)	$ 500
Ability Fitness Center	3,000	-	(3,000)	-
Open Door Learning Center	-	100,932	(95,967)	4,965
Advocacy services	23,121	27,340	(23,090)	27,371
Facility development - Behavior Clinic	78,621	-	(78,621)	-
Administrative services	-	4,935	(4,935)	-
Fundraising	-	15,000	(15,000)	-
Equipment	5,000	-	-	5,000
ALLY salaries support	-	103,847	(103,847)	-
	$ 109,742	$ 259,339	$ (331,245)	$ 37,836

Note 12. Related Party Transactions

During 2019, The Arc procured the following service from the related party board members:

Related Party	Services Provided	Amount
Dinamic Communications	PR Services	$ 6,500
Climatic Heating & Cooling	HVAC Services	6,142
		$ 12,642

Note 13. 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	$ 312,258
Tuition receivable	454,707
Grants and other receivable	18,897
	785,862
Less funds with donor restrictions	(37,836)
	$ 748,026

Note 14. Subsequent Events

The Arc has evaluated subsequent events from June 30, 2019 through October 22, 2019, 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, 2019.