

*Financial Statements*

THE ARC OF LOUDOUN

June 30, 2024

## **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**

Malcolm Cooke, President  
Jeffrey Lubitz, Vice President  
Beatriz McNelly, Treasurer  
Courtney Heykoop, Secretary

### **BOARD OF DIRECTORS**

Kelly Carberry	Cortney Heykoop
Malcolm Cooke	Jeffrey Lubitz
Michael Fischetti	Beatriz McNelly
Virginia Haizlip	Tiffany Meehan
Chad Hamel	Connor Owens
Judy Hanley	Stephanie Place
Fred Hetzel	Liz Shea

## TABLE OF CONTENTS

---

<b>INDEPENDENT AUDITOR'S REPORT</b>	1-2
-------------------------------------	-----

---

### **FINANCIAL STATEMENTS**

Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 13

---

# MITCHELL, BURNS & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

TONJI M. LEISS, CPA

## 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, 2024, 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, 2024, 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  
October 17, 2024

*Mitchell, Burns & Co., P.C.*

**THE ARC OF LOUDOUN**

**STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2024**

---

**ASSETS**

Cash and cash equivalents	\$ 225,644
Tuition receivable, net of allowance \$108,725	615,806
Prepaid expenses and other assets	31,496
Beneficial interest in assets held by others	3,474
Self-insurance asset	16,986
Property and equipment, net of accumulated depreciation of \$2,110,422	<u>194,349</u>

**Total assets** \$ 1,087,755

**LIABILITIES AND NET ASSETS**

Accounts payable and accrued expenses	\$ 78,393
Accrued payroll and vacation	294,386
Payroll liabilities	60,730
Advance from Margaret Paxton Memorial for Convalescent Children	39,446
Line of credit	170,000
Prepaid tuition	<u>9,946</u>
<b>Total liabilities</b>	<u>652,901</u>

Net assets

Without donor restriction:

Undesignated	11,837
Board designated	-
Invested in capital assets	194,349
With donor restriction	<u>228,668</u>
<b>Total net assets</b>	<u>434,854</u>

**Total liabilities and net assets** \$ 1,087,755

See Notes to Financial Statements.

THE ARC OF LOUDOUN

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2024

	Without Donor Restriction			With Donor Restriction	Total
	Operations	Capital/ Non-operating	Total		
<b>SUPPORT AND REVENUE</b>					
Public support					
Contributions	\$ 165,109	\$ -	\$ 165,109	\$ 153,964	\$ 319,073
Grants	34,091	-	34,091	405,951	440,042
Fundraising events, net of expenses of \$3,660	38,644	-	38,644	-	38,644
Donated facilities use and services	591,500	-	591,500	-	591,500
<b>Total public support</b>	<b>829,344</b>	<b>-</b>	<b>829,344</b>	<b>559,915</b>	<b>1,389,259</b>
Revenue					
Tuition and fees	4,661,062	-	4,661,062	-	4,661,062
Therapy and related services	1,623,480	-	1,623,480	-	1,623,480
Investment income	11,092	-	11,092	-	11,092
Project horse/equine assisted wellness	5,506	-	5,506	-	5,506
Miscellaneous	4,412	-	4,412	-	4,412
Gain (loss) on disposal of fixed assets	-	2,786	2,786	-	2,786
<b>Total revenue</b>	<b>6,305,552</b>	<b>2,786</b>	<b>6,308,338</b>	<b>-</b>	<b>6,308,338</b>
Net assets released from restrictions:					
Satisfaction of usage restrictions	564,873	-	564,873	(564,873)	-
<b>Total support and revenue</b>	<b>7,699,769</b>	<b>2,786</b>	<b>7,702,555</b>	<b>(4,958)</b>	<b>7,697,597</b>
<b>EXPENSES</b>					
Program services	7,644,013	493,828	8,137,841	-	8,137,841
Supportive services:					
Management and general	505,224	4,182	509,406	-	509,406
Fundraising	382,307	10,854	393,161	-	393,161
<b>Total expenses</b>	<b>8,531,544</b>	<b>508,864</b>	<b>9,040,408</b>	<b>-</b>	<b>9,040,408</b>
<b>Change in net assets</b>	<b>(831,775)</b>	<b>(506,078)</b>	<b>(1,337,853)</b>	<b>(4,958)</b>	<b>(1,342,811)</b>
<b>Net asset reclassification</b>	<b>5,109</b>	<b>(5,109)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets, beginning of year</b>	<b>\$ 838,503</b>	<b>\$ 705,536</b>	<b>\$ 1,544,039</b>	<b>\$ 233,626</b>	<b>\$ 1,777,665</b>
<b>Net assets, end of year</b>	<b>\$ 11,837</b>	<b>\$ 194,349</b>	<b>\$ 206,186</b>	<b>\$ 228,668</b>	<b>\$ 434,854</b>

See Notes to Financial Statements.

**THE ARC OF LOUDOUN**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2024**

	<u>Supporting Services</u>			Total
	Programs	Management & General	Fundraising	
Salaries	\$ 4,724,489	\$ 306,386	\$ 222,760	\$ 5,253,635
Fringe benefits	591,270	22,380	13,049	626,699
Payroll taxes	354,610	24,341	17,059	396,010
<b>Total salaries and related expenses</b>	<b>5,670,369</b>	<b>353,107</b>	<b>252,868</b>	<b>6,276,344</b>
Advertising	2,134	-	75,898	78,032
Occupancy (In-kind \$591,500)	593,039	8,977	3,884	605,900
Professional fees	219,981	117,696	20,000	357,677
Contract services	1,350	-	-	1,350
Office supplies	29,215	751	930	30,896
Equipment leasing	22,350	1,825	2,105	26,280
Education supplies and software	37,543	-	-	37,543
Scholarships	57,410	-	-	57,410
Family support	97,582	-	1,855	99,437
Insurance	76,756	3,148	3,631	83,535
Postage and printing	1,513	84	1,211	2,808
Technology	74,556	3,187	3,676	81,419
Utilities	45,501	1,416	1,634	48,551
Association memberships	20,825	792	3,039	24,656
Staff training	9,852	372	634	10,858
Travel	5,035	87	100	5,222
Maintenance	73,366	7,620	8,791	89,777
Depreciation	493,828	4,182	10,854	508,864
Bank and other fees	14,357	2,368	2,024	18,749
Payroll processing	-	1,829	-	1,829
Insurance adjustments	578,385	-	-	578,385
Accreditation	507	1,965	-	2,472
Project horse/equine	4,317	-	-	4,317
Other expenses	8,070	-	27	8,097
	<b>2,467,472</b>	<b>156,299</b>	<b>140,293</b>	<b>2,764,064</b>
<b>Total expenses</b>	<b>\$ 8,137,841</b>	<b>\$ 509,406</b>	<b>\$ 393,161</b>	<b>\$ 9,040,408</b>

See Notes to Financial Statements.



**THE ARC OF LOUDOUN**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2024**

---

**Cash Flows From Operating Activities**

Change in net assets	\$(1,342,811)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	508,864
Loss on disposal of asset	(352)
(Increase) decrease in assets:	
Tuition receivable	(91,438)
Prepaid expenses and other assets	19,909
Self-insurance asset	(16,986)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	1,033
Accrued payroll and vacation	27,418
Prepaid tuition	3,755
Payroll liabilities	(8,714)
<b>Net cash (used in) operating activities</b>	<u>(899,322)</u>

**Cash Flows From Investing Activities**

Cash proceeds from asset sales	3,175
Beneficial interest in assets held by others	(295)
<b>Net cash provided by investing activities</b>	<u>2,880</u>

**Cash Flows From Financing Activities**

Cash proceeds from draws on line of credit	515,306
Cash repayments on line of credit	(345,306)
<b>Net cash provided by financing activities</b>	<u>170,000</u>

**Net decrease in cash and equivalents** (726,442)

**Cash and Cash Equivalents**

Beginning of year	952,086
End of year	<u>\$ 225,644</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:* 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.

*Tuition Receivable:* Tuition receivable is stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through an allowance for bad debt based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off. Management has recorded an allowance for doubtful accounts at June 30, 2024 of \$108,725. Insurance often pays a lesser amount than the gross billing. Insurance adjustment expense for the year ended June 30, 2024 was \$634,034.

*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.

# THE ARC OF LOUDOUN

## NOTES TO FINANCIAL STATEMENTS

---

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

*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 2020, 2021, 2022 and 2023.

*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:* In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers. The timing of revenue recognition at The Arc was not affected by the new standard. Program fees and grants are reported as income in the period the service is performed and income is earned. Any fees received in advance are deferred and subsequently recognized as income when the service has been performed.

*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

*Advertising Cost:* Advertising costs are expensed as incurred.

# THE ARC OF LOUDOUN

## NOTES TO FINANCIAL STATEMENTS

---

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

*Measure of Operations:* The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to The Arc's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature. Income from non-operating activities was \$11,092 in 2024.

### Note 2. Cash

At June 30, 2024, bank cash deposits and reported cash deposits consist of the following:

Description	Bank Balance	Reported Cash Balances
Bank of Charles Town		
Checking	\$ 160,795	\$ 221,024
Insured cash sweep	3,555	3,570
Cash on hand	-	1,050
	<u>\$ 164,350</u>	<u>\$ 225,644</u>

Individual bank combined cash account deposits up to \$250,000 are insured by the Federal Deposit Insurance Corporation (FDIC). Cash balances at the Bank of Charles Town are swept nightly into an insured cash sweep account. At June 30, 2024, all balances were fully covered.

### Note 3. Concentration of Credit Risk

Financial instruments that potentially subject The Arc to concentrations of credit risk consist principally of tuition 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, 2024, the Organization had no other significant concentrations of credit risk.

### Note 4. Property and Equipment

The following is a summary of property and equipment at June 30, 2024:

Description	Amount
Paxton leasehold improvements	\$ 1,850,748
Furniture and equipment	454,023
Less accumulated depreciation	(2,110,422)
	<u>\$ 194,349</u>

During the year ended June 30, 2024, the depreciable life of the leasehold improvements were adjusted to reflect the estimated remaining life of the lease. Total depreciation expense in FY24 amounted to \$508,864 compared to \$505,036 of the prior year. The Arc is continuing to negotiate the lease terms and as such, the remaining useful life is subject to change.

**THE ARC OF LOUDOUN**

**NOTES TO FINANCIAL STATEMENTS**

---

**Note 5. Beneficial Interest in Assets Held by Others**

The Arc established an agency beneficial interest endowment fund with Community Foundation for Loudoun and Northern Fauquier Counties (CFLNFC). The Arc provided these funds to CFLNFC to hold, invest and distribute back to The 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 2024 summary of beneficial interest assets held by Community Foundation for Loudoun and Northern Fauquier Counties for the benefit of The Arc of Loudoun is as follows:

<u>Summary of Activity</u>	<u>Amount</u>
Fair value July 1, 2023	\$ 3,179
Contributions	-
Net investment return	295
Fair value June 30, 2024	<u>\$ 3,474</u>

**Note 6. Line of Credit**

The Arc has a \$400,000 line of credit with Bank of Charles Town which renews annually. Interest accrues and is payable monthly on the unpaid balance at prime + .50% with a floor rate of 3.75%. At June 30, 2024, the balance was \$170,000.

**Note 7. Accrued Payroll**

Accrued payroll at June 30, 2024 consist of the following:

<u>Description</u>	<u>Amount</u>
Accrued payroll and related payroll taxes	\$ 115,190
Accrued vacation leave	179,196
	<u>\$ 294,386</u>

**THE ARC OF LOUDOUN**

**NOTES TO FINANCIAL STATEMENTS**

**Note 8. Net Assets with Donor Restriction**

Net assets with donor restriction are available at June 30, 2024 for the following purposes:

Purpose	6/30/2023			6/30/2024
	Balance	Additions	Uses	Balance
Ability Fitness	\$ -	\$ 36,255	\$ (36,255)	\$ -
Community Foundation	5,000	-	-	5,000
Gap Funds	21,997	-	(9,140)	12,857
Advocacy	-	7,193	(7,193)	-
Loudoun County Grants	-	106,220	(106,220)	-
Wells Fargo	17,000	-	-	17,000
Aurora	-	4,090	(4,090)	-
ODLC	-	3,847	(3,847)	-
PH	-	10,533	(10,533)	-
Knippenberg	20,000	-	(20,000)	-
Blossom & Bloom	2,332	-	(2,332)	-
Community Foundation	7,307	-	(7,307)	-
Claude Moore Charitable Foundation	-	260,000	(260,000)	-
Walmart Foundation	-	1,000	(1,000)	-
The Arc of the United States	-	22,500	(12,500)	10,000
Community Foundation	-	30,000	(5,051)	24,949
The Arc of Northern Virginia	-	1,500	(1,500)	-
Loudoun Credit Union	-	3,000	(3,000)	-
Visit Loudoun	-	15,775	-	15,775
Osaic Foundation, Inc.	-	3,000	(3,000)	-
BBH WLTH MGMT	-	10,000	(10,000)	-
Bridge The Gap	79,932	45,000	(54,488)	70,444
Capital Reserve - Donor Designated	80,060	-	(7,417)	72,643
	<u>\$ 233,626</u>	<u>\$ 559,913</u>	<u>\$ (564,873)</u>	<u>\$ 228,668</u>

All net assets with donor restriction were restricted for a specific purpose at June 30, 2024.

**THE ARC OF LOUDOUN**

**NOTES TO FINANCIAL STATEMENTS**

---

**Note 9. Designated Net Assets**

The Board of Directors has designated net assets and related cash balances for specific future uses summarized as follows:

Purpose	Balance 6/30/2023	Additions	Undesignated	Balance 6/30/2024
Capital reserve	\$ 250,000	\$ -	\$ (250,000)	\$ -
Operating reserve	250,000	-	(250,000)	-
	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ (500,000)</u>	<u>\$ -</u>

*Operating reserve:* intended to provide an internal source of funds to cover annual organizational losses that occur in the future because of a loss of income or unbudgeted expenses.

*Capital reserve:* intended to provide a ready source of funds for repair or acquisition of buildings, leaseholds, furniture, fixtures, and equipment necessary for the effective operation of the organization and programs.

**Note 10. Employee Benefit Plans**

The Arc has a contributory 401(k) profit sharing plan covering employees who qualify as to age and length of service requirements. Each participant may contribute to the plan through pretax contributions part of their annual compensation up to the federal maximum 401(k) limit. The Arc may make discretionary matching contributions up to a maximum of 4%. The company made matching contributions during fiscal year ended June 30, 2024 totaling \$27,601.

**Note 11. 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. 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, 2024 is estimated to be \$591,500.

*Operating Equipment Lease:* The Arc leases office equipment under multiple operating equipment leases. All leases are short-term or not material to the financial statements.

Because all leases held at June 30, 2024 were in-kind or short-term in nature, there is no effect of ASC 842.

**Note 12. 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

---

#### Note 13. In-Kind Donations

The fair value of in-kind donations included as contributions in the financial statements and the corresponding expenses or fixed assets additions. A summary of in-kind donations for the year ended June 30, 2024 are as follows:

Type	Fundraising	Capital and Operating	Total
Occupancy	\$ -	\$ 591,500	\$ 591,500

*Occupancy:* The organizations lease states no monthly rent is due. The amounts are estimated based on fair market value of the square footage used. The amounts are allocated between program and supportive services based on estimated square footage used.

*Services:* The organizations receives free advertising and pro bono legal services. Amounts recorded approximate the cost to pay for the services.

#### Note 14. 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	\$ 225,644
Tuition receivable	615,806
Less: Amounts restricted for specific purpose	(228,668)
Less: Designated by the governing board	-
	<u>\$ 612,782</u>

#### Note 15. Going Concern

As indicated in the accompanying financial statements, the Arc showed a decrease in net assets of \$1,342,811 during the year-ended June 30, 2024. As of that date, the Organizations undesignated net assets had been essentially depleted. Those factors can create an uncertainty about the Organization's ability to continue as a going concern.

The Board of Directors of the Arc has evaluated these conditions and determined that the increase in the contract rate effective July 1, 2024 will alleviate this concern.

#### Note 16. Subsequent Events

The Arc has evaluated subsequent events from June 30, 2024 through October 17, 2024, 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, 2024.