

Financial Statements

THE ARC OF LOUDOUN

June 30, 2025

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
Cortney Heykoop, Secretary

BOARD OF DIRECTORS

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

EX-OFFICIO

Michael Fischetti

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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, 2025, 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, 2025, 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
January 15, 2026

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

THE ARC OF LOUDOUN

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2025**

ASSETS

Cash and cash equivalents	\$ 373,367
Accounts receivable, net of allowance \$38,575	493,535
Prepaid expenses and other assets	28,420
Beneficial interest in assets held by others	3,693
Self-insurance asset	16,986
Property and equipment, net of accumulated depreciation of \$2,175,827	<u>87,540</u>

Total assets \$ 1,003,541

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 79,480
Accrued payroll and vacation	287,996
Line of credit	338,788
Prepaid tuition	<u>5,463</u>
Total liabilities	<u><u>711,727</u></u>

Net assets

Without donor restriction:

Undesignated	(30,532)
Board designated	-
Invested in capital assets	87,540

With donor restriction	<u>234,806</u>
Total net assets	<u><u>291,814</u></u>

Total liabilities and net assets \$ 1,003,541

See Notes to Financial Statements.

THE ARC OF LOUDOUN

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

	Without Donor Restriction			With Donor Restriction	Total
	Operations	Capital/ Non-operating	Total		
SUPPORT AND REVENUE					
Public support					
Contributions	\$ 180,795	\$ -	\$ 180,795	\$ 113,014	\$ 293,809
Grants	269,000	-	269,000	297,192	566,192
Fundraising events, net of expenses of \$4,494	74,289	-	74,289	-	74,289
Donated facilities use and services	743,211	-	743,211	-	743,211
Total public support	1,267,295	-	1,267,295	410,206	1,677,501
Revenue					
Tuition and fees	5,880,291	-	5,880,291	-	5,880,291
Therapy and related services	1,241,511	-	1,241,511	-	1,241,511
Investment income	686	-	686	-	686
Miscellaneous	375	-	375	-	375
Gain (loss) on disposal of fixed assets	-	4,927	4,927	-	4,927
Total revenue	7,122,863	4,927	7,127,790	-	7,127,790
Net assets released from restrictions:					
Satisfaction of usage restrictions	404,068	-	404,068	(404,068)	-
Total support and revenue	8,794,226	4,927	8,799,153	6,138	8,805,291
EXPENSES					
Program services	7,773,294	117,117	7,890,411	-	7,890,411
Supportive services:					
Management and general	625,284	499	625,783	-	625,783
Fundraising	427,537	4,600	432,137	-	432,137
Total expenses	8,826,115	122,216	8,948,331	-	8,948,331
Change in net assets	(31,889)	(117,289)	(149,178)	6,138	(143,040)
Net asset reclassification	(10,480)	10,480	-	-	-
Net assets, beginning of year	\$ 11,837	\$ 194,349	\$ 206,186	\$ 228,668	\$ 434,854
Net assets, end of year	\$ (30,532)	\$ 87,540	\$ 57,008	\$ 234,806	\$ 291,814

See Notes to Financial Statements.

THE ARC OF LOUDOUN

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Supporting Services</u>			Total
	Programs	Management & General	Fundraising	
Salaries	\$ 4,962,844	\$ 244,821	\$ 264,120	\$ 5,471,785
Fringe benefits	670,721	13,864	22,913	707,498
Payroll taxes	370,775	18,520	19,875	409,170
Total salaries and related expenses	6,004,340	277,205	306,908	6,588,453
Advertising (in-kind \$500)	3,040	-	63,313	66,353
Occupancy (in-kind \$591,500)	575,964	3,771	11,765	591,500
Professional fees (in-kind \$146,277)	173,278	302,714	8,600	484,592
Office supplies	29,937	337	996	31,270
Equipment leasing	21,407	1,229	3,651	26,287
Education supplies and software	47,643	-	-	47,643
Scholarships	51,977	-	-	51,977
Family support	113,285	-	1,024	114,309
Insurance	74,507	1,427	4,224	80,158
Postage and printing	1,124	43	1,395	2,562
Technology	92,567	1,607	4,759	98,933
Utilities (in-kind \$4,934)	46,570	665	1,976	49,211
Association memberships	22,646	372	1,752	24,770
Staff training	11,734	56	136	11,926
Travel	3,461	18	54	3,533
Maintenance	85,301	5,014	14,890	105,205
Depreciation	117,117	499	4,600	122,216
Bank and other fees	14,959	2,054	2,094	19,107
Bad debt	67,122	-	-	67,122
Insurance adjustments	312,368	-	-	312,368
Interest expense	-	28,772	-	28,772
Accreditation	3,995	-	-	3,995
Other expenses	16,069	-	-	16,069
	1,886,071	348,578	125,229	2,359,878
Total expenses	\$ 7,890,411	\$ 625,783	\$ 432,137	\$ 8,948,331

See Notes to Financial Statements

THE ARC OF LOUDOUN

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2025

Cash Flows From Operating Activities

Change in net assets	\$ (143,040)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	122,216
Gain on disposal of asset	(4,927)
Gain on forgiven advance	(39,446)
(Increase) decrease in assets:	
Accounts receivable	122,271
Prepaid expenses and other assets	3,076
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	1,087
Accrued payroll and vacation	(6,390)
Prepaid tuition	(4,483)
Payroll liabilities	(60,730)
Net cash (used in) operating activities	<u>(10,366)</u>

Cash Flows From Investing Activities

Cash proceeds from asset sales	11,300
Purchase of equipment	(21,780)
Beneficial interest in assets held by others	(219)
Net cash (used in) investing activities	<u>(10,699)</u>

Cash Flows From Financing Activities

Cash proceeds from draws on line of credit	690,000
Cash repayments on line of credit	(521,212)
Net cash provided by financing activities	<u>168,788</u>

Net increase in cash and equivalents 147,723

Cash and Cash Equivalents

Beginning of year	225,644
End of year	<u>\$ 373,367</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.

Accounts Receivable: Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through an allowance for credit losses 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 credit losses at June 30, 2025 of \$38,575. Insurance often pays a lesser amount than the gross billing. Insurance adjustment expense for the year ended June 30, 2025 was \$312,368.

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.

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 \$5,305 in 2025.

Note 2. Cash

At June 30, 2025, bank cash deposits and reported cash deposits consist of the following:

Description	Bank Balance	Reported Cash Balances
Bank of Charles Town		
Checking	\$ 322,870	\$ 371,689
Insured cash sweep	628	628
Cash on hand	-	1,050
	<u>\$ 323,498</u>	<u>\$ 373,367</u>

Individual bank account deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash balances held at the Bank of Charles Town are swept nightly into an insured cash sweep account. At June 30, 2025, deposits at the Bank of Charles Town exceeded FDIC insurance coverage by \$72,870.

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, 2025, 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, 2025:

Description	Amount
Paxton leasehold improvements	\$ 1,850,748
Furniture and equipment	412,619
Less accumulated depreciation	(2,175,827)
	<u>\$ 87,540</u>

Depreciation expense for the year amounted to \$122,216.

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 2025 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:

Description	Amount
Fair value July 1, 2024	\$ 3,474
Contributions	-
Net investment return	219
Fair value June 30, 2025	<u>\$ 3,693</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, 2025, the balance was \$338,788.

Note 7. Accrued Payroll

Accrued payroll at June 30, 2025 consists of the following:

Description	Amount
Accrued payroll and related payroll taxes	\$ 124,387
Accrued vacation leave	163,609
	<u>\$ 287,996</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, 2025 for the following purposes:

Purpose	6/30/2024		6/30/2025	
	Balance	Additions	Uses	Balance
Van/bus purchase	\$ 17,857	\$ 28,450	\$ (7,139)	\$ 39,168
Ability fitness	-	71,709	(71,709)	-
Therapy equipment	-	21,780	(21,780)	-
Program costs	-	20,855	(20,855)	-
Advocacy	-	113,000	(113,000)	-
Pathway to Equity, Advocacy, Emergency Release	17,000	-	(17,000)	-
COVID Training	-	23,912	(23,912)	-
Future Disability awareness	25,775	9,000	-	34,775
Family support	24,949	-	(24,949)	-
Early intervention family support	-	20,000	-	20,000
Management & development personnel costs	-	42,000	(42,000)	-
Mobility training	-	1,500	(1,500)	-
Bridge The Gap	70,444	58,000	(60,224)	68,220
Capital Reserve - Donor Designated	72,643	-	-	72,643
	<u>\$ 228,668</u>	<u>\$ 410,206</u>	<u>\$ (404,068)</u>	<u>\$ 234,806</u>

All net assets with donor restriction were restricted for a specific purpose at June 30, 2025.

Note 9. 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, 2025 totaling \$23,862.

Note 10. 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, 2025 is estimated to be \$591,500.

THE ARC OF LOUDOUN

NOTES TO FINANCIAL STATEMENTS

Note 10. Operating Leases (Continued)

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, 2025 were in-kind or short-term in nature, there is no effect of ASC 842.

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. 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, 2025 are as follows:

Type	Amount
Occupancy	\$ 591,500
Professoinal fees	146,277
Advertising	500
Utilities	4,934
	<u>\$ 743,211</u>

The organizations policy is to utilize contributed nonfinancial assets in its programs whenever possible, and for supportive services when not. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. Contributed nonfinancial assets are valued at fair market value on the date of donation. Valuation techniques and utilization is as follows:

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. Pro bono legal services were recorded as management & general expenses. Advertising was recorded in fundraising.

THE ARC OF LOUDOUN

NOTES TO FINANCIAL STATEMENTS

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	\$ 373,367
Accounts receivable	493,535
Less: Amounts restricted for specific purpose	(234,806)
Less: line of credit payable	(338,788)
	<u>\$ 293,308</u>

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization maintains a line of credit to manage liquidity needs. Board-designated reserves may be drawn upon in the event of an unanticipated liquidity need.

Note 14. Going Concern

As reflected in the accompanying financial statements, the Arc continued to experience operating losses during the year ended June 30, 2025, and undesignated net assets have been depleted. These conditions raise doubt about the Organization’s ability to continue as a going concern. However, Management and the Board of Directors have evaluated and implemented operational changes to the Arc’s programs. These changes alleviate concerns in FY26.

Note 15. Subsequent Events

The Arc evaluated subsequent events from June 30, 2025 through January 15, 2026, 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, 2025, except as follows:

Legal Dispute: The Arc became involved in a dispute with the Paxton Trust that resulted in the Organization being denied access to the Paxton campus, which housed the Arc’s operations. The Arc secured a new campus, community support, and necessary funding to ensure operations continued.