

The Arc of Virginia, Inc.

Financial Report

Year Ended December 31, 2008

Paul Wring, CPA, LTD.
12201 Gayton Road, Suite 202
Richmond, VA 23238

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Independent Auditor's Report

To the Honorable Members of the Board of Directors
The Arc of Virginia, Inc.

I have audited the accompanying statement of financial position of The Arc of Virginia, Inc. as of and for the year ended December 31, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Arc of Virginia, Inc., as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Certified Public Accountant
May 20, 2009

The Arc of Virginia, Inc.
Statement of Financial Position
At December 31, 2008

ASSETS

Current Assets:	
Cash	\$ 87,476
Marketable Securities	162,702
Accounts and Grants Receivable (Net of Allowance)	24,604
Prepaid Expenses	<u>3,834</u>
Total Current Assets	\$278,616
Fixed Assets, net	<u>569</u>
<u>Total Assets</u>	<u>\$279,185</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts Payable and Accrued Expenses	\$ <u>18,047</u>
Net Assets:	
Unrestricted	
Undesignated	\$ 98,436
Board Restricted	<u>146,245</u>
Total Unrestricted	\$244,681
Restricted	
Permanently Restricted	<u>16,457</u>
Total Net Assets	<u>\$261,138</u>
<u>Total Liabilities and Net Assets</u>	<u>\$279,185</u>

The accompanying notes to the financial statements
are an integral part of this statement.

The Arc of Virginia, Inc.
Statement of Activities
Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, Gains & Support:			
Contributions	\$ 1,241	\$ 0	\$ 1,241
Affiliate Dues	66,105	0	66,105
Memberships	25,875	0	25,875
Contracts & Grants	222,965	0	222,965
Interest	3,507	0	3,507
Dividends	0	866	866
Unrealized (Loss)	0	(19,235)	(19,235)
Sponsorship & Fees	32,411	0	32,411
Fundraising	10,091	0	10,091
Miscellaneous	<u>7,135</u>	<u>0</u>	<u>7,135</u>
Total Revenues, Gains & Support	<u>\$ 369,330</u>	<u>\$ (18,369)</u>	<u>\$ 350,961</u>
Expenses:			
Program Services	<u>\$ 300,431</u>	<u>\$ 0</u>	<u>\$300,431</u>
Support Services:			
General and Administrative	\$ 32,822	\$ 0	\$ 32,822
Fund Raising	<u>4,106</u>	<u>0</u>	<u>4,106</u>
Total Support Services	<u>\$ 36,928</u>	<u>\$ 0</u>	<u>\$ 36,928</u>
Total Expenses	<u>\$ 337,359</u>	<u>\$ 0</u>	<u>\$337,359</u>
Change in Net Assets	\$ 31,971	\$ (18,369)	\$ 13,602
Net Assets, beginning of year	\$ <u>212,710</u>	\$ <u>34,826</u>	\$ <u>247,536</u>
Net Assets, end of year	<u>\$ 244,681</u>	<u>\$ 16,457</u>	<u>\$261,138</u>

The accompanying notes to the financial statements
are an integral part of this statement.

The Arc of Virginia, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2008

Cash Flows from Operating Activities:

Change in Net Assets	\$	13,602
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Adjustments to reconcile change in net assets to
Cash used in Operating Activities:

Depreciation		380
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Changes in Assets and Liabilities:

Losses on Restricted Assets		14,861
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Decrease in Accounts Receivable		13,352
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Increase in Prepaid Expenses		(1,751)
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Increase in Accounts Payable & Accrued Expenses		13,571
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Net Cash from Operating Activities	\$	54,015
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Cash Used in Investing Activities:

Purchase of Fixed Assets		0
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Net Increase in Cash and Cash Equivalents	\$	54,015
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Cash and Cash Equivalents, beginning of the year		33,461
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Cash and Cash Equivalents, end of the year	\$	<u>87,476</u>
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The accompanying notes to the financial statements
are an integral part of this statement.

The Arc of Virginia, Inc.
Notes to Financial Statements
December 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Organization

The Arc of Virginia is a statewide organization advocating for people with intellectual disabilities and related developmental disabilities and their families. Current programs of The Arc of Virginia, include Advocacy, and the Family Involvement Project.

(B) Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, and No. 117, *Financial Statements of Not-for-Profit Organizations*.

Under SFAS No. 116, the Association reports gifts of cash and other assets as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or purposed restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

(C) Tax Exempt Status

Income taxes are not provided for in the financial statements as the Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Organization is not classified as a private foundation.

The Arc of Virginia, Inc.
Notes to Financial Statements
December 31, 2008 (Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

(D) Revenue Sources

The Arc is funded primarily through state and local grants, contractual income, dues collected from local chapters and associate memberships.

(E) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(F) Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consists of cash on hand, cash in banks, and certificates of deposit with original maturities of three months or less.

(G) Investments

The Arc has investments in a money market fund and a mutual fund. The money market fund is a board designated fund while the mutual fund is permanently restricted by the donor.

(H) Allowance for Doubtful Accounts

One account receivable is deemed by management to be partially uncollectible at December 31, 2008; therefore, an allowance for doubtful accounts was established in the financial statements in the amount of \$5,756.

(I) Depreciation

The Arc utilizes the MACRS method of computing depreciation expense. Office equipment and furniture is depreciated over useful lives of 5-7 years.

The Arc of Virginia, Inc.
Notes to Financial Statements
December 31, 2008 (Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

(J) Leave Liability

No adjustments have been made to these financial statements to record accrued vacation or sick leave balances at December 31, 2008. According to the Organization’s management, the liability, if recorded, would be immaterial to the financial statements.

(K) Contributed Services

A substantial number of unpaid officers, directors and volunteers have made significant contributions of their time in the furtherance of the Organization’s programs. The value of their contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation.

NOTE 2 – FIXED ASSETS

Fixed assets are capitalized at the time of purchase as required by generally accepted accounting principles. Furniture and equipment are stated at cost. Repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method over estimated useful lives of three to seven years. Depreciation expense for the year ended December 31, 2008 was \$380. The following is a schedule of fixed assets:

Office furniture and equipment.....	\$ 52,880
Library.....	24,773
Less: Accumulated depreciation.....	(77,084)
Net Fixed Assets.....	<u>\$ 569</u>

The Arc of Virginia, Inc.
Notes to Financial Statements
December 31, 2008 (Continued)

NOTE 3 – NET ASSETS

Board Designated Net Assets

The Board of Directors has designated that a bequest from a specific estate be restricted and released from restriction only as the Board designates. Board designated net assets at December 31, 2008 are \$146,245.

Permanently Restricted Net Assets

The Organization received an endowment from Randall R. Burmester in May 1995, which is classified as permanently restricted net assets. The grantors have restricted the use of the endowment subject to the following terms:

- Five percent of the market value on each February 25th may be withdrawn on that date.
- All withdrawals from the endowment must be used in a manner which causes, rewards, or encourages the professional development of the staff.
- The Executive Director has the full discretion in applying the distribution amounts within the terms of the endowment.

Funds restricted by the grantor are deemed to be earned when received and are reported as permanently restricted net assets. The total permanently restricted net assets at December 31, 2008 are \$16,457.

NOTE 4 – OPERATING LEASES

The Organization leases office space from an unrelated party. The monthly rent will be \$1,105.00 through February and then escalate to \$1,143.68 until the lease expires.

Future Minimum lease payments are as follows:

2009	\$ 13,724.16
2010 and thereafter	13,724.16

The Arc of Virginia, Inc.
Notes to Financial Statements
December 31, 2008 (Continued)

NOTE 5 – CONCENTRATION OF CREDIT RISK

The Organization maintains its unrestricted cash balances in banks which are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2008, the Organization did not have any amounts in excess of \$250,000 in a financial institution.

NOTE 6 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and 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.

NOTE 7 – INVESTMENTS

The Organization the following investments:

	<u>December 31, 2008</u>
Money market fund, Mutual of America, Variable rate of interest, Yielding 1.30% per annum	\$ 146,245
Janus Overseas Fund, Yielding 1.88% per annum	<u>16,457</u>
<u>Total</u>	<u>\$ 162,702</u>

The Arc of Virginia, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2008

	<u>Program Expenses</u>	<u>General and Admin.</u>	<u>Fund Raising</u>	<u>Total</u>
Officer Compensation	\$ 43,714	\$5,143	\$2,571	\$ 51,428
Salaries and Wages	110,536	1,622	0	112,158
Employee Benefits	9,098	304	152	9,554
Payroll Taxes	<u>14,647</u>	<u>720</u>	<u>287</u>	<u>15,654</u>
 Total Salaries and Related Expenses	 \$177,995	 \$ 7,789	 \$3,010	 \$188,794
 Professional Fees	 2,100	 12,206	 0	 14,306
National Dues	9,082	0	0	9,082
Supplies	8,165	368	123	8,656
Printing and Publications	6,787	712	237	7,736
Telephone	10,243	587	196	11,026
Postage	3,113	84	28	3,225
Lease	13,905	1,003	334	15,242
Equipment Rental	6,979	515	172	7,666
Travel	25,740	2,064	0	27,804
Conferences	17,001	462	0	17,463
Taxes	2,073	348	0	2,421
Miscellaneous	388	100	0	488
Board Expenses	0	812	0	812
Depreciation	358	16	6	380
Grant Funds Expensed	10,000	0	0	10,000
Calendar	6,502	0	0	6,502
Bad Debt Expense	<u>0</u>	<u>5,756</u>	<u>0</u>	<u>5,756</u>
 Total Expenses	 <u>\$300,431</u>	 <u>\$ 32,822</u>	 <u>\$4,106</u>	 <u>\$337,359</u>

The accompanying notes to the financial statements are an integral part of this statement.