Financial Statements
of
The Arc of Virginia, Inc.
For the Years Ended December 31, 2010 and 2009

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C O N T E N T S

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INDPENDENT AUDITOR'S REPORT

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

I have audited the accompanying statement of financial position of The Arc of Virginia, Inc. as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Arc'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 includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements mentioned above present fairly, in all material respects, the financial position of The Arc of Virginia, Inc. as of December 31, 2010 and 2009, and the results of its operations 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 15, 2011

The Arc of Virginia, Inc.
Notes to the Financial Statements
December 31, 2010

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 restricts. 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 Section501(c)(3) of the Internal Revenue Code and similar state provisions. The Organization is not classified as a private foundation.

(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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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
It is the policy of management to review the accounts receivables at year end to evaluate them for collectability. As of December 31, 2010 and 2009 no receivables were deemed by management to be uncollectible.

(I) Depreciation
The Arc utilizes the double-declining balance method of computing depreciation expense. Office equipment and furniture is depreciated over useful lives of 5-7 years.

(J) Leave Liability
Adjustments have been made to these financial statements to record accrued vacation balances at December 31, 2010. Full time employees are allowed to carryover 80 hours of vacation pay to the next year.

(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.

(L) Uncertainty in Income Taxes
The Arc evaluates uncertainty in income tax positions based on a more-likely-than-not recognition standard, effective January 1, 2010, with adoption of ASC 740-10. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon settlement. Prior to January 1, 2010, The Arc evaluated uncertain tax positions such that the effects of tax positions were generally recognized in the financial statements consistent with amounts reflected in returns filed, or expected to be filed, with taxing authorities.

There was no impact on the financial statements caused by the adoption of the revised standard for uncertain tax positions. As of December 31, 2010, there are no accruals for uncertain tax positions. If applicable, The Arc records interest and penalty as a component of income tax expense. Tax years from 2007 remain open for examination by tax authorities.

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 double-declining balance method over estimated useful lives of three to seven years. Depreciation expense for the years ended December 31, 2010 and 2009 is $1,082 and $404 respectively.

The Following is a schedule of fixed assets:

	December 31, 2010	December 31, 2009
Office furniture and equipment	$ 54,753	$ 51,444
Library	12,386	24,773
Less: Accumulated depreciation	(63,864)	(75,170)
Net Fixed Assets	$ 3,275	$ 1,047

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 assets at December 31, 2010 and 2009 are $146,364 and $ 146,344 respectively.

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 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, 2010 an 2009 are $ 33,562 and $ 29,313 respectively.

NOTE 4 – OPERATING LEASES

The Organization leases office space from an unrelated party. The monthly rent was $1,143.68 through February, 2010 and then it escalated to $1,183.71 until the lease expires February 28, 2011. At March 1, 2011 the monthly rent will be $1,105 until the lease expires May 31, 2012.

Future Minimum lease payments are as follows:

2011	13,417.42
Through May 31, 2012	5,525.00

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, 2010 and 2009, 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 in the Statement of Functional Expenses.

NOTE 7 – INVESTMENTS

The Organization has the following investments:

	December	
	2010	2009
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Money market fund, Mutual of America, Variable rate of interest, Yielding 0.01% and 1.30% per annum	$ 146,364	$ 146,344
Janus Overseas Fund, Yielding 19.55% per annum	33,562	29,313
Totals	$ 179,926	$ 175,657