

Financial Statements
of
The Arc of Virginia, Inc.
For the Years Ended December 31, 2012 and 2011

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INDEPENDENT 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, 2012 and 2011, 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, 2012 and 2011, 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
June 26, 2013

The Arc of Virginia, Inc.
Statement of Financial Position
As of December 31, 2012 and 2011

		Assets	
		<u>2012</u>	<u>2011</u>
Current Assets:			
Cash		\$ 107,567	\$ 71,587
Marketable Securities		162,508	175,371
Accounts and Grants Receivable (Net of Allowance)		4,875	4,357
Prepaid Expenses		<u>1,702</u>	<u>7,073</u>
Total Current Assets		\$ 276,652	\$ 258,388
Fixed Assets, net:			
		17,715	1,842
Other Assets:			
Security Deposit		<u>1,000</u>	<u>0</u>
Total Assets		<u>\$ 295,367</u>	<u>\$ 260,230</u>
		Liabilities and Net Assets	
		<u>2012</u>	<u>2011</u>
Current Liabilities:			
Accounts Payable and Accrued Expenses		<u>\$ 27,431</u>	<u>\$ 10,054</u>
Net Assets:			
Unrestricted			
Undesignated		\$ 87,103	\$ 74,805
Board Restricted		131,454	146,390
Total Unrestricted		<u>\$ 218,557</u>	<u>\$ 221,195</u>
Restricted			
Temporarily Restricted		\$ 18,325	\$ 0
Permanently Restricted		<u>31,054</u>	<u>28,981</u>
		<u>\$ 49,379</u>	<u>\$ 28,981</u>
Total Net Assets		<u>\$ 267,936</u>	<u>\$ 250,176</u>
Total Liabilities			
And Net Assets		<u>\$ 295,367</u>	<u>\$ 260,230</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

TheArc of Virginia, Inc.
Statement of Activities
For the Year Ended
December 31, 2012 and 2011

	<u>2012</u>				<u>2011</u>		
	<u>Undesignated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Undesignated</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, Gains & Support:							
Contributions	\$ 15,633	0	0	15,633	\$ 4,837	0	4,837
Donated Rent & Services	44,162	0	0	44,162	0	0	0
Affiliate Dues	59,051	0	0	59,051	62,645	0	62,645
Memberships	22,195	0	0	22,195	24,340	0	24,340
Contracts & Grants	144,412	28,275	0	172,687	145,315	0	145,315
Interest	52	0	766	818	45	293	338
Unrealized Gain (Loss)	0	0	2,879	2,879	0	(4,893)	(4,893)
Sponsorships & Fees	63,478	0	0	63,478	67,249	0	67,249
Fundraising	7,505	0	0	7,505	17,613	0	17,613
Miscellaneous	197	0	0	197	946	0	946
Total Revenues, Gains (Loss) & Support	<u>\$ 356,685</u>	<u>28,275</u>	<u>3,645</u>	<u>388,605</u>	<u>\$ 322,990</u>	<u>(4,600)</u>	<u>318,390</u>
Expenses:							
Program Services	<u>\$ 331,956</u>	<u>0</u>	<u>0</u>	<u>331,956</u>	<u>\$ 287,586</u>	<u>0</u>	<u>287,586</u>
Support Services:							
General & Admin	\$ 33,529	0	0	33,529	\$ 40,196	0	40,196
Fund Raising	5,360	0	0	5,360	16,281	0	16,281
Total Support Services	<u>\$ 38,889</u>	<u>0</u>	<u>0</u>	<u>38,889</u>	<u>\$ 56,477</u>	<u>0</u>	<u>56,477</u>
Total Expenses	<u>\$ 370,845</u>	<u>0</u>	<u>0</u>	<u>370,845</u>	<u>\$ 344,063</u>	<u>0</u>	<u>344,063</u>
Released from Restrictions	<u>\$ 11,522</u>	<u>(9,950)</u>	<u>(1,572)</u>	<u>0</u>	<u>\$ (19)</u>	<u>19</u>	<u>0</u>
Change in Net Assets	\$ (2,638)	18,325	2,073	17,760	\$ (21,092)	(4,581)	(25,673)
Net Assets at Beginning of year	<u>221,195</u>	<u>0</u>	<u>28,981</u>	<u>250,176</u>	<u>242,287</u>	<u>33,562</u>	<u>275,849</u>
Net Assets at End of Year	<u>\$ 218,557</u>	<u>18,325</u>	<u>31,054</u>	<u>267,936</u>	<u>\$ 221,195</u>	<u>28,981</u>	<u>250,176</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

The Arc of Virginia, Inc.
Statement of Functional Expenses
For the Year Ended
December 31, 2012 and 2011

	<u>2012</u>				<u>2011</u>			
	Program Expenses	General and Admin.	Fund Raising	Total	Program Expenses	General and Admin.	Fund Raising	Total
Officer Compensation	\$ 49,121	5,779	2,889	57,789	\$ 46,781	5,504	2,752	55,037
Salaries and Wages	80,609	3,370	650	84,629	90,945	9,822	7,800	108,567
Employee Benefits	17,203	558	253	18,014	15,116	1,289	1,122	17,527
Payroll Taxes	11,796	892	312	13,000	11,835	1,426	866	14,127
Total Salaries & Related Expenses	\$ 158,729	10,599	4,104	173,432	\$ 164,677	18,041	12,540	195,258
Professional Fees	0	16,395	0	16,395	0	16,000	0	16,000
National Dues	11,899	0	0	11,899	12,533	0	0	12,533
Supplies	4,055	237	92	4,384	3,168	476	328	3,972
Printing and Publications	12,964	1,052	407	14,423	7,554	1,270	875	9,699
Telephone	14,917	468	181	15,566	9,218	467	322	10,007
Postage	2,743	238	92	3,073	2,753	336	232	3,321
Lease	15,352	757	293	16,402	14,190	1,437	989	16,616
Donated Services	38,850	0	0	38,850	0	0	0	0
Equipment Rental	2,584	136	52	2,772	1,916	190	131	2,237
Travel	21,766	236	0	22,002	17,610	349	0	17,959
Conferences	43,966	0	0	43,966	45,545	0	0	45,545
Taxes	0	232	0	232	0	(2,444)	0	(2,444)
Miscellaneous	1,313	2,107	40	3,460	400	1,839	0	2,239
Board Expenses	0	737	0	737	0	791	0	791
Depreciation	1,040	157	30	1,227	1,019	322	92	1,433
Technical Support	3,189	278	108	3,575	3,972	785	540	5,297
Bad Debt Expense	(1,411)	(100)	(39)	(1,550)	3,031	337	232	3,600
Total Expenses	\$ 331,956	33,529	5,360	370,845	\$ 287,586	40,196	16,281	344,063

The Accompanying Notes are an Integral Part of these Financial Statements.

TheArc of Virginia, Inc.
Statement of Cash Flows
For the Year Ended
December 31, 2012 and 2011

		<u>December</u>	
Cash Flow From Operating Activities		2012	
Change in Net Assets	\$	17,760	\$
Adjustments to reconcile change in net assets to Cash provided by (used in) Operations:			
Depreciation Expense		1,227	
Changes in Assets and Liabilities:			
(Gains) Losses on Restricted Assets		1,341	
Released from Restrictions		11,522	
(Increase) Decrease			
Accounts Receivable		(518)	
Prepaid Expenses		5,371	
Security Deposit		(1,000)	
Increase (Decrease)			
Accounts Payable & Accrued Exp.		<u>17,377</u>	
Cash Provided by (Used in) Operations	\$	<u>53,080</u>	\$
Cash Used in Investing Activities			
Purchase of Fixed Assets		<u>(17,100)</u>	
Increase(Decrease) in Cash	\$	35,980	\$
Cash, Beginning Balance		<u>71,587</u>	
Cash, Ending Balance	\$	<u><u>107,567</u></u>	\$

The Accompanying Notes are an Integral Part of these Financial Statements.

TheArc of Virginia, Inc.
Statement of Cash Flows
For the Year Ended
December 31, 2012 and 2011

er 31,
2011

(25,673)

1,433

7,883
(19)

7,575
(4,051)
0

(1,753)

(14,605)

(3,309)

(17,914)

89,501

71,587

The Accompanying Notes are an Integral Part of these Financial Statements.

The Arc of Virginia, Inc.
Notes to the Financial Statements
December 31, 2012

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 Section 501(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. Investment income is recognized as received or through market fluctuations. Contractual and contributions are recognized when received or when a donor restriction has expired or been satisfied in the case of contributions.

(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.

The Arc of Virginia, Inc.
Notes to the Financial Statements
December 31, 2012 (Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

(F) Cash and 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, 2012 the Allowance for Doubtful Accounts was \$1,250. As of December 31 2011 the Allowance for Doubtful Accounts was \$3,100.

(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, 2012 and 2011. 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.

The Arc of Virginia, Inc.
Notes to the Financial Statements
December 31, 2012 (Continued)

There was no impact on the financial statements caused by the adoption of the revised standard for uncertain tax positions. As of December 31, 2012 and 2011, 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 2010 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 or Fair Market Value at the time of donation. 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, 2012 and 2011 is \$1,227 and \$1,433 respectively.

The Following is a schedule of fixed assets:

	December 31,	
	2012	2011
Office furniture and equipment	\$ 45,549	\$ 54,753
Leasehold Improvements	17,100	0
Library	0	12,386
Less: Accumulated depreciation	<u>(44,934)</u>	<u>(65,297)</u>
<u>Net Fixed Assets</u>	<u>\$ 17,715</u>	<u>\$ 1,842</u>

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, 2012 and 2011 are \$131,454 and \$ 146,390 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.

The Arc of Virginia, Inc.
Notes to the Financial Statements
December 31, 2012 (Continued)

- 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, 2012 and 2011 are \$ 31,054 and \$ 28,981 respectively.

Temporarily Restricted Net Assets

The Arc of Virginia has received Funds to cover moving expenses and to acquire furniture in the amount of \$28,275. As of December 31, 2012 \$9,950 has been used for moving expenses.

NOTE 4 – OPERATING LEASES

The Organization leases office space from an unrelated party. The Arc moved its office to 2147-49 Staples Mill Road December 1, 2012. Rent payments are:

Calendar year 2013	\$14,887
2014	15,334
2015	15,794
2016	16,268
2017	15,321

The lease ends November 30, 2017 and will be renegotiated at that time.

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, 2012 and 2011, 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.

The Arc of Virginia, Inc.
Notes to the Financial Statements
December 31, 2012 (Continued)

NOTE 7 – INVESTMENTS

The Organization has the following investments:

	December	
	2012	2011
Money market fund, Mutual of America, Variable rate of interest, Yielding 0.36% per annum	\$ 131,454	\$ 146,390
Janus Overseas Fund, Yielding 12.94% per annum	31,054	28,981
<u>Totals</u>	<u>\$ 162,508</u>	<u>\$ 175,371</u>

NOTE 8 – FAIR VALUE MEASUREMENTS

Valuation techniques used to measure fair value are prioritized into the following hierarchy:

Level 1 – quoted prices in active markets for identical assets. Assets in this level typically include publically traded equities, mutual fund investments, cash equivalents, and listed derivatives.

Level 2 – Quoted prices for similar assets in active or inactive markets. Or inputs derived from observable market data such as published interest rates and yield curves, over-the-counter derivatives, market modeling, or other valuation methodologies. The Arc doesn't have any assets in this level.

Level 3 – Unobservable inputs that reflect management's assumptions and best estimates based on available data. Assets in this level include alternative investments, real estate held for investment if measured using management estimates, investment in partnerships and limited liability companies, and beneficial interest in charitable remainder trusts. The Arc doesn't have any assets in this level.

Realized and unrealized gains and losses from these assets are reported in the Statement of Activities as they occur. There have been no changes in valuation techniques and related inputs.

NOTE 9 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 26, 2013, which is the date the financial statements were available to be issued.