Financial Statements
of
The Arc of Virginia, Inc.
For the Years Ended December 31, 2014 and 2013

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C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Arc of Virginia, Inc.
Henrico, VA

I have audited the accompanying financial statements of The Arc of VA, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Arc of VA, Inc. as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Firm's signature

Henrico, VA October 16, 2015

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. 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.

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, 2014 the Allowance for Doubtful Accounts was $1,500. As of December 31 2013 the Allowance for Doubtful Accounts was $900.

(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, 2014 and 2013. 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.

There was no impact on the financial statements caused by the adoption of the revised standard for uncertain tax positions. As of December 31, 2014 and 2013, 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 2012 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, 2014 and 2013 is $9,999 and $6,787 respectively.

The Following is a schedule of fixed assets:

	December 31, 2014	December 31, 2013
Office furniture and equipment	$ 63,460	$ 56,442
Leasehold Improvements	17,700	17,700
Less: Accumulated depreciation	(55,181)	(46,156)
Net Fixed Assets	$ 25,979	$ 27,986

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, 2014 and 2013 are $131,511 and $ 131,484 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, 2014 an 2013 are $ 38,597 and $ 37,178 respectively.

Temporarily Restricted Net Assets
The Arc of Virginia has received Funds in 2012 to cover moving expenses and to acquire furniture in the amount of $28,275. As of December 31, 2013 all of the funds have been expended.

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 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, 2014 and 2013, 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 2014	December 2013
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Money market fund, Mutual of America, Variable rate of interest, Yielding 0.02% per annum	$ 131,511	$ 131,484
Janus Overseas Fund, Yielding 8.42% per annum	38,597	37,178
Totals	$ 170,108	$ 168,662

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 is 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 October 16,2015, which is the date the financial statements were available to be issued.