THE ARC OF NORTHERN VIRGINIA

JUNE 30, 2023 AND 2022

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THE ARC OF NORTHERN VIRGINIA

JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Arc of Northern Virginia
Fairfax, Virginia

Opinion

We have audited the accompanying financial statements of The Arc of Northern Virginia (the Arc) (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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 as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits 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 and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Correction of Error

As discussed in Note 13 to the financial statements, an error resulting in the overstatement of beneficial interest in trusts and income/(loss) from beneficial interest in trusts and an understatement in cash and financial contributions and memberships as of June 30, 2022, was discovered by management of the Arc during the current year. Accordingly, amounts reported for beneficial interest in trusts, income/(loss) from beneficial interest in trusts, and cash and financial contributions and memberships have been restated in the June 30, 2022, financial statements now presented, and an adjustment has been made to net assets with donor restrictions as of June 30, 2021, to correct the error. Our opinion is not modified with respect to that matter.

Emphasis of Matter - Adoption of New Accounting Pronouncement

As discussed in Note 14 to the financial statements, in the year ended June 30, 2023, the Arc adopted Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

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.

Board of Directors
The Arc of Northern Virginia
Fairfax, Virginia

Responsibilities of Management for the Financial Statements (continued)

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'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 auditing standards generally accepted in the United States of America 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 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 auditing standards generally accepted in the United States of America, 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'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'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.

UHY LLP

McLean, Virginia
February 26, 2024

THE ARC OF NORTHERN VIRGINIA
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

ASSETS

	2023	(Restated) 2022
ASSETS		
Cash and cash equivalents	$ 508,053	$ 511,446
Accounts receivable	41,167	80,385
Contributions receivable	140,668	80,499
Operating right-of-use asset	25,018	-
Beneficial interest in trust	1,255,341	1,184,884
Property and equipment, net	151,668	35,496
Other assets	125,330	67,516
TOTAL ASSETS	$ 2,247,245	$ 1,960,226

LIABILITIES AND NET ASSETS

	2023	(Restated) 2022
LIABILITIES		
Accounts payable	$ 53,328	$ 37,090
Accrued salary and benefits	105,987	98,474
Deferred income and refundable advances from gala	-	40,500
Operating lease liability	18,214	-
Deferred rent	-	15,817
Other liabilities	48,971	12,946
TOTAL LIABILITIES	226,500	204,827
NET ASSETS		
Without donor restrictions	531,645	393,518
With donor restrictions	1,489,100	1,361,881
TOTAL NET ASSETS	2,020,745	1,755,399
TOTAL LIABILITIES AND NET ASSETS	$ 2,247,245	$ 1,960,226

THE ARC OF NORTHERN VIRGINIA
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Without Donor Restrictions	With Donor Restrictions	Total 2022 (Restated)
REVENUE, SUPPORT, AND GAINS/(LOSSES)						
Cash and financial contributions and memberships	$ 342,752	$ 684,370	1,027,122	$ 414,655	$ 559,190	$ 973,845
Contributions of nonfinancial assets	34,892	-	34,892	7,170	-	7,170
Program service and other fees	1,307,352	-	1,307,352	1,218,057	-	1,218,057
Contributions from associated organization	-	78,842	78,842	-	57,651	57,651
Special events income, net of direct benefit to donors	184,247	88,832	273,079	67,155	20,625	87,780
Income/(loss) from beneficial interest in trust	-	129,587	129,587	-	(416,442)	(416,442)
Other income/(loss)	17,485	4,141	21,626	(11,802)	3,308	(8,494)
Net assets released from restrictions	858,553	(858,553)	-	630,006	(630,006)	-
Total revenue, support, and gains/(loses)	2,745,281	127,219	2,872,500	2,325,241	(405,674)	1,919,567
EXPENSES						
Program services:						
Advocacy and information and referral	779,062	-	779,062	580,225	-	580,225
Guardianship and case management	761,930	-	761,930	655,784	-	655,784
Personal support trusts	441,751	-	441,751	376,066	-	376,066
Total program services	1,982,743	-	1,982,743	1,612,075	-	1,612,075
Supporting services:						
Management and general	390,582	-	390,582	276,062	-	276,062
Fundraising	233,829	-	233,829	249,266	-	249,266
Total supporting services	624,411	-	624,411	525,328	-	525,328
Total expenses	2,607,154	-	2,607,154	2,137,403	-	2,137,403
CHANGE IN NET ASSETS	138,127	127,219	265,346	187,838	(405,674)	(217,836)
NET ASSETS, BEGINNING OF YEAR, as previously stated	393,518	1,361,881	1,755,399	205,680	3,011,297	3,216,977
RESTATEMENT OF NET ASSETS	-	-	-	-	(1,243,742)	(1,243,742)
NET ASSETS, BEGINNING OF YEAR, as restated	393,518	1,361,881	1,755,399	205,680	1,767,555	1,973,235
NET ASSETS, END OF YEAR	$ 531,645	$ 1,489,100	$ 2,020,745	$ 393,518	$ 1,361,881	$ 1,755,399

The accompanying notes are an integral part of these financial statements.

THE ARC OF NORTHERN VIRGINIA
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

2023

	Program Services				Support Services		
	Advocacy and Information and Referral	Guardianship and Case Management	Personal Support Trust	Total Program Services	Management and General	Fundraising	Total
Salaries, benefits, and taxes	$ 621,225	$ 664,760	$ 386,522	$ 1,672,507	$ 179,223	$ 199,184	$ 2,050,914
Professional fees	23,260	1,892	1,100	26,252	170,028	2,777	199,057
Rent	29,228	31,275	18,185	78,688	8,432	9,371	96,491
Expenses under grants	36,693	-	-	36,693	-	-	36,693
Technology and telecommunications	28,140	30,113	17,509	75,762	8,119	9,023	92,904
Other expenses	40,516	33,890	18,435	92,841	24,780	13,474	131,095
Total expenses	$ 779,062	$ 761,930	$ 441,751	$ 1,982,743	$ 390,582	$ 233,829	$ 2,607,154

2022

	Program Services				Support Services		
	Advocacy and Information and Referral	Guardianship and Case Management	Personal Support Trust	Total Program Services	Management and General	Fundraising	Total
Salaries, benefits, and taxes	$ 465,430	$ 570,535	$ 326,670	$ 1,362,635	$ 118,478	$ 213,486	$ 1,694,599
Professional fees	1,343	1,646	3,742	6,731	129,320	616	136,667
Rent	26,274	32,207	18,441	76,922	6,688	12,051	95,661
Expenses under grants	43,146	-	-	43,146	-	-	43,146
Technology and telecommunications	16,877	20,688	11,845	49,410	4,296	7,741	61,447
Other expenses	27,155	30,708	15,368	73,231	17,280	15,372	105,883
Total expenses	$ 580,225	$ 655,784	$ 376,066	$ 1,612,075	$ 276,062	$ 249,266	$ 2,137,403

THE ARC OF NORTHERN VIRGINIA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	(Restated) 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 265,346	$ (217,836)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	14,531	9,549
(Income)/loss from beneficial interest in trust	(129,587)	416,442
Trust distributions	59,130	82,963
Donated property and equipment	(17,681)	-
Operating lease	(6,804)	-
Change in assets and liablilities:		
Accounts receivable	39,218	(55,756)
Contributions receivable	(60,169)	(36,261)
Other assets	(57,814)	6,720
Accounts payable	16,238	2,905
Accrued salary and benefits	7,513	(1,053)
Deferred income and refundable advances from gala	(40,500)	35,500
Deferred rent	(15,817)	(10,303)
Other liabilities	36,025	(203)
Net cash from operating activities	109,629	232,667
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(113,022)	(26,311)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,393)	206,356
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	511,446	305,090
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 508,053	$ 511,446
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITY:		
Noncash change in operating right-of-use asset	$ 25,018	$ -
Noncash change in operating lease liability	$ 18,214	$ -

NOTE 1 - THE ORGANIZATION

The Arc of Northern Virginia (the Arc) is a not-for-profit organization incorporated in Virginia in 1962. The Arc's mission is to promote and protect the human rights of people with intellectual and developmental disabilities and actively support their full inclusion and participation in the community throughout their lifetimes. The Arc's program areas are:

Advocacy and Information and Referral: The Arc provides advocacy and information and referral services for individuals with intellectual and developmental disabilities and their families. The Arc advocates at the state and local levels to ensure quality community-based services, including housing and employment programs, and expand laws and policies that protect civil rights. The Arc also provides information and referral services for families by phone, e-mail, website, and in person. In addition, the Arc helps youth and families with the transition from school to adult life in the community by offering access to professionals at workshops, seminars, and webinars, including the transition series, on a wide variety of topics. The Arc also trains self-advocates in advocacy and public speaking skills through the A Life Like Yours Toastmasters and People First programs. The Arc's resource program, Transition POINTS (Providing Opportunities, Information, Networking, and Transition Support), is a comprehensive program to help families with realistic, actionable information with which they can make a wide range of decisions over the life span of their loved one with intellectual and developmental disabilities. Transition POINTS focuses on the following key decision points: receiving a diagnosis and having a child enter an early intervention program, starting school and navigating special education and related services, transitioning out of the school system, finding a place to live outside the caregiver's home, entering the world of work and employment, and aging with a disability and aging of the caregiver. The Arc also provides personalized online curriculums and technology, which provides support to individuals with intellectual and developmental disabilities to maximize their independence. The Arc's curriculums can be used as virtual travel trainers, life skill teachers, and virtual job coaches to help individuals live, travel, and work more independently. The Arc's curriculums also expand supports for disability service provider partner organizations through the use of innovative technology.

Guardianship and Case Management/Support Coordination: The Arc provides case management and support coordination services for individuals with developmental disabilities and their families in the Northern Virginia area. The Arc contracts with the following community service boards: Fairfax-Falls Church, Alexandria, Arlington, Loudoun, Prince William, and Rappahannock-Rapidan. The Arc coordinates services in the community through the Virginia Medicaid Developmental Disabilities Waiver Program. The Arc also educates families on how to be successful while navigating complicated systems of care. In addition, the Arc provides decision making services and care oversight for those in need through the Virginia Guardianship of Last Resort program through a contract with the Virginia Department of Aging and Rehabilitation Services. The Arc also serves as representative payee for guardian/conservator clients who require assistance managing their finances and paying their bills.

Personal Support Trusts: The Arc provides financial support and planning options for individuals and families to ensure the needs of individuals with disabilities are adequately met. The Arc helps families plan for a secure financial future with the Special Needs Trust Program, providing professional management and support services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification, which is the sole source of authoritative accounting principles generally accepted in the United States of America (GAAP). Therefore, the financial statements of the Arc have been prepared on the accrual basis of accounting. The Arc reports information regarding its activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Arc considers all highly liquid investments available for current use with a maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of cash held in bank and money market funds.

Beneficial Interest in Trust

The Arc is a beneficiary of an irrevocable trust where the Arc will receive an annual payout for 25 years and the remainder of the assets on August 1, 2036. The trust was recorded as restricted contributions, grants, and memberships revenue at present value when the Arc was first notified it was irrevocable. The beneficial interest in trusts is adjusted each year based on the present value of future cash flows, which is the estimated current worth of the future expected cash flows. The estimated present value of the trust recorded as of June 30, 2023 and 2022, was $1,255,341 and $1,184,884, respectively, and is included in net assets with donor restrictions. For the years ended June 30, 2023 and 2022, the Arc recorded a change of $129,587 and ($416,442), respectively, in the value of the trust that included $59,131 and $82,963, respectively, in cash payouts that reduced the value of the beneficial interest in trusts. The trust has been valued based on the underlying assets value using a seven percent discount rate and expected rate of return on the assets based on the estimated annual return on the assets.

The fair value of the underlying trust investments in equities is estimated based on quoted market prices and the fair value of the underlying trust investments in a real estate investment trust is based on the net asset value as provided by the trust manager for its most recent fiscal year end.

Property and Equipment

Property and equipment additions in excess of $500 are capitalized at cost or fair market value, if donated. Assets are valued at net realizable cost. Depreciation and amortization is computed using the straight-line method over the following estimated useful lives of the assets:

Furniture and equipment	3-7 years
Software	3 years
Website development	3 years
Video production	3 years

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

The Arc's primary sources of revenue are government contracts, fees earned in the conduct of programs, contributions from individuals, foundations, and corporations, income from special events, and trust income.

Program Service and Other Fees

The Arc contracts with the Virginia Department of Aging and Rehabilitative Services to provide a Guardianship of Last Resort (GOLR) program for eligible individuals. The annual contract calls for a monthly contractual amount and revenue is recognized each month as services are provided. The Arc provides community-based care services to individuals under the Individual and Family Developmental Disabilities Support Waiver (DD Waiver), which is a Medicaid program. Revenue is recorded as services are provided and billed at the contractual rates allowed under the program. The Arc provides management services for the Special Needs Trust program and records income monthly based on an agreed upon contractual rate. Other fees are recorded as the activity takes place. A summary of program service and other fees is as follows for the years ended June 30:

	2023	2022
GOLR	$ 250,000	$ 247,839
DD waiver	438,140	362,466
Personal support trusts	612,252	600,792
Other fees	6,960	6,960
Total program service and other fees	$ 1,307,352	$ 1,218,057

Accounts Receivable

Government agencies and others contract with the Arc to provide services on their behalf to eligible clients. Generally, the contracts are paid for on a reimbursement basis with amounts earned but not yet collected, recorded as due from contracting agencies and are due immediately upon billing. As of June 30, 2023 and 2022, the Arc recorded $41,167 and $80,385, respectively, as accounts receivable in the accompanying statements of financial position. Management has established an allowance in the amount deemed to be appropriate based upon historical collections and current negotiations. The Arc writes off receivables when management determines the receivable is unlikely to be collected. Changes to the allowance are recorded as bad debt loss.

Contributions and Contributions Receivable

Contributions received are recorded as with or without donor restrictions depending on the existence or nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Contributions and Contributions Receivable (continued)

All contributions, including unconditional promises to give, are recorded as made. Conditional promises to give, and amounts received in advance, including revocable estates and trusts and reimbursement basis grants, are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in more than one year are reported at their net present realizable value, using risk-free interest rates applicable to the years in which the promises are to be received. The contributions receivable as of June 30, 2023, are due to be received in the next fiscal year.

As of June 30, 2023 and 2022, the Arc was aware of conditional pledges of $704,050 and $1,141,688, respectively, that are conditioned upon the approved reimbursement of expenditure of the funds by the grantees, matching fund requirements, or other conditions. Contributions receivable are charged to bad debt loss when they are deemed uncollectible. Due to the nature of contributions receivable, management has determined that as of June 30, 2023 and 2022, no allowance for uncollectible amounts is necessary.

Special Events

The Arc receives income from its fundraising events that are recorded net of direct benefits to donors, sponsors, and participants as the events occur. Event attendees and sponsors receive some value in exchange for their payments, however, in most cases, the value received is greater than the value provided, and the excess is deemed to be contributions. Amounts received in advance of providing the direct benefits in exchange are recorded as deferred income. Contributions for events received in advance are recognized consistent with the recognition of other contributions. As of June 30, 2022, the Arc recorded deferred income of $11,225 for the estimated value of the benefits to be provided in exchange and refundable advances for the portion deemed to be conditional contributions of $29,275 related to sponsorship of its gala that was held in the year ended June 30, 2023. There was no such deferred income or refundable advances for special events in the years ended June 30, 2023.

Contributions of Nonfinancial Assets

The Arc receives in-kind contributions of nonfinancial assets that are recognized as revenue at their estimated fair value and reported as support without donor restrictions unless the donor places specific restrictions on the gift. All donated services recognized created a nonfinancial asset or required specialized skills that would have been purchased if not donated.

Leases

In the statement of financial position as of June 30, 2023, the Arc recorded an operating right-of-use asset and operating lease liability, initially measured at the present value of total lease payments using an estimated incremental borrowing rate that approximates the remaining lease term by electing the practical expedient to use the risk-free rate. The Arc considers the likelihood of exercising renewal or termination clauses in measuring its operating right-of-use assets and operating lease liabilities. Lease costs are calculated and allocated over the lease term on a straight-line basis. Short-term leases (those with an initial term of twelve months or less and no purchase option) are expensed over their terms, with no corresponding right-of-use asset or lease liability recorded. The Arc expenses non-lease and variable components as they are incurred.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The costs of providing the program and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited based on estimates of time and effort.

Income Taxes

The Arc received a determination letter from the Internal Revenue Service (IRS) that it has been granted an exemption from federal income taxes and that it qualifies as a publicly supported organization under Section 501(c)(3) and 170(b)(1)(A)(vi) of the Internal Revenue Code (IRC). The Arc has also been classified as an entity that is not a private foundation within the meaning of Section 509(a)(2) of the IRC. The Arc believes that its operations are consistent with the nature of their exemption granted by the IRS. There is no current liability for income taxes and no temporary differences resulting in deferred taxes as of June 30, 2023 and 2022.

The Arc is required to measure, recognize, present, and disclose in its financial statements uncertain income tax positions the Arc has taken in the tax years that remain subject to examination or expects to take on an income tax return. The Arc recognizes the tax benefits from uncertain income tax positions only if it is more likely than not the tax position will be sustained on examination by tax authorities. The Arc recorded no liability for uncertain income tax positions for any open tax years.

Subsequent Events

The Arc has evaluated subsequent events through February 26, 2024, which is the date the financial statements were available to be issued.

Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentation.

NOTE 3 – CONTINGENCIES

The Arc receives a significant portion of its revenue as grants and contracts with government agencies. The ultimate determination of the revenue from these programs is based on units of service provided or allowable costs reported to the granting agency. Should the granting agency audit the Arc's books and records, they could disallow certain units of service or costs. The reimbursement for units or costs subsequently disallowed during an audit or differences from the estimates would be charged against current operations. The Arc's operations include the delivery of services to the public by employees. The Arc is insured for the risk of loss associated with serving the public.

On April 11, 2020, the Arc received loan proceeds in the amount of $194,800 from the U.S. Small Business Administration (SBA) through the Paycheck Protection Program (PPP). Under the terms of the loan, funds were eligible to be forgiven if they were used for specific covered expenses including payroll and rent. The loan was fully forgiven on November 4, 2020. The SBA has the right to audit whether a borrower qualified for a PPP loan and met the conditions necessary for forgiveness of the loan up to six years after forgiveness is received. The Arc believes the risk of noncompliance is not significant.

NOTE 4 – SPECIAL EVENTS

The special events net income for the year ended June 30, 2023, consisted of:

	Gala Celebration	Corporate Team Challenge	Benefit Breakfast	Other Events	Total
	2023				
Contributions	$ 214,493	$ 68,718	$ 46,832	$ 955	$ 330,998
Registration fees	41,250	6,480	8,120	220	56,070
Auction or raffle proceeds	24,988	-	-	640	25,628
Other income	7,187	-	-	-	7,187
Less: cost of direct benefit to donors	(110,804)	(21,221)	(14,779)	-	(146,804)
Net profit on special events	(37,379)	(14,741)	(6,659)	860	(57,919)
Special events income, net	$ 177,114	$ 53,977	$ 40,173	$ 1,815	$ 273,079

The special events net income for the year ended June 30, 2022, consisted of:

	Corporate Team Challenge	Benefit Breakfast	Other Events	Total
	2022			
Contributions	$ 51,849	$ 35,810	$ 6,406	$ 94,065
Registration fees	8,476	14,960	1,177	24,613
Auction or raffle proceeds	-	-	-	-
Other income	-	-	-	-
Less: cost of direct benefit to donors	(15,878)	(15,020)	-	(30,898)
Net profit on special events	(7,402)	(60)	1,177	(6,285)
Special events income, net	$ 44,447	$ 35,750	$ 7,583	$ 87,780

NOTE 5 – LEASE COMMITMENTS

The Arc has an agreement for office space that began September 1, 2013. The lease expires August 31, 2023, and includes annual rent escalations, abatement of the first months rent, and a deposit of $7,005. Future minimum rentals for base rent under this lease are $18,279 for the year ending June 30, 2024, with a remaining weighted-average lease term of 2 months. The Arc has recorded an operating right-of-use asset of $25,018 and an operating lease liability of $18,214 as of June 30, 2023, based on a weighted-average discount rate of 2.84 percent.

NOTE 5 – LEASE COMMITMENTS (continued)

The Arc commenced a lease for new office space subsequent to June 30, 2023. The new lease is for one year with nine renewal clauses with escalations each year. The Arc has determined the first renewal period is reasonably certain to be exercised. Future minimum rentals for terms that are reasonably certain to be exercised and for those with an option to renew that is not yet reasonably certain under the new lease are as follows for the years ended June 30:

	Reasonably Certain to be Exercised	Other Renewal Options	Total
2024	$ 97,440	$ -	$ 97,440
2025	118,988	-	118,988
2026	19,998	109,990	129,988
2027	-	136,388	136,388
2028	-	141,843	141,843
Thereafter	-	827,946	827,946
Total lease commitments	$ 236,426	$ 1,216,167	$ 1,452,593

NOTE 6 - CONCENTRATION RISK

In the years ended June 30, 2023 and 2022, approximately 61 and 79 percent, respectively, of total revenue and support was from five sources. As of June 30, 2023 and 2022, approximately 55 and 62 percent, respectively, of contributions receivable was due from one donor and 85 and 90 percent, respectively, of accounts receivable was due from one county community service board.

The Arc maintains cash in federally insured banks and has credit risk on those amounts to the extent they exceed federal insurance limits. As of June 30, 2023, the Arc had $250,293 in cash in federally insured banks in excess of Federal Deposit Insurance Corporation limits. The Arc believes its credit risk is not significant.

NOTE 7 – CONTRIBUTIONS OF NONFINANCIAL ASSETS

The Arc received the following contributed nonfinancial assets in the years ended June 30:

	2023	2022
Legal fees and other professional fees	$ 8,978	$ 4,285
Services received at special events	4,533	1,760
Donated furniture	17,681	-
Other contributions of nonfinancial assets	3,700	1,125
Total contributions of nonfinancial assets	$ 34,892	$ 7,170

NOTE 7 – CONTRIBUTIONS OF NONFINANCIAL ASSETS (continued)

In addition, the Arc recorded special event income of $30,884 in the year ended June 30, 2023, for the proceeds received in the auction of donated items. The Arc also receives significant amount of donated services from unpaid volunteers that do not meet the criteria for recognition in accordance with GAAP and is therefore not recorded in the accompanying statements of activities. The Arc benefited from an estimated 2,406 and 7,226 volunteer hours contributed during the years ending June 30, 2023 and 2022, respectively. Below is a description of contributed nonfinancial assets by type:

Nonfinancial Asset	Utilization in Activities	Donor Restrictions	Valuation Techniques and Inputs
Services	Program or supporting activities and costs of special events based on the nature of the services provided	None	The Arc estimated the fair value based on donor provided hours and normal billing rates for the services provided.
Furniture	Capitalized and depreciated over estimated useful lives	None	The Arc estimated the fair value based on the average price of similar assets.

NOTE 8 - NET ASSETS

As of June 30, net assets with donor restrictions were available for the following purposes:

	2023	2022
Purpose restricted:		
Frank Trippett Advocacy and Outreach Fellowship	$ 65,852	$ 55,363
Transition POINTS project	-	12,295
Other	2,105	3,606
Total purpose restricted	67,957	71,264
Time and purpose restricted:		
Transition POINTS project	9,328	5,000
Travel training project	78,568	51,133
Other	-	4,785
Total time and purpose restricted	87,896	60,918
Time restricted	1,303,182	1,200,888
Randall R. Burmester endowment	30,065	28,811
Total net assets with donor restrictions	$ 1,489,100	$ 1,361,881

NOTE 8 - NET ASSETS (continued)

The composition of net assets released from restrictions for the years ended June 30, were:

	2023	2022
Satisfaction of program restrictions:		
Transition POINTS project	$ 212,444	$ 74,967
Travel training project	252,887	182,057
Frank Trippett Advocacy and Outreach Fellowship	19,091	-
COVID-19 relief	75,000	100,000
Other	45,316	29,633
Satisfaction of time restrictions	250,927	234,910
Amounts appropriated from endowments	2,888	8,439
Total release of net assets with donor restrictions	$ 858,553	$ 630,006

The Frank Trippett Advocacy and Outreach Fellowship was established based on a donor restriction that the amounts raised in honor of Frank Trippett be used to fund a fellowship for advocacy and outreach by the Arc.

The Arc received an endowment from Randall R. Burmester that is classified as net assets with donor restrictions. These funds are maintained in a separate account. The grantor has restricted the use of the endowment subject to the following terms:

- Five percent of the fair market value on February 25 of each year may be withdrawn on that date.
- Any withdrawals from the endowment must be used in a manner that causes, rewards, or encourages the professional development of the staff.
- The Executive Director of the Arc has full discretion in applying the distribution amounts within the terms of the endowment. The Arc has interpreted the Virginia laws as allowing the Arc to appropriate for expenditure or accumulate as of an endowment fund as the Arc determines is prudent subject to the donor restrictions on withdrawals and use of funds.

A summary of the activity in the Arc's endowment is as follows:

	2023	2022
Endowment, beginning balance	$ 28,811	$ 33,942
Income on investments and trust	4,141	3,308
Amount appropriated for operations	(2,887)	(8,439)
Endowment, ending balance	$ 30,065	$ 28,811

NOTE 9 - RELATED PARTY TRANSACTIONS

The Arc is affiliated with the Foundation of the Arc of Northern Virginia (the Foundation), a 501(c)(3) organization that was created to promote lifelong opportunities for all individuals with developmental disabilities and to support the Arc. The Arc and the Foundation share common management and officers. The Arc has an economic interest in the Foundation but does not control its operations. Therefore, the Arc does not consolidate the activities of the Foundation into its financial statements. Income recorded by the Arc from the Foundation for the years ended June 30, were as follows:

	2023	2022
Program service fees:		
Trust management fees	$ 612,252	$ 600,792
Foundation management fee	6,000	6,000
Gala sponsorship	25,000	-
Other contributions	78,842	57,651
Total income from the Foundation	$ 722,094	$ 664,443

The following other activity occurred between the Arc and the Foundation during the years ended June 30:

	2023	2022
Income collected by the Arc on behalf of the Foundation	$ 114,356	$ 70,415

NOTE 10 – BENEFICIAL INTEREST IN TRUST

The Arc measures and reports financial assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair market value can fluctuate in times of market turmoil. GAAP establishes a three-level disclosure hierarchy to indicate the level of judgment used to estimate fair value measurements:

Level 1 - quoted prices in active market for identical assets or liabilities as of the reporting date;
Level 2 - quoted prices for similar assets or liabilities in active markets or for identical or similar assets in markets that are not active and inputs other than quoted prices (such as interest rate and yield curves); and
Level 3 - uses inputs that are unobservable, supported by little or no market activity, and reflect significant management judgment.

NOTE 10 – BENEFICIAL INTEREST IN TRUST (continued)

The following tables summarize the recorded value of the underlying trust assets by level as of June 30:

	Level 1	Level 2	Level 3	Total
	2023			
Cash and money funds	$ 73,824	$ -	$ -	$ 73,824
Equities	1,101,720	-	-	1,101,720
Public, non-listed real estate investment trust:				
CIM Real Estate Finance Trust Inc	-	-	79,797	79,797
Total underlying trust assets	$ 1,175,544	$ -	$ 79,797	$ 1,255,341
	2022			
Cash and money funds	$ 52,500	$ -	$ -	$ 52,500
Equities	1,044,935	-	-	1,044,935
Public, non-listed real estate investment trust:				
CIM Real Estate Finance Trust Inc	-	-	87,449	87,449
Total underlying trust assets	$ 1,097,435	$ -	$ 87,449	$ 1,184,884

Because the valuation inputs are unobservable for the Level 3 assets, the estimated present value as of June 30, 2023 and 2022, is calculated using the revaluation of the value per share provided by the trustee. A summary of income from the Arc's Level 3 assets for the years ended June 30, is as follows:

	2023	2022
Balance, beginning of year	$ 87,449	$ 87,449
Realized/unrealized change in fair value	(7,652)	-
Balance, end of year	$ 79,797	$ 87,449

NOTE 11 - FINANCIAL ASSETS AND LIQUIDITY

Financial assets available within one year for operations that are not subject to restrictions that make them unavailable for general operations as of June 30, were as follows:

	2023	2022
Cash and cash equivalents	$ 508,053	$ 511,446
Accounts receivable	41,167	80,385
Contributions receivable	140,668	80,499
Other current assets	30,065	28,811
Less: amounts unavailable for general operations	(233,759)	(176,997)
Total financial assets available within one year for operations	$ 486,194	$ 524,144

The Arc establishes a budget each year for operations and uses that to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Arc has a line of credit agreement for up to $250,000, with a variable interest rate of the prime rate plus 1.25 percent per annum. As of June 30, 2023, there was no amount drawn on this line of credit.

NOTE 12 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	2023	2022
Assets placed in service:		
Furniture and equipment	$ 91,228	$ 85,689
Software	18,500	-
Website development	1,800	1,800
Video production	32,969	31,469
Assets not yet placed in service:		
Furniture and equipment	17,681	-
Website development	77,812	-
Video production	9,000	-
Less: accumulated depreciation and amortization	(97,322)	(83,462)
Total property and equipment, net	$ 151,668	$ 35,496

NOTE 13 - CORRECTION OF ERROR IN ACCOUNTING FOR BENEFICIAL INTEREST IN TRUST

The Arc has determined a revocable interest in a donor advised giving fund was erroneously recorded in the financial statements prior to July 1, 2021. Therefore, the Arc restated the 2022 beginning of year net assets with donor restrictions balance to reduce it by $1,243,742. The net impact to the financial statements for this correction is as follows:

	2022
Decline in beneficial interest in trusts	$ (952,122)
Decline in net assets with donor restrictions	$ (952,122)
Increase in cash and financial contributions and memberships	$ 40,000
Increase in income/(loss) from beneficial interest in trusts	$ 251,620
Increase in change in net assets with donor restrictions	$ 291,620
Increase in net assets released from restrictions with donor restrictions	$ 40,000
Decrease in net assets released from restrictions without donor restrictions	$ (40,000)

NOTE 14 - ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

The Arc implemented Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. This guidance is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU No. 2016-02 requires lessees to report a right-of-use asset along with a lease liability. The Arc adopted ASU No. 2016-02 as of July 1, 2022, and, as a result, the statement of financial position as of June 30, 2023, includes an operating right-of-use asset and operating lease liability, which are not reflected in the statement of financial position as of June 30, 2022. The Arc recorded an operating right-of-use asset and operating lease liability of $109,364 and $125,181, respectively, as of July 1, 2022. There was no effect on the beginning net assets from the implementation of this standard. The Arc elected to apply all practical expedients available under the ASU, allowing it to (1) not reassess whether any expired or existing contracts previously assessed as not containing leases are, or contain, leases; (2) not reassess the lease classification for any expired or existing leases, (3) not reassess initial direct costs for any existing leases, and (4) to use hindsight in determining the lease term.