THE ARC OF NORTHERN VIRGINIA

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

The Arc of Northern Virginia

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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** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 of Northern Virginia** as of June 30, 2024, and the changes in its net assets and its cash flows for the year 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 of Northern Virginia** 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.

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.

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 of Northern Virginia** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditor's Report (Continued)

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 generally accepted auditing standards 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 generally accepted auditing standards, 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 of Northern Virginia** 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 of Northern Virginia** 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.

Rockville, Maryland
[DATE]

The Arc of Northern Virginia

Statements of Financial Position

June 30,		2024
Assets		
Cash and cash equivalents	$	**456,825**
Accounts receivable		**83,666**
Contributions receivable		**147,632**
Right-of-use asset - operating lease		**128,327**
Beneficial interest in trust		**1,409,545**
Property and equipment, net		**166,859**
Other assets		**101,411**
Total assets	**$**	**2,494,265**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$	**20,924**
Accrued salary and benefits		**109,215**
Deferred income and refundable advance		**37,303**
Finance lease liability		**14,144**
Operating lease liability		**134,914**
Other liabilities		**11,288**
Total liabilities		**327,788**
Net assets		
Net assets without donor restrictions		**598,195**
Net assets with donor restrictions		**1,568,282**
Total net assets		**2,166,477**
Total liabilities and net assets	**$**	**2,494,265**

The accompanying Notes to Financial Statements are an integral part of these financial statements.

For the year ended June 30, 2024	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Program service and other fees	$ 1,435,028	$ -	$ 1,435,028
Contributions and memberships	501,253	441,501	942,754
Contributions of nonfinancial assets	25,044	-	25,044
Contributions from associated organization	62,211	-	62,211
Special events income, net of direct benefit to donors	195,484	-	195,484
Gain from beneficial interest in trust	227,373	-	227,373
Other income	18,046	-	18,046
Net assets released from restrictions	362,319	(362,319)	-
Total support and revenue	2,826,758	79,182	2,905,940
Expenses			
Program services			
Advocacy and information and referral	822,432	-	822,432
Guardianship and case management	810,833	-	810,833
Personal support trusts	460,835	-	460,835
Total program services	2,094,100	-	2,094,100
Supporting activities			
Management and general	357,112	-	357,112
Fundraising	308,996	-	308,996
Total supporting activities	666,108	-	666,108
Total expenses	2,760,208	-	2,760,208
Change in net assets	66,550	79,182	145,732
Net assets, beginning of year	531,645	1,489,100	2,020,745
Net assets, end of year	$ 598,195	$ 1,568,282	$ 2,166,477

The accompanying Notes to Financial Statements are an integral part of these financial statements.

The Arc of Northern Virginia

Statement of Functional Expenses

For the year ended June 30, 2024	Advocacy and Information and Referral	Guardianship and Case Management	Personal Support Trust	Total Program Services	Management and General	Fundraising	**Total**
Salaries, benefits, and taxes	$ 623,896	$ 672,090	$ 389,628	$ 1,685,614	$ 119,470	$ 252,477	**$ 2,057,561**
Professional fees	20,824	10,834	6,281	37,939	196,233	9,985	**244,157**
Occupancy costs	42,728	46,029	26,684	115,441	8,182	17,291	**140,914**
Expenses under grants	64,608	-	-	64,608	-	-	**64,608**
Technology and telecommunications	26,819	28,891	16,749	72,459	5,136	10,853	**88,448**
Other expenses	16,943	24,525	4,992	46,460	20,372	2,676	**69,508**
Depreciation	8,896	9,583	5,555	24,034	1,703	3,600	**29,337**
Travel and mileage	5,904	6,360	3,687	15,951	1,131	2,389	**19,471**
Insurance	3,573	3,849	2,231	9,653	684	1,446	**11,783**
Office supplies	4,923	5,098	2,956	12,977	906	6,936	**20,819**
Personnel expenses	3,318	3,574	2,072	8,964	3,295	1,343	**13,602**
Total expenses	**$ 822,432**	**$ 810,833**	**$ 460,835**	**$ 2,094,100**	**$ 357,112**	**$ 308,996**	**$ 2,760,208**

The accompanying Notes to Financial Statements are an integral part of these financial statements.

The Arc of Northern Virginia

Statements of Cash Flows

For the years ended June 30,		2024
Cash flows from operating activities		
Change in net assets	$	**145,732**
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization		**36,216**
Income from beneficial interest in trust		**(227,373)**
Trust distributions		**73,169**
Right-of-use asset - operating lease		**(103,309)**
Loss on disposal		**2,369**
(Increase) decrease in		
Accounts receivable		**(42,499)**
Contributions receivable		**(6,964)**
Other assets		**5,804**
Increase (decrease) in		
Accounts payable		**(32,404)**
Accrued salary and benefits		**3,228**
Deferred income and refundable advances from gala		**18,125**
Other liabilities		**(100)**
Operating lease liability		**116,700**
Net cash (used in) provided by operating activities		**(11,306)**
Cash flows from investing activities		
Purchases of property and equipment		**(33,146)**
Net cash used in investing activities		**(33,146)**
Cash flows from financing activities		
Payments on finance lease obligations		**(6,776)**
Net cash used in financing activities		**(6,776)**
Net change in cash and cash equivalents		**(51,228)**
Cash and cash equivalents, beginning of year		**508,053**
Cash and cash equivalents, end of year	$	**456,825**
Supplemental Information		
Interest paid	$	**508**
Recognition of Right-of-use asset - operating lease	$	**224,178**
Recognition of operating lease liability	$	**224,178**

The accompanying Notes to Financial Statements are an integral part of these financial statements.

1. Organization and significant accounting policies

Organization: The Arc of Northern Virginia (the Arc) (the "Organization") 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 curriculum also expands support for disability service provider partner organizations through the use of 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.

Basis of accounting: The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation: The Organization classifies net assets and revenue based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time. As of June 30, 2024, all net assets with donor restrictions were restricted for time and purpose.

Cash and cash equivalents: Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. These are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

The Organization maintains cash balances at commercial banks, in operating accounts. These balances can exceed the Federal Deposit Insurance Corporation ("FDIC") insured deposit limit of $250,000 per financial institution. On June 30, 2024, the Organization's cash balances held at the commercial banks exceeded the FDIC limit by approximately $213,000. Management does not believe that this results in any significant credit risk. The Organization has not experienced any losses through the date when the financial statements were available to be issued.

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, 2024, the Arc recorded $83,666 as accounts receivable in the accompanying Statements of Financial Position. The allowance for current expected credit losses reflects the best estimate of probable losses determined principally on the basis of historical experience, future expected economic conditions, and known troubled accounts. This balance is deemed fully collectible and therefore no allowance for doubtful accounts was deemed necessary as of June 30, 2024. All balances are expected to be received within one year.

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. 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, 2024, are due to be received in the next fiscal year.

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, 2024, no allowance for uncollectible amounts is necessary.

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, 2024, was $1,409,545 and is included in net assets with donor restrictions. For the year ended June 30, 2024, the Arc recorded a change of $227,373 in the value of the trust that included $73,168 in cash distributions of the lead interest that reduced the value of the beneficial interest in trusts. The trust has been valued based on the underlying assets value using a 7% 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.

Fair value: The Organization values its investments at fair value in accordance with a three-tier fair value hierarchy, which prioritizes the input used in measuring fair value as follows:

> Level 1: Observable inputs, such as quoted prices in active markets for identical assets or liabilities;
>
> Level 2: Inputs, other than the quoted price in active markets, that are observable either directly or indirectly; and
>
> Level 3: Unobservable inputs for which there is little or no market data, which require the reporting entity to develop its own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. There were no changes in the fair value methodologies used on June 30, 2024.

Property and equipment: The Organization capitalizes all expenditures for property and equipment in excess of $500. Property and equipment are carried at cost. Depreciation is computed using the straight-line method over estimated useful lives of five to seven years for furniture and equipment and three years for software, website development, and video production.

Leases: The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") assets and operating lease liabilities on the statements of financial position. The ROU assets resulting from finance leases are included in property and equipment and the related liabilities are included in the finance lease liability in the statements of financial position. Lease liabilities are recognized based on the present value of the future minimum lease payments as of the commencement date. Since most lease agreements do not provide an implicit rate, the Organization elected to use a risk-free rate. The ROU assets are equal to the lease liabilities, less lease incentives and initial costs incurred to obtain the lease. Lease and non-lease components of office equipment and office space lease agreements are accounted as a single component. Lease terms, for the purposes of determining each lease's present value, include options to extend or terminate the lease if it is reasonably certain that the Organization will exercise the option. Operating lease cost is recognized on a straight-line basis over the lease term as rent and utilities in the accompanying statements of functional expenses. All leases are recorded in the Statements of Financial Position except for leases with an initial term less than 12 months for which the Organization made the short-term lease election.

Revenue recognition: The Arc of Northern Virginia recognizes certain revenue in accordance with Accounting Standards Codification 606, *Revenue from Contracts with Customers* ("ASC 606"). The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The five-step model is outlined below:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance. obligation.

Program service fees 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 over time 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 year ended June 30, 2024:

Contract costs - Costs to fulfill the contracts for registration fees and program related revenue include direct salaries, fringe benefits, allocated overhead, and other miscellaneous expenses. The Organization does not incur incremental costs to obtain the contracts.

Contract assets and liabilities - Amounts included in due from affiliate are billed and unbilled reimbursements of expenditures recognized for which payment has not yet been received. As of June 30, 2024, accounts receivable was $83,666 and, on July 1, 2023, the balance was $41,167. Contract liabilities consisted of deferred revenue relating to the GOLR program. As of June 30, 2024, contract liabilities were $19,803 and as of July 1, 2023, the balance was $19,178. There were no contract assets on June 30, 2024 and July 1, 2023.

The following revenue streams are outside of the scope of ASC 606:

Contributions: 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.

As of June 30, 2024, the Arc was aware of conditional pledges of $251,501 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, 2024, 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 by the Arc is greater than the payment received by the attendees and sponsors, and the excess is deemed to be a contribution. 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, 2024, the Arc recorded deferred income of $4,950 for the estimated value of the benefits to be provided in exchange and refundable advances for the portion deemed to be conditional contributions of $12,550 related to sponsorship of its gala that was held in the year ended June 30, 2023. There was no deferred income or refundable advances for special events in the year ended June 30, 2023. As of July 1, 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.

Contributed materials and services: The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Certain services have been contributed to the Organization. The estimated fair value of such contributions have been estimated by the donors and management and reported as contributions and expenses, as applicable.

Donations of goods and materials are recorded as support at their estimated fair value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

Functional expenses: The costs of providing the programs have been summarized on a functional basis in the accompanying Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting activities benefited.

Expenses	Method of Allocation
Salaries, benefits, and taxes	Time and effort by department
Professional fees	Direct & Time and effort by department
Occupancy costs	Time and effort by department
Technology and telecommunications	Time and effort by department
Other expenses	Direct & Time and effort by department
Depreciation	Time and effort by department
Travel and mileage	Time and effort by department
Insurance	Time and effort by department
Office supplies	Direct & Time and effort by department
Personnel expenses	Direct & Time and effort by department

Income tax status: The Organization is incorporated as a nonprofit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as a publicly-supported organization.

The Organization evaluates uncertainty in income tax positions based on a more-likely-than-not recognition standard. 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 ultimate settlement. As of June 30, 2024, and 2023, there are no accruals for uncertain tax positions. If applicable, the Organization records interest and penalties as a component of income tax expense. Tax years from 2021 through the current year remain open for examination by federal and state tax authorities.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent accounting pronouncements adopted: In June 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326), or ("CECL"), which prescribes an impairment model for most financial instruments based on expected losses rather than incurred losses. Under this model, an estimate of expected credit losses over the contractual life of the instrument is to be recorded as of the end of a reporting period as an allowance to offset the amortized cost basis, resulting in a net presentation of the amount expected to be collected on the financial instrument. For most instruments, entities must apply the standard using a cumulative-effect adjustment to the beginning net assets as of the beginning of the fiscal year of adoption. There were no changes in net assets as a result of the adoption.

Reclassification: Certain 2023 balances have been reclassified to conform with the current year presentation on the Statement of Financial Position and Statement of Functional Expenses.

Subsequent events: Management has evaluated subsequent events for disclosure in these financial statements through [DATE], which is the date the financial statements were available to be issued.

2. Liquidity and availability of resources

The table below presents financial assets available for general expenditures within one year as of June 30:

	2024
Cash and cash equivalents	$ 456,825
Accounts receivable	83,666
Contributions receivable	147,632
Total financial assets	688,123
Less: net assets with donor restrictions	(33,400)
Financial assets available to meet general expenditures over the next twelve months	**$ 654,723**

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.

3. Beneficial interest in trust

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

2024	Level 1	Level 2	Level 3	Total
Equities	**$ 1,216,144**	**$ -**	**$ -**	**$ 1,216,144**
Total at fair value	**1,216,144**	**-**	**-**	**1,216,144**
Cash valued at cost				**119,434**
REIT valued at NAV				**73,967**
Total trust				**$ 1,409,545**

4. Property and equipment

Property and equipment consisted of the following as of June 30, 2024:

	2024
Assets placed in service:	
Furniture and equipment	**$ 75,989**
Software	**32,500**
Website development	**83,055**
Video production	**46,469**
Assets not yet placed in service:	
Furniture and equipment	**17,681**
Website development	**-**
Video production	**4,500**
Total	**260,194**
Less: accumulated depreciation	**(107,088)**
Property and equipment, net	**$ 153,106**

Depreciation expenses for the year ended June 30, 2024, was $29,337.

5. Line of credit

The Arc has a revolving line of credit with a local bank in the amount of $250,000. The agreement stipulates an interest rate of the daily prime rate quoted in The Wall Street Journal plus 1.25% per annum. On June 30, 2024, the rate was 9%. The line of credit is collateralized by all equipment and accounts receivable. There was no balance due as of June 30, 2024. There was no activity from the line of credit for the year ending June 30, 2024.

6. Concentrations

In the year ended June 30, 2024 approximately 49% of total revenue and support was from three sources. On June 30, 2024, approximately 92% of contributions receivable were due from four donors and 77% of accounts receivable were due from one county community service board.

7. Special events

The special events net income for the year ended June 30, 2024 and consisted of:

		Arctoberfest		Corporate Team Challenge		Benefit Breakfast		Other Events		Total
Contributions	$	19,470	$	66,923	$	84,915	$	8,371	$	179,679
Registration fees		12,555		6,300		13,440		770		33,065
Less: cost of direct donor benefits		(3,167)		(19,106)		(19,987)		-		(42,260)
Net profit on special events		9,388		(12,806)		(6,547)		770		(9,195)
Special events income, net	$	28,858	$	54,117	$	78,368	$	9,141	$	170,484

8. Contributions of nonfinancial assets

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

		2024
Legal fees and other professional services	$	5,150
Services received at special events		-
Donated assets		17,494
Other contributions of nonfinancial assets		2,400
Total contributed materials and services	$	25,044

The Arc benefited from an estimated 517 volunteer hours contributed during the year ending June 30, 2024. 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.
Website	Capitalized and depreciated over estimated useful lives	None	The Arc estimated the fair value based on the average price of similar assets.

9. Net assets with donor restrictions

Net assets with donor restrictions on June 30:

		2024
Purpose restrictions		
Frank Trippett Advocacy and Outreach Fellowship	$	**84,574**
Transition POINTS project		**8,116**
Total purpose restrictions:		**92,690**
Time restrictions		
Time restrictions		**1,442,192**
Randall R. Burmester endowment		**33,400**
Temporary time restrictions		**1,475,592**
Total net assets with donor restrictions	**$**	**1,568,282**

The compositions of net assets released from restrictions for the year ended June 30, were:

		2024
Satisfaction of program		
Transition POINTS project	$	**73,728**
Travel training project		**88,568**
Frank Trippett Advocacy and Outreach Fellowship		**11,879**
Other		**2,106**
Satisfaction of time restrictions		**183,221**
Amounts appropriated from endowments		**2,817**
Total release of net assets with donor restrictions:	**$**	**362,319**

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, which 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:

	2024
Endowment, beginning balance	**$ 30,065**
Income on investments and trust	**6,152**
Amount appropriated for operations	**(2,817)**
Endowment, ending balance	**$ 33,400**

10. Operating lease

The Arc had an agreement for office space that began September 1, 2013. The lease expired on August 31, 2023. 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 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%.

On August 1, 2023, the Arc commenced a lease for new office space. The new lease is for one year with nine renewal clauses with escalations each year. The Arc has determined the weighted-average lease term of 25-month period through August 31, 2025, is reasonably certain to be exercised. The total weighted-average discount rate for the operating lease was 4.76%.

The total operating lease cost was $126,975 for the year ended June 30, 2024 and is included within occupancy costs on the Statement of Functional Expenses. Total cash flows from operating leases were $115,719 for the year ended June 30, 2024.

Future lease obligations under the operating lease as of June 30, 2024, in the aggregate, were as follows:

Year ending June 30,	Amount
2025	$ 118,988
2026	19,998
Total future payments	138,986
Less interest	(4,072)
Total operating lease liability	**$ 134,914**

11. Finance lease

In August 2022, the Organization entered into a finance lease agreement for a copier with a capitalized cost of $27,506. For the year ended on June 30, 2024, the accumulated depreciation of the copier in the Statements of Financial Position were $13,753. Depreciation expense reported in the Statements of Activities and Changes in Net Assets was $6,878 for the copier during the year ended June 30, 2024. Total finance lease cost for the year ended June 30, 2024, was $7,284. The weighted-average discount rate for the lease was 2.85% as of June 30, 2024. The weighted-average life of the lease was 24 as of June 30, 2024. Future minimum lease payments on the copier are as follows for the year ending June 30:

Year ending June 30,	Amount
2025	$ 7,284
2026	7,284
Subtotal	14,568
Less: Amount representing interest	(424)
Finance lease liability	**$ 14,144**

12. 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 year ended June 30:

	2024
Trust management fees	**$ 679,248**
Foundation management fee	**6,000**
Gala sponsorship	**26,250**
Other contributions	**62,211**
Total income from the Foundation	**$ 773,709**

In addition, during the year ended June 30, 2024, the Arc collected $49,087 in trust fees on behalf of the Foundation. Such collections are remitted to the Foundation throughout the year.

13. Retirement plan

The Organization adopted a 403(b) retirement plan for its employees. The Organization made matching contributions to the 403(b) plan during the year ended June 30, 2024, for $31,103.