



***THE ARC ALLIANCE FOUNDATION***

**FINANCIAL STATEMENTS**

**Years Ended June 30, 2014 and 2013**

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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
The Arc Alliance Foundation  
Eagleville, Pennsylvania**

We have audited the accompanying financial statements of The Arc Alliance Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 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**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Arc Alliance Foundation as of June 30, 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.

*Herbein + Company, Inc.*

**Reading, Pennsylvania  
January 22, 2015**

**THE ARC ALLIANCE FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**

June 30

	2014	2013
<b>ASSETS</b>		
Due from related parties	<u>\$ 461,779</u>	<u>\$ 532,531</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 461,779</u></u>	<u><u>\$ 532,531</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 342	\$ 1,910
Accrued payroll and payroll taxes	5,550	3,749
Accrued vacation	<u>3,274</u>	<u>1,511</u>
<b>TOTAL CURRENT LIABILITIES</b>	9,166	7,170
<b>NET ASSETS</b>		
Unrestricted	444,113	513,861
Temporarily restricted	<u>8,500</u>	<u>11,500</u>
<b>TOTAL NET ASSETS</b>	<u><u>452,613</u></u>	<u><u>525,361</u></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 461,779</u></u>	<u><u>\$ 532,531</u></u>

*See accompanying notes.*

THE ARC ALLIANCE FOUNDATION

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2014			Year Ended June 30, 2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>						
Donations	\$ 63,010	\$ 8,500	\$ 71,510	\$ 101,335	\$ 3,000	\$ 104,335
Net assets released from restrictions	11,500	(11,500)	-	20,852	(20,852)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>74,510</b>	<b>(3,000)</b>	<b>71,510</b>	122,187	(17,852)	104,335
<b>EXPENSES</b>						
Staff - salaries and related taxes and benefits	-	-	-	95,732	-	95,732
Occupancy	5,280	-	5,280	5,280	-	5,280
Operations:						
Communication	988	-	988	490	-	490
Grant expenses	100,000	-	100,000	-	-	-
Management fees	-	-	-	13,159	-	13,159
Membership dues	158	-	158	504	-	504
Miscellaneous	2,921	-	2,921	11,422	-	11,422
Office expenses	23,951	-	23,951	1,489	-	1,489
Printing	5,083	-	5,083	5,199	-	5,199
Professional fees	4,400	-	4,400	4,200	-	4,200
Supplies, capital purchases	1,477	-	1,477	2,624	-	2,624
<b>TOTAL EXPENSES</b>	<b>144,258</b>	<b>-</b>	<b>144,258</b>	140,099	-	140,099
<b>CHANGE IN NET ASSETS</b>	<b>(69,748)</b>	<b>(3,000)</b>	<b>(72,748)</b>	(17,912)	(17,852)	(35,764)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>513,861</b>	<b>11,500</b>	<b>525,361</b>	531,773	29,352	561,125
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 444,113</b>	<b>\$ 8,500</b>	<b>\$ 452,613</b>	\$ 513,861	\$ 11,500	\$ 525,361

See accompanying notes.

**THE ARC ALLIANCE FOUNDATION**

**STATEMENTS OF CASH FLOWS**

	Year Ended June 30	
	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (72,748)	\$ (35,764)
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Changes in:		
Prepaid expenses	-	827
Pledges receivable	-	8,500
Accounts payable and accrued expenses	(1,568)	999
Accrued payroll and payroll taxes	1,801	105
Accrued vacation	1,763	1,511
Due from related parties	70,752	23,822
	-	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	-	-
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	-	-
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ -	\$ -

## THE ARC ALLIANCE FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

The Arc Alliance Foundation is a nonprofit agency formed in Montgomery County, Pennsylvania to solicit contributions from the public, including individuals and corporations, to help fund affiliated organizations. The Arc Alliance Foundation is a member of a group of affiliated organizations.

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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##### **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.

##### **Basis of Accounting**

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

##### **Basis of Presentation**

The Arc Alliance Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets:

Unrestricted net assets are those assets that are available for the support of operations and whose use is not externally restricted, although their use may be limited by other factors such as by contract or board designation.

Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met and for which the ultimate purpose of the proceeds is not permanently restricted.

Permanently restricted net assets include gifts, trusts and pledges which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions.

##### **Cash Equivalents**

The Arc Alliance Foundation considers all short-term investments with an original maturity date of three months or less to be cash equivalents.

**THE ARC ALLIANCE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**Accounts Receivable**

Accounts receivable are carried at cost, less allowance for losses. The allowance for losses is determined using experience and an overall current evaluation of collectible accounts by management. An account is written off when it is determined that all collection efforts have been exhausted. The Arc Alliance Foundation has no outstanding accounts receivable as of June 30, 2014 and 2013.

**Contributions**

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**Pledges Receivable**

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Tax-Exempt Status**

The Arc Alliance Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In accordance with generally accepted accounting principles, The Arc Alliance Foundation accounts for uncertain tax positions, if any, as required. Using that guidance, management has determined that there are no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax years 2010 and forward remain open for examination by the applicable taxing authorities.

**Subsequent Events**

In preparing these financial statements, The Arc Alliance Foundation has evaluated events and transactions for potential recognition through January 22, 2015, the date the financial statements were available to be issued.



**THE ARC ALLIANCE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**NOTE 2 - RETIREMENT PLAN**

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The Arc Alliance Foundation has a defined contribution annuity plan covering all eligible employees. A discretionary matching contribution of up to four percent of compensation is determined by The Arc Alliance Foundation each year. Employees eligible for contributions from The Arc Alliance Foundation must have attained age twenty and completed one half year of service. Plan contributions were \$0 for both of the years ended June 30, 2014 and 2013. Beginning February 2012, the Foundation no longer provides the discretionary matching contribution.

**NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS**

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Temporarily restricted net assets are available for the following purposes at June 30:

	<b>2014</b>	<b>2013</b>
Child Development	\$ -	\$ 3,000
Dolefinger educate and unite families: 2012 - 2013	-	3,500
Dolefinger educate and unite families: 2013 - 2014	<b>3,500</b>	-
Dolefinger update billing software: 2012 - 2013	-	5,000
Dolefinger update billing software: 2013 - 2014	<b>5,000</b>	-
	<b>\$ 8,500</b>	<b>\$ 11,500</b>

Net assets released from restrictions were \$11,500 and \$20,852 for the years ended June 30, 2014 and 2013, respectively.

**THE ARC ALLIANCE FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014 and 2013**

**NOTE 4 - RELATED PARTY TRANSACTIONS**

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In the year ended June 30, 2014 the Arc Alliance Foundation provided a \$100,000 operating grant to Arc Alliance Children's Services.

The Arc Alliance Foundation pays management fees to an affiliated organization for payroll and other services performed. Management fees for the year ended June 30, 2014 and 2013 were \$0 and \$13,159, respectively.

Beginning February 2007, The Arc Alliance Foundation conducted its operations from office space leased from an affiliated company. The lease is calculated at a market rate and is renewable on an annual basis. The total net rental expense for both of the years ended June 30, 2014 and 2013 was \$5,280.

Amounts due (to) from affiliated organizations at June 30 were as follows:

	<b>2014</b>	<b>2013</b>
Arc Alliance Children's Services	\$ <b>3,705</b>	\$ 239,956
Arc Alliance	<b>(19,095)</b>	41,412
Arc Alliance Advocacy Services	<b>477,169</b>	251,163
	<b>\$ 461,779</b>	\$ 532,531

The combined summary of financial position for The Arc Alliance and Affiliates at June 30 is as follows:

	<b>2014</b>	<b>2013</b>
Total Assets	<b>\$ 4,842,665</b>	\$ 5,225,951
Total Liabilities	<b>\$ 4,111,412</b>	\$ 4,362,343
Total Net Assets	<b>731,253</b>	893,608
Total Liabilities and Net Assets	<b>\$ 4,842,665</b>	\$ 5,255,951
Total Support and Revenue	<b>\$ 7,133,835</b>	\$ 6,296,413
Total Expenses	<b>7,296,190</b>	6,238,104
Increase (Decrease) in Net Assets	<b>\$ (162,355)</b>	\$ 58,309

**THE ARC ALLIANCE FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014 and 2013**

**NOTE 5 - NATIONAL AND STATE AFFILIATION**

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The Arc Alliance is an autonomous, community-based nonprofit organization, which is an intermediary affiliate of Arc (national and state headquarters). Membership fees paid to the national and state organization are calculated in accordance with a fee formula established by the national and state board of directors. Arc National provides maintenance of a nationwide recognition of Arc, consultation services for programs and facilities, training, and various other services for affiliated organizations. Dues incurred and paid to Arc National during the years ended June 30, 2014 and 2013 were \$3,100 and \$6,229, respectively. The Arc Alliance Foundation's share of these fees for the years ended June 30, 2014 and 2013 were \$14 and \$23, respectively. Dues incurred and paid to Arc of PA during the years ended June 30, 2014 and 2013 were \$31,608 and \$16,274, respectively. The Arc Alliance Foundation's share of these fees for the years ended June 30, 2014 and 2013 were \$144 and \$61, respectively.