

The Arc of Benton County

Financial Statements

For The Years Ended June 30, 2009 and 2008

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To the Board of Directors of
The Arc of Benton County

We have audited the accompanying statement of financial position of The Arc of Benton County (a not-for-profit organization) as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based our audit.

We conducted our audit in accordance with 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Arc of Benton County as of June 30, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The 2008 financial statements were reviewed by us, and our report thereon, dated October 31, 2008, stated that we were not aware of any material modifications that should be made to those statements for them to be in conformity with generally accepted accounting principles. However, a review is substantially less in scope than an audit and does not provide a basis for an expression of an opinion on the financial statements taken as a whole.

Heck & Barry, LLP

Corvallis, Oregon
November 11, 2009

THE ARC OF BENTON COUNTY
Statements of Financial Position
At June 30, 2009 and 2008

	<u>Year Ended</u> <u>June 30, 2009</u> <u>(Audited)</u>	<u>Year Ended</u> <u>June 30, 2008</u> <u>(Reviewed)</u>
ASSETS		
Cash and cash equivalents	\$ 225,708	\$ 41,453
Accounts receivable	843	6,449
Investments	65,643	109,583
Prepaid expenses	10,256	5,951
Loans receivable from affiliated organizations (See Note 7)	31,601	37,101
Land	349,011	373,445
Buildings and improvements	676,221	686,451
Equipment	125,937	125,937
Work-in-Progress	-	37,942
Accumulated depreciation	(329,992)	(373,036)
Total Assets	\$ 1,155,228	\$ 1,051,276
LIABILITIES		
Accounts payable	\$ 6,081	\$ 703
Accrued expenses	20,292	18,209
Mortgages payable	343,789	508,099
Total Liabilities	370,162	527,011
NET ASSETS		
Unrestricted:		
Property, plant and equipment net of debt	477,388	342,640
Designated for property management	45,925	45,925
Designated for endowment	6,875	6,875
Undesignated	251,267	124,920
Temporarily restricted	3,611	3,905
Total Net Assets	785,066	524,265
Total Liabilities and Net Assets	\$ 1,155,228	\$ 1,051,276

See accompanying notes and accountant's report

THE ARC OF BENTON COUNTY
Statement Of Activities
For Year Ended June 30, 2009

	Unrestricted (Audited)	Temporarily Restricted (Audited)	Total (Audited)
UNRESTRICTED NET ASSETS			
Unrestricted revenues and gains:			
Program service fees	\$ 24,827	\$ -	\$ 24,827
Lease revenue	65,673	-	65,673
Direct support	49,241	60	49,301
Other	3,307	-	3,307
Fund raising income:			-
Bingo	870,666	-	870,666
Resale	413,738	-	413,738
Other	11,933	-	11,933
Memberships	6,510	-	6,510
Loss on Joint venture	-	-	-
Investment income	301,374	-	301,374
Interest and dividends	771	-	771
Gain (loss) on disposal of equipment		-	-
Net assets released from restrictions:			-
Restrictions satisfied by payments	354	(354)	-
Total Unrestricted Revenues and Gains	1,748,394	(294)	1,748,100
EXPENSES			
Programs:			
Horse Program	223	-	223
Recreation Guild	76,291	-	76,291
Access Corvallis	6,423	-	6,423
Management and general	160,022	-	160,022
Property management	19,342	-	19,342
Fund raising:			-
Bingo	896,021	-	896,021
Resale	328,977	-	328,977
Total Expenses	1,487,299	-	1,487,299
Increase (decrease) in net assets	261,095	(294)	260,801
Net assets, beginning of year	520,360	3,905	524,265
Net Assets, end of year	\$ 781,455	\$ 3,611	\$ 785,066

See accompanying notes and accountant's report

THE ARC OF BENTON COUNTY
Statement Of Activities
For Year Ended June 30, 2008

	<u>Unrestricted</u> <u>(Reviewed)</u>	<u>Temporarily</u> <u>Restricted</u> <u>(Reviewed)</u>	<u>Total</u> <u>(Reviewed)</u>
UNRESTRICTED NET ASSETS			
Unrestricted revenues and gains:			
Program service fees	\$ 39,044	\$ -	\$ 39,044
Lease revenue	67,684	-	67,684
Direct support	15,615	205	15,820
Other	(1,279)	-	(1,279)
Fund raising income:			
Bingo	934,703	-	934,703
Resale	423,740	-	423,740
Other	5,412	-	5,412
Memberships	8,164	-	8,164
Loss on Joint venture	-	-	-
Investment income	(11,252)	-	(11,252)
Interest and dividends	4,915	-	4,915
Gain (loss) on disposal of equipment	(42)	-	(42)
Net assets released from restrictions:			
Restrictions satisfied by payments	40	(40)	-
Total Unrestricted Revenues and Gains	<u>1,486,744</u>	<u>165</u>	<u>1,486,909</u>
EXPENSES			
Programs:			
Horse Program	124	-	124
Recreation Guild	92,112	-	92,112
Access Corvallis	13,857	-	13,857
Management and general	193,911	-	193,911
Property management	29,635	-	29,635
Fund raising:			
Bingo	914,000	-	914,000
Resale	333,566	-	333,566
Total Expenses	<u>1,577,205</u>	<u>-</u>	<u>1,577,205</u>
Increase (decrease) in net assets	(90,461)	165	(90,296)
Net assets, beginning of year	<u>610,821</u>	<u>3,740</u>	<u>614,561</u>
Net Assets, end of year	<u>\$ 520,360</u>	<u>\$ 3,905</u>	<u>\$ 524,265</u>

See accompanying notes and accountant's report

THE ARC OF BENTON COUNTY
Statements of Cash Flows
For Years Ended June 30, 2009 and 2008

	Year Ended June 30, 2009 (Audited)	Year Ended June 30, 2008 (Reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash collected from contracts, grants and fund raising	\$ 1,451,561	\$ 1,492,829
Cash collected from interest and dividends	124	255
Cash paid to employees and suppliers	(1,424,821)	(1,517,468)
Cash paid for interest	(35,224)	(34,489)
	(8,360)	(58,873)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	-	(75,355)
Purchase of building and land	-	(325,000)
Improvements to building	(28,700)	(37,942)
Transfer from investment account	35,580	42,000
Principal payment on loans from affiliated organizations	5,500	16,000
Loans to affiliated organizations	-	-
Net Cash Used By Investing Activities	12,380	(380,297)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from new long-term loans	-	414,000
Proceeds from sale of property	191,337	
Principal payments of long-term loans	(11,102)	(32,544)
Net Cash Used By Financing Activities	180,235	381,456
NET INCREASE IN CASH AND EQUIVALENTS	184,255	(57,714)
Cash and cash equivalents--beginning of year	41,453	99,167
Cash and cash equivalents--end of year	\$ 225,708	\$ 41,453
Reconciliation Of Change In Net Assets To Net Cash Provided By Operating Activities		-
Change in net assets	\$ 260,801	\$ (90,296)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	24,098	28,753
Non-cash donations	-	(515)
Dividends reinvested	(647)	(4,660)
Unrealized (gain)loss on investments	5,622	17,068
Realized (gain) loss on investments	3,385	(5,755)
Realized gain on sale of property	(310,381)	-
Changes in assets and liabilities:		
Accounts receivable	5,606	56
Prepaid expenses	(4,305)	5,556
Accounts payable	5,378	(6,576)
Accrued expenses	2,083	(2,504)
Net Cash Provided By Operating Activities	\$ (8,360)	\$ (58,873)

See accompanying notes and accountant's report

THE ARC OF BENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Arc of Benton County provides advocacy, housing, leisure programs, and support services for individuals with developmental disabilities and their families. The Arc of Benton County operates residential programs in Corvallis, Oregon, resale stores in Corvallis and Philomath, Oregon, and an online thrift store. In cooperation with The Arc of Lane County, the Arc of Benton County operates a bingo hall in Springfield, Oregon. The organization is supported primarily through client fees, lease revenue, resale shop sales, bingo operations, and donations.

Income Taxes

The Arc of Benton County is a charitable not-for-profit corporation exempt from payment of federal income taxes and Oregon excise taxes as determined by the Internal Revenue Service in March 1961 under Internal Revenue Code §501(c)(3) and has been classified as other than a private foundation.

Basis of Accounting

The financial statements of the Arc of Benton County have been prepared on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liability is incurred.

Financial Statement Presentation

The financial statements have been prepared and presented in conformity with accounting principles applicable to nonprofit organizations. Correspondingly, the Organization reports information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets are not subject to donor-imposed restrictions and includes funds set aside by the Board of Directors for a specific purpose.
- Temporarily restricted net assets are subject to donor-imposed restrictions that may be satisfied by meeting certain conditions or by the passage of time.
- Permanently restricted net assets are subject to donor-imposed restrictions that require that the assets be permanently maintained.

The Arc of Benton County did not have any permanently restricted assets.

THE ARC OF BENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Arc of Benton County considers all short term debt securities purchased with a maturity of three months or less to be cash equivalents.

Property and Equipment

The Arc of Benton County's policy is to capitalize property and equipment that cost over \$1,200. Lesser amounts are expensed. Property and equipment are stated at cost when purchased or at estimated fair value when donated. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to expense as incurred. When depreciable properties are retired, or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts, and any resulting difference is reflected in income as a gain or loss.

Contributions

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

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restricted expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, temporarily restricted assets are reclassified as unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the same reporting period as that in which the revenues are recognized.

Donated marketable securities and other non-cash donations used in the Organization are recorded at their estimated fair values at the date of donation. The Organization received contributed clothing, furniture and other items sold in their stores. The value of those contributions is not recorded in the financial statements.

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by The Arc of Benton County. During the fiscal years ending June 30, 2009 and 2008, the Arc of Benton County did not receive any donated services that met those criteria. Many individuals did volunteer their time to perform a variety of tasks that assist the Organization, but the value of those services is not recorded in the financial statements because they did not meet the criteria.

THE ARC OF BENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

Estimates

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

Investments

Generally Accepted Accounting Principles require that investments in marketable securities with readily determinable fair values and all investments in debt securities be reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Gains and investment income that are limited to specific uses by donor imposed restrictions may be reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the gains and income are recognized.

Advertising

Advertising costs are expensed as incurred.

NOTE 2 – ADVERTISING COSTS

Total advertising costs incurred during the fiscal years ending June 30, 2009 and 2008 were \$8,485 and \$9,306, respectively.

NOTE 3 – CASH, INVESTMENTS AND CONCENTRATION OF CREDIT RISK

Cash and investments at June 30, 2009 consisted of the following:

Checking accounts insured by the Federal Deposit Insurance Corporation	\$ 220,108
Money market and mutual funds with Edward Jones Company (uninsured)	65,643
Petty cash	<u>5,600</u>
	\$ <u>291,351</u>

THE ARC OF BENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 4 – LONG-TERM DEBT

Long-term debt at June 30, 2009 consists of:

Note payable – Citizens Bank secured by real estate, payable in monthly installments of \$695 including interest at 8% per year, maturing June 2021	\$ 48,623
Note payable – Siuslaw Valley Bank, secured by real estate, payable in monthly installments of \$418 including interest at 8.75% per year, maturing July 2017	40,467
Note payable – City of Corvallis, secured by real estate, payable in monthly installments of \$138 including interest at 3% per year, maturing February 2011	2,563
Note payable – Citizens Bank, secured by real estate, payable in monthly installments of \$1,934 including interest at 7.5% per year, maturing August 2032	<u>252,136</u>
	<u>\$ 343,789</u>

Total interest expense for the years ended June 30, 2009 and 2008 was \$35,037 and \$34,489, respectively.

Maturities of long-term debt subsequent to the year ended June 30, 2009 are as follows:

<u>June 30</u>	<u>Amount</u>
2010	\$ 12,209
2011	12,436
2012	12,415
2013	13,433
2014	14,534
2015-2019	73,424
2020-2024	71,739
2025-2029	79,697
2030-2034	<u>53,902</u>
	<u>\$ 343,789</u>

THE ARC OF BENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 5 – OPERATING LEASES – EXPENSE

The Arc of Benton County rents facilities for fundraising and storage. Some leases contain renewal options with escalation clauses tied to the cost of living index. Total rent expense for the years ended June 30, 2009 and 2008 was \$144,171 and \$151,588, respectively. Minimum future rental payments are as follows:

Year Ended	<u>Amount</u>
<u>June 30</u>	
2010	\$ 146,607
2011	148,320
2012	149,772
2013	131,214
2014	<u>66,144</u>
	\$ <u>642,057</u>

NOTE 6 – OPERATING LEASES – REVENUE

The Arc of Benton County leases group homes to Benco, Inc. and to individuals with special needs. The homes are included in land and buildings in the statement of financial position. The basic lease terms are 3 years and allows for an annual increase for housing costs and insurance. However, an annual increase is not automatic.

Minimum future rental receipts are as follows:

Year Ended	<u>Amount</u>
<u>June 30</u>	
2010	\$ 55,638
2011	<u>37,785</u>
	\$ <u>93,423</u>

THE ARC OF BENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 7 – JOINT VENTURE

During the year ended June 30, 2003, The Arc of Benton County entered into an agreement with two other similar organizations for the purpose of operating a resale shop (Great Finds) in Salem, Oregon. The Arc of Benton County was to provide start-up capital and provide financial statements. One organization was to provide employees (cost to be reimbursed) for the shop and negotiate a lease for the property. The other organization was to provide marketing skills and technical assistance to operate a used-goods pick-up-service.

The Arc of Benton County has invested \$89,402 since the inception of the joint venture in the nature of cash advances and payment of Great Finds' expenses. The joint venture had losses of \$88,650 since its inception, of which \$29,550 was attributed to The Arc of Benton County.

During the year ending June 30, 2006, due to continual losses, the resale operation was closed. The two other organizations have agreed to reimburse The Arc of Benton County for their share of the loss which was \$29,550 for each organization. Those amounts were recorded on the balance sheet as loans from affiliated organizations.

One of the organizations made payments of \$5,500 during the year ended June 30, 2009, and is expected to make payments of at least \$6,000 each year. The other organization did not make payments during the year. However, management expects the total amount due the Arc of Benton County will be collected.

NOTE 8 - NON-CASH TRANSACTIONS

During the year the Arc of Benton County recorded the following non-cash transactions.

Unrealized loss on mutual funds	\$ 5,522
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NOTE 9 – RISK MANAGEMENT

The Arc of Benton County is exposed to various risks including: loss related to torts; theft of, damage to, and destruction of assets; errors and omissions of officers; injuries to employees; and natural disasters. The Organization makes use of an insurance agency to provide advice on risk management. The Organization is insured for general liability, automobile liability, property losses and employee dishonesty.

THE ARC OF BENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 10 – TEMPORARILY RESTRICTED FUNDS

Temporarily Restricted Funds are donor designated funds that were made for the following purposes:

<u>Restricted Fund Name</u>	<u>Purpose</u>
Arc Sports	Support participation in Special Olympics
Jean Scholl Memorial	Provide for administrative equipment
Horse Program	Support equestrian program for people with disabilities
Louise Teater Membership	Cover the cost for young families in need to become members of the Arc of Benton County

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 11, 2009, the date on which the financial statements were available to be issued.