

**THE ARC OF SAN ANTONIO, INC.**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2012**



## Independent Auditor's Report

Board of Directors  
The Arc of San Antonio, Inc.  
San Antonio, Texas

We have audited the accompanying statements of financial position of The Arc of San Antonio, Inc. (a nonprofit corporation) as of June 30, 2012 and 2011 and the related statements of activities and functional expenses for the year ended June 30, 2012, and the statements of cash flows for the years ended June 30, 2012 and 2011. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from the Organization's 2011 financial statements, and in our report dated September 12, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audits 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 misstatements. 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 audits provide 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 San Antonio, Inc. as of June 30, 2012 and 2011, and the changes in its net assets for the year ended June 30, 2012, and its cash flows for the years ended June 30, 2012 and 2011, in conformity with accounting principles generally accepted in the United States of America.

*Sagebiel, Ravenburg & Schuh, P.C.*

September 14, 2012

Lincoln Center  
7800 I.H. 10 West, Suite 630  
San Antonio, TX 78230-4750

**210-979-7600**

**THE ARC OF SAN ANTONIO, INC.**  
**STATEMENT OF FINANCIAL POSITION**

**June 30, 2012 and 2011**

| <b>ASSETS</b>   | <u>2012</u>         | <u>2011</u>         |
|---|---------------------|---------------------|
| <b>Current assets:</b>  |                     |                     |
| Cash  | \$ 143,104          | \$ 284,455          |
| Accounts receivable (net of allowance for doubtful<br>accounts of \$13,000 in 2012 and \$9,000 in 2011) | 222,502             | 146,213             |
| Contracts receivable  | 101,666             | 73,276              |
| Pledges receivable - grant  | 71,689              | -                   |
| Prepaid expenses  | 29,156              | 24,178              |
| Total current assets  | <u>568,117</u>      | <u>528,122</u>      |
| <b>Property and equipment:</b>  |                     |                     |
| Buildings and improvements  | 2,683,858           | 2,637,818           |
| Land  | 652,670             | 652,670             |
| Land improvements   | 643,930             | 625,056             |
| Furniture and equipment   | 212,943             | 175,907             |
| Transportation equipment  | 69,907              | 52,907              |
|   | <u>4,263,308</u>    | <u>4,144,358</u>    |
| Less accumulated depreciation   | (1,109,197)         | (957,486)           |
|   | <u>3,154,111</u>    | <u>3,186,872</u>    |
| <b>Other assets:</b>  |                     |                     |
| Cash restricted for capital campaign  | -                   | 28,797              |
| Investments   | 117,913             | 126,509             |
| Unconditional promises to give for capital campaign   | 27,000              | 139,250             |
| Deposits  | 3,000               | 750                 |
|   | <u>147,913</u>      | <u>295,306</u>      |
|   | <u>\$ 3,870,141</u> | <u>\$ 4,010,300</u> |
| <br><b>LIABILITIES AND NET ASSETS</b><br><br>   |                     |                     |
| <b>Current liabilities:</b>   |                     |                     |
| Accounts payable - trade  | \$ 27,535           | \$ 24,387           |
| Accrued liabilities   | 88,390              | 77,434              |
| Deferred revenue  | 582                 | 252                 |
| Long-term debt due within one year  | 30,485              | 26,276              |
| Total current liabilities   | <u>146,992</u>      | <u>128,349</u>      |
| <b>Long-term debt:</b>  |                     |                     |
| Notes payable   | 145,202             | 225,573             |
| Less amount due within one year   | (30,485)            | (26,276)            |
|   | <u>114,717</u>      | <u>199,297</u>      |
| Total liabilities   | <u>261,709</u>      | <u>327,646</u>      |
| <b>Net assets:</b>  |                     |                     |
| Unrestricted - operations   | 456,722             | 485,544             |
| Unrestricted - fixed assets   | 3,008,909           | 2,961,299           |
|   | <u>3,465,631</u>    | <u>3,446,843</u>    |
| Temporarily restricted - capital campaign   | 27,000              | 168,047             |
| Temporarily restricted - other  | 115,801             | 67,764              |
|   | <u>3,608,432</u>    | <u>3,682,654</u>    |
|   | <u>\$ 3,870,141</u> | <u>\$ 4,010,300</u> |

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

THE ARC OF SAN ANTONIO, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

(With Comparative Totals For Year Ended June 30, 2011)

|  | Temporarily Restricted |                  |           | Total        |
|--|------------------------|------------------|-----------|--------------|
|  | Unrestricted           | Capital Campaign | Other     |              |
|  | Operations             | Fixed Assets     |           |              |
| <b>Public support and revenue:</b>     |                        |                  |           |              |
| Public support:                        |                        |                  |           |              |
| Special events:                        |                        |                  |           |              |
| Gross revenues                         | \$ 278,825             | \$ -             | \$ -      | \$ 278,825   |
| Less direct expenses                   | (73,610)               | -                | -         | (73,610)     |
| Net special events support             | 205,215                | -                | -         | 205,215      |
| Contributions                          | 104,448                | 17,000           | 1,045     | 469,396      |
| United Way                             | 171,585                | -                | -         | 171,585      |
| Total public support                   | 481,248                | 17,000           | 1,045     | 846,196      |
| Revenue:                               |                        |                  |           |              |
| Fees and contracts from other agencies | 800,882                | -                | -         | 800,882      |
| Program service fees                   | 1,419,336              | -                | -         | 1,419,336    |
| Salvage operation                      | 25,793                 | -                | -         | 25,793       |
| Membership dues                        | 411                    | -                | -         | 411          |
| Investment income                      | 3,429                  | -                | -         | 3,429        |
| Rent income                            | 100                    | -                | -         | 100          |
| Miscellaneous                          | 34,060                 | -                | -         | 34,060       |
| Total revenue                          | 2,284,011              | -                | -         | 2,284,011    |
| Net assets released from restrictions: |                        |                  |           |              |
| Restrictions satisfied by payments     | 440,958                | -                | (142,092) | -            |
| Total public support and revenue       | 3,206,217              | 17,000           | 48,037    | 3,130,207    |
| Expenses:                              |                        |                  |           |              |
| Program services                       | 2,691,745              | 159,521          | -         | 2,851,266    |
| Supporting services:                   |                        |                  |           |              |
| Management and fund-raising            | 347,711                | 5,452            | -         | 353,163      |
| Total expenses                         | 3,039,456              | 164,973          | -         | 3,204,429    |
| Change in net assets                   | 166,761                | (147,973)        | (141,047) | (74,222)     |
| <b>Net assets at beginning of year</b> | 485,544                | 2,961,299        | 168,047   | 3,682,654    |
| Net interfund transfers                | (195,583)              | 195,583          | -         | -            |
| <b>Net assets at end of year</b>       | \$ 456,722             | \$ 3,008,909     | \$ 27,000 | \$ 3,682,654 |

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

THE ARC OF SAN ANTONIO, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2012

(With Comparative Totals For Year Ended June 30, 2011)

|   | Program Services                              |   |                               |                 |
|---|---|---|-------------------------------|-----------------|
|   | Children With<br>Special Health<br>Care Needs | Community<br>Living Assistance<br>and Support<br>Services | Family<br>Support<br>Services | Life Enrichment |
| Salaries and wages                        | \$ 149,116                                    | \$ 315,511  | \$ 63,002                     | \$ 1,013,379    |
| Payroll taxes                             | 11,662  | 24,057  | 4,975                         | 83,727          |
| Health and worker's compensation benefits | 17,573  | 33,248  | 1,207                         | 159,084         |
| Total salaries and related expenses       | 178,351                                       | 372,816   | 69,184                        | 1,256,190       |
| Professional fees/contract services       | 570   | 672   | 1,583                         | 10,762          |
| Supplies                                  | 4,036   | 6,746   | 1,637                         | 70,739          |
| Telephone                                 | 1,506   | 4,197   | 423                           | 11,401          |
| Postage                                   | 677   | 1,308   | 206                           | 2,628           |
| Occupancy - West Avenue                   | 4,149   | 4,560   | 911                           | 84,538          |
| Occupancy - Wurzbach Road                 | -   | -   | -                             | 50,414          |
| Equipment rental and maintenance          | 4,201   | 8,436   | 1,588                         | 30,631          |
| Printing and publications                 | 170   | 420   | 110                           | 1,878           |
| Travel and transportation                 | 5,442   | 21,211  | 2,857                         | 1,128           |
| Meetings and conferences                  | 206   | 458   | 702                           | 4,430           |
| Dues-affiliate and other                  | -   | -   | -                             | -               |
| Specific assistance                       | -   | -   | -                             | 7,617           |
| Professional licenses                     | 106   | 106   | -                             | 100             |
| Bad debt expense                          | -   | 6,668   | -                             | 3,413           |
| Miscellaneous                             | -   | -   | 500                           | 1,516           |
| Interest expense (non-mortgage)           | -   | -   | -                             | -               |
| Insurance                                 | 887   | 1,848   | 344                           | 14,293          |
| Total expenses before depreciation        | 200,301                                       | 429,446   | 80,045                        | 1,551,678       |
| Depreciation                              | 3,079   | 4,147   | 928                           | 95,373          |
| Total expenses                            | \$ 203,380                                    | \$ 433,593  | \$ 80,973                     | \$ 1,647,051    |

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

Supporting  
Services

| Aquatics         | Child Care        | Total<br>Program<br>Services | Management<br>and<br>Fund-raising | Totals              |                     |
|------------------|-------------------|------------------------------|-----------------------------------|---------------------|---------------------|
|                  |                   |                              |                                   | 2012                | 2011                |
| \$ 14,023        | \$ 260,643        | \$ 1,815,674                 | \$ 231,155                        | \$ 2,046,829        | \$ 1,832,872        |
| 1,343            | 23,138            | 148,902                      | 18,094                            | 166,996             | 156,963             |
| 373              | 9,485             | 220,970                      | 14,255                            | 235,225             | 217,433             |
| 15,739           | 293,266           | 2,185,546                    | 263,504                           | 2,449,050           | 2,207,268           |
| 748              | 3,974             | 18,309                       | 14,352                            | 32,661              | 42,596              |
| 4,743            | 18,512            | 106,413                      | 12,262                            | 118,675             | 83,849              |
| 374              | 3,725             | 21,626                       | 948                               | 22,574              | 26,342              |
| -                | 482               | 5,301                        | 3,432                             | 8,733               | 7,571               |
| -                | 13,275            | 107,433                      | 7,772                             | 115,205             | 110,732             |
| 11,602           | 38,355            | 100,371                      | -                                 | 100,371             | 62,570              |
| -                | 8,614             | 53,470                       | 5,942                             | 59,412              | 50,704              |
| -                | 328               | 2,906                        | 11,278                            | 14,184              | 4,015               |
| -                | 457               | 31,095                       | 1,836                             | 32,931              | 32,491              |
| 125              | 2,551             | 8,472                        | 5,862                             | 14,334              | 7,504               |
| -                | -                 | -                            | 5,929                             | 5,929               | 6,000               |
| -                | 4,740             | 12,357                       | -                                 | 12,357              | 14,762              |
| 213              | 234               | 759                          | 5                                 | 764                 | 709                 |
| -                | 1,766             | 11,847                       | 7,734                             | 19,581              | 22,775              |
| -                | -                 | 2,016                        | 5,163                             | 7,179               | 9,163               |
| 2,907            | -                 | 2,907                        | 391                               | 3,298               | 701                 |
| -                | 3,545             | 20,917                       | 1,301                             | 22,218              | 21,450              |
| 36,451           | 393,824           | 2,691,745                    | 347,711                           | 3,039,456           | 2,711,202           |
| 21,675           | 34,319            | 159,521                      | 5,452                             | 164,973             | 152,799             |
| <u>\$ 58,126</u> | <u>\$ 428,143</u> | <u>\$ 2,851,266</u>          | <u>\$ 353,163</u>                 | <u>\$ 3,204,429</u> | <u>\$ 2,864,001</u> |

THE ARC OF SAN ANTONIO, INC.

STATEMENT OF CASH FLOWS

Years Ended June 30, 2012 and 2011

|  | <u>2012</u>       | <u>2011</u>       |
|--|-------------------|-------------------|
| <b>Cash flow from operating activities:</b>  |                   |                   |
| Change in net assets   | \$ (74,222)       | \$ 78,336         |
| Noncash items included in operations:  |                   |                   |
| Depreciation expense   | 164,973           | 152,799           |
| Loss on disposal of fixed assets   | 67                | 544               |
| Effect of changes in operating working capital:  |                   |                   |
| Accounts receivable  | (176,368)         | 106,963           |
| Prepaid expenses   | (4,978)           | 4,747             |
| Accounts payable   | 3,148             | 9,208             |
| Accrued liabilities  | 10,956            | (1,312)           |
| Deferred revenue   | 330               | (170)             |
| Support and revenue restricted for capital campaign  | <u>(1,045)</u>    | <u>(144,390)</u>  |
| Net cash provided (used) by operating activities   | <u>(77,139)</u>   | <u>206,725</u>    |
| <b>Cash flows from investing activities:</b>   |                   |                   |
| Change in investments  | 8,596             | 970               |
| Purchase of property and equipment   | (132,279)         | (286,637)         |
| Change in cash restricted for capital campaign   | 28,797            | 50,383            |
| Change in unconditional promises to give for capital campaign                                | 112,250           | 38,250            |
| Change in deposits   | <u>(2,250)</u>    | <u>(425)</u>      |
| Net cash provided (used) by investing activities   | <u>15,114</u>     | <u>(197,459)</u>  |
| <b>Cash flow from financing activities:</b>  |                   |                   |
| Debt proceeds (reduction)  | (80,371)          | 960               |
| Support and revenue restricted for capital campaign  | <u>1,045</u>      | <u>144,390</u>    |
| Net cash provided (used) by financing activities   | <u>(79,326)</u>   | <u>145,350</u>    |
| Net increase (decrease) in cash  | (141,351)         | 154,616           |
| <b>Cash at beginning of year</b>   | <u>284,455</u>    | <u>129,839</u>    |
| <b>Cash at end of year</b>   | <u>\$ 143,104</u> | <u>\$ 284,455</u> |
| <b>Schedule of supplemental cash flow information:</b>                                       |                   |                   |
| Cash paid during the year for interest (including \$7,399 and \$10,719 of mortgage interest) | <u>\$ 10,697</u>  | <u>\$ 10,998</u>  |

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

# THE ARC OF SAN ANTONIO, INC.

## NOTES TO FINANCIAL STATEMENTS

### 1 NATURE OF ORGANIZATION

The Arc of San Antonio, Inc. (hereinafter referred to as The Arc) is a nonprofit corporation chartered in 1954. The mission of The Arc is to enhance the quality of life for individuals with, or at risk for, mental retardation or other developmental disabilities through the provision of a wide array of social services, information, referral, participant and family support, advocacy and improved public perceptions about individuals with mental retardation or other developmental disabilities.

The specific programs and services that The Arc provides include:

- **Family Support Services:**

Comprehensive case management accesses support systems in the community including:

- \* governmental, educational, residential, and others
- \* educational workshop series for parents of children with special needs
- \* resource and referral includes home visits; accompaniment for governmental, educational and residential supports as needed
- \* adult arts/recreational programming includes: art and square dancing
- \* advocacy for people with mental retardation and other developmental disabilities and their families

- **Children With Special Health Care Needs (CSHCN)**

- **Community Living Assistance and Support Services (CLASS)**

- **Child Care**

- **Life Enrichment** provides life enrichment for adults and younger adults with mild to profound mental retardation by helping them to gain significant independent living skills, vocational skills and job placement opportunities that will enhance their quality of life

- **Aquatics Program** provides water therapy, health and wellness activities and recreational opportunities for adults and children with disabilities in a fully-accessible swimming pool located at the Arc's Pam Stephens Center. Aquatic therapy improves strength, flexibility, coordination and range of motion for program participants, particularly those with physical disabilities. The program runs from May through September.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Accounting

The financial statements of The Arc have been prepared on the accrual basis of accounting. The financial statements accordingly reflect all significant receivables, payables, and other liabilities.

#### Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board for the format of financial statements of not-for-profit organizations. The Arc 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. The Arc does not have any permanently restricted net assets.

#### Comparative Financial Information

The financial information for the year ended June 30, 2011, presented for comparative purposes, is not intended to be a complete financial statement presentation. It is included to provide a basis for comparison with the year ended June 30, 2012.

(Continued)



THE ARC OF SAN ANTONIO, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Allocated Expenses**

Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and support services based on management estimates.

**Income Taxes**

The Arc is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, The Arc qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is a public charity, and is not a private foundation under Section 509(a)(2).

**Restricted and Unrestricted Revenue and Support**

The Arc reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated asset. When a donor 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 Statement of Activities as net assets released from restrictions.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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**

Cash consists of monies on deposit in checking and money market accounts.

**Investments**

Investments are carried at market value as reported by brokerages. Material realized and unrealized gains and losses are reflected in the Statement of Activities.

**Property and Equipment**

The Arc capitalizes all expenditures for property and equipment in excess of \$500. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of the donation. Maintenance and repairs are charged to expenses. Depreciation is computed using the straight-line method.

**Unconditional Promises to Give**

Contributions are recognized when the donor makes a promise to give to The Arc that is, in substance, unconditional. The Arc believes that the promises to give are collectible within their specific time period, thus the allowance for uncollectible promises to give had a balance of \$-0- at June 30, 2012.

**Donated Assets**

Noncash donations are recorded as contributions at their estimated fair market values at the date of donation.

**Donated Services**

The Arc 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. No donated services were recognized during the year.

(Continued)

**THE ARC OF SAN ANTONIO, INC.**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fair Value of Financial Instruments**

The Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification defines fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurements, and expands disclosures about fair value measurements. An instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Therefore, for instruments classified in levels 1 and 2 of the hierarchy, where inputs are principally based on observable market data, there is less judgment applied in arriving at a fair value measurement. For instruments classified within level 3 of the hierarchy, judgments are more significant. The Arc's financial instruments and classification within the hierarchy are identified below:

Fair value of financial instruments standards require disclosure of fair value information about financial instruments, whether or not recognized in the statement for financial position. The following methods and assumptions were used by The Arc in estimating its fair value disclosures for financial instruments:

- \* Cash and cash equivalents (level 1): The carrying amount reported in the statement of financial position approximates fair value because of the short-term maturities of those instruments.
- \* Accounts receivable and unconditional promises to give (level 3): The carrying amount approximates fair value because the majority of the amount receivable is due within one year.
- \* Investments (level 1): The fair value of mutual funds and marketable equity securities is based on quoted market prices at year-end.
- \* Notes payable (level 3): The carrying amount approximates fair value because it is carried at the amount required to pay off the note.

**Subsequent Events**

The Arc has evaluated subsequent events through September 14, 2012, the date which the financial statements were available for issue.

**3 RECEIVABLES AND CREDIT RISK CONCENTRATION**

At June 30, 2012 and 2011, there were bank balances in multiple banks totaling \$167,511 and \$362,653, respectively. Of this total, \$-0- and \$12,577 were not insured by the Federal Deposit Insurance Corporation.

Accounts receivable are primarily due from local nonprofit and for-profit organizations and a school district. Contracts receivable are due from the Texas Department of Aging and Disability Services relevant to the CLASS contract and the Texas Department of State Health Services relevant to the CSHCN contract.

Management analyzes aging of accounts receivable on a monthly basis. Payment trends by delinquent accounts are considered by management when writing off bad debts and estimating the allowance for doubtful accounts. During the years ended June 30, 2012 and 2011, management wrote off \$19,581 and \$22,775, respectively. Management estimated the allowance for doubtful accounts to be \$13,000 and \$9,000 at June 30, 2012 and 2011, respectively. Accounts deemed to be uncollectible by management are charged to the allowance for doubtful accounts initially.

**4 UNCONDITIONAL PROMISES TO GIVE**

The unconditional promises to give at June 30, 2012 and 2011, respectively, consisted of six pledges and sixteen pledges amounting to \$27,000 and \$139,250, respectively. The pledges are payable within one to four years.

**5 INVESTMENTS**

Investments are carried at market value for financial statement purposes. A provision for unrealized gains or losses is made each year to adjust to the appropriate value. Realized and unrealized gains and losses are determined by comparison of cost to proceeds or market value, respectively. Cost is determined by historical purchase price or, in case of any donated investments, the fair market value of those investments at the date of the gift. Market risk could occur and is dependent on the future changes in market prices of the various investments held. Investments are composed of the following:

(Continued)

THE ARC OF SAN ANTONIO, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

5 INVESTMENTS (Continued)

|                         | <u>2012</u>       | <u>2011</u>       |
|-------------------------|-------------------|-------------------|
| Government bonds        | \$ 2,913          | \$ 3,509          |
| Certificates of deposit | 115,000           | 123,000           |
| Total Investments       | <u>\$ 117,913</u> | <u>\$ 126,509</u> |

Cost approximated market at June 30.

6 LONG-TERM DEBT

|  | <u>2012</u>       | <u>2011</u>       |
|--|-------------------|-------------------|
| Note payable to bank; secured by land and building on West Ave.; payable \$2,468 monthly including interest at prime rate through June 2017. | \$ 113,433        | \$ 135,745        |
| Note payable to bank; secured by land and building on Wurzbach.; monthly interest payable at 5% through July 1, 2012.                        | -                 | 3,883             |
| Note payable to bank; secured by land and building on Wurzbach.; monthly interest payable at 4.5% through May 6, 2013.                       | 21,675            | 85,945            |
| Note payable to bank; secured by equipment; payable \$578 monthly including interest at 3.75% through November 17, 2013                      | 10,094            | -                 |
| Less amount due within one year  | <u>(30,485)</u>   | <u>(21,154)</u>   |
|  | <u>\$ 114,717</u> | <u>\$ 204,419</u> |

Future principal maturities of long-term debt are as follows:

| <u>Year ending June 30,</u> |                   |
|-----------------------------|-------------------|
| 2013                        | \$ 30,485         |
| 2014                        | 50,212            |
| 2015                        | 26,599            |
| 2016                        | 28,169            |
| 2017                        | 9,737             |
|                             | <u>\$ 145,202</u> |

Total interest expense incurred on all debt during the years ended June 30, 2012 and 2011 was \$10,697 and \$10,998, respectively.

7 REVENUE AND SUPPORT CONCENTRATIONS

Program service fee revenue from two clients, who are all owned by one company, totaled \$157,751 and \$176,399 for the years ended June 30, 2012 and 2011, which represents 5.0% and 6.0% of total support and revenue, respectively. In addition, program service fee revenues from another client totaled \$138,168 and \$225,296 for the years ended June 30, 2012 and 2011, which represents 4.4% and 7.7% of total support and revenue, respectively.

Net proceeds from special events for the years ended June 30, 2012 and 2011 was \$205,215 and \$248,198 which represents 6.6% and 8.4% of total support and revenue for those years, respectively.

**THE ARC OF SAN ANTONIO, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**8 UNITED WAY SUPPORT**

The United Way support received from United Way of San Antonio and Bexar County totaled \$171,585 and \$170,266 for the years ended June 30, 2012 and 2011, which represented 5.5% and 5.8% of total support and revenue, respectively.

The Arc's approved United Way allocation for the year ending June 30, 2013 is \$177,027.

**9 FEES AND CONTRACT REVENUE FROM OTHER AGENCIES**

|   | 2012              |   | 2011              |   |
|---|-------------------|---|-------------------|---|
|   | <u>Amount</u>     | <u>% of Total<br/>Support and<br/>Revenue</u> | <u>Amount</u>     | <u>% of Total<br/>Support and<br/>Revenue</u> |
| This revenue consists of the following:   |                   |   |                   |   |
| Children With Special Health Care Needs-Under a contract with the Texas Department of State Health Services             | \$ 190,971        | 6.1%  | \$ 178,955        | 6.1%  |
| Community Living Assistance and Support Services-Under a contract with the Texas Dept. of Aging and Disability Services | <u>609,911</u>    | <u>19.5%</u>                                  | <u>486,945</u>    | <u>16.5%</u>                                  |
|   | <u>\$ 800,882</u> | <u>25.6%</u>                                  | <u>\$ 665,900</u> | <u>22.6%</u>                                  |

**10 TEMPORARILY RESTRICTED NET ASSETS**

The Arc started a capital campaign in 2000. Contributions and grants received were used to renovate the West Ave. building and to reduce the mortgage balance. Additional funds were received or pledged during 2005 and 2006 for the second phase of renovations and safety upgrades to the building. New funds were received or pledged during 2007 and 2008 for the land and building on Wurzbach Road.

Temporarily restricted net assets consist of the following:

|                                   | June 30,          |                   |
|-----------------------------------|-------------------|-------------------|
|                                   | 2012              | 2011              |
| Capital campaign                  | <u>\$ 27,000</u>  | <u>\$ 168,047</u> |
| Various future operating purposes | <u>\$ 115,801</u> | <u>\$ 67,764</u>  |

**11 OPERATING LEASES**

The Arc has entered into two noncancellable operating lease agreements for rental of office equipment. The following are future minimum rental payments under these leases:

| Year Ending June 30, |                  |
|----------------------|------------------|
| 2013                 | \$ 17,316        |
| 2014                 | <u>4,053</u>     |
|                      | <u>\$ 21,369</u> |

During the year ended June 30, 2012, rental expense was \$19,479.

**THE ARC OF SAN ANTONIO, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**12 FUND-RAISING EXPENSES**

Total fund-raising expenses of The Arc for the years ended June 30, 2012 and 2011 were \$190,248 and \$228,132, respectively.

**13 RETIREMENT PLAN**

During 2003, The Arc adopted a 401(K) Profit-Sharing Plan. The prior retirement accounts from the Simplified Employee Pension Plan were rolled over into the 401(K) Plan. Employees must be 21 years of age and have been employed by The Arc for at least one year to be eligible to participate in the plan. The plan does not include any provision for employer matching contributions. Profit sharing contributions are completely discretionary. The Arc's contributions to the plans for the years ended June 30, 2012 and 2011 were \$-0- for both years.

**14 COMMITMENTS AND CONTINGENCIES**

The Arc participates in state and federal contracts, which are governed by various rules and regulations. Costs charged to the contracts are subject to audit and adjustment by the government agencies. Therefore, to the extent that The Arc has not complied with the relevant rules and regulations, refunds of funds received may be required and the collectability of any related receivables may be impaired. In the opinion of The Arc, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the government contracts. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.