

THE ARC OF DAVIDSON COUNTY
AUDITED FINANCIAL STATEMENTS
Years ended June 30, 2012 and 2011

THE ARC OF DAVIDSON COUNTY

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THE ARC OF DAVIDSON COUNTY
STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 142,702	\$ 403,586
Investments	105,527	108,389
Government contract receivables	82,677	86,160
Government grant receivables	84,826	-
Receivables - other - no allowance necessary	29,616	23,466
Prepaid expenses	12,857	16,157
	<u>458,205</u>	<u>637,758</u>
Total current assets		
Property and equipment:		
Office furniture and equipment	39,090	33,833
Less accumulated depreciation	<u>(15,964)</u>	<u>(33,763)</u>
	<u>23,126</u>	<u>70</u>
Net property and equipment		
Total assets	<u><u>\$ 481,331</u></u>	<u><u>\$ 637,828</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	<u>\$ 27,946</u>	<u>\$ 95,322</u>
Total current liabilities	<u>27,946</u>	<u>95,322</u>
Net assets:		
Unrestricted:		
Operating	419,259	502,316
Furniture and equipment	23,126	70
Designated for Project Opportunity	<u>-</u>	<u>15,000</u>
Total unrestricted net assets	442,385	517,386
Temporarily restricted	<u>11,000</u>	<u>25,120</u>
Total net assets	<u>453,385</u>	<u>542,506</u>
Total liabilities and net assets	<u><u>\$ 481,331</u></u>	<u><u>\$ 637,828</u></u>

See accompanying notes.

THE ARC OF DAVIDSON COUNTY
STATEMENT OF ACTIVITIES
For the year ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and other support:			
Government contracts:			
Support coordination program	\$ 995,379	\$ -	\$ 995,379
Government grants:			
Family support program	701,276	-	701,276
Cart revenues	292,991	-	292,991
Other grants and contracts	109,027	-	109,027
United Way	2,323	11,000	13,323
Contributions	6,483	-	6,483
Memberships	2,875	-	2,875
Miscellaneous income	1,564	-	1,564
Investment income	376	-	376
Net assets released from restrictions - satisfaction of program restrictions	<u>25,120</u>	<u>(25,120)</u>	<u>-</u>
Total revenues and other support	<u>2,137,414</u>	<u>(14,120)</u>	<u>2,123,294</u>
Expenses:			
Program services:			
Support coordination	867,962	-	867,962
Family support	741,337	-	741,337
Community enhancement	64,111	-	64,111
Development	110,529	-	110,529
Educational advocacy	63,985	-	63,985
Support services:			
Management and general	<u>364,491</u>	<u>-</u>	<u>364,491</u>
Total expenses	<u>2,212,415</u>	<u>-</u>	<u>2,212,415</u>
Change in net assets	(75,001)	(14,120)	(89,121)
Net assets, beginning of year	<u>517,386</u>	<u>25,120</u>	<u>542,506</u>
Net assets, end of year	<u><u>\$ 442,385</u></u>	<u><u>\$ 11,000</u></u>	<u><u>\$ 453,385</u></u>

See accompanying notes.

THE ARC OF DAVIDSON COUNTY
STATEMENT OF ACTIVITIES
For the year ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and other support:			
Government contracts:			
Support coordination program	\$ 1,009,756	\$ -	\$ 1,009,756
Government grants:			
Family support program	714,580	-	714,580
Cart revenues	270,498	-	270,498
Other grants and contracts	65,269	-	65,269
Contributions	3,754	13,820	17,574
United Way	3,760	11,300	15,060
Investment income	11,681	-	11,681
Memberships	2,050	-	2,050
Net assets released from restrictions - satisfaction of program restrictions	<u>26,000</u>	<u>(26,000)</u>	<u>-</u>
Total revenues and other support	<u>2,107,348</u>	<u>(880)</u>	<u>2,106,468</u>
Expenses:			
Program services:			
Support coordination	839,694	-	839,694
Family support	710,009	-	710,009
Community enhancement	34,651	-	34,651
Development	68,481	-	68,481
Educational advocacy	68,957	-	68,957
Support services:			
Management and general	<u>305,650</u>	<u>-</u>	<u>305,650</u>
Total expenses	<u>2,027,442</u>	<u>-</u>	<u>2,027,442</u>
Change in net assets	79,906	(880)	79,026
Net assets, beginning of year	<u>437,480</u>	<u>26,000</u>	<u>463,480</u>
Net assets, end of year	<u><u>\$ 517,386</u></u>	<u><u>\$ 25,120</u></u>	<u><u>\$ 542,506</u></u>

See accompanying notes.

For the year ended June 30, 2012

	Program Services					Total		
	Support Coordination	Family Support	Community Enhancement	Development	Educational Advocacy	Program Services	Management and General Expenses	
Salaries	\$ 552,524	\$ 83,442	\$ 9,684	\$ 4,432	\$ 38,732	\$ 688,814	\$ 201,951	\$ 890,765
Client benefits	-	619,482	54,083	-	-	673,565	-	673,565
Employee benefits	133,304	19,541	187	363	10,873	164,268	12,972	177,240
Postage	5,658	3,249	157	83,587	26	92,677	284	92,961
Payroll taxes	42,586	5,659	-	682	2,309	51,236	27,838	79,074
Travel	70,046	434	-	80	1,427	71,987	371	72,358
Professional services	1,046	40	-	489	230	1,805	50,289	52,094
Office rent	28,867	3,861	-	4,224	1,470	38,422	4,119	42,541
Telephone	19,616	761	-	-	1,093	21,470	4,333	25,803
Supplies	5,844	2,068	-	-	2,178	10,090	14,217	24,307
Insurance	-	-	-	-	-	-	24,305	24,305
Conferences	681	300	-	5,978	332	7,291	3,898	11,189
Equipment rental	-	-	-	-	-	-	10,779	10,779
and maintenance	-	-	-	-	-	-	3,555	7,285
Printing and publications	843	984	-	1,836	67	3,730	-	6,800
Affiliation fees	-	-	-	6,800	-	6,800	-	6,200
Specific assistance	5,000	1,200	-	-	-	6,200	-	5,067
Contracted services	-	-	-	-	5,067	5,067	-	4,967
License and fees	1,822	291	-	502	131	2,746	2,221	2,424
Other rent	-	-	-	-	-	-	2,424	1,400
Fundraising	-	-	-	1,400	-	1,400	-	908
Subscriptions	125	25	-	156	50	356	552	257
Miscellaneous	-	-	-	-	-	-	126	126
Depreciation	-	-	-	-	-	-	-	-
	\$ 867,962	\$ 741,337	\$ 64,111	\$ 110,529	\$ 63,985	\$ 1,847,924	\$ 364,491	\$ 2,212,415

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THE ARC OF DAVIDSON COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2011

	Program Services				Total Program Services	Management and General	Total Expenses
	Support Coordination	Family Support	Community Enhancement	Development Advocacy			
Salaries	\$ 538,608	\$ 71,888	\$ 4,651	\$ 5,071	\$ 37,492	\$ 180,928	\$ 838,638
Client benefits	-	604,418	30,000	-	-	-	634,418
Employee benefits	125,301	12,180	-	53	9,679	27,627	174,840
Travel	71,802	15	-	-	274	-	72,091
Payroll taxes	37,420	5,413	-	368	2,635	12,605	58,441
Postage	5,871	2,312	-	38,678	26	554	47,441
Office rent	28,787	3,873	-	4,076	1,427	4,076	42,239
Supplies	7,745	2,556	-	-	1,830	14,747	26,878
Telephone	19,940	779	-	-	890	4,722	26,331
Professional services	1,559	510	-	459	-	20,893	23,421
Insurance	-	-	-	-	-	19,031	19,031
Conferences	261	428	-	11,145	802	1,313	13,949
Contracted services	-	-	-	-	13,750	-	13,750
Equipment rental	-	-	-	-	-	-	-
and maintenance	-	-	-	-	-	7,954	7,954
Printing and publications	1,315	1,063	-	1,151	67	3,366	6,962
Affiliation fees	-	-	-	6,799	-	-	6,799
Miscellaneous	585	4,539	-	-	-	375	5,499
Subscriptions	500	35	-	-	85	2,419	3,039
Other rent	-	-	-	-	-	2,424	2,424
License and fees	-	-	-	681	-	1,116	1,797
Depreciation	-	-	-	-	-	1,500	1,500
	\$ 839,694	\$ 710,009	\$ 34,651	\$ 68,481	\$ 68,957	\$ 305,650	\$ 2,027,442

See accompanying notes.

THE ARC OF DAVIDSON COUNTY
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ (89,121)	\$ 79,026
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	126	1,500
Realized and unrealized loss (gain) on investments	4,419	(6,968)
Changes in current assets and liabilities:		
Government contract receivables	3,483	(1,036)
Government grant receivables	(84,826)	-
Receivables - other	(6,150)	(4,679)
Prepaid expenses	3,300	(2,520)
Accounts payable and accrued expenses	(67,376)	9,385
Deferred revenue	<u>-</u>	<u>(10,333)</u>
Net cash (used in) provided by operating activities	<u>(236,145)</u>	<u>64,375</u>
Cash flows from investing activities:		
Purchases of investments	(12,752)	(71,422)
Sales of investments	11,195	-
Purchase of office furniture and equipment	<u>(23,182)</u>	<u>-</u>
Net cash used in investing activities	<u>(24,739)</u>	<u>(71,422)</u>
Change in cash and cash equivalents	(260,884)	(7,047)
Cash and cash equivalents, beginning of year	<u>403,586</u>	<u>410,633</u>
Cash and cash equivalents, end of year	<u><u>\$ 142,702</u></u>	<u><u>\$ 403,586</u></u>

See accompanying notes.

THE ARC OF DAVIDSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Arc of Davidson County (the “Organization”) is a nonprofit corporation conducting programs for the benefit of individuals with intellectual and developmental disabilities and their families. The Organization is affiliated with The U.S. Arc and The Arc of Tennessee. The State of Tennessee Department of Finance and Administration, Division of Intellectual and Developmental Disabilities, Bureau of TennCare, and the Nashville Area United Way provide support on an annual basis.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Financial statement presentation is in accordance with standards of accounting and financial reporting prescribed for not-for-profit organizations. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization has no permanently restricted net assets at June 30, 2012 and 2011.

Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with a maturity of three months or less when purchased to be cash equivalents.

Revenue and Support

The Arc of Davidson County receives much of its income from grants and contracts from the State of Tennessee Department of Finance and Administration, Division Intellectual and Developmental Disabilities. The Organization records income from the grants and contracts in the period that the applicable expenditures are incurred.

THE ARC OF DAVIDSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other 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.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities as unrestricted revenues or expenses, unless specified by the donor.

Fair Values

The Organization has an established process for determining fair values. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models or processes that use primarily market-based or independently-sourced market data and third party information. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Accounting principles generally accepted in the United States of America have a three-level valuation hierarchy for fair value measurements. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are explained as follows:

THE ARC OF DAVIDSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values (Continued)

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Level 1 securities include highly liquid government securities and certain other products, such as mutual funds. No changes in the valuation methodologies have been made during the period from July 1, 2010 through June 30, 2012.

Property and Equipment

Property and equipment are carried at cost. Donated equipment is recorded at market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from five to ten years.

Donated Services

Unpaid volunteers make contributions of time in various administrative, fundraising, and program functions. The value of contributed time is not reflected in the financial statements as it is not susceptible to an objective measurement or valuation and generally does not meet the requirements for recognition under accounting principles generally accepted in the United States of America which stipulates such services would ordinarily be purchased and be provided by persons with specialized skills in the performance of such services.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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.

THE ARC OF DAVIDSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as other than a private foundation. Accordingly, no provision has been made for federal income taxes in the accompanying financial statements.

The Organization follows Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) guidance concerning the accounting for income taxes recognized in an entity’s financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Organization does not believe there are any uncertain tax positions at June 30, 2012. Additionally, the Organization has not recognized any tax related interest and penalties in the accompanying financial statements. Tax years that remain open for examination include years ended June 30, 2009 through June 30, 2012.

Pension Plan

The Organization maintains a tax deferred annuity plan covering substantially all of its employees with at least one year or more of employment. The costs of this employee benefit plan are charged to expense. The Organization contributes 6% of eligible employees’ salaries into the annuity annually. Pension expense for the years ended June 30, 2012 and 2011 was \$57,188 and \$56,608, respectively.

NOTE 2 – GOVERNMENT GRANT RECEIVABLES AND CONTRACT RECEIVABLES

The Organization was due \$82,677 and \$86,160 from the State of Tennessee Department of Finance and Administration, Division of Intellectual and Developmental Disabilities for contract monies for support coordination programs at June 30, 2012 and 2011, respectively. Under this arrangement, the Organization earned contract monies totaling \$995,379 and \$1,009,756, respectively, for support coordination programs for the years ended June 30, 2012 and 2011.

During the years ended June 30, 2012 and 2011, the Organization earned grant monies from the State of Tennessee Department of Finance and Administration, Division of Intellectual and Developmental Disabilities totaling \$701,276 and \$714,580, respectively for the family support services. Under this grant, the Organization was due \$84,826 and \$0 at June 30, 2012 and 2011, respectively.

THE ARC OF DAVIDSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2012 and 2011

NOTE 3 – INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 926	\$ -	\$ -	\$ 926
Mutual funds:				
Growth funds	12,642	-	-	12,642
Equities funds	38,406	-	-	38,406
Real estate funds	4,615	-	-	4,615
Small-Cap funds	6,966	-	-	6,966
Mid-Cap funds	18,559	-	-	18,559
Large-Cap funds	4,919	-	-	4,919
Short-term bond funds	6,722	-	-	6,722
High yield funds	<u>3,453</u>	<u>-</u>	<u>-</u>	<u>3,453</u>
Total mutual funds	96,282	-	-	96,282
Alternative funds	<u>8,319</u>	<u>-</u>	<u>-</u>	<u>8,319</u>
Total investments	<u>\$ 105,527</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,527</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 1,599	\$ -	\$ -	\$ 1,599
Mutual funds:				
Growth funds	13,396	-	-	13,396
Equities funds	38,603	-	-	38,603
Real estate funds	5,494	-	-	5,494
Small-Cap funds	7,530	-	-	7,530
Mid-Cap funds	8,884	-	-	8,884
Large-Cap funds	14,636	-	-	14,636
Short-term bond funds	9,541	-	-	9,541
High yield funds	<u>3,236</u>	<u>-</u>	<u>-</u>	<u>3,236</u>
Total mutual funds	101,320	-	-	101,320
Alternative funds	<u>5,470</u>	<u>-</u>	<u>-</u>	<u>5,470</u>
Total investments	<u>\$ 108,389</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,389</u>

The following schedule summarizes investment return for the years ending June 30:

	<u>2012</u>	<u>2011</u>
Realized and unrealized (losses) gains	<u>\$ (4,419)</u>	<u>\$ 6,968</u>

THE ARC OF DAVIDSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2012 and 2011

NOTE 4 – QUESTIONED COSTS/CONTINGENCIES

Questioned costs are those amounts charged to a funded program that may not be in compliance with requirements set forth in contracts, statutes, and regulations governing allowability or eligibility. A questioned cost may not be reimbursed by the State or the State agency may require that the funds already expended be refunded to the State. These amounts can be “questioned” by the State for the specific grant or contract to which they apply. The determination as to whether such costs will be allowed or disallowed under the grants or contracts is subject to review by the individual grantor agencies.

NOTE 5 – OPERATING LEASE COMMITMENTS

The Organization leases its office space under a lease that expires August 31, 2014. Under terms of the lease agreement, the agreement may be terminated with 90 days notice. The annual lease payments totaled approximately \$42,000 for each of the years ended June 30, 2012 and 2011, respectively. Additionally, certain office equipment is leased under various operating lease agreements. Future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2012 are as follows:

<u>Year ended</u> <u>June 30,</u>	
2013	\$ 7,177
2014	7,071
2015	4,429
2016	-
2017	-
	\$ <u>18,677</u>

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2012</u>	<u>2011</u>
United Way grants for the coming year	\$ 11,000	\$ 11,300
Contributions for the coming year	-	13,820
	<u>\$ 11,000</u>	<u>\$ 25,120</u>

NOTE 7 – CART REVENUES

In 1982, B&R Salvage, Inc. (“B&R”) was engaged by the Organization to assist in the collection and sale of contributed property. The Organization entered into a contract, effective January 1, 2001, with J&I Advisory Support, LLC (“J&I”), an affiliate of B&R. J&I provides solicitation, trucking and

THE ARC OF DAVIDSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2012 and 2011

NOTE 7 – CART REVENUES (Continued)

transportation services in connection with property contributions, generally clothing and household goods. Goods donated to the Organization through J&I's solicitation are sold by the Organization in bulk to B&R. B&R generally sells the goods to the general public through thrift stores. The terms of the contracts with B&R and J&I set the price per cart for goods acquired by B&R from the Organization. The contract provides for 24 semimonthly minimum payments by B&R to the Organization totaling \$218,000 per year. This amount reflects the amounts payable to the Organization by B&R for the sale of donated goods, net of amounts payable by the Organization to J&I for solicitation, transportation and trucking services rendered by J&I. Determination of amounts payable to the Organization in excess of the minimum are determined and paid in the January following each calendar year.

During 2009, the contracts were terminated and a new contract was established between the Organization and J&I that is substantially the equivalent of the previous contracts. During 2011, the contract was amended to allow for increased costs of mailing solicitations. The Organization received \$292,991 and \$270,498 under this arrangement for the years ended June 30, 2012 and 2011, respectively. The contract may be terminated by either party upon 60 days written notice.

NOTE 8 – CLIENT BENEFITS

The Organization receives funding from the State of Tennessee Department of Finance and Administration, Division of Intellectual and Developmental Disabilities for family support services to be provided to persons with severe disabilities and who are eligible for such support. Certain requirements must be met as provided by the Family Support Guidelines Act before support can be given by the Organization. The Organization paid \$619,482 and \$604,418 during the years ended June 30, 2012 and 2011, respectively, to eligible persons for family support services.

A similar grant contract program through the Metropolitan Government of Nashville and Davidson County provides the Organization with funds for distribution to eligible individuals for rent, mortgage or utilities assistance. The Organization paid \$54,083 and \$30,000 during the years ended June 30, 2012 and 2011, respectively, to eligible persons under this program.

NOTE 9 – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of account, grant and contracts receivable. Grant and contract receivables represent concentration of credit risk to the extent that they are received from the same sources. The Organization receives a substantial amount of its support from governmental grants and contracts. A significant reduction in the levels of this support, if this were to occur, could have an adverse effect on the Organization's programs and activities.

The Organization maintains cash balances which may, at times, exceed federally insured amounts.

THE ARC OF DAVIDSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2012 and 2011

NOTE 10 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events through November 21, 2012 when these financial statements were available to be issued. Management of the Organization is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

SUPPLEMENTAL INFORMATION

THE ARC OF DAVIDSON COUNTY
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the year ended June 30, 2012

	Grant Number	Balance Receivable June 30, 2011	Cash Receipts	Expenditures	Balance Receivable June 30, 2012
State Awards:					
Tennessee Department of Finance and Administration					
Department of Intellectual and Developmental Disabilities					
Family Support Services Program	34401-00335	\$ -	\$ 616,450	\$ 701,276	\$ 84,826
Total State Awards		\$ -	\$ 616,450	\$ 701,276	\$ 84,826

NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

Note 1 - Basis of Accounting - The supplementary schedule of expenditures of state financial assistance is prepared on the accrual basis of accounting.