

**THE ARC OF THE MID OHIO  
VALLEY, INC.**

**Financial Statements**

**June 30, 2008 and 2007**

DHHR - Finance

AUG 26 2010

Date Received

**THE ARC OF THE MID OHIO VALLEY, INC.**  
**Financial Statements**  
**June 30, 2008 and 2007**

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# ALICE M. HARRIS, CPA, A.C.

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## Independent Auditor's Report

Board of Directors  
The Arc of the Mid Ohio Valley, Inc.:

I have audited the accompanying statements of financial position of The Arc of The Mid Ohio Valley, Inc., (a West Virginia non-profit corporation) as of June 30, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. The financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audits 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. I believe that my audits provide a reasonable basis for my opinion.

As explained in the footnotes to the financial statements, inventory that The Arc of the Mid Ohio Valley, Inc., acquired by gift is not recorded in the financial statements. In my opinion, accounting principles generally accepted in the United States of America require that such donated inventory be recorded at its fair value at the date of receipt. It was not practical to determine the effects of the unrecorded inventory on the financial statements.

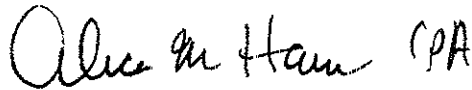
In my opinion, except for not recording the fair value of donated inventory, the financial statements referred to above present fairly, in all material respects, the financial position of The Arc of the Mid Ohio Valley, Inc., as of June 30, 2008 and 2007, the changes in its net assets and its cash flows for the years then ended in conformity with accounting principals generally accepted in the United States of America.

**1818 Rayon Drive  
Parkersburg, WV 26101  
Phone: 304-422-5577  
Fax: 304-422-5887**

Independent Auditor's Report, Continued

In accordance with *Government Audit Standards*, I have also issued my report dated October 21, 2008 on my consideration of The Arc of the Mid Ohio Valley, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of WV DHHS funding status (Schedule 1) and schedule of revenue and expenses – DHHS funded programs (Schedule 2) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Alice M. Harris, CPA  
October 21, 2008

**THE ARC OF THE MID OHIO VALLEY, INC.**  
**Statements of Financial Position**  
**June 30, 2008 and 2007**

|   | 2008              | 2007           |
|---|-------------------|----------------|
| <b>ASSETS</b>                                   |                   |                |
| Current assets:                                 |                   |                |
| Petty cash                                      | \$ 415            | 415            |
| Cash in bank                                    | 84,057            | 68,171         |
| Accounts receivable, net                        | 58,991            | 36,023         |
| Prepaid expenses                                | 4,116             | 10,563         |
| Total current assets                            | 147,579           | 115,172        |
| Machinery and Equipment:                        |                   |                |
| Machinery and equipment                         | 47,709            | 42,800         |
| Less accumulated depreciation                   | (32,924)          | (26,591)       |
| Net machinery and equipment                     | 14,785            | 16,209         |
| Other assets:                                   |                   |                |
| Investments in marketable securities            | 311,541           | 353,238        |
| Investments in Parkersburg Community Foundation | 91,901            | 99,085         |
| Total other assets                              | 403,442           | 452,323        |
| <b>Total assets</b>                             | <b>\$ 565,806</b> | <b>583,704</b> |
| <b>LIABILITIES AND NET ASSETS</b>               |                   |                |
| Current liabilities:                            |                   |                |
| Accounts payable                                | 9,703             | 10,672         |
| Other current liabilities                       | 5,532             | 5,509          |
| Accrued vacation and payroll                    | 11,075            | 22,471         |
| Deferred income                                 | 5,312             | 5,679          |
| Total liabilities                               | 31,622            | 44,331         |
| Net Assets:                                     |                   |                |
| Unrestricted                                    | 271,359           | 242,467        |
| Temporarily restricted                          | 172,825           | 206,906        |
| Permanently restricted                          | 90,000            | 90,000         |
| Total net assets                                | 534,184           | 539,373        |
| <b>Total liabilities and net assets</b>         | <b>\$ 565,806</b> | <b>583,704</b> |

*See accompanying notes to financial statements*

**THE ARC OF THE MID OHIO VALLEY, INC.**  
**Statement of Functional Expenses**  
**Year ended June 30, 2007**

|                                      | Program services   |                  |                           | Supporting services |                                | Totals            |
|--------------------------------------|--------------------|------------------|---------------------------|---------------------|--------------------------------|-------------------|
|                                      | Community programs | Noah's Arc       | Birth to Three Admin Unit | Health & Wellness   | TechLink and Project Lifesaver |                   |
| Salaries                             | 19,875             | 45,148           | 177,667                   | 35,350              | 2,383                          | 280,423           |
| Fringe benefits                      | 440                | 2,722            | 18,080                    | 1,675               | 127                            | 23,044            |
| Consultant fees and casual labor     | 410                | 1,275            | 1,241                     | 5,113               | -                              | 8,039             |
| Telephone                            | -                  | 1,169            | 6,940                     | 129                 | 11                             | 8,249             |
| Postage and shipping                 | 99                 | -                | 5,050                     | 413                 | 342                            | 5,904             |
| Rent                                 | -                  | 26,620           | 13,513                    | 900                 | -                              | 41,033            |
| Insurance                            | -                  | 782              | 3,935                     | -                   | -                              | 4,717             |
| Utilities                            | -                  | 6,265            | -                         | 21                  | -                              | 6,286             |
| Supplies                             | 262                | 1,408            | 6,670                     | 35                  | 50,841                         | 59,216            |
| Professional fees                    | -                  | 176              | 2,956                     | -                   | -                              | 3,132             |
| Maintenance and repairs              | -                  | 211              | 5,810                     | -                   | -                              | 6,021             |
| ARC/US Dues                          | -                  | 108              | 665                       | -                   | -                              | 773               |
| Office library                       | -                  | -                | 3,605                     | 4,089               | -                              | 7,694             |
| Printing                             | 2,745              | 237              | 6,695                     | 2,174               | 2,062                          | 13,913            |
| Advertising                          | -                  | -                | 7,282                     | 2,573               | 315                            | 10,170            |
| Client services                      | 11,254             | -                | 522                       | 8,357               | 25                             | 20,158            |
| Scholarship                          | -                  | -                | 13                        | -                   | -                              | 13                |
| Miscellaneous                        | 329                | 737              | 2,928                     | 221                 | 21                             | 4,236             |
| Conference, conventions and meetings | 11,312             | 70               | 2,721                     | 2,323               | 2,862                          | 19,288            |
| Parking                              | -                  | -                | -                         | -                   | -                              | -                 |
| Travel                               | 2,745              | 229              | 19,614                    | 4,014               | 2,124                          | 28,726            |
| Bad debt expense                     | -                  | -                | -                         | -                   | -                              | -                 |
| Depreciation                         | 49,471             | 87,157           | 285,907                   | 67,387              | 61,113                         | 551,035           |
| <b>Total expenses</b>                | <b>\$ 49,471</b>   | <b>\$ 87,157</b> | <b>\$ 285,907</b>         | <b>\$ 67,387</b>    | <b>\$ 61,113</b>               | <b>\$ 551,035</b> |

See accompanying notes to financial statements.

Supporting services Management and general

92,908 643,943

**THE ARC OF THE MID OHIO VALLEY, INC.**  
**Statement of Functional Expenses**  
**Year ended June 30, 2008**

|                                       | Community programs |                  | Noah's Arc        |                  | Birth to Three Admin Unit |                 | Program services Inclusion Grant |  | Health & Wellness |  | Project Lifesaver and TechLink |                  | Supporting services Management and general |  | Totals |
|---------------------------------------|--------------------|------------------|-------------------|------------------|---------------------------|-----------------|----------------------------------|--|-------------------|--|--------------------------------|------------------|--|--|--------|
|                                       |                    |                  |                   |                  |                           |                 |                                  |  |                   |  |                                |                  |  |  |        |
| Personnel expenses                    | 16,097             | 44,807           | 200,625           | 7,607            | 25,450                    | 804             | 295,390                          |  |                   |  |                                | 29,675           | 325,065                                    |  |        |
| Fringe benefits                       | 995                | 4,840            | 25,088            | 629              | 2,531                     | 64              | 34,147                           |  |                   |  |                                | 3,327            | 37,474                                     |  |        |
| Consultant fees and casual labor      | 795                | -                | 621               | 8,432            | 15,362                    | 36              | 25,246                           |  |                   |  |                                | 5,561            | 30,807                                     |  |        |
| Telephone                             | -                  | 778              | 6,104             | -                | 65                        | -               | 6,947                            |  |                   |  |                                | 1,334            | 8,281                                      |  |        |
| Postage and shipping                  | -                  | -                | 5,248             | -                | 542                       | 52              | 5,842                            |  |                   |  |                                | 178              | 6,020                                      |  |        |
| Rent                                  | -                  | 26,520           | 13,937            | 1,200            | -                         | 480             | 42,137                           |  |                   |  |                                | 2,916            | 45,053                                     |  |        |
| Insurance                             | -                  | 1,049            | 2,632             | -                | -                         | -               | 3,681                            |  |                   |  |                                | 1,581            | 5,262                                      |  |        |
| Utilities                             | -                  | 6,129            | 8,435             | -                | 205                       | -               | 6,334                            |  |                   |  |                                | -                | 6,334                                      |  |        |
| Supplies                              | 6,073              | 1,053            | 8,435             | 1,259            | 4,796                     | 66              | 21,682                           |  |                   |  |                                | 908              | 22,590                                     |  |        |
| Professional fees                     | -                  | -                | 694               | -                | -                         | -               | 694                              |  |                   |  |                                | 5,200            | 5,894                                      |  |        |
| Maintenance and repairs               | 693                | 141              | 6,457             | -                | 466                       | 376             | 8,133                            |  |                   |  |                                | 716              | 8,849                                      |  |        |
| ARC/US Dues                           | -                  | 196              | 645               | -                | -                         | -               | 841                              |  |                   |  |                                | 807              | 1,648                                      |  |        |
| Office library                        | 81                 | -                | 979               | 79               | -                         | -               | 1,139                            |  |                   |  |                                | 67               | 1,206                                      |  |        |
| Printing                              | -                  | 41               | 2,614             | -                | 647                       | -               | 3,302                            |  |                   |  |                                | 118              | 3,420                                      |  |        |
| Advertising                           | -                  | 320              | 8,738             | -                | -                         | -               | 9,058                            |  |                   |  |                                | 163              | 9,221                                      |  |        |
| Client services                       | 3,416              | -                | -                 | 57               | 10,244                    | -               | 13,717                           |  |                   |  |                                | 354              | 14,071                                     |  |        |
| Scholarship                           | 3,250              | -                | -                 | -                | -                         | -               | 3,250                            |  |                   |  |                                | -                | 3,250                                      |  |        |
| Miscellaneous                         | 93                 | 361              | 376               | -                | -                         | -               | 830                              |  |                   |  |                                | 3,060            | 3,890                                      |  |        |
| Conferences, conventions and meetings | 14,187             | 299              | 1,819             | 606              | 1,352                     | -               | 18,263                           |  |                   |  |                                | 615              | 18,878                                     |  |        |
| Parking                               | 3                  | -                | 2,176             | 154              | 533                       | -               | 2,866                            |  |                   |  |                                | 916              | 3,782                                      |  |        |
| Travel                                | 2,697              | 290              | 21,357            | 1,018            | 5,096                     | 228             | 30,686                           |  |                   |  |                                | 2,652            | 33,338                                     |  |        |
| Bad debt expense                      | -                  | 214              | -                 | -                | -                         | -               | 214                              |  |                   |  |                                | -                | 214  |  |        |
| Depreciation                          | 48,380             | 87,038           | 308,545           | 21,041           | 67,289                    | 2,106           | 534,399                          |  |                   |  |                                | 60,148           | 594,547                                    |  |        |
| <b>Total expenses</b>                 | <b>\$ 48,380</b>   | <b>\$ 87,038</b> | <b>\$ 308,545</b> | <b>\$ 21,041</b> | <b>\$ 67,289</b>          | <b>\$ 2,106</b> | <b>\$ 534,399</b>                |  |                   |  |                                | <b>\$ 66,481</b> | <b>\$ 600,880</b>                          |  |        |

See accompanying notes to financial statements.

**THE ARC OF THE MID OHIO VALLEY, INC.**  
**Statements of Activities**  
**Years ended June 30, 2008 and 2007**

|   | 2008         |                        |                        | 2007         |                        |                        |         |
|---|--------------|------------------------|------------------------|--------------|------------------------|------------------------|---------|
|   | Unrestricted | Temporarily restricted | Permanently restricted | Unrestricted | Temporarily restricted | Permanently restricted | Total   |
| Support, Revenue, and Reclassifications             |              |                        |                        |              |                        |                        |         |
| United Way allocations                              | \$ 15,466    | -                      | -                      | 15,466       | 15,343                 | -                      | 15,343  |
| Contributions                                       | 2,324        | 10,465                 | -                      | 12,789       | 13,835                 | -                      | 74,750  |
| Grant revenue                                       | 221,858      | -                      | -                      | 221,858      | 203,381                | -                      | 203,381 |
| Sales - Noah's Arc                                  | 127,310      | -                      | -                      | 127,310      | 118,169                | -                      | 118,169 |
| Combined federal campaign                           | 532          | -                      | -                      | 532          | 612                    | -                      | 612     |
| Interest and dividends                              | 9,090        | 16,050                 | -                      | 25,140       | 6,558                  | -                      | 17,927  |
| Gain (losses) on investments                        | (21,640)     | (44,546)               | -                      | (66,186)     | 5,021                  | -                      | 25,851  |
| Membership dues                                     | 1,477        | -                      | -                      | 1,477        | 1,370                  | -                      | 1,370   |
| Birth to Three Program Income                       | 257,305      | -                      | -                      | 257,305      | 244,415                | -                      | 244,415 |
| Total support and revenue before reclassification   | 613,722      | (18,031)               | -                      | 595,691      | 608,704                | 93,114                 | 701,818 |
| Reclassifications:                                  |              |                        |                        |              |                        |                        |         |
| Net assets released from restrictions               | 16,050       | (16,050)               | -                      | -            | 69,048                 | -                      | -       |
| Total revenue and reclassifications                 | 629,772      | (34,081)               | -                      | 595,691      | 677,752                | (69,048)               | 701,818 |
| Expenses:   |              |                        |                        |              |                        |                        |         |
| Program services:                                   |              |                        |                        |              |                        |                        |         |
| Community programs                                  | 48,380       | -                      | -                      | 48,380       | 49,471                 | -                      | 49,471  |
| Noah's Arc  | 87,038       | -                      | -                      | 87,038       | 87,157                 | -                      | 87,157  |
| Birth to Three Program Regional Admin Unit          | 308,545      | -                      | -                      | 308,545      | 285,907                | -                      | 285,907 |
| Inclusion Grant                                     | 21,041       | -                      | -                      | 21,041       | -                      | -                      | -       |
| Health and Wellness                                 | 67,289       | -                      | -                      | 67,289       | 67,387                 | -                      | 67,387  |
| Project Lifesaver and Techlink                      | 2,106        | -                      | -                      | 2,106        | 61,113                 | -                      | 61,113  |
| Total program services                              | 534,399      | -                      | -                      | 534,399      | 551,035                | -                      | 551,035 |
| Supporting services:                                |              |                        |                        |              |                        |                        |         |
| Management and general                              | 66,481       | -                      | -                      | 66,481       | 92,908                 | -                      | 92,908  |
| Total expenses                                      | 600,880      | -                      | -                      | 600,880      | 643,943                | -                      | 643,943 |
| Change in net assets                                | 28,892       | (34,081)               | -                      | (5,189)      | 33,809                 | 24,066                 | 57,875  |
| Net assets, beginning of year, as originally stated | 242,467      | 206,906                | 90,000                 | 539,373      | 208,658                | 173,755                | 382,413 |
| Prior period adjustment                             | -            | -                      | -                      | -            | -                      | 9,085                  | 99,085  |
| Net assets, beginning of year, as restated          | 242,467      | 206,906                | 90,000                 | 539,373      | 208,658                | 182,840                | 481,498 |
| Net assets, end of year                             | \$ 271,359   | 172,825                | 90,000                 | 534,184      | 242,467                | 206,906                | 539,373 |

See accompanying notes to financial statements.



**THE ARC OF THE MID OHIO VALLEY, INC.**  
**Statement of Cash Flows**  
**Years ended June 30, 2008 and 2007**

|  | 2008             | 2007          |
|--|------------------|---------------|
| Cash flows from operating activities:  |                  |               |
| Changes in net assets  | \$ (5,189)       | 57,875        |
| Adjustments to reconcile change in assets<br>to net cash provided by operating activities: |                  |               |
| Depreciation   | 6,333            | 5,959         |
| Unrealized (gain) loss on investments  | 66,186           | (25,851)      |
| (Increase) decrease in:  |                  |               |
| Accounts receivable  | (22,968)         | (12,860)      |
| Prepaid expenses   | 6,447            | (5,855)       |
| Increase (decrease) in:  |                  |               |
| Accounts payable   | (969)            | 4,225         |
| Other current liabilities  | 23               | (1,442)       |
| Accrued vacation and payroll   | (11,396)         | 13,769        |
| Deferred income  | (367)            | (10,251)      |
| Net cash provided by operating activities  | 38,100           | 25,569        |
| Cash flows from investing activities:  |                  |               |
| Purchase of equipment  | (4,909)          | (2,296)       |
| (Purchase) sale of investments   | (17,305)         | (50,223)      |
| Net cash used by investing activities  | (22,214)         | (52,519)      |
| Increase (decrease) in cash and cash equivalents   | 15,886           | (26,950)      |
| Cash and cash equivalents, beginning of year   | 68,586           | 95,536        |
| <b>Cash and cash equivalents, end of year</b>  | <b>\$ 84,472</b> | <b>68,586</b> |
| Supplemental cash flow disclosures:  |                  |               |
| Cash paid for:   |                  |               |
| Income taxes   | \$ -             | -             |
| Interest   | -                | -             |

*See accompanying notes to financial statements*

**THE ARC OF THE MID OHIO VALLEY, INC.**  
**Notes to Financial Statements**

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**NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**Nature of Activities** - The mission of The Arc of The Mid Ohio Valley, Inc , (a not-for-profit organization) is to promote community education on developmental disabilities and its prevention; provide advocacy for individuals with developmental disabilities; and provide assistance to those in need.

**Basis of Accounting** - The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principals generally accepted in the United States of America

**Basis of Presentation** - The Organization has adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, an organization is required to report information regarding its financial position and activities according to three classes of net assets 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 passage of time.

Permanently restricted net assets - Net assets subject to donor imposed stipulations that they be maintained permanently by the organization. Generally, the donors of the assets permit the organization to use all or part of the income earned on related investments for general or specific purposes.

**Contributions** -- All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

When a donor-stipulated time restriction ends or a purpose restriction is accomplished, then the restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction.

**Contributed Property and Equipment** - Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, then the contributions are recorded as temporarily restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

**Cash and Cash Equivalents** - For purposes of the Statements of Cash Flows, The Arc of The Mid Ohio Valley, Inc., considers all highly-liquid investments purchased with maturities of three months or less to be cash and cash equivalents.

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

**Advertising** -- It is the policy of The Arc of The Mid Ohio Valley, Inc. to expense all advertising costs as incurred.

THE ARC OF THE MID OHIO VALLEY, INC.  
Notes to Financial Statements, Continued

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NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, CONTINUED

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**Property and Equipment** - All acquisitions of property and equipment and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the following estimated useful lives:

|                               | <u>Years</u> |
|-------------------------------|--------------|
| Computer and office equipment | 5 to 10      |
| Furniture and fixtures        | 5 to 10      |

Depreciation expense for the fiscal year ended June 30, 2008 and 2007 was \$6,333 and \$5,959, respectively.

**Fair Value of Financial Instruments** - The Arc of The Mid Ohio Valley, Inc. has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at June 30, 2008 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position. The estimated fair value of all financial instruments has been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

**Inventory** - Inventory of clothing and other used goods have not been recorded in the financial statements. Accounting principles generally accepted in the United States of America require that such inventory be recorded at the fair market value at the date of donation. The independent auditor's report has been modified accordingly.

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USE OF ESTIMATES

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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.

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CONCENTRATIONS OF RISK DISCLOSURE

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The Organization is economically dependent on grants from various federal, state and local governments for the operation of their programs. The Organization's ability to receive these grants is somewhat dependent on the national, state and local economy.

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ACCOUNTS RECEIVABLE

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The Organization operates in the Parkersburg, WV area and receives support from various sources, substantially all of whom are local individuals or government agencies. As of June 30, 2008 and 2007 accounts receivable are shown net of an allowance for uncollectible accounts of \$925 and \$925, respectively.

**THE ARC OF THE MID OHIO VALLEY, INC.**  
**Notes to Financial Statements, Continued**

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**MARKETABLE SECURITIES**

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As of June 30, 2008 unrestricted marketable securities consisted of the following:

|  | <u>Cost</u>    | <u>Unrealized<br/>Gain (loss)</u> | <u>Market<br/>Value</u> |
|--|----------------|-----------------------------------|-------------------------|
| American Funds Group – Washington Mutual<br>Investors Fund | \$ 30,475      | 3,828                             | 34,303                  |
| Legg Mason Cash Reserve Trust                              | 37,184         | -                                 | 37,184                  |
| Legg Mason Limited Duration Bond Fund                      | 83,572         | (7,258)                           | 76,314                  |
| <u>Total unrestricted contributions</u>                    | <u>151,231</u> | <u>(3,430)</u>                    | <u>147,801</u>          |

As of June 30, 2007 unrestricted marketable securities consisted of the following:

|  | <u>Cost</u>    | <u>Unrealized<br/>Gain (loss)</u> | <u>Market<br/>Value</u> |
|--|----------------|-----------------------------------|-------------------------|
| American Funds Group – Washington Mutual<br>Investors Fund | \$ 27,542      | 12,938                            | 40,480                  |
| Legg Mason Cash Reserve Trust                              | 36,354         | -                                 | 36,354                  |
| Legg Mason Limited Duration Bond Fund                      | 80,264         | (1,681)                           | 78,583                  |
| <u>Total unrestricted contributions</u>                    | <u>144,160</u> | <u>11,257</u>                     | <u>155,417</u>          |

In a prior period, the Organization received a bequest which, according to provisions of the will, such assets “are to be used for the purpose of capital improvements or the purchase of equipment, furnishings, or property, and are not to be treated as ordinary income”

Additionally, the Organization manages an investment fund created for the WV Association of the Arc, a state-wide Arc Chapters consortium. A money market account was established to account for funds raised through candy machine sales which are expended for designated uses by the by the state-wide Arc Chapters consortium.

All of the following investments are considered to be temporarily restricted and consist of the following:

As of June 30, 2008 temporarily restricted marketable securities consisted of the following:

|  | <u>Cost</u>    | <u>Unrealized<br/>Gain</u> | <u>Market<br/>Value</u> |
|--|----------------|----------------------------|-------------------------|
| American Funds Group – Washington Mutual<br>Investors Fund | \$ 12,577      | 4,238                      | 16,815                  |
| American Funds Group – The Income Fund<br>of America       | 97,332         | 22,566                     | 119,898                 |
| Legg Mason Value Trust                                     | 36,260         | (9,233)                    | 27,027                  |
| <u>Total temporarily restricted investments</u>            | <u>146,169</u> | <u>17,571</u>              | <u>163,740</u>          |

**THE ARC OF THE MID OHIO VALLEY, INC.**  
**Notes to Financial Statements, Continued**

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**MARKETABLE SECURITIES, CONTINUED**

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As of June 30, 2007 temporarily restricted marketable securities consisted of the following:

|   | <u>Cost</u>    | <u>Unrealized<br/>Gain</u> | <u>Market<br/>Value</u> |
|---|----------------|----------------------------|-------------------------|
| American Funds Group -- Washington Mutual<br>Investors Fund | \$ 11,241      | 8,602                      | 19,843                  |
| American Funds Group -- The Income Fund<br>of America       | 87,210         | 48,264                     | 135,474                 |
| <u>Legg Mason Value Trust</u>                               | <u>31,668</u>  | <u>10,836</u>              | <u>42,504</u>           |
| <u>Total temporarily restricted investments</u>             | <u>130,119</u> | <u>67,702</u>              | <u>197,821</u>          |

For the years ended June 30, 2008 and 2007 total investment income is shown net of unrealized gains of \$25,851 and \$6,413, respectively.

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**RESTRICTIONS AND LIMITATIONS OF NET ASSET BALANCES**

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As of June 30, 2008 and 2007 temporarily restricted net assets totaled \$169,057 and \$162,211, respectively and consisted of donor-restricted contributions restricted as follows:

|                                | <u>2008</u>       | <u>2007</u>    |
|--------------------------------|-------------------|----------------|
| Capital acquisition            | 136,713           | 155,317        |
| Scholarships                   | 9,085             | 9,085          |
| <u>State-wide Arc programs</u> | <u>27,027</u>     | <u>42,504</u>  |
| <u>Total</u>                   | <u>\$ 172,825</u> | <u>197,821</u> |

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**NET ASSETS RELEASED FROM RESTRICTIONS**

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The sources of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors for the year ended June 30, 2008 and 2007 were as follows:

|                                     | <u>2008</u>      | <u>2007</u>   |
|-------------------------------------|------------------|---------------|
| Secret Christmas and other programs | 16,050           | 19,248        |
| <u>Project Life Saver</u>           | <u>-</u>         | <u>49,800</u> |
| <u>Total</u>                        | <u>\$ 16,050</u> | <u>69,048</u> |

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**FUNCTIONAL EXPENSE ALLOCATIONS**

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

**THE ARC OF THE MID OHIO VALLEY, INC.**  
**Notes to Financial Statements, Continued**

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**OPERATING LEASES**

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Effective March 31, 2008, the Organization rents office space, located at 521 Market Street, Parkersburg, West Virginia, as a tenant at will from the Volunteer Action Center, Inc. The monthly rental payment is \$1,394 and total rental payments for the year ended June 30, 2008 were \$16,722.

The Organization operates a thrift shop located at 1511C Grand Central Avenue, Vienna, West Virginia. The thrift shop building had a three-year operating lease which expires June 30, 2008 with monthly rental payments of \$1,400. Total rental payments for the year ended June 30, 2008 were \$16,800.

The Organization operates a second thrift shop located at 904 Broadway Avenue, Parkersburg, West Virginia as a tenant at will. The monthly rental payments are \$600 and total rent payments for the year ended June 30, 2008 was \$7,200.

The Organization rents storage space as a tenant at will. Monthly rental expense is \$210 and total rental payments for the year ended June 30, 2008 was \$2,520.

The Organization entered into a lease agreement for the rental of a copier. The lease is scheduled to expire November 21, 2008. The monthly rental payment on the lease is \$321 and total rental payments for the year were \$3,852.

Rent expense for the years ended June 30, 2008 and 2007 under all of above operating leases was \$45,053 and \$44,242, respectively.

Future minimum lease obligations under the above operating leases are as follows:

| <u>Year Ended</u> |                 |
|-------------------|-----------------|
| 2009              | 3,547           |
| <u>Total</u>      | <u>\$ 3,547</u> |

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**COMPENSATED ABSENCES**

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Eligible employees of the Organization are entitled to paid vacation, paid sick days, and personal days off depending on length of service and other factors. The accumulated of vacation days is limited to a maximum of 150 hours per individual. Accrued vacation at June 30, 2008 and 2007 was \$8,567 and \$6,504, respectively.

**THE ARC OF THE MID OHIO VALLEY, INC**  
**Notes to Financial Statements, Continued**

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**RELATED PARTY TRANSACTIONS**

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During the years ended June 30, 2008 and 2007, the Organization had transactions with The Arc of the USA, Inc and the National Conference of Executives of The Arc, Inc. The transactions with The Arc of the USA, Inc consisted of payments for membership dues and affiliation. For the years ended June 30, 2008 and 2007, these payments totaled \$1,594 and \$1,646, respectively. The transactions with The National Conference of Executives of The Arc, Inc. also consisted of payments for membership dues. These payments totaled \$149 each year.

The Organization purchases insurance products, primarily employee health insurance through an insurance agency in which a Board member has a 3% equity ownership. Total insurance premiums paid to a carrier marketed by this agency for the years ended June 30, 2008 and 2007 amounted to \$1,208 and \$4,698, respectively.

**PRIOR PERIOD ADJUSTMENTS**

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Permanently restricted net assets as of June 30, 2007 have been increased by \$90,000 and temporarily restricted net assets have been increased by \$9,085 to correct for the omission of investments held by the Parkersburg Area Community Foundation on behalf of the Agency.

**THE ARC OF THE MID OHIO VALLEY INC.**  
**Schedule of WV DHHS Funding Status**  
**Year ended June 30, 2008**

|   | Birth to<br>Three RAU<br>Program | Health<br>and<br>Wellness | Health<br>and<br>Wellness | Inclusive<br>Recreational<br>& Leisure | Inclusive<br>Recreational<br>& Leisure |
|---|----------------------------------|---------------------------|---------------------------|--|--|
| State Assigned Account Number   | G080318                          | G080504                   | G070411                   | G080505                                | G070416                                |
| Grant period  | 7/1/07<br>to<br>6/30/08          | 10/1/07<br>to<br>9/30/08  | 10/1/06<br>to<br>9/30/07  | 10/1/07<br>to<br>9/30/08               | 10/1/06<br>to<br>9/30/07               |
| Amount of Award Total   | 115,620                          | 40,000                    | 50,000                    | 21,664                                 | 21,376                                 |
| Amount received current year  | 115,620                          | 33,059                    | 16,500                    | 15,817                                 | 1,926                                  |
| Surplus carried to current year   | -                                | -                         | 3,787                     | -                                      | 3,067                                  |
| Total grant revenues available current fiscal year  | 115,620                          | 33,059                    | 20,287                    | 15,817                                 | 4,993                                  |
| Amount Earned & Billed to DHHS through year end<br>and qualifying expenses for prior year's (budgetary)<br>deferred revenue | (115,620)                        | (33,059)                  | (20,287)                  | (15,817)                               | (4,993)                                |
| Budgetary surplus (deficit) (1)   | -                                | -                         | -                         | -                                      | -                                      |
| Amount not earned but billed to DHHS<br>through year-end  | -                                | -                         | -                         | -                                      | -                                      |
| Amount not billed to DHHS through year-end  | -                                | 6,941                     | -                         | 5,847                                  | -                                      |
| Amount collected by year-end  | 115,620                          | 33,059                    | 50,000                    | 15,817                                 | 21,376                                 |

*See independent auditor's report*



THE ARC OF THE MID OHIO VALLEY, INC  
 Schedule of Revenues & Expenses - DHHS Funded Programs  
 Year ended June 30, 2008

|  | Birth to<br>Three RAU<br>Program<br>G080318 | Health<br>and<br>Wellness<br>G080504 | Health<br>and<br>Wellness<br>G070411 | Inclusive<br>Recreational<br>& Leisure<br>G080505 | Inclusive<br>Recreational<br>& Leisure<br>G070416 | DHHS<br>Total  |
|--|---|--------------------------------------|--------------------------------------|---|---|----------------|
| <b>Revenues:</b>                                 |   |                                      |                                      |   |   |                |
| State awards                                     | 115,620                                     | 33,059                               | 16,500                               | 15,817  | 1,926   | 182,922        |
| Other grants and fees                            | 104,327                                     | 7,186                                | -                                    | -   | -   | 111,513        |
| Interest   | -   | -                                    | -                                    | -   | -   | -              |
| <b>Total revenues</b>                            | <b>219,947</b>                              | <b>40,245</b>                        | <b>16,500</b>                        | <b>15,817</b>                                     | <b>1,926</b>                                      | <b>294,435</b> |
| <b>Expenses:</b>                                 |   |                                      |                                      |   |   |                |
| Salaries   | 134,337                                     | 20,029                               | 5,421                                | 4,105   | 3,502   | 167,394        |
| Fringe benefits                                  | 16,695                                      | 2,010                                | 521                                  | 539   | 73  | 19,838         |
| Consultant fees and casual labor                 | 621   | 8,447                                | 6,915                                | 7,517   | 915   | 24,415         |
| Telephone & communications                       | 4,970                                       | 47                                   | 19                                   | -   | -   | 5,036          |
| Postage and shipping                             | 3,606                                       | 377                                  | 152                                  | -   | -   | 4,135          |
| Occupancy  | 13,037                                      | 146                                  | 59                                   | 1,070   | 130   | 14,442         |
| Insurance  | 2,619                                       | -                                    | -                                    | -   | -   | 2,619          |
| Advertising                                      | 8,738                                       | -                                    | -                                    | -   | -   | 8,738          |
| Conventions and meetings                         | 1,199                                       | 945                                  | 381                                  | 546   | 66  | 3,137          |
| Supplies   | 5,553                                       | 2,560                                | 1,991                                | 1,119   | 139   | 11,362         |
| Professional fees                                | 695   | -                                    | -                                    | -   | -   | 695            |
| Maintenance and repairs                          | 8,325                                       | -                                    | -                                    | 90  | 10  | 8,425          |
| Office/library expenses                          | 979   | -                                    | -                                    | 71  | 8   | 1,058          |
| Printing   | 2,157                                       | 398                                  | 161                                  | -   | -   | 2,716          |
| Client services                                  | -   | 1,796                                | 2,530                                | -   | 57  | 4,383          |
| Other expenses                                   | 6,299                                       | -                                    | 1,015                                | 167   | -   | 7,481          |
| Travel   | 9,657                                       | 2,781                                | 1,121                                | 825   | 93  | 14,477         |
| Equipment purchases                              | 460   | 709                                  | -                                    | 709   | -   | 1,878          |
| <b>Total expenses</b>                            | <b>219,947</b>                              | <b>40,245</b>                        | <b>20,287</b>                        | <b>16,758</b>                                     | <b>4,993</b>                                      | <b>302,231</b> |
| <b>Excess (deficit) of revenue over expenses</b> | <b>-</b>                                    | <b>-</b>                             | <b>(3,787)</b>                       | <b>(941)</b>                                      | <b>(3,067)</b>                                    | <b>(7,796)</b> |

*See independent auditor's report*

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

To the Board of Directors of  
The Arc of The Mid Ohio Valley, Inc

I have audited the financial statements of The Arc of The Mid Ohio Valley, Inc , (a nonprofit organization) as of and for the year ended June 30, 2008, and have issued my report thereon dated October 19, 2008 which was qualified for not including the value of purchased and donated thrift store inventory. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States

Internal Control over Financial Reporting

In planning and performing my audit, I considered the ARC of the Mid Ohio Valley, Inc's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ARC of the Mid Ohio Valley, Inc's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over financial reporting

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified a deficiency in internal control over financial reporting that I consider to be a significant deficiency

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. I consider the deficiency described below to be significant deficiency in internal control over financial reporting

Segregation of Duties

The segregation of duties and responsibilities with persons who initiate transactions, record transactions, and reconcile the accounts these transactions affect is not desirable from a control point of view. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of transactions. The lack of

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS, CONTINUED**

segregation of duties could increase the risk that misstatements of transactions could go undetected. This situation is typical in an organization of your size. The most effective controls lie in the Board's level of monitoring and oversight of matters relating to the Organization's operations.

The lack of separation of control functions between personnel has the potential for misappropriation of assets, and possible misrepresentation in financial reporting, depending on the level of monitoring and oversight of the Board and its officers.

This situation has been addressed through enhanced Board monitoring, however, hiring additional personnel would not be cost effective for the Organization.

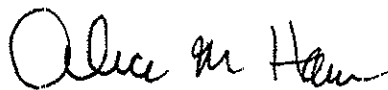
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I do not believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the ARC of the Mid Ohio Valley, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Alice M. Harris, CPA  
October 19, 2008