The Arc
Virginia Peninsula

The Arc of the Virginia Peninsula, Inc.

FINANCIAL REPORT

JUNE 30, 2010 AND 2009

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Arc of the Virginia Peninsula, Inc.
Hampton, Virginia

We have audited the accompanying statements of financial position of The Arc of the Virginia Peninsula, Inc. ("The Arc"), a nonprofit organization, as of June 30, 2010 and 2009, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of The Arc's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 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 the 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 the Virginia Peninsula, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 12 to the financial statements, the June 30, 2009 financial statements have been restated to correct inaccurately recorded and omitted transactions.

Witt Mares, PLC

Newport News, Virginia
January 24, 2011

FINANCIAL STATEMENTS

THE ARC OF THE VIRGINIA PENINSULA, INC.

Statements of Financial Position

June 30, 2010 and 2009

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 2,388,967**	$ 1,705,593
Accounts receivable, less allowance for doubtful accounts of $115,460 at June 30, 2010 and $196,785 at June 30, 2009	**3,641,732**	3,287,710
Pledges receivable, net	**131,198**	140,278
Advances to affiliates	**36,381**	10,610
Prepaid expenses	**57,479**	275,890
Total current assets	**6,255,757**	5,420,081
PROPERTY AND EQUIPMENT, NET	**6,771,373**	6,873,042
OTHER ASSETS		
Land held for sale	**97,313**	97,313
Pledges receivable, net of current portion	**63,499**	101,999
Resident security deposits and custodial bank accounts	**31,108**	74,768
Total other assets	**191,920**	274,080
Total assets	**$ 13,219,050**	$ 12,567,203

THE ARC OF THE VIRGINIA PENINSULA, INC.

Statements of Financial Position

June 30, 2010 and 2009

	2010	2009
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	**$ 259,148**	$ 219,479
Medicaid reimbursement payable	**347,513**	99,151
Accounts payable	**588,310**	499,355
Accrued expenses	**2,576,548**	1,719,720
Total current liabilities	**3,771,519**	2,537,705
LONG-TERM LIABILITIES		
Long-term debt, less current maturities	**3,921,077**	4,136,942
Resident security deposits and custodial bank accounts	**31,108**	74,768
Total long-term liabilities	**3,952,185**	4,211,710
Total liabilities	**7,723,704**	6,749,415
NET ASSETS		
Unrestricted	**4,455,820**	4,587,980
Unrestricted, board designated	**835,166**	1,000,000
Temporarily restricted	**204,360**	229,808
Total net assets	**5,495,346**	5,817,788
Total liabilities and net assets	**$ 13,219,050**	$ 12,567,203

See accompanying notes.

THE ARC OF THE VIRGINIA PENINSULA, INC.

Statement of Activities

Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUES			
Public support:			
Contributions	$ 117,320	$ 39,765	$ 157,085
United Way of the Virginia Peninsula	-	99,000	99,000
Net assets released from restriction			
Expiration of time restriction	164,213	(164,213)	-
Total public support	281,533	(25,448)	256,085
Revenues:			
State and local grants	598,341	-	598,341
Fee revenues	7,204,675	-	7,204,675
Contract sales and commissions	14,686,224	-	14,686,224
Other	301,309	-	301,309
Total revenues	22,790,549	-	22,790,549
Total public support and revenues	23,072,082	(25,448)	23,046,634
EXPENSES			
Program expenses:			
Work programs	16,472,718	-	16,472,718
Non-work programs	3,092,825	-	3,092,825
Intermediary Care Facility for the Mentally Retarded (ICF/MR)	3,605,781	-	3,605,781
Total program expenses	23,171,324	-	23,171,324
Supporting services:			
Management and general expenses	152,858	-	152,858
Total expenses	23,324,182	-	23,324,182
Change in net assets from operations	(252,100)	(25,448)	(277,548)
OTHER CHANGES			
Interest	5,900	-	5,900
Loss on disposal of fixed assets	(50,794)	-	(50,794)
Total other changes	(44,894)	-	(44,894)
Change in net assets	(296,994)	(25,448)	(322,442)
NET ASSETS			
Beginning	5,587,980	229,808	5,817,788
Ending	$ 5,290,986	$ 204,360	$ 5,495,346

See accompanying notes.

THE ARC OF THE VIRGINIA PENINSULA, INC.
Statement of Activities
Year Ended June 30, 2009

	Restated Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUES			
Public support:			
Contributions	$ 186,169	$ 148,342	$ 334,511
United Way of the Virginia Peninsula	-	86,008	86,008
Net assets released from restriction			
Expiration of time restriction	151,942	(151,942)	-
Total public support	338,111	82,408	420,519
Revenues:			
State and local grants	663,671	-	663,671
Fee revenues	7,499,207	-	7,499,207
Contract sales and commissions	11,931,563	-	11,931,563
Other	251,674	-	251,674
Total revenues	20,346,115	-	20,346,115
Total public support and revenues	20,684,226	82,408	20,766,634
EXPENSES			
Program expenses:			
Work programs	13,505,428	-	13,505,428
Non-work programs	3,177,512	-	3,177,512
Intermediary Care Facility for the Mentally Retarded (ICF/MR)	3,670,419	-	3,670,419
Total program expenses	20,353,359	-	20,353,359
Supporting services:			
Management and general expenses	280,948	-	280,948
Total expenses	20,634,307	-	20,634,307
Change in net assets from operations	49,919	82,408	132,327
OTHER CHANGES			
Interest	11,517	-	11,517
Change in net assets	61,436	82,408	143,844
NET ASSETS			
Beginning	5,526,544	147,400	5,673,944
Ending	$ 5,587,980	$ 229,808	$ 5,817,788

See accompanying notes.

THE ARC OF THE VIRGINIA PENINSULA, INC.

Statements of Cash Flows

Years Ended June 30, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (322,442)	$ 143,844
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	380,504	373,145
Provision for bad debts	(81,325)	(22,512)
Loss on disposal of fixed assets	50,794	-
Changes in assets and liabilities:		
Accounts receivable	(272,697)	(1,578,730)
Medicaid reimbursement payable	248,362	812,532
Pledges receivable	47,580	(54,715)
Advances to affiliates	(25,771)	23,783
Prepaid expenses	218,411	(100,764)
Deposits	-	100,000
Accounts payable	88,955	138,288
Accrued expenses	856,828	556,604
Net cash provided by operating activities	1,189,199	391,475
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(277,291)	(507,856)
Proceeds on disposal of fixed assets	500	-
Net cash used in investing activities	(276,791)	(507,856)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(229,034)	(185,489)
Net cash used in financing activities	(229,034)	(185,489)
Net increase (decrease) in cash and cash equivalents	683,374	(301,870)

(Continued)

See accompanying notes.

THE ARC OF THE VIRGINIA PENINSULA, INC.

Statements of Cash Flows

Years Ended June 30, 2010 and 2009

(Concluded)

	2010	2009
CASH AND CASH EQUIVALENTS		
Beginning	**$ 1,705,593**	$ 2,007,463
Ending	**$ 2,388,967**	$ 1,705,593
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Cash paid for interest	**$ 225,065**	$ 235,033
SUPPLEMENTAL DISCLOSURES OF NON-CASH ACTIVITIES		
Property and equipment purchased with debt	**$ 52,838**	$ 235,033
Disposal of fully depreciated fixed assets	**$ 45,775**	$ 670,935

See accompanying notes.

THE ARC OF THE VIRGINIA PENINSULA, INC.

Statement of Functional Expenses

Year Ended June 30, 2010

	Work Programs	Non-Work Programs	ICF/MR	Management and General	Total
Direct costs					
Personnel costs	$ 6,815,333	$ 2,223,281	$ 2,482,501	$ 1,138,521	$ 12,659,636
Staff development	39,460	1,378	6,568	25,348	72,754
Facility expenses	63,547	72,928	110,526	319,583	566,584
Equipment and supplies	312,719	170,734	233,169	167,426	884,048
Professional fees	7,729,937	607	160,513	86,017	7,977,074
Interest expense	84,617	18,603	47,075	74,123	224,418
Other	499,996	74,050	49,949	315,673	939,668
Total direct costs	15,545,609	2,561,581	3,090,301	2,126,691	23,324,182
Indirect costs					
Allocation of management and general expenses	927,109	531,244	515,480	(1,973,833)	-
Total costs	$ 16,472,718	$ 3,092,825	$ 3,605,781	$ 152,858	$ 23,324,182

See accompanying notes.

THE ARC OF THE VIRGINIA PENINSULA, INC.

Statement of Functional Expenses

Year Ended June 30, 2009

	Work Programs	Non-Work Programs	ICF/MR	Management and General	Total
Direct costs					
Personnel costs	$ 6,474,841	$ 2,401,145	$ 2,576,660	$ 1,034,332	$ 12,486,978
Staff development	16,477	1,708	6,896	18,282	43,363
Facility expenses	107,361	69,045	117,533	350,729	644,668
Equipment and supplies	346,535	176,810	242,716	146,906	912,967
Professional fees	5,299,355	1,789	173,991	59,494	5,534,629
Interest expense	72,723	21,244	55,275	61,905	211,147
Other	327,381	61,561	55,714	355,899	800,555
Total direct costs	12,644,673	2,733,302	3,228,785	2,027,547	20,634,307
Indirect costs					
Allocation of management and general expenses	860,755	444,210	441,634	(1,746,599)	-
Total costs	$ 13,505,428	$ 3,177,512	$ 3,670,419	$ 280,948	$ 20,634,307

See accompanying notes.

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Arc of the Virginia Peninsula, Inc. ("The Arc"), is a non-profit, non-stock corporation. Founded in 1953 by a group of concerned families, The Arc has a proud history of service to people with developmental disabilities and their families. The Arc serves more than 1,600 individuals with developmental and related disabilities annually in employment, community living, day support and early childhood programs. Services range from providing developmental screenings for children to helping elderly caregivers plan for the future of their aging loved ones with disabilities. The Arc's service area includes Hampton, Newport News, Poquoson and York County, as well as the ten rural counties on the Middle Peninsula/Northern Neck of Virginia.

Basis of Presentation

Financial statement presentation follows the recommendations of FASB Accounting Standards Codification 958, Not-for Profit Entities. Under ASC 958, the organization 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.

Use of 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

For purposes of these financial statements, The Arc considers all highly liquid investments, purchased with a maturity of three months or less, to be cash equivalents.

Accounts Receivable

Accounts receivable represents revenues earned pursuant to various contracts or other agreements entered into by The Arc. Accounts receivable are considered past due based on the payment terms of the various contracts and agreements. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on

(Continued)

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance amount as of June 30, 2010 and 2009 was $115,460 and $196,785, respectively.

Pledges Receivable

Pledges are recognized when the donor makes a promise to give to The Arc that is, in substance, unconditional. Pledges that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire or are otherwise satisfied 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.

The pledges receivable represent amounts due from the United Way expected to be received in the next fiscal year and amounts from the Puller Center Capital Campaign. These amounts are temporarily restricted.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets that range from three to forty years.

Maintenance and repairs, including replacement of minor items of physical properties, are charged to expense; major additions are capitalized. The Arc follows the practice of capitalizing all expenditures for equipment in excess of $500.

Land Held for Sale

The Arc holds a vacant parcel of land at its Hampton location that is being actively marketed.

Resident Security Deposits and Custodial Bank Accounts

The Arc holds security deposits for individuals living in residential homes as well as custodial bank accounts for participants in The Arc's programs.

Functional Allocation of Expenses

Functional expenses have been allocated between program services and management and general expenses based on an analysis of personnel time, space, supplies and equipment utilized for the related activities.

(Continued)

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Materials and Services

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

The Arc recognizes the estimated fair value of contributed services that meet the following criteria:

- The services rendered either create or enhance non-financial assets.
- The services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution.

Although a number of volunteers donate significant amounts of time to The Arc, no services meeting these criteria were donated.

Income Taxes

The Arc is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Furthermore, it is classified as a publicly supported charitable organization under Section 509(a)(l) of the Internal Revenue Code and qualifies for the maximum charitable contribution deduction for its donors. The Arc is subject to income taxes on profits, if any, from unrelated business activities.

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Organization's management has evaluated the impact of this guidance on its financial statements. The Organization is not aware of any material uncertain tax positions, and has not accrued the effect of any uncertain tax positions as of June 30, 2010. With few exceptions, the Organization is no longer subject to income tax examinations by federal, state or local tax authorities for years before 2006.

The Organization's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

Advertising

Advertising costs are expensed when incurred and totaled $21,127 and $15,837 for 2010 and 2009, respectively.

(Continued)

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Contributions and Net Assets

The organization reports information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The financial statements report amounts separately by class of asset, when applicable, as follows:

Unrestricted amounts are those currently available at the discretion of the organization's Board of Directors and are used for operations. The Board of Directors previously designated $1,000,000 for capital and operating reserves in the amount of $500,000 each. The parking lot renovation was paid for from the capital reserve fund in the current year. As of June 30, 2010, the capital reserve had a balance of $335,166 and operating reserve had a balance of $500,000.

Temporarily restricted amounts are those which are stipulated by donors for specific operating purposes or future years. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets consist of amounts restricted for future years and for use in connection with the Puller Center.

Permanently restricted amounts are restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation. The organization has no permanently restricted net assets.

NOTE 2. PLEDGES RECEIVABLE

The pledges receivable are unconditional and are as follows:

	2010	2009
Receivable in less than one year	$ 154,567	$ 164,507
Receivable in one to five years	74,810	110,450
Total unconditional pledges	229,377	274,957
Less allowance for uncollectible pledges receivable	(34,680)	(32,680)
Net unconditional pledges receivable	$ 194,697	$ 242,277

NOTE 3. PROPERTY AND EQUIPMENT

As of June 30, 2010 and 2009, major classes of property and equipment consisted of the following:

	2010	2009
Land	$ 721,575	$ 721,575
Land and leasehold improvements	176,967	15,382
Buildings	6,331,154	6,318,151
Vehicles	929,518	854,398
Furniture and fixtures	1,152,319	1,223,018
	9,311,533	9,132,524
Less accumulated depreciation	2,540,160	2,259,482
	$ 6,771,373	$ 6,873,042

Depreciation expense for the years ended June 30, 2010 and 2009 was $380,504 and $373,145, respectively.

NOTE 4. LINE OF CREDIT

At June 30, 2010 and 2009, The Arc had available a line of credit of $350,000. Draws against the line are collateralized by a money market account that is required to maintain a minimum balance of $466,666 at all times. Interest at LIBOR plus 2.50%, with a minimum interest rate of 3.00%, is payable monthly. The Arc had no outstanding balance on the line of credit at June 30, 2010 and 2009 and was in compliance with the minimum balance requirement for the collateralized bank account. This line of credit matures February 28, 2011.

NOTE 5. LONG-TERM DEBT

Long-term debt at June 30, 2010 and 2009 is as follows:

	2010	2009
Chesapeake Bank, installment note, secured by deed of trust, due monthly at $4,351 including interest at 6.15%, maturing November 2028	$ 574,611	$ 590,932

(Continued)

NOTE 5. LONG-TERM DEBT (Concluded)

	2010	2009
SunTrust Bank, installment notes, secured by deed of trust or collateralized by furniture, fixtures, equipment and vehicles, due monthly at $5,267 including interest at 6.98%, ($2,203 to $5,267 including interest at 5.7% to 6.98% for 2009), maturing through August 2014	**$ 225,627**	$ 266,344
Old Point National Bank, installment notes, secured by deeds of trust, due monthly at $656 to $14,202 including interest at 4.125% to 5.125 %, ($750 to $15,690 including interest at 4.37% to 6.5% for 2009) interest rates are subject to a review every 60 months, maturing through July 2034	**3,210,740**	3,345,918
TowneBank, promissory notes, secured by vehicles and equipment, due monthly at $263 to $894 including interest at 5.6% to 8%, ($176 to $894 including interest at 5.6% to 8% for 2009), maturing through November 2016	**169,247**	153,227
	4,180,225	4,356,421
Less current maturities	**259,148**	219,479
	$ 3,921,077	$ 4,136,942

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

2011	$ 259,148
2012	273,418
2013	276,100
2014	269,899
2015	215,433
Thereafter	2,886,227
	$ 4,180,225

NOTE 6. RETIREMENT PLAN

Up until November 30, 2009, the Arc had a group tax deferred annuity plan. Under this plan, The Arc contributed an amount equal to 5% of each eligible employee's gross salary. Eligible employees are "classified staff" (as defined in the Plan documents) who worked over 1,000 hours during the calendar year, have attained age twenty-one, and completed one year of service. Vesting in employer contributions occurred over a graduated six-year schedule. Employees were allowed to contribute additional amounts up to the maximum permitted under Internal Revenue Code regulations. In November, 2009, the Board of Directors voted to terminate the tax deferred annuity plan effective November 30, 2009.

On July 27, 2010, The Arc made a submission to the Internal Revenue Service under the Voluntary Correction with Service Approval Program to correct certain plan defects with the tax deferred annuity plan.

Effective September 1, 2009, The Arc established a 401(k) profit sharing plan that covers most employees. Eligible employees may elect to have their compensation deferred up to 100% of gross pay. The Arc contributed an amount equal to 5% of each eligible employee's gross salary.

Effective September 1, 2009, The Arc established a 457(b) deferred compensation plan that covers a select group of management.

Retirement expense under these retirement plans for the years ended June 30, 2010 and 2009 was $246,788 and $263,897, respectively.

NOTE 7. RELATED PARTY TRANSACTIONS

The Arc has management agreements for three homes for very low-income people with disabilities. These agreements provide for a management fee of 13.7% - 14.75% of rents collected to be paid to the Arc. Management fees for each of the years ended June 30, 2010 and 2009 were $7,160 and $6,758, respectively. Advances to affiliates represent operating advances to three affiliated corporations operating these residential homes that were established with capital grants from the U. S. Department of Housing and Urban Development.

NOTE 8. FUNDRAISING

Management and general expenses include total fundraising expenses of $47,779 and $25,341 for the years ended June 30, 2010 and 2009, respectively.

NOTE 9. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject The Arc to concentrations of credit risk include cash and cash equivalents, accounts receivable, Medicaid reimbursement receivable and pledges receivable.

All cash and cash equivalents are deposited with various financial institutions except as disclosed below. Each bank's collected balances are insured in the aggregate by the Federal Deposit Insurance Corporation. At June 30, 2010 and 2009, The Arc had amounts on deposit in excess of the insured amounts.

In the normal course of business, The Arc provides credit to customers under standard terms without collateral. Government contract revenue is a significant component of the revenues of certain employment programs of The Arc. Other program activities such as ICF/MR and supported and sheltered employment are dependent on third party reimbursement arrangements. The Arc is subject to review by the Department of Medical Assistance Services with regard to revenues in the ICF/MR programs. This has resulted in paybacks and reimbursements in the past and may result in subsequent revenue adjustments. The Arc does not believe these adjustments will be material to the organization.

NOTE 10. INSURANCE PROGRAMS

Effective March 1, 2008, The Arc adopted The Arc of the Virginia Peninsula, Inc., Group Health & Welfare Benefit Plan. The Plan required The Arc to act as a self-insurer for certain insurable risks consisting of employee health insurance benefits. Losses and claims were accrued as incurred. An allowance of $23,587 was recorded for unpaid claims as of June 30, 2009. The Arc of the Virginia Peninsula, Inc., Group Health & Welfare Benefit Plan was terminated August 31, 2009.

NOTE 11. RENTAL REVENUE

The Organization leases warehouse and retail space to two unrelated businesses, under non-cancelable operating leases. Total rents received for the years ended June 30, 2010 and 2009 were $73,213 and $58,732, respectively.

Minimum future rentals on non-cancelable tenant operating leases at June 30, 2010 are as follows:

Years ending June 30

2011	74,880
2012	55,446
2013	34,783
2014	28,166

NOTE 12. PRIOR PERIOD ADJUSTMENT

Management determined that they had inaccurately recorded or omitted several transactions in the prior year. The Arc had not recorded a bank account and its related activity and a pledge receivable. Activity on two government contracts was recorded net instead of gross and the related accounts payable and accounts receivable were not recorded.

The 2009 financial statements have been restated to correct these items as follows:

Cash and cash equivalents at June 30, 2009, as previously reported	$	1,650,835
Addition of PenAm bank account		54,758
Cash and cash equivalents at June 30, 2009, as restated	$	1,705,593
Accounts receivable at June 30, 2009, as previously reported	$	2,634,494
Addition of government contract receivables		653,216
Accounts receivable at June 30, 2009, as restated	$	3,287,710
Pledges receivable at June 30, 2009, as previously reported	$	210,277
Addition of a pledge receivable, net		32,000
Pledges receivable at June 30, 2009, as restated	$	242,277
Accrued expenses at June 30, 2009, as previously reported	$	1,079,314
Addition of government contract payables		640,406
Accrued expenses at June 30, 2009, as restated	$	1,719,720
Net assets, unrestricted, at June 30, 2009, as previously reported	$	5,520,412
Correction to contract sales and commissions		5,268,728
Correction to work programs expenses		(5,263,187)
Correction to non-work programs expenses		(1,029)
Correction to other revenue		86,657
Correction to management and general expenses		(23,601)
Net assets, unrestricted at June 30, 2009, as restated	$	5,587,980
Net assets, temporarily restricted, at June 30, 2009, as previously reported	$	197,808
Correction to contributions		32,000
Net assets, temporarily restricted at June 30, 2009, as restated	$	229,808

(Continued)

NOTE 12. PRIOR PERIOD ADJUSTMENT (Concluded)

Change in net assets, unrestricted, at June 30, 2009, as previously reported	$	(6,132)
Correction to contract sales and commissions		5,268,728
Correction to work programs expenses		(5,263,187)
Correction to non-work programs expenses		(1,029)
Correction to other revenue		86,657
Correction to management and general expenses		(23,601)
Change in net assets, unrestricted at June 30, 2009, as restated	$	61,436
Change in net assets, temporarily restricted, at June 30, 2009, as previously reported	$	50,408
Correction to contributions		32,000
Change in net assets, unrestricted at June 30, 2009, as restated	$	82,408

NOTE 13. SUBSEQUENT EVENT

The Arc has evaluated all events subsequent to the statement of financial position date of June 30, 2010 through January 24, 2010, which is the date these financial statements were available to be issued. With the exception of the Voluntary Correction noted above, the Arc has determined that there are no subsequent events that require disclosure pursuant to the FASB Accounting Standards Codification.