COMBINED FINANCIAL STATEMENTS

THE ARC OF THE UNITED STATES

THE FOUNDATION OF THE ARC OF THE UNITED STATES

FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2014

THE ARC OF THE UNITED STATES
THE FOUNDATION OF THE ARC OF THE UNITED STATES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Arc of the United States
The Foundation of The Arc of the United States
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying combined financial statements of The Arc of the United States (The Arc) and The Foundation of The Arc of the United States (the Foundation), collectively the Organizations, which comprise the combined statement of financial position as of December 31, 2015, and the related combined statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Organizations as of December 31, 2015, and the combined change in their net assets and their combined cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited the Organizations' 2014 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated April 12, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Gelman Rosenberg & Freedman

April 10, 2016

THE ARC OF THE UNITED STATES
THE FOUNDATION OF THE ARC OF THE UNITED STATES

COMBINED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

ASSETS

	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	$ 1,479,811	$ 1,493,293
Investments	11,565,473	12,485,473
Accounts receivable and advances, net of allowance for doubtful accounts of $85,606 and $54,419, for 2015 and 2014, respectively	310,201	145,879
Grants receivable	589,881	400,715
Due from related party	-	59,248
Prepaid expenses	49,268	18,897
Total current assets	13,994,634	14,603,505
FIXED ASSETS		
Land	657,600	-
Furniture and equipment	1,976,833	1,681,246
Less: Accumulated depreciation and amortization	(1,023,674)	(818,139)
Net fixed assets	1,610,759	863,107
OTHER ASSETS		
Other assets	9,758	10,986
Investments held for beneficial interest in perpetual trust	1,125,664	1,198,101
Deferred compensation investments	67,924	51,153
Total other assets	1,203,346	1,260,240
TOTAL ASSETS	**$ 16,808,739**	**$ 16,726,852**

See accompanying notes to combined financial statements.

LIABILITIES AND NET ASSETS

	2015	2014
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 629,308	$ 457,942
Deferred revenue	5,000	5,660
Deferred rent, current	18,986	-
Due to related parties	57,257	-
Grants payable	-	456
Total current liabilities	710,551	464,058
LONG-TERM LIABILITIES		
Deferred rent, net of current portion	1,022,466	1,070,789
Deferred compensation	67,924	51,153
Total long-term liabilities	1,090,390	1,121,942
Total liabilities	1,800,941	1,586,000
NET ASSETS		
Unrestricted:		
Undesignated	1,704,454	1,557,481
Board-designated	609,682	609,682
Total unrestricted net assets	2,314,136	2,167,163
Temporarily restricted	10,575,902	10,783,493
Permanently restricted	2,117,760	2,190,196
Total net assets	15,007,798	15,140,852
TOTAL LIABILITIES AND NET ASSETS	**$ 16,808,739**	**$ 16,726,852**

See accompanying notes to combined financial statements.

THE ARC OF THE UNITED STATES
THE FOUNDATION OF THE ARC OF THE UNITED STATES

COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

	2015				2014
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUE					
Contributions	$ 671,568	$ 1,250,268	$ -	$ 1,921,836	$ 1,440,783
Grants	1,813,255	175,000	-	1,988,255	1,913,211
Investment (loss) income	(166,820)	(189,209)	-	(356,029)	331,972
Bequest income	1,083,365	-	-	1,083,365	346,179
Contributed services	1,554,061	-	-	1,554,061	1,900,758
Affiliation and chapter fees	2,541,056	-	-	2,541,056	2,558,727
Royalty income	88,652	-	-	88,652	102,022
Registration fees	663,492	-	-	663,492	637,085
Program service fees	216,506	-	-	216,506	121,922
Other income	7,793	1,973	-	9,766	13,531
Sales	-	-	-	-	1,929
Net loss in perpetual trust	-	-	(72,436)	(72,436)	(16,047)
Net assets released from donor restrictions	1,445,623	(1,445,623)	-	-	-
Total revenue	9,918,551	(207,591)	(72,436)	9,638,524	9,352,072
EXPENSES					
Program Services:					
Chapter Leadership and Development	1,461,057	-	-	1,461,057	1,443,292
Public Education	2,022,316	-	-	2,022,316	2,382,126
Public Policy	1,308,895	-	-	1,308,895	1,231,377
Program Innovation	3,605,062	-	-	3,605,062	3,253,268
Total program services	8,397,330	-	-	8,397,330	8,310,063
Supporting Services:					
Management and General	811,179	-	-	811,179	562,486
Fundraising	563,069	-	-	563,069	627,471
Total supporting services	1,374,248	-	-	1,374,248	1,189,957
Total expenses	9,771,578	-	-	9,771,578	9,500,020
Change in net assets	146,973	(207,591)	(72,436)	(133,054)	(147,948)
Net assets at beginning of year	2,167,163	10,783,493	2,190,196	15,140,852	15,288,800
NET ASSETS AT END OF YEAR	**$ 2,314,136**	**$ 10,575,902**	**$ 2,117,760**	**$15,007,798**	**$15,140,852**

See accompanying notes to combined financial statements.

THE ARC OF THE UNITED STATES
THE FOUNDATION OF THE ARC OF THE UNITED STATES

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

	2015				
	Program Services				
	Chapter Leadership and Development	Public Education	Public Policy	Program Innovation	Total Program Services
Salaries	$ 676,492	$ 216,581	$ 740,839	$1,230,518	$2,864,430
Employee benefits	110,687	35,437	121,215	201,336	468,675
Payroll taxes	46,841	14,996	51,296	85,202	198,335
Professional fees	24,949	23,364	29,773	831,319	909,405
In-kind professional fees	9,583	1,402,219	-	-	1,411,802
Supplies	4,735	1,361	1,969	17,715	25,780
Telephone and internet	4,923	1,572	4,171	16,909	27,575
Postage and shipping	11,730	107,805	1,836	12,633	134,004
Insurance	4,248	1,760	2,673	7,506	16,187
Occupancy and storage	74,900	30,797	46,689	311,748	464,134
Outside printing and design	52,089	108,988	21,724	27,931	210,732
Advertising expenses	-	11,075	-	559	11,634
Conferences, meetings and travel	333,653	24,215	159,086	138,097	655,051
Subscriptions and dues	24,121	13,923	79,823	31,480	149,347
Grants and sub-grants	8,879	-	-	147,106	155,985
Equipment/infrastructure repairs and maintenance	13,640	7,218	7,310	67,971	96,139
Depreciation and amortization	40,820	16,910	25,690	72,129	155,549
Bad debt	-	-	-	-	-
Miscellaneous	9,676	3,367	14,801	13,990	41,834
Subtotal	1,451,966	2,021,588	1,308,895	3,214,149	7,996,598
Allocation of management and general	9,091	728	-	390,913	400,732
TOTAL	**$ 1,461,057**	**$2,022,316**	**$1,308,895**	**$3,605,062**	**$8,397,330**

Supporting Services				2014
Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
$ 704,213	$ 275,579	$ 979,792	$ 3,844,222	$ 3,591,419
115,223	45,090	160,313	628,988	554,376
48,760	19,081	67,841	266,176	250,184
28,944	27,784	56,728	966,133	761,129
142,259	-	142,259	1,554,061	1,900,758
2,364	9,856	12,220	38,000	27,229
2,976	2,381	5,357	32,932	34,673
1,492	9,353	10,845	144,849	165,787
3,434	1,768	5,202	21,389	18,441
59,969	45,104	105,073	569,207	548,889
1,040	40,348	41,388	252,120	257,743
-	4,750	4,750	16,384	6,161
15,996	22,021	38,017	693,068	654,238
5,371	6,014	11,385	160,732	169,869
-	-	-	155,985	151,771
9,040	21,838	30,878	127,017	180,372
32,998	16,987	49,985	205,534	160,428
33,741	-	33,741	33,741	-
4,091	15,115	19,206	61,040	66,553
1,211,911	563,069	1,774,980	9,771,578	9,500,020
(400,732)	-	(400,732)	-	-
$ 811,179	**$ 563,069**	**$ 1,374,248**	**$ 9,771,578**	**$ 9,500,020**

THE ARC OF THE UNITED STATES
THE FOUNDATION OF THE ARC OF THE UNITED STATES

COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (133,054)	$ (147,948)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	205,535	160,428
Unrealized loss on investments	860,177	606,696
Realized gain on sale of investments	(176,243)	(303,719)
Net loss in perpetual trust	72,436	16,047
Change in allowance for doubtful accounts	(31,187)	-
Donated land	(657,600)	-
(Increase) decrease in:		
Accounts receivable and advances	(133,135)	37,665
Grants receivable	(189,166)	(155,336)
Due from related party	59,248	(59,248)
Prepaid expenses	(30,371)	27,764
Other assets	1,228	(8,325)
Deferred compensation investments	(16,771)	(11,124)
Increase (decrease) in:		
Accounts payable and accrued liabilities	171,366	(44,522)
Deferred revenue	(660)	(2,340)
Deferred rent	(29,337)	(31,346)
Due to related parties	57,257	(32,121)
Grants payable	(456)	-
Deferred compensation	16,771	11,124
Net cash provided by operating activities	46,038	63,695
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	(295,587)	(188,433)
Purchase of investments	(607,673)	(227,277)
Proceeds from sale of investments	843,740	960,000
Net cash (used) provided by investing activities	(59,520)	544,290
Net (decrease) increase in cash and cash equivalents	(13,482)	607,985
Cash and cash equivalents at beginning of year	1,493,293	885,308
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 1,479,811**	**$ 1,493,293**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Arc of the United States (The Arc) is the national headquarters of the largest community-based organization of and for people with intellectual and developmental disabilities. The Arc promotes and protects the human rights of people with intellectual and developmental disabilities and actively supports their full inclusion and participation in the community throughout their lifetime.

The Arc provides an array of services and support for families and individuals and includes over 140,000 members affiliated through about 661 state and local chapters across the nation, including training and education assistance with employment and independent living. The Arc is devoted to promoting and improving supports and services for all people with intellectual and developmental disabilities. The Arc is primarily supported by affiliation fees, program revenue and support from the general public.

The Foundation of The Arc of the United States (the Foundation) was established to promote, support and further the interests and purposes of The Arc. The Foundation is primarily supported by contributions from the general public.

The Arc of the United States and The Foundation of The Arc of the United States will collectively be referred to as "the Organizations".

Basis of presentation -

The accompanying combined financial statements reflect the activity of The Arc and the Foundation and are presented on the accrual basis of accounting, and in accordance with FASB ASC 958-810, *Not-for-Profit Entities*, *Consolidation*, due to the common control of the two entities. All inter-company transactions have been eliminated.

The combined financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organizations' combined financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Cash and cash equivalents -

The Organizations consider all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of $250,000. At times during the year, The Arc maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income in the Combined Statement of Activities and Change in Net Assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Accounts receivable, grants receivable and advances -

Accounts receivable and advances are stated at their fair value. The allowance for doubtful accounts is determined as a percentage of the total accounts receivables at year-end, including the age of the balance and the historical experience with the donor.

Grants receivable that are expected to be collected in future years are recorded at present value of their future cash flows, using an appropriate discount rate, which approximates fair value. All grants receivable are considered by management to be full collectable within the next year.

Fixed assets -

Fixed assets are stated at cost. Land is recorded at the fair value at the date of the donation. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Equipment costing greater than $1,500 is capitalized. Computers costing greater than $2,000 are capitalized. The cost of maintenance and repairs is recorded as expenses are incurred.

Income taxes -

The Organizations are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying combined financial statements. The Organizations are not private foundations.

Uncertain tax positions -

For the year ended December 31, 2015, the Organizations have documented their consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and have determined that no material uncertain tax positions qualify for either recognition or disclosure in the combined financial statements.

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Organizations and include both internally designated and undesignated resources.

- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Organizations and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Combined Statement of Activities and Change in Net Assets as net assets released from restrictions.

- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by the Organizations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying combined financial statements.

The Organizations receive funding under grants and contracts from the U.S. government, and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Chapter fees, registration and program services fees -

Chapter fees, registrations and program service fees are recognized as revenue in the period that they are earned.

Use of estimates -

The preparation of combined 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 at the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Combined Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Risks and uncertainties -

The Organizations invest in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the combined financial statements.

Fair value measurement -

The Organizations adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurement. The Organizations account for a significant portion of their financial instruments at fair value or considers fair value in their measurement.

2. INVESTMENTS

Investments consisted of the following at December 31, 2015:

	Fair Value
Mutual Funds	$ 8,059,527
Stocks	1,195,921
Alternatives (Hedge Funds)	2,310,025
TOTAL INVESTMENTS	**$ 11,565,473**

Alternative investments are comprised of the following at December 31, 2015:

Investment Type	Amount	Liquidity
Hedge Funds and Funds of Hedge Funds	$ 843,933	No lock up, quarterly liquidity
Hedge Funds and Funds of Hedge Funds	69,711	No lock up, quarterly liquidity
Hedge Funds and Funds of Hedge Funds	489,821	No lock up, daily liquidity
Hedge Funds and Funds of Hedge Funds	68,625	No lock up but 2% termination fee if owned < 1 year, quarterly liquidity
Hedge Funds and Funds of Hedge Funds	837,935	No lock up but 2% termination fee if owned < 1 year, quarterly liquidity
ALTERNATIVE INVESTMENTS	**$ 2,310,025**	

Included in investment loss are the following at December 31, 2015:

Interest and dividends, net of investment fees of $70,068	$ 277,843
Unrealized loss	(860,177)
Realized gain	176,243
Distributions from the beneficial interest in perpetual trusts	50,062
TOTAL INVESTMENT LOSS	**$ (356,029)**

3. BENEFICIAL INTEREST IN PERPETUAL TRUST

The Arc is the beneficiary of certain perpetual trusts held and administered by a third party. The present value of the estimated future cash flows (as measured by the fair value of the underlying investments) is recognized as assets and contribution revenues at the dates the trusts are established. Distributions from the trust are recorded as unrestricted investment income.

The increase or decrease in the asset measured by the fair value of the asset contributed to the trust is recorded as a permanently restricted gain (loss) in perpetual trust in the Combined Statement of Activities and Change in Net Assets.

For the year ended December 31, 2015, The Arc recorded a net loss in perpetual trust of $72,436, due to the decrease in fair value.

The Arc also received distributions from the beneficial interest in perpetual trusts in the amount of $50,062, which is included in unrestricted investment income in the Combined Statement of Activities and Change in Net Assets.

The value of the Arc's interest in the perpetual trusts at December 31, 2015 was $1,125,664.

4. BOARD-DESIGNATED

The Board of Directors has set aside certain unrestricted net assets for special purposes. Such funds are used to offset any operational loss incurred by The Arc or to fund any other special project of The Arc.

As of December 31, 2015, Board-designated assets totaled $609,682.

5. TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2015, temporarily restricted net assets consisted of the following:

Donor-Imposed Restrictions:	
Health VGO-Verizon	$ 34,777
Public Supported Research	161,843
Special Education Advocacy-ATT	174,446
Leibert Prevention Fund	76,422
Disaster Relief Fund	4,468
Wings for Autism	16,428
Health/fitness	1,688
Consuelo Gonzalez Education, Support	3,944,481
Flinn Trust	5,551,699
Consuelo Gonzalez - DS Research Fund	122,713
Give a Parent a Break	3,812
Paul Marchand Fellowship Fund for Public Policy	19,405
Google-Tech Toolbox	448,464
Mary Lou Meccariello Legacy Fund	1,765
Accumulated investment earnings from Endowments	13,491
TOTAL TEMPORARILY RESTRICTED NET ASSETS	**$ 10,575,902**

The following is a summary of net assets released from restrictions by satisfying program restrictions imposed by donors:

Donor-Imposed Restrictions:	
Public Supported Research	$ 61,094
Diversity	87,253
Public Policy Advocacy Fund	1,370
Health/fitness	48,312
Health VGO-Verizon	223
Special Education Advocacy-ATT	554
Consuelo Gonzalez Education, Support	168,341
Google-Tech Toolbox	51,536
MEAF-Employment	46,473
Flinn Trust	251,310
Center for Future Planning	520,406
Technology Navigator	100,085
Wings for Autism	93,572
Paul Marchand Fellowship Fund for Public Policy	15,094
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	**$ 1,445,623**

6. RELATED PARTY TRANSACTIONS

The Arc and the Foundation have separate governing Boards of Directors, but share five voting directors which control the Foundation's Board. At December 31, 2015, The Arc has a receivable from the Foundation amounting to $60,182, for expenses paid by The Arc on behalf of the Foundation. Inter-company transactions are eliminated in the combined report presented.

At December 31, 2015, The Arc had a net balance of $33,284 due to NCE. Included in that balance is cash in the amount of $33,284 held on behalf of NCE.

7. COMMITMENTS - OPERATING LEASES

During fiscal year 2011, The Arc signed a 140-month lease, commencing on October 1, 2011, and terminating on May 31, 2023, with annual lease escalations of 2.5%. As part of the lease agreement, The Arc received three free months of rent at the commencement of the contract. Additionally, The Arc was only required to pay 50% of the rental installments for the 12 months following and received free rent for the month and a half after the year period.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Consequently, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes will be recorded as a deferred rent liability.

Rent, which is included in occupancy and storage, was $569,208 for the year ended December 31, 2015. Additionally, the deferred rent and lease incentive liability at year-end was $1,022,466.

In December 2013, The Arc amended the lease to include an additional 1,644 square feet of office space. The lease for the additional space commenced on May 15, 2014 and will maintain a termination date of May 31, 2023.

At December 31, 2015, minimum annual rental commitment under the lease is as follows:

Year Ending December 31,	
2016	$ 520,024
2017	463,907
2018	406,224
2019	348,591
Thereafter	764,213
	$ 2,502,959

8. RETIREMENT PLAN

The Arc has a non-contributory pension plan (the Plan), covering substantially all of its regular employees. Total pension expense was $326,538 for the year ended December 31, 2015. The Plan, which provides for deferred annuity contracts, is a money-purchase defined contribution plan. The Arc's cost is limited to the contributions fixed under the plan.

The Arc also has a 457(b) deferred compensation plan, effective August 9, 2009, limited to the top hat group of employees. Elective deferrals may be made to the plan up to the maximum allowed by law. As of December 31, 2015, $67,924 was deferred under the plan.

9. CONTRIBUTED SERVICES

During the year ended December 31, 2015, The Arc was the beneficiary of donated services in the amount of $1,554,061. The value of these services was estimated at fair market value, and has been included as revenue and expenses in the accompanying financial statements for the year ended December 31, 2015, as follows:

Donated Legal Services	$ 151,841
Donated Advertising	1,402,220
TOTAL CONTRIBUTED SERVICES	**$ 1,554,061**

10. CONTINGENCY

The Arc receives grants from various agencies in United States Government. For fiscal years through December 31, 2014, such grants were subject to audit under the provisions of OMB Circular A-133. Beginning for fiscal year ended December 31, 2015, such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2015. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

11. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, the Organizations have categorized their financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Combined Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Organizations have the ability to access.

Level 2. These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

11. FAIR VALUE MEASUREMENT (Continued)

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2015:

- *Mutual funds*—The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.
- *Common stocks*—Valued at the closing price reported on the active market in which the individual securities are traded.
- *Interests in hedge funds, limited partnerships, private equity funds*—These instruments do not have a readily determinable fair value. The fair values used are generally determined by the general partner or management of the entity and are based on appraisals or other estimates that require varying degrees of judgment. Inputs used in determining fair value may include the cost and recent activity concerning the underlying investments in the funds or partnerships.

The table below summarizes, by level within the fair value hierarchy, the Organizations' investments as of December 31, 2015:

	Level 1	Level 2	Level 3	Total
Asset Class:				
Mutual Funds	$ 8,059,527	$ -	$ -	$ 8,059,527
Stocks	1,195,921	-	-	1,195,921
Alternatives (Hedge Funds)	-	-	2,310,025	2,310,025
TOTAL	**$ 9,255,448**	**$ -**	**$ 2,310,025**	**$ 11,565,473**
INVESTMENTS HELD FOR BENEFICIAL INTEREST IN PERPETUAL TRUST	**$ -**	**$ -**	**$ 1,125,664**	**$ 1,125,664**

Level 3 Financial Assets

The following table provides a summary of changes in fair value of Organizations' financial assets for the year ended December 31, 2015:

	Alternatives (Hedge Funds)	Perpetual Trust
Beginning balance as of January 1, 2015	$ 2,306,524	$ 1,198,101
Unrealized and realized losses	(16,499)	(43,198)
Earned income	-	25,411
Purchases (sales)	20,000	(54,650)
BALANCE AS OF DECEMBER 31, 2015	**$ 2,310,025**	**$ 1,125,664**

12. ENDOWMENT

The Organizations' endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

12. ENDOWMENT (Continued)

As a result of this interpretation, the Organizations classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organizations in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organizations consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

The Organizations' endowment net asset composition by type of fund as of December 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ (4,221)	$ 13,491	$ 992,096	$ 1,001,366
Beneficial Interest in Perpetual Trusts	-	-	1,125,664	1,125,664
TOTAL FUNDS	**$ (4,221)**	**$ 13,491**	**$ 2,117,760**	**$ 2,127,030**

Changes in endowment net assets for the year ended December 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 1,202	$ 24,678	$ 2,190,196	$ 2,216,076
Investment gain (loss)	(4,221)	(2,187)	-	(6,408)
Net investment loss in beneficial interest in perpetual trusts	-	-	(72,436)	(72,436)
Appropriations of expenditures in accordance with donor intent	(1,202)	(9,000)	-	(10,202)
ENDOWMENT NET ASSETS, END OF YEAR	**$ (4,221)**	**$ 13,491**	**$ 2,117,760**	**$ 2,127,030**

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organizations to retain as fund of perpetual duration. There were deficiencies in the amount of $4,221 as of December 31, 2015.

12. ENDOWMENT (Continued)

Return Objectives and Risk Parameters -

The Organizations have adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organizations must hold in-perpetuity or for a donor-specified period.

Strategies Employed for Achieving Objectives -

To satisfy their long-term rate-of-return objectives, the Organizations rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organizations target a diversified asset allocation that places a greater emphasis on equity-based investments to achieve their long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

The Organizations have a policy of appropriating for distribution the amount deemed allowable by the donor after determining the actual amount earned.

13. SUBSEQUENT EVENTS

In preparing these combined financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through April 10, 2016, the date the combined financial statements were issued.