

**FINANCIAL STATEMENTS**

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

**FOR THE YEAR ENDED DECEMBER 31, 2007  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2006**

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

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**GELMAN, ROSENBERG & FREEDMAN**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
The Foundation of The Arc of the United States  
Silver Spring, Maryland

We have audited the accompanying statement of financial position of The Foundation of The Arc of the United States as of December 31, 2007, and the related statements of activities and change in net assets and cash flows for the year then ended. These financial statements are the responsibility of The Foundation of The Arc of the United States' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the organization's 2006 financial statements and, in our report dated April 26, 2007, we expressed an unqualified opinion on those statements.

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 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. We believe that our audit provides 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 Foundation of The Arc of the United States as of December 31, 2007, and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Gelman Rosenberg & Freedman*

July 16, 2008

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THE FOUNDATION OF THE ARC OF THE UNITED STATES  
STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2007  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006

<b>ASSETS</b>		<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$	127,052	\$ 228,717
Cash held for endowment		<u>271,360</u>	<u>271,360</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>398,412</u></b>	<b><u>500,077</u></b>
 <b>LIABILITIES AND NET ASSETS</b>  			
<b>LIABILITIES</b>			
Grants payable	\$	-	\$ 120,000
Due to related party (Note 3)		<u>5,323</u>	<u>1,394</u>
Total liabilities		<u>5,323</u>	<u>121,394</u>
 <b>NET ASSETS</b>			
Unrestricted		121,729	107,323
Permanently restricted (Note 2)		<u>271,360</u>	<u>271,360</u>
Total net assets		<u>393,089</u>	<u>378,683</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b><u>398,412</u></b>	<b><u>500,077</u></b>

**THE FOUNDATION OF THE ARC OF THE UNITED STATES**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006**

	2007			2006
	Unrestricted	Permanently Restricted	Total	Total
<b>REVENUE</b>				
Interest income	\$ 18,335	\$ -	\$ 18,335	\$ 17,615
Total revenue	18,335	-	18,335	17,615
<b>EXPENSES</b>				
The Arc contribution (Note 3)	-	-	-	80,000
Audit expense	3,929	-	3,929	161
Total expenses	3,929	-	3,929	80,161
Change in net assets	14,406	-	14,406	(62,546)
Net assets at beginning of year	107,323	271,360	378,683	441,229
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 121,729</b>	<b>\$ 271,360</b>	<b>\$ 393,089</b>	<b>\$ 378,683</b>

See accompanying notes to financial statements.

**THE FOUNDATION OF THE ARC OF THE UNITED STATES**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006**

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 14,406	\$ (62,546)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Increase (decrease) in:		
Grants payable	(120,000)	80,000
Due to related party	<u>3,929</u>	<u>161</u>
Net cash provided (used) by operating activities	<u>(101,665)</u>	<u>17,615</u>
Net increase (decrease) in cash and cash equivalents	(101,665)	17,615
Cash and cash equivalents at beginning of year	<u>228,717</u>	<u>211,102</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 127,052</u></b>	<b><u>\$ 228,717</u></b>

THE FOUNDATION OF THE ARC OF THE UNITED STATES

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

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 of the United States (The Arc). The Foundation is primarily supported by contributions from the general public.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations".

The 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 organization's financial statements for the year ended December 31, 2006, from which the summarized information was derived.

Net asset classification -

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operations of the Foundation.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by the Foundation.

Contributions -

Contributions are recorded as revenue in the year notification is received from the donor. Contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor imposed restrictions.

Income taxes -

The Foundation of The Arc of the United States is 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 financial statements. The Foundation is not a private foundation.

Cash and cash equivalents -

The Foundation of The Arc of the United States considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

At times during the year, the Foundation maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

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

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

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

Use of estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**2. PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets at December 31, 2007 consist of endowed gifts to be held in perpetuity with the investment income to be used for general purposes.

**3. RELATED PARTY**

The Foundation and The Arc have separate governing Boards of Directors, but share two voting directors. The Arc provides the Foundation with administrative services and office space at no cost. At December 31, 2007, the Foundation owed The Arc \$5,323 for expenses paid by The Arc on behalf of the Foundation.