

THE ARC OF THE CAPITAL AREA

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2006
(with comparative totals as of December 31, 2005)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Arc of the Capital Area
Austin, Texas

We have audited the accompanying statement of financial position of **The Arc of the Capital Area** (a nonprofit organization) as of December 31, 2006, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the organization's 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 2005 financial statements and, in our report dated June 17, 2006, we expressed an unqualified opinion on those financial 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 Arc of the Capital Area** at December 31, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Gindler, Chappell, Morrison & Co., P.C.

Austin, Texas
May 17, 2007

FINANCIAL STATEMENTS

THE ARC OF THE CAPITAL AREA

STATEMENT OF FINANCIAL POSITION

December 31, 2006
(with comparative totals as of December 31, 2005)

	<u>2006</u>	<u>2005</u>
ASSETS		
Current assets		
Cash (note 9)	\$ 146,441	\$ 137,392
Investments (note 2)	104,481	102,711
Accounts receivable (note 3)	226,783	167,043
Prepaid expenses	15,694	15,724
Total current assets	<u>493,399</u>	<u>422,870</u>
Cash - designated for bingo purposes	<u>10,823</u>	<u>15,419</u>
Fixed assets		
Building and improvements	282,771	269,828
Furniture and equipment	118,453	106,661
Less accumulated depreciation	<u>(335,938)</u>	<u>(314,807)</u>
Net fixed assets	<u>65,286</u>	<u>61,682</u>
Other asset - equity in bingo entities	<u>31,479</u>	<u>26,941</u>
Total assets	<u>\$ 600,987</u>	<u>\$ 526,912</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 9,376	\$ 5,861
Due to funding source	1,926	-
Accrued payroll and related payroll taxes	18,260	15,628
Payroll taxes and payroll related payables	<u>2,626</u>	<u>9,666</u>
Total current liabilities	<u>32,188</u>	<u>31,155</u>
Commitments - operating leases (note 4)		
Total liabilities	<u>32,188</u>	<u>31,155</u>
Net assets		
Unrestricted net assets		
Available for current operations	192,973	163,234
Designated by board of directors (note 5)	58,758	58,815
Investment in fixed assets	<u>65,286</u>	<u>61,682</u>
Total unrestricted net assets	<u>317,017</u>	<u>283,731</u>
Temporarily restricted net assets (note 6)	251,782	212,026
Permanently restricted net assets	-	-
Total net assets	<u>568,799</u>	<u>495,757</u>
Total liabilities and net assets	<u>\$ 600,987</u>	<u>\$ 526,912</u>

See accompanying Notes to Financial Statements.

THE ARC OF THE CAPITAL AREA

STATEMENT OF ACTIVITIES

Year Ended December 31, 2006
(with comparative totals as of December 31, 2005)

	2006			2005	
	<u>Current Operating Funds</u>			<u>Total</u>	<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>		
REVENUES AND OTHER SUPPORT					
Grants and contracts	\$ 124,155	\$ 179,995	\$ -	\$ 304,150	\$ 171,767
United Way allocations	-	138,500	-	138,500	136,451
Contributions	83,429	39,699	-	123,128	258,756
Contributed goods - noncash	-	10,074	-	10,074	64,100
Program service fees	519,155	-	-	519,155	456,846
Special events (note 7)	150,074	64,538	-	214,612	158,660
Investment income (note 2)	8,429	-	-	8,429	3,511
Memberships	1,740	-	-	1,740	1,960
Other revenues	1,659	-	-	1,659	446
Net assets released from donor imposed restrictions (note 6)	393,050	(393,050)	-	-	-
Total revenues	1,281,691	39,756	-	1,321,447	1,252,497
EXPENSES					
Program services					
Case Management	581,270	-	-	581,270	487,860
Family & Caregiver Support	191,340	-	-	191,340	181,029
Juvenile Justice Services	83,878	-	-	83,878	94,724
Basic Needs & Crisis Assistance	135,020	-	-	135,020	225,592
Client Satisfaction Project	9,849	-	-	9,849	14,223
Community Education	84,255	-	-	84,255	87,467
Total program services	1,085,612	-	-	1,085,612	1,090,895
Support services					
Management and general	61,428	-	-	61,428	70,686
Unallocated payments (dues) to affiliated organizations	7,365	-	-	7,365	7,115
Fund raising and development	94,000	-	-	94,000	112,491
Total support services	162,793	-	-	162,793	190,292
Total expenses	1,248,405	-	-	1,248,405	1,281,187
CHANGE IN NET ASSETS (decrease)	33,286	39,756	-	73,042	(28,690)
NET ASSETS					
Beginning of year	283,731	212,026	-	495,757	524,447
End of year	\$ 317,017	\$ 251,782	\$ -	\$ 568,799	\$ 495,757

See accompanying Notes to Financial Statements.

THE ARC OF THE CAPITAL AREA

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2006
(with comparative totals as of December 31, 2005)

	2006								2005	
	Program Services					Support Services			Total	Total
	Case Management	Family & Caregiver Support	Juvenile Justice Services	Basis Needs/Crisis Assistance	Client Satisfaction Project	Community Education	Management & General	Fund Raising & Development		
EXPENSES										
Salaries	\$ 410,188	\$ 122,402	\$ 62,006	\$ 90,108	\$ 6,476	\$ 54,017	\$ 35,605	\$ 41,736	\$ 822,538	\$ 782,572
Payroll taxes	35,560	10,793	5,438	7,621	561	4,631	2,903	3,322	70,830	64,244
Fringe benefits (note 8)	54,630	8,576	6,515	10,463	730	3,031	2,402	1,902	88,248	99,524
Total personnel	<u>500,378</u>	<u>141,771</u>	<u>73,959</u>	<u>108,192</u>	<u>7,767</u>	<u>61,679</u>	<u>40,910</u>	<u>46,960</u>	<u>981,616</u>	<u>946,340</u>
Professional fees	10,363	23,642	1,919	2,027	1,485	1,198	4,142	830	45,606	17,791
Supplies	7,306	5,014	539	1,033	48	2,400	1,452	1,035	18,827	12,395
Telecommunications	4,132	1,006	528	1,173	54	460	1,580	356	9,289	8,855
Postage	2,822	496	169	487	13	1,674	250	341	6,251	6,713
Occupancy	14,745	5,889	1,829	3,260	136	467	2,140	311	28,780	26,279
Printing	1,517	375	268	308	16	11,612	411	574	15,079	9,880
Travel	14,450	3,096	1,351	1,995	135	309	145	545	22,026	19,019
Conferences and meetings	2,666	1,243	504	656	45	1,497	1,051	780	8,442	6,942
Equipment rental/maintenance	8,769	1,821	1,444	981	76	908	1,530	467	15,997	10,404
Specific assistance										
Individuals	-	1,335	-	9,828	-	-	-	-	11,163	64,094
Family pantry (noncash)	-	-	-	709	-	-	-	-	709	64,100
Insurance	5,146	1,846	471	1,587	7	437	1,892	294	11,680	12,135
Depreciation	8,929	2,956	897	2,784	67	964	3,871	663	21,131	24,772
Event costs	-	-	-	-	-	-	-	40,559	40,559	42,934
Other	<u>47</u>	<u>850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>650</u>	<u>2,054</u>	<u>285</u>	<u>3,885</u>	<u>1,419</u>
Expenses before other payments	581,270	191,340	83,878	135,020	9,849	84,255	61,428	94,000	1,241,040	1,274,072
Unallocated payments (dues) to affiliated organizations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,365</u>	<u>-</u>	<u>7,365</u>	<u>7,115</u>
Total expenses	<u>\$ 581,270</u>	<u>\$ 191,340</u>	<u>\$ 83,878</u>	<u>\$ 135,020</u>	<u>\$ 9,849</u>	<u>\$ 84,255</u>	<u>\$ 68,793</u>	<u>\$ 94,000</u>	<u>\$1,248,405</u>	<u>\$1,281,187</u>

See accompanying Notes to Financial Statements.

THE ARC OF THE CAPITAL AREA

STATEMENT OF CASH FLOWS

Year Ended December 31, 2006
(with comparative totals as of December 31, 2005)

	2006	2005
CASH FLOWS PROVIDED BY (USED BY) OPERATING ACTIVITIES		
Change in net assets (decrease)	\$ 73,042	\$ (28,690)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Non cash transactions in change in net assets		
Depreciation	21,131	24,773
Donated fixed assets in revenues	(9,366)	-
(Gain) loss on sale of investments	674	-
(Increase) decrease in bingo equity	(4,538)	6,394
(Increase) decrease in operating assets		
Accounts receivable	(59,740)	(7,326)
Prepaid expenses	30	7,604
Increase (decrease) in operating liabilities		
Accounts payable	3,515	(1,819)
Due to funding source	1,926	-
Accrued payroll and related payroll taxes	2,632	439
Payroll taxes and payroll related payables	(7,040)	(188)
(Increase) decrease in cash - designated	4,596	10,469
Net cash provided by (used by) operating activities	26,862	11,656
CASH FLOWS PROVIDED BY (USED BY) INVESTING ACTIVITIES		
Purchase of fixed assets	(15,369)	(11,067)
Changes in investments (increase) decrease	(2,444)	(2,113)
Net cash provided by (used by) investing activities	(17,813)	(13,180)
CASH FLOWS PROVIDED BY (USED BY) FINANCING ACTIVITIES	-	-
INCREASE IN CASH (decrease)	9,049	(1,524)
CASH		
Beginning of year	137,392	138,916
End of year	\$ 146,441	\$ 137,392

See accompanying Notes to Financial Statements.

**THE ARC OF THE CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2006**

DESCRIPTION OF ORGANIZATION

The Arc of the Capital Area ("The Arc" or the Organization) has provided services and support to people with mental retardation and other developmental disabilities, their families and caregivers since 1949. The Arc of the Capital Area envisions a future in which people with all disabilities and their families have the same opportunities as others to pursue full and productive lives. This organization was founded in 1949 by parents concerned about the exclusion of their children with mental retardation from public services that were readily available to children without disabilities. The purpose was to promote the education and welfare of children with mental retardation. The Arc of the Capital Area serves Travis and Williamson Counties and provides CLASS case management in 14 central Texas counties.

It is the goal of The Arc of the Capital Area to assist people with developmental disabilities and related conditions, to achieve the greatest degree of independence and self-determination possible. The objectives of this organization are: (1) to assist people to identify and access existing community resources, (2) to collaborate with existing service systems to eliminate both physical and cognitive barriers that inhibit a person's ability to independently access available services, (3) to identify gaps in the local human service system, and to create and operate programs that respond to these gaps, (4) to assist individuals through professional independent case management, (5) to contribute to public awareness and acceptance, and (6) to engage in systems advocacy. The Arc of the Capital Area has a strong volunteer base of over 250 trained volunteers.

Austin has a larger per capita representation of people with developmental disabilities reentering the community, because it is the site of three state institutions that serve this population. These individuals represent a highly vulnerable segment of the population. One in every 10 people has a family member with mental retardation. The Arc of the Capital Area currently serves over 1,5000 people annually, and there are 35,000 people on waiting lists in Texas who are desperately in need of services.

The Arc of the Capital Area maintains a co-location relationship with Bluebonnet Trails Community MHMR Center in Round Rock. The Arc of the Capital Area regularly accesses the services of and/or maintains a working relationship with more than one hundred local public and private service providers.

All of the services of The Arc of the Capital Area address gaps in the local service system, are without duplication in the service area, and are performed in collaboration with existing area service providers.

CASE MANAGEMENT: Case managers assist clients in locating and accessing the supports and services available to optimize their successful integration into the community, provide independent case management and recruit, screen, train and assist community volunteers to be personal advocates in a one-on-one match to persons with developmental disabilities who are living on their own, but need assistance to remain in the community. CLASS Case Management, one of the services provided by The Arc of the Capital Area's Case Management Service, provides intensive independent case management to persons with related conditions who live in their own homes.

FAMILY & CAREGIVER SUPPORT: Serves the parents and caregivers of children who have developmental disabilities by training and matching parents of children with special needs to parents of children with similar special needs, by providing information, special education assistance, resource services, and parent education to mitigate the pain, isolation and confusion of parenting a child with special needs through timely and appropriate information, support and advocacy. Additionally, The Arc of the Capital Area is involved in a large collaboration to provide respite services to families in need. Currently, The Arc of the Capital Area operates two respite programs, one in Travis County and one in Williamson County. The Guardianship program provides guardianship training and pro bono legal assistance to low income families who wish to obtain guardianship for their child with a disability.

JUVENILE JUSTICE SERVICES: Provides intensive, personal, community-based case management to juveniles with developmental disabilities who are involved in the criminal justice system due to the commission of non-violent crimes or who are at risk of offending. Juvenile Justice Services is statistically proven to reduce recidivism among juvenile offenders by 83%.

THE ARC OF THE CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS – continued
Year Ended December 31, 2006

DESCRIPTION OF ORGANIZATION – continued

BASIC NEEDS & CRISIS ASSISTANCE: The Arc of the Capital Area is involved in the Basic Needs Coalition, a community-wide effort to provide crisis assistance and short-term case management to families in need. The Arc of the Capital Area also provides limited crisis assistance to assist clients in payment for respite and medical care.

CLIENT SATISFACTION PROJECT: The Arc of the Capital Area determines client satisfaction of Austin/Travis County MHMR clients, many of whom are served by programs at The Arc of the Capital Area, through surveys that are administered throughout the year.

COMMUNITY EDUCATION: Provides a community awareness program that includes presentations and media appearances designed to heighten the community's awareness of persons with developmental disabilities; provides consumer awareness education to increase the maximum potential of persons with developmental disabilities.

Sources of revenue for the Organization's services is primarily a contract with the State of Texas to deliver services to people with developmental disabilities and related conditions.

The Arc of the Capital Area is exempt from Federal income tax under Internal Revenue Code Section 501(c)(3) for income related to its exempt purpose. Certain activities conducted by the Organization's bingo activities are subject to an unrelated business income tax. The Internal Revenue Service classifies The Arc of the Capital Area as an organization other than a private foundation.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Prior Year Column. The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such summarized information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such summarized information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2005, from which the summarized information was derived.

Accounting 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.

Method of Accounting. The Arc of the Capital Area uses the accrual basis method of accounting. Using this method of accounting, revenue and support and accounts receivable are reported when funds are considered earned, regardless of when cash is received. Expenses and accounts payable are reported when an obligation is incurred, regardless of when cash is disbursed. All expenses are reported as reductions in unrestricted net assets.

Fair Value of Financial Instruments. The Organization's significant financial instruments are cash, investments, accounts receivable, and accounts payable. The recorded value of the financial instruments, except for investments, approximate their fair value based on their short-term nature. Investments are reported at fair value based on market quotes.

Net Assets Classes. The Arc of the Capital Area reports the following net assets classes:

Permanently restricted net assets. The part of the net assets of a not-for-profit organization resulting from contributions whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization are considered permanently restricted net assets. An example of a permanently restricted net asset would be the donation of funds (or other assets) to the Organization in which the donor imposed a restriction that the funds not be expended, but an organization would be permitted to use or expend part or all of the income (or other economic benefit) derived from the donation.

Temporarily restricted net assets. Not-for-profit organizations receive contributions and other resources whose use is limited by stipulations that are more specific than the broad limits resulting from the nature and purpose of the organization and its programs. Resources (net assets) with such stipulations that either expire by passage of time or can be fulfilled by actions of the organization are reported as temporarily restricted net assets.

**THE ARC OF THE CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS – continued
Year Ended December 31, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Unrestricted net assets. Resources not included in the above categories are considered unrestricted net assets. While these resources are reported as unrestricted, an organization manages them in compliance with its exempt purposes, Board of Director designations, legal requirements, and contractual obligations.

Cash Designated for Bingo Purposes. Certain cash transferred to the Organization from its bingo activities is required to be held by the Organization in a separate bank account for the future use of bingo.

Investments. Investments consists of government securities that are traded on a national exchange. Investment income and gains and losses on investments are reported as increases or decreases in unrestricted net assets, unless a donor or law temporarily or permanently restricts their use. The investments are exposed to various risks, such as interest rate, credit and overall market volatility risks. Changes in the risks could affect the value of the investment and such changes could effect the amounts reported in the statement of financial position.

Accounts receivable. Accounts receivable are reported at face amount, which is considered fair value due to the short-term nature of the receivables. Accounts receivable create a credit risk for the Organization should the parties to the receivable fail to perform as obligated. The Organization does not require collateral to secure the receivable and does not require interest to be paid on past due receivables. Policy for determining when receivables are past due is based on how recently payments have been received. Policy for determining when to charge off uncollected receivables requires an annual review by management of the individual accounts, a review of the payment history of the account, and an evaluation of the likelihood of payments in the future. At such time, any accounts considered uncollectible are written off against an allowance. Accounts receivables are valued using an allowance for uncollectible accounts. At year end, no allowance for uncollectible accounts is considered necessary. The allowance for doubtful accounts reported in the financial statements is an accounting estimate. The estimate may be adjusted as more current information becomes available and any adjustment could be significant.

Fixed Assets. Fixed assets are capitalized (at cost if purchased and at fair value at date of gift, if donated) if the estimated useful service life of the item is more than one year and the cost of the item is over \$500. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. During the year, the Organization determined that none of its long-lived assets had been impaired. Depreciation is computed using the straight line method of computation over the estimated useful life of the asset (generally 5-30 years). Depreciation expense and accumulated depreciation reported in the financial statements are accounting estimates. These estimates may be adjusted as more current information becomes available and any adjustment could be significant.

Revenue Recognition. Contributions are reported when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give to the Organization are reported as revenues when the conditions are met. Contributed goods, such as clothing, toys, household items, etc. are received by the Organization for the benefit of the Basic Needs & Crisis Assistance program. The fair value of the contributed goods reported in the financial statements is estimated internally by the Organization. These estimates may be adjusted as more current information becomes available and any adjustment could be significant.

Allocation of Costs. The Arc allocates common costs between program services, management and general, and fund raising by estimating employee costs related to the activities. The estimates are reviewed periodically and the allocations revised, if necessary, to reflect changes in the activities of the Organization. The allocation of costs reported in the financial statements are accounting estimates. The estimates may be adjusted as more current information becomes available and any adjustment could be significant.

Unallocated Payments to Affiliated Organizations. Membership dues are paid to national and state affiliates. The payments represent a share of the affiliates' expenses and therefore are recorded as an expense by the Organization. Although the affiliates will use the payments for program services, management and general, and fundraising expenses, the payments cannot be reasonably allocated to functions.

THE ARC OF THE CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended December 31, 2006

NOTE 2: INVESTMENTS AND INVESTMENT INCOME

Investments reported in the financial statements are the following:

<u>Type of Investment</u>	<u>Cost</u>	<u>Market Value</u>
Government securities	<u>\$104,125</u>	\$ 103,847
Accrued interest		<u>634</u>
Investments		<u>\$ 104,481</u>

Components of investment income reported in the financial statements consists of the following:

Interest	\$ 4,688
Dividends	5,153
Realized gain (loss)	(953)
Unrealized gain (loss)	(674)
Amortization of premiums or discounts on bonds, net	1,534
Investment fees	<u>(1,319)</u>
Investment income	<u>\$ 8,429</u>

For the year, investment income was reported as unrestricted revenues.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable reported in the financial statements are the following:

Grants and contracts	\$ 33,499
United Way allocations	69,250
Program service fees	80,101
Allowance for uncollectible accounts	<u>-</u>
	182,850
Promises to give	43,445
Miscellaneous receivables	<u>488</u>
Accounts receivable	<u>\$ 226,783</u>

At year end, accounts receivable of \$33,027 were in excess of 90 days. Promises to give are due within one year, thus no present value discount was applied to the balances due. No allowance for uncollectible promises to give is considered necessary.

NOTE 4: COMMITMENTS - OPERATING LEASES

The Arc has an obligation for a copier that for accounting purposes is considered an operating lease therefore, the future obligations on the lease are not reported in the financial statements. Future minimum payments under the lease obligation are the following: 2007- \$2,845 and 2008- \$-0-.

Rental expense for the year under the operating lease was \$3,104.

NOTE 5: DESIGNATED BY BOARD OF DIRECTORS

Unrestricted net assets can be set aside (designated) for future use by the Organization's board of directors. Designated net assets continue to be classified as unrestricted net assets, since the restriction placed on the net assets (the designation) is self-imposed and can be lifted or changed by future board action.

THE ARC OF THE CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended December 31, 2006

NOTE 5: DESIGNATED BY BOARD OF DIRECTORS - continued

At year end, the Organization's board of directors has designated net assets for the following purposes:

Bingo cash funds	\$ 10,823
Bingo equity	31,479
Building upkeep	<u>16,456</u>
Designated	<u>\$ 58,758</u>

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

During the year, \$393,050 in net assets were released from accompanying stipulations due to the Organization's action or with the passage of time and are reported as transfers from temporarily restricted net assets to unrestricted net assets in the statement of activities.

At year end, The Arc of the Capital Area had temporarily restricted net assets available for the following purposes.

<u>Nature of Donor Imposed Restrictions</u>	<u>Amount</u>
United Way allocations for a specific time period, January - June, 2007	\$ 69,250
Promises to give in 2007	43,446
For volunteer coordinator position	17,500
For Family & Caregiver program	108,389
For Juvenile Justice program	7,500
For crisis assistance	<u>5,697</u>
Temporarily restricted net assets	<u>\$ 251,782</u>

NOTE 7: SPECIAL EVENTS

The Arc of the Capital Area, along with other non-profit organizations, is a grantor and a beneficiary under a Unit Trust (the Trust) known as River City Bingo Unit Trust. The trustee of the Unit Trust is responsible for operating the trust in a manner that complies with the rules of the Texas Lottery Commission and Chapter 2001 of the Texas Occupations Code. The net income (or loss) of the trust is distributed (or absorbed) to the beneficiaries in compliance with minimum charitable distribution requirements mandated under the Texas Occupations Code. Additionally, the same non-profit organizations are members of RC Bingo Management, Inc., a non-profit organization (the supporting organization), which generates income and incurs expenses by conducting supporting activities for the bingo games conducted by the Trust. The income or loss of the supporting organization is shared equally by the members.

Distributions from the Trust and the supporting organization and other fund raising events conducted during the year are reported as special events revenue in the financial statements.

Details of the special events revenue are as follows:

Sponsorships and admissions for other events	
Golf tournament	\$ 59,607
Building Bridges art auction	60,801
Fishing tournament	19,894
Cowboy Spring BBQ	5,500
Miscellaneous events	<u>4,272</u>
Total unrestricted	<u>150,074</u>
Bingo distributions	60,000
Increase (decrease) in equity in trust and supporting organization	<u>4,538</u>
Total temporarily restricted	<u>64,538</u>
Special events revenue	<u>\$ 214,612</u>

THE ARC OF THE CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended December 31, 2006

NOTE 8: PENSION PLAN

The Arc of the Capital Area maintains a 403(b) Thrift Plan, which is a retirement savings program for eligible employees. After 2 years of service, the Organization contributes 2% of the employee's compensation to the Plan and matches up to 1% of their compensation. For the year, the Organization contributed \$10,964 to the Plan. Employees are 100% vested immediately in any employer contributions to the Plan. There are no unfunded pension costs related to the Plan.

NOTE 9: OFF-BALANCE-SHEET CREDIT RISK

For accounting purposes, cash balances (including certificates of deposit) with a financial institution in excess of Federal Deposit Insurance Corporation (FDIC) coverage are considered an off-balance-sheet credit risk. Throughout the year, the Organization maintained cash balances with a financial institution that from time to time exceeded the institution's insurance coverage. At year end, excess deposits amounted to approximately \$1,800.

The Arc of the Capital Area maintains its cash balances and investments with high-quality national financial institutions and does not require collateral against its balances. The Organization constantly monitors its financial positions with the financial institutions and does not anticipate any nonperformance by any of the parties.