

# ARLINGTON THRIVE

FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

KOSITZKA, WICKS & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS



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*Certified Public Accountants*

### **Independent Auditor's Report**

To the Board of Directors  
**Arlington Thrive**

We have audited the accompanying financial statements of **Arlington Thrive** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 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 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of **Arlington Thrive** as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Kositzka, Wicks and Company*

Alexandria, Virginia  
October 25, 2017

# Arlington Thrive

## Statements of Financial Position June 30,

2017

2016

### Assets

#### Current assets

Cash and cash equivalents	\$ 240,132	\$ 208,093
Undeposited funds	12,135	-
Contributions receivable	6,830	7,098
Prepaid expenses	1,388	1,624
	<u>260,485</u>	<u>216,815</u>

Property and equipment, net of accumulated depreciation - 72

#### Other assets

Certificates of deposit	179,449	177,168
Investments - endowment	758,420	-
	<u>937,869</u>	<u>177,168</u>

### Total assets

\$ 1,198,354      \$ 394,055

### Liabilities and net assets

#### Current liabilities

Accounts payable and accrued expenses	\$ 16,946	\$ 7,225
Refundable advance	-	3,025
<b>Total liabilities</b>	<u>16,946</u>	<u>10,250</u>

#### Net assets

Unrestricted, board designated reserve fund	179,449	177,168
Unrestricted, other	148,477	170,286
Temporarily restricted	853,482	36,351
<b>Total net assets</b>	<u>1,181,408</u>	<u>383,805</u>

### Total liabilities and net assets

\$ 1,198,354      \$ 394,055

The accompanying independent auditor's report and notes are an integral part of the financial statements.

# Arlington Thrive

## Statement of Activities for the year ended June 30, 2017

	Unrestricted	Temporarily restricted	Total
<b>Revenue</b>			
Contributions	\$ 268,406	\$ 800,987	\$ 1,069,393
Arlington County funds	-	539,561	539,561
Grants from foundations	83,514	75,000	158,514
United Way and CFC funding	19,740	-	19,740
Special events, net of direct expenses of \$14,891	25,732	-	25,732
Investment income	3,183	8,420	11,603
Other income	4,340	-	4,340
Net assets released from restrictions	606,837	(606,837)	-
Total revenue	<u>1,011,752</u>	<u>817,131</u>	<u>1,828,883</u>
<b>Expenses</b>			
Program services	879,840	-	879,840
Management and general	67,099	-	67,099
Fundraising	84,341	-	84,341
Total expenses	<u>1,031,280</u>	<u>-</u>	<u>1,031,280</u>
<b>Change in net assets</b>	(19,528)	817,131	797,603
<b>Net assets, beginning of year</b>	<u>347,454</u>	<u>36,351</u>	<u>383,805</u>
<b>Net assets, end of year</b>	<u>\$ 327,926</u>	<u>\$ 853,482</u>	<u>\$ 1,181,408</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

# Arlington Thrive

## Statement of Activities for the year ended June 30, 2016

	Unrestricted	Temporarily restricted	Total
<b>Revenue</b>			
Contributions	\$ 216,947	\$ -	\$ 216,947
Arlington County funds	-	507,226	507,226
Grants from foundations	27,079	65,000	92,079
United Way and CFC funding	16,632	-	16,632
Special events, net of direct expenses of \$28,678	122,322	-	122,322
Investment income	2,799	-	2,799
In-kind contributions	1,600	-	1,600
Other income	99	-	99
Net assets released from restrictions	574,818	(574,818)	-
Total revenue	<u>962,296</u>	<u>(2,592)</u>	<u>959,704</u>
<b>Expenses</b>			
Program services	874,114	-	874,114
Management and general	51,302	-	51,302
Fundraising	73,741	-	73,741
Total expenses	<u>999,157</u>	<u>-</u>	<u>999,157</u>
<b>Change in net assets</b>	(36,861)	(2,592)	(39,453)
<b>Net assets, beginning of year</b>	<u>384,315</u>	<u>38,943</u>	<u>423,258</u>
<b>Net assets, end of year</b>	<u>\$ 347,454</u>	<u>\$ 36,351</u>	<u>\$ 383,805</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

# Arlington Thrive

## Statement of Functional Expenses for the year ended June 30, 2017

Expenses	Program services	Management and general	Fundraising	Total
Administrative support salaries	\$ 89,829	\$ 32,853	\$ 67,269	\$ 189,951
Audit charges	10,500	-	-	10,500
Bank charges	442	289	587	1,318
Bookkeeping	5,203	4,603	-	9,806
Carter-Jenkinson fund rent assistance	364,479	-	-	364,479
Community outreach	823	174	826	1,823
Computer-related expense	-	1,004	-	1,004
Consulting	2,395	1,475	1,125	4,995
Daily Fund expense	317,680	-	-	317,680
Depreciation	24	48	-	72
Dress for work success	3,187	-	-	3,187
Dues and subscriptions	507	2,764	1,122	4,393
Fundraising	3,191	-	1,497	4,688
Insurance	256	3,871	-	4,127
Mass mailing costs	5,540	4,482	3,386	13,408
Office rent	1,103	1,103	-	2,206
Office supplies and services	744	3,957	-	4,701
Payroll taxes	7,917	2,872	5,962	16,751
Postage and freight	342	510	238	1,090
Printing	1,242	181	1,898	3,321
PSH emergency fund expense	38,894	-	-	38,894
Risk Reduction Fund expense	3,992	-	-	3,992
Section 8 security deposit loans	17,453	-	-	17,453
Staff and board support	314	2,104	87	2,505
Staff training	-	2,797	55	2,852
Telephone	3,206	1,355	-	4,561
Travel	487	130	289	906
Website	90	527	-	617
<b>Total functional expenses</b>	<b>\$ 879,840</b>	<b>\$ 67,099</b>	<b>\$ 84,341</b>	<b>\$ 1,031,280</b>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

# Arlington Thrive

## Statement of Functional Expenses for the year ended June 30, 2016

Expenses	Program services	Management and general	Fundraising	Total
Administrative support salaries	\$ 77,107	\$ 28,200	\$ 57,742	\$ 163,049
Audit charges	10,500	-	-	10,500
Bank charges	540	354	718	1,612
Bookkeeping	5,600	4,955	-	10,555
Carter-Jenkinson fund rent assistance	364,787	-	-	364,787
Community outreach	911	193	914	2,018
Computer-related expense	-	611	-	611
Consulting	4,258	2,623	2,000	8,881
Daily Fund expense	341,207	-	-	341,207
Depreciation	21	41	-	62
Donated materials	-	-	1,344	1,344
Dress for work success	4,102	-	-	4,102
Dues and subscriptions	205	1,118	454	1,777
EnergyShare expense	183	-	-	183
Fundraising	1,958	-	919	2,877
Insurance	189	2,854	-	3,043
Mass mailing costs	1,345	1,088	822	3,255
Miscellaneous	184	1,231	51	1,466
Office rent	950	950	-	1,900
Office supplies and services	464	2,468	-	2,932
Payroll taxes	5,839	2,118	4,397	12,354
Postage and freight	715	1,068	498	2,281
Printing	2,457	358	3,755	6,570
PSH emergency fund expense	29,873	-	-	29,873
Section 8 security deposit loans	19,094	-	-	19,094
Telephone	1,371	781	-	2,152
Travel	214	57	127	398
Website	40	234	-	274
<b>Total functional expenses</b>	<b>\$ 874,114</b>	<b>\$ 51,302</b>	<b>\$ 73,741</b>	<b>\$ 999,157</b>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

# Arlington Thrive

## Statements of Cash Flows for the years ended June 30,

**2017****2016****Cash flows from operating activities**

Change in net assets	\$ 797,603	\$ (39,453)
Adjustments to reconcile change in net assets to cash from operating activities		
Depreciation expense	72	62
Accrued interest on certificates of deposit	(269)	-
Unrealized and realized gain on investments	(4,046)	-
(Increase) decrease in operating assets		
Undeposited funds	(12,135)	-
Contributions receivable	268	(3,922)
Prepaid expenses	236	(998)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	9,721	3,166
Refundable advance	(3,025)	-
Net cash provided by (used in) operating activities	<u>788,425</u>	<u>(41,145)</u>

**Cash flows from financing activities**

Purchase of certificates of deposit	(73,232)	(76,264)
Proceeds from sale of certificates of deposit	71,220	-
Purchase of endowment investments	<u>(754,374)</u>	<u>-</u>
Net cash used in investing activities	(756,386)	(76,264)

**Net change in cash and cash equivalents**

32,039 (117,409)

**Cash and cash equivalents, beginning of year**208,093 325,502**Cash and cash equivalents, end of year**\$ 240,132 \$ 208,093**Supplemental cash flow information**

Interest paid	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

# Arlington Thrive

## Notes to Financial Statements June 30, 2017 and 2016

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### 1. Organization and purpose

Arlington Thrive (the Organization) is a nonprofit organization incorporated in 1975 to provide emergency financial help to residents of Arlington, Virginia. Arlington Thrive makes grants for rent, utility bills, medical and dental bills, prescriptions, and transportation.

Arlington Thrive's main sources of revenue include a grant from Arlington County and contributions from individuals, churches, businesses, and foundations.

### 2. Significant accounting policies

#### Basis of accounting

The financial statements of Arlington Thrive are prepared using the accrual method of accounting. In accordance with this method of accounting, revenue is recognized in the period in which it is earned, and expenses are recognized in the period in which they are incurred. All revenue and expenses that are applicable to future periods have been presented as deferred revenue or prepaid expenses on the accompanying statements of financial position.

#### Financial statement presentation

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. At June 30, 2017 and 2016, the Organization had no permanently restricted net assets.

#### Revenue recognition

Contributions received and unconditional promises to give are measured at their fair values and are reported as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. A contribution is classified as temporarily restricted when the donor has designated it for future use or specified an event that must transpire before it is available for use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Other revenue is recognized when earned.

#### Cash and cash equivalents

For purposes of the statements of cash flows, Arlington Thrive considers all cash and unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Arlington Thrive maintains its cash in bank deposit accounts which, at times, may exceed Federal Deposit Insurance Corporation (FDIC) limits. FDIC insurance is \$250,000 per depositor, per insured bank. Arlington Thrive has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk. At June 30, 2017 and 2016, uninsured bank balances amounted to \$29,154 and \$71,836, respectively.

See independent auditor's report.

# Arlington Thrive

## Notes to Financial Statements June 30, 2017 and 2016

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### 2. Significant accounting policies (continued)

#### Property and equipment

Property and equipment is recorded at cost. Arlington Thrive's policy is to capitalize purchases of property and equipment with a cost of \$1,000 or more. Depreciation is computed on a straight-line basis over the estimated useful lives of the property and equipment, generally three years to seven years.

#### Investments

Investments are carried at their fair market values based on publicly available market data obtained from services independent of Arlington Thrive. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

#### Accrued vacation

Employees of Arlington Thrive are entitled to paid vacation depending on job classification, length of service and other factors. Upon termination, an employee is compensated for any accrued but unpaid vacation pay. Accrued vacation balances were \$3,384 and \$4,893 as of June 30, 2017 and 2016, respectively, and are included with accounts payable and accrued expenses on the accompanying statements of financial position.

#### Donated services

Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized.

#### Functional classification of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among program services, management and general and fundraising, based on estimates of personnel time.

#### Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

See independent auditor's report.

# Arlington Thrive

## Notes to Financial Statements June 30, 2017 and 2016

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### 2. Significant accounting policies (continued)

#### Other financial assets and liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents, prepaid expenses, and contributions receivable. Financial liabilities with carrying values approximating fair value include accounts payable and accrued expenses and refundable advance. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities.

#### Income taxes

Arlington Thrive is exempt from federal income tax as a nonprofit organization described in Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation. For the years ended June 30, 2017 and 2016, Arlington Thrive did not have unrelated business income subject to income taxes. Accordingly, no provision for income taxes has been included in these financial statements.

Arlington Thrive is subject to taxation in the U.S. and a small number of state and local jurisdictions. The material jurisdictions subject to potential examination by taxing authorities include the United States and Virginia. Management does not believe that the ultimate outcome of any future examinations of open tax years will have a material impact on Arlington Thrive's results of operations. Tax years that remain subject to examination by the IRS are the fiscal years ended June 30, 2014 through June 30, 2017.

#### Contributions receivable

The Organization considers the need for an allowance for uncollectible contributions receivable based on a review of contributions receivable balances and historical collection experience. For the years ended June 30, 2017 and 2016, management considers all contributions receivable amounts to be collectible and, accordingly, has not provided an allowance for uncollectible accounts.

### 3. Certificates of deposit

As of June 30, 2017, the Organization maintained four certificates of deposit with one bank. The interest rates on these CDs range from 0.65 percent to 1.74 percent. These certificates of deposit and associated accrued interest totaled \$179,449.

As of June 30, 2016, the Organization maintained six certificates of deposit with two banks. The interest rates on these CDs range from 0.65 percent to 1.15 percent. These certificates of deposit totaled \$177,168.

See independent auditor's report.

# Arlington Thrive

## Notes to Financial Statements June 30, 2017 and 2016

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### 4. Property and equipment

Property and equipment and related depreciation were as follows as of June 30:

	2017			
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Depreciation expense</u>	<u>Useful life</u>
Equipment	\$ 1,591	\$ 1,591	\$ 72	5 - 7 years
Total	<u>\$ 1,591</u>	<u>\$ 1,591</u>	<u>\$ 72</u>	

  

	2016			
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Depreciation expense</u>	<u>Useful life</u>
Equipment	\$ 3,081	\$ 3,009	\$ 62	5 - 7 years
Software	1,612	1,612	-	3 years
Total	<u>\$ 4,693</u>	<u>\$ 4,621</u>	<u>\$ 62</u>	

### 5. Investments

Investments as of June 30, 2017 consisted of the following:

Cash and equivalents	\$ 11,984
High yield bonds	64,162
Interm-term bonds	199,540
Equity	
BM equity - core	212,964
SC equity - core	16,609
M/F equity	102,387
Real estate	77,662
M/F international equity	73,112
	<u>\$ 758,420</u>

See independent auditor's report.

# Arlington Thrive

## Notes to Financial Statements June 30, 2017 and 2016

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### 5. Investments (continued)

Investment income consisted of the following for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Realized and unrealized gains	\$ 4,046	\$ -
Interest and dividend income	<u>7,557</u>	<u>2,799</u>
	<u>\$ 11,603</u>	<u>\$ 2,799</u>

### 6. Arlington County contract

According to the provisions of the contract with Arlington County, funds received must be matched by \$232,315 in private funding for both the years ended June 30, 2017 and 2016. Arlington Thrive met this requirement during both years.

### 7. Security deposit program

The Section 8 Security Deposit Program was initiated to assist Section 8 housing clients by providing loans for security deposits. Arlington County provides Arlington Thrive with funds to implement this program. Individuals repay the loans over a period of time through monthly payments to the County Section 8 program. For the years ended June 30, 2017 and 2016, Arlington Thrive disbursed \$17,453 and \$19,094, respectively, in funding for new loans for this program. No receivable or allowance has been recorded for the years ended June 30, 2017 and 2016, as Arlington County holds the promissory notes with these individuals and pursues collection.

### 8. In-kind contributions

Arlington Thrive received substantial benefit from services provided by members of the local community. These services included fundraising and publicity, record-keeping, and processing of requests for assistance. The value of the volunteer hours was estimated by management to be \$61,361 and \$60,268 for the years ended June 30, 2017 and 2016, respectively. The value of the donated local community services is not reflected in the accompanying financial statements.

The following donated professional services and materials were received for the year ended June 30, 2016:

Database consulting services	\$ 654
Professional consulting services	<u>946</u>
	<u>\$ 1,600</u>

See independent auditor's report.

# Arlington Thrive

## Notes to Financial Statements June 30, 2017 and 2016

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### 8. In-kind contributions (continued)

These in-kind contributions are included in the statements of activities. Arlington Thrive received no donated professional services and materials for the year ended June 30, 2017.

### 9. Temporarily restricted net assets

Arlington Thrive received contributions in support of specific programs for the years ended June 30, 2017 and 2016. These contributions have been reflected in the statements of activities as temporarily restricted contributions. To the extent those funds have been disbursed in support of these programs, amounts have been recorded as net assets released from restrictions. Any funds that have not been expended are included as temporarily restricted net assets as of June 30, 2017 and 2016. Additional expenditures to maintain these programs are provided from the unrestricted net asset balance.

Temporarily restricted net assets consisted of the following as of June 30, 2017:

	<u>2016</u>	<u>Additions</u>	<u>Releases</u>	<u>2017</u>
Arlington County funds				
Carter Jenkinson	\$ -	\$ 295,697	\$ (295,697)	\$ -
Daily Fund	-	149,814	(149,814)	-
Section 8 Security Deposits	4,906	24,000	(17,453)	11,453
Permanent Supportive Housing				
Emergency Fund	21,445	35,050	(38,894)	17,601
Restricted grants and contributions	-	100,987	(100,987)	-
Risk reduction	10,000	25,000	(3,992)	31,008
PSH Maintenance Reserve	-	35,000	-	35,000
Emergency Medical and Dental Assistance Fund	-	758,420	-	758,420
Total	<u>\$ 36,351</u>	<u>\$ 1,423,968</u>	<u>\$ (606,837)</u>	<u>\$ 853,482</u>

See independent auditor's report.

# Arlington Thrive

## Notes to Financial Statements June 30, 2017 and 2016

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### 9. Temporarily restricted net assets (continued)

Temporarily restricted net assets consisted of the following as of June 30, 2016:

	<u>2015</u>	<u>Additions</u>	<u>Releases</u>	<u>2016</u>
Arlington County funds				
Carter Jenkinson	\$ 20,294	\$ 300,735	\$ (321,029)	\$ -
Daily Fund	-	149,814	(149,814)	-
Section 8 Security Deposits	-	24,000	(19,094)	4,906
EnergyShare grants	8	-	(8)	-
Permanent Supportive Housing				
Emergency Fund	18,641	32,677	(29,873)	21,445
Restricted grants and contributions	-	55,000	(55,000)	-
Risk reduction	-	10,000	-	10,000
Total	<u>\$ 38,943</u>	<u>\$ 572,226</u>	<u>\$ (574,818)</u>	<u>\$ 36,351</u>

### 10. Board designated net assets

Arlington Thrive maintains an operating reserve fund for board designated net assets, the purpose of which is to provide an internal source of resources. The balance in the fund was \$179,180 and \$177,168 as of June 30, 2017 and 2016, respectively.

### 11. Endowment funds

Arlington Thrive's endowment funds consist of donor-restricted funds established by Mitchel E. Davis, MD for emergency medical and dental assistance. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Interpretation of Relevant Law

The Board of Directors of Arlington Thrive has interpreted the Virginia Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Arlington Thrive classifies as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Arlington Thrive considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

See independent auditor's report.

# Arlington Thrive

## Notes to Financial Statements June 30, 2017 and 2016

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### 11. Endowment funds (continued)

1. The duration and preservation of the fund
2. The purposes of Arlington Thrive and the donor-restricted endowment fund
3. General economic conditions
4. The possible effects of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of Arlington Thrive
7. The investment policies of Arlington Thrive

#### Return Objectives and Risk Parameters

Arlington Thrive has adopted investment and spending policies in accordance with the Investment Policy of the Arlington Community Foundation for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Arlington Thrive must hold in perpetuity as well as board-designated funds.

#### Strategies employed for achieving objectives

Arlington County has chosen a balanced option with Arlington Community Foundation. The asset allocation for this investment option is approximately 50 percent equities, 10 percent real estate securities, and 40 percent fixed income. The objective is to provide a balance between current income and growth of principal. This investment option is best suited for funds that desire an income stream and growth of principal through some exposure to the equity market. There is exposure to both equity market risk and interest rate risk.

#### Spending policy and how the investment objectives relate to spending policy

The amounts appropriated for distribution by Arlington Thrive is based on donor imposed restrictions for distribution each year up to five percent of the endowment funds' fair value of the previous calendar year. However, the endowment fund allows Arlington Thrive to use more than five percent of the value in cases of extreme financial need.

#### Endowment net asset composition by type of fund

The endowment net assets consisted of the following as of June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds				
Emergency Medical and Dental Assistance Fund	\$ -	\$ 758,420	\$ -	\$ 758,420
Total endowment funds	<u>\$ -</u>	<u>\$ 758,420</u>	<u>\$ -</u>	<u>\$ 758,420</u>

See independent auditor's report.

# Arlington Thrive

## Notes to Financial Statements June 30, 2017 and 2016

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### 11. Endowment funds (continued)

#### Changes in endowment net assets

The endowment net activity consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
<b>Endowment funds as of June 30, 2016</b>	\$ -	\$ -	\$ -	\$ -
Investment return				
Investment income	-	4,374	-	4,374
Net appreciation	-	4,046	-	4,046
Total investment return	-	8,420	-	8,420
Contributions to perpetual endowment	-	750,000	-	750,000
Amounts appropriated for expenditure	-	-	-	-
<b>Endowment funds as of June 30, 2017</b>	<u>\$ -</u>	<u>\$ 758,420</u>	<u>\$ -</u>	<u>\$ 758,420</u>

#### 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 Arlington Thrive to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2017.

### 12. Fair value measurements

Arlington Thrive classifies its investments into Level 1, which refers to securities valued using quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Arlington Thrive's investments are held in a community foundation. The fair value of the beneficial interest in assets held by the community foundation is based on the fair value of the fund investments as reported by the community foundation. These are considered Level 3 measurements.

See independent auditor's report.

# Arlington Thrive

## Notes to Financial Statements June 30, 2017 and 2016

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### 12. Fair value measurements (continued)

Assets measured at fair value on a recurring basis are summarized below as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments held in Arlington Community Foundation				
Balanced	\$ -	\$ -	\$ 758,420	\$ 758,420
Total investments, at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 758,420</u>	<u>\$ 758,420</u>

The following table presents activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2017:

Beginning Balance	\$ -
Contributions	750,000
Total gains or losses (realized/unrealized) including changes in net assets	<u>8,420</u>
Ending balance	<u>\$ 758,420</u>

### 13. Commitments

Arlington Thrive maintains an operating lease for office space with a church in Arlington. The agreement, which began March 1, 2011 and continues until terminated by either party, provides for payment of a base rent amount of \$475 per quarter plus operating expenses. During the year ended June 30, 2017, base rent increased to \$650 per quarter. Rental expense was \$2,206 and \$1,900 for the years ended June 30, 2017 and 2016, respectively.

### 14. Concentrations

Contributions from one individual accounted for 41 percent of revenue for the year ended June 30, 2017. Arlington County funds accounted for 29 percent and 51 percent of revenue for the years ended June 30, 2017 and 2016, respectively.

### 15. Subsequent events

Arlington Thrive assessed events occurring subsequent to June 30, 2017 through October 25, 2017, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to or disclosure in the financial statements.

See independent auditor's report.