



For more than 64 years, Arc, a non-profit agency, has broadly served the complex needs of people with intellectual and developmental disabilities and their families. Regarded as a pioneer and leader in this area, Arc began as a grassroots organization of families with children with disabilities in the mid-1940s and has evolved over the years as times and demands have changed. Today, Arc Greater Twin Cities serves the seven-county metro area and helps more than 5,000 people annually.

With the current economy, United Way, and many corporate and private foundations and individual donors are shifting funding priorities. This week we received official notification of our United Way funding for the three-year funding cycle beginning July 1, 2010. The positive news is that we have retained \$337,000 in program support. Given the competition for a relatively small pool of funds in this focus area, this is a significant testament to United Way's confidence in Arc Greater Twin Cities' work. We take pride in the fact that they deem us a valuable community partner agency.

However, this allocation from United Way represents a 64% decrease from 2009 levels. With a decrease of this size, immediate steps had to be taken.

Over the past year, the Executive Leadership Team, along with the Board of Directors, has devoted significant time and deliberation to evaluate our programs and services and develop scenario plans in the event of such a significant funding change. Input from our stakeholders has been invaluable as we have explored options for the future. At the same time, we've made tough decisions such as freezing salaries, cutting costs wherever we can and leaving positions unfilled.

In planning for potential reductions, we analyzed the needs of the organization and our current structure and made choices that fit best with our strategic direction. As a result, we have made difficult and unprecedented decisions.

In total, we have eliminated five staff positions— two mid-management and three in programs and services. Our intent in reducing two management positions overall is to lessen the impact on direct services and supports to people with disabilities and their families. Arc's Human Resources and Finance Committees reviewed and supported the plan, which was adopted by the Board of Directors and will be implemented this month.

In these challenging economic times, we are working diligently to ensure that Arc Greater Twin Cities is strong and sustainable to meet the needs of future generations. We have made strategic decisions over the past few years with an emphasis on diversifying our funding base and increasing our organization's self-sufficiency.

For example, we established the *Arcademy* Gala, which is raising significant new annual revenue for our programs and services and helps broaden our base of supporters.

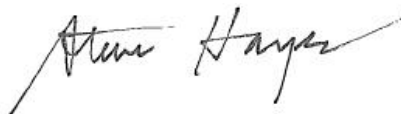
We also made the decision to expand the Arc's Value Village Thrift Stores and Donation Centers that provide nearly 40 % of our annual budget, and in our first year of the capital campaign, have secured nearly \$1 million for this expansion. At the same time, our annual campaign support and membership levels have remained steady for which we are extremely grateful. We believe all these efforts will pay off in terms of the long-term financial stability of our organization.

While this is a difficult chapter in the life of Arc, we are well-positioned to return to a place of strength. We do not want to repeat this scenario. We felt it was important to make the hard decisions now and work together with our partners, donors, volunteers and friends to restructure and rebuild, so that Arc will thrive and, more importantly, that people with disabilities and their families thrive.

Sincerely,



Kim Keprios  
Chief Executive Officer



Steve Hayes  
Chair of the Board