Financial Statements
Year Ended
June 30, 2004

Assistive Technology Loan Fund Authority

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& COMPANY

Certified Public Accountants
Financial Planning
Specialized Services

Assistive Technology Loan Fund Authority

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Report of Independent Auditors

Board of Directors
Assistive Technology Loan Fund Authority

We have audited the accompanying financial statements of the governmental activities of the ***Assistive Technology Loan Fund Authority*** as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the management of ***Assistive Technology Loan Fund Authority***. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States and *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications 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 the 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 governmental activities of the ***Assistive Technology Loan Fund Authority*** as of June 30, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the basic financial statements, the ***Assistive Technology Loan Fund Authority*** adopted Governmental Accounting Standards Board Statement No. 34 *"Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government"*, effective July 1, 2002. They also adopted GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Omnibus* which clarified the contents of Management's Discussion and Analysis, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures,* which updated note disclosures added by GASB No. 34.

In accordance with *Government Auditing Standards* we have also issued our report dated August 5, 2005 on our consideration of ***Assistive Technology Loan Fund Authority's*** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over the financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

4510 Cox Road, Suite 200
Glen Allen, VA 23060-3394
ph: 804.282.7636
fax: 804.282.1461
www.goodmanco.com

The Management's Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the ***Assistive Technology Loan Fund Authority's*** basic financial statements. The accompanying supplementary information as listed in the table of contents is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Goodman & Company LLP

Richmond, Virginia
August 5, 2005

The discussion and analysis of the ***Assistive Technology Loan Fund Authority's*** (Authority) financial performance provides an overview of the financial activities for the year ended June 30, 2004. It should be read in conjunction with the financial statements.

AUTHORITY ACTIVITIES AND FINANCIAL HIGHLIGHTS

The Assistive Technology Loan Fund Authority was created by the Virginia General Assembly in 1995 to fulfill "a need to provide assistance with loans and in the purchase of assistive technology, or other equipment, which is designed to enable Virginians with disabilities to become more independent or more productive members of the community, with an improved quality of life". A one-time appropriation from the General Assembly of $500,000 in 1996 was the financial basis for the beginning of the Authority's operations. The Authority's responsibilities were broadened in July 2003 by the General Assembly. The *Code of Virginia* now reads: "The Fund shall be used to provide loans to individuals with disabilities within the Commonwealth of Virginia for the purpose of acquiring assistive technology, other equipment, or other authorized purposes designed to help such individuals become more independent." This enabled the Authority to make loans to Virginians with disabilities for equipment repair, telecommuting, and business start-ups, in addition to those for adaptive equipment, home modifications and vehicle modifications. This also positioned the Authority to be eligible for additional funding under the President's "New Freedom Initiative", including the Access to Telework Fund.

From inception until November 1, 2002 the Authority was connected with the Virginia Department of Rehabilitative Services (DRS). It was through collaboration with DRS that the Authority was awarded a total of $3,464,000 in competitive federal grants in previous years. In each case, the Authority received the largest grant award in the country. During the fiscal year ended June 30, 2004 the Authority was fortunate to receive two federal grants as listed below:

Access for Telework, U.S. Dept. of Education	$2,586,222
Alternative Financing Program (AFP), U.S. Dept. of Education	$4,941,575

These grant amounts are "in total," from which administrative fees and indirect cost recovery were retained by DRS for their efforts in obtaining the grant. It should be noted that during fiscal year 2004, $1,350,000 of the Access for Telework grant, and $2,095,788 of the AFP grant were actually received into the accounts of the Authority, with the remainder received in fiscal year 2005. The Access to Telework grant was the largest award in the country; the AFP was the second largest competitive grant award.

The Access for Telework grant was made possible through matching funds transferred to the Authority by the Commonwealth Neuro-Trauma Initiative (CNI) in the amount of $150,000. The Alternative Financing Program grant was made possible through matching funds transferred to the Authority by the Department of Rehabilitative Services. This includes funds from the DRS program Virginia Assistive Technology System(VATS) in the amount of $124,011 as well as another DRS program, the Consumer Service Fund, in the amount of $324,596. Additionally, funds received in December 2003 from the Children's Hospital in Richmond, Virginia, in the amount of $250,000 were used for cash match. It is largely through the receipt of these funds and awards of prior years, which are to be administered in perpetuity in the service of our mandated purpose, that the Authority reports a balance of $8,046,655 in cash on hand at June 30, 2004.

As in prior years, the Authority maintains its cash in "safe" investments in money market funds and the Local Government Investment Pool (LGIP). The LGIP is a short-term investment pool offered to public entities of the Commonwealth of Virginia; it is managed by the Virginia Department of the Treasury. The investments of the LGIP include U.S. government obligations, certificates of deposit, and banker's acceptances, among others. While the average monthly yield earned by funds in the LGIP during this fiscal year was only 1.0747%, the Authority is cognizant of a responsibility to avoid any excessive risk with its monetary holdings. The LGIP has a stated top investment objective of safety, which mirrors the Authority's foremost investment goal as well.

At June 30, 2004, the Authority is the guarantor of $1,007,810 in loans granted by our financial partner, SunTrust Bank. The Authority can, at the direction of our loan committee and in compliance with our loan procedures, make such guarantees to enable disabled Virginians to purchase assistive technology through financing that would otherwise be denied to them. This total is the combined balance of loans made to ninety-two individuals. These loans are established through a combination of fees paid by the Authority on behalf of these individuals, and the maintenance of a certain level of funds owned by the Authority in accounts with our financial partner.

At June 30, 2004, $250,684 in loans has been provided to eligible Virginians directly from the Authority out of our grant revenues. The current balance of these loans, as reported in the Statement of Net Assets, is $135,075. This represents an increase of 53% over the balance of direct loans at June 30, 2003.

Like all entities involved in lending, the Authority realizes some losses as a result of granting or guaranteeing loans. Pursuant to our mission, the Authority guarantees loans granted by SunTrust that do not always meet the more stringent credit standards of other lending institutions. When it becomes necessary as per our agreement with SunTrust, the Authority will make rescue payments to bring a loan current, or purchase a note when the loan holder stops making payments altogether. While the Authority will try to restructure these note purchases and therefore attempt to recoup the money paid to SunTrust, it can be difficult to yield much of a return on these rescue payment and note purchase outlays. Also like other lending institutions, the Authority realizes some credit losses on the direct loans it grants as well. In fiscal year 2004, all direct loans, rescue payments and note purchases beginning balances from the prior year as well as current year transactions were carefully examined. As a result of this examination the Authority reports an allowance for doubtful accounts in the amount of $79,766 and a provision for loan loss in the amount of $95,963. The Authority feels these June 30, 2004 amounts were a reasonable and markedly improved position from the prior year.

This fiscal year was the first in the Authority's history to pay staff salary and benefits for the full twelve-month period. The Authority will, where practical, mirror the state in its hiring activities and benefit offerings.

In fiscal year 2004 the Authority launched a marketing effort through the development and first phase of distribution of a public service announcement to increase visibility and knowledge of the Authority and its services. This endeavor accounts for most of the marketing expense of $100,522 as reported on the Statement of Activities.

Fiscal year 2004 was the first year of distribution of funds to three VATS regional sites: Virginia Technological University, George Mason University and Old Dominion University. The Authority entered into agreements with the sites to reimburse them for certain assistive technology related costs as a result of the VATS matching fund contributions described above. These expenses totaled $106,769 in this fiscal year.

The Consumer Service Fund (CSF), or "fund of last resort," is an additional safety net funded by the Commonwealth of Virginia for eligible persons to acquire the assistive technology they need when all other means have been exhausted. The Assistive Technology Loan Fund Authority began to fully administrate this fund on July 1, 2003, a function previously performed by Virginia's Department of Rehabilitative Services. In these financial statements the Authority reports the awarding of $140,831 in Consumer Service Fund grants.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts - management's discussion and analysis, the basic financial statements and the supplementary information. The basic financial statements are comprised of the governmental fund statements and the government-wide statements. The government-wide financial statements reflect the full accrual basis of accounting incorporating long-term assets and long-term liabilities while the governmental fund statements use the modified accrual basis of accounting. The statements show the reconciliation of the fund financial statements to the government-wide statements.

The management's discussion and analysis is meant to provide an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions and is required supplementary information.

The general fund is the only governmental fund and is reconciled to the government-wide statement by recording the prepaid expenses and accrued liabilities. The reconciliation of the general fund statements to the government-wide statements is completed by recording the activity for the year in the long-term assets and long-term liabilities.

The supplementary information is provided for additional information to the reader and to report on compliance and other matters related to the audit of the financial statements performed in accordance with *Government Auditing Standards.*

The Authority prepares its financial statements in accordance with the *Uniform Financial Reporting Manual* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

SUMMARY STATEMENT OF NET ASSETS

The following condensed statement of net assets shows the financial position of the Authority at June 30:

	2004	2003
Assets		
Cash and cash equivalents	$ 8,046,655	$ 4,326,169
Receivables (net of allowance)	114,630	79,642
Prepaid expenses	1,742	1,375
Total assets	8,163,027	4,407,186
Liabilities		
Trade accounts payable	46,425	9,750
Other accrued liabilties	62,262	115,803
Total liabilties	108,687	125,553
Unrestricted net assets	$ 8,054,340	$ 4,281,633

SUMMARY STATEMENT OF ACTIVITIES

The condensed statement of activities for fiscal years ending June 30 follows:

	2004	2003
Revenues		
Grants, gifts and transfers	$ 4,596,878	$ 54,000
Interest and dividends	71,244	68,344
Total revenues	4,668,122	122,344
Expenditures		
Program and operating expenses	529,372	411,738
Salary and benefits	196,052	75,494
Marketing	100,522	5,096
Other	69,469	16,934
Total expenditures	895,415	509,262
Net increase/(decrease) in assets	$ 3,772,707	(386,918)

ECONOMIC OUTLOOK

As a result of the state appropriations, transfers from state agencies and the success the Authority has achieved in obtaining the previously mentioned federal grant awards, the Assistive Technology Loan Fund Authority has increased its cash assets well over ten-fold in the last five years. The Authority has the largest AFP and Telework loan fund in the United States of the thirty-five federally funded AFP and twenty Telework programs. However, new federal grant opportunities in the next couple of years are likely to favor states without such programs. The Authority reports a net increase of revenue for the fiscal year ended June 30, 2004 due to the receipt of $4,596,878 in grants, gifts and governmental transfers during the period. Our financial position is positive based on these and our past receipt of funds to use in the fulfillment of our future lending goals and activities.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to the Assistive Technology Loan Fund Authority, 1602 Rolling Hills Drive, Suite 107, Richmond, Virginia 23229 or by email to atlfa@atlfa.org.

Assistive Technology Loan Fund Authority

Statement of Net Assets and Governmental Funds Balance Sheet

June 30, 2004

	General Fund	Adjustments	Statement of Net Assets
Assets			
Cash and cash equivalents	$ 8,046,655	$ -	$ 8,046,655
Loans receivable, net of allowance of $79,766	113,630	-	113,630
Due from employee	-	1,000	1,000
Prepaid expenses	-	1,742	1,742
Total assets	$ 8,160,285	$ 2,742	$ 8,163,027
Liabilities			
Current liabilities			
Due within one year	$ -	$ 108,687	$ 108,687
Total liabilities	-	108,687	108,687
Fund Balances/Net Assets			
Fund balance			
Unreserved	8,160,285	(8,160,285)	-
Total fund balances	8,160,285	(8,160,285)	-
Total liabilities and fund balances	$ 8,160,285		
Unrestricted net assets		8,054,340	8,054,340
Total net assets		$ 8,054,340	$ 8,054,340

The accompanying notes are an integral part of these financial statements.

Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2004

	General Fund	Adjusments	Statement of Activities
Program revenues			
Operating grants and contributions	$ 4,596,878	$ -	$ 4,596,878
Interest income on loans	2,391	-	2,391
	4,599,269	-	4,599,269
General revenues			
Investment earnings	68,853	-	68,853
Total revenues	4,668,122	-	4,668,122
Expenditures			
Alternative Financing Program	517,444	66,913	584,357
Consumer Service Fund	242,561	(90,620)	151,941
Access for Telework	19,891	-	19,891
Administrative	132,752	6,474	139,226
Total expenditures	912,648	(17,233)	895,415
Change in net assets	3,755,474	17,233	3,772,707
Fund balance/net assets			
Fund balance/net assets - beginning of year	4,405,811	(124,178)	4,281,633
Fund balance/net assets - end of year	$ 8,161,285	$ (106,945)	$ 8,054,340

The accompanying notes are an integral part of these financial statements.

June 30, 2004

1. Organization and Nature of Activities

The ***Assistive Technology Loan Fund Authority*** (Authority) was created by the Virginia General Assembly in 1995 pursuant to Sections 51.5-53 to 51.5-59 of the Code of Virginia (Act). The Authority was created to provide assistance to individuals in the Commonwealth of Virginia with loans and in the purchase of assistive technology equipment, or other equipment, which is designed to enable persons with disabilities to become more independent or more productive members of the community with an improved quality of life. As provided in the Act, the Authority is governed by a Board of Directors (Board) consisting of twelve members as follows: the Secretary of Health and Human Services, or his designee, an employee of Woodrow Wilson Rehabilitation Center and ten citizen members appointed by the Governor and confirmed by the General Assembly.

2. Summary of Significant Accounting Policies

Accounting Principles

The financial statements of the Authority have been prepared in accordance with statements of the Governmental Accounting Standards Board (GASB) whose statements are recognized to represent generally accepted accounting principles applicable to governmental units.

Financial Reporting Entity

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement, known as the "Reporting Model" statement, affects the way the Authority prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions. The major changes for the Authority are addition of the Management's Discussion and Analysis (MD&A) and the consolidation format of the fund financial statements with the new government-wide financial statements. The government-wide financial statements consist of a statement of net assets and a statement of activities. The Authority adopted GASB Statement No. 34, effective July 1, 2002.

The Authority also adopted GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments; Omnibus* which clarified the contents of the MD&A, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures,* which updated note disclosure items added by GASB No. 34.

Government-wide and Fund Accounting Financial Statements

The basic financial statements include both the government-wide and the governmental fund financial statements. While the previous reporting model emphasized fund types and account groups, in the new reporting model the focus is on the Authority as a whole.

The government-wide statement of net assets column reflects a full accrual basis of accounting incorporating long-term assets as well as long-term debt and other obligations. The government-wide statement of activities column is reported using the economic resources measurement focus and the accrual basis of accounting which reflects both the gross and net cost per functional category. The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating grants and contributions and capital grants. The program revenues must be directly associated with a function. The operating grants and contributions include operating-specific and discretionary grants while the capital grants reflect capital-specific grants.

The governmental fund types are those through which most governmental functions of the Authority are financed. The acquisition, use and balances of the Authority's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The General Fund is the only governmental fund type. It is the general operating fund of the Authority. It is used to account for all financial resources except those specifically required to be accounted for in other funds.

Basis of Accounting

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt which is recorded when due, are recorded when the liability is incurred.

Cash and Cash Equivalents

Cash includes amounts in demand deposits and cash on hand. Certificates of deposit with a purchased maturity of three months or less are considered to be cash equivalents.

Capital Assets

General capital assets are not capitalized in the funds used to acquire them. Instead, capital acquisitions are reflected as expenditures in governmental funds, while the related assets are reported in the government-wide statement of net assets. The Authority has adopted a capitalization policy whereby additions greater than $2,500 will be capitalized. All capital assets are stated at cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. At June 30, 2004, there were no capital assets.

Compensated Absences

The Authority has an established policy in regard to vacation and sick pay for all full-time employees. Earned but unpaid vacation pay is recorded as a liability in the government-wide statement of net assets. The liability is not recorded in the governmental fund since it will not be liquidated with expendable available financial resources. The expenditures for vacation pay are recorded in the governmental funds when the obligation is paid.

Accumulated sick leave earned but unpaid at the end of the fiscal year is also recorded as expenditure when payment is actually made, but unlike vacation pay, accumulated sick leave is not paid to employees upon termination of employment. In accordance with accounting principles generally accepted in the United States of America, no liability is recorded for nonvesting accumulating rights to receive sick leave benefits in the government-wide statement of net assets.

For the year ended June 30, 2004, the Authority reported no accrual for compensated absences.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. Protection of Public Deposits

Deposits

At year end the carrying value of the Authority's deposits with banks was $551,737 and the bank balance was $568,652. Of the bank balances, $120,504 was covered by federal depository insurance.

Under the provisions of the Virginia Security for Public Deposits Act (Act), banks holding public deposits in excess of the amounts insured by federal depository insurance must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings institutions are required to collateralize 100% of deposits in excess of federal depository insurance limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and notifying local governments and authorities of compliance by banks and savings institutions.

Investments

Statutes authorize the Authority to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (Word Bank), the Asian Development Bank, the African Development Bank, prime quality commercial paper and certain corporate notes, bankers acceptances, repurchase agreements, the State Treasurer's Local Government Investment Pool (LGIP), and the State Treasurer's Non-Arbitrage Program Investment Pool. The Authority held investments in the LGIP in the amount of $7,494,918 at June 30, 2004. The Authority considers investments held in the LGIP to be cash equivalents. At June 30, 2004, the Authority had no investments subject to risk categorization.

6. Retirement Plan

The Authority follows Governmental Accounting Standards Board No. 27 (GASB 27) - *Accounting for Pensions by State and Local Government Employees.* This statement establishes standards for the measurement, recognition and display of pension expenditures and related liabilities, assets and note disclosures.

The Authority sponsors a voluntary 403(b) employee annuity benefit plan. Employees have the option to participate in the plan whereby the Authority purchases authorized investments on behalf of the participants. Employees are fully vested in their accounts. In addition, the Authority sponsors a SEP plan which provides for an employer contribution in the amount of 5% of annual salary for all full-time employees. Authority contributions to the SEP plan totaled $10,203 for the year ended June 30, 2004.

7. Litigation

Management is not aware of any pending or threatened litigation against the Authority that would not be covered by its insurance.

8. Contingencies

Federal Grants

The Authority participates in federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Management of the Authority does not expect the results of any governmental agencies program audits to have a material impact on the financial condition of the Authority.

Guarantees

As of June 30, 2004, the Authority, as a participating entity under the Alternative Financing Program grant, is the guarantor of approximately $1,010,000 of loans issued by their financial partner bank to Virginians with disabilities. Pursuant to the Loan Fund Agreement with the Bank, the bank requires that the Authority maintain a business money market account (Loan Fund) in the amount of $.50 for every dollar of guarantee plus $37,500. At June 30, 2004, the Authority had $498,221 in a business money market and the remaining balance required was held in checking accounts.

Should any loan become 90 days delinquent, the bank automatically drafts the Loan Fund to make the past due payment or payments thereby bringing the loan current. If any loan becomes more than 90 days delinquent, the bank automatically drafts the Loan Fund in the amount necessary for the Authority to purchase the loan from the bank.

Prior to April 1999, the Authority guaranteed loans to Virginians with disabilities as a participating entity under the AFP grant with a different financial partner bank. As of June 30, 2004 no guarantees remained outstanding.

Operating Leases

The Authority entered into an operating lease agreement for office space effective April 30, 2004 for a term of 62 months, beginning upon the substantial completion of tenant improvements (commencement date). The Authority was granted the right to rent temporary space during renovation. The commencement date of the lease was October 3, 2004 and will terminate on December 2, 2009. The lease calls for monthly installments commencing in the amount of $3,198, which will increase at a rate of 3% per year. The lease contains a one-time option for termination of the lease by the Authority at the end of the thirty-eighth month with twelve months prior written notice and a termination penalty payment of $11,996.

Estimated future minimum lease payments are as follows for years ending June 30:

2005	$	22,387
2006		39,050
2007		40,221
2008		41,428
2009		42,671
2010		17,998
	$	203,755

The Authority leases office equipment under a non-cancelable operating lease which calls for monthly installments in the amount of $242 for 36 months. The lease will expire May 20, 2007.

Estimated future minimum lease payments are as follows for years ending June 30:

2005	$	2,904
2006		2,904
2007		2,662
	$	8,470

9. Adjustments from Governmental Fund to Government-Wide Financial Statements

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance for governmental funds	$	8,160,285
Some assets, including prepaid expenses, are not financial resources and therefore are not reported in the funds.		1,742
Some assets, including receivables from employees, are not financial resources and therefore are not reported in the funds.		1,000
Some liabilities, including accounts payable, are are not payable with current financial resources and therefore are not reported in the funds.		(83,504)
Some liabilties, including Consumer Service Fund comittments are not payable with current financial resources and therefore are not reported in the funds.		(25,183)
Net assets of governmental activities	$	8,054,340

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - governmental funds	$	3,755,474
Governmental funds report prepaid expenses as expenditures. However in the statement of activities these outlays are allocated over their period of service and and reported as expense in the following year. This amount is the net effect of the difference in treatment of prepaid expenses.		367
Governmental funds do not report amounts of unpaid expenses for current year services as expenditures. However, in the statement of activities, this is recorded as an expense. This amount is the net effect of the difference in the treatment of unpaid expenses.		(73,754)
Governmental funds do not report amounts of unpaid comittments for current year services as expenditures. However, in the statement of activities, this is recorded as an expense. This amount is the net effect of the difference in the treatment of unpaid comittments		90,620
Change in net assets of governmental activities	$	3,772,707

10. Subsequent Event

On July 13, 2004, the Authority signed a non-interest-bearing promissory note with Virginia Housing Development Authority in the amount of $500,000. Monthly payments of principal in the amount of $3,788 shall commence on August 1, 2008 and the entire principal balance shall be due and payable on July 1, 2019.

Estimated future maturities are as follows for the years ended June 30:

2008	$	18,940
2009		45,456
2010		45,456
2011		45,456
2012		45,456
Thereafter		299,236
	$	500,000

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Assistive Technology Loan Fund Authority

Supplementary Information

June 30, 2004

Combining Schedule of General Fund Revenues and Expenditures By Program

Year Ended June 30, 2004

	Alternative Financing Program	Consumer Service Fund	Access for Telework	Administrative	Total
Revenues					
Intergovernmental revenues:					
From the United States Department of Education:					
Pass-through:					
Department of Rehabilitative Services	$ 2,249,473	$ -	$ 1,350,000	$ -	$ 3,599,473
From the Commonwealth of Virginia:					
Department of Rehabilitative Services	448,607	148,798	-	-	597,405
Donations	250,000	-	150,000	-	400,000
Interest income on loans	2,303	88	-	-	2,391
Investment earnings	58,470	1,312	9,071	-	68,853
Total revenues	3,008,853	150,198	1,509,071	-	4,668,122
Expenditures					
Personnel:					
Salaries	85,102	-	7,554	66,486	159,142
Employee benefits	13,383	-	1,102	10,251	24,736
Payroll taxes	6,510	-	578	5,086	12,174
Total personnel expenditures	104,995	-	9,234	81,823	196,052
Other:					
CSF awards	-	231,451	-	-	231,451
Loan loss	95,963	-	-	-	95,963
Interest rate buydown	50,611	-	-	8,000	58,611
Regional application centers	48,891	-	-	-	48,891
Assistive technology lab	58,410	-	-	-	58,410
Assistive technology assessments and services	21,437	45	-	-	21,482
Discount on zero percent loans	-	11,065	-	-	11,065
Professional fees	21,210	-	10,657	1,850	33,717
Meetings and conferences	-	-	-	2,700	2,700
Travel	12,291	-	-	3,128	15,419
Marketing and advertising	103,449	-	-	-	103,449
Consumer counseling and training	187	-	-	-	187
Office expenses	-	-	-	35,251	35,251
Total other expenditures	412,449	242,561	10,657	50,929	716,596
Total expenditures	517,444	242,561	19,891	132,752	912,648
Excess (deficiency) of revenues over expenditures	$ 2,491,409	$ (92,363)	$ 1,489,180	$ (132,752)	$ 3,755,474

See report of independent auditors.

Assistive Technology Loan Fund Authority

Compliance Reports

Year Ended June 30, 2004

Goodman & COMPANY

Certified Public Accountants
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Business Solutions

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Board of Directors
Assistive Technology Loan Fund Authority

We have audited the financial statements of ***Assistive Technology Loan Fund Authority*** as of and for the year ended June 30, 2004, and have issued our report thereon dated August 5, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit we considered ***Assistive Technology Loan Fund Authority's*** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect ***Assistive Technology Loan Fund Authority's*** ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is reported in the accompanying schedule of findings and questioned costs as item 04-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

4510 Cox Road, Suite 200
Glen Allen, VA 23060-3394
ph: 804.282.7636
fax: 804.282.1461
www.goodmanco.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ***Assistive Technology Loan Fund Authority's*** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 04-2.

We noted certain matters that we reported to management of ***Assistive Technology Loan Fund Authority*** in a separate letter dated August 5, 2005.

This report is intended for the information and use of the Board of Directors, federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Goodman & Company LLP

Richmond, Virginia
August 5, 2005

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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of Directors
Assistive Technology Loan Fund Authority

Compliance

We have audited the compliance of ***Assistive Technology Loan Fund Authority***, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. ***Assistive Technology Loan Fund Authority's*** major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of ***Assistive Technology Loan Fund Authority's*** management. Our responsibility is to express an opinion on ***Assistive Technology Loan Fund Authority's*** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ***Assistive Technology Loan Fund Authority's*** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on ***Assistive Technology Loan Fund Authority's*** compliance with those requirements.

As described in item 04-2 in the accompanying schedule of findings and questioned costs, ***Assistive Technology Loan Fund Authority*** did not comply with the requirements regarding allowed costs and allowable cost principles that are applicable to its major federal program. Compliance with such requirements is necessary, in our opinion, for ***Assistive Technology Loan Fund Authority*** to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, ***Assistive Technology Loan Fund Authority*** complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

4510 Cox Road, Suite 200
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ph: 804.282.7636
fax: 804.282.1461
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Internal Control Over Compliance

The management of ***Assistive Technology Loan Fund Authority*** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered ***Assistive Technology Loan Fund Authority's*** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect ***Assistive Technology Loan Fund Authority's*** ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 04-1 and 04-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of management, federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Goodman & Company

Richmond, Virginia
August 5, 2005

Year Ended June 30, 2004

Federal Grantor/ Pass-Through Grantor/ Program Title		Federal CFDA Number	Expenditures
United States Department of Education			
Pass-Through Payments			
Virginia Department of Rehabilitative Services			
Access for Telework		84.235T	$ 19,891
Alternative Financing Program	*	84.224C	595,042
			$ 614,933

Notes:

* Denotes major program

1) Type A program dollar threshold - $300,000.
2) The schedule is prepared using the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the basic financial statements.

Year Ended June 30, 2004

1. SUMMARY OF AUDITORS' RESULTS

a. An unqualified opinion was issued on the financial statements.
b. There was a reportable condition noted in internal control that is not considered to be a material weakness.
c. There was a compliance issue noted in the audit that is not considered to be material to the financial statements.
d. There was a reportable condition noted in internal control over major programs that is not considered a material weakness.
e. The auditor's report issued on compliance for major programs is qualified.
f. There were audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133.
g. The major program is the United States Department of Education Alternative Financing Program. (CFDA No. 84.224C)
h. The dollar threshold used to distinguish between Type A and Type B programs was $300,000.
i. The auditee did not qualify as a low-risk auditee.

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

04-1 Criteria or Specific Requirement - The compliance requirements for federal award programs require that the design and operation of internal controls be sufficient to provide adequate segregation of duties between the performance, review and recordkeeping of a task.

Condition - The internal control policies and procedures of the Authority did not provide for adequate segregation of duties or appropriate reviews and approvals of transactions, accounting entries or system outputs.

Context - Disbursement testing as described in Finding 04-2 and receipts testing on loan files noted that there were only limited invoice approval procedures formally in place and that controls to mitigate the lack of separation of duties in the small office environment were deficient.

Effect - Deficiencies in internal control could affect the Authority's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Cause - The Authority did not have in place policies and procedures to maximize the segregation of duties of its small staff and did not have adequate oversight functions to mitigate this control risk.

Recommendation - The Authority should see that appropriate controls are put in place to ensure adequate segregation of the duties of performance, review and recording of tasks are maximized to the extent possible within its small staff.

04-2 Criteria or Specific Requirement - The compliance requirements for the federal grant require that costs charged to the federal grant be both allowed as specified in the grant document and use allowable cost principles.

Condition - Records were not maintained in such a way that it can be determined that all costs charged to the federal grant were allowed as specified in the grant document; or that cost principles for allocation of indirect costs were maintained.

Context - A sample of 40 disbursements was selected for testing from a total population of 448 for the year ended June 30, 2004. Six exceptions were noted in which the documentation could not support the charge to the federal grant as allowed. In addition it was noted that no allocation plan is in place for indirect costs.

Effect - The Alternative Financing Program could have been spending federal funds on costs which were specifically unallowed or unallowable.

Cause - The Authority is not maintaining adequate documentation to provide sufficient evidence that all costs charged to federal grants are allowed under the grant document. In addition, the Authority is not maintaining an allocation of costs for charges that may benefit more than one of the Authority's programs.

Recommendation - The Authority should ensure that appropriate evidence is maintained to support the costs charged to federal grants. In addition, the Authority should implement an allocation procedure for indirect costs that may benefit more than one of the Authority's programs.

3. FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

04-1 Dollar values could not be quantified. Findings detailed above.

Year Ended June 30, 2004

4. MANAGEMENTS COMMENTS AND CORRECTIVE ACTION PLAN

04-1 Having become an independent authority with limited staffing in November 2002, the Executive Director and the Board of the ATLFA fully recognized a need, and have implemented new procedures to provide to the extent possible, for the adequate segregation of duties. Effective with the election of a new Treasurer on July 1, 2005, no check is issued by the ATLFA without the Treasurer's approval and signature on both the supporting documentation and the check. The current Treasurer - whose term expires June 30, 2006 - is a Certified Public Accountant. The Treasure - who reports only to the Board - also periodically reviews various financial statements prepared by the Financial Director. The Financial Director's position was created March 17, 2005 and is held by a Certified Public Accountant. At the September 2005 Board meeting, the Treasurer will make further recommendations regarding internal control and for the adequate segregation of duties. Procedures already implemented provide that the Financial Director only process, but not be able to sign, disbursement checks and for direct loans granted after June 30, 2005, the review by the Executive Director of loan files for completeness is now specifically documented by the inclusion and signing of a loan file checklist, which is then reviewed and signed by the Treasurer. The Authority's fiscal procedures manual, that was originally issued in May 2005, is currently under revision based on input from the Treasurer, Financial Director, our auditors and the Board.

04-2 The ATLFA has conscientiously attempted to provide adequate documentation with regard to the charges to a specific program, whether it be state of federal. With the input from our Treasurer, Financial Director and external auditors we are currently developing better procedures to ensure that we fully document all disbursements and properly allocate, in accordance with the proper cost principles, all overhead costs.

Year Ended June 30, 2004

Finding 04-1 is a repeat of finding 03-1