

**THE ARC OF COLORADO**

*Advocating for people with  
development disabilities*

**FINANCIAL STATEMENTS**

**For the year ended December 31, 2014 and 2013**

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# *Benz, Seyfert & Company, Inc*

*1620 Washington Ave, Golden CO, 80401*

*A Certified Public Accounting Firm*

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and  
Arc of Colorado  
1580 Logan Street, Ste. 730  
Denver, Colorado 80203-1942

We have audited the accompanying statements of financial statements of The Arc of Colorado – Advocating for people with developmental disabilities (The Arc of Colorado) which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities 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 audit. 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 disclosure 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.

INDEPENDENT AUDITORS' REPORT (con't)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Arc of Colorado as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



Benz, Seyfert & Company, Inc.

Golden, Colorado

November 11, 2015

**THE ARC OF COLORADO**

**Statement of Financial Position**

**December 31, 2014 and 2013**

**ASSETS**

<b>Current Assets:</b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Cash and cash equivalents	\$ 54,745	\$ 52,569
Investments	404,018	401,231
Accounts receivable - ATS (Note 3)	34,611	29,863
Prepaid expense	1,901	-
<b>Total current assets</b>	<b>495,275</b>	<b>483,663</b>
<b>Property and Equipment (Note 2):</b>		
Furniture and equipment	20,149	20,149
Accumulated depreciation	(16,950)	(15,444)
	<b>3,199</b>	<b>4,705</b>
<b>Other Assets:</b>		
Deposits	2,239	2,239
Intangibles, net amortization	-	-
	<b>2,239</b>	<b>2,239</b>
<b>Total Assets</b>	<b><u>\$ 500,713</u></b>	<b><u>\$ 490,607</u></b>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities:</b>		
Accounts payable	\$ 8,827	\$ 239
Payroll liabilities	7,195	5,949
Accrued vacation liability	14,458	9,254
Accrued payroll tax penalty (Note 10)	-	9,507
<b>Total Current Liabilities</b>	<b>30,480</b>	<b>24,949</b>
<b>Net Assets (Deficit):</b>		
Unrestricted	436,719	413,791
Temporarily restricted	33,514	51,867
	<b>470,233</b>	<b>465,658</b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 500,713</u></b>	<b><u>\$ 490,607</u></b>

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

# THE ARC OF COLORADO

## Statement of Activities

For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Changes in Unrestricted Net Assets:</b>		
Revenues, gains and other support:		
Arc Thrift Stores (Note 3)	\$ 409,578	\$ 349,734
Contributions	20,130	9,416
Other revenue	9,024	1,487
Interest & dividend income	10,497	7,808
<i>Total revenues</i>	449,229	368,445
<b>Expenses:</b>		
Program services	294,587	312,577
Public policy	28,320	32,907
Management and general	84,984	60,050
<i>Total expenses</i>	407,890	405,534
<b>Net results of operations</b>	41,339	(37,089)
Investment gains(losses)	14,895	15,446
Net assets transferred to temporarily restricted net assets	-	-
	14,895	15,446
Change in unrestricted net assets	\$ 56,234	\$ (21,643)
<b>Changes in Temporarily Restricted Net Assets:</b>		
Contributions	\$ 22,220	\$ 44,930
Net assets transferred to temporarily restricted net assets	-	-
Net assets released from temporarily restricted net assets	(73,879)	(21,044)
Change in temporarily restricted net assets	(51,659)	23,886
Change in total net assets	4,575	2,243
Net Assets (Deficit), Beginning of Year	465,658	463,415
Net Assets (Deficit), End of Year	\$ 470,233	\$ 465,658

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

# THE ARC OF COLORADO

## Statement of Cash Flows

For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 4,575	\$ 2,243
Adjustment for items not requiring cash:		
Depreciation	1,506	1,405
Amortization	-	1,252
Unrealized (gain) loss on investments	(14,895)	(15,446)
Changes in:		
Accounts receivable	(4,748)	(29,863)
Other assets	(1,901)	-
Accounts payable	8,588	(2,139)
Payroll liabilities	6,450	9,019
Accrued payroll tax penalty	(9,507)	9,507
<i>Net cash provided (used) in operating activities</i>	<u>(9,932)</u>	<u>(24,022)</u>
<b>Cash flows from investing activities:</b>		
Purchase of fixed assets and intangible assets	-	(3,035)
Net, investments sold (purchased)	12,108	25,864
<i>Net cash used in investing activities</i>	<u>12,108</u>	<u>22,829</u>
<b>Net decrease in cash and cash equivalents</b>	2,176	(1,193)
<b>Cash and cash equivalents beginning of year</b>	<u>52,569</u>	<u>53,762</u>
<b>Cash and cash equivalents end of year</b>	<u>\$ 54,745</u>	<u>\$ 52,569</u>

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

**THE ARC OF COLORADO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the years ended December 31, 2014 and 2013**

NOTE 1: ORGANIZATION

*Nature of Operations:* The Arc of Colorado is a not-for-profit membership association that provides individual and systems change advocacy for persons with developmental disabilities residing in Colorado and their families. The Arc of Colorado also provides information and referral, community education, and support services.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Basis of Financial Statement Presentation:* The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles accepted in the United States of America. Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

*Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that are maintained permanently by the Organization.

*Cash Equivalents:* For the purposes of the Statement of Cash Flows, cash and cash equivalents are defined as cash and short term investments with an original maturity of three months or less. At December 31, 2014 and 2013, cash was in the form of demand deposits and money market funds.

*Property and Equipment:* The Arc of Colorado capitalizes property and equipment having a useful life exceeding one year and a cost exceeding five hundred dollars. Property and equipment are recorded at cost and depreciated over a five to ten-year useful life using the straight-line method. Depreciation expense for the years ending December 31, 2014 and 2013 amounted to \$1,506 and \$1,405 respectively.



**THE ARC OF COLORADO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the years ended December 31, 2014 and 2013**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (con't)

*Income Taxes:* The Arc of Colorado has received notification that it qualifies under Section 501(c)(3) of the Internal Revenue Code as a public charity exempt from Federal income taxation on its exempt purpose income. The Arc of Colorado has conducted its activities so as to maintain its exemption and, accordingly, no provision for income taxes has been made.

*Use of Estimates:* The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management estimates.

NOTE 3: RELATED PARTIES

The Arc of Colorado is a member organization of The Arc of the United States. There are eleven local chapters of The Arc of the United States in Colorado, each affiliated with The Arc of Colorado. These relationships provide no revenue to The Arc of Colorado.

The Arc of Colorado receives a substantial portion of its income from the Arc Thrift Stores (ATS). ATS operates retail stores selling second-hand goods, the net proceeds from which are distributed to organizations in a manner agreed upon by the ATS board of trustees. At December 31, 2014 and 2013, The Arc of Colorado was owed a net amount \$34,611 and \$ 29,863 respectively for these payments.

NOTE 4: INVESTMENTS

The Arc has invested unrestricted cash in a brokerage account which had an unrealized gain of \$14,895 and \$15,446 at December 31, 2014 and December 31, 2013, respectively. The investment is recorded at a fair market value of \$404,018 and \$401,231 as of December 31, 2014 and 2013 respectively.

NOTE 5: TAX-DEFERRED RETIREMENT PLAN

The Arc of Colorado maintains an employer sponsored tax-deferred retirement plan that covers substantially all employees. Under the plan, contributions are held in individual accounts for each participant that may be used to purchase an annuity for the participant upon retirement. The Arc of Colorado elected to contribute \$3,365 and \$4,903 to the plan for the years ended December 31, 2014 and 2013. Employees may voluntarily participate in the plan. Due to the nature of the plan, there are no unfunded vested benefits.

**THE ARC OF COLORADO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the years ended December 31, 2014 and 2013**

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted to program services, which include specific projects as indicated by the donor. As of December 31, 2014 and 2013, the amount of restricted for these purposes was \$33,514 and \$51,539, respectively.

NOTE 7: OFFICE EQUIPMENT LEASE

The Arc of Colorado leases office equipment under a sixty-three month operating lease. Lease expense for the years ending December 31, 2014 and 2013 amounted to \$7,430 and \$6,223 respectively. Future minimum lease payments are as follows:

<u>Year ending</u>	
December 31, 2015	5,820
December 31, 2016	5,820
December 31, 2017	<u>2,910</u>
Total obligation	<u>\$ 14,550</u>

NOTE 8: OFFICE LEASE

The Arc of Colorado leases administrative offices requiring minimum lease payments as follows:

<u>Year ending</u>	
December 31, 2015	30,017
December 31, 2016	31,982
December 31, 2017	32,747
December 31, 2018	33,514
December 31, 2019	<u>11,257</u>
Total obligation	<u>\$ 139,517</u>

NOTE 9: PROMISES TO GIVE

The organization has offered to assist two regional Arc chapters located in Colorado. The organization will be giving one chapter \$22,500 to support advocacy and family education in the Northeastern part of Colorado. The funds will be given on a quarterly basis of \$3,750 per quarter in 2015 and 2016

The organization will be giving a new chapter \$22,500 to support the startup of a new chapter in southwest Colorado. The funds will be given on a quarterly basis of \$3,750 per quarter in 2015 and 2016.

**THE ARC OF COLORADO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the years ended December 31, 2014 and 2013**

NOTE 10: SUBSEQUENT EVENT

The organization received a Federal tax penalty notice for the 2012 and 2013 tax years, in 2014. The tax penalty was assessed for failure to file federal payroll tax forms and pay federal payroll taxes in a timely manner. The penalty of about \$9,500 was expensed in 2013 and paid in full in 2014. The organization is appealing the assessed penalties and is hoping to have the penalties abated by the Internal Revenue Service.