THE ARC OF COLORADO

Advocating for people with development disabilities

FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

TABLE OF CONTENTS

Benz, Seyfert & Company, Inc
1620 Washington Ave, Golden CO, 80401
A Certified Public Accounting Firm

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, 2015 and 2014, 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, 2015 and 2014, 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 & Co Inc

Benz, Seyfert & Company, Inc.
Golden, Colorado
August 24, 2016

THE ARC OF COLORADO

Statement of Financial Position

December 31, 2015 and 2014

ASSETS

	2015	2014
Current Assets:		
Cash and cash equivalents	$ 80,220	$ 54,745
Investments	389,292	404,018
Accounts receivable - ATS (Note 3)	-	34,611
Unconditional promises to give	5,000	-
Prepaid expense	5,295	1,901
Total current assets	479,807	495,275
Property and Equipment (Note 2):		
Furniture and equipment	21,631	20,149
Accumulated depreciation	(12,073)	(16,950)
	9,558	3,199
Other Assets:		
Deposits	-	2,239
Intangibles, net amortization	-	-
	-	2,239
Total Assets	$ 489,365	$ 500,713

LIABILITIES AND NET ASSETS

	2015	2014
Current Liabilities:		
Accounts payable	$ 7,541	$ 8,827
Payroll liabilities	9,183	7,195
Accrued vacation liability	19,199	14,458
Total Current Liabilities	35,923	30,480
Net Assets (Deficit):		
Unrestricted	426,736	436,719
Temporarily restricted	26,706	33,514
	453,442	470,233
Total Liabilities and Net Assets	$ 489,365	$ 500,713

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

THE ARC OF COLORADO

Statement of Activities

For the Years Ended December 31, 2015 and 2014

	2015	2014
Changes in Unrestricted Net Assets:		
Revenues, gains and other support:		
Arc Thrift Stores (Note 3)	$ 457,371	$ 409,578
Contributions	21,875	20,130
Other revenue	1,344	9,024
Interest & dividend income	10,701	10,497
Total revenues	491,290	449,229
Expenses:		
Program services	418,724	294,587
Public policy	28,721	28,320
Management and general	85,517	84,984
Total expenses	532,962	407,890
Net results of operations	(41,672)	41,339
Investment gains(losses)	(22,818)	14,895
Net assets released from temporarily restricted net assets	54,510	-
	31,692	14,895
Change in unrestricted net assets	$ (9,980)	$ 56,234
Changes in Temporarily Restricted Net Assets:		
Contributions	$ 52,698	$ 22,220
Net assets released from temporarily restricted net assets	(59,509)	(73,879)
Change in temporarily restricted net assets	(6,811)	(51,659)
Change in total net assets	(16,791)	4,575
Net Assets (Deficit), Beginning of Year	470,233	465,658
Net Assets (Deficit), End of Year	$ 453,442	$ 470,233

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, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	$ (16,791)	$ 4,575
Adjustment for items not requiring cash:		
Depreciation	1,664	1,506
Unrealized (gain) loss on investments	22,818	(14,895)
Changes in:		
Accounts receivable	34,611	(4,748)
Unconditional promise to give	(5,000)	-
Other assets	(1,155)	(1,901)
Accounts payable	(1,286)	8,588
Payroll liabilities	6,729	6,450
Accrued payroll tax penalty	-	(9,507)
Net cash provided (used) in operating activities	41,590	(9,932)
Cash flows from investing activities:		
Purchase of fixed assets and intangible assets	(8,023)	-
Net, investments sold (purchased)	(8,092)	12,108
Net cash used in investing activities	(16,115)	12,108
Net increase in cash and cash equivalents	25,475	2,176
Cash and cash equivalents beginning of year	54,745	52,569
Cash and cash equivalents end of year	$ 80,220	$ 54,745

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, 2015 and 2014

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, 2015 and 2014, cash was in the form of demand deposits and money market funds.

Fair Value Measurements: The Arc of Colorado follows *Fair Value Measurements* which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

THE ARC OF COLORADO
NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2015 and 2014

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

The three levels of the fair value hierarchy under the standard are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Arc of Colorado has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Beneficial Interest in Trust: Valued as reported by organization holding the endowment fund.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Arc of Colorado believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

THE ARC OF COLORADO
NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2015 and 2014

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

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statement of financial position.

The carrying amount reported in the statement of financial position for cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities, approximate fair value because of the immediate or short-term maturities of these financial instruments.

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, 2015 and 2014 amounted to $1,664 and $1,506 respectively.

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, 2015 and 2014, the Arc of Colorado was owed a net amount $ - 0 - and $ 34,611 respectively for these payments.

THE ARC OF COLORADO
NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2015 and 2014

NOTE 4: INVESTMENTS

The Arc has invested unrestricted cash in a brokerage account which had an unrealized gain/(loss) of ($22,818) and $14,895 at December 31, 2015 and December 31, 2014, respectively. The investment is recorded at a fair market value of $389,292 and $404,018 as of December 31, 2015 and 2014 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 $3,818 and $3,365 to the plan for the years ended December 31, 2015 and 2014. Employees may voluntarily participate in the plan. Due to the nature of the plan, there are no unfunded vested benefits.

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, 2015 and 2014, the amount of restricted for these purposes was $26,706 and $33,514, 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, 2015 and 2014 amounted to $8,593 and $7,430 respectively. Future minimum lease payments are as follows:

Year ending	
December 31, 2016	5,820
December 31, 2017	2,910
Total obligation	$ 8,730

NOTE 8: OFFICE LEASE

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

Year ending	
December 31, 2016	31,982
December 31, 2017	32,747
December 31, 2018	33,514
December 31, 2019	11,257
Total obligation	$ 109,500

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.

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.