

THE ARC OF COLORADO

*Advocating for people with
development disabilities*

FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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
August 24, 2017

THE ARC OF COLORADO

Statement of Financial Position

December 31, 2016 and 2015

ASSETS

Current Assets:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 73,159	\$ 80,220
Investments	396,336	389,292
Unconditional promises to give	-	5,000
Prepaid expense	4,071	5,295
	<hr/>	<hr/>
Total current assets	473,566	479,807

Property and Equipment (Note 2):

Furniture and equipment	22,169	21,631
Accumulated depreciation	(14,587)	(12,073)
	<hr/>	<hr/>
	7,582	9,558

Total Assets

<hr/>	<hr/>
\$ 481,148	\$ 489,365
<hr/>	<hr/>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 14,036	\$ 7,541
Payroll liabilities	7,270	9,183
Accrued vacation liability	17,532	19,199
	<hr/>	<hr/>
Total Current Liabilities	38,838	35,923

Net Assets (Deficit):

Unrestricted	416,731	426,736
Temporarily restricted	25,579	26,706
	<hr/>	<hr/>
	442,310	453,442

Total Liabilities and Net Assets

<hr/>	<hr/>
\$ 481,148	\$ 489,365
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The accompanying notes are an integral part of the financial statements.

THE ARC OF COLORADO

Statement of Activities

For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Changes in Unrestricted Net Assets:		
Revenues, gains and other support:		
Arc Thrift Stores (Note 3)	\$ 485,573	\$ 457,371
Contributions	31,585	21,875
Other revenue	12,702	1,344
Interest & dividend income	11,698	10,701
<i>Total revenues</i>	<u>541,557</u>	<u>491,290</u>
Expenses:		
Program services	434,019	418,724
Public policy	38,099	28,721
Management and general	112,147	85,517
<i>Total expenses</i>	<u>584,265</u>	<u>532,962</u>
Net results of operations	(42,708)	(41,672)
Investment gains(losses)	22,926	(22,818)
Net assets released from temporarily restricted net assets	<u>9,777</u>	<u>54,510</u>
	32,703	31,692
Change in unrestricted net assets	<u>\$ (10,005)</u>	<u>\$ (9,980)</u>
Changes in Temporarily Restricted Net Assets:		
Contributions	\$ 8,650	\$ 52,698
Net assets released from temporarily restricted net assets	<u>(9,777)</u>	<u>(59,509)</u>
Change in temporarily restricted net assets	<u>(1,127)</u>	<u>(6,811)</u>
Change in total net assets	(11,132)	(16,791)
Net Assets (Deficit), Beginning of Year	<u>453,442</u>	<u>470,233</u>
Net Assets (Deficit), End of Year	<u>\$ 442,310</u>	<u>\$ 453,442</u>

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (11,132)	\$ (16,791)
Adjustment for items not requiring cash:		
Depreciation	2,514	1,664
Unrealized (gain) loss on investments	(22,926)	22,818
Changes in:		
Accounts receivable	-	34,611
Unconditional promise to give	5,000	(5,000)
Other assets	1,224	(1,155)
Accounts payable	6,495	(1,286)
Payroll liabilities	(3,580)	6,729
<i>Net cash provided (used) in operating activities</i>	<u>(22,405)</u>	<u>41,590</u>
Cash flows from investing activities:		
Purchase of fixed assets and intangible assets	(538)	(8,023)
Net, investments sold (purchased)	15,882	(8,092)
<i>Net cash used in investing activities</i>	<u>15,344</u>	<u>(16,115)</u>
Net increase in cash and cash equivalents	(7,061)	25,475
Cash and cash equivalents beginning of year	<u>80,220</u>	<u>54,745</u>
Cash and cash equivalents end of year	<u>\$ 73,159</u>	<u>\$ 80,220</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, 2016 and 2015

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, 2016 and 2015, 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, 2016 and 2015

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, 2016 and 2015

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, 2016 and 2015 amounted to \$2,514 and \$1,664 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, 2016 and 2015, the Arc of Colorado was owed a net amount \$ - 0 - and \$ - 0 - respectively for these payments.

THE ARC OF COLORADO
NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2016 and 2015

NOTE 4: INVESTMENTS

The Arc has invested unrestricted cash in a brokerage account which had an unrealized gain/(loss) of \$22,926 and (\$22,818) at December 31, 2016 and December 31, 2015, respectively. The investment is recorded at a fair market value of \$396,336 and \$389,292 as of December 31, 2016 and 2015 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 \$3,658 and \$3,818 to the plan for the years ended December 31, 2016 and 2015. 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 for program services, which include specific projects as indicated by the donor. As of December 31, 2016 and 2015, the amount of restricted for these purposes was \$17,036 and \$18,926, respectively.

Temporarily restricted net assets are restricted for monetary funds the organization manages as a fiscal agent for other non-profits. The organization is a fiscal agent for the organization, Speaking for Ourselves – Colorado. As of December 31, 2016 and 2015, the amount of restricted for these purposes was \$3,543 and \$2,780, respectively.

The organization is a fiscal agent for the organization, Families at the Forefront of Technology. As of December 31, 2016 and 2015, the amount of restricted for these purposes was \$5,000 and \$ - 0 - , respectively.

THE ARC OF COLORADO
NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2016 and 2015

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, 2016 and 2015 amounted to \$7,450 and \$8,593 respectively. Future minimum lease payments are as follows:

<u>Year ending</u>	
December 31, 2017	\$ 4,992
December 31, 2018	4,992
December 31, 2019	<u>4,576</u>
Total obligation	<u>\$ 14,560</u>

NOTE 8: OFFICE LEASE

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

<u>Year ending</u>	
December 31, 2017	\$ 32,747
December 31, 2018	33,514
December 31, 2019	<u>11,257</u>
Total obligation	<u>\$ 77,518</u>

NOTE 9: PROMISES TO GIVE

The organization has offered to assist two regional Arc chapters located in Colorado.

The organization agreed to give a new chapter, \$30,000, to support the startup of the chapter in the west central part of Colorado. The funds will be given on a quarterly basis of \$3,750 per quarter in 2016 and 2017.

The organization agreed to give a new chapter, \$30,000, to support the startup of the chapter in southwest Colorado. The funds will be given on a quarterly basis of \$3,750 per quarter in 2016 and 2015.