

**THE ARC OF COLORADO**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

**THE ARC OF COLORADO**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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October 24, 2018

INDEPENDENT AUDITORS' REPORT

Board of Directors  
The Arc of Colorado  
Denver, Colorado

We have audited the accompanying financial statements of **The Arc of Colorado** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 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.

***Auditors' Responsibility***

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. 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 disclosures in the financial statements. The procedures selected depend on the auditors' 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.

***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, 2017, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

Other auditors previously audited The Arc of Colorado's 2016 financial statements and they expressed an unqualified opinion in their report dated August 24, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial information from which it has been derived.

*Taylor, Roth, and Company PLLC*  
TAYLOR, ROTH AND COMPANY, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

**THE ARC OF COLORADO**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR 2016)**

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 78,945	\$ 73,160
Contributions receivable - temporarily restricted	5,000	3,487
Prepaid expenses	1,235	584
Loan receivable - chapter (Note 3)	12,500	12,500
Investments (Note 4)	311,484	396,336
Property and equipment (Note 5)	5,595	7,583
Total assets	<u>\$ 414,759</u>	<u>\$ 493,650</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 16,223	\$ 14,036
Payroll liabilities	16,251	24,803
Grants payable (Note 6)	22,500	25,000
Commitments (Note 7)		
Total liabilities	<u>54,974</u>	<u>63,839</u>
<u>Net assets</u>		
<u>Unrestricted</u>		
Unrestricted	330,914	406,426
Designated for programs	23,871	23,385
Temporarily restricted (Note 8)	5,000	-
Total net assets	<u>359,785</u>	<u>429,811</u>
Total liabilities and net assets	<u>\$ 414,759</u>	<u>\$ 493,650</u>

The accompanying notes are an integral part of these financial statements

**THE ARC OF COLORADO**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR 2016)**

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
<u>Revenue and other support</u>				
arc Thrift Store funding (Note 12)	\$ 502,254	\$ -	\$ 502,254	\$ 485,573
Investment income	58,952	-	58,952	32,043
Program income	25,388	-	25,388	11,387
Contributions	8,861	12,000	20,861	20,586
Program event income	5,413	-	5,413	8,940
All other	15,512	-	15,512	12,006
In-kind contributions (Note 9)	4,580	-	4,580	-
Net assets released from restrictions (Note 10)	7,000	(7,000)	-	-
<b>Total revenue and other support</b>	<b>627,960</b>	<b>5,000</b>	<b>632,960</b>	<b>570,535</b>
<u>Expense</u>				
Program services	367,527	-	367,527	446,519
Public policy	212,394	-	212,394	38,099
Supporting services				
Management and general	121,533	-	121,533	109,547
Fund-raising	1,532	-	1,532	-
<b>Total expense</b>	<b>702,986</b>	<b>-</b>	<b>702,986</b>	<b>594,165</b>
<b>Change in net assets</b>	<b>(75,026)</b>	<b>5,000</b>	<b>(70,026)</b>	<b>(23,630)</b>
Net assets, beginning of year	429,811	-	429,811	453,441
<b>Net assets, end of year</b>	<b>\$ 354,785</b>	<b>\$ 5,000</b>	<b>\$ 359,785</b>	<b>\$ 429,811</b>

The accompanying notes are an integral part of these financial statements

**THE ARC OF COLORADO**  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(WITH COMPARATIVE TOTALS FOR 2016)

	2017					2016	
	Program Services	Public Policy	Total Program	Supporting Services		Total	Total
				Manage- ment and General	Fund- raising		
Salaries	\$ 55,308	\$ 92,838	\$ 148,146	\$ 49,382	\$ -	\$ 197,528	\$ 146,904
Payroll taxes and benefits	10,261	17,223	27,484	9,161	-	36,645	27,323
Travel	49,219	30,862	80,081	-	-	80,081	58,141
Chapter support	45,530	11,382	56,912	-	-	56,912	101,852
Consulting: Advocacy	58,807	-	58,807	-	-	58,807	52,020
Public policy	-	42,356	42,356	-	-	42,356	36,919
Board	38,254	-	38,254	-	-	38,254	27,587
Accounting and audit	-	-	-	37,484	-	37,484	35,888
Occupancy	17,183	8,592	25,775	8,591	-	34,366	32,691
Advertising and promotion	32,706	-	32,706	-	-	32,706	34,733
Outreach	20,649	-	20,649	-	-	20,649	18,786
Office expense	4,751	4,751	9,502	4,751	145	14,398	11,389
Telephone	2,935	2,935	5,870	2,936	89	8,895	7,367
Affiliation dues	8,700	-	8,700	-	-	8,700	8,700
Bad debts	8,670	-	8,670	-	-	8,670	-
Supplies	-	-	-	4,191	-	4,191	5,201
Printing	2,170	465	2,635	465	-	3,100	1,488
Professional services	3,025	-	3,025	-	-	3,025	2,145
Speaker fees	2,820	-	2,820	-	-	2,820	-
Dues and subscriptions	-	-	-	2,572	-	2,572	1,806
Insurance	435	730	1,165	388	-	1,553	1,311
Postage	-	260	260	253	253	766	816
Bank charges and fees	-	-	-	662	-	662	217
Fundraising	-	-	-	-	585	585	187
All other	4,310	-	4,310	565	398	5,273	3,181
	<u>365,733</u>	<u>212,394</u>	<u>578,127</u>	<u>121,401</u>	<u>1,470</u>	<u>700,998</u>	<u>616,652</u>
Depreciation	1,794	-	1,794	132	62	1,988	2,514
<b>Total expenses</b>	<u>\$ 367,527</u>	<u>\$ 212,394</u>	<u>\$ 604,921</u>	<u>\$ 121,533</u>	<u>\$ 1,532</u>	<u>\$ 702,986</u>	<u>\$ 619,165</u>

The accompanying notes are an integral part of these financial statements

**THE ARC OF COLORADO**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR 2016)**

	<u>2017</u>	<u>2016</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ (70,026)	\$ 1,370
Adjustments to reconcile change in net assets to net cash provided by operating activities		
(Gains)loss on investments	(50,548)	(22,928)
Depreciation	1,988	2,514
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in contributions receivable	(1,513)	5,000
(Increase)decrease in prepaid expenses	(652)	1,225
(Increase)decrease in loan receivable	-	(12,500)
Increase(decrease) in accounts payable	2,187	6,495
Increase(decrease) in payroll liabilities	(8,552)	(3,580)
Increase(decrease) in grants payable	(2,500)	-
Net cash provided(used) by operating activities	<u>(129,615)</u>	<u>(22,404)</u>
<u>Cash flows from investing activities</u>		
(Purchase) of fixed assets	-	(538)
(Reinvestment) of investment proceeds	(8,404)	-
Sale (Purchase) of investments	143,804	15,882
Net cash provided(used) by investing activities	<u>135,400</u>	<u>15,344</u>
Net increase(decrease) in cash and cash equivalents	5,785	(7,060)
Cash and cash equivalents, beginning of year	<u>73,160</u>	<u>80,220</u>
Cash and cash equivalents, end of year	<u>\$ 78,945</u>	<u>\$ 73,160</u>

The accompanying notes are an integral part of these financial statements



**THE ARC OF COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 1 - DESCRIPTION OF THE ORGANIZATION**

The Arc of Colorado (Organization) provides individual and systems change advocacy for persons with intellectual and developmental disabilities (IDD) residing in Colorado and their families. It works on legislative education for sound public policy in all executive branches of Colorado state government. Additionally, The Arc of Colorado provides information and referral, support to 14 local chapters, community education, support services in areas not served by a local chapter, and capacity building of volunteer self-advocacy groups statewide. Annually, The Arc of Colorado provides technology devices, services, and training to individuals with IDD; produces a free film festival showcasing individuals with IDD; and simulates air travel for individuals with IDD and their families. The Organization is supported primarily through thrift store funding and investment income.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES**

1. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

2. Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

3. Cash and Cash Equivalents

Cash and cash equivalents are considered to be all unrestricted highly liquid investments with an initial maturity of three months or less.

4. Donations

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities, as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless the explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Continued)

5. Capitalization and Depreciation

The Organization follows the practice of capitalizing all expenditures for land, buildings and equipment of \$1,500 or more. The fair value of donated assets is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

6. Investments

Investments are reported at fair value, and classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments included in Level 1 include mutual funds, listed equities, listed derivatives, cash, and cash equivalents.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate and government bonds, less liquid and restricted equity securities and certain over-the-counter derivatives.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include limited partnership interests in corporate private equity and real estate funds, funds of hedge funds, and distressed debt.

7. Estimates

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

8. Income Taxes

The Organization is exempt from Federal and State income taxes under the provisions of Internal Revenue Code Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

9. Functional Reporting of Expenses

For the year ending December 31, 2017, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

10. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Concluded)

11. Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the eighteen months ended December 31, 2016 from which the summarized information was derived.

12. Subsequent Events

Management has evaluated subsequent events through October 24, 2018, the date the financial statements were available to be issued.

NOTE 3 - LOAN RECEIVABLE - CHAPTER

In 2016, the Organization granted \$25,000 to a chapter with the stipulation that \$12,500 be repaid within five years. Future payments are as follows:

<u>Year</u>	<u>Amount</u>
2021	<u>\$ 12,500</u>

NOTE 4 - INVESTMENTS

At year-end, investments are stated at the quoted market price (level one inputs) and consist of:

<u>Description</u>	<u>Fair Value</u>
Cash and sweep balances	\$ 4,218
Stocks, Exchange Traded Funds	297,439
Mutual funds	<u>9,827</u>
	<u>\$ 311,484</u>

Investment return is summarized as follows:

<u>Description</u>	<u>Amount</u>
Unrealized gains(losses)	\$ 50,548
Management fees	(2,492)
Interest and dividend income	<u>10,896</u>
Net investment return	<u>\$ 58,952</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Description</u>	<u>Amount</u>
Furniture and equipment	\$ 11,596
Less: accumulated depreciation	<u>(6,001)</u>
Net property and equipment	<u>\$ 5,595</u>

Depreciation expense for the year was \$1,988.

NOTE 6 - GRANTS PAYABLE

The Organization's Board of Directors approved a grant to support establishing a local Arc chapter in the central mountains. Future payments are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 15,000
2019	<u>7,500</u>
Total	<u>\$ 22,500</u>

NOTE 7 - COMMITMENTS

During 2014, the Organization entered into a lease for office space. The future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2018	\$ 33,514
2019	<u>11,256</u>
Total	<u>\$ 44,770</u>

The Organization entered into an operating lease for a copier. The future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2018	\$ 4,992
2019	<u>4,576</u>
Total	<u>\$ 9,568</u>

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are to be used for the following purposes:

<u>Description</u>	<u>Amount</u>
Expanding the Potential of Technology for Independence	<u>\$ 5,000</u>

NOTE 9 - IN-KIND CONTRIBUTIONS

Donated services are reflected in the accompanying statements at their estimated values at date of receipt and only included if professional in nature. In-kind contributions consisted of the following:

<u>Description</u>	<u>Amount</u>
Donated accounting services	<u>\$ 4,580</u>

NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS

During the year, net assets were released from donor restrictions by incurring expenses satisfying the restricted program purposes:

<u>Description</u>	<u>Amount</u>
Expanding the Potential of Technology for Independence	\$ 5,000
Technical assistance	<u>2,000</u>
Total	<u>\$ 7,000</u>

NOTE 11 - EMPLOYEE RETIREMENT PLAN

The Organization has a 401(k) plan(the plan). The cash benefit is applied, at each employee's discretion, to premiums under the Organization's medical/life insurance plan, or to a qualified retirement plan under the Internal Revenue Code section 401(k). For the employees participating in the plan, the Organization contributes an additional 3% of gross pay. During the fiscal year, the Organization's total benefit plan expense amounted to \$7,554.

NOTE 12 - CONCENTRATION OF FUNDING SOURCE

The Arc of Colorado is supported by funding from the operations of arc Thrift Stores in Colorado. The stores collect clothing and other household items from the community then resell them to the general public.

To be a member of arc Thrift Stores, a member must be an exempt organization under Internal Revenue Code Section 501(c)(3), be a member in good standing with The Arc of Colorado and demonstrate behavior that neither interferes with nor undermines arc Thrift Stores' business or other activities.

For the year ended December 31, 2017, arc Thrift Stores allocated \$502,254 to the Organization, which represents approximately 80% of the total revenue reflected on the Statement of Activities. arc Thrift Stores also provides the Organization's staff with access to a health insurance plan. Participants' premiums of \$9,970 were deducted from the total allocation to the Organization.

NOTE 13 - PRIOR PERIOD ADJUSTMENTS

A prior period adjustment was made to increase loan receivable and decrease chapter support expense in the prior year. This had an effect of increasing loan receivable by \$12,500 and increasing beginning net assets by \$12,500 in the current year.

A prior period adjustment was made to increase grants payable and increase chapter support expense in the prior year. This had an effect of decreasing chapter support expense by \$25,000 and decreasing beginning net assets by \$25,000 in the current year.