

THE ARC OF COLORADO

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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July 9, 2019

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, 2018, 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, 2018, 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

We have previously audited The Arc of Colorado's 2017 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements 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, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018	2017
<u>Assets</u>		
Cash and cash equivalents	\$ 55,453	\$ 78,945
Contributions receivable	44,750	5,000
Prepaid expenses	1,967	1,235
Loan receivable - chapter (Note 3)	12,500	12,500
Investments (Note 4)	293,241	311,484
Property and equipment (Note 5)	15,858	5,595
Total assets	\$ 423,769	\$ 414,759
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 10,553	\$ 16,223
Payroll liabilities	11,329	16,251
Grants payable (Note 6)	11,250	22,500
Commitments (Note 7)		
Total liabilities	33,132	54,974
<u>Net assets</u>		
Without donor restrictions		
Undesignated	363,598	330,914
Designated for programs	13,039	23,871
With donor restrictions (Note 8)	14,000	5,000
Total net assets	390,637	359,785
Total liabilities and net assets	\$ 423,769	\$ 414,759

The accompanying notes are an integral part of these financial statements

THE ARC OF COLORADO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018		2017	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
arc Thrift Store funding (Note 11)	\$ 539,624	\$ -	\$ 539,624	\$ 502,254
Contributions	54,660	14,000	68,660	20,861
Program event income	12,703	-	12,703	5,413
Program income	10,396	-	10,396	25,388
Investment income	(18,158)	-	(18,158)	58,952
All other	1,672	-	1,672	15,512
In-kind contributions	-	-	-	4,580
Net assets released from restrictions (Note 9)	5,000	(5,000)	-	-
Total revenue and other support	605,897	9,000	614,897	632,960
<u>Expense</u>				
Program services	249,149	-	249,149	367,527
Public policy	207,471	-	207,471	212,394
Supporting services				
Management and general	118,355	-	118,355	121,533
Fund-raising	1,254	-	1,254	1,532
Total expense	576,229	-	576,229	702,986
Change in net assets before transfer to fiscal sponsorship	29,668	9,000	38,668	(70,026)
Transfer to fiscal sponsor	(7,816)	-	(7,816)	-
Total change in net assets	21,852	9,000	30,852	(70,026)
Net assets, beginning of year	354,785	5,000	359,785	429,811
Net assets, end of year	\$ 376,637	\$ 14,000	\$ 390,637	\$ 359,785

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, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018					2017	
	Program	Public	Total	Supporting Services		Total	Total
	Services	Policy	Program	Management and General	Fund-raising		
Salaries	\$ 51,876	\$ 87,078	\$ 138,954	\$ 46,318	\$ -	\$ 185,272	\$ 197,528
Payroll taxes and benefits	9,466	15,889	25,355	8,451	-	33,806	36,645
Travel	28,404	30,862	59,266	-	-	59,266	80,081
Consulting: Advocacy	47,338	-	47,338	-	-	47,338	58,807
Accounting and audit	-	-	-	40,881	-	40,881	37,484
Consulting: public policy	-	38,737	38,737	-	-	38,737	28,857
Occupancy	16,883	8,441	25,324	8,441	-	33,765	34,366
Advertising and promotion	19,895	-	19,895	-	-	19,895	32,706
Chapter support	13,600	3,400	17,000	-	-	17,000	81,912
Outreach	14,869	-	14,869	-	-	14,869	20,649
Office expense	4,183	4,183	8,366	4,183	127	12,676	14,398
Board	10,179	-	10,179	-	-	10,179	38,254
Legislative luncheon	-	10,000	10,000	-	-	10,000	-
Affiliation dues	9,596	-	9,596	-	-	9,596	8,700
Professional services	7,723	-	7,723	-	-	7,723	3,025
Telephone	2,319	2,319	4,638	2,319	70	7,027	8,895
Public policy - meals and travel	-	4,857	4,857	-	-	4,857	13,499
Speaker fees	4,387	-	4,387	-	-	4,387	2,820
Supplies	-	-	-	3,991	-	3,991	4,191
SFOC expenses	3,159	-	3,159	-	-	3,159	648
Insurance	606	1,018	1,624	541	-	2,165	1,553
Dues and subscriptions	-	-	-	1,998	-	1,998	2,572
Printing	1,349	289	1,638	289	-	1,927	3,100
Postage	-	398	398	386	387	1,171	766
Fundraising	-	-	-	-	268	268	585
Bank charges and fees	-	-	-	26	-	26	662
Bad debts	-	-	-	-	-	-	8,670
All other	1,296	-	1,296	382	332	2,010	4,625
	247,128	207,471	454,599	118,206	1,184	573,989	725,998
Depreciation	2,021	-	2,021	149	70	2,240	3,602
Total expenses	\$ 249,149	\$ 207,471	\$ 456,620	\$ 118,355	\$ 1,254	\$ 576,229	\$ 729,600

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, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	<u>2018</u>	<u>2017</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 30,852	\$ (70,026)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
(Gains)loss on investments	24,358	(50,547)
Depreciation	2,240	1,988
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in contributions receivable	(39,750)	(1,513)
(Increase)decrease in prepaid expenses	(732)	(652)
(Increase)decrease in loan receivable	-	-
Increase(decrease) in accounts payable	(5,670)	2,187
Increase(decrease) in payroll liabilities	(4,922)	(8,552)
Increase(decrease) in grants payable	<u>(11,250)</u>	<u>(2,500)</u>
Net cash provided(used) by operating activities	<u>(4,874)</u>	<u>(129,615)</u>
<u>Cash flows from investing activities</u>		
(Purchase) of fixed assets	(12,503)	-
(Reinvestment) of investment proceeds	(6,115)	(8,404)
Sale (Purchase) of investments	<u>-</u>	<u>143,804</u>
Net cash provided(used) by investing activities	<u>(18,618)</u>	<u>135,400</u>
Net increase(decrease) in cash and cash equivalents	(23,492)	5,785
Cash and cash equivalents, beginning of year	<u>78,945</u>	<u>73,160</u>
Cash and cash equivalents, end of year	<u>\$ 55,453</u>	<u>\$ 78,945</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, 2018

NOTE 1 - DESCRIPTION OF THE ORGANIZATION

The Arc of Colorado (Organization) provides systems change and individual advocacy for children and adults 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 contributions.

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 is required to report information regarding its financial position and activities according to the following classes of net assets:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.

Net assets with donor restrictions: Net assets that are subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property of equipment to a particular program. These restrictions expire when the assets are placed in service.

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

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. 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.

5. 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.

6. 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.

7. 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.

8. Functional Reporting of Expenses

For the year ending December 31, 2018, 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. The allocations are determined by management on a rational and systematic basis. Salaries and benefits are allocated on a time and effort basis. Office rent is allocated on square footage. All other expenses are allocated on a time and effort basis.

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

9. New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses net asset classification, information about liquidity, information provided about expenses, and consistency in reporting investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

10. 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, 2017 from which the summarized information was derived.

11. Subsequent Events

Management has evaluated subsequent events through July 9, 2019, 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	\$ 2,561
Stocks, Exchange Traded Funds	281,844
Mutual funds	<u>8,836</u>
	<u>\$ 293,241</u>

NOTE 4 - INVESTMENTS (Concluded)

Investment return is summarized as follows:

<u>Description</u>	<u>Amount</u>
Unrealized gains(losses)	\$ (24,358)
Management fees	(1,995)
Interest and dividend income	<u>8,110</u>
Net investment return	<u>\$ (18,243)</u>

The Organization also earned \$85 in operating interest on its cash and cash equivalents.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Description</u>	<u>Amount</u>
Furniture and equipment	\$ 14,099
Website in process	<u>10,000</u>
Total	24,099
Less: accumulated depreciation	<u>(8,241)</u>
Net property and equipment	<u>\$ 15,858</u>

Depreciation expense for the year was \$2,240.

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>
2019	<u>\$ 11,250</u>

NOTE 7 - COMMITMENTS

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

<u>Year</u>	<u>Amount</u>
2019	<u>\$ 11,256</u>

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

<u>Year</u>	<u>Amount</u>
2019	<u>\$ 4,576</u>

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

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

<u>Description</u>	<u>Amount</u>
Disability policy seminar	<u>\$ 14,000</u>

NOTE 9 - 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	<u>\$ 5,000</u>

NOTE 10 - EMPLOYEE RETIREMENT PLAN

The Organization has a 401(k) plan(the plan). A 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 \$5,342.

NOTE 11 - 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, 2018, arc Thrift Stores allocated \$539,624 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 \$15,619 were deducted from the total allocation to the Organization.

NOTE 12 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2018:

Financial assets at year-end:

Cash and cash equivalents	\$ 55,453
Contributions receivable	44,750
Investments	<u>293,241</u>

Financial assets available to meet cash needs for general expenditures
one year \$ 393,444

The Organization's goal is generally to maintain financial assets to meet six to nine months of operating expenses.

NOTE 13 - SUBSEQUENT EVENTS

In April 2019, the Organization entered into a lease for office space. Future payments are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 27,646
2020	42,299
2021	43,568
2022	44,875
2023	46,221
2024	47,608
2025	49,036
2026	<u>16,505</u>
Total	<u>\$ 317,758</u>