

**THE ARC OF COLORADO**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

**THE ARC OF COLORADO**  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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October 9, 2020

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, 2019, 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, 2019, 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 2018 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 9, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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  
DENVER, COLORADO

**THE ARC OF COLORADO**  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 144,594	\$ 55,453
Contributions receivable	208	44,750
Prepaid expenses	1,922	1,967
Loan receivable - chapter (Note 3)	12,500	12,500
Investments (Note 4)	349,018	293,241
Property and equipment (Note 5)	<u>55,432</u>	<u>15,858</u>
Total assets	<u><u>\$ 563,674</u></u>	<u><u>\$ 423,769</u></u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 7,521	\$ 10,553
Payroll liabilities	23,715	11,329
Grants payable	-	11,250
Copier lease obligation (Note 7)	<u>27,094</u>	<u>-</u>
Total liabilities	<u>58,330</u>	<u>33,132</u>
<u>Net assets</u>		
<u>Without donor restrictions</u>		
Undesignated	451,651	363,598
Designated for programs	<u>15,461</u>	<u>13,039</u>
	467,112	376,637
<u>With donor restrictions (Note 8)</u>	<u>38,232</u>	<u>14,000</u>
Total net assets	<u>505,344</u>	<u>390,637</u>
Total liabilities and net assets	<u><u>\$ 563,674</u></u>	<u><u>\$ 423,769</u></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, 2019**  
**(WITH COMPARATIVE TOTALS FOR 2018)**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
arc Thrift Store funding (Note 11)	\$ 574,612	\$ -	\$ 574,612	\$ 539,624
Contributions	77,889	49,732	127,621	68,660
Investment income	55,925	-	55,925	(18,158)
Program event income	17,410	-	17,410	12,703
Program income	-	-	-	10,396
All other	11,267	-	11,267	1,672
Net assets released from restrictions (Note 8)	25,500	(25,500)	-	-
<b>Total revenue and other support</b>	<b>762,603</b>	<b>24,232</b>	<b>786,835</b>	<b>614,897</b>
<u>Expense</u>				
Program services	300,077	-	300,077	249,149
Public policy	231,979	-	231,979	207,471
<b>Total program expense</b>	<b>532,056</b>	<b>-</b>	<b>532,056</b>	<b>456,620</b>
<u>Supporting services</u>				
Management and general	137,925	-	137,925	118,355
Fund-raising	2,147	-	2,147	1,254
<b>Total expense</b>	<b>672,128</b>	<b>-</b>	<b>672,128</b>	<b>576,229</b>
Change in net assets before transfer to fiscal sponsorship	90,475	24,232	114,707	38,668
Transfer to fiscal sponsor	-	-	-	(7,816)
<b>Total change in net assets</b>	<b>90,475</b>	<b>24,232</b>	<b>114,707</b>	<b>30,852</b>
Net assets, beginning of year	376,637	14,000	390,637	359,785
<b>Net assets, end of year</b>	<b>\$ 467,112</b>	<b>\$ 38,232</b>	<b>\$ 505,344</b>	<b>\$ 390,637</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, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)

	2019					2018	
	Program Services	Public Policy	Total Program	Supporting Services		Total	Total
				Manage- ment and General	Fund- raising		
Salaries	\$ 61,518	\$ 103,263	\$ 164,781	\$ 54,927	\$ -	\$ 219,708	\$ 185,272
Payroll taxes and benefits	9,679	16,247	25,926	8,642	-	34,568	33,806
Travel	14,499	33,830	48,329	-	-	48,329	59,266
Consulting: Advocacy	45,063	-	45,063	-	-	45,063	47,338
Accounting and audit	-	-	-	43,405	-	43,405	40,881
Consulting: public policy	-	42,583	42,583	-	-	42,583	38,737
Occupancy	20,947	10,473	31,420	10,473	-	41,893	33,765
Advertising and promotion	25,868	-	25,868	1,500	-	27,368	19,895
Board	25,554	-	25,554	-	-	25,554	10,179
Self Advocacy	25,198	-	25,198	-	-	25,198	-
Chapter support	17,005	4,251	21,256	-	-	21,256	17,000
Professional services	20,910	-	20,910	-	-	20,910	7,723
Outreach	13,873	-	13,873	-	-	13,873	14,869
Office expense	3,730	3,730	7,460	3,730	114	11,304	12,676
Legislative luncheon	-	10,000	10,000	-	-	10,000	10,000
Affiliation dues	9,696	-	9,696	-	-	9,696	9,596
Telephone	2,505	2,505	5,010	2,505	76	7,591	7,027
Insurance	1,116	1,873	2,989	996	-	3,985	2,165
Website	-	1,385	1,385	1,385	-	2,770	574
Supplies	-	-	-	2,603	-	2,603	3,991
Printing	1,637	351	1,988	351	-	2,339	1,927
Indirect Fundraising	-	-	-	-	1,514	1,514	268
Postage	-	456	456	441	443	1,340	1,171
SFOC expenses	1,279	-	1,279	-	-	1,279	3,159
Public policy - meals and travel	-	1,032	1,032	-	-	1,032	4,857
Dues and subscriptions	-	-	-	740	-	740	1,998
Other	-	-	-	1,139	-	1,139	5,849
	<u>300,077</u>	<u>231,979</u>	<u>532,056</u>	<u>132,837</u>	<u>2,147</u>	<u>667,040</u>	<u>573,989</u>
Depreciation	-	-	-	5,088	-	5,088	2,240
Total expenses	<u>\$ 300,077</u>	<u>\$ 231,979</u>	<u>\$ 532,056</u>	<u>\$ 137,925</u>	<u>\$ 2,147</u>	<u>\$ 672,128</u>	<u>\$ 576,229</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, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)

	2019	2018
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 114,707	\$ 30,852
Adjustments to reconcile change in net assets to net cash provided by operating activities		
(Gains)loss on investments	(47,645)	24,358
Depreciation	5,088	2,240
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in contributions receivable	44,542	(39,750)
(Increase)decrease in prepaid expenses	45	(732)
Increase(decrease) in accounts payable	(3,032)	(5,670)
Increase(decrease) in payroll liabilities	12,386	(4,922)
Increase(decrease) in grants payable	(11,250)	(11,250)
Net cash provided(used) by operating activities	114,841	(4,874)
<u>Cash flows from investing activities</u>		
(Purchase) of fixed assets	(44,662)	(12,503)
Increase (decrease) in capital lease obligation	27,094	-
(Reinvestment) of investment proceeds	(8,132)	(6,115)
Net cash provided(used) by investing activities	(25,700)	(18,618)
Net increase(decrease) in cash and cash equivalents	89,141	(23,492)
Cash and cash equivalents, beginning of year	55,453	78,945
Cash and cash equivalents, end of year	\$ 144,594	\$ 55,453

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, 2019

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 or 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, except those amounts that are held in the investment portfolio which are invested for long-term purposes.

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, 2019, 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. 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 year ended December 31, 2018, from which the summarized information was derived.

10. Subsequent Events

Management has evaluated subsequent events through October 9, 2020, 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	\$ 12,327
Stocks, Exchange Traded Funds	<u>336,691</u>
	<u>\$ 349,018</u>

Investment return is summarized as follows:

<u>Description</u>	<u>Amount</u>
Balance, beginning of year	\$ 293,241
Unrealized gains	50,629
Management fees	(2,984)
Interest and dividend income	<u>8,132</u>
Net investment return	<u>55,777</u>
Balance, end of year	<u>\$ 349,018</u>

The Organization also earned \$148 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	\$ 58,761
Website	<u>10,000</u>
Total	68,761
Less: accumulated depreciation and amortization	<u>(13,329)</u>
Net property and equipment	<u>\$ 55,432</u>

Depreciation and amortization expense for the year was \$5,088.

NOTE 6 - COMMITMENTS

During 2019, the Organization entered into a lease for office space. Remaining minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 42,299
2021	43,568
2022	44,875
2023	46,222
2024	47,608
2025	49,037
2026	<u>16,506</u>
Total	<u>\$ 290,116</u>

NOTE 7 - CAPITAL LEASE OBLIGATION

The Organization has acquired a photocopier under capital leasing arrangements. The future minimum lease payments are:

<u>Year</u>	<u>Amount</u>
2020	\$ 6,420
2021	6,420
2022	6,420
2023	6,420
2024	<u>4,815</u>
Total payments	30,495
Less: amount representing interest	<u>(3,401)</u>
Present value of capital lease	<u>\$ 27,094</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>
SABE 2020	\$ 20,000
Disability policy seminar	17,957
SABE 2020 Registrations	<u>275</u>
Total	<u>\$ 38,232</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>
Disability Policy Seminar	\$ 14,000
Future Planning Training for Outreach to Aging Caregivers	<u>11,500</u>
Total	<u>\$ 25,500</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 \$4,782.

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, 2019, arc Thrift Stores allocated \$574,612 to the Organization, which represents approximately 70% of the total revenue reflected on the Statement of Activities.

NOTE 12 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2019:

Financial assets at year-end:	<u>Amount</u>
Cash and cash equivalents	\$ 144,593
Contributions receivable	4,059
Investments	<u>349,018</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 497,670</u>

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

NOTE 13 - SUBSEQUENT EVENTS

On January 30, 2020 the World Health Organization declared the COVID-19 outbreak a public health emergency and subsequently a pandemic on March 11, 2020. The Organization is currently assessing the potential impact of the COVID-19 pandemic upon the Organization. At this time an estimate of the impact upon the Organization's future financial statements cannot be made.