

THE ARC OF COLORADO

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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TAYLORROTH

Certified Public Accountants

WORKING EXCLUSIVELY WITH NONPROFITS

August 24, 2021

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Arc of Colorado
Denver, Colorado

Opinion

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, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2020, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Arc of Colorado and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Arc of Colorado's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Arc of Colorado's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Arc of Colorado's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited The Arc of Colorado's 2019 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 9, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Taylor R. Roth and Company P/C

TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
DENVER, COLORADO

THE ARC OF COLORADO
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 419,454	\$ 144,594
Contributions receivable	-	208
Prepaid expenses	1,821	1,922
Loan receivable - chapter (Note 3)	12,500	12,500
Investments (Note 4)	388,378	349,018
Property and equipment (Note 5)	48,868	55,432
Total assets	<u>\$ 871,021</u>	<u>\$ 563,674</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 21,135	\$ 7,521
Payroll liabilities	19,063	23,715
Paycheck Protection Program loan (Note 6)	44,300	-
Copier lease obligation (Note 7)	21,911	27,094
Commitments (Note 8)	-	-
Total liabilities	<u>106,409</u>	<u>58,330</u>
<u>Net assets</u>		
Without donor restrictions		
Undesignated	516,166	451,651
Designated for programs	227,714	15,461
	<u>743,880</u>	<u>467,112</u>
With donor restrictions (Note 9)	20,732	38,232
Total net assets	<u>764,612</u>	<u>505,344</u>
Total liabilities and net assets	<u>\$ 871,021</u>	<u>\$ 563,674</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, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
arc Thrift Store funding (Note 12)	\$ 479,481	\$ -	\$ 479,481	\$ 574,612
Norma Brown contribution	200,000	-	200,000	-
Contributions, wills, and bequests	66,655	14,080	80,735	127,621
Investment income	39,389	-	39,389	55,925
Program income	13,819	-	13,819	-
Program event income	-	-	-	17,410
All other	15,834	-	15,834	11,267
Net assets released from restrictions (Note 10)	31,580	(31,580)	-	-
Total revenue and other support	846,758	(17,500)	829,258	786,835
<u>Expense</u>				
Program services	265,430	-	265,430	300,077
Public policy	167,029	-	167,029	231,979
Total program expense	432,459	-	432,459	532,056
Supporting services				
Management and general	125,316	-	125,316	137,925
Fund-raising	12,215	-	12,215	2,147
Total expense	569,990	-	569,990	672,128
Total change in net assets	276,768	(17,500)	259,268	114,707
Net assets, beginning of year	467,112	38,232	505,344	390,637
Net assets, end of year	\$ 743,880	\$ 20,732	\$ 764,612	\$ 505,344

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, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020					2019	
	Program Services	Public Policy	Total Program	Supporting Services		Total	Total
				Manage- ment and General	Fund- raising		
Salaries	\$ 57,576	\$ 96,645	\$ 154,221	\$ 41,126	\$ 10,281	\$ 205,628	\$ 219,708
Payroll taxes and benefits	9,930	16,669	26,599	7,093	1,773	35,465	34,568
Occupancy	30,308	15,154	45,462	15,154	-	60,616	41,893
Consulting: Public policy	41,613	10,403	52,016	-	-	52,016	53,615
Accounting and audit	-	-	-	42,319	-	42,319	43,405
Consulting: advocacy	31,812	7,953	39,765	-	-	39,765	45,063
SABE	26,867	-	26,867	-	-	26,867	-
Chapter support	11,938	2,985	14,923	-	-	14,923	21,256
Board	11,187	-	11,187	-	-	11,187	25,554
Outreach	10,706	-	10,706	-	-	10,706	13,873
Affiliation dues	9,396	-	9,396	-	-	9,396	9,696
Travel	2,743	6,401	9,144	-	-	9,144	48,329
Website	-	3,639	3,639	3,639	-	7,278	2,770
Professional services	7,113	-	7,113	-	-	7,113	20,910
Telephone	2,179	2,179	4,358	2,179	66	6,603	7,591
Office expense	1,849	1,849	3,698	1,849	56	5,603	11,304
Advertising and promotion	4,944	-	4,944	-	-	4,944	27,368
Self advocacy	3,711	928	4,639	-	-	4,639	25,198
Insurance	1,267	2,127	3,394	1,131	-	4,525	3,985
Supplies	-	-	-	1,794	-	1,794	2,603
Dues and subscriptions	-	-	-	745	-	745	740
Printing	269	58	327	57	-	384	2,339
Postage	-	39	39	37	39	115	1,340
SFOC expenses	22	-	22	-	-	22	1,279
Indirect fundraising	-	-	-	-	-	-	1,514
Other	-	-	-	1,629	-	1,629	1,139
	<u>300,077</u>	<u>167,029</u>	<u>532,056</u>	<u>118,752</u>	<u>12,215</u>	<u>563,426</u>	<u>667,040</u>
Depreciation	-	-	-	6,564	-	6,564	5,088
Total expenses	<u>\$ 300,077</u>	<u>\$ 167,029</u>	<u>\$ 532,056</u>	<u>\$ 125,316</u>	<u>\$ 12,215</u>	<u>\$ 569,990</u>	<u>\$ 672,128</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, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	<u>2020</u>	<u>2019</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 259,268	\$ 114,707
Adjustments to reconcile change in net assets to net cash provided by operating activities		
(Gains)loss on investments	(32,731)	(47,645)
Depreciation	6,564	5,088
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in contributions receivable	208	44,542
(Increase)decrease in prepaid expenses	101	45
Increase(decrease) in accounts payable	13,614	(3,032)
Increase(decrease) in payroll liabilities	(4,652)	12,386
Increase(decrease) in grants payable	-	(11,250)
Net cash provided(used) by operating activities	<u>242,372</u>	<u>114,841</u>
<u>Cash flows from investing activities</u>		
(Purchase) of fixed assets	-	(44,662)
(Reinvestment) of investment proceeds	<u>(6,629)</u>	<u>(8,132)</u>
Net cash provided(used) by investing activities	<u>(6,629)</u>	<u>(52,794)</u>
<u>Cash flows from financing activities</u>		
Proceeds from Paycheck Protection Program loan	44,300	-
Increase(decrease) in capital lease obligation	<u>(5,183)</u>	<u>27,094</u>
Net cash provided(used) by financing activities	<u>39,117</u>	<u>27,094</u>
Net increase(decrease) in cash and cash equivalents	<u>274,860</u>	<u>89,141</u>
Cash and cash equivalents, beginning of year	<u>144,594</u>	<u>55,453</u>
Cash and cash equivalents, end of year	<u>\$ 419,454</u>	<u>\$ 144,594</u>
<u>Supplemental disclosure of information</u>		
Property acquired under capital lease arrangements	<u>\$ -</u>	<u>\$ 27,094</u>
Cash paid during the period for interest	<u>\$ 1,237</u>	<u>\$ 349</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, 2020

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, 2020, 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, 2019, from which the summarized information was derived.

10. Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received; conditional promises to give with a measurable performance barrier and a right of return are not recognized until the conditions on which they depend have been met.

11. Subsequent Events

Management has evaluated subsequent events through August 24, 2021, 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. In 2021, the loan was amended to extend to 2023. Future payments are as follows:

<u>Year</u>	<u>Amount</u>
2023	<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	\$ 10,157
Stocks, Exchange Traded Funds	<u>378,221</u>
	<u>\$ 388,378</u>

NOTE 4 - INVESTMENTS (Continued)

Investment return is summarized as follows:

<u>Description</u>	<u>Amount</u>
Balance, beginning of year	\$ 349,018
Unrealized gains	34,903
Management fees	(2,172)
Interest and dividend income	<u>6,629</u>
Net investment return	<u>39,360</u>
Balance, end of year	<u>\$ 388,378</u>

The Organization also earned \$29 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>(19,893)</u>
Net property and equipment	<u>\$ 48,868</u>

Depreciation expense for the year was \$6,564.

NOTE 6 - PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Organization received a \$44,300 loan under the U.S. Small Business Administration's (SBA) Paycheck Protection Program (PPP) authorized under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). Under the program, this loan could be partially or fully forgiven if certain eligibility requirements were met, including that 60% of the loan must be spent on payroll. The loan is treated as a refundable advance of a conditional contribution until such time the loan is forgiven by the SBA.

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>
2021	\$ 6,420
2022	6,420
2023	6,420
2024	<u>4,815</u>
Total payments	24,075
Less: amount representing interest	<u>(2,164)</u>
Present value of capital lease	<u>\$ 21,911</u>

NOTE 8 - 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>
2021	\$ 43,568
2022	44,875
2023	46,222
2024	47,608
2025	49,037
2026	<u>16,506</u>
Total	<u>\$ 247,816</u>

NOTE 9 - 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	\$ 17,957
SABE	<u>2,775</u>
Total	<u>\$ 20,732</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>
SABE	<u>\$ 31,580</u>

NOTE 11 - 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 \$6,049.

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, 2020, arc Thrift Stores allocated \$479,481 to the Organization, which represents approximately 58% of the total revenue reflected on the Statement of Activities.

NOTE 13 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2020:

Financial assets at year-end:	<u>Amount</u>
Cash and cash equivalents	\$ 419,454
Investments	<u>388,378</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 807,832</u>

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