THE ARC OF COLORADO

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

THE ARC OF COLORADO

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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November 4, 2022

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, 2021, 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, 2021, 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 2020 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 24, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, 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, 2021
WITH COMPARATIVE TOTALS FOR 2020

	2021	2020
Assets		
Cash and cash equivalents	$ 359,589	$ 419,454
Prepaid expenses	4,445	1,821
Loan receivable - chapter (Note 3)	12,500	12,500
Investments (Note 4)	652,794	388,378
Beneficial interest in assets held by others (Note 5)	15,150	-
Property and equipment (Note 6)	33,503	48,868
Total assets	$ 1,077,981	$ 871,021
Liabilities and net assets		
Liabilities		
Accounts payable	$ 12,198	$ 21,135
Payroll liabilities	18,802	19,063
Paycheck Protection Program loan (Note 7)	-	44,300
Copier lease obligation (Note 8)	16,463	21,911
Commitments (Note 9)		
Total liabilities	47,463	106,409
Net assets		
Without donor restrictions		
Undesignated	941,078	516,166
Board designated endowment (Note 5)	15,150	-
Designated for programs	56,333	230,489
	1,012,561	746,655
With donor restrictions (Note 10)	17,957	17,957
Total net assets	1,030,518	764,612
Total liabilities and net assets	$ 1,077,981	$ 871,021

The accompanying notes are an integral part of these financial statements

THE ARC OF COLORADO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and other support				
arc Thrift Store funding (Note 13)	$ 611,656	$ -	$ 611,656	$ 479,481
Grants and contributions	97,101	15,000	112,101	80,735
Investment income	53,328	-	53,328	39,389
Paycheck Protection Program forgiveness (Note 7	44,300	-	44,300	-
Norma Brown contribution	15,000	-	15,000	200,000
Program income	6,544	-	6,544	13,819
All other	647	-	647	15,834
Net assets released from restrictions (Note 11)	15,000	(15,000)	-	-
Total revenue and other support	843,576	-	843,576	829,258
Expense				
Program services	226,295	-	226,295	265,430
Public policy	180,176	-	180,176	167,029
Total program expense	406,471	-	406,471	432,459
Supporting services				
Management and general	157,379	-	157,379	125,316
Fund-raising	13,821	-	13,821	12,215
Total expense	577,671	-	577,671	569,990
Total change in net assets	265,905	-	265,905	259,268
Net assets, beginning of year	746,655	17,957	764,612	505,344
Net assets, end of year	$1,012,560	$ 17,957	$1,030,517	$ 764,612

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, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	2021						2020
				Supporting Services			
	Program Services	Public Policy	Total Program	Management and General	Fund-raising	Total	Total
Salaries	$ 65,494	$ 109,936	$ 175,430	$ 46,781	$ 11,695	$ 233,906	$ 205,628
Payroll taxes and benefits	10,578	17,755	28,333	7,555	1,889	37,777	35,465
Accounting and audit	-	-	-	57,924	-	57,924	42,319
Occupancy	28,858	14,429	43,287	14,428	-	57,715	60,616
Consulting: advocacy	32,440	8,110	40,550	-	-	40,550	39,765
Consulting: Public policy	26,190	6,548	32,738	-	-	32,738	52,016
Travel	5,408	12,618	18,026	-	-	18,026	9,144
Advertising and promotion	17,403	-	17,403	-	-	17,403	4,944
Professional services	12,500	-	12,500	-	-	12,500	7,113
Outreach	9,547	-	9,547	-	-	9,547	10,706
Affiliation dues	9,396	-	9,396	-	-	9,396	9,396
Office expense	2,941	2,941	5,882	2,941	90	8,913	7,397
Website	-	3,490	3,490	3,489	-	6,979	7,278
Telephone	2,032	2,032	4,064	2,033	62	6,159	6,603
Insurance	1,292	2,169	3,461	1,154	-	4,615	4,525
Board	1,950	-	1,950	-	-	1,950	11,187
Dues and subscriptions	-	-	-	1,299	-	1,299	745
Postage	-	86	86	83	85	254	115
Printing	126	27	153	27	-	180	384
Chapter support	140	35	175	-	-	175	14,923
SABE	-	-	-	-	-	-	26,867
Self advocacy	-	-	-	-	-	-	4,639
SFOC expenses	-	-	-	-	-	-	22
Other	-	-	-	1,144	-	1,144	1,629
	226,295	180,176	406,471	138,858	13,821	559,150	563,426
Depreciation	-	-	-	18,521	-	18,521	6,564
Total expenses	$ 226,295	$ 180,176	$ 406,471	$ 157,379	$ 13,821	$ 577,671	$ 569,990

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, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	2021	2020
Cash flows from operating activities		
Change in net assets	$ 265,905	$ 259,268
Adjustments to reconcile change in net assets		
to net cash provided by operating activities		
(Gains)loss on investments and beneficial interest held by others	(47,720)	(32,731)
Depreciation and amortization	18,521	6,564
PPP loan forgiveness	(44,300)	-
Changes in operating assets and liabilities		
(Increase)decrease in contributions receivable	-	208
(Increase)decrease in prepaid expenses	(2,624)	101
Increase(decrease) in accounts payable	(8,936)	13,614
Increase(decrease) in payroll liabilities	(261)	(4,652)
Net cash provided(used) by operating activities	180,585	242,372
Cash flows from investing activities		
(Purchase) of fixed assets	(3,156)	-
(Purchase) of long-term investments	(211,092)	-
(Reinvestment) of investment proceeds	(5,754)	(6,629)
Net cash provided(used) by investing activities	(220,002)	(6,629)
Cash flows from financing activities		
Purchases in beneficial interest held by others	(15,000)	-
Proceeds from Paycheck Protection Program loan	-	44,300
Increase(decrease) in capital lease obligation	(5,448)	(5,183)
Net cash provided(used) by financing activities	(20,448)	39,117
Net increase(decrease) in cash and cash equivalents	(59,865)	274,860
Cash and cash equivalents, beginning of year	419,454	144,594
Cash and cash equivalents, end of year	$ 359,589	$ 419,454
Supplemental disclosure of information		
Cash paid during the period for interest	$ 972	$ 1,237

The accompanying notes are an integral part of these financial statements

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, 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, 2021, 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 November 4, 2022, the date the financial statements were available to be issued.

12. Reclassifications

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

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:

Year	Amount
2023	$ 12,500

NOTE 4 - INVESTMENTS

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

Description	Fair Value
Stocks, exchange traded funds	$ 652,794

NOTE 4 - INVESTMENTS (Continued)

Investment return is summarized as follows:

Description	Amount
Balance, beginning of year	$ 388,378
Addition to funds	211,242
Interest and dividend income	8,281
Realized gains	2,211
Unrealized gains	45,359
Management fees	(2,677)
Net investment return	53,174
Balance, end of year	$ 652,794

The Organization also earned $154 in operating interest on its cash and cash equivalents.

NOTE 5 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (Endowment)

The Organization established an endowment fund at a local community foundation (the Foundation). At year-end, the endowment fund is exclusively comprised of a transfer from The Arc of Colorado, Inc., which is referred to as a "reciprocal transfer." The reciprocal transfer from the Organization to the Foundation is comprised of unrestricted funds designated by the Board of Directors for inclusion in the endowment. The initial reciprocal transfer was for $15,000. The Foundation has agreed to contribute $10,000, for a total endowment fund balance of $25,000, the minimum required investment amount. The endowment funds are recorded by The Arc of Colorado, Inc., as a beneficial interest in assets held by others.

Terms of the Endowment Agreement

The Organization granted variance power to the Foundation for reciprocal transfers of assets to the endowment fund. The terms of the variance power granted by the Organization, as stated in the fund agreement are that "the Board of Trustees of the Foundation have the power to modify the provisions of the agreement designating the use of the fund if the purposes for which it was created ever become obsolete, incapable of fulfillment, or inconsistent with the charitable purposes of the Organization. If The Arc of Colorado, Inc., ceases to be a qualified charitable organization, the Foundation will make distributions to qualified charitable organization(s) that serve purposes similar to The Arc of Colorado, Inc. If the Foundation ceases to be a charitable organization or if the Foundation purposes dissolve, the assets of the fund shall, after payment or making provision for payment of any liabilities, properly chargeable to the fund, be distributed to The Arc of Colorado, Inc., if it is still operational or if it has dissolved, to a qualified charitable organization(s) that serve purposes similar to those of The Arc of Colorado, Inc."

The amount available for distribution is equal to 4% of the average 20-quarter fund balance (the current distribution policy of the Foundation). Such distribution may vary in accordance with the most current distribution policy of the Foundation, upon proper notification to The Arc of Colorado, Inc. The Spendable Amount from Funds that are fewer than three years old shall be calculated using the following adjusted formula: an amount equal to the Annual Distribution Percentage of a Fund's trailing quarter Fund balance for the number of quarters the Fund has been in existence as of December 31 of the year preceding the calculation.

NOTE 5 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (Concluded)

The endowment fund is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities as a change in the beneficial interest in assets held by others. Changes in endowment assets for the year ended December 31, 2021, included:

Description	Amount
Balance, beginning of year	$ -
Reciprical transfer	15,000
Share of appreciation, net of fees	150
Balance, end of year	$ 15,150

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Description	Amount
Furniture and equipment	$ 61,917
Website development	10,000
	71,917
Less: accumulated depreciation and amortization	(38,414)
Net property and equipment	$ 33,503

Depreciation expense for the year was $18,521.

NOTE 7 - 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.

In April 2021, the Organization received notice that the loan was forgiven in full. The loan was converted to a grant in 2021.

NOTE 8 - COPIER LEASE OBLIGATION

The Organization has acquired a photocopier under a financing leasing arrangement. The future minimum lease payments are:

Year	Amount
2022	$ 6,420
2023	6,420
2024	4,815
Total minimum lease payments	17,655
Less: amount representing interest	(1,192)
Present value of capital lease	$ 16,463

NOTE 9 - COMMITMENTS

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

Year	Amount
2022	$ 44,875
2023	46,222
2024	47,608
2025	49,037
2026	16,506
Total	$ 204,248

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

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

Description	Amount
Disability policy seminar	$ 17,957

NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS

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

Description	Amount
Supported Decision Making - Self-Advocacy	$ 15,000

NOTE 12 - 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 $4,522.

NOTE 13 - 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, 2021, arc Thrift Stores allocated $611,656 to the Organization, which represents approximately 73% of the total revenue reflected on the Statement of Activities.

NOTE 14 - CONCENTRATION OF CREDIT RISK

Cash and cash equivalents of $558,539 have been placed in a single financial institution. Amounts in excess of $250,000 are not insured by the FDIC or related entity. Management and the Board have evaluated their banking needs and have determined that the banking relationship is in the best interest of the Organization.

NOTE 15 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2021:

Description	Amount
Financial assets at year end:	
Cash and cash equivalents	$ 359,589
Investments	652,794
	1,012,383
Less amounts not available for general expenditures within one year, due to:	
Program designated - Calabrese Life Opportunity Fund	(28,740)
Program designated - Speak for Ourselves	(27,593)
Donor restricted - Disability Policy Seminar	(17,957)
	(74,290)
Financial assets available to meet cash needs for general expenditures	$ 938,093

The Organization's goal is generally to maintain financial assets to meet six to nine months of operating expenses. Management expects net assets with donor restrictions to be used in the next twelve months.