THE ARC - JEFFERSON, CLEAR CREEK & GILPIN COUNTIES

FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 2016

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

THE ARC - JEFFERSON, CLEAR CREEK & GILPIN COUNTIES

FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 2016

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Taylor, Roth and Company, PLLC
Certified Public Accountants
working exclusively with nonprofit organizations

November 29, 2016

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Arc - Jefferson, Clear Creek & Gilpin Counties
Lakewood, Colorado

We have audited the accompanying financial statements of **The Arc - Jefferson, Clear Creek & Gilpin Counties** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the eighteen months 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 - Jefferson, Clear Creek & Gilpin Counties as of June 30, 2016, and the changes in its net assets and its cash flows for the eighteen months then ended, in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited The Arc - Jefferson, Clear Creek & Gilpin Counties' 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 16, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, 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 - JEFFERSON, CLEAR CREEK & GILPIN COUNTIES

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014)

	2016	2014
Assets		
Cash and cash equivalents - unrestricted	$ 469,694	$ 221,635
Cash and cash equivalents - temporarily restricted	28,750	37,500
Contracts receivable	2,702	72,226
Pledges receivable (Note 3)	39,607	70,401
Prepaid expenses	34,568	30,601
Investments (Note 4)	829,355	603,783
Property and equipment (Note 5)	24,239	20,211
Total assets	$ 1,428,915	$ 1,056,357
Liabilities and net assets		
Liabilities		
Accounts payable	$ 14,351	$ 10,668
Payroll liabilities	49,017	49,426
Total liabilities	63,368	60,094
Net assets		
Unrestricted		
Operating	-	19,500
Board designated operating reserve	560,248	498,500
Board designated opportunity fund	376,155	220,276
Board designated infrastructure and capacity fund	376,155	200,276
Net investment in fixed assets	24,239	20,211
Temporarily restricted (Note 7)	28,750	37,500
Total net assets	1,365,547	996,263
Total liabilities and net assets	$ 1,428,915	$ 1,056,357

The accompanying notes are an integral part of these financial statements

THE ARC - JEFFERSON, CLEAR CREEK & GILPIN COUNTIES

STATEMENT OF ACTIVITIES
FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014)

	18 months			12 months
	Unrestricted	Temporarily Restricted	Total	Total
Revenue and other support				
arc Thrift Store funding (Note 8)	$ 1,426,598	$ -	$ 1,426,598	$ 846,241
Contributions	409,825	10,981	420,806	139,340
Foundations	-	37,500	37,500	37,500
Investment income	(42,889)	-	(42,889)	(6,650)
Memberships	-	-	-	54
All other	2,022	-	2,022	1,295
In-kind contributions (Note 9)	10,250	-	10,250	6,483
Net assets released from restrictions (Note 10)	57,231	(57,231)	-	-
Total revenue and other support	1,863,037	(8,750)	1,854,287	1,024,263
Expense				
Program services	1,292,286	-	1,292,286	844,852
Supporting services				
Management and general	143,853	-	143,853	92,279
Fund-raising	48,864	-	48,864	29,906
Total expense	1,485,003	-	1,485,003	967,037
Change in net assets	378,034	(8,750)	369,284	57,226
Net assets, beginning of year	958,763	37,500	996,263	939,037
Net assets, end of year	$ 1,336,797	$ 28,750	$ 1,365,547	$ 996,263

The accompanying notes are an integral part of these financial statements

THE ARC - JEFFERSON, CLEAR CREEK & GILPIN COUNTIES

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014)

	18 months				12 months
	2016				2014
		Supporting Services			
	Program Services	Management and General	Fund-raising	Total	Total
Salaries	$ 688,572	$ 54,502	$ 24,565	$ 767,639	$ 520,482
Payroll taxes and benefits	146,546	11,599	5,228	163,373	111,881
Rent	147,838	10,706	4,903	163,447	57,819
Contract services	75,922	2,183	4,727	82,832	21,515
Accounting and audit	-	53,280	770	54,050	37,025
Conferences and travel	38,085	2,733	1,233	42,050	27,217
Dues and subscriptions	35,356	2,637	1,189	39,182	14,466
Meals	33,449	339	1,103	34,891	31,657
Events	26,192	334	1,680	28,206	29,031
Telephone	15,550	687	310	16,548	11,447
Fiduciary fees	13,752	1,089	490	15,331	8,529
Supplies	13,918	827	393	15,139	11,720
Bad debts	8,319	-	924	9,243	9,300
Printing	7,425	526	265	8,216	8,181
Postage	6,653	526	237	7,415	5,013
Insurance	6,179	489	221	6,889	5,503
Member fees	5,200	-	-	5,200	2,600
Repairs and maintenance	3,215	254	115	3,584	1,450
Awards and gifts	2,995	-	-	2,995	2,800
ED discretionary fund	2,284	181	81	2,546	1,983
Small equipment	1,785	141	64	1,990	16,208
Adult/childcare	1,440	-	-	1,440	1,480
Client assistance	1,261	-	-	1,261	5,866
Moving expense	-	-	-	-	16,900
All other	1,940	154	68	2,162	2,806
	1,283,878	143,187	48,564	1,475,629	962,879
Depreciation	8,408	666	300	9,374	4,158
Total expenses	$ 1,292,286	$ 143,853	$ 48,864	$ 1,485,003	$ 967,037

The accompanying notes are an integral part of these financial statements

THE ARC - JEFFERSON, CLEAR CREEK & GILPIN COUNTIES

STATEMENT OF CASH FLOWS
FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014)

	18 months 2016	12 months 2014
Cash flows from operating activities		
Change in net assets	$ 369,284	$ 57,226
Adjustments to reconcile change in net assets to net cash provided by operating activities		
(Gains)loss on investments	81,185	23,463
Donated server	(5,250)	
Depreciation	9,374	4,158
Changes in operating assets and liabilities		
(Increase)decrease in contracts receivable	69,524	(5,880)
(Increase)decrease in pledges receivable	30,794	(5,682)
(Increase)decrease in prepaid expenses	(3,967)	(19,695)
Increase(decrease) in accounts payable	3,683	(3,034)
Increase(decrease) in payroll liabilities	(409)	(394)
Net cash provided(used) by operating activities	554,218	50,162
Cash flows from investing activities		
(Purchase) of fixed assets	(8,152)	(6,000)
(Reinvestment) of investment proceeds	(22,757)	(16,758)
Proceeds from investments	-	43,528
(Purchase) of investments	(284,000)	-
Net cash provided(used) by investing activities	(314,909)	20,770
Net increase(decrease) in cash and cash equivalents	239,309	70,932
Cash and cash equivalents, beginning of year	259,135	188,203
Cash and cash equivalents, end of year	$ 498,444	$ 259,135

The accompanying notes are an integral part of these financial statements

NOTE 1 - DESCRIPTION OF THE ORGANIZATION

The Arc - Jefferson, Clear Creek & Gilpin Counties (Organization) promotes and protects the human rights of people with intellectual and developmental disabilities and actively supports their full inclusion and participation in the community throughout their lifetimes. The Organization serves individuals of all ages who reside in Jefferson, Clear Creek and Gilpin Counties through individual advocacy, training and education and community building. The Organization assists individuals and their caregivers with issues related to education, health care, residential options, employment, legal concerns, and systems navigation, as well as social, recreational, and religious inclusion. The Organization is supported primarily through thrift store funding, contributions, and foundations.

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 $1,000 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 eighteen months ending June 30, 2016, 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. 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, 2014, from which the summarized information was derived.

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

11. Subsequent Events

Management has evaluated subsequent events through November 29, 2016, the date the financial statements were available to be issued.

NOTE 3 - PLEDGES RECEIVABLE

The Organization has received multiple pledges that will be received over several years. Management believes a present value discount would not be significant for these financial statements. The remaining pledges and the related allowance for uncollectable pledges are as follows:

Calendar Year	Amount
2016 (July – December)	$ 17,701
2017	8,420
2018	7,088
2019	4,730
2019 and after	6,999
Total payments	44,938
Less allowance for uncollectable pledges	(5,331)
Total	$ 39,607

NOTE 4 - INVESTMENTS

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

Description	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash and sweep balances	$ 3,350	$ 3,350	$ -
Stocks, Exchange Traded Funds	486,183	473,723	(12,460)
Mutual funds	361,094	352,282	(8,812)
	$ 850,627	$ 829,355	$ (21,272)

Investment return is summarized as follows:

Description	Amount
Realized gains(losses)	$ (41,251)
Unrealized gains(losses)	(24,602)
Net gains(losses) on securities	(65,853)
Fees	(15,331)
Interest and dividend income	22,757
Net investment return	$ (58,427)

Additionally, the Organization earned interest income of $207 on its operating cash accounts.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Description	Amount
Furniture and equipment	$ 46,923
Leasehold improvements	2,000
Total	48,923
Less: accumulated depreciation	(24,684)
Net property and equipment	$ 24,239

Depreciation expense for the year was $9,374.

NOTE 6 - COMMITMENTS

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

Fiscal Year	Amount
2017	$ 112,151
2018	115,474
2019	118,797
2020	99,690
2021	119,628
2022	49,845
	$ 615,585

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

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

Description	Amount
Mobilizing families	$ 23,750
Guardianship/Adult advocacy	5,000
Total	$ 28,750

NOTE 8 - CONCENTRATION OF FUNDING SOURCE

Together with other chapters operating for a similar purpose, the Organization is a member of The Arc in Colorado and arc Thrift Stores. The Arc Chapters are 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 Arc of Colorado and demonstrate behavior that neither interferes with nor undermines arc Thrift Stores' business or other activities.

For the eighteen months ended June 30, 2016, the arc Thrift Stores allocated $1,426,598 to the Organization, which represents approximately 77% of the total revenue reflected on the Statement of Activities. The arc Thrift Stores also provides the Organization's staff with access to a health insurance plan. Participants' premiums of $46,618 were deducted from the total allocation to the Organization however $5,202 was repaid to the Organization through individual payroll deductions.

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:

Description	Amount
Donated server	$ 5,250
Two day training and development for Arc Team	5,000
Total	$ 10,250

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:

Description	Amount
Mobilizing families	$ 41,250
Guardianship/Adult advocacy	15,000
Emergency fund	881
PF Scholarship	100
Total	$ 57,231

NOTE 11 - BENEFIT PLAN

The Organization provides a benefit of 12% of gross pay to all employees working an average of 32 hours or more per week. 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 403(b). For the employees participating in the 403(b) plan, the Organization contributes an additional 2% of gross pay. During the eighteen month period, the Organization's total benefit plan expense amounted to $104,224.

NOTE 12 - UNEMPLOYMENT INSURANCE

The State of Colorado allows a tax-exempt, nonprofit two methods of paying costs of Unemployment Insurance. An organization may elect to be a "contributing" employer meaning they choose to pay a quarterly premium based upon the payroll paid. Also, an employer can elect to be a "reimbursing" employer, meaning the organization will fund unemployment benefits if and when any are assessed against the organization. The Organization has elected to be the latter. The Organization has reserved $5,381 with the State of Colorado as a deposit against future claims.

NOTE 13 - CHANGE IN ACCOUNTING PERIOD

The Organization changed its accounting period from a calendar year to a fiscal year ending on June 30th. These financial statements are presented for an eighteen month period, January 1, 2015 through June 30, 2016.

NOTE 14 - CONCENTRATION OF CREDIT RISK

The Organization places most of its cash with one financial institution. Amounts over $250,000 are not insured by the FDIC or related entity.