THE ARC - JEFFERSON, CLEAR CREEK & GILPIN COUNTIES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

THE ARC - JEFFERSON, CLEAR CREEK & GILPIN COUNTIES

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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

September 25, 2018

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, 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 - Jefferson, Clear Creek & Gilpin Counties as of June 30, 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 - Jefferson, Clear Creek & Gilpin Counties' 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 17, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 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 - JEFFERSON, CLEAR CREEK & GILPIN COUNTIES

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018	2017
Assets		
Cash and cash equivalents - unrestricted	$ 635,111	$ 555,357
Cash and cash equivalents - temporarily restricted	19,004	36,270
Pledges receivable (Note 3)	17,761	25,385
Prepaid expenses	32,902	32,709
Investments (Note 4)	807,578	804,605
Property and equipment (Note 5)	11,260	17,367
Total assets	$ 1,523,616	$ 1,471,693
Liabilities and net assets		
Liabilities		
Accounts payable	$ 16,143	$ 10,348
Payroll liabilities	51,484	48,860
Deferred revenue	1,000	-
Total liabilities	68,627	59,208
Net assets		
Unrestricted		
Board designated operating reserve	626,156	599,589
Board designated opportunity fund	399,284	379,629
Board designated infrastructure and capacity fund	399,285	379,630
Net investment in fixed assets	11,260	17,367
Temporarily restricted (Note 7)	19,004	36,270
Total net assets	1,454,989	1,412,485
Total liabilities and net assets	$ 1,523,616	$ 1,471,693

The accompanying notes are an integral part of these financial statements

THE ARC - JEFFERSON, CLEAR CREEK & GILPIN COUNTIES

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
Revenue and other support				
arc Thrift Store funding (Note 8)	$ 1,045,538	$ -	$ 1,045,538	$ 1,006,875
Contributions	118,491	1,682	120,173	118,386
Investment income	14,214	-	14,214	(13,754)
Foundations	-	10,000	10,000	31,270
Memberships	-	-	-	23
All other	2,130	-	2,130	1,214
In-kind contributions	-	-	-	175
Net assets released from restrictions (Note 9)	28,948	(28,948)	-	-
Total revenue and other support	1,209,321	(17,266)	1,192,055	1,144,189
Expense				
Program services	983,408	-	983,408	966,748
Supporting services				
Management and general	97,897	-	97,897	94,979
Fund-raising	68,246	-	68,246	35,524
Total expense	1,149,551	-	1,149,551	1,097,251
Change in net assets	59,770	(17,266)	42,504	46,938
Net assets, beginning of year	1,376,215	36,270	1,412,485	1,365,547
Net assets, end of year	$ 1,435,985	$ 19,004	$ 1,454,989	$ 1,412,485

The accompanying notes are an integral part of these financial statements

THE ARC - JEFFERSON, CLEAR CREEK & GILPIN COUNTIES

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018				2017
		Supporting Services			
	Program Services	Management and General	Fund-raising	Total	Total
Salaries	$ 563,256	$ 41,591	$ 39,979	$ 644,826	$ 580,323
Payroll taxes and benefits	118,277	8,734	8,395	135,406	117,285
Rent	105,392	7,204	5,771	118,367	114,737
Accounting and audit	6,224	31,960	441	38,625	38,375
Meals	30,640	250	1,399	32,289	28,355
Conferences and travel	25,971	1,584	1,521	29,076	32,138
IT/Software licenses	23,356	1,725	1,658	26,739	20,709
Events	22,330	-	1,367	23,697	18,140
Contract services	13,703	820	3,533	18,056	49,231
Supplies	14,606	735	790	16,131	19,102
Telephone	10,497	466	448	11,411	11,356
Fiduciary fees	8,511	628	604	9,743	10,790
Dues and subscriptions	7,164	195	187	7,546	3,744
Insurance	6,003	443	426	6,872	7,084
Postage	3,887	287	276	4,450	2,619
Printing	3,883	287	275	4,445	7,806
Repairs and maintenance	3,576	264	254	4,094	10,108
ED discretionary fund	2,010	148	143	2,301	1,894
Bad debts	2,027	-	225	2,252	6,314
Bank charges and fees	1,568	116	111	1,795	2,330
Awards and gifts	1,695	-	-	1,695	2,912
Adult/childcare	1,535	-	-	1,535	680
Client assistance	1,064	-	-	1,064	1,173
Advertising	552	41	39	632	-
All other	347	25	25	397	3,174
	978,074	97,503	67,867	1,143,444	1,090,379
Depreciation	5,334	394	379	6,107	6,872
Total expenses	$ 983,408	$ 97,897	$ 68,246	$ 1,149,551	$ 1,097,251

The accompanying notes are an integral part of these financial statements

THE ARC - JEFFERSON, CLEAR CREEK & GILPIN COUNTIES

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018	2017
Cash flows from operating activities		
Change in net assets	$ 42,504	$ 46,938
Adjustments to reconcile change in net assets to net cash provided by operating activities		
(Gains)loss on investments	12,477	34,465
Depreciation	6,107	6,872
Changes in operating assets and liabilities		
(Increase)decrease in contracts receivable	-	2,702
(Increase)decrease in pledges receivable	7,624	14,222
(Increase)decrease in prepaid expenses	(193)	1,859
Increase(decrease) in accounts payable	5,795	(4,003)
Increase(decrease) in payroll liabilities	2,624	(157)
Increase(decrease) in deferred revenue	1,000	-
Net cash provided(used) by operating activities	77,938	102,898
Cash flows from investing activities		
(Reinvestment) of investment proceeds	(15,450)	(9,715)
Net increase(decrease) in cash and cash equivalents	62,488	93,183
Cash and cash equivalents, beginning of year	591,627	498,444
Cash and cash equivalents, end of year	$ 654,115	$ 591,627

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.

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 year ending June 30, 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.

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 June 30, 2017 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 September 25, 2018, 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:

Period	Amount
2019	$ 10,548
2020	3,980
2021	2,730
2022	480
2023 and after	1,920
Total payments	19,658
Less allowance for uncollectable pledges	(1,897)
Total	$ 17,761

NOTE 4 - INVESTMENTS

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

Description	Fair Value
Cash and cash alternatives	$ 126,926
Fixed income	491,634
Equities	150,237
Non-classified	38,781
	$ 807,578

Investment return is summarized as follows:

Description	Amount
Realized gains(losses)	$ 5,083
Unrealized gains(losses)	(7,818)
Net gains(losses) on securities	(2,735)
Fees	(9,743)
Interest and dividend income	15,450
Net investment return	$ 2,972

Additionally, the Organization earned interest income of $1,499 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	(37,663)
Net property and equipment	$ 11,260

Depreciation expense for the year was $6,107.

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
2019	$ 118,797
2020	99,690
2021	119,628
2022	49,845
	$ 387,960

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

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

Description	Amount
Mobilizing families	$ 10,000
Guardianship/Adult advocacy	6,270
PF Scholarship	2,734
Total	$ 19,004

NOTE 8 - CONCENTRATION OF FUNDING SOURCE

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

For the year ended June 30, 2018, the arc Thrift Stores allocated $1,045,538 to the Organization, which represents approximately 88% 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' net premiums of $31,502 were deducted from the total payments to the Organization.

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:

Description	Amount
Mobilizing families	$ 20,000
Guardianship/Adult advocacy	8,948
Total	$ 28,948

NOTE 10 - 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 fiscal year, the Organization's total benefit plan expense amounted to $86,840.

NOTE 11 - 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 12 - <u>CONCENTRATION OF CREDIT RISK</u>

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