THE ARC - JEFFERSON, CLEAR CREEK & GILPIN COUNTIES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

THE ARC - JEFFERSON, CLEAR CREEK & GILPIN COUNTIES

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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

October 10, 2019

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, 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 accounting 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 from 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, 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.

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Report on Summarized Comparative Information

We have previously audited The Arc - Jefferson, Clear Creek & Gilpin Counties' 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 25, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 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

THE ARC - JEFFERSON, CLEAR CREEK & GILPIN COUNTIES

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019	2018
Assets		
Cash and cash equivalents	$ 80,078	$ 654,115
arc Thrift Store receivable (Note 3)	93,722	-
Pledges receivable (Note 4)	12,113	17,761
Prepaid expenses	39,216	32,902
Investments (Note 5)	1,466,184	807,578
Property and equipment (Note 6)	6,622	11,260
Total assets	$ 1,697,935	$ 1,523,616
Liabilities and net assets		
Liabilities		
Accounts payable	$ 17,516	$ 16,143
Payroll liabilities	54,794	51,484
Deferred revenue	-	1,000
Commitments (Note 7)		
Total liabilities	72,310	68,627
Net assets		
Without donor restrictions		
Undesignated	1,610,348	1,424,725
Net investment in fixed assets	6,622	11,260
	1,616,970	1,435,985
With donor restrictions (Note 8)	8,655	19,004
Total net assets	1,625,625	1,454,989
Total liabilities and net assets	$ 1,697,935	$ 1,523,616

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, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and other support				
arc Thrift Store funding (Note 3)	$ 1,116,462	$ -	$ 1,116,462	$ 1,045,538
Investment income	111,096	-	111,096	4,471
Contributions	99,911	9,138	109,049	120,173
Foundations	12,500	6,918	19,418	10,000
All other	1,369	-	1,369	2,130
Net assets released from restrictions (Note 9)	26,405	(26,405)	-	-
Total revenue and other support	1,367,743	(10,349)	1,357,394	1,182,312
Expense				
Program services	998,520	-	998,520	974,897
Supporting services				
Management and general	99,568	-	99,568	97,269
Fund-raising	88,670	-	88,670	67,642
Total expense	1,186,758	-	1,186,758	1,139,808
Change in net assets	180,985	(10,349)	170,636	42,504
Net assets, beginning of year	1,435,985	19,004	1,454,989	1,412,485
Net assets, end of year	$ 1,616,970	$ 8,655	$ 1,625,625	$ 1,454,989

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, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019				2018
		Supporting Services			
	Program Services	Management and General	Fund-raising	Total	Total
Salaries	$ 595,782	$ 25,936	$ 55,300	$ 677,018	$ 644,826
Payroll taxes and benefits	123,957	5,396	11,506	140,859	135,406
Rent	109,212	4,908	8,590	122,710	118,367
Accounting and audit	-	40,613	-	40,613	38,625
Contract services	14,154	18,585	2,062	34,801	18,056
Conferences and travel	28,248	1,073	2,287	31,608	29,076
Meals	29,352	153	1,436	30,941	32,289
IT/Software licenses	21,803	949	2,024	24,776	26,738
Events	12,982	-	930	13,912	23,699
Supplies	12,103	331	721	13,155	16,131
Telephone	10,340	281	599	11,220	11,411
Insurance	6,246	272	580	7,098	6,872
Printing	6,069	264	563	6,896	4,445
Dues and subscriptions	5,945	108	230	6,283	7,545
Client assistance	4,196	-	-	4,196	1,064
Postage	3,537	154	328	4,019	4,450
Repairs and maintenance	2,516	109	233	2,858	4,094
Equipment purchases and lease	2,380	104	221	2,705	397
Awards and gifts	1,845	15	33	1,893	1,695
ED discretionary fund	1,601	70	149	1,820	2,301
Bank charges and fees	1,351	59	125	1,535	1,795
Adult/childcare	600	-	-	600	1,535
Bad debts	-	-	354	354	2,252
Advertising	220	10	20	250	632
	994,439	99,390	88,291	1,182,120	1,133,701
Depreciation	4,081	178	379	4,638	6,107
Total expenses	$ 998,520	$ 99,568	$ 88,670	$ 1,186,758	$ 1,139,808

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, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019	2018
Cash flows from operating activities		
Change in net assets	$ 170,636	$ 42,504
Adjustments to reconcile change in net assets		
to net cash provided (used) by operating activities		
Realized and unrealized (gains) losses on investments, net	(98,516)	12,477
Depreciation	4,638	6,107
Changes in operating assets and liabilities		
(Increase)decrease in arc Thrift Store receivable	(93,722)	-
(Increase)decrease in pledges receivable	5,648	7,624
(Increase)decrease in prepaid expenses	(6,314)	(193)
Increase(decrease) in accounts payable	1,373	5,795
Increase(decrease) in payroll liabilities	3,310	2,624
Increase(decrease) in deferred revenue	(1,000)	1,000
Net cash provided (used) by operating activities	(13,947)	77,938
Cash flows from investing activities		
Purchase of investments	(567,160)	-
Sale of investments	18,000	-
(Reinvestment) of net investment income	(10,930)	(15,450)
Net cash provided (used) by investing activities	(560,090)	(15,450)
Net increase(decrease) in cash and cash equivalents	(574,037)	62,488
Cash and cash equivalents, beginning of year	654,115	591,627
Cash and cash equivalents, end of year	$ 80,078	$ 654,115

The accompanying notes are an integral part of these financial statements

NOTE 1 - DESCRIPTION OF THE ORGANIZATION

The Arc - Jefferson, Clear Creek & Gilpin Counties (The Arc or Organization) promotes and protects the human rights of people with intellectual and developmental disabilities (I/DD) and actively supports their full inclusion and participation in the community throughout their lifetimes. The Arc serves individuals from birth through end of life in our three county area.

Life-changing support is provided in a number of ways at The Arc. Individual Advocacy, the Organization's largest program, involves advocates working directly with individuals and families to help them navigate the many complex challenges faced by people with I/DD. Some of the areas in which the Organization provides support are education, health care, residential options, employment, legal concerns, and systems navigation, as well as social, recreational, and religious inclusion. In addition, The Arc is proactive and develops and delivers programming to educate people on issues ranging from getting the right special education supports in school to planning for an individual's future when a parent/guardian will no longer be able to care for them.

Finally, The Arc works hard to create a community where people of all abilities are valued and respected. This often involves working with the systems that serve our community such as the transportation system, emergency response system, healthcare system and the school system to help them be more informed and accessible. The Arc has representatives on more than 50 committees, councils, and other groups to ensure that people with I/DD are never left out of the conversations that will affect their lives.

The Organization is supported primarily through arc 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 financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles which require the Organization to report its financial position and activities according to the following net asset classifications:

   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 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.

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. Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

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.

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

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 ended June 30, 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 categories of expenses attributable to program services or a supporting function are allocated on a reasonable basis that is consistently applied. The significant expenses that are allocated include salaries, payroll taxes and benefits, and contractor services which are allocated based on time and effort. Occupancy costs are allocated based on use. Other expenses are allocated based upon the program or supporting service 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, 2018 from which the summarized information was derived.

11. 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.

12 New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses net asset classification, information about liquidity and available resources, information provided about expenses, and consistency in reporting investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

13. Subsequent Events

Management has evaluated subsequent events through October 10, 2019, the date the financial statements were available to be issued.

NOTE 3 - 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, 2019, the arc Thrift Stores allocated $1,116,462 to the Organization, which represents approximately 82% of the total revenue and other support. At year end, the Organization has a receivable in the amount of $93,722 representing the remaining balance due. The arc Thrift Stores also provides the Organization's staff with access to a health insurance plan. Participants' net premiums of $31,177 were deducted from the total payments to the Organization.

NOTE 4 - PLEDGES RECEIVABLE

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

Period	Amount
2020	$ 8,434
2021	2,730
2022	480
2023	480
2024 and after	1,440
Total payments	13,564
Less allowance for uncollectable pledges	(1,451)
Total	$ 12,113

NOTE 5 - INVESTMENTS

Investments are stated at the quoted market price (Level 1 inputs) and consist of the following:

Description	Amount
Cash and cash alternatives	$ 81,146
Fixed income	1,121,909
Equities	253,085
Real estate investment trusts	10,044
Total	$ 1,466,184

NOTE 5 - INVESTMENTS – (Continued)

The Organization's fixed income investments are principally invested in United States Treasury obligations. The equity investments primarily represent United States based publicly traded securities. The investments are subject to market risk and the fixed income investments are also subject to credit risk.

Investment return is summarized as follows:

Description	Amount
Unrealized gains	$ 120,641
Realized (losses)	(22,125)
Net gains on securities	98,516
Interest and dividend income	25,355
Fees	(14,425)
Net investment return	$ 109,446

Additionally, the Organization earned interest income of $1,650 on its operating cash accounts.

The investment are held in three separate investment accounts. In accordance with the Organization's investment policy, each investment account has its own separate investment objectives, performance expectations and portfolio guidelines. The three investment account balances are shown below:

Description	Amount
Operations and programs fund	$ 137,076
Infrastructure and capacity fund	1,181,083
Long term growth opportunity fund	148,025
Total	$ 1,466,184

NOTE 6 - 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	(42,301)
Net property and equipment	$ 6,622

Depreciation expense for the year was $4,638.

NOTE 7 - COMMITMENTS

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

Fiscal Year	Amount
2020	$ 99,690
2021	119,628
2022	49,845
Total	$ 269,163

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

Description	Amount
Teen LifeAbility	$ 4,138
People First Scholarship	3,247
Guardianship/Adult advocacy	1,270
Total	$ 8,655

NOTE 9 - NET ASSETS RELEASED FROM RESTRICTIONS

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

Description	Amount
Mobilizing Families	$ 10,000
Dual Diagnosis: Mental Health and I/DD	6,918
Guardianship/Adult advocacy	5,000
Teen LifeAbility	4,137
People First Scholarship	350
Total	$ 26,405

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 may make matching contributions. The matching contribution rate is determined each year through the annual budgeting process. During the fiscal year, the Organization's retirement plan contributions were $12,814.

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. Separately, an employer can elect to be a "reimbursing" employer, meaning the organization will fund unemployment benefits if any are assessed against the organization. The Organization has elected the latter method. The Organization has funded $5,977 to the State of Colorado as a deposit against future claims.

NOTE 12 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets available for general operating expenditures within one year at June 30, 2019:

Description	Amount
Cash and cash equivalents	$ 80,078
Contracts receivable	93,722
Pledges receivable	12,113
Investments	1,466,184
	1,652,097
Less: amounts not available for general expenditures within one year due to:	
Pledges receivable	(5,130)
Donor purpose restrictions	(2,800)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,644,167

The Organization considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.