THE ARC - JEFFERSON, CLEAR CREEK & GILPIN COUNTIES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

THE ARC - JEFFERSON, CLEAR CREEK & GILPIN COUNTIES

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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November 18, 2020

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, 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.

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, 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.

Report on Summarized Comparative Information

We have previously audited The Arc - Jefferson, Clear Creek & Gilpin Counties' 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 10, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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 - JEFFERSON, CLEAR CREEK & GILPIN COUNTIES

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020	2019
Assets		
Cash and cash equivalents	$ 310,429	$ 80,078
arc Thrift Store receivable (Note 3)	66,531	93,722
Pledges receivable (Note 4)	4,425	12,113
Prepaid expenses	27,664	39,216
Investments (Note 5)	1,768,103	1,466,184
Property and equipment (Note 6)	2,574	6,622
Total assets	$ 2,179,726	$ 1,697,935
Liabilities and net assets		
Liabilities		
Accounts payable	$ 18,589	$ 17,516
Payroll liabilities	51,623	54,794
Deferred revenue	7,325	-
Paycheck Protection Program loan (Note 7)	166,800	-
Commitments (Note 8)		
Total liabilities	244,337	72,310
Net assets		
Without donor restrictions		
Undesignated	1,928,609	1,610,348
Net investment in fixed assets	2,574	6,622
	1,931,183	1,616,970
With donor restrictions (Note 9)	4,206	8,655
Total net assets	1,935,389	1,625,625
Total liabilities and net assets	$ 2,179,726	$ 1,697,935

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, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and other support				
arc Thrift Store funding (Note 3)	$ 1,075,801	$ -	$ 1,075,801	$ 1,116,462
Investment income	325,093	-	325,093	111,096
Contributions	106,404	559	106,963	109,049
Foundations	10,000	-	10,000	19,418
Other	1,203	-	1,203	1,369
Net assets released from restrictions (Note 10)	5,008	(5,008)	-	-
Total revenue and other support	1,523,509	(4,449)	1,519,060	1,357,394
Expense				
Program services	1,019,620	-	1,019,620	998,520
Supporting services				
Management and general	90,116	-	90,116	99,568
Fund-raising	99,560	-	99,560	88,670
Total expense	1,209,296	-	1,209,296	1,186,758
Change in net assets	314,213	(4,449)	309,764	170,636
Net assets, beginning of year	1,616,970	8,655	1,625,625	1,454,989
Net assets, end of year	$ 1,931,183	$ 4,206	$ 1,935,389	$ 1,625,625

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, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020				2019
		Supporting Services			
	Program Services	Management and General	Fund-raising	Total	Total
Salaries	$ 646,725	$ 32,476	$ 61,490	$ 740,691	$ 677,018
Payroll taxes and benefits	128,145	6,435	12,184	146,764	138,870
Rent	105,141	3,945	7,889	116,975	122,710
Accounting and audit	-	41,544	-	41,544	40,613
Conferences and travel	21,213	1,030	1,951	24,194	31,608
IT/Software licenses	20,071	1,008	1,908	22,987	24,776
Meals	20,319	128	1,154	21,601	30,941
Events	19,803	-	1,727	21,530	13,912
Contract services	10,877	1,546	2,330	14,753	34,801
Telephone	10,414	342	648	11,404	11,220
Insurance	7,293	366	693	8,352	9,087
Supplies	6,269	200	416	6,885	13,155
Dues and subscriptions	5,447	113	215	5,775	6,283
Bad debts	-	-	5,495	5,495	354
ED discretionary fund	2,730	137	260	3,127	1,820
Postage	2,451	123	233	2,807	4,019
Printing	2,215	111	211	2,537	6,896
Repairs and maintenance	1,848	93	176	2,117	2,858
Client assistance	1,716	-	-	1,716	4,196
Bank charges and fees	1,407	71	134	1,612	1,535
Awards and gifts	1,254	20	39	1,313	1,893
Equipment purchases and lease	416	234	40	690	2,705
Advertising	331	17	31	379	250
Adult/childcare	-	-	-	-	600
	1,016,085	89,939	99,224	1,205,248	1,182,120
Depreciation	3,535	177	336	4,048	4,638
Total expenses	$ 1,019,620	$ 90,116	$ 99,560	$ 1,209,296	$ 1,186,758

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, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020	2019
Cash flows from operating activities		
Change in net assets	$ 309,764	$ 170,636
Adjustments to reconcile change in net assets		
to net cash provided (used) by operating activities		
Realized and unrealized (gains) losses on investments, net	(303,010)	(98,516)
Depreciation	4,048	4,638
Changes in operating assets and liabilities		
(Increase)decrease in arc Thrift Store receivable	27,191	(93,722)
(Increase)decrease in pledges receivable	7,688	5,648
(Increase)decrease in prepaid expenses	11,552	(6,314)
Increase(decrease) in accounts payable	1,073	1,373
Increase(decrease) in payroll liabilities	(3,171)	3,310
Increase(decrease) in deferred revenue	7,325	(1,000)
Net cash provided (used) by operating activities	62,460	(13,947)
Cash flows from investing activities		
Purchase of investments	-	(567,160)
Sale of investments	23,000	18,000
(Reinvestment) of net investment income	(21,909)	(10,930)
Net cash provided (used) by investing activities	1,091	(560,090)
Cash flows from financing activities		
Proceeds from Paycheck Protection Program loan	166,800	-
Net cash provided (used) by financing activities	166,800	-
Net increase(decrease) in cash and cash equivalents	230,351	(574,037)
Cash and cash equivalents, beginning of year	80,078	654,115
Cash and cash equivalents, end of year	$ 310,429	$ 80,078

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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.

COVID-19 has impacted people with intellectual and developmental disabilities in significant ways. They are more vulnerable than the general population, as there are often underlying medical conditions that accompany disabilities. Some specific challenges being faced include the complete disruption of routines, day program closures, and lack of respite care. People have become extremely isolated, parents are trying to home school their special education students while working from home, and everyone is dealing with the stresses of the pandemic differently. The Arc's advocates have had to change how we support people through this crisis but have been there consistently. The Arc has not turned away a single individual with I/DD who has asked for help.

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. Cash and cash equivalents does not include those amounts held for long-term investment purposes.

4. 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.

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.

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

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 ended June 30, 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 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.

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 June 30, 2018 from which the summarized information was derived.

10. 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.

11 New Accounting Pronouncement

The Organization adopted Accounting Standards Update (ASU) No. 2018-08 – Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605). The standards update provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The Organization does not believe the application of the provisions of the standards update materially changed the recognition of contributions received during the year.

12. Subsequent Events

Management has evaluated subsequent events through November 18, 2020, 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, 2020, the arc Thrift Stores allocated $1,075,801 to the Organization, which represents approximately 71% of the total revenue and other support. At year end, the Organization has a receivable in the amount of $66,531 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 $52,044 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
2021	$ 2,917
2022	1,000
2023	1,000
Total payments	4,917
Less allowance for uncollectable pledges	(492)
Total	$ 4,425

NOTE 5 - INVESTMENTS

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

Description	Amount
Equities	$ 717,553
Cash and cash equivalents	441,159
Mutual funds	247,595
Fixed income	227,192
Exchange traded – fixed income	118,864
Exchange traded – equity	15,740
Total	$ 1,768,103

NOTE 5 - INVESTMENTS (Continued)

The Organization's equity investments primarily represent United States based publicly traded securities. Mutual fund investments include funds invested in realty and fixed income securities. The fixed income investments are primarily invested in corporate debt and also mortgage backed securities, municipal debt, and 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 (losses)	$ (42,814)
Realized gains	345,824
Net gains on securities	303,010
Interest and dividend income	39,190
Fees	(17,279)
Net investment return	$ 324,921

Additionally, the Organization earned interest income of $172 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	$ 141,438
Infrastructure and capacity fund	1,449,606
Long term growth opportunity fund	177,059
Total	$ 1,768,103

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	(46,349)
Net property and equipment	$ 2,574

Depreciation expense for the year was $4,048.

NOTE 7 - PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Organization received a $166,800 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 may be partially or fully forgiven if certain eligibility requirements are met, including that 60% of the loan must be spent on payroll. The loan is being treated as a refundable advance of a conditional contribution until such time that the loan has been explicitly forgiven by the SBA. At such time that the loan is forgiven, the conditions will be considered met and the Organization will recognize contribution revenue in the amount of the loan forgiveness.

In the case that the loan is not forgiven in its entirely, the outstanding balance is payable in equal amounts required to fully amortize the principal amount outstanding on the note by the maturity date of April 16, 2022. The loan is unsecured, and interest is charged at 1% per annum. The Organization anticipates meeting the criteria for complete forgiveness.

NOTE 8 - COMMITMENTS

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

Fiscal Year	Amount
2021	$ 119,628
2022	49,845
Total	$ 169,473

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

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

Description	Amount
People First Scholarship	$ 2,936
Guardianship/Adult advocacy	1,270
Total	$ 4,206

NOTE 10 - 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
Teen LifeAbility	$ 4,638
People First Scholarship	370
Total	$ 5,008

NOTE 11 - CONCENTRATION OF CREDIT RISK

The Organization keeps its cash and cash equivalents in one financial institution. At year-end, the institution had a deposit balance of approximately $316,000. Amounts over $250,000 are not insured by the Federal Deposit Insurance Corporation or other entities. Management has evaluated its banking needs and the strength of the financial institution and believes it is in the Organization's best interest to continue its existing banking relationship.

NOTE 12 - 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 $11,475. The Organization temporarily suspended its matching contributions in May 2020.

NOTE 13 - 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 $5,381 to the State of Colorado as a deposit against future claims.

NOTE 14 - 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	$ 310,429
Arc Thrift Store receivable	66,531
Pledges receivable	4,425
Investments	1,768,103
	2,149,488
Less: amounts not available for general expenditures within one year due to:	
Pledges receivable	(2,000)
Donor purpose restrictions	(2,936)
Financial assets available to meet cash needs for general expenditures within one year	$ 2,144,552

NOTE 14 - AVAILABILITY AND LIQUIDITY (Continued)

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. The anticipated upcoming general operating expenditures are approximately $1,150,000.