

**THE ARC - JEFFERSON, CLEAR CREEK &
GILPIN COUNTIES**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

THE ARC - JEFFERSON, CLEAR CREEK & GILPIN COUNTIES

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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August 17, 2017

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, 2017, 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, 2017, 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' 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 29, 2016. In our opinion, the summarized comparative information presented herein as of and for the eighteen months ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.


TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

THE ARC - JEFFERSON, CLEAR CREEK & GILPIN COUNTIES

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

(WITH COMPARATIVE TOTALS FOR 2016)

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Cash and cash equivalents - unrestricted	\$ 555,357	\$ 469,694
Cash and cash equivalents - temporarily restricted	36,270	28,750
Contracts receivable	-	2,702
Pledges receivable (Note 3)	25,385	39,607
Prepaid expenses	32,709	34,568
Investments (Note 4)	804,605	829,355
Property and equipment (Note 5)	<u>17,367</u>	<u>24,239</u>
Total assets	<u>\$ 1,471,693</u>	<u>\$ 1,428,915</u>
 <u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 10,348	\$ 14,351
Payroll liabilities	<u>48,860</u>	<u>49,017</u>
Total liabilities	<u>59,208</u>	<u>63,368</u>
 <u>Net assets</u>		
<u>Unrestricted</u>		
Board designated operating reserve	599,589	560,248
Board designated opportunity fund	379,629	376,155
Board designated infrastructure and capacity fund	379,630	376,155
Net investment in fixed assets	17,367	24,239
Temporarily restricted (Note 7)	<u>36,270</u>	<u>28,750</u>
Total net assets	<u>1,412,485</u>	<u>1,365,547</u>
Total liabilities and net assets	<u>\$ 1,471,693</u>	<u>\$ 1,428,915</u>

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, 2017

(WITH COMPARATIVE TOTALS FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 2016)

	2017			18 months 2016
	Unrestricted	Temporarily Restricted	Total	Total
<u>Revenue and other support</u>				
arc Thrift Store funding (Note 8)	\$ 1,006,875	\$ -	\$ 1,006,875	\$ 1,426,598
Contributions	116,429	1,957	118,386	420,806
Foundations	-	31,270	31,270	37,500
Memberships	23	-	23	-
Investment income	(13,754)	-	(13,754)	(42,889)
All other	1,214	-	1,214	2,022
In-kind contributions (Note 9)	175	-	175	10,250
Net assets released from restrictions (Note 10)	25,707	(25,707)	-	-
Total revenue and other support	1,136,669	7,520	1,144,189	1,854,287
<u>Expense</u>				
Program services	966,748	-	966,748	1,292,286
Supporting services				
Management and general	94,979	-	94,979	143,853
Fund-raising	35,524	-	35,524	48,864
Total expense	1,097,251	-	1,097,251	1,485,003
Change in net assets	39,418	7,520	46,938	369,284
Net assets, beginning of year	1,336,797	28,750	1,365,547	996,263
Net assets, end of year	\$ 1,376,215	\$ 36,270	\$ 1,412,485	\$ 1,365,547

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, 2017

(WITH COMPARATIVE TOTALS FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 2016)

	2017			18 months 2016	
	Supporting Services				
	Program Services	Manage- ment and General	Fund- raising	Total	Total
Salaries	\$ 523,643	\$ 38,495	\$ 18,185	\$ 580,323	\$ 767,639
Payroll taxes and benefits	105,829	7,780	3,676	117,285	163,373
Rent	103,493	7,687	3,557	114,737	163,447
Contract services	44,881	876	3,474	49,231	82,832
Accounting and audit	6,204	31,956	215	38,375	54,050
Conferences and travel	29,703	1,653	782	32,138	42,050
Meals	26,977	222	1,156	28,355	34,891
Dues and subscriptions	22,158	1,559	736	24,453	39,182
Supplies	17,694	936	472	19,102	15,139
Events	17,305	-	835	18,140	28,206
Telephone	10,593	518	245	11,356	16,548
Fiduciary fees	9,736	715	339	10,790	15,331
Repairs and maintenance	9,120	670	318	10,108	3,584
Printing	7,064	504	238	7,806	8,216
Insurance	6,392	470	222	7,084	6,889
Bad debts	5,683	-	631	6,314	9,243
Awards and gifts	2,912	-	-	2,912	2,995
Member fees	2,750	-	-	2,750	5,200
Postage	2,363	174	82	2,619	7,415
ED discretionary fund	1,709	126	59	1,894	2,546
Client assistance	1,173	-	-	1,173	1,261
Adult/childcare	680	-	-	680	1,440
Small equipment	268	20	9	297	1,990
All other	2,217	162	78	2,457	2,162
	960,547	94,523	35,309	1,090,379	1,475,629
Depreciation	6,201	456	215	6,872	9,374
Total expenses	\$ 966,748	\$ 94,979	\$ 35,524	\$ 1,097,251	\$ 1,485,003

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, 2017

(WITH COMPARATIVE TOTALS FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 2016)

	<u>2017</u>	<u>18 months 2016</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 46,938	\$ 369,284
Adjustments to reconcile change in net assets to net cash provided by operating activities		
(Gains)loss on investments	34,465	81,185
Donated server	-	(5,250)
Depreciation	6,872	9,374
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in contracts receivable	2,702	69,524
(Increase)decrease in pledges receivable	14,222	30,794
(Increase)decrease in prepaid expenses	1,859	(3,967)
Increase(decrease) in accounts payable	(4,003)	3,683
Increase(decrease) in payroll liabilities	(157)	(409)
Net cash provided(used) by operating activities	<u>102,898</u>	<u>554,218</u>
<u>Cash flows from investing activities</u>		
(Purchase) of fixed assets	-	(8,152)
(Reinvestment) of investment proceeds	(9,715)	(22,757)
(Purchase) of investments	-	(284,000)
Net cash provided(used) by investing activities	<u>(9,715)</u>	<u>(314,909)</u>
Net increase(decrease) in cash and cash equivalents	93,183	239,309
Cash and cash equivalents, beginning of year	<u>498,444</u>	<u>259,135</u>
Cash and cash equivalents, end of year	<u>\$ 591,627</u>	<u>\$ 498,444</u>

The accompanying notes are an integral part of these financial statements

THE ARC - JEFFERSON, CLEAR CREEK & GILPIN COUNTIES

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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 year ending June 30, 2017, 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 eighteen months ended June 30, 2016 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 August 17, 2017, 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:

<u>Period</u>	<u>Amount</u>
2018	\$ 12,840
2019	6,105
2020	4,030
2021	2,780
2019 and after	<u>2,450</u>
Total payments	28,205
Less allowance for uncollectable pledges	<u>(2,820)</u>
Total	<u>\$ 25,385</u>

NOTE 4 - INVESTMENTS

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

<u>Description</u>	<u>Fair Value</u>
Cash and sweep balances	\$ 156,294
Stocks, Exchange Traded Funds	461,328
Mutual funds	<u>186,983</u>
	<u>\$ 804,605</u>

Investment return is summarized as follows:

<u>Description</u>	<u>Amount</u>
Realized gains(losses)	\$ (32,394)
Unrealized gains(losses)	<u>8,719</u>
Net gains(losses) on securities	(23,675)
Fees	(10,790)
Interest and dividend income	<u>9,715</u>
Net investment return	<u>\$ (24,750)</u>

Additionally, the Organization earned interest income of \$206 on its operating cash accounts.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Description</u>	<u>Amount</u>
Furniture and equipment	\$ 46,923
Leasehold improvements	<u>2,000</u>
Total	48,923
Less: accumulated depreciation	<u>(31,556)</u>
Net property and equipment	<u>\$ 17,367</u>

Depreciation expense for the year was \$6,872.

NOTE 6 - COMMITMENTS

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

<u>Fiscal Year</u>	<u>Amount</u>
2018	\$ 115,474
2019	118,797
2020	99,690
2021	119,628
2022	<u>49,845</u>
	<u>\$ 503,434</u>

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

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

<u>Description</u>	<u>Amount</u>
Mobilizing families	\$ 30,000
Guardianship/Adult advocacy	<u>6,270</u>
Total	<u>\$ 36,270</u>

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 year ended June 30, 2017, the arc Thrift Stores allocated \$1,006,875 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' premiums of \$34,044 were deducted from the total allocation to the Organization however \$7,889 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:

<u>Description</u>	<u>Amount</u>
Donated IT services	<u>\$ 175</u>

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:

<u>Description</u>	<u>Amount</u>
Mobilizing families	\$ 13,750
Guardianship/Adult advocacy	10,000
Emergency fund	1,000
PF Scholarship	<u>957</u>
Total	<u>\$ 25,707</u>

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 fiscal year, the Organization's total benefit plan expense amounted to \$72,728.

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

In 2015, the Organization changed its accounting period from a calendar year to a fiscal year ending on June 30th. The comparative numbers in 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.