

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

THE ARC - JEFFERSON, CLEAR CREEK & GILPIN COUNTIES
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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

April 8, 2014

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 December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. Information for the year ended December 31, 2012, is presented for comparative purposes only and was extracted from the financial statements presented by net asset class for that year, on which an unqualified audit opinion dated April 12, 2013, was expressed.

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 December 31, 2013, 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.


TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

THE ARC - JEFFERSON, CLEAR CREEK & GILPIN COUNTIES

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR 2012)

| | <u>2013</u> | <u>2012</u> |
|--|---------------------|-------------------|
| <u>Assets</u> | | |
| Cash and cash equivalents - unrestricted | \$ 149,074 | \$ 125,327 |
| Cash and cash equivalents - temporarily restricted | 39,129 | 39,261 |
| Contracts receivable | 66,346 | 57,449 |
| Pledges receivable (Note 3) | 64,719 | 79,551 |
| Prepaid expenses | 10,906 | 13,883 |
| Inventory - books at cost | - | 5,294 |
| Investments (Note 4) | 654,016 | 624,204 |
| Property and equipment (Note 5) | 18,369 | 2,136 |
| Total assets | <u>\$ 1,002,559</u> | <u>\$ 947,105</u> |
| <u>Liabilities and net assets</u> | | |
| <u>Liabilities</u> | | |
| Accounts payable | \$ 13,702 | \$ 7,330 |
| Payroll liabilities | 49,820 | 43,020 |
| Deferred contract revenue | - | 1,500 |
| Total liabilities | <u>63,522</u> | <u>51,850</u> |
| <u>Net assets</u> | | |
| <u>Unrestricted</u> | | |
| Operating | 478,550 | 385,857 |
| Board designated operating reserve | 402,989 | 468,001 |
| Net investment in fixed assets | 18,369 | 2,136 |
| Temporarily restricted (Note 7) | 39,129 | 39,261 |
| Total net assets | <u>939,037</u> | <u>895,255</u> |
| Total liabilities and net assets | <u>\$ 1,002,559</u> | <u>\$ 947,105</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 DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR 2012)**

| | 2013 | | | 2012 |
|---|-------------------|------------------------|-------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Total | Total |
| <u>Revenue and other support</u> | | | | |
| arc Thrift Store funding (Note 8) | \$ 761,211 | \$ - | \$ 761,211 | \$ 680,963 |
| Contributions | 94,278 | 1,522 | 95,800 | 81,805 |
| Foundations | - | 38,500 | 38,500 | 37,000 |
| Investment income | 38,397 | - | 38,397 | 18,106 |
| Special event income | 5,075 | - | 5,075 | - |
| Less special event direct expenses | (1,637) | - | (1,637) | - |
| Memberships | 533 | - | 533 | 605 |
| In-kind contributions (Note 9) | 2,001 | - | 2,001 | 13,151 |
| All other | 1,204 | - | 1,204 | 1,414 |
| Net assets released from restrictions (Note 10) | 40,154 | (40,154) | - | - |
| Total revenue and other support | <u>941,216</u> | <u>(132)</u> | <u>941,084</u> | <u>833,044</u> |
| <u>Expense</u> | | | | |
| Program services | 768,460 | - | 768,460 | 718,923 |
| Supporting services | | | | |
| Management and general | 90,924 | - | 90,924 | 80,475 |
| Fund-raising | 37,918 | - | 37,918 | 32,795 |
| Total expense | <u>897,302</u> | <u>-</u> | <u>897,302</u> | <u>832,193</u> |
| Change in net assets | 43,914 | (132) | 43,782 | 851 |
| Net assets, beginning of year | <u>855,994</u> | <u>39,261</u> | <u>895,255</u> | <u>894,404</u> |
| Net assets, end of year | <u>\$ 899,908</u> | <u>\$ 39,129</u> | <u>\$ 939,037</u> | <u>\$ 895,255</u> |

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 DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR 2012)

| | 2013 | | | 2012 | |
|----------------------------|----------------------------|------------------|------------------|-------------------|-------------------|
| | <u>Supporting Services</u> | | | | |
| | <u>Program</u> | <u>Manage-</u> | <u>Fund-</u> | <u>Total</u> | <u>Total</u> |
| | <u>Services</u> | <u>ment and</u> | <u>raising</u> | | |
| | | <u>General</u> | | | |
| Salaries | \$ 450,243 | \$ 37,661 | \$ 22,848 | \$ 510,752 | \$ 473,821 |
| Payroll taxes and benefits | 96,702 | 8,088 | 4,907 | 109,697 | 93,360 |
| Rent | 44,559 | 3,426 | 1,887 | 49,872 | 49,872 |
| Contract services | 32,762 | 1,701 | 2,096 | 36,559 | 37,055 |
| Accounting | - | 34,313 | 612 | 34,925 | 34,925 |
| Meals | 23,843 | 237 | 735 | 24,815 | 24,640 |
| Events | 21,242 | 73 | 1,251 | 22,566 | 16,746 |
| Conferences and travel | 17,406 | 865 | 655 | 18,926 | 20,703 |
| Supplies | 16,088 | 972 | 656 | 17,716 | 14,056 |
| Dues and subscriptions | 13,670 | 1,039 | 630 | 15,339 | 11,778 |
| Telephone | 9,685 | 510 | 310 | 10,505 | 14,461 |
| Fiduciary fees | 7,498 | 627 | 380 | 8,505 | 8,451 |
| Bad debts | 7,234 | - | - | 7,234 | 7,119 |
| Printing | 5,931 | 248 | 245 | 6,424 | 5,532 |
| Postage | 4,255 | 356 | 216 | 4,827 | 2,401 |
| Insurance | 3,507 | 293 | 178 | 3,978 | 3,543 |
| Member fees | 2,000 | - | - | 2,000 | 2,000 |
| Repairs and maintenance | 1,746 | 146 | 88 | 1,980 | 190 |
| Client assistance | 1,958 | - | - | 1,958 | 1,119 |
| Adult/childcare | 1,740 | - | - | 1,740 | 1,480 |
| Awards and gifts | 1,449 | 25 | 15 | 1,489 | 2,445 |
| Board | 198 | 17 | 10 | 225 | 2,084 |
| All other | 3,125 | 191 | 117 | 3,433 | 1,254 |
| | <u>766,841</u> | <u>90,788</u> | <u>37,836</u> | <u>895,465</u> | <u>829,035</u> |
| Depreciation | 1,619 | 136 | 82 | 1,837 | 3,158 |
| Total expenses | <u>\$ 768,460</u> | <u>\$ 90,924</u> | <u>\$ 37,918</u> | <u>\$ 897,302</u> | <u>\$ 832,193</u> |

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 DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR 2012)**

| | <u>2013</u> | <u>2012</u> |
|---|-------------------|-------------------|
| <u>Cash flows from operating activities</u> | | |
| Change in net assets | \$ 43,782 | \$ 851 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| (Gains)loss on investments | (22,627) | (7,689) |
| Loss on disposal of fixed assets | - | 136 |
| Depreciation | 1,837 | 3,158 |
| <u>Changes in operating assets and liabilities</u> | | |
| (Increase)decrease in contracts receivable | (8,897) | (57,449) |
| (Increase)decrease in pledges receivable | 14,832 | 10,266 |
| (Increase)decrease in prepaid expenses | 2,977 | (3,849) |
| (Increase)decrease in inventory | 5,294 | 5,373 |
| Increase(decrease) in accounts payable | 6,372 | (3,217) |
| Increase(decrease) in payroll liabilities | 6,800 | 5,125 |
| Increase(decrease) in deferred contract revenue | <u>(1,500)</u> | <u>1,500</u> |
| Net cash provided(used) by operating activities | <u>48,870</u> | <u>(45,795)</u> |
| <u>Cash flows from investing activities</u> | | |
| (Purchase) of fixed assets | (18,070) | - |
| (Reinvestment) of investment proceeds | (15,690) | (10,318) |
| (Purchases)proceeds from investments | <u>8,505</u> | <u>8,451</u> |
| Net cash provided(used) by investing activities | <u>(25,255)</u> | <u>(1,867)</u> |
| Net increase(decrease) in cash and cash equivalents | 23,615 | (47,662) |
| Cash and cash equivalents, beginning of year | <u>164,588</u> | <u>212,250</u> |
| Cash and cash equivalents, end of year | <u>\$ 188,203</u> | <u>\$ 164,588</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 DECEMBER 31, 2013

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 (Concluded)

5. Capitalization and Depreciation

The Organization follows the practice of capitalizing all expenditures for land, buildings and equipment of \$500 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. 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. The Organization's Federal Return of Organization Exempt From Income Tax (Form 990) is subject to examination by the IRS, generally, for three years after filing.

8. Functional Reporting of Expenses

For the year ended December 31, 2013, 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.

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 December 31, 2012, from which the summarized information was derived.

10. Subsequent Events

Management has evaluated subsequent events through April 8, 2014, 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>Year</u> | <u>Amount</u> |
|--|------------------|
| 2014 | \$ 34,183 |
| 2015 | 15,610 |
| 2016 | 8,895 |
| 2017 | 5,505 |
| 2018 and after | <u>7,717</u> |
| Total payments | 71,910 |
| Less allowance for uncollectable pledges | <u>(7,191)</u> |
| Total | <u>\$ 64,719</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>Cost</u> | <u>Fair Value</u> | <u>Unrealized Appreciation (Depreciation)</u> |
|---------------------------|-------------------|-------------------|---|
| Cash and cash equivalents | \$ 5,451 | \$ 5,451 | \$ - |
| Equity securities | 247,687 | 259,964 | 12,277 |
| Mutual funds | <u>374,978</u> | <u>388,601</u> | <u>13,623</u> |
| | <u>\$ 628,116</u> | <u>\$ 654,016</u> | <u>\$ 25,900</u> |

Investment return is summarized as follows:

| <u>Description</u> | <u>Amount</u> |
|---------------------------------|------------------|
| Realized gains(losses) | \$ (29,263) |
| Unrealized gains(losses) | <u>51,890</u> |
| Net gains(losses) on securities | 22,627 |
| Interest and dividend income | <u>15,690</u> |
| Net investment return | <u>\$ 38,317</u> |

Additionally, the Organization earned interest income of \$80 on its operating cash accounts.

NOTE 4 - INVESTMENTS - CONTINUED

The Organization adopted the *Fair Value Measurements and Disclosures* Topic of FASB ASC 820 which requires enhanced disclosures about assets and liabilities that are measured and reported at fair value. The standard establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are 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. The Organization's investments in cash equivalents, mutual funds, and equities are considered level one inputs.

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. The Organization does not have any investments in this category.

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. The Organization does not have any investments in this category.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The carrying amounts reported in the statement of financial position for cash and cash equivalents, prepaid expenses, accounts payable, and accrued liabilities approximate fair values.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| <u>Description</u> | <u>Amount</u> |
|--------------------------------|------------------|
| Furniture and equipment | \$ 29,521 |
| Leasehold improvements | <u>11,891</u> |
| Total | 41,412 |
| Less: accumulated depreciation | <u>(23,043)</u> |
| Net property and equipment | <u>\$ 18,369</u> |

Depreciation expense for the year was \$1,837.

NOTE 6 - COMMITMENTS

During 2009, the Organization entered into a lease for office space. The future minimum lease payments are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|------------------|
| 2014 | <u>\$ 12,468</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 | \$ 27,500 |
| Guardianship/Adult advocacy | 10,000 |
| Scholarship – People First | <u>1,629</u> |
| Total | <u>\$ 39,129</u> |

NOTE 8 - CONCENTRATION OF FUNDING SOURCE

Together with other unrelated organizations operating for a similar purpose, the Organization is a member of arc Thrift Stores. The arc Thrift Stores is a Colorado, nonprofit corporation organized to support member organizations. 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 December 31, 2013, the Organization was allocated \$761,211 by arc Thrift Stores which represents approximately 81% of its total revenue.

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> |
|----------------------|-----------------|
| Catering | \$ 1,075 |
| Computer IT services | 735 |
| Printing services | <u>191</u> |
| Total | <u>\$ 2,001</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 | \$ 27,500 |
| Guardianship/Adult advocacy | 7,500 |
| Transition alliance group | 4,105 |
| Scholarship – People First | <u>1,049</u> |
| Total | <u>\$ 40,154</u> |

NOTE 11 - BENEFIT PLAN

The Organization allows a 12% of gross pay benefit 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 year, the Organization's total benefit plan expense amounted to \$70,433.

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 on future claims.

NOTE 13 - BURIAL PLOT

In May 2000, an individual donated a burial plot at the Crown Hill Cemetery for the benefit of any individual for whom the Organization is guardian. The transfer fee was waived at the time the donation was made, and it was stated that Crown Hill Cemetery would charge no future transfer fee, since the ultimate beneficiary has yet to be identified.