THE ARC OF SOUTHWEST COLORADO, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

THE ARC OF SOUTHWEST COLORADO, INC.
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May Jackson Hendrick, LLC
Certified Public Accountants

Traci L. May, CPA
Lenae A. Jackson, CPA
Lori K. Hendrick, CPA

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
The Arc of Southwest Colorado, Inc.
Durango, Colorado

We have reviewed the accompanying financial statements of The Arc of Southwest Colorado, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility
Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion
Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

May Jackson Hendrick, LLC

Parker, Colorado
June 11, 2018

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THE ARC OF SOUTHWEST COLORADO, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS		
Cash	$	111,064
Prepaid expenses		1,735
Total Current Assets		112,799
Total Assets	$	112,799
LIABILITIES AND NET ASSETS		
Accounts payable	$	5,463
Accrued expenses		700
Total Current Liabilities		6,163
NET ASSETS:		
Unrestricted		
General		74,306
Board designated		32,330
Total Unrestricted		106,636
Total Net Assets		106,636
Total Liabilities and Net Assets	$	112,799

See accompanying notes and
independent accountants' review report.

THE ARC OF SOUTHWEST COLORADO, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

REVENUES:	
Grants	$ 128,528
Contributions	27,100
Membership fees	8,124
Interest income	56
Total Revenues	163,808
EXPENSES:	
Program	79,669
Management and general	49,098
Fundraising	13,010
Total Expenses	141,777
CHANGE IN NET ASSETS	22,031
NET ASSETS-BEGINNING OF YEAR	84,605
NET ASSETS-END OF YEAR	$ 106,636

See accompanying notes and
independent accountants' review report.

THE ARC OF SOUTHWEST COLORADO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program	Management & General	Fund-raising	Total
Personnel Costs:				
Salaries and wages	$ 40,000	$ 29,600	$ 10,400	$ 80,000
Employee benefits	3,468	2,566	902	6,936
Payroll taxes	2,871	2,124	746	5,741
Total Personnel Costs	46,339	34,290	12,048	92,677
Professional fees	19,649	1,689	-	21,338
Travel and meetings	5,887	8,071	116	14,074
Training and education	1,534	1,462	683	3,679
Occupancy	2,250	1,350	-	3,600
Telephone	1,358	796	-	2,154
Insurance	1,341	604	-	1,945
Direct client services	714	-	-	714
Advertising	296	203	42	541
Miscellaneous	51	350	-	401
Supplies	103	221	26	350
Fundraising	78	-	78	156
Printing and reproduction	62	62	-	124
Postage and delivery	7	-	17	24
Total Expenses	$ 79,669	$ 49,098	$ 13,010	$ 141,777

THE ARC OF SOUTHWEST COLORADO, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:	
Increase in net assets	$ 22,031
Adjustments to reconcile increase (decrease) in net assets to net cash from (used for) operating activities:	
Changes in assets and liabilities:	
Increase in prepaid expenses	(129)
Increase in accounts payable	4,813
Decrease in accrued expenses	(959)
Total Adjustments	3,725
Net Cash From Operating Activities	25,756
NET INCREASE IN CASH	25,756
CASH - BEGINNING OF YEAR	85,308
CASH - END OF YEAR	$ 111,064

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS

The Arc of Southwest Colorado, Inc. (the Organization), a Colorado Not-for-Profit Organization, was incorporated in 2014. The Organization's primary purpose is to provide leadership in addressing the choices and needs of individuals with intellectual and developmental disabilities and their families while safeguarding the rights of these individuals, facilitating choices, and promoting independence and inclusion in community life. The Organization is an affiliated local chapter of The Arc of Colorado and The Arc (national organization) and conforms to the governance and requirements of these organizations as applicable. The Organization's service territory includes La Plata, Archuleta, San Juan, Montezuma, and Dolores Counties.

The Organization is controlled by a Board of Directors of five to seven directors. At least two members of the board of directors shall be persons with intellectual and developmental disabilities, relatives or legal guardians of persons who have intellecutal and developmental disabilities. The Board of Directors are elected by the membership of the Organization; Officers are elected by the Board of Directors. Directors and Officers serve a three year term or until the installation of their successors. Officers may serve two terms if approved by the membership of the Organization.

The Arc of Southwest Colorado, Inc. receives support from grants, contributions and membership fees. Grant revenue is recognized when received. In addition, grant revenue is accrued when unconditional promises are received. Contributions are received from the general public and recognized as income when received. Membership revenue is recognized when received.

Basis of Accounting

The financial statements are presented in accordance with the requirements established under the Not-for-Profit Entities - Presentation of Financial Statements Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under this topic, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted (at December 31, 2017 the Organization did not have temporarily restricted or permanently restricted net assets). The financial statements of the Organization have been prepared utilizing the accrual basis of accounting and accordingly reflect significant receivables, payables and other liabilities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS (Continued)

Contributions

The Organization recognizes contributions received in accordance with the requirements established under the Not-for-Profit - Revenue Recognition Topic of the FASB ASC. Under this topic, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Donated Materials and Services

Donated materials are recorded as contributions at their estimated fair values at the date of donation. Contributions of services are recognized in the financial statements if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Functional Allocation of Expenses

The operating expenses of the Organization are allocated to three different functional categories based on management's estimate of the time and expense spent for each of the functions. These functions are as follows:

Program - The costs associated with providing leadership in addressing the choices and needs of individuals with intellectual and developmental disabilities and their families while safeguarding the rights of these individuals, facilitating choices, and promoting independence and inclusion in community life.

Management and General - The costs associated with the operating of the Organization's office, including gathering, processing and maintaining financial and legal information. In addition, the costs related to providing services to the members of the Organization.

Fundraising - The costs associated with fundraising efforts to benefit the Organization.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS (Continued)

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all cash on hand, cash on deposit subject to immediate withdrawal and certificates of deposit with an original maturity of three months or less to be cash and cash equivalents.

Property and Equipment

The Organization capitalizes equipment, software and leasehold improvements, at cost if purchased or fair value if contributed, for amounts in excess of $1,000. Such items are depreciated using the straight line method over their estimated useful lives. As of December 31, 2017 the Organization had not capitalized any property and

Income Taxes

The Organization is exempt from income tax as provided under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization adopted accounting requirements that prescribe when to recognize and how to measure the financial statement effects of income tax positions taken or expected to be taken on its income tax returns, including the position that the Organization continues to qualify to be treated as a tax-exempt organization for both federal and state income tax purposes. These rules require management to evaluate the likelihood that, upon examination by relevant taxing jurisdictions, those income tax positions would be sustained.

Based on that evaluation, if it were more than 50% probable that a material amount of income tax would be imposed at the entity level upon examination by the relevant taxing authorities, a liability would be recognized in the accompanying balance sheet along with any interest and penalties that would result from that assessment.

Based on the results of management’s evaluation, the requirements did not have a material effect on the Organization’s financial statements. Consequently, no liability is recognized in the accompanying balance sheet for uncertain income tax positions.

The Organization's federal returns (Form 990 and 990T, if filed) are subject to examination by the Internal Revenue Service generally for three years after they are filed. Should any penalties and interest be incurred, they would be recognized as management and general expenses.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS (Continued)

Fair Value of Financial Instruments

Generally Accepted Accounting Principles (GAAP) requires disclosure of an estimate of fair value of certain financial instruments. The Organization's financial instruments are cash, accounts payables and accrued expenses. The recorded value of these financial instruments approximate fair values based on their short-term nature.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 11, 2018, the date the financial statements were available to be issued. No events were identified that required additional disclosure.

NOTE 2 BOARD DESIGNATED NET ASSETS

The Board of Directors have designated the following unrestricted net assets:

Three month operating reserve	$ 32,330

NOTE 3 LEASE COMMITMENTS

The Organization leases its office space on a month to month basis; the lease requires monthly lease payments of $300.

Rental expense for the year ended December 31, 2017 was $3,600.

NOTE 4 CONCENTRATION OF CREDIT RISK

The Organization's financial instruments that are exposed to concentrations of credit risk consist of cash. The Organization places its cash with high credit quality institutions. At times, cash may be held in accounts in excess of the FDIC insurance limit of $250,000. At December 31, 2017, the Organization had no accounts held at one financial institution which exceeded the FDIC limit.