THE ARC OF SOUTHWEST COLORADO, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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

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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, 2018, 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.

Emphasis of Matter
As described in Note 1 to the financial statements, in 2018, The Arc of Southwest Colorado, Inc. adopted new accounting guidance, Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities.

May Jackson Hendrick, LLC

Parker, Colorado
June 4, 2019

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THE ARC OF SOUTHWEST COLORADO, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS		
Cash - without donor restrictions	$	150,031
Accounts receivable		11,149
Prepaid expenses		1,745
Property and equipment - without donor restrictions		1,149
Total Assets	$	164,074
LIABILITIES AND NET ASSETS		
Accounts payable	$	5,378
Accrued expenses		1,283
Note payable		12,500
Total Current Liabilities		19,161
NET ASSETS		
Without donor restrictions		144,913
Total Net Assets		144,913
Total Liabilities and Net Assets	$	164,074

See accompanying notes and
independent accountants' review report.

THE ARC OF SOUTHWEST COLORADO, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions
REVENUES:	
Grants	$ 178,832
Membership fees	34,385
Contributions	1,609
Interest income	465
In-kind contributions	320
Total Revenues	215,611
EXPENSES:	
Program	128,404
Management and general	24,158
Fundraising	12,272
Total Expenses	164,834
CHANGE IN NET ASSETS	50,777
NET ASSETS - BEGINNING OF YEAR	106,636
PRIOR PERIOD ADJUSTMENT	(12,500)
NET ASSETS - BEGINNING OF YEAR ADJUSTED	94,136
NET ASSETS - END OF YEAR	$ 144,913

See accompanying notes and
independent accountants' review report.

THE ARC OF SOUTHWEST COLORADO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program	Management & General	Fund-raising	Total
Personnel Costs:				
Salaries and wages	$ 73,977	$ 16,000	$ 8,000	$ 97,977
Payroll taxes	5,660	1,224	612	7,495
Employee benefits	3,180	688	344	4,212
Total Personnel Costs	82,816	17,912	8,956	109,684
Direct client services	14,595	-	-	14,595
Travel and meetings	10,095	2,884	1,442	14,421
Professional fees	5,586	1,047	350	6,983
Occupancy	3,455	987	494	4,936
Advertising	2,757	255	255	3,267
Telephone	2,071	378	378	2,827
Supplies	2,302	97	98	2,497
Insurance	1,656	414	-	2,070
Training and education	1,468	183	184	1,835
Dues and subscriptions	1,230	-	-	1,230
Postage and delivery	138	-	15	153
Depreciation	128	-	-	128
Fundraising	-	-	100	100
Printing and reproduction	76	-	-	76
Miscellaneous	31	-	-	31
Total Expenses	$ 128,404	$ 24,158	$ 12,272	$ 164,834

THE ARC OF SOUTHWEST COLORADO, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:	
Increase in net assets	$ 50,777
Adjustments to reconcile increase (decrease) in net assets to net cash from (used for) operating activities:	
Depreciation	128
Changes in assets and liabilities:	
Increase in accounts receivable	(11,149)
Increase in prepaid expenses	(10)
Decrease in accounts payable	(85)
Increase in accrued expenses	583
Total Adjustments	(10,533)
Net Cash From Operating Activities	40,244
CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:	
Purchase of fixed asset	(1,277)
Net Cash Used For Investing Activities	(1,277)
NET INCREASE IN CASH	38,967
CASH - BEGINNING OF YEAR	111,064
CASH - END OF YEAR	$ 150,031
RECONCILIATION TO CASH - END OF YEAR:	
Cash - without donor restrictions	$ 150,031
Total Cash	$ 150,031

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 intellectual 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 two classes of net assets: without donor restrictions and with donor restrictions (at December 31, 2018 the Organization did not have net assets with donor restrictions). 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 without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions 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 without donor restrictions.

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.

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 4, 2019, the date the financial statements were available to be issued. No events were identified that required additional disclosure.

Adoption of New Accounting Standard

The Organization adopted new accounting guidance, Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities, effective for years beginning after December 15, 2017. This Statement establishes new standards of accounting and financial reporting for, most notably, net asset classifications, required liquidity disclosures, investment return reporting, statement of cash flows presentation and functional expense reporting. Prior year balances were not affected by the implementation of the new accounting standard.

NOTE 2 PROPERTY AND EQUIPMENT

Without Donor Restrictions:	Beginning	Additions	Deductions	Ending
Furniture, fixtures and equipment	$ -	$ 1,277	$ -	$ 1,277
Accumulated depreciation	-	(128)	-	(128)
Net Property and Equipment - Without Donor Restrictions	$ -	$ 1,149	$ -	$ 1,149

The Organization recognized $128 in depreciation expense in the current year.

NOTE 3 NOTE PAYABLE

The Organization received a loan from the ARC of Colorado in 2016 in the amount of $12,500. The loan does not carry an interest rate and is scheduled to be paid back within five years. Future payments are as follows:

Year	Amount
2021	$ 12,500

NOTE 4 NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consists of the following:

General	$ 98,367
Board designated three month operating reserve	46,546
Total net assets without donor restrictions	$ 144,913

NOTE 5 PRIOR PERIOD ADJUSTMENT

The Organization identified an accounting error during the year ended December 31, 2018. As a result, a note payable in the amount of $12,500 was recorded (NOTE 3).

NOTE 6 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, 2018 was $3,600.

NOTE 7 ALLOCATION OF FUNCTIONAL EXPENSES

The financial statements report certain expenses that are attributable to program, management and general and fundraising functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied.

Employee payroll taxes and benefits attributable to each function have been allocated accordingly using percentages derived from directly allocated gross wages based on actual staff time and effort per category. Remaining expenses have been allocated to each category based on the direct expenditures incurred.

NOTE 8 LIQUIDITY AND AVAILABIITY OF FINANCIAL ASSETS

Financial assets - end of year	$ 161,180
Less those unavailable for general expenditures within one year, due to:	
Board designations (see NOTE 3):	
Amounts set aside for reserves	46,546
Financial assets available to meet cash needs for general expenditures within one year	$ 114,634

The Organization is substantially supported by membership dues, grants and contributions. At times, the Organization may received grants and contributions with donor restrictions which requires resources to be used in a particular manner or in a future period. The ARC of Southwest Colorado, Inc. must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization places cash in excess of its general expenditures, liabilities and other obligations in an interest bearing savings account. Furthermore, the Board has designated a portion of the operating surplus to its reserves.

NOTE 9 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, 2018, the Organization had no accounts held at one financial institution which exceeded the FDIC limit.