

**THE ARC OF SOUTHWEST COLORADO, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**THE ARC OF SOUTHWEST COLORADO, INC.**  
**CONTENTS**

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	<u>Page</u>
Independent Accountants' Review Report	3
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 14

## 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 statements of financial position as of December 31, 2020 and 2019, 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.



Parker, Colorado  
April 30, 2021

**THE ARC OF SOUTHWEST COLORADO, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Cash - without donor restrictions	\$ 165,308	\$ 167,197
Cash - with donor restrictions	-	65
Accounts receivable	-	1,769
Prepaid expenses	2,206	1,866
Property and equipment - without donor restrictions	<u>638</u>	<u>894</u>
Total Assets	<u><u>\$ 168,153</u></u>	<u><u>\$ 171,791</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 650	\$ 2,644
Accrued expenses	-	1,514
Note payable, related organization	12,500	12,500
Note payable, Paycheck Protection Program	<u>18,500</u>	<u>-</u>
Total Current Liabilities	<u>31,650</u>	<u>16,658</u>
<b>NET ASSETS</b>		
Without donor restrictions	136,503	155,068
With donor restrictions	<u>-</u>	<u>65</u>
Total Net Assets	<u>136,503</u>	<u>155,133</u>
Total Liabilities and Net Assets	<u><u>\$ 168,153</u></u>	<u><u>\$ 171,791</u></u>

**THE ARC OF SOUTHWEST COLORADO, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES:</b>						
Grants	\$ 138,630	\$ -	\$ 138,630	\$ 181,772	\$ 65	\$ 181,837
Contributions	28,140	-	28,140	35,495	-	35,495
Interest income	104	-	104	368	-	368
Miscellaneous income	-	-	-	841	-	841
Net assets released from restrictions:						
Satisfaction of program restrictions	65	(65)	-	-	-	-
Total Revenues	166,939	(65)	166,874	218,476	65	218,541
<b>EXPENSES:</b>						
Program	140,352	-	140,352	162,140	-	162,140
Management and general	34,152	-	34,152	34,659	-	34,659
Fundraising	11,000	-	11,000	11,522	-	11,522
Total Expenses	185,504	-	185,504	208,321	-	208,321
<b>CHANGE IN NET ASSETS</b>	(18,565)	(65)	(18,630)	10,155	65	10,220
<b>NET ASSETS -</b>						
<b>BEGINNING OF YEAR</b>	155,068	65	155,133	144,913	-	144,913
<b>NET ASSETS - END OF YEAR</b>	\$ 136,503	\$ -	\$ 136,503	\$ 155,068	\$ 65	\$ 155,133

See accompanying notes and  
independent accountants' review report.

**THE ARC OF SOUTHWEST COLORADO, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020				2019			
	Program	Management & General	Fund-raising	Total	Program	Management & General	Fund-raising	Total
<b>Personnel Costs:</b>								
Salaries and wages	\$ 96,967	\$ 24,654	\$ 8,218	\$ 129,840	\$ 94,559	\$ 24,655	\$ 8,218	\$ 127,432
Payroll taxes	7,418	1,886	629	9,933	7,234	1,886	629	9,749
Employee benefits	8,888	740	247	9,875	8,614	810	270	9,694
Total Personnel Costs	113,273	27,280	9,093	149,647	110,406	27,350	9,117	146,873
Direct client services	9,254	-	-	9,254	26,632	-	-	26,632
Advertising	3,868	113	1,450	5,430	741	84	75	900
Professional fees	2,033	3,059	158	5,249	6,703	1,915	958	9,576
Occupancy	3,780	420	-	4,200	2,520	1,020	360	3,900
Telephone	2,802	1,224	55	4,082	2,059	-	882	2,941
Travel and meetings	2,197	733	140	3,070	10,819	2,293	18	13,130
Insurance	1,499	1,260	-	2,760	459	1,834	-	2,293
Dues and subscriptions	1,188	20	-	1,208	-	70	-	70
Supplies	175	33	104	312	1,546	31	113	1,690
Depreciation	256	-	-	256	255	-	-	255
Postage and delivery	28	-	-	28	-	-	-	-
Miscellaneous	-	10	-	10	-	61	-	61
Total Expenses	\$ 140,352	\$ 34,152	\$ 11,000	\$ 185,504	\$ 162,140	\$ 34,659	\$ 11,522	\$ 208,321

See accompanying notes and independent accountants' review report.

**THE ARC OF SOUTHWEST COLORADO, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ (18,630)	\$ 10,220
Adjustments to reconcile increase (decrease) in net assets to net cash from (used for) operating activities:		
Depreciation	256	255
Changes in assets and liabilities:		
Decrease in accounts receivable	1,769	9,380
Increase in prepaid expenses	(340)	(121)
Decrease in accounts payable	(1,995)	(2,734)
(Decrease) Increase in accrued expenses	<u>(1,514)</u>	<u>231</u>
Total Adjustments	<u>(1,824)</u>	<u>7,011</u>
Net Cash (Used For) From Operating Activities	<u>(20,454)</u>	<u>17,231</u>
<b>CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:</b>		
Acquisition of debt	<u>18,500</u>	<u>-</u>
Net Cash From Investing Activities	<u>18,500</u>	<u>-</u>
<b>NET (DECREASE) INCREASE IN CASH</b>	<b>(1,954)</b>	<b>17,231</b>
<b>CASH - BEGINNING OF YEAR</b>	<u>167,262</u>	<u>150,031</u>
<b>CASH - END OF YEAR</b>	<u><u>\$ 165,308</u></u>	<u><u>\$ 167,262</u></u>
<b>RECONCILIATION TO CASH - END OF YEAR:</b>		
Cash - without donor restrictions	\$ 165,308	\$ 167,197
Cash - with donor restrictions	<u>-</u>	<u>65</u>
Total Cash	<u><u>\$ 165,308</u></u>	<u><u>\$ 167,262</u></u>

**THE ARC OF SOUTHWEST COLORADO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

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**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. The financial statements of the Organization have been prepared utilizing the accrual basis of accounting and accordingly reflect significant receivables, payables and other liabilities.



**THE ARC OF SOUTHWEST COLORADO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

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**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.

**Cash and Cash Equivalents**

For purposes of the Statements 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.

**THE ARC OF SOUTHWEST COLORADO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

**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.

**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.

**THE ARC OF SOUTHWEST COLORADO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 2    PROPERTY AND EQUIPMENT**

	December 31,			December 31,
Without Donor Restrictions:	2019	Additions	Deductions	2020
Furniture, fixtures and equipment	\$ 1,277	\$ -	\$ -	\$ 1,277
Accumulated depreciation	(383)	(256)	-	(639)
Net Property and Equipment -				
Without Donor Restrictions	<u>\$ 894</u>	<u>\$ (256)</u>	<u>\$ -</u>	<u>\$ 638</u>

The Organization recognized \$256 and \$255 in depreciation expense during the years ended December 31, 2020 and 2019, respectively.

**NOTE 3    NOTE PAYABLE, RELATED ORGANIZATION**

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. The Organization can repay the loan on or before the extended loan due date of December 31, 2023; required minimum payments were not established by ARC of Colorado. Future payments are as follows:

Years	Amount
2021 - 2023	<u>\$ 12,500</u>

**NOTE 4    NOTE PAYABLE, PAYCHECK PROTECTION PROGRAM**

The Organization received the Paycheck Protection Program (PPP) loan in the amount of \$18,500. The Organization received notification of loan forgiveness in January 2021; see NOTE 12 - Subsequent Events.

The PPP loan will be reclassified and recognized as contribution income in 2021.

**NOTE 5    NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets without donor restrictions consists of the following:	2020	2019
General	\$ 96,003	\$ 109,448
Board designated three month operating reserve	40,500	45,620
Total net assets without donor restrictions	<u>\$ 136,503</u>	<u>\$ 155,068</u>

**NOTE 6    NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consists of the following:	2020	2019
Advocacy support	\$ -	\$ 65
Total net assets with donor restrictions	<u>\$ -</u>	<u>\$ 65</u>

Net assets with donor restrictions will be released in the future when the Organization satisfies the restrictions specified by the donors.

**THE ARC OF SOUTHWEST COLORADO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 7    LEASE COMMITMENT**

The Organization entered into a one-year lease for office space on January 1, 2020 with the option to renew the lease for one additional year. The monthly lease payments are equal to \$400; however, from July 1, 2020 - December 31, 2020 the monthly lease payments were reduced to \$300 due to COVID-19.

Rental expense for the years ended December 31, 2020 and 2019 was \$4,200 and \$3,600; respectively.

Future lease payments are as follows:

<u>Years</u>	<u>Amount</u>
2021	<u>\$    4,800</u>

**NOTE 8    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 9    PENSION PLAN**

In 2020, the Organization created a simple IRA plan. All employees are immediately eligible to participate in the plan and the Organization is required to match up to 3% of each employee's eligible salary. Pension expense for the year ended December 31, 2020 was \$3,863.

**NOTE 10    LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

	<u>2020</u>	<u>2019</u>
Financial assets - end of year	\$ 165,308	\$ 168,966
Less those unavailable for general expenditures within one year, due to:		
Board designations (see NOTE 5):		
Amounts set aside for reserves	<u>40,500</u>	<u>45,620</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 124,808</u>	<u>\$ 123,346</u>

**THE ARC OF SOUTHWEST COLORADO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

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**NOTE 10   LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)**

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. The reserves established by the Board may be drawn upon in the event of financial distress or future capital projects.

**NOTE 11   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, 2020 and 2019, the Organization had no accounts held at any one financial institution exceeding the FDIC limit.

**NOTE 12   SUBSEQUENT EVENTS**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 30, 2021, the date the financial statements were available to be issued. The Organization identified the following subsequent events:

**COVID-19**

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in China. As of March 2020, the World Health Organization declared the outbreak to constitute a “Public Health Emergency of International Concern” and pandemic.

The COVID-19 outbreak has disrupted the Organization's ability to provide program services to the community. Limited capacity restrictions and social distancing requirements throughout the City of Durango, State of Colorado and the United States continue to create a strain on the Organization and economy worldwide.

**THE ARC OF SOUTHWEST COLORADO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

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**NOTE 12   SUBSEQUENT EVENTS (Continued)**

*COVID-19 (Continued)*

The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our clients, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

*Paycheck Protection Program*

The Organization received notification in January 2021 that the \$18,500 Paycheck Protection Program loan (NOTE 4) received in 2020 had been forgiven. The PPP loan will be reclassified to contribution income in 2021.