

THE ARC OF SOUTHWEST COLORADO, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

THE ARC OF SOUTHWEST COLORADO, INC.
CONTENTS

	<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 - 13

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, 2021 and 2020, 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.

We are required to be independent of The Arc of Southwest Colorado, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

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
April 28, 2022

THE ARC OF SOUTHWEST COLORADO, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash - without donor restrictions	\$ 81,253	\$ 165,308
Cash - with donor restrictions	3,000	-
Prepaid expenses	2,066	2,206
Property and equipment - without donor restrictions	<u>272,689</u>	<u>638</u>
Total Assets	<u>\$ 359,008</u>	<u>\$ 168,152</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 1,302	\$ 650
Accrued expenses	1,502	-
Note payable, related organization	12,500	12,500
Note payable, bank	174,496	-
Note payable, Paycheck Protection Program	<u>-</u>	<u>18,500</u>
Total Current Liabilities	<u>189,800</u>	<u>31,650</u>
NET ASSETS		
Without donor restrictions	166,208	136,502
With donor restrictions	<u>3,000</u>	<u>-</u>
Total Net Assets	<u>169,208</u>	<u>136,502</u>
Total Liabilities and Net Assets	<u>\$ 359,008</u>	<u>\$ 168,152</u>

THE ARC OF SOUTHWEST COLORADO, INC.

**STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES:						
Grants	\$ 224,776	\$ 3,000	\$ 227,776	\$ 138,630	\$ -	\$ 138,630
Paycheck Protection Program loan forgiveness	18,500	-	18,500	-	-	-
Contributions	17,746	-	17,746	28,140	-	28,140
In-kind contributions	873	-	873	-	-	-
Interest income	47	-	47	104	-	104
Net assets released from restrictions:						
Satisfaction of program restrictions	-	-	-	65	(65)	-
Total Revenues	<u>261,941</u>	<u>3,000</u>	<u>264,941</u>	<u>166,939</u>	<u>(65)</u>	<u>166,874</u>
EXPENSES:						
Program	191,858	-	191,858	140,352	-	140,352
Management and general	20,263	-	20,263	34,152	-	34,152
Fundraising	20,115	-	20,115	11,000	-	11,000
Total Expenses	<u>232,236</u>	<u>-</u>	<u>232,236</u>	<u>185,504</u>	<u>-</u>	<u>185,504</u>
CHANGE IN NET ASSETS	29,706	3,000	32,706	(18,565)	(65)	(18,630)
NET ASSETS - BEGINNING OF YEAR	<u>136,502</u>	<u>-</u>	<u>136,502</u>	<u>155,067</u>	<u>65</u>	<u>155,132</u>
NET ASSETS - END OF YEAR	<u>\$ 166,208</u>	<u>\$ 3,000</u>	<u>\$ 169,208</u>	<u>\$ 136,502</u>	<u>\$ -</u>	<u>\$ 136,502</u>

THE ARC OF SOUTHWEST COLORADO, INC.

**STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021				2020			
	Program	Mgmt & General	Fund- raising	Total	Program	Mgmt & General	Fund- raising	Total
Personnel Costs:								
Salaries and wages	\$ 121,038	\$ 15,130	\$ 15,130	\$ 151,297	\$ 96,967	\$ 24,654	\$ 8,218	\$ 129,840
Payroll taxes	9,259	1,157	1,157	11,574	7,418	1,886	629	9,933
Employee benefits	9,923	643	107	10,673	8,888	740	247	9,875
Total Personnel Costs	140,220	16,931	16,394	173,544	113,273	27,280	9,093	149,647
Advertising	15,623	1,350	1,350	18,323	3,868	113	1,450	5,430
Professional fees	9,071	379	1,242	10,692	2,033	3,059	158	5,249
Direct client services	5,979	-	-	5,979	9,254	-	-	9,254
Supplies	4,792	366	334	5,491	175	33	104	312
Telephone	3,318	382	382	4,082	2,802	1,224	55	4,082
Occupancy	3,380	60	60	3,500	3,780	420	-	4,200
Travel and meetings	2,957	142	127	3,226	2,197	733	140	3,070
Insurance	2,515	501	95	3,111	1,499	1,260	-	2,760
Dues and subscriptions	1,571	48	68	1,687	1,188	20	-	1,208
Education and training	1,041	-	-	1,041	-	-	-	-
Depreciation	825	-	-	825	256	-	-	256
Interest	408	51	51	510	-	-	-	-
Utilities	104	13	13	130	-	-	-	-
Miscellaneous	50	41	-	91	-	10	-	10
Postage and delivery	2	-	-	2	28	-	-	28
Total Expenses	<u>\$ 191,858</u>	<u>\$ 20,263</u>	<u>\$ 20,115</u>	<u>\$ 232,236</u>	<u>\$ 140,352</u>	<u>\$ 34,152</u>	<u>\$ 11,000</u>	<u>\$ 185,504</u>

THE ARC OF SOUTHWEST COLORADO, INC.

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:		
Increase (Decrease) in net assets	\$ 32,706	\$ (18,630)
Adjustments to reconcile increase (decrease) in net assets to net cash from (used for) operating activities:		
Depreciation	824	256
Changes in assets and liabilities:		
Decrease in accounts receivable	-	1,769
Decrease (Increase) in prepaid expenses	140	(340)
Increase (Decrease) in accounts payable	653	(1,995)
Increase (Decrease) Increase in accrued expenses	1,502	(1,514)
Total Adjustments	3,119	(1,824)
Net Cash From (Used For) From Operating Activities	35,824	(20,454)
CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:		
Fixed asset purchase	(272,875)	-
Net Cash Used For Investing Activities	(272,875)	-
CASH FLOWS FROM (USED FOR) FINANCING ACTIVITIES:		
Acquisition of debt	175,000	18,500
Forgiveness of debt	(18,500)	-
Principal payments	(504)	-
Net Cash From Financing Activities	155,996	18,500
NET DECREASE IN CASH	(81,055)	(1,954)
CASH - BEGINNING OF YEAR	165,308	167,262
CASH - END OF YEAR	\$ 84,253	\$ 165,308
RECONCILIATION TO CASH - END OF YEAR:		
Cash - without donor restrictions	\$ 81,253	\$ 165,308
Cash - with donor restrictions	3,000	-
Total Cash	\$ 84,253	\$ 165,308

THE ARC OF SOUTHWEST COLORADO, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

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, 2021 AND 2020

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, 2021 AND 2020

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 \$5,000. 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, 2021 AND 2020

NOTE 2 **PROPERTY AND EQUIPMENT**

	December 31,			December 31,
Without Donor Restrictions:	2020	Additions	Deductions	2021
Building	\$ -	\$ 272,875	\$ -	\$ 272,875
Furniture, fixtures and equipment	1,277	-	-	1,277
Accumulated depreciation	(639)	(824)	-	(1,463)
Net Property and Equipment - Without Donor Restrictions	\$ 638			\$ 272,689

The Organization recognized \$824 and \$256 in depreciation expense during the years ended December 31, 2021 and 2020, 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	\$ 12,500

NOTE 4 **NOTE PAYABLE, BANK**

The Organization entered into a note payable, bank for \$175,000 in November 2021 for the purchase of the office building. The loan carries an initial interest rate of 3.5% for the first 84 monthly payments of \$1,015; the remaining 156 monthly payments of \$1,044 carry an interest rate of 3.97%. The note payable matures in November 2024.

Future maturities of the note payable, bank are as follows:

December 31,	
2022	\$ 6,085
2023	6,305
2024	6,516
2025	6,767
2026	7,011
Thereafter	141,812
Total	\$ 174,496

NOTE 5 **NOTE PAYABLE, PAYCHECK PROTECTION PROGRAM**

The Organization received a Paycheck Protection Program (PPP) loan in the amount of \$18,500 in 2020 which was forgiven in 2021. As a result, the Organization recognized the loan forgiveness as income in 2021.

THE ARC OF SOUTHWEST COLORADO, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 6 **NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets without donor restrictions consists of the following:	<u>2021</u>	<u>2020</u>
General	\$ 108,108	\$ 96,003
Board designated three month operating reserve	<u>58,100</u>	<u>40,500</u>
Total net assets without donor restrictions	<u>\$ 166,208</u>	<u>\$ 136,502</u>

NOTE 7 **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consists of the following:	<u>2021</u>	<u>2020</u>
Adult program activities	\$ 3,000	\$ -
Total net assets with donor restrictions	<u>\$ 3,000</u>	<u>\$ -</u>

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

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 years ended December 31, 2021 and 2020 was \$3,732 and \$3,863, respectively.

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

Financial assets - end of year	<u>2021</u>	<u>2020</u>
	\$ 81,253	\$ 165,308
Less those unavailable for general expenditures within one year, due to:		
Board designations (see NOTE 5):		
Amounts set aside for reserves	<u>58,100</u>	<u>40,500</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 23,153</u>	<u>\$ 124,808</u>

THE ARC OF SOUTHWEST COLORADO, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

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, 2021 and 2020, 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 28, 2022, 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 extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the spread of the outbreak, development and distribution of vaccines and subsequent boosters, 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 future operations is uncertain.