

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

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2022 AND 2021**

**THE ARC OF SOUTHWEST COLORADO, INC.**  
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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 statements of financial position as of December 31, 2022 and 2021, 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.



Parker, Colorado  
May 30, 2023

**THE ARC OF SOUTHWEST COLORADO, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
Cash - without donor restrictions	\$ 63,476	\$ 81,253
Cash - with donor restrictions	-	3,000
Prepaid expenses	2,714	2,066
Property and equipment - without donor restrictions	<u>265,612</u>	<u>272,689</u>
Total Assets	<u><u>\$ 331,802</u></u>	<u><u>\$ 359,008</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 766	\$ 1,302
Accrued expenses	1,356	1,502
Note payable, related organization	12,500	12,500
Note payable, bank	<u>168,410</u>	<u>174,496</u>
Total Current Liabilities	<u>183,032</u>	<u>189,800</u>
<b>NET ASSETS</b>		
Without donor restrictions	148,770	166,208
With donor restrictions	<u>-</u>	<u>3,000</u>
Total Net Assets	<u>148,770</u>	<u>169,208</u>
Total Liabilities and Net Assets	<u><u>\$ 331,802</u></u>	<u><u>\$ 359,008</u></u>

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

**STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<b>2022</b>			<b>2021</b>		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES:</b>						
Grants	\$ 275,458	\$ -	\$ 275,458	\$ 224,776	\$ 3,000	\$ 227,776
Paycheck Protection Program loan forgiveness	-	-	-	18,500	-	18,500
Contributions	24,976	-	24,976	17,746	-	17,746
In-kind contributions	944	-	944	873	-	873
Interest income	60	-	60	47	-	47
Net assets released from restrictions:						
Satisfaction of program restrictions	<u>3,000</u>	<u>(3,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>304,438</u>	<u>(3,000)</u>	<u>301,438</u>	<u>261,942</u>	<u>3,000</u>	<u>264,942</u>
<b>EXPENSES:</b>						
Program	259,933	-	259,933	191,858	-	191,858
Management and general	36,992	-	36,992	20,263	-	20,263
Fundraising	<u>24,951</u>	<u>-</u>	<u>24,951</u>	<u>20,115</u>	<u>-</u>	<u>20,115</u>
Total Expenses	<u>321,876</u>	<u>-</u>	<u>321,876</u>	<u>232,236</u>	<u>-</u>	<u>232,236</u>
<b>CHANGE IN NET ASSETS</b>	(17,438)	(3,000)	(20,438)	29,706	3,000	32,706
<b>NET ASSETS -</b>						
<b>BEGINNING OF YEAR</b>	<u>166,208</u>	<u>3,000</u>	<u>169,208</u>	<u>136,502</u>	<u>-</u>	<u>136,502</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 148,770</u>	<u>\$ -</u>	<u>\$ 148,770</u>	<u>\$ 166,208</u>	<u>\$ 3,000</u>	<u>\$ 169,208</u>

**THE ARC OF SOUTHWEST COLORADO, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022				2021			
	Program	Mgmt & General	Fund- raising	Total	Program	Mgmt & General	Fund- raising	Total
<b>Personnel Costs:</b>								
Salaries and wages	\$ 152,328	\$ 19,041	\$ 19,041	\$ 190,410	\$ 121,038	\$ 15,130	\$ 15,130	\$ 151,297
Payroll taxes	11,653	1,457	1,457	14,566	9,259	1,157	1,157	11,574
Employee benefits	18,366	584	614	19,564	9,923	643	107	10,673
Total Personnel Costs	182,347	21,082	21,112	224,540	140,220	16,931	16,394	173,544
Advertising	18,525	-	-	18,525	15,623	1,350	1,350	18,323
Professional fees	7,034	2,063	806	9,903	9,071	379	1,242	10,692
Direct client services	14,346	-	-	14,346	5,979	-	-	5,979
Supplies	2,889	3,196	244	6,329	4,792	366	334	5,491
Telephone	3,812	477	477	4,765	3,318	382	382	4,082
Occupancy	130	45	-	175	3,380	60	60	3,500
Travel and meetings	15,957	897	620	17,474	2,957	142	127	3,226
Insurance	2,494	799	306	3,599	2,515	501	95	3,111
Dues and subscriptions	4,116	359	359	4,833	1,571	48	68	1,687
Education and training	-	-	-	-	1,041	-	-	1,041
Depreciation	65	7,013	-	7,078	825	-	-	825
Interest	4,875	577	609	6,061	408	51	51	510
Property taxes	2,825	353	353	3,531	-	-	-	-
Utilities	519	65	65	649	104	13	13	130
Miscellaneous	-	67	-	67	50	41	-	91
Postage and delivery	-	-	-	-	2	-	-	2
Total Expenses	<u>\$ 259,933</u>	<u>\$ 36,992</u>	<u>\$ 24,951</u>	<u>\$ 321,876</u>	<u>\$ 191,858</u>	<u>\$ 20,263</u>	<u>\$ 20,115</u>	<u>\$ 232,236</u>

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

**STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:</b>		
(Decrease) Increase in net assets	\$ (20,438)	\$ 32,706
Adjustments to reconcile increase (decrease) in net assets to net cash from (used for) operating activities:		
Depreciation	7,078	825
Changes in assets and liabilities:		
(Increase) Decrease in prepaid expenses	(650)	139
(Decrease) Increase in accounts payable	(536)	653
(Decrease) Increase in accrued expenses	(145)	1,501
Total Adjustments	5,747	3,118
Net Cash (Used For) From Operating Activities	(14,691)	35,824
<b>CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:</b>		
Fixed asset purchase	-	(272,875)
Net Cash Used For Investing Activities	-	(272,875)
<b>CASH FLOWS FROM (USED FOR) FINANCING ACTIVITIES:</b>		
Principal payments	(6,086)	(504)
Acquisition of debt	-	175,000
Forgiveness of debt	-	(18,500)
Net Cash From Financing Activities	(6,086)	155,996
<b>NET DECREASE IN CASH</b>	(20,777)	(81,055)
<b>CASH - BEGINNING OF YEAR</b>	84,253	165,308
<b>CASH - END OF YEAR</b>	\$ 63,476	\$ 84,253
<b>RECONCILIATION TO CASH - END OF YEAR:</b>		
Cash - without donor restrictions	\$ 63,476	\$ 81,253
Cash - with donor restrictions	-	3,000
Total Cash	\$ 63,476	\$ 84,253

**THE ARC OF SOUTHWEST COLORADO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

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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, 2022 AND 2021**

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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, 2022 AND 2021**

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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 \$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, 2022 AND 2021**

**NOTE 2    PROPERTY AND EQUIPMENT**

	December 31,			December 31,
Without Donor Restrictions:	2021	Additions	Deductions	2022
Building	\$ 272,875	\$ -	\$ -	\$ 272,875
Furniture, fixtures and equipment	1,277	-	-	1,277
Accumulated depreciation	<u>(1,463)</u>	(7,078)	-	<u>(8,540)</u>
Net Property and Equipment - Without Donor Restrictions	<u>\$ 272,689</u>			<u>\$ 265,612</u>

The Organization recognized \$7,708 and \$825 in depreciation expense during the years ended December 31, 2022 and 2021, 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:

Year	Amount
2023	<u>\$ 12,500</u>

**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 2041.

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

December 31,	
2023	\$ 6,305
2024	6,516
2025	6,767
2026	7,011
2027	7,264
Thereafter	<u>134,547</u>
Total	<u>\$ 168,410</u>

**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, 2022 AND 2021**

**NOTE 6    NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets without donor restrictions consists of the following:	<u>2022</u>	<u>2021</u>
General	\$ 100,782	\$ 116,203
Board designated operating reserves	<u>47,988</u>	<u>50,005</u>
Total net assets without donor restrictions	<u>\$ 148,770</u>	<u>\$ 166,208</u>

**NOTE 7    NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consists of the following:	<u>2022</u>	<u>2021</u>
Adult program activities	\$ -	\$ 3,000
Total net assets with donor restrictions	<u>\$ -</u>	<u>\$ 3,000</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, 2022 and 2021 was \$6,112 and \$3,732, respectively.

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

	<u>2022</u>	<u>2021</u>
Financial assets at year end	\$ 63,476	\$ 84,253
Less: amounts not available for general expenditures within one year due to:		
Net assets with donor restrictions (NOTE 7)	<u>-</u>	<u>3,000</u>
Net financial assets available to meet cash needs for general expenditures within one year	<u>\$ 63,476</u>	<u>\$ 81,253</u>

**THE ARC OF SOUTHWEST COLORADO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

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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, some 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.

It is the Organization's goal to establish operating reserves equal to three months of operating expenditures (as defined by the Board of Directors), which approximated \$60,100 and \$44,850 at December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, the Organization had allocated \$47,988 and \$50,005, respectively, to a segregated account for operating reserves (NOTE 6). The result of higher than anticipated expenditures in 2022 resulted in a shortfall in operating reserves at December 31, 2022 by \$12,112. The operating reserves are available for use within the next year. However, operating reserves expended by the Organization are required to be replenished within six months.

**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, 2022 and 2021, 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 May 30, 2023, the date the financial statements were available to be issued. The Organization has not identified any subsequent events.