

**THE ARC OF EAST CENTRAL IOWA
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**



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**THE ARC OF EAST CENTRAL IOWA
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YEARS ENDED JUNE 30, 2019 AND 2018**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Arc of East Central Iowa
Cedar Rapids, Iowa

We have audited the accompanying financial statements of The Arc of East Central Iowa (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
The Arc of East Central Iowa

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Arc of East Central Iowa as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
October 29, 2019

**THE ARC OF EAST CENTRAL IOWA
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

ASSETS	2019	2018
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 943,808	\$ 1,105,641
Certificates of Deposit	83,902	137,228
Accounts Receivable, Net	436,082	538,150
Unconditional Promises to Give:		
Contributions Receivable, United Way	160,000	160,000
Grants Receivable	20,000	-
Prepaid Expenses	36,921	40,014
Total Current Assets	1,680,713	1,981,033
PROPERTY AND EQUIPMENT		
Land	360,000	360,000
Building and Improvements	1,902,508	1,902,508
Leasehold Improvements	7,417	7,417
Furniture, Fixtures, and Equipment	422,310	403,605
Vehicles	137,771	82,788
Total	2,830,006	2,756,318
Less: Accumulated Depreciation	(1,143,933)	(1,067,825)
Net Property and Equipment	1,686,073	1,688,493
OTHER ASSETS		
Beneficial Interest in Net Assets of Perpetual Trust	50,000	50,000
Beneficial Interest in Assets Held by Community Foundation - Operating	1,308,463	1,256,947
Beneficial Interest in Assets Held by Community Foundation - Endowment	1,542,155	1,383,520
Total Other Assets	2,900,618	2,690,467
Total Assets	\$ 6,267,404	\$ 6,359,993

See accompanying Notes to Financial Statements.

**THE ARC OF EAST CENTRAL IOWA
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2019 AND 2018**

	2019	2018
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 21,731	\$ 19,150
Accrued Expenses	236,294	237,397
Current Maturities of Obligations under Capital Lease	2,547	-
Unearned Income	31,774	34,969
Total Current Liabilities	292,346	291,516
 LONG-TERM LIABILITIES		
Obligations under Capital Lease, Less Current Maturities Above	11,099	-
Total Liabilities	303,445	291,516
 NET ASSETS		
Without Donor Restrictions:		
Undesignated	1,490,151	1,694,760
Board Designated	4,175,317	4,081,433
Total Without Donor Restrictions	5,665,468	5,776,193
With Donor Restrictions	298,491	292,284
Total Net Assets	5,963,959	6,068,477
Total Liabilities and Net Assets	\$ 6,267,404	\$ 6,359,993

See accompanying Notes to Financial Statements.

**THE ARC OF EAST CENTRAL IOWA
STATEMENT OF ACTIVITIES
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 273,842	\$ 10,543	\$ 284,385
United Way	-	160,000	160,000
Grants and Reimbursements	3,625,118	55,000	3,680,118
Memberships	20,865	-	20,865
Program Fees	127,709	-	127,709
Fundraisers, Net of Direct Expenses of \$7,263 in 2019 and \$8,296 in 2018	17,876	-	17,876
Investment Income	3,628	-	3,628
Miscellaneous	13,189	-	13,189
Net Assets Released from Restrictions:			
Satisfaction of Purpose and Time Restrictions	220,000	(220,000)	-
Total Support and Revenue	<u>4,302,227</u>	<u>5,543</u>	<u>4,307,770</u>
EXPENSES			
Program Services:			
Family Support and Community Education	63,433	-	63,433
Citizen Advocacy	13,847	-	13,847
Respite	1,250,351	-	1,250,351
Supported Community Living	512,518	-	512,518
Habilitation	326,267	-	326,267
IMMT	24,962	-	24,962
Day Care	500,116	-	500,116
Day Habilitation	680,492	-	680,492
Project SEARCH	117,991	-	117,991
Supported Employment	71,670	-	71,670
Total Program Services	<u>3,561,647</u>	<u>-</u>	<u>3,561,647</u>
Supporting Activities:			
Management and General	898,307	-	898,307
Fundraising	66,616	-	66,616
Total Supporting Activities	<u>964,923</u>	<u>-</u>	<u>964,923</u>
Total Expenses	<u>4,526,570</u>	<u>-</u>	<u>4,526,570</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(224,343)	5,543	(218,800)
NONOPERATING ACTIVITIES			
Change in Beneficial Interest in Assets Held by Community Foundation	113,618	664	114,282
CHANGE IN NET ASSETS	(110,725)	6,207	(104,518)
Net Assets - Beginning of Year	<u>5,776,193</u>	<u>292,284</u>	<u>6,068,477</u>
NET ASSETS - END OF YEAR	<u>\$ 5,665,468</u>	<u>\$ 298,491</u>	<u>\$ 5,963,959</u>

See accompanying Notes to Financial Statements.

**THE ARC OF EAST CENTRAL IOWA
STATEMENT OF ACTIVITIES (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018**

2018		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 253,299	\$ -	\$ 253,299
-	160,000	160,000
3,890,989	60,000	3,950,989
20,640	-	20,640
155,420	-	155,420
12,893	-	12,893
4,953	-	4,953
7,918	-	7,918
160,000	(160,000)	-
4,506,112	60,000	4,566,112
66,655	-	66,655
13,124	-	13,124
1,299,444	-	1,299,444
541,265	-	541,265
354,104	-	354,104
21,510	-	21,510
522,024	-	522,024
674,702	-	674,702
141,835	-	141,835
49,563	-	49,563
3,684,226	-	3,684,226
799,979	-	799,979
64,293	-	64,293
864,272	-	864,272
4,548,498	-	4,548,498
(42,386)	60,000	17,614
158,597	1,181	159,778
116,211	61,181	177,392
5,659,982	231,103	5,891,085
\$ 5,776,193	\$ 292,284	\$ 6,068,477

See accompanying Notes to Financial Statements.

**THE ARC OF EAST CENTRAL IOWA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019**

EXPENSES	Program Services						
	Family Support and Comm. Educ.	Citizen Advocacy	Respite	Supported Community Living	Habilitation	IMMT	Day Care
Salaries	\$ 37,917	\$ 10,956	\$ 1,058,004	\$ 436,611	\$ 276,910	\$ 21,344	\$ 408,962
Fringe Benefits	580	101	22,793	10,711	6,272	444	6,604
Payroll Taxes	2,865	806	79,138	33,248	17,942	1,631	29,942
Total Salaries and Related Expenses	41,362	11,863	1,159,935	480,570	301,124	23,419	445,508
Professional Fees	208	64	6,328	2,546	1,567	134	2,472
Supplies	2,670	374	24,068	1,429	1,211	85	8,046
Telephone and Communication	840	-	820	192	18	-	-
Postage and Shipping	606	590	2,471	62	64	1	220
Occupancy	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-
Equipment Rental, Maintenance, and Repair	4	-	3,547	164	-	-	723
Outside Printing and Artwork	-	-	-	-	-	-	-
Special Events Expense	-	-	-	-	-	-	-
Transportation and Travel	36	54	6,869	21,595	19,102	8	1,017
Conferences, Conventions, and Meetings	-	-	-	-	-	-	-
Organization Dues	16,805	-	100	-	-	-	100
Miscellaneous	-	-	29,081	4,157	2,279	413	6,864
Total Expenses Before Depreciation and Amortization	62,531	12,945	1,233,219	510,715	325,365	24,060	464,950
Depreciation and Amortization	902	902	17,132	1,803	902	902	35,166
Total	63,433	13,847	1,250,351	512,518	326,267	24,962	500,116
Less: Expenses Netted Against Revenues on the Statement of Activities:							
Special Event Expenses	-	-	-	-	-	-	-
Total Expenses Included in the Expense Section of the Statement of Activities	\$ 63,433	\$ 13,847	\$ 1,250,351	\$ 512,518	\$ 326,267	\$ 24,962	\$ 500,116

See accompanying Notes to Financial Statements.

**THE ARC OF EAST CENTRAL IOWA
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2019**

	Program Services (Continued)				Supporting Activities			Total Expenses
	Day Habilitation	Project SEARCH	Supported Employment	Total	Management and General	Fundraising	Total	
EXPENSES								
Salaries	\$ 549,104	\$ 104,410	\$ 63,695	\$ 2,967,913	\$ 599,271	\$ 40,067	\$ 639,338	\$ 3,607,251
Fringe Benefits	16,619	2,801	626	67,551	9,523	758	10,281	77,832
Payroll Taxes	38,161	7,485	4,452	215,670	39,367	3,162	42,529	258,199
Total Salaries and Related Expenses	<u>603,884</u>	<u>114,696</u>	<u>68,773</u>	<u>3,251,134</u>	<u>648,161</u>	<u>43,987</u>	<u>692,148</u>	<u>3,943,282</u>
Professional Fees	3,001	-	365	16,685	26,029	224	26,253	42,938
Supplies	3,557	1,002	239	42,681	4,066	301	4,367	47,048
Telephone and Communication	1,190	-	-	3,060	40,800	1,439	42,239	45,299
Postage and Shipping	52	10	3	4,079	2,551	1,867	4,418	8,497
Occupancy	47,676	-	-	47,676	28,700	-	28,700	76,376
Insurance	-	-	-	-	28,944	-	28,944	28,944
Equipment Rental, Maintenance, and Repair	5	57	86	4,586	51,689	5	51,694	56,280
Outside Printing and Artwork	-	15	-	15	249	1,795	2,044	2,059
Special Events Expense	-	-	-	-	-	7,263	7,263	7,263
Transportation and Travel	15,006	1	917	64,605	17,924	119	18,043	82,648
Conferences, Conventions, and Meetings	-	940	-	940	300	-	300	1,240
Organization Dues	-	501	-	17,506	5,424	-	5,424	22,930
Miscellaneous	5,219	769	385	49,167	13,226	15,977	29,203	78,370
Total Expenses Before Depreciation and Amortization	<u>679,590</u>	<u>117,991</u>	<u>70,768</u>	<u>3,502,134</u>	<u>868,063</u>	<u>72,977</u>	<u>941,040</u>	<u>4,443,174</u>
Depreciation and Amortization	902	-	902	59,513	30,244	902	31,146	90,659
Total	<u>680,492</u>	<u>117,991</u>	<u>71,670</u>	<u>3,561,647</u>	<u>898,307</u>	<u>73,879</u>	<u>972,186</u>	<u>4,533,833</u>
Less: Expenses Netted Against Revenues on the Statement of Activities:								
Special Event Expenses	-	-	-	-	-	7,263	7,263	7,263
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 680,492</u>	<u>\$ 117,991</u>	<u>\$ 71,670</u>	<u>\$ 3,561,647</u>	<u>\$ 898,307</u>	<u>\$ 66,616</u>	<u>\$ 964,923</u>	<u>\$ 4,526,570</u>

See accompanying Notes to Financial Statements.

**THE ARC OF EAST CENTRAL IOWA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018**

EXPENSES	Program Services						
	Family Support and Comm. Educ.	Citizen Advocacy	Respite	Supported Community Living	Habilitation	IMMT	Day Care
Salaries	\$ 36,376	\$ 10,171	\$ 1,105,200	\$ 453,510	\$ 295,501	\$ 18,434	\$ 426,605
Fringe Benefits	771	113	25,206	12,325	8,880	403	5,654
Payroll Taxes	2,731	773	84,189	35,449	20,210	1,500	31,890
Total Salaries and Related Expenses	<u>39,878</u>	<u>11,057</u>	<u>1,214,595</u>	<u>501,284</u>	<u>324,591</u>	<u>20,337</u>	<u>464,149</u>
Professional Fees	216	66	7,051	2,855	1,868	114	2,726
Supplies	550	249	22,820	1,466	1,280	30	10,471
Telephone and Communication	1,689	-	779	223	-	-	-
Postage and Shipping	711	587	1,949	164	102	4	260
Occupancy	-	-	800	-	-	-	-
Insurance	-	-	-	-	-	-	-
Equipment Rental, Maintenance, and Repair	2	81	3,169	63	-	-	(557)
Outside Printing and Artwork	1,485	-	-	-	-	-	-
Special Events Expense	-	-	-	-	-	-	-
Transportation and Travel	47	146	3,992	30,857	25,116	72	563
Conferences, Conventions, and Meetings	336	-	-	-	-	-	-
Organization Dues	17,909	-	25	-	-	-	-
Miscellaneous	2,944	50	27,383	2,576	259	65	10,650
Total Expenses Before Depreciation and Amortization	<u>65,767</u>	<u>12,236</u>	<u>1,282,563</u>	<u>539,488</u>	<u>353,216</u>	<u>20,622</u>	<u>488,262</u>
Depreciation and Amortization	888	888	16,881	1,777	888	888	33,762
Total Expenses	<u>66,655</u>	<u>13,124</u>	<u>1,299,444</u>	<u>541,265</u>	<u>354,104</u>	<u>21,510</u>	<u>522,024</u>
Less: Expenses Netted Against Revenues on the Statement of Activities:							
Special Event Expenses	-	-	-	-	-	-	-
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 66,655</u>	<u>\$ 13,124</u>	<u>\$ 1,299,444</u>	<u>\$ 541,265</u>	<u>\$ 354,104</u>	<u>\$ 21,510</u>	<u>\$ 522,024</u>

See accompanying Notes to Financial Statements.

**THE ARC OF EAST CENTRAL IOWA
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2018**

EXPENSES	Program Services (Continued)				Supporting Activities			Total Expenses
	Day Habilitation	Project SEARCH	Supported Employment	Total	Management and General	Fundraising	Total	
Salaries								
Fringe Benefits	\$ 547,712	\$ 121,467	\$ 43,369	\$ 3,058,345	\$ 510,590	\$ 41,977	\$ 552,567	\$ 3,610,912
Payroll Taxes	15,832	3,091	0	72,275	9,070	1,226	10,296	82,571
Total Salaries and Related Expenses	<u>38,993</u>	<u>8,819</u>	<u>2,961</u>	<u>227,515</u>	<u>35,510</u>	<u>3,155</u>	<u>38,665</u>	<u>266,180</u>
	602,537	133,377	46,330	3,358,135	555,170	46,358	601,528	3,959,663
Professional Fees								
Supplies	3,138	725	248	19,007	29,390	246	29,636	48,643
Telephone and Communication	4,237	1,217	7	42,327	3,863	3	3,866	46,193
Postage and Shipping	1,428	-	-	4,119	33,558	-	33,558	37,677
Occupancy	67	42	9	3,895	2,844	952	3,796	7,691
Insurance	45,489	-	-	46,289	26,940	-	26,940	73,229
Equipment Rental, Maintenance, and Repair	-	-	-	-	27,436	-	27,436	27,436
Outside Printing and Artwork	2	158	25	2,943	39,886	27	39,913	42,856
Special Events Expense	248	14	-	1,747	230	269	499	2,246
Transportation and Travel	-	-	-	-	-	8,296	8,296	8,296
Conferences, Conventions, and Meetings	16,511	-	2,056	79,360	10,500	123	10,623	89,983
Organization Dues	-	-	-	336	488	-	488	824
Miscellaneous	-	-	-	17,934	5,615	-	5,615	23,549
Total Expenses Before Depreciation and Amortization	<u>157</u>	<u>5,414</u>	<u>-</u>	<u>49,498</u>	<u>34,739</u>	<u>15,427</u>	<u>50,166</u>	<u>99,664</u>
Depreciation and Amortization	673,814	140,947	48,675	3,625,590	770,659	71,701	842,360	4,467,950
	888	888	888	58,636	29,320	888	30,208	88,844
Total	674,702	141,835	49,563	3,684,226	799,979	72,589	872,568	4,556,794
Less: Expenses Netted Against Revenues on the Statement of Activities:								
Special Event Expenses	-	-	-	-	-	8,296	8,296	8,296
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 674,702</u>	<u>\$ 141,835</u>	<u>\$ 49,563</u>	<u>\$ 3,684,226</u>	<u>\$ 799,979</u>	<u>\$ 64,293</u>	<u>\$ 864,272</u>	<u>\$ 4,548,498</u>

See accompanying Notes to Financial Statements.

**THE ARC OF EAST CENTRAL IOWA
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (104,518)	\$ 177,392
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Change in Beneficial Interest in Assets Held by Community Foundation	(112,218)	(159,778)
Depreciation and Amortization	90,659	88,844
Certificate of Deposit Interest Reinvested	(1,709)	(1,627)
Provision for Bad Debts	40,195	32,007
Effects of Changes in Operating Assets and Liabilities:		
Receivables	41,870	113,257
Prepaid Expenses	3,093	(4,749)
Accounts Payable	2,581	12,834
Accrued Expenses	(1,101)	(61,149)
Unearned Income	(3,195)	28,243
Deferred Compensation	-	(25,000)
Net Cash Provided (Used) by Operating Activities	(44,343)	200,274
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(74,119)	(11,505)
Proceeds from Maturity of Certificates of Deposit	55,035	-
Transfer to Community Foundation	(97,933)	(185,555)
Net Cash Used by Investing Activities	(117,017)	(197,060)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Obligations under Capital Lease	(473)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(161,833)	3,214
Cash and Cash Equivalents - Beginning of Year	1,105,641	1,102,427
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 943,808	\$ 1,105,641
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Noncash Purchases of Property and Equipment	\$ -	\$ 793

See accompanying Notes to Financial Statements.

**THE ARC OF EAST CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizational Purpose

The Arc of East Central Iowa (the Organization) was incorporated on May 1, 1953 in the state of Iowa as a nonprofit corporation. The mission of the Organization is to empower people with intellectual and related disabilities to engage in lifelong opportunities to live, learn, work, and play with dignity, freedom, and full inclusion in their communities. The Organization's fiscal year-end is June 30. Significant accounting policies followed by the Organization are presented below.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Organization considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Certificates of Deposit

Certificates of deposit consist of nonbrokered certificates with original maturities of more than three months and are recorded at cost.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets presently available for use by the Organization at the discretion of management.

Net Assets With Donor Restrictions – Net assets subject to donor restrictions that will be satisfied either by the passage of time or by actions of the Organization. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**THE ARC OF EAST CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Programs

The Organization operates the following programs:

Family Support and Community Education – To promote awareness and the understanding of people who have intellectual and developmental disabilities. Through education and support, the Organization encourages individuals with disabilities to exercise their rights.

Citizen Advocacy – Includes a self-advocacy group where participants learn decision-making skills and increase awareness of rights and responsibilities. This program also matches a community volunteer and a person with an intellectual disability. The match encourages socialization and offers new experiences to the person who is disabled. This program also organizes a special social outing every month in which adults with intellectual disabilities can participate.

Respite – Is designed to give parents or guardians temporary time away from the everyday responsibilities of caring for a child with an intellectual or developmental disability.

Supported Community Living – Organization assists in designing a skill-based training program intended to assist the participant in becoming more independent in his or her home and community.

Habilitation – Services are designed to assist participants in acquiring, retaining, and improving the self-help, socialization, and adaptive skills necessary to reside successfully in home and community-based settings.

IMMT – Provides care for individuals with significant medical need. Service includes comprehensive developmental care, medical assessment, and intervention as needed on a regular or emergency basis.

Day Care – A center-based inclusive service that provides a safe, structured environment for individuals who have intellectual and physical disabilities through supervised activities emphasizing social skill, recreational, and community inclusion activities.

Day Habilitation – Services are provided in a community-based setting that focuses on improving life skills, and participating meaningfully in the community.

Project SEARCH – Program identifies strong candidates to participate in a community-based business with the intent that the individual will gain the attributes necessary to be hired and maintain employment in the community.

Supported Employment – Program provides person-directed services and support to individuals to choose and maintain employment in integrated community employment settings that are responsive to their choices and preferences.

**THE ARC OF EAST CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Revenue

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or by law.

Unconditional promises to give are recorded as receivables and as support when received or notified.

Contributions of donated goods are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Contributed property and equipment is recorded at estimated fair value at the date of gift. If donors stipulate how long the assets must be used, the contributions are recorded as with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as without donor restrictions.

Recognition of revenue received during the current period in exchange for summer day program services that will occur in the next fiscal period is deferred until that time.

Accounts Receivable

Substantially all of the Organization's accounts receivable are third-party reimbursements due from governmental units and managed care organizations. In addition, there are other customer obligations which generally require payment within 30 days from the invoice date. Accounts receivable are stated at the invoice amount. Account balances with invoices over 90 days old are considered delinquent. Payments of accounts receivable are applied to the specific invoices identified on the customers remittance advice or, if unspecified, to the earliest unpaid invoices. The Organization has recorded an allowance for doubtful accounts of \$-0- and \$3,032 as of June 30, 2019 and 2018, respectively.

Management reviews individual accounts receivable balances that exceed 90 days from the invoice date and, based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected.

Property and Equipment

Property and equipment which are purchased are stated at their original cost and donated equipment is recorded at fair value at the date of receipt. Depreciable assets which have an estimated useful life of two years or more and a cost of \$500 or more are capitalized. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis as follows:

Building	40 Years
Building Improvements	7 to 15 Years
Furniture, Fixtures, and Equipment	3 to 7 Years
Vehicles	7 Years
Leasehold Improvements	3 to 5 Years

**THE ARC OF EAST CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

Beneficial Interest in Assets Held by Community Foundation

Board designated quasi-endowed and Organization operating funds are held by The Greater Cedar Rapids Community Foundation (Foundation). The transactions with the Foundation are deemed to be reciprocal and, therefore, the value of the funds held by the Foundation is recognized as an asset (beneficial interest in assets held by community foundation) by the Organization.

Beneficial Interest in Net Assets of Perpetual Trust

The beneficial interest in the net assets of a perpetual trust held by a third party is measured at the present value of the estimated future cash receipts from the trust's assets. Annual distributions from the trust are reported as investment income. The beneficial interest is measured annually and the adjustment is reported as with donor restrictions gain or loss.

Nonoperating Activities

The Organization recognizes the change in value of the beneficial interest in assets held by the Foundation as nonoperating activities.

Deferred Compensation

The Organization had entered into a deferred compensation agreement with a past executive director. The third, and final, payment was made in the year ended June 30, 2018.

Functional Expenses

The Organization allocates its expenses on a functional basis among its various programs and supporting activities. Expenses that can be identified with a specific program or supporting activity are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated on the basis of estimates of square footage and time and effort.

Tax Exempt Status

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provides income tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes. The Internal Revenue Service has not determined that the Organization is classified as a private foundation.

**THE ARC OF EAST CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Exempt Status (Continued)

The Organization files information returns in the U.S. federal jurisdiction and has adopted the Financial Accounting Standards Board's requirements for uncertain tax positions. The Organization has determined that it was not required to record a liability related to uncertain tax positions at June 30, 2019 and 2018.

Adoption of Accounting Principle

The Organization adopted Financial Accounting Standards Board (FASB) ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in 2019. The adoption did not impact the Organization's financial position as of June 30, 2019 and 2018, or changes in its net assets or cash flows for the years then ended.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Organization regularly monitors the availability of resources required to meet its operating needs and other commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities as well as the conduct of services to support those activities to be general expenditures.

In addition to the financial assets available to meet general expenditures over the next 12 months, the Organization anticipates collecting sufficient revenue to cover general expenditures.

As of June 30, 2019, the following table shows the financial assets held by the Organization, that is, without donor restrictions limiting their use, within one year of the statement of financial position date to meet general expenditures and future needs of the Organization:

Cash	\$ 722,099
Receivables	437,082
Beneficial Interest in Assets held by Community Foundation	1,308,463
Total	<u>\$ 2,467,644</u>

NOTE 3 BENEFICIAL INTEREST IN NET ASSETS OF PERPETUAL TRUST

The Organization has been named as a beneficiary of a perpetual trust held by a third party. Annual distributions from the trust for the years ended June 30, 2019 and 2018 totaled \$1,667 per year. The present value of the estimated future cash receipts from the trust's assets at June 30, 2019 and 2018 was \$50,000, using a discount rate of 5%.

**THE ARC OF EAST CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 4 BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

The Organization has funds held by The Greater Cedar Rapids Community Foundation (the Foundation). The beneficial interest in assets held by community foundation-endowment consists of donor and board-designated endowment funds. The balance is made up of two funds held by the Foundation, the Endowed Agency Fund, and the Quasi-Endowed Designated Fund. The funds are administered by the Foundation for the benefit of the Organization. Control over the investment or reinvestment of these funds is exercised exclusively by the Foundation. A portion of the fund's earnings is made available for distribution to the Organization periodically. No amounts were distributed to the Organization from the Foundation for the years ended June 30, 2019 and 2018.

Other designated funds for the benefit of the Organization have been established by donors with the Foundation. These funds consist of the Named Endowed Designated Funds, which have been established with the Foundation by various donors, the Endowment Challenge Grant Fund and the Agency Friends Fund. In establishing a designated fund, donors select a specific nonprofit institution as the recipient as long as the named institution remains in existence and continues to fulfill its intended purpose. Those funds are not recognized as an asset by the Organization. The distributions received from the Foundation from these funds are recognized as revenue by the Organization upon receipt. For the years ended June 30, 2019 and 2018, \$34,493 and \$26,889 was distributed to the Organization, respectively.

The beneficial interest in assets held by community foundation-operating represents operating funds held in an account at the Foundation for the benefit of the Organization. Control over the investment or reinvestment of these funds is exercised exclusively by the Foundation, but the Organization has the ability to withdraw any portion of the fund as it so desires.

NOTE 5 FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**THE ARC OF EAST CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2 (Continued)

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer or broker-traded transactions.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Beneficial Interest in Assets Held by Community Foundation: The unobservable inputs are the underlying assets at the Foundation and follow their investment policy.

Beneficial Interest in Net Assets of Perpetual Trust: The unobservable inputs are the underlying assets controlled by the trustee. The underlying assets consist of marketable securities that are either classified as Level 1 or Level 2 assets and the Organization's fair value is determined by taking the trust's total value multiplied by their interest in the trust, as stated in the trust document.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents assets measured at fair value by classification within the fair value hierarchy as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial Interest in Net Assets of Perpetual Trust	\$ -	\$ -	\$ 50,000	\$ 50,000
Beneficial Interest in Assets Held by Community Foundation	-	-	2,850,618	2,850,618
Total Assets at Fair Value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,900,618</u>	<u>\$ 2,900,618</u>

**THE ARC OF EAST CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the year ended June 30, 2019:

Balance - July 1, 2018	\$ 2,690,467
Additions	95,869
Change in Beneficial Interest in Assets Held by Community Foundation	<u>114,282</u>
Balance - June 30, 2019	<u><u>\$ 2,900,618</u></u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial Interest in Net Assets of Perpetual Trust	\$ -	\$ -	\$ 50,000	\$ 50,000
Beneficial Interest in Assets Held by Community Foundation	-	-	<u>2,640,467</u>	<u>2,640,467</u>
Total Assets at Fair Value	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,690,467</u></u>	<u><u>\$ 2,690,467</u></u>

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the year ended June 30, 2018:

Balance - July 1, 2017	\$ 2,345,134
Additions	185,555
Change in Beneficial Interest in Assets Held by Community Foundation	<u>159,778</u>
Balance - June 30, 2018	<u><u>\$ 2,690,467</u></u>

NOTE 6 NET ASSETS

Board-designated net assets are available for the following purposes as of June 30:

	<u>2019</u>	<u>2018</u>
Endowment	\$ 1,814,244	\$ 1,717,940
Operating Reserve	400,000	400,000
Capital Investments	200,000	200,000
Property and Equipment	1,686,073	1,688,493
New Programs	<u>75,000</u>	<u>75,000</u>
Total	<u><u>\$ 4,175,317</u></u>	<u><u>\$ 4,081,433</u></u>

**THE ARC OF EAST CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 6 NET ASSETS (CONTINUED)

Net assets with donor restrictions are available for the following purposes or time periods as of June 30:

	2019	2018
United Way - for Following Fiscal Year	\$ 160,000	\$ 160,000
Equipment Purchase	-	60,000
Technology	15,000	-
Supported Employment	40,000	-
Endowment Earnings	3,872	3,208
Permanently Restricted	79,619	69,076
Total	\$ 298,491	\$ 292,284

NOTE 7 ENDOWMENTS

The Organization’s endowments consist of various donor-restricted endowment funds and funds designated as endowment by the Organization’s board of directors (the board). The endowment funds were established to support the general operating needs of the Organization. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The board of the Organization has interpreted the Iowa Uniform Act - Institutional Funds Management Act (IUA-IFMA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

Consequently, the Organization classifies permanently restricted net assets as:

- The original value of gifts donated to the permanent endowment, and
- The original value of subsequent gifts to the permanent endowment.

The earnings portion of the donor-restricted endowment fund is classified with donor restrictions until those amounts are appropriated for expenditure by the Organization’s board. In accordance with IUA-IFMA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the Organization and the donor-restricted endowment fund
3. General economic conditions

**THE ARC OF EAST CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 7 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide current income to fund the operations of the Organization as well as to enhance the future resources available to the Organization through long-term appreciation of assets. The endowment assets are invested in a manner that is intended to provide growth of principal and income. Currently, a majority of the endowment assets are being held and managed by The Greater Cedar Rapids Community Foundation.

Spending Policy

Distributions, if any, are determined annually by committee and director review and approvals.

In establishing this policy, the Organization considered the long-term expected returns on its endowment investments. Accordingly, over the long term, the Organization expects the current spending policy will allow its endowment to retain the original fair value of the gift.

Strategies Employed for Achieving Objectives

The Organization primarily follows the investment strategy of The Greater Cedar Rapids Community Foundation which relies on a total return strategy in which investment returns are achieved through capital appreciation and current yield (interest and dividends). This strategy targets a diversified asset allocation that emphasizes growth instruments and equity securities to achieve its long-term objectives within prudent risk constraints.

Endowment net asset composition by type of fund as of June 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ 33,491	\$ 33,491
Board-Designated Endowment Funds	1,814,244	-	1,814,244
Total Endowment Assets	<u>\$ 1,814,244</u>	<u>\$ 33,491</u>	<u>\$ 1,847,735</u>

**THE ARC OF EAST CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 7 ENDOWMENTS (CONTINUED)

Strategies Employed for Achieving Objectives (Continued)

Changes in endowment net assets for the year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets - Beginning of Year	\$ 1,717,940	\$ 22,284	\$ 1,740,224
Appropriation of Endowment Assets for Program Expenditures	-	(648)	(648)
Contributions	2,064	10,543	12,607
Transfers	30,939	-	30,939
Investment Income	3,912	-	3,912
Change in Beneficial Interest	59,389	1,312	60,701
Net Assets - End of Year	<u>\$ 1,814,244</u>	<u>\$ 33,491</u>	<u>\$ 1,847,735</u>

Endowment net asset composition by type of fund as of June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 22,284	\$ 22,284
Board-Designated Endowment Funds	1,717,940	-	1,717,940
Total Endowment Assets	<u>\$ 1,717,940</u>	<u>\$ 22,284</u>	<u>\$ 1,740,224</u>

Changes in endowment net assets for the year ended June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets - Beginning of Year	\$ 1,592,600	\$ 21,103	\$ 1,613,703
Appropriation of Endowment Assets for Program Expenditures	-	-	-
Contributions	24,968	-	24,968
Transfers	10,587	-	-
Investment Income	3,309	-	3,309
Change in Beneficial Interest	86,476	1,181	87,657
Net Assets - End of Year	<u>\$ 1,717,940</u>	<u>\$ 22,284</u>	<u>\$ 1,740,224</u>

NOTE 8 DISCLOSURES ABOUT CERTAIN CONCENTRATIONS

Cash Balances

The Organization is also a part of an Insured Cash Sweep (ICS) Deposit Placement Agreement with its bank. The bank will transfer funds from accounts at its bank to be placed in deposit accounts at other depository institutions that are insured by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2019, the Organization has cash in the ICS account of \$765,878.

**THE ARC OF EAST CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 8 DISCLOSURES ABOUT CERTAIN CONCENTRATIONS (CONTINUED)

Concentration of Credit

The Organization has certain concentrations of support and revenue. For the years ended June 30, 2019 and 2018, the Organization received \$3,344,168 and \$3,531,048, respectively, of Medicaid funding from the Iowa Department of Human Services and managed care organizations. In addition, the Organization's accounts receivable at June 30, 2019 and 2018 includes \$345,668 and \$425,973, respectively, from these funding agencies.

NOTE 9 LEASE COMMITMENTS

The Organization is leasing office equipment under an operating lease expiring in October 2023. The Organization has also entered into an agreement for maintenance and service for a copier expiring in April, 2024. These require monthly payments totaling \$210. Total lease expense for the years ended June 30, 2019 and 2018 was \$55,592 and \$53,404, respectively.

Future minimum lease payments under these leases are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 2,481
2021	2,481
2022	2,481
2023	2,481
2024	1,366
Total	<u>\$ 11,290</u>

NOTE 10 OBLIGATIONS UNDER CAPITAL LEASES

The Organization is leasing office equipment under a capital lease which expires in April, 2024. The lease requires monthly payments of \$267. The total cost of the leased equipment is \$14,119 as of June 30, 2019. Accumulated depreciation at June 30, 2019 is \$471. Amortization of the capital leases totals \$471 for the year ended June 30, 2019 and is included in depreciation expense.

**THE ARC OF EAST CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 10 OBLIGATIONS UNDER CAPITAL LEASES (CONTINUED)

Future minimum payments under this lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 3,203
2021	3,203
2022	3,203
2023	3,203
2024	<u>2,668</u>
Total Minimum Lease Payments	15,480
Less: Amount Representing Interest	<u>(1,834)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 13,646</u></u>

NOTE 11 EMPLOYEE BENEFIT PLAN

The Organization maintains a defined contribution 401(k) plan covering all employees who are age 21 or older and have completed 1,000 hours of service in a 12-month period. The plan allows employees to defer their income on a pretax basis through contributions to the plan. The Organization may, in its sole discretion, make a contribution on the employees' behalf if the employee makes a contribution during the plan year. The Organization made no matching contribution in the years ended June 30, 2019 and 2018.

NOTE 12 RECLASSIFICATIONS OF AMOUNTS

Certain reclassifications have been made to the 2018 financial statement presentation to correspond to the current year format. Total assets, net assets, and change in net assets were unchanged due to these reclassifications.

NOTE 13 SUBSEQUENT EVENTS

Management evaluated subsequent events through October 29, 2019, the date the financial statements were available to be issued. Events or transactions occurring after October 29, 2019, but prior to October 29, 2019, that provided additional evidence about conditions that existed at June 30, 2019, have been recognized in the financial statements for the year ended

June 30, 2019. Events or transactions that provided evidence about conditions that did not exist at June 30, 2019, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2019.

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