

**THE ARC OF EAST CENTRAL IOWA
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**



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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of The Arc of East Central Iowa and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Arc of East Central Iowa's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Arc of East Central Iowa's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Arc of East Central Iowa's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CliftonLarsonAllen LLP

Cedar Rapids, Iowa
September 26, 2023

**THE ARC OF EAST CENTRAL IOWA
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022**

ASSETS	2023	2022
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 655,000	\$ 1,665,560
Certificates of Deposit	-	107,207
Accounts Receivable, Net	307,239	294,640
Unconditional Promises to Give:		
Contributions Receivable, United Way	151,000	77,143
Grants Receivable	281,976	48,445
Employee Retention Credits	905,205	-
Prepaid Expenses	26,366	23,571
Total Current Assets	2,326,786	2,216,566
PROPERTY AND EQUIPMENT		
Land	315,000	360,000
Building and Improvements	2,821,812	1,910,808
Construction in Progress	-	926
Leasehold Improvements	-	7,417
Furniture, Fixtures, and Equipment	240,259	336,624
Vehicles	183,845	183,845
Total	3,560,916	2,799,620
Less: Accumulated Depreciation	(1,124,007)	(1,205,209)
Net Property and Equipment	2,436,909	1,594,411
OTHER ASSETS		
Beneficial Interest in Net Assets of Perpetual Trust	50,000	50,000
Beneficial Interest in Assets Held by Community Foundation - Operating	1,635,951	1,537,949
Beneficial Interest in Assets Held by Community Foundation - Endowment	2,102,242	1,934,092
Certificates of Deposit, Long-Term	351,436	-
Total Other Assets	4,139,629	3,522,041
 Total Assets	 \$ 8,903,324	 \$ 7,333,018

See accompanying Notes to Financial Statements.

**THE ARC OF EAST CENTRAL IOWA
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2023 AND 2022**

	2023	2022
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 103,416	\$ 14,240
Accrued Expenses	205,066	180,845
Current Maturities of Obligations Under Capital Lease	-	2,981
Lease Liability - Financing	2,605	-
Total Current Liabilities	311,087	198,066
 LONG-TERM LIABILITIES		
Obligations Under Capital Lease, Less Current Maturities Above	-	2,605
Total Liabilities	311,087	200,671
 NET ASSETS		
Without Donor Restrictions:		
Undesignated	2,391,609	2,316,899
Board Designated	5,437,619	4,365,924
Total Without Donor Restrictions	7,829,228	6,682,823
With Donor Restrictions	763,009	449,524
Total Net Assets	8,592,237	7,132,347
Total Liabilities and Net Assets	\$ 8,903,324	\$ 7,333,018

See accompanying Notes to Financial Statements.

**THE ARC OF EAST CENTRAL IOWA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 396,960	\$ 21,000	\$ 417,960
In-Kind Contributions	30,059	-	30,059
United Way	-	151,000	151,000
Other Grants	732,112	394,324	1,126,436
Employee Retention Credits	905,205	-	905,205
Program Fees	2,424,627	-	2,424,627
Memberships	16,563	-	16,563
Fundraisers, Net of Special Event Expenses	27,707	-	27,707
Investment Income	14,234	-	14,234
Miscellaneous	10,231	-	10,231
Note Payable Forgiveness	-	-	-
Loss on Disposal of Property and Equipment	(14,649)	-	(14,649)
Net Assets Released from Restrictions:			
Satisfaction of Purpose and Time Restrictions	254,293	(254,293)	-
Total Support and Revenue	4,797,342	312,031	5,109,373
EXPENSES			
Program Services:			
Advocacy	105,759	-	105,759
Day Habilitation	679,487	-	679,487
Project SEARCH	181,423	-	181,423
Supported Employment	192,993	-	192,993
Day Care	537,159	-	537,159
Group Recreation	218,084	-	218,084
In-Home and Community	1,072,980	-	1,072,980
Integrated Home Health	41,268	-	41,268
Total Program Services	3,029,153	-	3,029,153
Supporting Activities:			
Management and General	704,032	-	704,032
Fundraising	134,240	-	134,240
Total Supporting Activities	838,272	-	838,272
Total Expenses	3,867,425	-	3,867,425
CHANGE IN NET ASSETS FROM OPERATIONS	929,917	312,031	1,241,948
NONOPERATING ACTIVITIES			
Change in Beneficial Interest in Assets Held by Community Foundation	216,488	1,454	217,942
CHANGE IN NET ASSETS	1,146,405	313,485	1,459,890
Net Assets - Beginning of Year	6,682,823	449,524	7,132,347
NET ASSETS - END OF YEAR	\$ 7,829,228	\$ 763,009	\$ 8,592,237

See accompanying Notes to Financial Statements.

**THE ARC OF EAST CENTRAL IOWA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 339,900	\$ 13,015	\$ 352,915
In-Kind Contributions	14,182	-	14,182
United Way	-	77,143	77,143
Other Grants	583,672	213,306	796,978
Program Fees	2,398,368	-	2,398,368
Memberships	18,880	-	18,880
Fundraisers, Net of Special Event Expenses	30,590	-	30,590
Investment Income	4,252	-	4,252
Miscellaneous	4,806	-	4,806
Note Payable Forgiveness	731,877	-	731,877
Gain on Disposal of Property and Equipment	1,500	-	1,500
Net Assets Released from Restrictions:			
Satisfaction of Purpose and Time Restrictions	87,089	(87,089)	-
Total Support and Revenue	<u>4,215,116</u>	<u>216,375</u>	<u>4,431,491</u>
EXPENSES			
Program Services:			
Advocacy	93,990	-	93,990
Day Habilitation	605,402	-	605,402
Project SEARCH	146,736	-	146,736
Supported Employment	187,917	-	187,917
Day Care	595,716	-	595,716
Group Recreation	250,899	-	250,899
In-Home and Community	1,164,496	-	1,164,496
Total Program Services	<u>3,045,156</u>	<u>-</u>	<u>3,045,156</u>
Supporting Activities:			
Management and General	562,073	-	562,073
Fundraising	124,813	-	124,813
Total Supporting Activities	<u>686,886</u>	<u>-</u>	<u>686,886</u>
Total Expenses	<u>3,732,042</u>	<u>-</u>	<u>3,732,042</u>
CHANGE IN NET ASSETS FROM OPERATIONS	483,074	216,375	699,449
NONOPERATING ACTIVITIES			
Change in Beneficial Interest in Assets Held by Community Foundation	<u>(245,703)</u>	<u>-</u>	<u>(245,703)</u>
CHANGE IN NET ASSETS	237,371	216,375	453,746
Net Assets - Beginning of Year	<u>6,445,452</u>	<u>233,149</u>	<u>6,678,601</u>
NET ASSETS - END OF YEAR	<u>\$ 6,682,823</u>	<u>\$ 449,524</u>	<u>\$ 7,132,347</u>

See accompanying Notes to Financial Statements.

**THE ARC OF EAST CENTRAL IOWA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023**

EXPENSES	Program Services					
	Advocacy	Day Habilitation	Project SEARCH	Supported Employment	Day Care	Group Recreation
Salaries	\$ 59,097	\$ 526,786	\$ 150,600	\$ 151,262	\$ 393,652	\$ 151,112
Fringe Benefits	1,427	25,700	6,365	12,121	13,058	5,003
Payroll Taxes	4,577	37,721	10,653	10,309	29,137	11,202
Total Salaries and Related Expenses	65,101	590,207	167,618	173,692	435,847	167,317
Professional Fees	870	7,802	2,067	2,186	6,115	2,689
Supplies	8,511	7,237	2,359	1,112	12,478	12,518
Telephone and Communication	617	2,618	999	2,023	2,505	1,038
Postage and Shipping	525	111	64	64	164	127
Occupancy	924	28,452	74	736	9,536	4,873
Insurance	374	3,438	853	1,046	2,630	1,238
Equipment Rental, Maintenance, and Repair	2,267	11,331	866	2,553	16,663	8,306
Outside Printing and Artwork	4,063	64	-	-	-	-
Special Event Expenses	-	-	-	-	-	-
Transportation and Travel	281	3,538	-	1,280	2,990	3,034
Conferences, Conventions, and Meetings	350	-	940	750	-	-
Organization Dues	15,279	-	-	-	20	-
Miscellaneous	6,098	9,299	5,198	5,198	19,078	2,105
Total Expenses Before Depreciation and Amortization	105,260	664,097	181,038	190,640	508,026	203,245
Depreciation and Amortization	499	15,390	385	2,353	29,133	14,839
Total Expenses	105,759	679,487	181,423	192,993	537,159	218,084
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	\$ 105,759	\$ 679,487	\$ 181,423	\$ 192,993	\$ 537,159	\$ 218,084

See accompanying Notes to Financial Statements.

**THE ARC OF EAST CENTRAL IOWA
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2023**

	Program Services (Continued)			Supporting Activities			Total Expenses
	In-Home and Community	Integrated Health Home	Total	Management and General	Fundraising	Total	
EXPENSES							
Salaries	\$ 901,690	\$ 33,322	\$ 2,367,521	\$ 432,206	\$ 99,937	\$ 532,143	\$ 2,899,664
Fringe Benefits	26,445	267	90,386	17,687	2,395	20,082	110,468
Payroll Taxes	67,971	1,963	173,533	32,428	7,503	39,931	213,464
Total Salaries and Related Expenses	<u>996,106</u>	<u>35,552</u>	<u>2,631,440</u>	<u>482,321</u>	<u>109,835</u>	<u>592,156</u>	<u>3,223,596</u>
Professional Fees	14,315	471	36,515	116,097	4,687	120,784	157,299
Supplies	3,568	218	48,001	4,113	4,718	8,831	56,832
Telephone and Communication	5,797	426	16,023	2,707	782	3,489	19,512
Postage and Shipping	601	76	1,732	1,496	616	2,112	3,844
Occupancy	2,434	77	47,106	3,332	-	3,332	50,438
Insurance	6,902	162	16,643	19,951	407	20,358	37,001
Equipment Rental, Maintenance, and Repair	7,700	583	50,269	9,750	812	10,562	60,831
Outside Printing and Artwork	18	-	4,145	112	1,151	1,263	5,408
Special Event Expenses	-	-	-	-	23,326	23,326	23,326
Transportation and Travel	13,184	124	24,431	7,099	-	7,099	31,530
Conferences, Conventions, and Meetings	-	-	2,040	2,587	143	2,730	4,770
Organization Dues	-	-	15,299	7,165	850	8,015	23,314
Miscellaneous	13,164	3,329	63,469	11,033	7,947	18,980	82,449
Total Expenses Before Depreciation and Amortization	<u>1,063,789</u>	<u>41,018</u>	<u>2,957,113</u>	<u>667,763</u>	<u>155,274</u>	<u>823,037</u>	<u>3,780,150</u>
Depreciation and Amortization	9,191	250	72,040	36,269	2,292	38,561	110,601
Total Expenses	<u>1,072,980</u>	<u>41,268</u>	<u>3,029,153</u>	<u>704,032</u>	<u>157,566</u>	<u>861,598</u>	<u>3,890,751</u>
Less: Expenses Netted Against Revenues on the Statement of Activities:							
Special Event Expenses	-	-	-	-	23,326	23,326	23,326
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 1,072,980</u>	<u>\$ 41,268</u>	<u>\$ 3,029,153</u>	<u>\$ 704,032</u>	<u>\$ 134,240</u>	<u>\$ 838,272</u>	<u>\$ 3,867,425</u>

See accompanying Notes to Financial Statements.

**THE ARC OF EAST CENTRAL IOWA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022**

	Program Services					
	Advocacy	Day Habilitation	Project SEARCH	Supported Employment	Day Care	Group Recreation
EXPENSES						
Salaries	\$ 57,576	\$ 452,295	\$ 123,201	\$ 152,207	\$ 424,047	\$ 175,607
Fringe Benefits	1,162	27,121	4,767	10,467	14,717	8,157
Payroll Taxes	4,496	31,814	9,111	10,604	31,950	13,024
Total Salaries and Related Expenses	<u>63,234</u>	<u>511,230</u>	<u>137,079</u>	<u>173,278</u>	<u>470,714</u>	<u>196,788</u>
Professional Fees	935	7,334	2,062	2,568	6,992	3,110
Supplies	6,799	6,543	2,013	960	17,544	10,536
Telephone and Communication	446	3,335	668	1,722	2,291	1,374
Postage and Shipping	235	1,706	31	36	219	400
Occupancy	979	48,538	62	770	13,148	5,507
Insurance	719	3,027	789	1,553	7,737	3,371
Equipment Rental, Maintenance, and Repair	1,737	1,660	665	2,018	16,272	6,747
Outside Printing and Artwork	432	-	-	-	-	-
Special Event Expenses	-	-	-	-	-	-
Transportation and Travel	241	6,476	-	809	2,667	3,234
Conferences, Conventions, and Meetings	-	-	2,069	109	-	-
Organization Dues	15,820	-	-	-	-	-
Miscellaneous	2,001	7,300	1,025	2,179	21,436	1,499
Total Expenses Before Depreciation and Amortization	<u>93,578</u>	<u>597,149</u>	<u>146,463</u>	<u>186,002</u>	<u>559,020</u>	<u>232,566</u>
Depreciation and Amortization	412	8,253	273	1,915	36,696	18,333
Total Expenses	<u>93,990</u>	<u>605,402</u>	<u>146,736</u>	<u>187,917</u>	<u>595,716</u>	<u>250,899</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>\$ 93,990</u>	<u>\$ 605,402</u>	<u>\$ 146,736</u>	<u>\$ 187,917</u>	<u>\$ 595,716</u>	<u>\$ 250,899</u>

See accompanying Notes to Financial Statements.

**THE ARC OF EAST CENTRAL IOWA
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2022**

	Program Services (Continued)		Supporting Activities			Total Expenses
	In-Home and Community	Total	Management and General	Fundraising	Total	
EXPENSES						
Salaries	\$ 976,903	\$ 2,361,836	\$ 441,331	\$ 95,923	\$ 537,254	\$ 2,899,090
Fringe Benefits	33,963	100,354	15,853	1,717	17,570	117,924
Payroll Taxes	73,184	174,183	31,163	7,310	38,473	212,656
Total Salaries and Related Expenses	1,084,050	2,636,373	488,347	104,950	593,297	3,229,670
Professional Fees	17,124	40,125	25,567	4,753	30,320	70,445
Supplies	3,208	47,603	3,510	3,079	6,589	54,192
Telephone and Communication	6,790	16,626	2,582	670	3,252	19,878
Postage and Shipping	1,192	3,819	1,434	720	2,154	5,973
Occupancy	2,730	71,734	3,638	-	3,638	75,372
Insurance	8,220	25,416	9,237	364	9,601	35,017
Equipment Rental, Maintenance, and Repair	6,372	35,471	7,935	2,251	10,186	45,657
Outside Printing and Artwork	-	432	-	477	477	909
Special Event Expenses	-	-	-	20,108	20,108	20,108
Transportation and Travel	15,598	29,025	-	-	-	29,025
Conferences, Conventions, and Meetings	-	2,178	1,469	96	1,565	3,743
Organization Dues	-	15,820	5,998	653	6,651	22,471
Miscellaneous	10,393	45,833	3,811	4,912	8,723	54,556
Total Expenses Before Depreciation and Amortization	1,155,677	2,970,455	553,528	143,033	696,561	3,667,016
Depreciation and Amortization	8,819	74,701	8,545	1,888	10,433	85,134
Total Expenses	1,164,496	3,045,156	562,073	144,921	706,994	3,752,150
Less: Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	-	-	-	20,108	20,108	20,108
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 1,164,496</u>	<u>\$ 3,045,156</u>	<u>\$ 562,073</u>	<u>\$ 124,813</u>	<u>\$ 686,886</u>	<u>\$ 3,732,042</u>

See accompanying Notes to Financial Statements.

**THE ARC OF EAST CENTRAL IOWA
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,459,890	\$ 453,746
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Note Payable Forgiveness	-	(731,877)
Change in Beneficial Interest in Assets Held by Community Foundation	(217,942)	245,703
Depreciation and Amortization	110,601	85,134
Certificate of Deposit Interest Reinvested	(1,435)	(886)
Provision for Bad Debts	7,908	9,108
Contributed Property and Equipment	(7,224)	-
(Gain) Loss on Disposal of Property and Equipment	14,649	(1,500)
Effects of Changes in Operating Assets and Liabilities:		
Receivables	(1,233,100)	(29,624)
Prepaid Expenses	(2,795)	23,615
Accounts Payable	57,322	7,643
Accrued Expenses	24,221	15,625
Net Cash Provided by Operating Activities	212,095	76,687
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(928,670)	(143,961)
Proceeds from Sale of Property and Equipment	-	1,500
Proceeds from Maturity of Certificates of Deposit	108,191	86,875
Purchase of Certificates of Deposit	(350,985)	(106,875)
Transfer to Community Foundation	(48,210)	(61,131)
Net Cash Used by Investing Activities	(1,219,674)	(223,592)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Obligations under Capital Lease	(2,981)	(2,829)
Net Cash Used by Financing Activities	(2,981)	(2,829)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,010,560)	(149,734)
Cash and Cash Equivalents - Beginning of Year	1,665,560	1,815,294
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 655,000	\$ 1,665,560
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Noncash Purchases of Property and Equipment	\$ 31,854	\$ -

See accompanying Notes to Financial Statements.

**THE ARC OF EAST CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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 individuals with disabilities and their families to engage in lifelong opportunities to live, learn, work, play, and advocate with full dignity and 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 (U.S. GAAP) 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 plus accrued interest which approximates fair value.

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 – Resources over which the board of directors has discretionary control. Designated amounts represent amounts which the board has set aside for a particular purpose.

Net Assets With Donor Restrictions – Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Organization or passage of time.

**THE ARC OF EAST CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Programs

The Organization operates the following programs:

Advocacy – 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. Includes a self-advocacy group where participants learn decision-making skills and increase awareness of rights and responsibilities. This program also organizes special social outings in which adults with intellectual disabilities can participate.

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 job training with a community-based business with the intent that the individual will gain the skills 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.

Day Care – After-school and summer center-based inclusive services that provide a safe, structured environment for individuals who have intellectual and physical disabilities through supervised activities emphasizing social skill, recreational, and community inclusion activities.

Group Recreation – Evening, weekend and overnight programming that provides a safe, structured environment for individuals who have intellectual and physical disabilities to participate in supervised recreational activities within the community and at our center.

In-Home and Community – Provides a variety of services in participant's homes or within the community. Respite care gives parents or guardians temporary time away from the everyday responsibilities of caring for a child with intellectual or developmental disability. Supported Community Living assists in designing a skill-based training program intended to assist the participant in becoming more independent in their home and community. Habilitation assists participants in acquiring, retaining, and improving the self-help, socialization, and adaptive skills necessary to reside successfully in home and community-based settings.

Integrated Health Home (IHH) – The IHH program serves children and adults with co-occurring intellectual or developmental disabilities and mental health diagnoses. Our team of Peer Supports, Care Coordinators, and Registered Nurse work to connect participants with a care team to improve and stabilize mental and physical health.

**THE ARC OF EAST CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Revenue

Contributions and Grants

Contributions are recognized as revenue in the period received or unconditionally promised, whichever is earlier. They are recorded 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.

Program Fees

Program Fees are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services to their program participants. These amounts are due from participants, third-party payors (including health insurers and government programs), and others and includes variable consideration for retrospective revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the participants and third-party payors in the month after services are performed. Revenue is recognized at a point in time as performance obligations are satisfied.

The Organization's program receivables are the following as of June 30:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Accounts Receivable	<u>\$ 307,239</u>	<u>\$ 294,640</u>	<u>\$ 273,712</u>

In-Kind Contributions

Contributions of donated goods and 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.

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. Accounts receivable are reported net of the allowance for doubtful accounts. The Organization has recorded an allowance for doubtful accounts of \$5,000 and \$5,431 as of June 30, 2023 and 2022, respectively.

**THE ARC OF EAST CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable (Continued)

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.

Unconditional Promises to Give

Unconditional promises to give are recognized in the period the promises are made. Conditional promises to give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. The Organization has not recorded any conditional promises to give.

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

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 (the 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.

**THE ARC OF EAST CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 value of the underlying assets in the trust. 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.

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 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 as of June 30, 2023 and 2022.

Note Payable Forgiveness

The Organization is following ASC 470, *Debt*, to account for the initial receipts related to the Paycheck Protection Program (PPP) Loan. On April 26, 2021 and February 7, 2022, the SBA processed the Organization's PPP Loan forgiveness applications and notified Cedar Rapids Bank and Trust Company the PPP Loan qualified for full forgiveness. Loan proceeds were received by the bank from the SBA on these dates.

Therefore, the Organization was legally released from the debt and loan forgiveness has been recorded as a gain on extinguishment of debt, which is included in note payable forgiveness income during the year ended June 30, 2022.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any reviews will not have a material adverse impact on the Organization's financial position.

**THE ARC OF EAST CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principles

In February 2016, FASB issued ASU 2016-02, *Leases (Topic842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of Right of Use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption. The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organization's ROU assets. The adoption of this standard had no impact on the Organization's financial position.

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.

As of June 30, 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.

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.

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 469,128	\$ 1,481,568
Beneficial Interest in Assets Held by Community Foundation	3,671,663	3,406,966
Receivables	1,624,882	424,903
Total	<u>\$ 5,765,673</u>	<u>\$ 5,313,437</u>

**THE ARC OF EAST CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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 totaled \$1,667 for each of the years ended June 30, 2023 and 2022. The trust's assets at June 30, 2023 and 2022 was \$50,000.

NOTE 4 BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

The Organization has funds held by 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 Endowed Agency Fund's earnings is made available for distribution to the Organization periodically.

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 each of the years ended June 30, 2023 and 2022, approximately \$48,000 was distributed to the Organization.

The beneficial interest in assets held by Foundation in the Operating Surplus fund represents operating funds held in an account 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

U.S. GAAP 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;

**THE ARC OF EAST CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

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.

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 net asset 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 net asset 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 ARC OF EAST CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents assets measured at net asset value by classification within the fair value hierarchy as of June 30, 2023:

	<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	-	-	3,738,193	3,738,193
Total Assets at Fair Value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,788,193</u>	<u>\$ 3,788,193</u>

The table below sets forth a summary of changes in the net asset value of the Organization's Level 3 assets for the year ended June 30, 2023:

Balance - July 1, 2022	\$ 3,522,041
Additions	48,210
Change in Beneficial Interest in Assets Held by Community Foundation	217,942
Balance - June 30, 2023	<u>\$ 3,788,193</u>

The following table sets forth by level, within the net asset value hierarchy, the Organization's assets at fair value as of June 30, 2022:

	<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	-	-	3,472,041	3,472,041
Total Assets at Fair Value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,522,041</u>	<u>\$ 3,522,041</u>

The table below sets forth a summary of changes in the net asset value of the Organization's Level 3 assets for the year ended June 30, 2022:

Balance - July 1, 2021	\$ 3,706,613
Additions	61,131
Change in Beneficial Interest in Assets Held by Community Foundation	(245,703)
Balance - June 30, 2022	<u>\$ 3,522,041</u>

**THE ARC OF EAST CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table details Level 3 holdings as of June 30:

<u>Instrument</u>	<u>Fair Value</u>		<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>
	<u>2023</u>	<u>2022</u>		
Beneficial Interest in Assets Held by Community Foundation	<u>\$ 3,738,193</u>	<u>\$ 3,472,041</u>	Net Asset Value	Value of Underlying Assets
Beneficial Interest in Assets Held by Perpetual Trust	<u>\$ 50,000</u>	<u>\$ 50,000</u>	Net Asset Value	Value of Underlying Assets

NOTE 6 NET ASSETS

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

	<u>2023</u>	<u>2022</u>
Endowment	\$ 2,325,710	\$ 2,155,340
Operating Reserve	400,000	400,000
Capital Investments	200,000	200,000
Property and Equipment	2,436,909	1,535,584
New Programs	75,000	75,000
Total	<u>\$ 5,437,619</u>	<u>\$ 4,365,924</u>

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

	<u>2023</u>	<u>2022</u>
United Way - for Following Fiscal Year	\$ 151,000	\$ 77,143
Bathroom Remodel	-	40,000
Staff Retention and Recruitment	209,504	213,306
Future Operations	281,976	-
Endowment Earnings	4,568	3,114
Permanently Restricted	115,961	115,961
Total	<u>\$ 763,009</u>	<u>\$ 449,524</u>

Net assets were released from donor restrictions by incurring expenses, satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Satisfaction of Purpose Restrictions	\$ 177,150	\$ -
Expiration of Time Restrictions	77,143	87,089
Total	<u>\$ 254,293</u>	<u>\$ 87,089</u>

**THE ARC OF EAST CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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 U.S. GAAP, 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 endowments with donor restrictions as:

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

**THE ARC OF EAST CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 7 ENDOWMENTS (CONTINUED)

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, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 70,530	\$ 70,530
Board-Designated Endowment Funds	2,325,710	-	2,325,710
Total Endowment Assets	<u>\$ 2,325,710</u>	<u>\$ 70,530</u>	<u>\$ 2,396,240</u>

Changes in endowment net assets for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets - Beginning of Year	\$ 2,155,340	\$ 69,076	\$ 2,224,416
Contributions	46,175	-	46,175
Transfers	2,529	(2,529)	-
Investment Income	3,675	-	3,675
Change in Beneficial Interest	117,991	3,983	121,974
Net Assets - End of Year	<u>\$ 2,325,710</u>	<u>\$ 70,530</u>	<u>\$ 2,396,240</u>

Endowment net asset composition by type of fund as of June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 69,076	\$ 69,076
Board-Designated Endowment Funds	2,155,340	-	2,155,340
Total Endowment Assets	<u>\$ 2,155,340</u>	<u>\$ 69,076</u>	<u>\$ 2,224,416</u>

**THE ARC OF EAST CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 7 ENDOWMENTS (CONTINUED)

Strategies Employed for Achieving Objectives (Continued)

Changes in endowment net assets for the year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets - Beginning of Year	\$ 2,286,703	\$ 63,149	\$ 2,349,852
Contributions	48,031	11,035	59,066
Transfers	(48,031)	-	-
Investment Income	2,328	-	2,328
Change in Beneficial Interest	(133,691)	(5,108)	(138,799)
Net Assets - End of Year	<u>\$ 2,155,340</u>	<u>\$ 69,076</u>	<u>\$ 2,224,416</u>

NOTE 8 DISCLOSURES ABOUT CERTAIN CONCENTRATIONS

Cash Balances

The Organization is 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, 2023 and 2022, the Organization has cash in the ICS account of \$773,490 and \$1,435,203, respectively.

Concentration of Credit

The Organization has certain concentrations of support and revenue. For the years ended June 30, 2023 and 2022, the Organization received \$2,359,183 and \$2,090,467, respectively, of Medicaid funding from the Iowa Department of Health and Human Services and managed care organizations. In addition, the Organization's accounts receivable at June 30, 2023 and 2022 includes \$225,732 and \$245,692, respectively, from these funding agencies.

The Employee Retention Credit (ERC) is a refundable tax credit for businesses and tax-exempt organizations that had employees and were affected during the COVID-19 pandemic. The Organization recognized grant receivable and revenue in the amount of \$905,205 related to ERC for the year ended June 30, 2023.

NOTE 9 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, 2023 and 2022.

**THE ARC OF EAST CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 10 CONTRIBUTED NONFINANCIAL ASSETS

The Organization received \$7,224 and \$-0- of donated services that were capitalized in property and equipment for the years ended June 30, 2023 and 2022, respectively. These items are recorded at the value determined by the donor which is the value the Organization would otherwise have to pay if the services were not donated. Depreciation expense related to the donated property and equipment is allocated among program and supporting services based on estimated time and effort.

The Organization received the following contributions of supplies and services that are reported in the statements of activities as follows:

	Program	Management and General	Fundraising	Total
June 30, 2023				
Supplies	\$ 282	\$ -	\$ 11,687	\$ 11,969
Services	-	7,466	3,400	10,866
Total	<u>\$ 282</u>	<u>\$ 7,466</u>	<u>\$ 15,087</u>	<u>\$ 22,835</u>
	Program	Management and General	Fundraising	Total
June 30, 2022				
Supplies	\$ 1,114	\$ -	\$ 10,198	\$ 11,312
Services	-	2,870	-	2,870
Total	<u>\$ 1,114</u>	<u>\$ 2,870</u>	<u>\$ 10,198</u>	<u>\$ 14,182</u>

The Organization estimates the fair value of in-kind supplies on the basis of estimates of purchasing similar supplies in the Organization's market. Services are valued and reported at the estimated fair value based on current rates for similar services.

NOTE 11 LEASES

The Organization is leasing office equipment under an operating lease expiring in October 2023 with quarterly payments of \$211. The Organization entered into an agreement for copier maintenance and service as part of a capital lease expiring in April 2024. The Organization was also leasing space on a month to month basis expiring in December 2022. Total rental expense for the years ended June 30, 2023 and 2022 is \$27,183 and \$51,134, respectively.

NOTE 12 RECLASSIFICATION OF AMOUNTS

Certain reclassifications have been made to the 2022 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.

**THE ARC OF EAST CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 13 SUBSEQUENT EVENTS

Management evaluated subsequent events through September 26, 2023, the date the financial statements were available to be issued. Events or transactions occurring after September 26, 2023, but prior to September 26, 2023, that provided additional evidence about conditions that existed at June 30, 2023, have been recognized in the financial statements for the year ended June 30, 2023. Events or transactions that provided evidence about conditions that did not exist at June 30, 2023, 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, 2023.



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