WILLIAMS
& OLDS
Certified Public Accountants

FINANCIAL STATEMENTS
AND INDEPENDENT ACCOUNTANT'S
REVIEW REPORT

ARC CALIFORNIA

June 30, 2021

900 University Avenue, Suite 100
Sacramento, CA 95825
Phone: 916.858.1680
Fax: 916.858.1055
A Professional Corporation

ARC CALIFORNIA

TABLE OF CONTENTS

WILLIAMS
& OLDS
Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To The Board of Directors
ARC California

We have reviewed the accompanying financial statements of ARC California (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021 and the related statement of activity, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Williams & Olds

Sacramento, California
December 13, 2021

ARC CALIFORNIA

STATEMENT OF FINANCIAL POSITION

June 30, 2021

ASSETS		
Cash and cash equivalents	$	1,190,638
Accounts receivable		95,878
Prepaid expenses		11,167
Property and equipment, net		6,930
TOTAL ASSETS	$	1,304,613
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$	12,919
Accrued vacation		16,205
Pension plan payable		1,579
Contract liabilities		2,400
TOTAL LIABILITIES		33,103
COMMITMENTS AND CONTINGENCIES		-
NET ASSETS		
Without donor restrictions		1,212,226
With donor restrictions		59,284
TOTAL NET ASSETS		1,271,510
TOTAL LIABILITIES AND NET ASSETS	$	1,304,613

The accompanying notes are an integral part of these statements.

ARC CALIFORNIA

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	$ 593,159	$ 70,943	$ 664,102
Chapter dues	331,932	-	331,932
Grants	137,179	-	137,179
Advocacy partnership	65,362	-	65,362
Conference and meetings	36,194	-	36,194
Administrative support	1,508	-	1,508
Net assets released from restrictions	11,659	(11,659)	-
TOTAL SUPPORT AND REVENUE	1,176,993	59,284	1,236,277
EXPENSES			
Program services	606,766	-	606,766
General and administrative	114,469	-	114,469
Fundraising	28,744	-	28,744
TOTAL EXPENSES	749,979	-	749,979
CHANGE IN NET ASSETS FROM OPERATIONS	427,014	59,284	486,298
NON OPERATING ACTIVITIES			
Forgiveness of SBA loan	72,435	-	72,435
TOTAL NON-OPERATING ACTIVITIES	72,435	-	72,435
CHANGE IN NET ASSETS	499,449	59,284	558,733
NET ASSETS AT BEGINNING OF YEAR	712,777	-	712,777
NET ASSETS AT END OF YEAR	$ 1,212,226	$ 59,284	$ 1,271,510

The accompanying notes are an integral part of these statements.

ARC CALIFORNIA

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2021

	Program Services	General and Administrative	Fundraising	Total
Salaries and wages	$ 306,414	$ 53,097	$ 17,699	$ 377,210
Payroll taxes	26,690	4,625	1,542	32,857
Employee benefits	77,684	13,462	4,487	95,633
Total salaries and related costs	410,788	71,184	23,728	505,700
Professional services	75,335	4,445	-	79,780
Occupancy	43,229	7,556	2,497	53,282
Office expenses	27,202	5,052	1,407	33,661
Conferences, seminars and training	22,928	1,273	425	24,626
Dues, fees and subscriptions	18,705	1,214	363	20,282
Legal and accounting	-	14,728	-	14,728
Bad debt expense	-	6,071	-	6,071
Insurance	3,707	642	214	4,563
Depreciation and amortization	1,901	329	110	2,340
Travel	1,180	1,129	-	2,309
Sponsorship	1,680	-	-	1,680
Advertising	111	846	-	957
	$ 606,766	$ 114,469	$ 28,744	$ 749,979

The accompanying notes are an integral part of these statements.

ARC CALIFORNIA

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	558,733
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation		2,340
Bad debt		6,071
SBA loan forgiveness		(72,435)
Changes in operating assets and liabilities:		
Accounts receivables		(17,814)
Prepaid expenses		(9,181)
Accounts payable and accrued expenses		(10,958)
Accrued vacation		(1,503)
Pension plan payable		1,579
Contract liabilities		2,400
NET CASH PROVIDED BY OPERATING ACTIVITIES		459,232
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment		(2,625)
NET CASH USED IN INVESTING ACTIVITIES		(2,625)
NET CHANGE IN CASH AND CASH EQUIVALENTS		456,607
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		734,031
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	1,190,638

The accompanying notes are an integral part of these statements.

ARC CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE A - GENERAL

ARC California (the "Organization") was established in 1953 as a non-profit corporation. The Organization's main purpose is to promote the general welfare of people with intellectual and developmental disabilities in the public and private sectors of California. The Organization performs support services for its members, known as local chapters. The Organization's revenue comes primarily from membership dues, contributions and grants.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

> **Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.
>
> **Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.
>
> Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Measure of operations: The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Cash and Cash Equivalents: The Organization considers all short-term investments with a maturity of three months or less at the time of purchase and money market mutual funds to be cash equivalents. The Organization maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes the Organization is not exposed to any significant credit risk related to cash.

Accounts Receivable: The Organization considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when the determination is made.

Grants Receivables: Grants receivable consist of unconditional promises to give from private foundation grants. Receivables are stated at the amount management expects to collect from balances outstanding. Management closely monitors outstanding balances throughout the year and writes off to the change in net assets all balances that are considered uncollectible.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Property and Equipment: Furniture and equipment are recorded at cost or, if donated, at the fair market value at the time of donation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over the estimated service lives of 5-7 years using the straight-line method. Leasehold improvements are depreciated over the life of the lease. Deprecation expense of $2,340 was incurred during the year ended June 30, 2021.

Contributions: Contributions are recognized when cash, securities, or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Assets received with donor-imposed conditions are reported as “Refundable Advances” in the Statement of Financial Position until the conditions have been substantially met.

Contributions received are recorded as support with or without donor restrictions, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Grant Revenue: Grant revenue is recognized when services are performed and related reimbursable expenses are incurred, in accordance with the terms of applicable grant awards.

Revenue Recognition: Revenue is measured based on the amount of consideration specified in a contract with a customer. Revenue is recognized as performance obligations under the terms of the contract are satisfied which generally occurs when the services are provided.

Chapter Dues– Chapter dues are recognized as income over the period to which they pertain.

Conference and meetings – Registration fees from the annual conference and other meetings during the year are recognized as income in the period that the event is held.

Advocacy Partnership – The Organization has established a partnership with United Cerebral Palsy in California to maintain and operate a joint public policy office. Revenue is recognized as income over the period to which they pertain.

Administrative Support – Administrative support fees are recognized as income in the period in which the services were provided.

Contract Assets and Liabilities - When billing occurs subsequent to revenue recognition, resulting in unbilled revenue, a contract asset ensues and is presented under the caption “Contract assets” in the Statements of Financial Position. This represents unbilled revenues which arise when revenue has been earned but the amount will not be billed until a later date. When advances or deposits from our customers are received, resulting in deferred revenue, a contract liability ensues and is presented under the caption “Contract Liabilities” in the Statements of Financial Position. This represents deferred revenue when the Organization has billed a customer in excess of revenue recognized to date or when payments are received in advance.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Revenue Disaggregation: The Organization disaggregates revenue from contracts with customers into major revenue streams and the timing of recognizing revenue.

Revenue generated from chapter dues and advocacy partnership is primarily recognized over the performance obligation period, while the revenue generated from conferences, meetings and administrative support is recognized at a point-in-time. The revenue is disaggregated by the timing of recognition for the year ended June 30, 2021 as follows:

Over time	$	397,294
Point-in-time		37,702
	$	434,996

Advertising: Advertising costs in the amount of $957, for the year ended June 30, 2021, was expensed as incurred. These expenses are recorded in their respective functional categories.

Functional Expenses: The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries	Time and effort
Payroll taxes and benefits	Time and effort

Income Taxes: The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization may be subject to federal and state taxes on its non-exempt function income under federal and state regulations governing unrelated business income.

Uncertainty in Income Taxes: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken. The Organization has determined whether any tax positions have met the recognition threshold and have measured the exposure to those tax positions. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Organization are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Use of Estimates: The presentation 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fair Value: The Organization follows guidance with respect to accounting and reporting for the fair value of its financial assets and liabilities. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same; to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

Level 1 uses unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities

Level 2 uses inputs other than quoted prices in active markets that are observable either directly or indirectly.

Level 3 uses unobservable information with little or no market data

The Organization utilizes the active market approach (Level 1) to measure fair value for its financial assets, which consist of cash in checking and savings accounts. The carrying value of the Organization's nonfinancial assets and liabilities approximates fair value.

New Accounting Pronouncement: In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"), which provides guidance on revenue recognition and supersedes the revenue recognition requirements in Topic 605, Revenue Recognition and most industry-specific guidance. The standard's core principle is that a company recognizes revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under current guidance. These judgments may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. The Organization adopted ASU 2014-09 effective July 1, 2020 using the full retrospective transition method. This adoption did not have a significant impact on the financial statements. The Organization analyzed the revenue streams and concluded there was no change to the timing and pattern of revenue recognition for these revenue streams under the new guidance. As such, adoption of the standard did not result in a change to the revenue recognition policies, require recognition of a cumulative adjustment or have a material impact on our financial statements.

ARC CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2021:

		2021
Computer equipment	$	15,503
Furniture and office equipment		14,400
		29,903
Less: Accumulated depreciation		(22,973)
Net property and equipment	$	6,930

NOTE D – PAYCHECK PROTECTION PROGRAM LOAN

SBA Loan
On April 30, 2020, the Organization received a U.S. Small Business Administration Loan (the "SBA Loans") from Bank of America, pursuant to the Paycheck Protection Program (the "PPP") established under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), in the amount of $72,435. The application for these funds required the Organization in good faith to certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Organization. This certification further required the Organization to take into account current business activity and the ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business.

Under the terms of the SBA Loan, the Organization may be eligible for full or partial loan forgiveness. The unforgiven portion of the SBA Loans is payable over two years at an annual interest rate of 1%, with a deferral of payments for the first six months. The Organization was using the proceeds for purposes consistent with the PPP. On February 19, 2021, the Organization received a letter from Bank of America confirming the forgiveness of the full loan balance.

NOTE E – COMMITMENTS AND CONTINGENCIES

Lease Commitments
The Organization leases office space under a non-cancelable operating lease through 2024. Total rent expense under this non-cancelable operating lease amounted to $41,808 in 2021. Future minimum lease payments are as follows:

June 30		Amount
2022	$	43,237
2023		44,101
2024		37,360
Total	$	124,698

ARC CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE F – NET ASSETS

Net assets with donor restrictions were follows for the year ended June 30, 2021:

		2021
Subject to Expenditure for Specified Purpose:		
Implementation of Latinos Aprendiendo Juntos program	$	59,284
Total net assets with donor restrictions	$	59,284

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors:

		2021
Purpose Restrictions Accomplished:		
Implementation of Latinos Aprendiendo Juntos program	$	11,659
Total restrictions released	$	11,659

NOTE G – AVAILABILITY AND LIQUIDITY

The following represents the Organization’s financial assets at June 30, 2021:

		2021
Financial assets at year-end:		
Cash and cash equivalents	$	1,190,638
Accounts receivable		95,878
Total financial assets		1,286,516
Less amounts not available to be used within one year:		
Contract liabilities		2,400
		2,400
Financial assets available to meet general expenditures within one year	$	1,284,116

The Organization’s goal is generally to maintain financial assets to meet six months of operating expenses.

NOTE H - SUBSEQUENT EVENTS

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 13, 2021 and concluded that no subsequent events occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.