WILLIAMS
& OLDS
Certified Public Accountants

ARC CALIFORNIA

FINANCIAL STATEMENTS AND
INDEPENDENT ACCOUNTANT'S REVIEW REPORT

JUNE 30, 2023

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A Professional Corporation

ARC CALIFORNIA

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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, 2023 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. We are required to be independent of ARC California and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

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

Williams & Olds

Sacramento, California
March 10, 2024

ARC CALIFORNIA

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023

ASSETS		
Cash and cash equivalents	$	1,047,471
Accounts receivable		208,151
Prepaid expenses		16,911
Operating lease right-of-use-assets		44,002
Property and equipment, net		19,001
TOTAL ASSETS	$	1,335,536
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$	40,412
Accrued vacation		29,030
Accrued pension plan payable		1,997
Operating lease liability		38,035
Contract liabilities		4,000
TOTAL LIABILITIES		113,474
COMMITMENTS AND CONTINGENCIES		-
NET ASSETS		
Without donor restrictions		1,198,019
With donor restrictions		24,043
TOTAL NET ASSETS		1,222,062
TOTAL LIABILITIES AND NET ASSETS	$	1,335,536

The accompanying notes are an integral part of these statements.

ARC CALIFORNIA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grants	$ 272,585	$ 229,000	$ 501,585
Chapter dues	323,832	-	323,832
Conference and meetings	78,564	-	78,564
Advocacy partnership	66,192	-	66,192
Contributions	44,546	-	44,546
Realized/unrealized gains (loss) on investment	9,862	-	9,862
Other income	154	-	154
Net assets released from restrictions	204,957	(204,957)	-
TOTAL SUPPORT AND REVENUE	1,000,692	24,043	1,024,735
EXPENSES			
Program services	731,367	-	731,367
General and administrative	148,115	-	148,115
Fundraising	44,605	-	44,605
TOTAL EXPENSES	924,087	-	924,087
CHANGE IN NET ASSETS	76,605	24,043	100,648
NET ASSETS AT BEGINNING OF YEAR	1,121,414	-	1,121,414
NET ASSETS AT END OF YEAR	$ 1,198,019	$ 24,043	$ 1,222,062

The accompanying notes are an integral part of these statements.

ARC CALIFORNIA

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2023

	Program Services	General and Administrative	Fundraising	Total
Salaries and wages	$ 364,553	$ 73,214	$ 24,405	$ 462,172
Employee benefits	88,147	17,703	5,901	111,751
Payroll taxes	33,366	6,701	2,234	42,301
Total salaries and related costs	486,066	97,618	32,540	616,224
Professional services	74,394	17,078	3,168	94,640
Occupancy	44,432	9,483	2,975	56,890
Conferences, seminars and training	51,243	5,394	1,798	58,435
Office expenses	43,501	11,947	2,912	58,360
Dues, fees and subscriptions	12,934	1,550	450	14,934
Insurance	5,917	1,188	396	7,501
Depreciation and amortization	4,436	891	297	5,624
Advertising	2,674	2,760	-	5,434
Sponsorship	4,745	-	-	4,745
Bad debt expense	1,025	206	69	1,300
TOTAL EXPENSES	$ 731,367	$ 148,115	$ 44,605	$ 924,087

The accompanying notes are an integral part of these statements.

ARC CALIFORNIA

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	100,648
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation and amortization		5,624
Bad debt		1,300
Changes in operating assets and liabilities:		
Accounts receivables		(118,589)
Prepaid expenses		(5,025)
Operating lease right-of-use-assets		(44,002)
Accounts payable		28,784
Accrued vacation		(14,202)
Pension plan payable		324
Operating lease liability		38,035
Contract liabilities		4,000
NET CASH USED IN OPERATING ACTIVITIES		(3,103)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment		(16,230)
NET CASH USED IN INVESTING ACTIVITIES		(16,230)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(19,333)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR		1,066,804
CASH AND CASH EQUIVALENTS, AT END OF YEAR	$	1,047,471

SUPPLEMENTAL INFORMATION:

No cash was paid for interest or income taxes during the year ended June 30, 2023.

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, whereby 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. There are no donor restricted funds at June 30, 2023.

Measure of operations: The statement 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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 $6,820 was incurred during the year ended June 30, 2023.

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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, 2023 as follows:

Over time	$	891,609
Point-in-time		123,110
	$	1,014,719

Advertising: Advertising costs in the amount of $5,434, for the year ended June 30, 2023, 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

Fair Value: The Organization applies the accounting provisions related to fair value measurements. These provisions define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establishes a fair value hierarchy that prioritizes the information used in developing fair value estimates, and require disclosure of fair value measurements by level within the fair value hierarchy. These provisions also provide valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows) and the cost approach (cost to replace the service capacity of an asset or replacement cost).

A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of valuation hierarchy are defined as follows:

> *Level 1*: Observable inputs such as quoted prices (unadjusted) for identical assets or liabilities in active markets.
>
> *Level 2*: Observable market-based inputs or unobservable inputs that are corroborated by market date.
>
> *Level 3*: Unobservable inputs reflecting the reporting entity's own assumptions, which require the most judgment.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the valuation methods are determined to be appropriate and consistent within the industry, the use of different methodologies or assumptions to determine the fair value of certain assets and liabilities could result in a different estimate of fair value at the reporting date.

Leases: The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and as lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

New Accounting Pronouncement: The adoption of new accounting guidance is not expected to have a material impact on the Organization's financial statements.

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2023

Computer equipment	$	38,322
Furniture and office equipment		14,400
		52,722
Less: Accumulated depreciation		(33,721)
Net property and equipment	$	19,001

NOTE D - COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Organization leases office space under a non-cancelable operating lease through April 2024. The weighted-average discount rate is based on the discount rate implicit in the lease. The Organization has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. Lease right-of-use assets and liabilities are recognized in the financial statements based on the present value of future minimum lease payments over the expected lease term on the lease commencement date. The expected lease terms include options to extend or terminate the lease when it is reasonably certain the Organization will exercise such options. Lease expense for minimum lease payments is recognized on a straight-line basis over the expected lease terms.

Total right-of-use assets and lease liabilities are as follows at June 30, 2023:

Lease assets:		
Operating right-of-use assets	$	44,002
Lease liability:		
Operating lease liability	$	38,035

The following summarizes the weighted-average remaining lease term and weighted average discount rate:

Weighted-average remaining lease term in years	9 months
Weighted-average discount rate	3.94%

The future minimum lease payments under noncancelable operating lease are as follows at June 30, 2023:

June 30		Amount
2024	$	38,598
2025		-
2026		-
2027		-
2028		-
Total lease payments		38,958
Less: present value discount		(563)
Total lease obligation	$	38,035

NOTE E - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at June 30, 2023:

Financial assets at year-end:		
Cash and cash equivalents	$	1,047,471
Accounts receivable		208,151
Total financial assets		1,255,622
Less amounts not available to be used within one year:		
Contract liabilities		4,000
Financial assets available to meet general expenditures within one year	$	1,251,622

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

NOTE F – NET ASSETS

Net assets with donor restrictions were follows for the year ended June 30, 2023:

Subject to Expenditure for Specified Purpose:		
Implementation of Latinos Aprendiendo Juntos program	$	24,043
Total net assets with donor restrictions	$	24,043

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:

Purpose Restrictions Accomplished:		
Implementation of Latinos Aprendiendo Juntos program	$	204,957
Total restrictions released	$	204,957

NOTE G - CONCENTRATION OF CREDIT AND MARKET RISK

The Organization manages the deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Organization to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give are considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from members, governmental agencies, and foundations supportive of the Organization's mission. Investments are made by diversified investment managers whose performance is monitored by the Organization. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Organization believes that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

NOTE H - SUBSEQUENT EVENTS

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through March 10, 2024 and concluded that no subsequent events occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.