

**THE ARC OF WINNEBAGO, BOONE &
OGLE COUNTIES**

**Financial Statements and
Independent Auditor's Report**

June 30, 2021 and 2020

**The Arc of Winnebago, Boone & Ogle Counties
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
The Arc of Winnebago, Boone & Ogle Counties
Rockford, Illinois

We have audited the accompanying financial statements of The Arc of Winnebago, Boone & Ogle Counties (a nonprofit organization) which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Arc of Winnebago, Boone & Ogle Counties as of June 30, 2021 and 2020, 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.

Lucas Group CPAs + Advisors, LLC

Rockford, Illinois
November 15, 2021

The Arc of Winnebago, Boone & Ogle Counties
Statements of Financial Position
June 30, 2021 and 2020

Assets

	2021	2020
Current assets:		
Cash and cash equivalents	\$ 357,368	298,521
Restricted cash, clients	150,815	133,048
Certificates of deposit	401,355	401,023
Grants and accounts receivable	14,398	49,057
Prepaid expenses	330	333
Total current assets	<u>924,266</u>	<u>881,982</u>
Property and equipment, net of accumulated depreciation of \$37,923 and \$37,016, respectively	67	974
Total assets	<u><u>924,333</u></u>	<u><u>882,956</u></u>

Liabilities and Net Assets

Current liabilities:		
Due to clients	150,815	133,048
Refundable advance	-	21,454
Accrued vacation	9,820	10,040
Accrued payroll withholding	4,321	5,349
Accrued miscellaneous	1,972	5,422
Total liabilities	<u>166,928</u>	<u>\$ 175,313</u>
Net Assets:		
Without donor restrictions	755,905	\$ 706,143
With donor restrictions	1,500	1,500
Total net assets	<u>757,405</u>	<u>707,643</u>
Total liabilities and net assets	<u><u>\$ 924,333</u></u>	<u><u>\$ 882,956</u></u>

The accompanying notes are an integral part of the financial statements.

The Arc of Winnebago, Boone & Ogle Counties
Statements of Activities
For the Years Ended June 30, 2021 and 2020

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Without Donor Restrictions	With Donor Restrictions	Total 2020
Support and revenue:						
Fees for service, State of Illinois	\$ 408,128	\$ -	408,128	\$ 412,370	\$ -	412,370
Fees for service, other	49,248	-	49,248	30,991	-	30,991
Special fundraising events, net of related expenses of \$88,140 and \$116,818 in 2021 and 2020, respectively	23,822	-	23,822	13,793	-	13,793
Contributions and grants	37,640	-	37,640	18,130	-	18,130
Investment income, net of expenses	528	-	528	3,374	-	3,374
PPP loan forgiveness	21,454	-	21,454	40,836	-	40,836
Other	12,962	-	12,962	4,595	-	4,595
Total support and revenue	\$ 553,782	\$ -	553,782	\$ 524,089	\$ -	524,089
Expenses:						
Program services	\$ 454,622	\$ -	\$ 454,622	\$ 441,379	\$ -	\$ 441,379
Management and general	29,760	-	29,760	32,401	-	32,401
Fundraising	19,638	-	19,638	18,256	-	18,256
Total expenses	504,020	-	504,020	492,036	-	492,036
Change in net assets	49,762	-	49,762	32,053	-	32,053
Net assets, beginning of year	706,143	1,500	707,643	674,090	1,500	675,590
Net assets, end of year	\$ 755,905	\$ 1,500	\$ 757,405	\$ 706,143	\$ 1,500	\$ 707,643

The accompanying notes are an integral part of the financial statements.

The Arc of Winnebago, Boone & Ogle Counties
Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program Services					Supporting Services		06/30/2021
	Home Based	Guardianship/ Rep Payee	Art	Other	Total Program	Management and General	Fundraising	Total
Salaries and wages	\$ 199,690	\$ 41,100	\$ 37,504	\$ 2,569	\$ 280,863	\$ 10,371	\$ 11,131	302,365
Employee fringe benefits	24,378	5,017	4,578	314	34,287	1,266	1,359	36,912
Payroll taxes	15,356	3,160	2,884	198	21,598	798	855	23,251
Contractual and consultants	2,030	435	290	145	2,900	-	-	2,900
Professional fees	9,731	2,085	1,390	696	13,902	7,250	-	21,152
Consumable supplies	4,142	888	592	296	5,918	-	-	5,918
Occupancy	40,610	8,702	5,801	2,901	58,014	6,446	-	64,460
Repairs and maintenance	755	162	108	54	1,079	-	-	1,079
Travel and transportation	563	121	80	40	804	-	-	804
Seminars, conferences, and training	762	163	109	54	1,088	-	557	1,645
Specific assistance	-	12,383	2,220	3,792	18,395	-	-	18,395
Advertising	-	-	-	-	-	-	5,736	5,736
Outside printing	152	33	22	10	217	-	-	217
Postage and shipping	3,114	668	445	222	4,449	-	-	4,449
Dues and subscriptions	1,389	298	198	99	1,984	2,445	-	4,429
Other expenses	5,816	1,246	831	415	8,308	-	-	8,308
Bad debt expense	-	-	-	-	-	1,093	-	1,093
Depreciation	571	122	82	41	816	91	-	907
Total expenses	\$ 309,059	\$ 76,583	\$ 57,134	\$ 11,846	\$ 454,622	\$ 29,760	\$ 19,638	\$ 504,020

The accompanying notes are an integral part of the financial statements.

The Arc of Winnebago, Boone & Ogle Counties
Statement of Functional Expenses
For the Year Ended June 30, 2020

	Program Services					Supporting Services		06/30/2020
	Home Based	Guardianship/ Rep Payee	Art	Other	Total Program	Management and General	Fundraising	Total
Salaries and wages	\$ 206,270	\$ 42,879	\$ 39,330	\$ 3,015	\$ 291,494	\$ 16,282	\$ 12,544	320,320
Employee fringe benefits	16,689	3,469	3,182	244	23,584	1,317	1,016	25,917
Payroll taxes	15,962	3,318	3,044	233	22,557	1,260	971	24,788
Professional fees	7,776	1,666	1,111	555	11,108	6,900	-	18,008
Consumable supplies	1,392	298	199	99	1,988	-	-	1,988
Occupancy	38,985	8,354	5,569	2,785	55,693	6,188	-	61,881
Repairs and maintenance	1,600	343	229	113	2,285	-	-	2,285
Travel and transportation	3,473	744	496	249	4,962	-	-	4,962
Seminars, conferences, and training	2,059	441	294	147	2,941	-	-	2,941
Specific assistance	-	6,731	481	826	8,038	-	-	8,038
Advertising	-	-	-	-	-	-	3,725	3,725
Outside printing	-	-	-	-	-	-	-	-
Postage and shipping	3,030	649	433	217	4,329	-	-	4,329
Dues and subscriptions	2,741	587	392	196	3,916	341	-	4,257
Other expenses	5,222	1,119	746	373	7,460	-	-	7,460
Bad debt expense	-	-	-	-	-	-	-	-
Depreciation	717	154	102	51	1,024	113	-	1,137
Total expenses	\$ 305,916	\$ 70,752	\$ 55,608	\$ 9,103	\$ 441,379	\$ 32,401	\$ 18,256	\$ 492,036

The accompanying notes are an integral part of the financial statements.

The Arc of Winnebago, Boone & Ogle Counties
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 49,762	\$ 32,053
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	907	1,137
Loss of sale of property and equipment	-	-
Appreciation of certificate of deposit	(332)	(3,173)
Forgiveness of PPP loan	(21,454)	(40,836)
(Increase) decrease in assets:		
Grants and accounts receivable, net	34,659	(16,744)
Prepaid expenses	3	(114)
Increase (decrease) in liabilities:		
Accrued expenses	(4,698)	10,057
Net cash provided by (used for) operating activities	<u>58,847</u>	<u>(17,620)</u>
Cash Flows from Financing Activities		
Proceeds from PPP loan	-	62,290
Net cash provided by (used for) financing activities	<u>-</u>	<u>62,290</u>
Net increase (decrease) in cash and cash equivalents	58,847	44,670
Cash and cash equivalents, beginning of year	298,521	253,851
Cash and cash equivalents, end of year	<u><u>357,368</u></u>	<u><u>298,521</u></u>

The accompanying notes are an integral part of the financial statements.

The Arc of Winnebago, Boone & Ogle Counties
Notes to Financial Statements
June 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies and Other Matters

Nature of Activities

The Arc of Winnebago, Boone & Ogle Counties (the "Organization") is a non-profit organization formed under the laws of the State of Illinois to educate and promote the welfare of disabled persons and their families in Northern Illinois and to cooperate with public and private agencies with similar purposes. The Organization also provides management and budgeting finance services to qualified individuals through its Independent Living Outreach Program.

Financial Statement Presentation

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

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor and grantor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor or grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in which support and revenue is recognized when earned and expenses are recognized when incurred.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or a 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. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions in the Statement of Activities as net assets released from restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realized value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts of those amounts are computed using risk free interest rates applicable to the years in which the promises are received. Changes in value are recorded as support income. Conditional promises to give are not included as support until the conditions are substantially met. No allowance for uncollectible accounts has been provided on unconditional promises to give.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Arc of Winnebago, Boone & Ogle Counties
Notes to Financial Statements
June 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies and Other Matters (Continued)

Income Taxes (Continued)

The Organization follows the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at June 30, 2021 or 2020.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2018.

The Organization's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

Donated Assets and Services

The Organization records in-kind support for donated assets and services in the statement of activities at their estimated fair market values at the date of receipt. Contributed professional services are recognized if the services create or enhance long-lived assets or require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Cash and Cash Equivalents

For purpose of reporting the statement of cash flows, the Organization includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less as cash equivalents on the accompanying statement of financial position. The Organization's bank accounts at BMO Harris Bank had balances of \$736,156 at June 30, 2021, which exceeded the FDIC limit of \$250,000 by \$486,156. The Organization's bank accounts exceeded the FDIC limit by \$385,809 at June 30, 2020.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. The threshold for capitalization is \$2,500. Lesser amounts are expensed. The property and equipment are being depreciated over estimated useful lives using various methods but primarily the straight-line method. Estimated useful lives are as follows:

Building and improvements	7-39
Furniture and equipment	3-7

Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and any gain or loss is included in the statement of activities.

The Arc of Winnebago, Boone & Ogle Counties
Notes to Financial Statements
June 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies and Other Matters (Continued)

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The cost of providing the various programs and other activities are charged on a direct functional basis whenever practical. When direct charges cannot be accomplished, the costs are allocated on the basis of periodic time and use of space studies. The expenses that are allocated include salaries, payroll taxes & benefits, consumable supplies, occupancy, repairs & maintenance, professional fees, travel, training, printing, postage, dues, other expenses and depreciation.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Restricted Cash

Client funds received by the Organization, acting as a trustee agent, are maintained in a separate checking account in the name of the Organization. These funds are managed through the Independent Living Support Program and are paid out on behalf of clients for their related living expenses. These client funds are not assets of the Organization, and thus, are not included as support and program expenses in the statement of activities.

Note 3 - Grants and Accounts Receivable

The detail of grants and accounts receivable is as follows at June 30, 2021 and 2020:

	<u>06/30/2021</u>	<u>06/30/2020</u>
State of Illinois-Department of Human Services	\$ 1,793	\$ 47,178
Other	12,605	1,879
Total	<u>\$ 14,398</u>	<u>\$ 49,057</u>

Note 4 - Property and Equipment

Investments in property and equipment is as follows at June 30, 2021 and 2020:

	<u>6/30/2021</u>	<u>6/30/2020</u>
Office furniture and equipment	\$ 37,990	\$ 37,990
Less: accumulated depreciation	(37,923)	(37,016)
Net book value	<u>\$ 67</u>	<u>\$ 974</u>

Depreciation expense was \$907 and \$1,138 for the years ended June 30, 2021 and 2020, respectively.

The Arc of Winnebago, Boone & Ogle Counties
Notes to Financial Statements
June 30, 2021 and 2020

Note 5 - Accrued Expenses

The Organization has accrued expenses consisting of the following as of June 30, 2021 and 2020.

	<u>06/30/2021</u>	<u>06/30/2020</u>
Accrued payroll withholding	\$ 4,321	\$ 4,167
Accrued vacation	9,820	4,615
Accrued miscellaneous	1,972	1,972
Total	<u>\$ 16,113</u>	<u>\$ 10,754</u>

Note 6 - Employee Benefits Plans

Cafeteria Plan

The Organization provides a modified cafeteria plan for all eligible employees. Employees may participate in the plan after completing three months of employment. Under the terms of the plan, eligible employees may elect to contribute a specified percentage of their compensation before tax to be applied toward an annuity. The Organization also contributes a specified percentage of each participating employee's annual compensation, determined annually, to the plan. The Organization has suspended payments to the plan and did not contribute to the plan for the years ended June 30, 2021 and 2020.

403(b) Defined Contribution Plan

The Organization maintains a 403(b) defined contribution pension plan for all eligible employees. Under terms of the plan, all employees are eligible to make salary reduction contributions and are eligible to receive employer based contributions if they are age 21 and over and have completed at least one year of service. The Organization did not contribute to the plan for the years ended June 30, 2021 and 2020.

Note 7 – Concentrations

Approximately 83% and 79% of the Organization's total support and revenue was received from the State of Illinois Department of Human Services for the years ended June 30, 2021 and 2020, respectively. A significant reduction in the level of this support, if this were to occur, may have a significant impact on the Organization's range of programs and activities provided.

Note 8 – Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30, 2021 and 2020:

	<u>06/30/2021</u>	<u>06/30/2020</u>
Restricted as to purpose:		
Education	\$ 1,500	\$ 1,500
Total net assets with donor restrictions	<u>\$ 1,500</u>	<u>\$ 1,500</u>

The Arc of Winnebago, Boone & Ogle Counties
Notes to Financial Statements
June 30, 2021 and 2020

Note 9 - Donated Goods and Services

The donated advertising expense for the years ended June 30, 2021 and 2020 were for the Great Dream Machine and the Chocoholic Frolic. The Organization has reported the estimated fair values of the donated materials and services as follows:

	<u>06/30/2021</u>	<u>06/30/2020</u>
Advertising expense	\$ 73,754	\$ 70,890

Note 10 – Leases and Rental Expense

During the year ended June 30, 2019, the Organization entered into a lease for its new office location. The monthly rental payment is \$4,407. The lease expires on October 31, 2021. The future minimum lease payments are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2022	\$ 17,628
	<u>\$ 17,628</u>

Note 11 – Major Programs

The Organization reports the following major programs in the Statement of Functional Expenses:

Home Based - The Organization provides service facilitation to individuals who have been awarded the Home Based Support Services Program by the State of Illinois Department of Human Services, Division of Developmental Disabilities.

Guardianship / Rep Payee – Guardianship Assistance provides information, assessment, and legal services to families or others seeking uncontested legal guardianship of adults (18 years or older) with disabilities living in Winnebago, Boone and Ogle Counties. Money management services are provided through representative payeeship and budgeting assistance.

Art - The Art program allows participants to create a variety of unique bead jewelry or art and attend art classes.

Any remaining program activities not included in the classifications above are reported under Other Programs.

The Arc of Winnebago, Boone & Ogle Counties
Notes to Financial Statements
June 30, 2021 and 2020

Note 12 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>06/30/2021</u>	<u>06/30/2020</u>
Cash and cash equivalents	\$ 357,368	\$ 298,521
Certificates of deposit	401,355	401,023
Accounts receivable	14,398	49,057
Less: donor restrictions	<u>(1,500)</u>	<u>(1,500)</u>
Total financial assets available for general expenditure	<u>\$ 771,621</u>	<u>\$ 747,101</u>

The Organization structures its financial assets to be available as its general expenditures come due. In addition, the Organization transfers its excess cash into low interest bearing deposit accounts.

Note 13 - Subsequent Events

The Organization has evaluated subsequent events through November 15, 2021, the date the financial statements were available to be issued and determined that there were no significant unrecognized subsequent events that would require adjustment to or disclosure in the financial statements.