



**LOFTIS & LOVATO**

— G R O U P —

CERTIFIED PUBLIC ACCOUNTANTS



Consolidated Financial Statements  
and  
Independent Auditor's Report

June 30, 2020 and 2019

# **ARCA**

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## Independent Auditor's Report

To the Board of Directors and management of ARCA

We have audited the accompanying consolidated financial statements of ARCA (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to ARCA's preparation and fair presentation of the consolidated 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 ARCA'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of ARCA as of June 30, 2020 and 2019, 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.

## **Reports on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and consolidating statements of activities on pages 35 through 46 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Loftis & Lovato Group*

Albuquerque, New Mexico  
January 6, 2021

## Consolidated Financial Statements

**ARCA**  
**Consolidated Statements of Financial Position**  
**June 30, 2019 and 2020**

	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 4,248,025	\$ 4,217,656
Accounts receivable	2,927,311	2,252,776
Unconditional promises to give	102,064	18,719
Prepaid expenses	391,763	368,060
Total current assets	7,669,163	6,857,211
Property, furniture and equipment, net	7,844,613	8,012,731
Other Assets		
Restricted deposits and funded reserves		
Cash held in trust for persons served	2,844,307	2,422,722
Real estate	1,123,875	1,123,875
Investment - quasi endowment	2,940,583	2,224,463
Investment - restricted endowment	878,252	903,223
Accrued interest and other assets	1,600	1,600
Total other assets	7,788,617	6,675,883
Total assets	\$ 23,302,393	\$ 21,545,825

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

**ARCA**  
**Consolidated Statements of Financial Position - continued**  
**June 30, 2019 and 2020**

	<b>2020</b>	<b>2019</b>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 569,306	\$ 501,685
Accrued liabilities:		
Salaries and payroll taxes	1,206,985	849,168
Compensated absences	859,282	813,860
Mortgage interest	6,414	6,414
Deferred revenue	137,404	104,511
Current portion of long-term debt	261,056	273,949
Total current liabilities	3,040,447	2,549,587
Long-term Liabilities		
Long-term debt, less current portion	1,865,898	2,124,411
Cash held in trust for persons served	2,844,307	2,422,722
Other long-term liabilities	6,147	5,692
Total long-term liabilities	4,716,352	4,552,825
Total liabilities	7,756,799	7,102,412
Net assets		
Without donor restriction		
Undesignated	7,403,916	7,241,518
Board designated - quasi endowment	2,940,583	2,224,463
Board designated	4,170,957	3,869,973
Total unrestricted	14,515,456	13,335,954
With donor restriction	1,030,138	1,107,459
Total net assets	15,545,594	14,443,413
Total liabilities and net assets	\$ 23,302,393	\$ 21,545,825

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

**ARCA**  
**Consolidated Statement of Activities**  
**For the Year Ended June 30, 2020**

	<u>Without Donor</u> <u>Restriction</u>	<u>With Donor</u> <u>Restriction</u>	<u>Totals</u>
<b>Public Support and Revenue</b>			
Public support			
Government funding:			
NM Department of Health and Human Services	\$ 789,330	\$ -	\$ 789,330
NM Children, Youth and Families Department	1,144,855	-	1,144,855
U.S. Department of Transportation	153,771	-	153,771
Private contracts	995,740	-	995,740
Contributions	1,253,073	71,997	1,325,070
Grants	-	<u>20,500</u>	<u>20,500</u>
Total public support	<u>4,336,769</u>	<u>92,497</u>	<u>4,429,266</u>
Revenue			
Medicaid waiver	13,701,767	-	13,701,767
Medicaid ICF/IID	9,875,056	-	9,875,056
Fees and rent	1,534,983	-	1,534,983
Investment income:			
Endowment fund	<u>25,495</u>	-	<u>25,495</u>
	25,137,301	-	25,137,301
Interest income from cash and cash equivalents	9,289	-	9,289
Other	204,437	-	204,437
Contracts and sales	<u>151,932</u>	-	<u>151,932</u>
Total revenue	<u>25,502,959</u>	<u>-</u>	<u>25,502,959</u>
Net Assets Released from Restrictions			
Donor and time restrictions	<u>169,818</u>	<u>(169,818)</u>	<u>-</u>
<b>Total public support and revenue</b>	<u>30,009,546</u>	<u>(77,321)</u>	<u>29,932,225</u>

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



**ARCA**  
**Consolidated Statement of Activities – continued**  
**For the Year Ended June 30, 2020**

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Totals</u>
<b>Expenses</b>			
Program services:			
Community services	15,025,844	-	15,025,844
InterCare	8,438,193	-	8,438,193
Business enterprises	841,218	-	841,218
Total program expenses	<u>24,305,255</u>	<u>-</u>	<u>24,305,255</u>
Supporting services:			
Management and general	4,386,533	-	4,386,533
Fundraising	138,256	-	138,256
Total supporting expenses	<u>4,524,789</u>	<u>-</u>	<u>4,524,789</u>
<b>Total expenses</b>	<u>28,830,044</u>	<u>-</u>	<u>28,830,044</u>
Change in net assets	1,179,502	(77,321)	1,102,181
Net assets, beginning of year	<u>13,335,954</u>	<u>1,107,459</u>	<u>14,443,413</u>
<b>Net assets, end of year</b>	<u>\$ 14,515,456</u>	<u>\$ 1,030,138</u>	<u>\$ 15,545,594</u>

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

**ARCA**  
**Consolidated Statement of Activities**  
**For the Year Ended June 30, 2019**

	Without Donor Restriction	With Donor Restriction	<b>Totals</b>
<b>Public Support and Revenue</b>			
Public support			
Government funding:			
NM Department of Health and Human Services	\$ 837,697	\$ -	\$ 837,697
NM Children, Youth and Families Department	1,292,576	-	1,292,576
U.S. Department of Transportation	20,950	-	20,950
Private contracts	737,001	-	737,001
Contributions	558,697	244,762	803,459
Grants	10,000	2,000	12,000
Total public support	<u>3,456,921</u>	<u>246,762</u>	<u>3,703,683</u>
Revenue			
Medicaid waiver	13,419,915	-	13,419,915
Medicaid ICF/IID	9,237,695	-	9,237,695
Fees and rent	1,545,537	-	1,545,537
Investment income:			
Endowment fund	6,484	-	6,484
Other investments	20,577	-	20,577
	<u>24,230,208</u>	<u>-</u>	<u>24,230,208</u>
Interest income from cash and cash equivalents	6,611	-	6,611
Other	406,544	-	406,544
Contracts and sales	208,153	-	208,153
Total revenue	<u>24,851,516</u>	<u>-</u>	<u>24,851,516</u>
Net Assets Released from Restrictions			
Donor and time restrictions	<u>234,174</u>	<u>(234,174)</u>	<u>-</u>
<b>Total public support and revenue</b>	<u>28,542,611</u>	<u>12,588</u>	<u>28,555,199</u>

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

**ARCA**  
**Consolidated Statement of Activities – continued**  
**For the Year Ended June 30, 2019**

	Without Donor Restriction	With Donor Restriction	Totals
<b>Expenses</b>			
Program services:			
Community services	15,065,083	-	<b>15,065,083</b>
InterCare	8,331,115	-	<b>8,331,115</b>
Business enterprises	570,563	-	<b>570,563</b>
Total program expenses	<u>23,966,761</u>	<u>-</u>	<u><b>23,966,761</b></u>
Supporting services:			
Management and general	4,148,792	-	<b>4,148,792</b>
Fundraising	211,923	-	<b>211,923</b>
Total supporting expenses	<u>4,360,715</u>	<u>-</u>	<u><b>4,360,715</b></u>
<b>Total expenses</b>	<u>28,327,476</u>	<u>-</u>	<u><b>28,327,476</b></u>
Change in net assets	215,135	12,588	<b>227,723</b>
Net assets, beginning of year	<u>13,120,819</u>	<u>1,094,871</u>	<u><b>14,215,690</b></u>
<b>Net assets, end of year</b>	<u><u>\$ 13,335,954</u></u>	<u><u>\$ 1,107,459</u></u>	<u><u><b>\$ 14,443,413</b></u></u>

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

**ARCA**  
**Consolidated Statement of Functional Expenses**  
**For the Year Ended June 30, 2020**

	Program Services			Total Program Services
	Community Services	InterCare	Business Enterprises	
Salaries, taxes and benefits	\$ 11,055,882	\$ 6,973,732	\$ 619,732	\$ 18,649,346
Expenses for persons served	2,358,832	671,038	21,858	3,051,728
Facilities	881,271	537,757	115,464	1,534,492
Transportation	547,645	200,379	33,054	781,078
Contractual services	110,968	16,954	15,651	143,573
Office expenses	66,934	27,431	31,860	126,225
Public relations	4,312	10,902	3,599	18,813
Total expenses	<u>\$ 15,025,844</u>	<u>\$ 8,438,193</u>	<u>\$ 841,218</u>	<u>\$ 24,305,255</u>

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

**ARCA**  
**Consolidated Statement of Functional Expenses - continued**  
**For the Year Ended June 30, 2020**

	<u>Support Services</u>		<u>Total Supporting Services</u>	<u>Totals</u>
	<u>Management and General</u>	<u>Fundraising</u>		
Salaries, taxes and benefits	\$ 2,743,044	\$ 102,200	\$ 2,845,244	<b>\$ 21,494,590</b>
Expenses for persons served	25,998	-	25,998	<b>3,077,726</b>
Facilities	375,045	-	375,045	<b>1,909,537</b>
Transportation	29,336	-	29,336	<b>810,414</b>
Contractual services	919,377	-	919,377	<b>1,062,950</b>
Office expenses	260,628	-	260,628	<b>386,853</b>
Public relations	33,105	36,056	69,161	<b>87,974</b>
Total expenses	<u>\$ 4,386,533</u>	<u>\$ 138,256</u>	<u>\$ 4,524,789</u>	<u><b>\$ 28,830,044</b></u>

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

**ARCA**  
**Consolidated Statement of Functional Expenses**  
**For the Year Ended June 30, 2019**

	Program Services			Total Program Services
	Community Services	InterCare	Business Enterprises	
Salaries, taxes and benefits	\$ 10,947,710	\$ 6,705,617	\$ 402,725	\$ 18,056,052
Expenses for persons served	2,434,667	778,697	10,908	3,224,272
Facilities	940,112	566,891	66,320	1,573,323
Transportation	636,538	213,950	33,002	883,490
Contractual services	75,800	15,739	32,136	123,675
Office expenses	22,517	35,732	22,584	80,833
Public relations	7,739	14,489	2,888	25,116
Total expenses	<u>\$ 15,065,083</u>	<u>\$ 8,331,115</u>	<u>\$ 570,563</u>	<u>\$ 23,966,761</u>

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

**ARCA**  
**Consolidated Statement of Functional Expenses - continued**  
**For the Year Ended June 30, 2019**

	<u>Support Services</u>		Total Supporting Services	<u>Totals</u>
	<u>Management and General</u>	<u>Fundraising</u>		
Salaries, taxes and benefits	\$ 2,584,887	\$ 102,705	\$ 2,687,592	<b>\$ 20,743,644</b>
Expenses for persons served	72,581	-	72,581	<b>3,296,853</b>
Facilities	365,761	-	365,761	<b>1,939,084</b>
Transportation	9,808	-	9,808	<b>893,298</b>
Contractual services	965,904	-	965,904	<b>1,089,579</b>
Office expenses	126,654	-	126,654	<b>207,487</b>
Public relations	<u>23,197</u>	<u>109,218</u>	<u>132,415</u>	<b><u>157,531</u></b>
Total expenses	<u>\$ 4,148,792</u>	<u>\$ 211,923</u>	<u>\$ 4,360,715</u>	<b><u>\$ 28,327,476</u></b>

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

**ARCA**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2019 and 2020**

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities</b>		
Cash received from government funding	<b>\$ 24,869,821</b>	\$ 24,839,581
Cash received from contributors	<b>1,262,225</b>	851,517
Cash received from other sources	<b>3,027,081</b>	2,763,922
Cash paid to employees	<b>(21,091,351)</b>	(20,687,664)
Cash paid to suppliers	<b>(6,483,655)</b>	(6,849,024)
Investment income	<b>63,902</b>	50,858
Interest paid	<b>(114,050)</b>	(129,161)
Net cash provided by operating activities	<b><u>1,533,973</u></b>	<u>840,029</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	<b>1,588,267</b>	2,022,948
Purchase of investments	<b>(2,308,534)</b>	(2,097,447)
Purchase of vehicles, property and equipment	<b>(511,931)</b>	(532,233)
Proceeds from the sales of property and equipment	<b>-</b>	322,165
Net cash used by investing activities	<b><u>(1,232,198)</u></b>	<u>(284,567)</u>
<b>Cash flows from financing activities</b>		
Mortgage repayments	<b>(271,406)</b>	(307,838)
Restricted contributions	<b>-</b>	(9,430)
Net cash used by financing activities	<b><u>(271,406)</u></b>	<u>(317,268)</u>
Net increase in cash and cash equivalents	<b>30,369</b>	238,194
Cash and cash equivalents, beginning of year	<b><u>4,217,656</u></b>	<u>3,979,462</u>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 4,248,025</u></b>	<b><u>\$ 4,217,656</u></b>

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



**ARCA**  
**Statements of Cash Flows – continued**  
**For the Years Ended June 30, 2019 and 2020**

	<b>2020</b>	2019
<b>Reconciliation of change in net assets to net cash provided by operating activities</b>		
Change in net assets	<b><u>\$ 1,102,181</u></b>	<b><u>\$ 227,723</u></b>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	<b>693,831</b>	702,866
Unrealized (gain)/loss on investments	<b>105,711</b>	187,277
Realized (gain)/loss on investments	<b>(76,593)</b>	(170,091)
Gain on sale of assets	<b>(13,782)</b>	(133,313)
Restricted contributions	-	9,430
(Increase) decrease in:		
Accounts receivable	<b>(674,535)</b>	113,790
Unconditional promises to give	<b>(83,345)</b>	5,678
Prepaid expenses	<b>(23,703)</b>	(42,376)
Cash held in trust for persons served	<b>(421,585)</b>	(262,501)
Increase (decrease) in:		
Accounts payable	<b>67,621</b>	(54,843)
Accrued liabilities	<b>403,239</b>	55,980
Cash held in trust for persons served	<b>421,585</b>	262,501
Deferred revenue and other long-term liabilities	<b><u>33,348</u></b>	<u>(62,092)</u>
Total adjustments	<b><u>431,792</u></b>	<u>612,306</u>
Net cash provided by operating activities	<b><u>\$ 1,533,973</u></b>	<b><u>\$ 840,029</u></b>

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

**ARCA**  
**Notes to Consolidated Financial Statements**  
**June 30, 2020 and 2019**

**1) Nature of Organization**

ARCA is a not-for-profit corporation that was originally founded in 1957 by a group of parents desiring community-based opportunities for their family members with developmental disabilities. ARCA is dedicated to providing premier services to approximately 600 individuals with developmental disabilities in the Albuquerque area and provides services to approximately 60 individuals statewide as part of New Mexico's Prader Willi Project. ARCA's primary program activities are divided into three divisions: InterCare, Community Services, and Business Enterprises. InterCare provides 24-hour residential services along with employment services at their La Paloma Greenhouses. Community Services provides various community living options, family living services and employment and other community inclusion opportunities. The Business Enterprises primarily provides employment services to individuals.

ARCA Foundation (the "Foundation") conducts fundraising for the purpose of providing financial resources to ARCA.

The Board of Directors of ARCA appoints the Board of Directors of the Foundation and can remove them at any time with a majority vote.

**2) Summary of Significant Accounting Policies**

Basis of Presentation

The accompanying consolidated financial statements referred to as "ARCA" present the consolidated financial position, changes in net assets, cash flows and functional expense of ARCA and ARCA Foundation. All significant intercompany accounts and transactions have been eliminated. ARCA has board control and economic interest in the ARCA Foundation. Accordingly, the ARCA Foundation's financial statements have been consolidated with ARCA's financial statements.

ARCA follows the accounting and reporting standards required by *Not for Profit* Entities. Generally accepted accounting standards require ARCA to report information regarding its financial position and activities according to the following classes of net assets:

*Net Assets Without Donor Restriction:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the ARCA. These net assets may be used at the discretion of management and the board of directors.

**ARCA**  
**Notes to Consolidated Financial Statements**  
**June 30, 2020 and 2019**

2) Summary of Significant Accounting Policies — continued

Basis of Presentation - continued

*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 ARCA 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.

The accounting records supporting the accompanying consolidated financial statements are organized on the basis of divisions. The revenues and expenditures of each division are accounted for separately. The divisional revenues and expenses are consolidated into a single set of accounts that summarize ARCA's assets, liabilities and net assets. Divisions maintained are InterCare, Community Services and Business Enterprises.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Instruments

The carrying amounts of cash, receivables, payables, accrued liabilities, and other liabilities approximate fair value due to short maturity periods of these instruments. The fair value of long-term debt is the carrying value due to the adjustable market rate of interest. For purposes of the consolidated statements of cash flows, ARCA does not consider restricted deposits, or tenant deposits to be cash or cash equivalents. Cash is defined as amounts held in checking accounts, savings accounts, and money market funds. A cash equivalent is a highly liquid investment having an original maturity of three months or less. Liquid investments are defined as those investments with a remaining maturity of one year or less and include certain types of fixed income investments such as CDs, U.S. Treasury and agency debt securities. ARCA maintains a portion of its cash and cash equivalents in bank deposit accounts, which, at times, exceed federally insured limits. ARCA has not experienced any losses in such accounts.

**ARCA**  
**Notes to Consolidated Financial Statements**  
**June 30, 2020 and 2019**

2) Summary of Significant Accounting Policies — continued

Accounts Receivable

ARCA's primary income source is from Medicaid funds, which are received after the service is performed. Accounts receivable are stated at the amount management expects to collect from outstanding balances due from the State and other fees for service contracts. Individual accounts are evaluated and determined delinquent based on known facts and circumstances. Management believes all accounts receivable are collectible, and as a result, no allowance has been recorded.

Investments

Investments in marketable securities with readily-determinable fair values and all investments in debt securities are reported at fair values in the consolidated statements of financial position.

Income Taxes

ARCA and the Foundation are non-profit corporations and qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and are classified as other than private foundations. As such, their normal activities not directly related to ARCA's tax exempt purpose is subject to taxation as unrelated business income. There was no taxable unrelated business income for the years ended June 30, 2020 and 2019.

ARCA files information tax returns as prescribed by the tax laws of the jurisdictions in which it operates. ARCA's income tax filings are subject to audit by various taxing authorities. As of June 30, 2020, ARCA's open audit periods are for 2017 and thereafter.

ARCA believes that it has appropriate support for any tax position taken as such, and does not have any uncertain tax positions that are material to the financial statements.

Property, Furniture and Equipment

ARCA has a Board adopted capitalization policy. Property, furniture and equipment over \$5,000 are capitalized at cost or, if donated, at fair market value at the day of donation. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives for buildings are 30 years, furnishings are 5 years, building improvements and leasehold improvements range from 5 to 30 years, furnishings and equipment ranges from 3 to 10 years and vehicles have estimated useful lives of 5 years.

**ARCA**  
**Notes to Consolidated Financial Statements**  
**June 30, 2020 and 2019**

2) Summary of Significant Accounting Policies — continued

Impairment of Long-lived Assets and Long-lived Assets to be Disposed of

ARCA reviews its long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount 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 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 of the assets exceeds the fair value of the assets. Assets to be disposed of, if any, are reported at the lower of the carrying amount or the fair value less costs to sell.

Revenue Recognition

ARCA reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donation. All other gifts of cash or other assets are reported as increases to net assets without donor restriction. Donor-restricted contributions are reported as increases in net assets with donor restriction, depending on the nature of the restrictions. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the consolidated statements of activities as net assets released from restriction.

Revenues on fee-for-service contracts and Medicaid revenue are recognized when the services are provided to the persons served. Such revenue is subject to audit by the grantor or funding agency and could result in a request for reimbursement. In the event that it may be determined that ARCA receives Medicaid payments in excess of the agreed-upon contract rates, these amounts would be due back to Medicaid. It is management's opinion that amounts, if any, that may be found to be refundable would not be significant and, therefore, would be charged against income in the period detected.

Promises to Give

Unconditional promises to give are recognized as revenue in the period awarded. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

**ARCA**  
**Notes to Consolidated Financial Statements**  
**June 30, 2020 and 2019**

2) Summary of Significant Accounting Policies — continued

Endowment Fund

ARCA has adopted generally accepted accounting standards as they related to *Endowment of Not-for-Profit Organizations – Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds*, which includes the following financial statement disclosure requirements for ARCA for the years ended June 30, 2020 and 2019.

**Classification of Net Assets** – Endowment funds are used to account for investments in which the principal is restricted or Board-designated for a specific purpose.

**Interpretation of Relevant Law** – ARCA has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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. As a result of this interpretation, ARCA classifies as net assets with donor restriction: (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulation to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with restriction until those amounts are appropriated for expenditure by ARCA in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, ARCA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effects of inflation and deflation, (5) the expected total return from the income and the appreciation of investments, (6) other resources of ARCA and (7) ARCA investment policies.

La Paloma and Greenhouses

ARCA operates greenhouses that provide vocational training to persons served. Items produced in the greenhouses are sold to the public. Gross revenue, as defined by the IRS, generated by the La Paloma Greenhouse does not generate unrelated business income.

**ARCA**  
**Notes to Consolidated Financial Statements**  
**June 30, 2020 and 2019**

2) Summary of Significant Accounting Policies — continued

Deferred Revenue

Income from Children, Youth and Family Department (CYFD) related to respite care and private pay is deferred and recognized when the service is provided. Advance payments for camp fees are deferred until the event occurs.

Donated Services and Materials

Contributions of services and materials are recognized in the accompanying consolidated financial statements in accordance with ASC 958-605 if the services received enhance or create non-financial assets, require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restriction. In the absence of any donor stipulations regarding how long donated assets must be maintained, ARCA reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. ARCA reclassifies net assets with donor restriction to net assets without donor restriction at that time.

Fair Value of Financial Instruments

ARCA adopted generally accepted accounting standards as they relate to fair value measurement which provides a framework for measuring fair value under GAAP and expands disclosures about fair value measurement. Generally accepted accounting standards defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. These standards require that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The standards also establish a fair value hierarchy, which priorities the valuation inputs into three level inputs that may be used to measure fair value:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

**ARCA**  
**Notes to Consolidated Financial Statements**  
**June 30, 2020 and 2019**

2) Summary of Significant Accounting Policies — continued

Fair Value of Financial Instruments - continued

Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability (such as interest rates and yield curves, prepayment speeds, loss credit risk, etc.).

Level 3 – Unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Unobservable inputs shall be developed based on the best information available in the circumstances, which might include the reporting entity's own data and assumptions.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

Pooled Trust-Units held in pooled separate accounts are valued using the net asset value (NAV) of the fund. The NAV is based on the fair value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of units outstanding. The net asset value of the pooled separate account is calculated based on a compilation of primarily observable market information. The number of units of the fund that are outstanding on the calculation date is derived from observable purchase and considered Level 2 of the valuation hierarchy. ARCA invests in the following pooled investment funds:

**New Mexico Community Foundation** - Fund strategy is long-term capital appreciation without undue risk to principal, capital appreciation by investing primarily in securities of emerging or growth-oriented companies.

**Albuquerque Community Foundation** – Fund strategy is long-term capital appreciation without undue risk to principal, capital appreciation by investing primarily in securities of emerging or other growth-oriented companies.

**Trading Securities** – Value at the closing price reported on the major market on which the individual securities are traded.



**ARCA**  
**Notes to Consolidated Financial Statements**  
**June 30, 2020 and 2019**

2) Summary of Significant Accounting Policies — continued

Fair Value of Financial Instruments – continued

**Fixed Income Securities** – Valued at the closing price reported on the major market on which the individual securities are traded.

**Mutual Funds** – Valued at the net asset value (NAV) of shares held at year end using prices quoted by relevant pricing agent.

There are three general valuation techniques that may be used to measure fair value, as described below:

**Market Approach** – Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources.

**Cost Approach** – Based on the amount that currently would be required to replace the service capital of an asset (replacement cost).

**Income Approach** – Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities.

**ARCA**  
**Notes to Consolidated Financial Statements**  
**June 30, 2020 and 2019**

2) Summary of Significant Accounting Policies — continued

Functional Allocation of Expense

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. Significant expenses that are allocated include the following:

<u>Expense</u>	<u>Allocation Method</u>
Salaries, taxes and benefits	Time and effort
Expenses for persons served	Specific identification
Facilities	Specific identification
Transportation	Specific identification
Contractual services	Specific identification
Office expenses	Specific identification
Public relations	Specific identification

Advertising and Marketing

Advertising costs included in public relations expense, are expensed when the advertising first takes place. Advertising expense was approximately \$47,000 and \$49,000 for fiscal years 2020 and 2019, respectively.

Adoption of New Accounting Pronouncement – Revenue Recognition

In May 2014, the FASB issued ASC 606 – *Revenue from Contracts with Customers*. ASC 606 is a single principle-based revenue standard for U.S. GAAP and IFRS (International Financial Reporting Standards) that replaces almost all U.S. GAAP and IFRS guidance for revenue recognition. The pronouncement is effective for fiscal years beginning after December 15, 2018 (ARCA’s fiscal year ending June 30, 2020).

Private contracts are for residential client services related to rehabilitation. These services are billed monthly after services are rendered.

Fees and rent are for residential services in the ARCA homes. The fees funded by private pay are billed monthly after services are rendered.

Contracts and sales are for janitorial services and green house sales. The janitorial services are billed monthly after services are rendered. The green house sales revenue is recorded when the sale is made.

**ARCA**  
**Notes to Consolidated Financial Statements**  
**June 30, 2020 and 2019**

**3) Fair Value Measurements**

Assets itemized below were measured at fair value during the year ended June 30, 2020 using the market approach for Level 1 and Level 2 inputs.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Investment in community funds			
Pooled trust	\$ -	\$ 878,252	\$ 878,252
Trading securities			
Equities	2,115,045	-	2,115,045
Total stocks	2,115,045	-	2,115,045
Fixed income securities			
Alternative	272,489	-	272,489
Pooled fixed income funds	507,891	-	507,891
Total fixed income securities	780,380	-	780,380
Cash and cash equivalents	45,158	-	45,158
Total investments	<u>\$ 2,940,583</u>	<u>\$ 878,252</u>	<u>\$ 3,818,835</u>

**ARCA**  
**Notes to Consolidated Financial Statements**  
**June 30, 2020 and 2019**

3) Fair Value Measurements - continued

Assets itemized below were measured at fair value during the year ended June 30, 2019 using the market approach for Level 1 and Level 2 inputs.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>Total</u>
Investment in community funds			
Pooled trust	\$ -	\$ 903,223	\$ 903,223
Trading securities			
Equities	<u>1,083,731</u>	<u>-</u>	<u>1,083,731</u>
Total stocks	<u>1,083,731</u>	<u>-</u>	<u>1,083,731</u>
Fixed income securities			
Alternative	739,050	-	739,050
Pooled fixed income funds	<u>401,682</u>	<u>-</u>	<u>401,682</u>
Total fixed income securities	<u>1,140,732</u>	<u>-</u>	<u>1,140,732</u>
Total investments	<u>\$ 2,224,463</u>	<u>\$ 903,223</u>	<u>\$ 3,127,686</u>

Investments at June 30, are shown on the consolidated statements of financial position as follows:

	<u>2020</u>	<u>2019</u>
Quasi endowment	\$ 2,940,583	\$ 2,224,463
Restricted endowment	<u>878,252</u>	<u>903,223</u>
	<u>\$ 3,818,835</u>	<u>\$ 3,127,686</u>

**ARCA**  
**Notes to Consolidated Financial Statements**  
**June 30, 2020 and 2019**

3) Fair Value Measurements - continued

Investment income as shown on the consolidated statements of activities is comprised of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 74,426	\$ 60,442
Expenses	(19,813)	(16,195)
Net realized and unrealized gains (losses)	<u>(29,118)</u>	<u>(17,186)</u>
	<u>\$ 25,495</u>	<u>\$ 27,061</u>

4) **Accounts Receivable**

Accounts receivable were as follows at June 30:

	<u>2020</u>	<u>2019</u>
New Mexico Department of Health and Human Services:		
Medicaid waiver	\$ 1,135,943	\$ 1,064,429
Medicaid ICF/IID	1,204,634	771,996
General fund	102,989	64,989
New Mexico Children, Youth and Families Department:		
Family-based services	149,861	101,602
Other	<u>333,884</u>	<u>249,760</u>
Total accounts receivable	<u>\$ 2,927,311</u>	<u>\$ 2,252,776</u>

At June 30, 2020 and 2019, \$84,421 and \$12,749 respectively, of accounts receivable were outstanding over 90 days.

**ARCA**  
**Notes to Consolidated Financial Statements**  
**June 30, 2020 and 2019**

**5) Restricted Deposits**

ARCA serves as the custodian for certain funds that ARCA holds in trust for persons served. These funds are recorded as an asset and liability on the consolidated statements of financial position and are not available for use in ARCA's operations.

**6) Property, Furniture and Equipment**

At June 30, property, furniture and equipment were comprised of the following:

	<u>2020</u>	<u>2019</u>
Building	\$ 8,875,744	\$ 8,875,744
Vehicles	3,211,239	3,041,887
Building improvements	3,237,405	3,054,478
Furnishing and equipment	941,958	931,178
Other	<u>119,075</u>	<u>15,351</u>
	<b>16,385,421</b>	15,918,638
Less accumulated depreciation	<u>11,095,294</u>	<u>10,460,393</u>
	<b>5,290,127</b>	5,458,245
Land	<u>2,554,486</u>	<u>2,554,486</u>
Property, furniture and equipment, net	<u><b>\$ 7,844,613</b></u>	<u><b>\$ 8,012,731</b></u>

**7) Debt**

ARCA opened a \$1,200,000 revolving line of credit on August 24, 2016, expiring on October 30, 2020. This line is collateralized by a UCC filing, inventory, and equipment. Interest is payable monthly on outstanding balances at an interest rate of LIBOR plus 2.25%. There were no borrowings during the years ended June 30, 2020 and June 30, 2019.

**ARCA**  
**Notes to Consolidated Financial Statements**  
**June 30, 2020 and 2019**

7) Debt - continued

ARCA had mortgages payable for the purchase of residential homes and office space, all secured by land and buildings, as follows at June 30:

	2020	2019
Mortgages payable to a mortgage company due in monthly installments ranging from \$265 to \$1,683, including interest at 4.50% - 4.875%, with final payments due between September 2024 and July 2025	<b>\$ 610,728</b>	\$ 734,006
Mortgages payable to a bank, due in monthly installments ranging from \$1,276 to \$3,146, including interest at 3.5% - 4.25%, with final payments due between January and March 2021	<b>76,302</b>	162,672
Mortgages payable to a bank, due in monthly installments ranging from \$910 to \$10,551, including interest at 4.95% - 5.08%, with final payments due July 2035	<b>1,439,924</b>	1,501,682
	<b>2,126,954</b>	2,398,360
	<b>261,056</b>	273,949
Less current portion	<b>\$ 1,865,898</b>	<b>\$ 2,124,411</b>

Future minimum principal payments are as follows:

<u>Year ending June 30</u>		
2021	\$	261,056
2022		204,111
2023		214,395
2024		225,027
2025		129,760
Thereafter		1,092,605
	<b>\$</b>	<b>2,126,954</b>

**ARCA**  
**Notes to Consolidated Financial Statements**  
**June 30, 2020 and 2019**

**8) Leases**

ARCA leases a building used to provide care to individuals under a month-to-month operating lease agreement. Monthly rent payments are approximately \$2,000. Rental expense under this operating lease was approximately \$24,000 for each of the years ended June 30, 2020 and 2019. ARCA also leases printers on monthly lease agreements.

**9) Commitment and Contingencies**

ARCA places its cash with financial institutions and investment brokerage firms. Cash with financial institutions is federally insured and cash held by brokerage firms is insured by the investment brokerage firm. Cash held by community foundations is insured by the community foundations' brokerage firms.

ARCA receives a significant portion of its revenues from Medicaid waiver and Medicaid ICF/IID and is, therefore, subject to possible cutbacks due to changes in funding priorities. During the years ended June 30, 2020 and 2019, ARCA received approximately 78% and 79%, respectively, of its gross public support and revenues from Medicaid waiver and Medicaid ICF/IID. Accounts receivable for the Medicaid waiver and Medicaid ICF/IID represented approximately 80% and 82% of total accounts receivable, respectively, at June 30, 2020 and 2019.

**10) Net Assets With Donor Restriction**

Net assets with donor restriction consist of donations restricted for purpose and time restrictions of \$197,801 and \$228,593 as of June 30, 2020 and 2019, respectively. These purpose restrictions were for specific ARCA programs and projects.

Net assets released from restriction consist of purpose and time restrictions that were met in amounts of \$169,818 and \$234,174 for the years ended June 30, 2020 and 2019, respectively.



**ARCA**  
**Notes to Consolidated Financial Statements**  
**June 30, 2020 and 2019**

10) Net Assets With Donor Restriction - continued

Net assets with donor restriction also consist of donations made to an endowment fund. The purpose of the endowment fund is to provide a permanent source of capital for future needs. ARCA has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to achieve a return consistent with the level of risk authorized by the investment policy that provide optimum growth consistent with a long-term time horizon. The investment policy establishes that the assets will be invested in a pooled fund and the risk tolerance of the pooled fund will be monitored annually. If at any time the risk tolerance is not aligned with the investment policy objectives, the funds will be redirected. The current return objective over a complete business cycle (three to five years) is for an overall annualized return, after deducting transaction costs and advisory, money manager and custodial fees, equal to or above the benchmark index for the pooled fund of the assets. On an annual basis, the Board of Directors may elect to withdraw up to five percent of the average market value based on the previous 12 quarters. The withdrawals are to be used for ARCA's programs as determined by the Board of Director's.

Endowment fund composition by type of fund as of June 30, 2020 is as follows:

	Without Donor Restriction	With Donor Restriction	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 2,251,978	\$ 875,708	\$ 3,127,686
Investment return			
Interest income	61,109	-	61,109
Net appreciation - realized and unrealized	<u>(40,957)</u>	<u>-</u>	<u>(40,957)</u>
	2,272,130	875,708	3,147,838
Contributions	709,353	-	709,353
Amounts appropriated for expenditure	<u>(38,356)</u>	<u>-</u>	<u>(38,356)</u>
Endowment net assets, end of year	<u>\$ 2,943,127</u>	<u>\$ 875,708</u>	<u>\$ 3,818,835</u>

**ARCA**  
**Notes to Consolidated Financial Statements**  
**June 30, 2020 and 2019**

10) Net Assets With Donor Restriction – continued

Endowment fund composition by type of fund as of June 30, 2019 is as follows:

	Without Donor Restriction	With Donor Restriction	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 381,711	\$ 866,278	\$ 1,247,989
Investment return			
Interest income	16,949	-	16,949
Net depreciation - realized and unrealized	159,432	-	159,432
	558,092	866,278	1,424,370
Contributions	19,728	9,430	29,158
Transfer from Reserve	1,693,052	-	1,693,052
Amounts appropriated for expenditure	(18,894)	-	(18,894)
Endowment net assets, end of year	<u>\$ 2,251,978</u>	<u>\$ 875,708</u>	<u>\$ 3,127,686</u>

11) **Designation of Net Assets Without Donor Restriction**

It is the policy of the Board of Directors of ARCA to review its plans for future estimated cash shortfalls and to designate appropriate sums of unrestricted net assets to assure adequate cash reserves to provide necessary working capital. The total amount of designated net assets without donor restriction for these purposes was \$4,170,957 and \$3,869,973 at June 30, 2020 and 2019, respectively.

During the year ended June 30, 2014, the board of directors established a quasi-endowment with a significant contribution from one contributor. The quasi-endowment of \$2,940,583 and \$2,224,463 is recorded as board designated net assets without restriction as of June 30, 2020 and 2019, respectively. This board designation can be changed by a majority vote of the board of directors.

12) **Retirement Plan**

ARCA employees have the option of participating in the 401(k) plan, a defined contribution plan, which began operation on September 5, 2014.

**ARCA**  
**Notes to Consolidated Financial Statements**  
**June 30, 2020 and 2019**

12) Retirement Plan - continued

ARCA's 401(k) Plan (the "Plan") covers all employees eligible for Plan participation. There is no service requirement for employee pre-tax deferrals. ARCA matches participants' contributions to the Plan up to 4% of the individual participant's compensation. Total expense for each of the years ended June 30, 2020 and 2019, was approximately \$519,000 and \$497,000, respectively.

13) **Compensated Absences**

Full-time and part-time regular employees earn from 15 to 25 days of Paid Time Off (PTO) each year. ARCA's compensated absence policy allows regular employees to accumulate a maximum of 320 hours of PTO for employees who work 40 hours per week or pro-rated for part-time employees. Leave in excess of the maximum hours will not be paid out to employees annually, but instead will be transferred into a Long-Term PTO (LTPTO) bank which can only be used for designated Family Medical Leave. An employee's LTPTO will be capped at five weeks of leave (200 hours) for full-time and pro-rated for part-time employees. Annually, on July 1, unused excess LTPTO beyond the cap will be forfeited by the employee. Employees who resign or are terminated shall be paid for all unused PTO up to 320 hours at their current rate of pay. Unused accrued LTPTO will not be payable upon separation.

ARCA accrues the cost incurred for PTO as obligations of unrestricted net assets. At June 30, 2020 and 2019, ARCA had accrued approximately \$859,000 and \$814,000, respectively.

14) **Donated Services, Materials, Property and Equipment**

During the years ended June 30, 2020 and 2019, ARCA received approximately \$7,000 and \$8,000, respectively, in donated professional services.

ARCA receives in-kind services from a network of advertising agencies that advertise using various media throughout the state of New Mexico. Management believes they derive minimal benefits from advertising that take place outside the Albuquerque area. The value of the advertising within the Albuquerque area donated during the fiscal years ended June 30, 2020 and 2019 was approximately \$39,000 and \$165,000, respectively. ARCA would not have purchased this advertising had it not been donated to them and, therefore, did not record the revenue and related expense for the donated service, in accordance with generally accepted accounting standards as they related to, *Accounting for Contributions Received and Contributions Made*.

**ARCA**  
**Notes to Consolidated Financial Statements**  
**June 30, 2020 and 2019**

14) **Donated Services, Materials, Property and Equipment - continued**

Additionally, ARCA receives donated services for the Community Service and InterCare program. Activities include assisting with the wellness initiative, and tax preparation for individuals served by ARCA. Activities also include various duties at the ARCA Organics farm. The volunteers do not have specialized skills to perform these activities nor were assets enhanced by these activities; therefore, the revenue and the related expense are not recorded in the consolidated statements of activities. Fair value of these services for the years ended June 30, 2020 and 2019 was approximately \$53,000 and \$61,000, respectively.

15) **Subsequent Events**

Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before the financial statements are issued or are available to be issued. ARCA recognized in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. ARCA's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of financial position but arose after the financial position date and before the consolidated financial statements are available to be issued.

At the time of this financial statement release, citizens and the economy of the United States and other countries have been impacted by the novel COVID-19 pandemic. The significance and duration of the pandemic's financial impact are indeterminable, and as such, this financial statement does not consider the potential future financial implications of the pandemic.

ARCA has evaluated subsequent events through January 6, 2021, which is the date the consolidated financial statements were available to be issued. There were no subsequent events that require accrual or disclosure in the consolidated financial statements.

16) **Recently Issued Accounting Pronouncements**

The following accounting pronouncement has been issued, but have not yet been implemented by ARCA.

**ARCA**  
**Notes to Consolidated Financial Statements**  
**June 30, 2020 and 2019**

16) Recently Issued Accounting Pronouncements - continued

Leases

On February 25, 2016, the FASB issued ASU 2016-02 *Leases*, which significantly changes the accounting for leases in the financial statements of lessees and supersedes FASB ASC Topic 840. With this update, U.S. GAAP now will require lessees under operating leases to recognize a liability in the statement of financial position, a liability to make lease payments (the lease liability), and an asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting election not to recognize lease assets and lease liabilities. The ASU is effective for fiscal years beginning after December 15, 2020 (ARCA's fiscal year ending June 30, 2021).

As of the date of these financial statements, management has not determined the impact this new accounting pronouncement will have on future reporting periods.

17) **Liquidity and Availability**

ARCA's working capital and cash flows have seasonal variations during the year. To manage liquidity ARCA maintains a cash balance in the operating account to meet daily expenditures as they come due. ARCA's financial assets available within one year of the statement of financial position date for general expenditures were as follows at June 30, 2020:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 4,248,025	\$ 4,217,656
Investments	3,818,835	3,127,686
Receivables	3,029,375	2,271,495
Restricted deposits and funds held for others	<u>2,844,307</u>	<u>2,422,722</u>
Total financial assets	13,940,542	12,039,559
Less those unavailable for general expenditures within one year	<u>(6,663,142)</u>	<u>(5,550,408)</u>
Financial assets available to meet cash needs for expenses within one year	<u>\$ 7,277,400</u>	<u>\$ 6,489,151</u>

**ARCA**  
**Consolidating Statement of Financial Position**  
**June 30, 2020**

	ARCA	Foundation	Eliminating Entries	Consolidated
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 3,673,229	\$ 574,796	\$ -	\$ 4,248,025
Accounts receivable	2,997,846	-	(70,535)	2,927,311
Unconditional promises to give	-	102,064	-	102,064
Prepaid expenses	391,763	-	-	391,763
Total current assets	<u>7,062,838</u>	<u>676,860</u>	<u>(70,535)</u>	<u>7,669,163</u>
Property, furniture and equipment, net	<u>7,799,213</u>	<u>45,400</u>	<u>-</u>	<u>7,844,613</u>
Other Assets				
Restricted deposits and funded reserves				
Cash held in trust for persons served	418,058	2,426,249	-	2,844,307
Real estate	-	1,123,875	-	1,123,875
Investment - quasi endowment	-	2,940,583	-	2,940,583
Investment - restricted endowment	-	878,252	-	878,252
Accrued interest and other assets	1,600	-	-	1,600
Total other assets	<u>419,658</u>	<u>7,368,959</u>	<u>-</u>	<u>7,788,617</u>
Total assets	<u>\$ 15,281,709</u>	<u>\$ 8,091,219</u>	<u>\$ (70,535)</u>	<u>\$ 23,302,393</u>

**ARCA**  
**Consolidating Statement of Financial Position - continued**  
**June 30, 2020**

	ARCA	Foundation	Eliminating Entries	Consolidated
<b>Liabilities and Net Assets</b>				
Current liabilities				
Accounts payable	\$ 564,044	\$ 75,797	\$ (70,535)	\$ 569,306
Accrued liabilities:				
Salaries and payroll taxes	1,206,985	-	-	1,206,985
Compensated absences	859,282	-	-	859,282
Mortgage interest	6,414	-	-	6,414
Deferred revenue	137,404	-	-	137,404
Current portion of long-term debt	<u>261,056</u>	<u>-</u>	<u>-</u>	<u>261,056</u>
Total current liabilities	<u>3,035,185</u>	<u>75,797</u>	<u>(70,535)</u>	<u>3,040,447</u>
Long-term Liabilities				
Long-term debt, less current portion	1,865,898	-	-	1,865,898
Cash held in trust for persons served	418,058	2,426,249	-	2,844,307
Other long-term liabilities	<u>6,147</u>	<u>-</u>	<u>-</u>	<u>6,147</u>
Total long-term liabilities	<u>2,290,103</u>	<u>2,426,249</u>	<u>-</u>	<u>4,716,352</u>
Total liabilities	<u>5,325,288</u>	<u>2,502,046</u>	<u>(70,535)</u>	<u>7,756,799</u>
Net assets				
Without donor restriction				
Undesignated	6,699,067	704,849	-	7,403,916
Board designated - quasi endowment	-	2,940,583	-	2,940,583
Board designated	<u>3,257,354</u>	<u>913,603</u>	<u>-</u>	<u>4,170,957</u>
Total without donor restriction	9,956,421	4,559,035	-	14,515,456
With donor restriction	<u>-</u>	<u>1,030,138</u>	<u>-</u>	<u>1,030,138</u>
Total net assets	<u>9,956,421</u>	<u>5,589,173</u>	<u>-</u>	<u>15,545,594</u>
Total liabilities and net assets	<u>\$ 15,281,709</u>	<u>\$ 8,091,219</u>	<u>\$ (70,535)</u>	<u>\$ 23,302,393</u>

**ARCA**  
**Consolidating Statement of Activities**  
**For the Year Ended June 30, 2020**

	ARCA Without Donor Restriction	ARCA With Donor Restriction	<b>Totals</b>
<b>Public Support and Revenue</b>			
Public support			
Government funding:			
NM Department of Health and Human Services	\$ 789,330	\$ -	\$ 789,330
NM Children, Youth and Families Department	1,144,855	-	1,144,855
U.S. Department of Transportation	153,771	-	153,771
Private contracts	995,740	-	995,740
Contributions	37,366	-	37,366
Grants	690,000	-	690,000
Total public support	<u>3,811,062</u>	<u>-</u>	<u>3,811,062</u>
Revenue			
Medicaid waiver	13,701,767	-	13,701,767
Medicaid ICF/IID	9,875,056	-	9,875,056
Fees and rent	1,534,983	-	1,534,983
Investment income (loss):			
Endowment fund	-	-	-
	<u>25,111,806</u>	<u>-</u>	<u>25,111,806</u>
Interest income from cash and cash equivalents	9,289	-	9,289
Other	159,818	-	159,818
Contracts and sales	151,932	-	151,932
Total revenue	<u>25,432,845</u>	<u>-</u>	<u>25,432,845</u>
Net Assets Released from Restrictions			
Donor and time restrictions	<u>89,000</u>	<u>(89,000)</u>	<u>-</u>
<b>Total public support and revenue</b>	<u>29,332,907</u>	<u>(89,000)</u>	<u>29,243,907</u>



**ARCA**  
**Consolidating Statement of Activities - continued**  
**For the Year Ended June 30, 2020**

Foundation Without Donor Restriction	Foundation With Donor Restricted	<b>Totals</b>	Eliminating Entries	<b>Totals</b>
\$ -	\$ -	\$ -	\$ -	\$ 789,330
-	-	-	-	1,144,855
-	-	-	-	153,771
-	-	-	-	995,740
1,244,852	71,997	1,316,849	(29,145)	1,325,070
-	20,500	20,500	(690,000)	20,500
<u>1,244,852</u>	<u>92,497</u>	<u>1,337,349</u>	<u>(719,145)</u>	<u>4,429,266</u>
-	-	-	-	13,701,767
-	-	-	-	9,875,056
-	-	-	-	1,534,983
25,495	-	25,495	-	25,495
25,495	-	25,495	-	25,137,301
-	-	-	-	9,289
44,619	-	44,619	-	204,437
-	-	-	-	151,932
<u>70,114</u>	<u>-</u>	<u>70,114</u>	<u>-</u>	<u>25,502,959</u>
<u>80,818</u>	<u>(80,818)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,395,784</u>	<u>11,679</u>	<u>1,407,463</u>	<u>(719,145)</u>	<u>29,932,225</u>

**ARCA**  
**Consolidating Statement of Activities - continued**  
**For the Year Ended June 30, 2020**

	ARCA Without Donor Restriction	ARCA With Donor Restriction	<b>Totals</b>
<b>Expenses</b>			
Program services:			
Community services	15,025,844	-	<b>15,025,844</b>
InterCare	8,438,193	-	<b>8,438,193</b>
Business enterprises	841,218	-	<b>841,218</b>
Total program expenses	<u>24,305,255</u>	<u>-</u>	<u><b>24,305,255</b></u>
Supporting services:			
Management and general	4,285,222	-	<b>4,285,222</b>
Fundraising	48,095	-	<b>48,095</b>
Total supporting expenses	<u>4,333,317</u>	<u>-</u>	<u><b>4,333,317</b></u>
<b>Total expenses</b>	<u>28,638,572</u>	<u>-</u>	<u><b>28,638,572</b></u>
Change in net assets	694,335	(89,000)	<b>605,335</b>
Net assets, beginning of year	<u>9,262,086</u>	<u>89,000</u>	<u><b>9,351,086</b></u>
<b>Net assets, end of year</b>	<u><u>\$ 9,956,421</u></u>	<u><u>\$ -</u></u>	<u><u><b>\$ 9,956,421</b></u></u>

**ARCA**  
**Consolidating Statement of Activities - continued**  
**For the Year Ended June 30, 2020**

Foundation Without Donor Restriction	Foundation With Donor Restriction	<b>Totals</b>	Eliminating Entries	<b>Totals</b>
719,145	-	<b>719,145</b>	(719,145)	<b>15,025,844</b>
-	-	-	-	<b>8,438,193</b>
-	-	-	-	<b>841,218</b>
<u>719,145</u>	<u>-</u>	<u><b>719,145</b></u>	<u>(719,145)</u>	<u><b>24,305,255</b></u>
101,311	-	<b>101,311</b>	-	<b>4,386,533</b>
<u>90,161</u>	<u>-</u>	<u><b>90,161</b></u>	<u>-</u>	<u><b>138,256</b></u>
<u>191,472</u>	<u>-</u>	<u><b>191,472</b></u>	<u>-</u>	<u><b>4,524,789</b></u>
<u>910,617</u>	<u>-</u>	<u><b>910,617</b></u>	<u>(719,145)</u>	<u><b>28,830,044</b></u>
485,167	11,679	<b>496,846</b>	-	<b>1,102,181</b>
<u>4,073,868</u>	<u>1,018,459</u>	<u><b>5,092,327</b></u>	<u>-</u>	<u><b>14,443,413</b></u>
<u>\$ 4,559,035</u>	<u>\$ 1,030,138</u>	<u><b>\$ 5,589,173</b></u>	<u>\$ -</u>	<u><b>\$ 15,545,594</b></u>

**ARCA**  
**Consolidating Statement of Financial Position**  
**June 30, 2019**

	ARCA	Foundation	Eliminating Entries	Consolidated
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 3,365,419	\$ 852,237	\$ -	\$ 4,217,656
Accounts receivable	2,328,237	-	(75,461)	2,252,776
Unconditional promises to give	-	18,719	-	18,719
Prepaid expenses	368,060	-	-	368,060
Total current assets	<u>6,061,716</u>	<u>870,956</u>	<u>(75,461)</u>	<u>6,857,211</u>
Property, furniture and equipment, net	<u>7,967,331</u>	<u>45,400</u>	<u>-</u>	<u>8,012,731</u>
Other Assets				
Restricted deposits and funded reserves				
Cash held in trust for persons served	210,577	2,212,145	-	2,422,722
Real Estate	-	1,123,875	-	1,123,875
Investment - quasi endowment	-	2,224,463	-	2,224,463
Investment - permanently restricted endowment	-	903,223	-	903,223
Accrued interest and other assets	1,600	-	-	1,600
Total other assets	<u>212,177</u>	<u>6,463,706</u>	<u>-</u>	<u>6,675,883</u>
Total assets	<u>\$ 14,241,224</u>	<u>\$ 7,380,062</u>	<u>\$ (75,461)</u>	<u>\$ 21,545,825</u>

**ARCA**  
**Consolidating Statement of Financial Position – continued**  
**June 30, 2019**

	ARCA	Foundation	Eliminating Entries	Consolidated
<b>Liabilities and Net Assets</b>				
Current liabilities				
Accounts payable	\$ 501,556	\$ 75,590	\$ (75,461)	\$ 501,685
Accrued liabilities:				
Salaries and payroll taxes	849,168	-	-	849,168
Compensated absences	813,860	-	-	813,860
Mortgage interest	6,414	-	-	6,414
Deferred revenue	104,511	-	-	104,511
Current portion of long-term debt	<u>273,949</u>	<u>-</u>	<u>-</u>	<u>273,949</u>
Total current liabilities	<u>2,549,458</u>	<u>75,590</u>	<u>(75,461)</u>	<u>2,549,587</u>
Long-term Liabilities				
Long-term debt, less current portion	2,124,411	-	-	2,124,411
Cash held in trust for persons served	210,577	2,212,145	-	2,422,722
Other long-term liabilities	<u>5,692</u>	<u>-</u>	<u>-</u>	<u>5,692</u>
Total long-term liabilities	<u>2,340,680</u>	<u>2,212,145</u>	<u>-</u>	<u>4,552,825</u>
<b>Total liabilities</b>	<u>4,890,138</u>	<u>2,287,735</u>	<u>(75,461)</u>	<u>7,102,412</u>
Net assets				
Without donor restriction				
Undesignated	6,208,148	1,033,370	-	7,241,518
Board designated - quasi endowment	-	2,224,463	-	2,224,463
Board designated	<u>3,053,938</u>	<u>816,035</u>	<u>-</u>	<u>3,869,973</u>
Total without donor restriction	9,262,086	4,073,868	-	13,335,954
With donor restriction	<u>89,000</u>	<u>1,018,459</u>	<u>-</u>	<u>1,107,459</u>
Total net assets	<u>9,351,086</u>	<u>5,092,327</u>	<u>-</u>	<u>14,443,413</u>
Total liabilities and net assets	<u>\$ 14,241,224</u>	<u>\$ 7,380,062</u>	<u>\$ (75,461)</u>	<u>\$ 21,545,825</u>

**ARCA**  
**Consolidating Statement of Activities**  
**For the Year Ended June 30, 2019**

	ARCA Without Donor Restriction	ARCA With Donor Restriction	<b>Totals</b>
<b>Public Support and Revenue</b>			
Public support			
Government funding:			
NM Department of Health and Human Services	\$ 837,697	\$ -	\$ 837,697
NM Children, Youth and Families Department	1,292,576	-	1,292,576
U.S. Department of Transportation	20,950	-	20,950
Private contracts	737,001	-	737,001
Contributions	60,447	89,000	149,447
Grants	692,500	-	692,500
Total public support	<u>3,641,171</u>	<u>89,000</u>	<u>3,730,171</u>
Revenue			
Medicaid waiver	13,419,915	-	13,419,915
Medicaid ICF/IID	9,237,695	-	9,237,695
Fees and rent	1,545,537	-	1,545,537
Investment income (loss):			
Endowment fund	-	-	-
Other investments	-	-	-
	<u>24,203,147</u>	<u>-</u>	<u>24,203,147</u>
Interest income from cash and cash equivalents	2,301	-	2,301
Other	266,880	-	266,880
Contracts and sales	208,153	-	208,153
Total revenue	<u>24,680,481</u>	<u>-</u>	<u>24,680,481</u>
Net Assets Released from Restrictions			
Donor and time restrictions	<u>89,760</u>	<u>(89,760)</u>	<u>-</u>
<b>Total public support and revenue</b>	<u>28,411,412</u>	<u>(760)</u>	<u>28,410,652</u>

**ARCA**  
**Consolidating Statement of Activities - continued**  
**For the Year Ended June 30, 2019**

Foundation Without Donor Restriction	Foundation With Donor Restriction	<b>Totals</b>	Eliminating Entries	<b>Totals</b>
\$ -	\$ -	\$ -	\$ -	\$ 837,697
-	-	-	-	1,292,576
-	-	-	-	20,950
-	-	-	-	737,001
552,364	155,762	708,126	(54,114)	803,459
10,000	2,000	12,000	(692,500)	12,000
<u>562,364</u>	<u>157,762</u>	<u>720,126</u>	<u>(746,614)</u>	<u>3,703,683</u>
-	-	-	-	13,419,915
-	-	-	-	9,237,695
-	-	-	-	1,545,537
6,484	-	6,484	-	6,484
20,577	-	20,577	-	20,577
27,061	-	27,061	-	24,230,208
4,310	-	4,310	-	6,611
139,664	-	139,664	-	406,544
-	-	-	-	208,153
<u>171,035</u>	<u>-</u>	<u>171,035</u>	<u>-</u>	<u>24,851,516</u>
<u>144,414</u>	<u>(144,414)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>877,813</u>	<u>13,348</u>	<u>891,161</u>	<u>(746,614)</u>	<u>28,555,199</u>

**ARCA**  
**Consolidating Statement of Activities - continued**  
**For the Year Ended June 30, 2019**

	ARCA	ARCA	
	Without Donor	With Donor	
	<u>Restriction</u>	<u>Restriction</u>	<u>Totals</u>
<b>Expenses</b>			
Program services:			
Community services	15,065,083	-	<b>15,065,083</b>
InterCare	8,331,115	-	<b>8,331,115</b>
Business enterprises	570,563	-	<b>570,563</b>
Total program expenses	<u>23,966,761</u>	<u>-</u>	<u><b>23,966,761</b></u>
Supporting services:			
Management and general	4,028,247	-	<b>4,028,247</b>
Fundraising	80,248	-	<b>80,248</b>
Total supporting expenses	<u>4,108,495</u>	<u>-</u>	<u><b>4,108,495</b></u>
<b>Total expenses</b>	<u>28,075,256</u>	<u>-</u>	<u><b>28,075,256</b></u>
Change in net assets	336,156	(760)	<b>335,396</b>
Net assets, beginning of year	<u>8,925,930</u>	<u>89,760</u>	<u><b>9,015,690</b></u>
<b>Net assets, end of year</b>	<u><u>\$ 9,262,086</u></u>	<u><u>\$ 89,000</u></u>	<u><u><b>\$ 9,351,086</b></u></u>



**ARCA**  
**Consolidating Statement of Activities - continued**  
**For the Year Ended June 30, 2019**

Foundation Without Donor Restriction	Foundation With Donor Restriction	<b>Totals</b>	Eliminating Entries	<b>Totals</b>
616,614	-	<b>616,614</b>	(616,614)	<b>15,065,083</b>
-	-	-	-	<b>8,331,115</b>
130,000	-	<b>130,000</b>	(130,000)	<b>570,563</b>
<u>746,614</u>	<u>-</u>	<u><b>746,614</b></u>	<u>(746,614)</u>	<u><b>23,966,761</b></u>
120,545	-	<b>120,545</b>	-	<b>4,148,792</b>
<u>131,675</u>	<u>-</u>	<u><b>131,675</b></u>	<u>-</u>	<u><b>211,923</b></u>
<u>252,220</u>	<u>-</u>	<u><b>252,220</b></u>	<u>-</u>	<u><b>4,360,715</b></u>
<u>998,834</u>	<u>-</u>	<u><b>998,834</b></u>	<u>(746,614)</u>	<u><b>28,327,476</b></u>
(121,021)	13,348	<b>(107,673)</b>	-	<b>227,723</b>
<u>4,194,889</u>	<u>1,005,111</u>	<u><b>5,200,000</b></u>	<u>-</u>	<u><b>14,215,690</b></u>
<u><b>\$ 4,073,868</b></u>	<u><b>\$ 1,018,459</b></u>	<u><b>\$ 5,092,327</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 14,443,413</b></u>