



LOFTIS GROUP LLC
CERTIFIED PUBLIC ACCOUNTANTS ▪ BUSINESS ADVISORS



Consolidated Financial Statements
and
Independent Auditor's Report

June 30, 2018 and 2017

ARCA

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Independent Auditor's Report

To the Board of Directors 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, 2018 and 2017, 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, 2018 and 2017, 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 Group ^{LLC}

Albuquerque, New Mexico
January 3, 2019

Consolidated Financial Statements

ARCA
Consolidated Statements of Financial Position
June 30,

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	\$ 3,979,462	\$ 3,577,249
Investments	1,822,384	1,801,836
Accounts receivable	2,366,566	2,283,249
Unconditional promises to give	24,397	19,241
Prepaid expenses	325,684	488,019
Total current assets	8,518,493	8,169,594
Property, furniture and equipment, net	8,372,216	8,873,270
Other Assets		
Restricted deposits and funded reserves		
Cash held in trust for persons served	2,160,221	1,915,778
Real estate	1,123,875	1,123,875
Investment - quasi endowment	344,122	319,867
Investment - permanently restricted endowment	903,867	879,646
Accrued interest and other assets	1,600	1,600
Total other assets	4,533,685	4,240,766
Total assets	\$ 21,424,394	\$ 21,283,630

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

ARCA
Consolidated Statements of Financial Position - continued
June 30,

	2018	2017
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 552,305	\$ 442,353
Accrued liabilities:		
Salaries and payroll taxes	791,400	712,210
Compensated absences	815,648	825,591
Mortgage interest	6,414	8,933
Deferred revenue	167,048	219,884
Current portion of long-term debt	<u>274,605</u>	<u>267,953</u>
Total current liabilities	<u>2,607,420</u>	<u>2,476,924</u>
Long-term Liabilities		
Long-term debt, less current portion	2,431,593	2,774,646
Cash held in trust for persons served	2,160,221	1,915,778
Other long-term liabilities	<u>9,470</u>	<u>5,047</u>
Total long-term liabilities	<u>4,601,284</u>	<u>4,695,471</u>
Total liabilities	<u>7,208,704</u>	<u>7,172,395</u>
Net assets		
Unrestricted:		
Undesignated	8,709,412	8,909,253
Board designated - quasi endowment	344,122	319,867
Board designated	<u>4,067,285</u>	<u>3,747,418</u>
Total unrestricted	13,120,819	12,976,538
Temporarily restricted	228,593	274,749
Permanently restricted	<u>866,278</u>	<u>859,948</u>
Total net assets	<u>14,215,690</u>	<u>14,111,235</u>
Total liabilities and net assets	<u>\$ 21,424,394</u>	<u>\$ 21,283,630</u>

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

ARCA
Consolidated Statement of Activities
For the Year Ended June 30, 2018

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Totals</u>
Public Support and Revenue				
Public support				
Government funding:				
NM Department of Health and Human Services	\$ 848,236	\$ -	\$ -	\$ 848,236
NM Children, Youth and Families Department	1,417,791	-	-	1,417,791
U.S. Department of Transportation	143,898	-	-	143,898
Private contracts	490,301	-	-	490,301
Contributions	551,453	265,409	6,330	823,192
Grants	70,000	-	-	70,000
Total public support	<u>3,521,679</u>	<u>265,409</u>	<u>6,330</u>	<u>3,793,418</u>
Revenue				
Medicaid waiver	13,352,690	-	-	13,352,690
Medicaid ICF/MR	8,853,491	-	-	8,853,491
Fees and rent	1,655,831	-	-	1,655,831
Investment income:				
Endowment fund	19,121	-	-	19,121
Other investments	38,181	-	-	38,181
	<u>23,919,314</u>	<u>-</u>	<u>-</u>	<u>23,919,314</u>
Interest income from cash and cash equivalents	5,285	-	-	5,285
Other	411,952	-	-	411,952
Contracts and sales	397,042	-	-	397,042
Total revenue	<u>24,733,593</u>	<u>-</u>	<u>-</u>	<u>24,733,593</u>
Net Assets Released from Restrictions				
Donor and time restrictions	<u>311,565</u>	<u>(311,565)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>28,566,837</u>	<u>(46,156)</u>	<u>6,330</u>	<u>28,527,011</u>

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

ARCA
Consolidated Statement of Activities – continued
For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Expenses				
Program services:				
Community services	15,658,242	-	-	15,658,242
InterCare	7,861,140	-	-	7,861,140
Business enterprises	723,011	-	-	723,011
Total program expenses	<u>24,242,393</u>	<u>-</u>	<u>-</u>	<u>24,242,393</u>
Supporting services:				
Management and general	4,002,591	-	-	4,002,591
Fundraising	177,572	-	-	177,572
Total supporting expenses	<u>4,180,163</u>	<u>-</u>	<u>-</u>	<u>4,180,163</u>
Total expenses	<u>28,422,556</u>	<u>-</u>	<u>-</u>	<u>28,422,556</u>
Change in net assets	144,281	(46,156)	6,330	104,455
Net assets, beginning of year	<u>12,976,538</u>	<u>274,749</u>	<u>859,948</u>	<u>14,111,235</u>
Net assets, end of year	<u>\$ 13,120,819</u>	<u>\$ 228,593</u>	<u>\$ 866,278</u>	<u>\$ 14,215,690</u>

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

ARCA
Consolidated Statement of Activities
For the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Public Support and Revenue				
Public support				
Government funding:				
NM Department of Health and Human Services	\$ 969,202	\$ -	\$ -	\$ 969,202
NM Children, Youth and Families Department	1,961,284	-	-	1,961,284
U.S. Department of Transportation	54,856	-	-	54,856
Private contracts	610,263	-	-	610,263
Contributions	1,671,177	92,857	63,034	1,827,068
Grants	85,980	134,370	-	220,350
Total public support	<u>5,352,762</u>	<u>227,227</u>	<u>63,034</u>	<u>5,643,023</u>
Revenue				
Medicaid waiver	13,696,798	-	-	13,696,798
Medicaid ICF/MR	8,645,724	-	-	8,645,724
Fees and rent	1,552,762	-	-	1,552,762
Investment income:				
Endowment fund	48,939	-	-	48,939
Other investments	61,483	-	-	61,483
	24,005,706	-	-	24,005,706
Interest income from cash and cash equivalents	2,992	-	-	2,992
Other	224,736	-	-	224,736
Contracts and sales	253,053	-	-	253,053
Total revenue	<u>24,486,487</u>	<u>-</u>	<u>-</u>	<u>24,486,487</u>
Net Assets Released from Restrictions				
Donor and time restrictions	227,595	(227,595)	-	-
Total public support and revenue	<u>30,066,844</u>	<u>(368)</u>	<u>63,034</u>	<u>30,129,510</u>

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

ARCA
Consolidated Statement of Activities – continued
For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Expenses				
Program services:				
Community services	16,567,735	-	-	16,567,735
InterCare	7,777,714	-	-	7,777,714
Business enterprises	359,563	-	-	359,563
Total program expenses	<u>24,705,012</u>	<u>-</u>	<u>-</u>	<u>24,705,012</u>
Supporting services:				
Management and general	4,466,822	-	-	4,466,822
Fundraising	130,922	-	-	130,922
Total supporting expenses	<u>4,597,744</u>	<u>-</u>	<u>-</u>	<u>4,597,744</u>
Total expenses	<u>29,302,756</u>	<u>-</u>	<u>-</u>	<u>29,302,756</u>
Change in net assets	764,088	(368)	63,034	826,754
Net assets, beginning of year	<u>12,212,450</u>	<u>275,117</u>	<u>796,914</u>	<u>13,284,481</u>
Net assets, end of year	<u>\$ 12,976,538</u>	<u>\$ 274,749</u>	<u>\$ 859,948</u>	<u>\$ 14,111,235</u>

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

ARCA
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2018

	Program Services			Total Program Services
	Community Services	InterCare	Business Enterprises	
Salaries, taxes and benefits	\$ 11,329,083	\$ 6,300,150	\$ 540,986	\$ 18,170,219
Expenses for persons served	2,693,284	762,263	6,431	3,461,978
Facilities	939,498	542,581	63,210	1,545,289
Transportation	628,169	205,894	27,709	861,772
Contractual services	27,059	11,337	54,469	92,865
Office expenses	32,589	28,925	25,622	87,136
Public relations	8,560	9,990	4,584	23,134
Total expenses	\$ 15,658,242	\$ 7,861,140	\$ 723,011	\$ 24,242,393

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

ARCA
Consolidated Statement of Functional Expenses - continued
For the Year Ended June 30, 2018

	Support Services		Total Supporting Services	Totals
	Management and General	Fundraising		
Salaries, taxes and benefits	\$ 2,484,134	\$ 105,110	\$ 2,589,244	\$ 20,759,463
Expenses for persons served	55,743	-	55,743	3,517,721
Facilities	393,284	-	393,284	1,938,573
Transportation	19,657	-	19,657	881,429
Contractual services	909,446	-	909,446	1,002,311
Office expenses	112,295	-	112,295	199,431
Public relations	28,032	72,462	100,494	123,628
Total expenses	\$ 4,002,591	\$ 177,572	\$ 4,180,163	\$ 28,422,556

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

ARCA
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2017

	Program Services			Total Program Services
	Community Services	InterCare	Business Enterprises	
Salaries, taxes and benefits	\$ 11,623,803	\$ 6,327,242	\$ 267,444	\$ 18,218,489
Expenses for persons served	3,160,732	705,730	159	3,866,621
Facilities	978,895	490,259	41,463	1,510,617
Transportation	630,212	195,275	14,843	840,330
Contractual services	122,546	33,172	21,778	177,496
Office expenses	39,559	16,359	12,600	68,518
Public relations	11,988	9,677	1,276	22,941
Total expenses	\$ 16,567,735	\$ 7,777,714	\$ 359,563	\$ 24,705,012

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

ARCA
Consolidated Statement of Functional Expenses - continued
For the Year Ended June 30, 2017

	Support Services		Total Supporting Services	Totals
	Management and General	Fundraising		
Salaries, taxes and benefits	\$ 2,881,637	\$ 100,149	\$ 2,981,786	\$ 21,200,275
Expenses for persons served	133,018	-	133,018	3,999,639
Facilities	520,685	-	520,685	2,031,302
Transportation	17,434	-	17,434	857,764
Contractual services	706,007	-	706,007	883,503
Office expenses	146,138	-	146,138	214,656
Public relations	61,903	30,773	92,676	115,617
Total expenses	\$ 4,466,822	\$ 130,922	\$ 4,597,744	\$ 29,302,756

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

ARCA
Statements of Cash Flows
For the Years Ended June 30,

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Cash received from government funding	\$ 24,388,891	\$ 25,490,185
Cash received from contributors	1,019,854	930,272
Cash received from other sources	2,685,908	2,649,090
Cash paid to employees	(20,692,735)	(21,239,689)
Cash paid to suppliers	(6,560,086)	(7,359,675)
Investment income	34,387	30,100
Interest paid	<u>(138,253)</u>	<u>(170,548)</u>
Net cash provided by operating activities	<u>737,966</u>	<u>329,735</u>
Cash flows from investing activities		
Proceeds from sale of investments	704,803	338,949
Purchase of investments	(745,627)	(453,385)
Purchase of property and equipment	(469,711)	(378,626)
Proceeds from the sales of property and equipment	<u>499,103</u>	<u>6,314</u>
Net cash used by investing activities	<u>(11,432)</u>	<u>(486,748)</u>
Cash flows from financing activities		
Mortgage repayments	(336,401)	(256,015)
Restricted contributions	<u>12,080</u>	<u>63,034</u>
Net cash used by financing activities	<u>(324,321)</u>	<u>(192,981)</u>
Net increase (decrease) in cash and cash equivalents	402,213	(349,994)
Cash and cash equivalents, beginning of year	<u>3,577,249</u>	<u>3,927,243</u>
Cash and cash equivalents, end of year	<u>\$ 3,979,462</u>	<u>\$ 3,577,249</u>

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

ARCA
Statements of Cash Flows – continued
For the Years Ended June 30,

	2018	2017
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	<u>\$ 104,455</u>	<u>\$ 826,754</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	740,880	737,730
Unrealized (gain)/loss on investments	31,676	(177,799)
Realized (gain)/loss on investments	(59,876)	94,485
Loss (gain) on sale of assets	(269,218)	8,276
Donated property and equipment	-	(1,123,875)
Restricted contributions	(12,080)	(63,034)
(Increase) decrease in:		
Accounts receivable	(83,317)	217,177
Unconditional promises to give	(5,156)	14,907
Prepaid expenses	162,335	(91,974)
Cash held in trust for persons served	(244,443)	(92,661)
Increase (decrease) in:		
Accounts payable	109,952	(68,185)
Accrued liabilities	66,728	(39,414)
Cash held in trust for persons served	244,443	92,661
Deferred revenue and other long-term liabilities	(48,413)	(5,313)
Total adjustments	<u>633,511</u>	<u>(497,019)</u>
Net cash provided by operating activities	<u>\$ 737,966</u>	<u>\$ 329,735</u>

Supplemental Disclosure

During the year ended June 30, 2017, the ARCA Foundation received a donation of six real estate lots valued at \$1,123,875.

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

ARCA
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

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 (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 three classes of net assets:

Unrestricted Net Assets – These assets result from revenues from providing services, producing goods, unrestricted contributions, and dividends and interest from income-providing assets less applicable related expenses. ARCA treats restricted contributions whose restrictions are satisfied during the same fiscal year as unrestricted support. All contributions made to ARCA are considered to be available for unrestricted use unless restricted by the donor.

ARCA
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

2) Summary of Significant Accounting Policies — continued

Temporarily Restricted Net Assets – These assets result from (a) contributions and other inflows of assets whose use by ARCA is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of ARCA pursuant to those stipulations; (b) other assets enhancements and diminishments subject to the same kinds of stipulations; and (c) imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of ARCA pursuant to those stipulations.

Permanently Restricted Net Assets – These assets have donor-imposed restrictions that stipulate that resources be maintained permanently but permit ARCA to use or expand part or all of the time economic benefits derived from the donated assets.

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 State 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 expenses, 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.

ARCA
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

2) Summary of Significant Accounting Policies — continued

Financial Instruments – continued

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.

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. ARCA also invests in certificates of deposit, which are collateralized by U.S. Government Securities.

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 a private foundation. 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, 2018 and 2017.

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, 2018, ARCA's open audit periods are for 2015 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.

ARCA
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

2) Summary of Significant Accounting Policies — continued

Property, Furniture, and Equipment

ARCA has a Board adopted capitalization policy. Property 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.

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 unrestricted net assets. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets 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.

ARCA
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

2) Summary of Significant Accounting Policies — continued

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period awarded and as assets, decreases of liabilities or expenses, depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

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, 2018 and 2017.

Classification of Net Assets – Endowment funds are used to account for investments in which the principal is temporarily or permanently 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 permanent restricted net assets: (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 temporarily restricted net assets 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.

ARCA
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

2) Summary of Significant Accounting Policies — continued

La Paloma and ARCA Organics 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 is not subject to unrelated business income tax. Gross revenue, as defined by the IRS, generated by ARCA Organics Greenhouse would be subject to unrelated business income tax.

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 restricted contributions. 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 temporarily restricted net assets to unrestricted net assets at that time.

ARCA
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

2) Summary of Significant Accounting Policies — continued

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.

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.

ARCA
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

2) Summary of Significant Accounting Policies — continued

Fair Value of Financial Instruments – continued

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, 2018 and 2017.

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.

Fixed Income Securities – Value 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.

ARCA
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

2) Summary of Significant Accounting Policies — continued

Fair Value of Financial Instruments – continued

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.

ARCA carries its investments in marketable securities with readily determinable fair values. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

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.

Advertising and Marketing

Advertising costs included in public relations expense, are expensed when the advertising first takes place. Advertising expense was approximately \$49,000 and \$44,000 for fiscal years 2018 and 2017, respectively.

ARCA
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

3) Fair Value Measurements

Assets itemized below were measured at fair value during the year ended June 30, 2018 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	\$ 1,855,886	\$ 865,836	\$ 2,721,722
Total stocks	<u>1,855,886</u>	<u>865,836</u>	<u>2,721,722</u>
Fixed income securities			
Alternative	329,936	-	329,936
Pooled fixed income funds	13,615	-	13,615
Total fixed income securities	<u>343,551</u>	<u>-</u>	<u>343,551</u>
Cash and cash equivalents	<u>-</u>	5,100	5,100
Total investments	<u>\$ 2,199,437</u>	<u>\$ 870,936</u>	<u>\$ 3,070,373</u>

ARCA
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

3) Fair Value Measurements - continued

Assets itemized below were measured at fair value during the year ended June 30, 2017 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	\$ 793,650	\$ 841,421	\$ 1,635,071
Trading securities			
Equities - multi-strategy equity funds	<u>151,590</u>	<u>-</u>	<u>151,590</u>
Total stocks	<u>945,240</u>	<u>841,421</u>	<u>1,786,661</u>
Fixed income securities			
Foreign obligations	324,845	-	324,845
Pooled fixed income funds	<u>818,021</u>	<u>-</u>	<u>818,021</u>
Total fixed income securities	<u>1,142,866</u>	<u>-</u>	<u>1,142,866</u>
Cash and cash equivalents	<u>66,821</u>	<u>5,001</u>	<u>71,822</u>
Total investments	<u>\$ 2,154,927</u>	<u>\$ 846,422</u>	<u>\$ 3,001,349</u>

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

	<u>2018</u>	<u>2017</u>
Investments	<u>\$ 1,822,384</u>	<u>\$ 1,801,836</u>
Quasi endowment	<u>344,122</u>	<u>319,867</u>
Permanently restricted endowment	<u>903,867</u>	<u>879,646</u>
	<u>\$ 3,070,373</u>	<u>\$ 3,001,349</u>

ARCA
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

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>2018</u>	<u>2017</u>
Interest and dividend income	\$ 48,090	\$ 43,855
Expenses	(18,988)	(16,747)
Net realized and unrealized gains	<u>28,200</u>	<u>83,314</u>
	<u>\$ 57,302</u>	<u>\$ 110,422</u>

4) **Accounts Receivable**

Accounts receivable were as follows at June 30:

	<u>2018</u>	<u>2017</u>
New Mexico Department of Health and Human Services:		
Medicaid waiver	\$ 1,098,729	\$ 1,175,135
Medicaid ICF/MR	785,990	722,469
General fund	65,749	94,952
New Mexico Children, Youth and Families Department:		
Family-based services	109,149	147,860
Other	<u>306,949</u>	<u>142,833</u>
Total accounts receivable	<u>\$ 2,366,566</u>	<u>\$ 2,283,249</u>

At June 30, 2018 and 2017, \$41,987 and \$3,980 respectively, of accounts receivable were outstanding over 90 days.

ARCA
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

5) Restricted Deposits

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

6) Property and Equipment

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

	<u>2018</u>	<u>2017</u>
Building	\$ 9,065,256	\$ 9,321,589
Vehicles	3,176,657	2,999,972
Building improvements	2,773,003	2,706,059
Furnishing and equipment	881,703	887,375
Other	<u>15,351</u>	<u>15,351</u>
	15,911,970	15,930,346
Less accumulated depreciation	<u>10,140,225</u>	<u>9,783,074</u>
	5,771,745	6,147,272
Land	<u>2,600,471</u>	<u>2,725,998</u>
Property and equipment, net	<u>\$ 8,372,216</u>	<u>\$ 8,873,270</u>

7) Short-Term and Long-Term Debt

ARCA opened a \$1,200,000 revolving line of credit on August 24, 2016, expiring on October 30, 2019. 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, 2018 and June 30, 2017.

ARCA
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

7) Short-Term and Long-Term 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:

	<u>2018</u>	<u>2017</u>
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	\$ 899,835	\$ 1,098,660
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	245,868	327,803
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	1,560,495	1,616,136
	2,706,198	3,042,599
Less current portion	<u>274,605</u>	<u>267,953</u>
	<u>\$ 2,431,593</u>	<u>\$ 2,774,646</u>

ARCA
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

7) Short-Term and Long-Term Debt - continued

Future minimum principal payments are as follows:

<u>Year ending June 30</u>		
2019	\$	274,605
2020		270,607
2021		274,017
2022		217,719
2023		228,681
Thereafter		<u>1,440,569</u>
	\$	<u><u>2,706,198</u></u>

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 \$1,900. Total minimum future lease payments are \$22,000 for 2019. Rental expense under this operating lease was approximately \$24,000 and \$39,000 for the years ended June 30, 2018 and 2017, respectively. 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/MR and is, therefore, subject to possible cutbacks due to changes in funding priorities. During each of the years ended June 30, 2018 and 2017, ARCA received approximately 76% of its gross public support and revenues from Medicaid waiver and Medicaid ICF/MR. Accounts receivable for the Medicaid waiver and Medicaid ICF/MR represented approximately 80% and 83% of total accounts receivable, respectively, at June 30, 2018 and 2017.

ARCA
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

10) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets consist of donations restricted for purpose and time restrictions of \$228,593 and \$274,749 as of June 30, 2018 and 2017, respectively. These purpose restrictions were for specific ARCA programs and projects.

Permanently restricted nets assets 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, 2018 is as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, beginning of year	\$ 339,565	\$ 859,948	\$ 1,199,513
Investment return			
Interest income	6,783	-	6,783
Net appreciation - realized and unrealized	<u>62,455</u>	<u>-</u>	<u>62,455</u>
	408,803	859,948	1,268,751
Contributions	5,750	6,330	12,080
Amounts appropriated for expenditure	<u>(32,842)</u>	<u>-</u>	<u>(32,842)</u>
Endowment net assets, end of year	<u>\$ 381,711</u>	<u>\$ 866,278</u>	<u>\$ 1,247,989</u>

ARCA
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

10) Temporarily and Permanently Restricted Net Assets – continued

Endowment fund composition by type of fund as of June 30, 2017 is as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, beginning of year	\$ 210,521	\$ 796,914	\$ 1,007,435
Investment return			
Interest income	4,452	-	4,452
Net depreciation - realized and unrealized	113,139	-	113,139
	328,112	796,914	1,125,026
Contributions	48,853	63,034	111,887
Amounts appropriated for expenditure	(37,400)	-	(37,400)
Endowment net assets, end of year	<u>\$ 339,565</u>	<u>\$ 859,948</u>	<u>\$ 1,199,513</u>

11) **Designation of Unrestricted Net Assets**

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 for these purposes was \$4,067,285 and \$3,747,418 at June 30, 2018 and 2017, 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 \$344,122 and \$319,867 is recorded as board designated unrestricted net assets as of June 30, 2018 and 2017, respectively. This board designation can be changed by a majority vote of the board of directors.

ARCA
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

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'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, 2018 and 2017, was approximately \$501,000.

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 be not payable upon separation.

ARCA accrues the cost incurred for PTO as obligations of unrestricted net assets. At June 30, 2018 and 2017, ARCA had accrued approximately \$816,000 and \$826,000, respectively.

ARCA
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

14) Donated Services, Materials, Property and Equipment

During the years ended June 30, 2018 and 2017, ARCA received the following non-cash contributions of services and materials:

	<u>2018</u>	<u>2017</u>
Professional Services	7,598	5,200
Rent	-	2,000
Total	<u>\$ 7,598</u>	<u>\$ 7,200</u>

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, 2018 and 2017 was approximately \$221,000 and \$226,000, 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*.

Additionally, ARCA receives donated services for the Community Service and InterCare program. Activities include assisting with the wellness initiative, camp 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 statements of activities. Fair value of these services for the years ended June 30, 2018 and 2017 was approximately \$61,000 and \$66,000, respectively.

ARCA
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

15) Subsequent Events

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

ARCA has evaluated subsequent events through January 3, 2019 which is the date the financial statements were available to be issued. There were no subsequent events that require accrual or disclosure in the financial statements.

Consolidating Statement of Financial Position

ARCA
Consolidating Statement of Financial Position
June 30, 2018

	ARCA	Foundation	Eliminating Entries	Consolidated
Assets				
Current assets				
Cash and cash equivalents	\$ 2,960,108	\$ 1,019,354	\$ -	\$ 3,979,462
Investments	-	1,822,384	-	1,822,384
Accounts receivable	2,449,965	-	(83,399)	2,366,566
Unconditional promises to give	-	24,397	-	24,397
Prepaid expenses	325,684	-	-	325,684
Total current assets	<u>5,735,757</u>	<u>2,866,135</u>	<u>(83,399)</u>	<u>8,518,493</u>
Property, furniture and equipment, net	<u>8,326,816</u>	<u>45,400</u>	<u>-</u>	<u>8,372,216</u>
Other Assets				
Restricted deposits and funded reserves				
Cash held in trust for persons served	276,147	1,884,074	-	2,160,221
Real estate		1,123,875		1,123,875
Investment - quasi endowment	-	344,122	-	344,122
Investment - permanently restricted endowment	-	903,867	-	903,867
Accrued interest and other assets	1,600	-	-	1,600
Total other assets	<u>277,747</u>	<u>4,255,938</u>	<u>-</u>	<u>4,533,685</u>
Total assets	<u>\$ 14,340,320</u>	<u>\$ 7,167,473</u>	<u>\$ (83,399)</u>	<u>\$ 21,424,394</u>

ARCA
Consolidating Statement of Financial Position - continued
June 30, 2018

	ARCA	Foundation	Eliminating Entries	Consolidated
Liabilities and Net Assets				
Current liabilities				
Accounts payable	\$ 552,305	\$ 83,399	\$ (83,399)	\$ 552,305
Accrued liabilities:				
Salaries and payroll taxes	791,400	-	-	791,400
Compensated absences	815,648	-	-	815,648
Mortgage interest	6,414	-	-	6,414
Deferred revenue	167,048	-	-	167,048
Current portion of long-term debt	274,605	-	-	274,605
Total current liabilities	<u>2,607,420</u>	<u>83,399</u>	<u>(83,399)</u>	<u>2,607,420</u>
Long-term Liabilities				
Long-term debt, less current portion	2,431,593	-	-	2,431,593
Cash held in trust for persons served	276,147	1,884,074	-	2,160,221
Other long-term liabilities	9,470	-	-	9,470
Total long-term liabilities	<u>2,717,210</u>	<u>1,884,074</u>	<u>-</u>	<u>4,601,284</u>
Total liabilities	<u>5,324,630</u>	<u>1,967,473</u>	<u>(83,399)</u>	<u>7,208,704</u>
Net assets				
Unrestricted:				
Undesignated	4,858,645	3,850,767	-	8,709,412
Board designated - quasi endowment	-	344,122	-	344,122
Board designated	4,067,285	-	-	4,067,285
Total unrestricted	8,925,930	4,194,889	-	13,120,819
Temporarily restricted	89,760	138,833	-	228,593
Permanently restricted	-	866,278	-	866,278
Total net assets	<u>9,015,690</u>	<u>5,200,000</u>	<u>-</u>	<u>14,215,690</u>
Total liabilities and net assets	<u>\$ 14,340,320</u>	<u>\$ 7,167,473</u>	<u>\$ (83,399)</u>	<u>\$ 21,424,394</u>

Consolidating Statement of Activities

ARCA
Consolidating Statement of Activities
For the Year Ended June 30, 2018

	ARCA Unrestricted	ARCA Temporarily Restricted	ARCA Permanently Restricted	Totals
Public Support and Revenue				
Public support				
Government funding:				
NM Department of Health and Human Services	\$ 848,236	\$ -	\$ -	\$ 848,236
NM Children, Youth and Families Department	1,417,791	-	-	1,417,791
U.S. Department of Transportation	143,898	-	-	143,898
Private contracts	490,301	-	-	490,301
Contributions	61,417	89,760	-	151,177
Grants	775,330	-	-	775,330
Total public support	<u>3,736,973</u>	<u>89,760</u>	<u>-</u>	<u>3,826,733</u>
Revenue				
Medicaid waiver	13,352,690	-	-	13,352,690
Medicaid ICF/MR	8,853,491	-	-	8,853,491
Fees and rent	1,655,831	-	-	1,655,831
Investment income (loss):				
Endowment fund	-	-	-	-
Other investments	-	-	-	-
	<u>23,862,012</u>	<u>-</u>	<u>-</u>	<u>23,862,012</u>
Interest income from cash and cash equivalents	993	-	-	993
Other	281,048	-	-	281,048
Contracts and sales	397,042	-	-	397,042
Total revenue	<u>24,541,095</u>	<u>-</u>	<u>-</u>	<u>24,541,095</u>
Net Assets Released from Restrictions				
Donor and time restrictions	<u>121,242</u>	<u>(121,242)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>28,399,310</u>	<u>(31,482)</u>	<u>-</u>	<u>28,367,828</u>

ARCA
Consolidating Statement of Activities - continued
For the Year Ended June 30, 2018

Foundation Unrestricted	Foundation Temporarily Restricted	Foundation Permanently Restricted	Totals	Eliminating Entries	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 848,236
-	-	-	-	-	1,417,791
-	-	-	-	-	143,898
-	-	-	-	-	490,301
543,855	175,649	6,330	725,834	(53,819)	823,192
-	-	-	-	(705,330)	70,000
<u>543,855</u>	<u>175,649</u>	<u>6,330</u>	<u>725,834</u>	<u>(759,149)</u>	<u>3,793,418</u>
-	-	-	-	-	13,352,690
-	-	-	-	-	8,853,491
-	-	-	-	-	1,655,831
19,121	-	-	19,121	-	19,121
38,181	-	-	38,181	-	38,181
<u>57,302</u>	<u>-</u>	<u>-</u>	<u>57,302</u>	<u>-</u>	<u>23,919,314</u>
4,292	-	-	4,292	-	5,285
130,904	-	-	130,904	-	411,952
-	-	-	-	-	397,042
<u>192,498</u>	<u>-</u>	<u>-</u>	<u>192,498</u>	<u>-</u>	<u>24,733,593</u>
<u>190,323</u>	<u>(190,323)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>926,676</u>	<u>(14,674)</u>	<u>6,330</u>	<u>918,332</u>	<u>(759,149)</u>	<u>28,527,011</u>

ARCA
Consolidating Statement of Activities - continued
For the Year Ended June 30, 2018

	ARCA Unrestricted	ARCA Temporarily Restricted	ARCA Permanently Restricted	Totals
Expenses				
Program services:				
Community services	15,658,242	-	-	15,658,242
InterCare	7,861,140	-	-	7,861,140
Business enterprises	723,011	-	-	723,011
Total program expenses	<u>24,242,393</u>	<u>-</u>	<u>-</u>	<u>24,242,393</u>
Supporting services:				
Management and general	3,874,112	-	-	3,874,112
Fundraising	67,829	-	-	67,829
Total supporting expenses	<u>3,941,941</u>	<u>-</u>	<u>-</u>	<u>3,941,941</u>
Total expenses	<u>28,184,334</u>	<u>-</u>	<u>-</u>	<u>28,184,334</u>
Change in net assets	214,976	(31,482)	-	183,494
Net assets, beginning of year	<u>8,710,954</u>	<u>121,242</u>	<u>-</u>	<u>8,832,196</u>
Net assets, end of year	<u>\$ 8,925,930</u>	<u>\$ 89,760</u>	<u>\$ -</u>	<u>\$ 9,015,690</u>

ARCA
Consolidating Statement of Activities - continued
For the Year Ended June 30, 2018

Foundation Unrestricted	Foundation Temporarily Restricted	Foundation Permanently Restricted	Totals	Eliminating Entries	Totals
364,998	-	-	364,998	(364,998)	15,658,242
-	-	-	-	-	7,861,140
394,151	-	-	394,151	(394,151)	723,011
<u>759,149</u>	<u>-</u>	<u>-</u>	<u>759,149</u>	<u>(759,149)</u>	<u>24,242,393</u>
128,479	-	-	128,479	-	4,002,591
109,743	-	-	109,743	-	177,572
<u>238,222</u>	<u>-</u>	<u>-</u>	<u>238,222</u>	<u>-</u>	<u>4,180,163</u>
<u>997,371</u>	<u>-</u>	<u>-</u>	<u>997,371</u>	<u>(759,149)</u>	<u>28,422,556</u>
(70,695)	(14,674)	6,330	(79,039)	-	104,455
<u>4,265,584</u>	<u>153,507</u>	<u>859,948</u>	<u>5,279,039</u>	<u>-</u>	<u>14,111,235</u>
<u>\$ 4,194,889</u>	<u>\$ 138,833</u>	<u>\$ 866,278</u>	<u>\$ 5,200,000</u>	<u>\$ -</u>	<u>\$ 14,215,690</u>

Consolidating Statement of Financial Position

ARCA
Consolidating Statement of Financial Position
June 30, 2017

	ARCA	Foundation	Eliminating Entries	Consolidated
Assets				
Current assets				
Cash and cash equivalents	\$ 2,426,112	\$ 1,151,137	\$ -	\$ 3,577,249
Investments	-	1,801,836	-	1,801,836
Accounts receivable	2,338,390	-	(55,141)	2,283,249
Unconditional promises to give	-	19,241	-	19,241
Prepaid expenses	487,545	474	-	488,019
Total current assets	<u>5,252,047</u>	<u>2,972,688</u>	<u>(55,141)</u>	<u>8,169,594</u>
Property, furniture and equipment, net	<u>8,834,370</u>	<u>38,900</u>	<u>-</u>	<u>8,873,270</u>
Other Assets				
Restricted deposits and funded reserves				
Cash held in trust for persons served	278,965	1,636,813	-	1,915,778
Real Estate	-	1,123,875	-	1,123,875
Investment - quasi endowment	-	319,867	-	319,867
Investment - permanently restricted endowment	-	879,646	-	879,646
Accrued interest and other assets	1,600	-	-	1,600
Total other assets	<u>280,565</u>	<u>3,960,201</u>	<u>-</u>	<u>4,240,766</u>
Total assets	<u>\$ 14,366,982</u>	<u>\$ 6,971,789</u>	<u>\$ (55,141)</u>	<u>\$ 21,283,630</u>

ARCA
Consolidating Statement of Financial Position – continued
June 30, 2017

	ARCA	Foundation	Eliminating Entries	Consolidated
Liabilities and Net Assets				
Current liabilities				
Accounts payable	\$ 441,557	\$ 55,937	\$ (55,141)	\$ 442,353
Accrued liabilities:				
Salaries and payroll taxes	712,210	-	-	712,210
Compensated absences	825,591	-	-	825,591
Mortgage interest	8,933	-	-	8,933
Deferred revenue	219,884	-	-	219,884
Current portion of long-term debt	<u>267,953</u>	<u>-</u>	<u>-</u>	<u>267,953</u>
Total current liabilities	<u>2,476,128</u>	<u>55,937</u>	<u>(55,141)</u>	<u>2,476,924</u>
Long-term Liabilities				
Long-term debt, less current portion	2,774,646	-	-	2,774,646
Cash held in trust for persons served	278,965	1,636,813	-	1,915,778
Other long-term liabilities	<u>5,047</u>	<u>-</u>	<u>-</u>	<u>5,047</u>
Total long-term liabilities	<u>3,058,658</u>	<u>1,636,813</u>	<u>-</u>	<u>4,695,471</u>
Total liabilities	<u>5,534,786</u>	<u>1,692,750</u>	<u>(55,141)</u>	<u>7,172,395</u>
Net assets				
Unrestricted:				
Undesignated	6,157,965	2,751,288	-	8,909,253
Board designated - quasi endowment	-	319,867	-	319,867
Board designated	<u>2,552,989</u>	<u>1,194,429</u>	<u>-</u>	<u>3,747,418</u>
Total unrestricted	8,710,954	4,265,584	-	12,976,538
Temporarily restricted	121,242	153,507	-	274,749
Permanently restricted	<u>-</u>	<u>859,948</u>	<u>-</u>	<u>859,948</u>
Total net assets	<u>8,832,196</u>	<u>5,279,039</u>	<u>-</u>	<u>14,111,235</u>
Total liabilities and net assets	<u>\$ 14,366,982</u>	<u>\$ 6,971,789</u>	<u>\$ (55,141)</u>	<u>\$ 21,283,630</u>

Consolidating Statement of Activities

ARCA
Consolidating Statement of Activities
For the Year Ended June 30, 2017

	ARCA Unrestricted	ARCA Temporarily Restricted	ARCA Permanently Restricted	Totals
Public Support and Revenue				
Public support				
Government funding:				
NM Department of Health and Human Services	\$ 969,202	\$ -	\$ -	\$ 969,202
NM Children, Youth and Families Department	1,961,284	-	-	1,961,284
U.S. Department of Transportation	54,856	-	-	54,856
Private contracts	610,263	-	-	610,263
Contributions	230,852	-	-	230,852
Grants	1,005,191	-	-	1,005,191
Total public support	<u>4,831,648</u>	<u>-</u>	<u>-</u>	<u>4,831,648</u>
Revenue				
Medicaid waiver	13,696,798	-	-	13,696,798
Medicaid ICF/MR	8,645,724	-	-	8,645,724
Fees and rent	1,552,762	-	-	1,552,762
Investment income (loss):				
Endowment fund	-	-	-	-
Other investments	-	-	-	-
	<u>23,895,284</u>	<u>-</u>	<u>-</u>	<u>23,895,284</u>
Interest income from cash and cash equivalents	1,193	-	-	1,193
Other	83,021	-	-	83,021
Contracts and sales	248,340	-	-	248,340
Total revenue	<u>24,227,838</u>	<u>-</u>	<u>-</u>	<u>24,227,838</u>
Net Assets Released from Restrictions				
Donor and time restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>29,059,486</u>	<u>-</u>	<u>-</u>	<u>29,059,486</u>

ARCA
Consolidating Statement of Activities - continued
For the Year Ended June 30, 2017

Foundation Unrestricted	Foundation Temporarily Restricted	Foundation Permanently Restricted	Totals	Eliminating Entries	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 969,202
-	-	-	-	-	1,961,284
-	-	-	-	-	54,856
-	-	-	-	-	610,263
1,663,963	92,857	63,034	1,819,854	(223,638)	1,827,068
-	134,370	-	134,370	(919,211)	220,350
<u>1,663,963</u>	<u>227,227</u>	<u>63,034</u>	<u>1,954,224</u>	<u>(1,142,849)</u>	<u>5,643,023</u>
-	-	-	-	-	13,696,798
-	-	-	-	-	8,645,724
-	-	-	-	-	1,552,762
48,939	-	-	48,939	-	48,939
61,483	-	-	61,483	-	61,483
<u>110,422</u>	<u>-</u>	<u>-</u>	<u>110,422</u>	<u>-</u>	<u>24,005,706</u>
1,799	-	-	1,799	-	2,992
141,715	-	-	141,715	-	224,736
4,713	-	-	4,713	-	253,053
<u>258,649</u>	<u>-</u>	<u>-</u>	<u>258,649</u>	<u>-</u>	<u>24,486,487</u>
<u>227,595</u>	<u>(227,595)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,150,207</u>	<u>(368)</u>	<u>63,034</u>	<u>2,212,873</u>	<u>(1,142,849)</u>	<u>30,129,510</u>

ARCA
Consolidating Statement of Activities - continued
For the Year Ended June 30, 2017

	ARCA Unrestricted	ARCA Temporarily Restricted	ARCA Permanently Restricted	Totals
Expenses				
Program services:				
Community services	16,567,735	-	-	16,567,735
InterCare	7,777,714	-	-	7,777,714
Business enterprises	359,563	-	-	359,563
Total program expenses	<u>24,705,012</u>	<u>-</u>	<u>-</u>	<u>24,705,012</u>
Supporting services:				
Management and general	4,371,988	-	-	4,371,988
Fundraising	50,738	-	-	50,738
Total supporting expenses	<u>4,422,726</u>	<u>-</u>	<u>-</u>	<u>4,422,726</u>
Total expenses	<u>29,127,738</u>	<u>-</u>	<u>-</u>	<u>29,127,738</u>
Change in net assets	(68,252)	-	-	(68,252)
Net assets, beginning of year	<u>8,779,206</u>	<u>121,242</u>	<u>-</u>	<u>8,900,448</u>
Net assets, end of year	<u><u>\$ 8,710,954</u></u>	<u><u>\$ 121,242</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,832,196</u></u>

ARCA
Consolidating Statement of Activities - continued
For the Year Ended June 30, 2017

Foundation Unrestricted	Foundation Temporarily Restricted	Foundation Permanently Restricted	Totals	Eliminating Entries	Totals
-	-	-	-	-	16,567,735
-	-	-	-	-	7,777,714
<u>1,142,849</u>	<u>-</u>	<u>-</u>	<u>1,142,849</u>	<u>(1,142,849)</u>	<u>359,563</u>
<u>1,142,849</u>	<u>-</u>	<u>-</u>	<u>1,142,849</u>	<u>(1,142,849)</u>	<u>24,705,012</u>
94,834	-	-	94,834	-	4,466,822
80,184	-	-	80,184	-	130,922
<u>175,018</u>	<u>-</u>	<u>-</u>	<u>175,018</u>	<u>-</u>	<u>4,597,744</u>
<u>1,317,867</u>	<u>-</u>	<u>-</u>	<u>1,317,867</u>	<u>(1,142,849)</u>	<u>29,302,756</u>
832,340	(368)	63,034	895,006	-	826,754
<u>3,433,244</u>	<u>153,875</u>	<u>796,914</u>	<u>4,384,033</u>	<u>-</u>	<u>13,284,481</u>
<u>\$ 4,265,584</u>	<u>\$ 153,507</u>	<u>\$ 859,948</u>	<u>\$ 5,279,039</u>	<u>\$ -</u>	<u>\$ 14,111,235</u>