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Form **990-T**

Exempt Organization Business Income Tax Return (and proxy tax under section 6033(e))

OMB No 1545-0687

2018

Department of the Treasury
Internal Revenue Service

For calendar year 2018 or other tax year beginning **04/01/18** and ending **03/31/19**

Go to www.irs.gov/Form990T for instructions and the latest information.

Do not enter SSN numbers on this form as it may be made public if your organization is a 501(c)(3).

Open to Public Inspection for 501(c)(3) Organizations Only

<input type="checkbox"/> Check box if address changed	Name of organization (<input type="checkbox"/> Check box if name changed and see instructions)	D Employer identification number (Employees' trust, see instructions)
B Exempt under section <input checked="" type="checkbox"/> 501(c)(3) () <input type="checkbox"/> 408(e) () 220(e) <input type="checkbox"/> 408A () 530(a) <input type="checkbox"/> 529(a)	Print or Type THE ARC OF WASHINGTON STATE Number, street, and room or suite no. If a P.O. box, see instructions 2638 STATE AVE NE City or town, state or province, country, and ZIP or foreign postal code OLYMPIA WA 98506-4880	91-0747027
C Book value of all assets at end of year 6,730,099	F Group exemption number (See instructions) ▶	E Unrelated business activity code (See instructions) 453310
	G Check organization type ▶ <input checked="" type="checkbox"/> 501(c) corporation <input type="checkbox"/> 501(c) trust <input type="checkbox"/> 401(a) trust <input type="checkbox"/> Other trust	

03 90509

H Enter the number of the organization's unrelated trades or businesses ▶ **1** Describe the only (or first) unrelated trade or business here
 ▶ **SALE OF INVENTORY FROM PARTNERING** If only one, complete Parts I-V. If more than one, describe the first in the blank space at the end of the previous sentence, complete Parts I and II, complete Schedule M for each additional trade or business, then complete Parts III-V

I During the tax year, was the corporation a subsidiary in an affiliated group or a parent-subsidary controlled group? If "Yes," enter the name and identifying number of the parent corporation
 ▶ Yes No

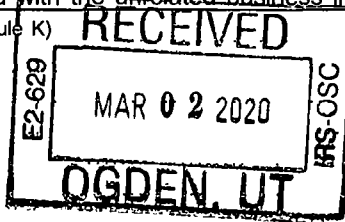
J The books are in care of ▶ **SUE ELLIOTT** Telephone number ▶ **360-357-5596**

Part I Unrelated Trade or Business Income		(A) Income	(B) Expenses	(C) Net
1a	Gross receipts or sales 1,187,432			
	Less returns and allowances			
	c Balance ▶	1,187,432		
	Cost of goods sold (Schedule A, line 7)	1,117,784		
	Gross profit. Subtract line 2 from line 1c	69,648		69,648
	Capital gain net income (attach Schedule D)			
	Net gain (loss) (Form 4797, Part II, line 17) (attach Form 4797)			
	Capital loss deduction for trusts			
	Income (loss) from partnership and S corporation (attach statement)			
	Rent income (Schedule C)	43,200	38,933	4,267
	Unrelated debt-financed income (Schedule E)	100,462	90,689	9,773
	Interest, annuities, royalties, and rents from controlled organization (Schedule F)			
	Investment income of a section 501(c)(7), (9), or (17) organization (Schedule G)			
	Exploited exempt activity income (Schedule I)			
	Advertising income (Schedule J)			
	Other income (See instructions, attach schedule)			
13	Total. Combine lines 3 through 12	213,310	129,622	83,688

SCANNED AUG 14 2020

Part II Deductions Not Taken Elsewhere (See instructions for limitations on deductions.) (Except for contributions, deductions must be directly connected with the unrelated business income)

14	Compensation of officers, directors, and trustees (Schedule K)			
15	Salaries and wages			
16	Repairs and maintenance			
17	Bad debts			
18	Interest (attach schedule) (see instructions)			
19	Taxes and licenses			
20	Charitable contributions (See instructions for limitation rules)			
21	Depreciation (attach Form 4562)	39,803		
22	Less depreciation claimed on Schedule A and elsewhere on return	39,803		0
23	Depletion			
24	Contributions to deferred compensation plans			
25	Employee benefit programs			
26	Excess exempt expenses (Schedule I)			
27	Excess readership costs (Schedule J)			
28	Other deductions (attach schedule)			
29	Total deductions. Add lines 14 through 28			
30	Unrelated business taxable income before net operating loss deduction. Subtract line 29 from line 13			83,688
31	Deduction for net operating loss arising in tax years beginning on or after January 1, 2018 (see instructions)			
32	Unrelated business taxable income. Subtract line 31 from line 30			83,688



31

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Part III Total Unrelated Business Taxable income

Table with 3 columns: Line number, Description, and Amount. Includes lines 33-38. Total amount for line 38 is 82,688.

Part IV Tax Computation

Table with 3 columns: Line number, Description, and Amount. Includes lines 39-44. Total amount for line 44 is 17,364.

Part V Tax and Payments

Table with 3 columns: Line number, Description, and Amount. Includes lines 45a-55. Total amount for line 55 is 5,883.

Part VI Statements Regarding Certain Activities and Other Information

Table with 3 columns: Line number, Description, and Yes/No columns. Includes lines 56-58.

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge

Signature of officer: Nancy Stark 12-12-2010, Title: PRESIDENT

May the IRS discuss this return with the preparer shown below (see instructions)? Yes [] No [X]

Preparer information section including Preparer's name (PATRICIA PICH), Date (02/11/20), Firm's name (PATRICIA L. PICH, CPA, PLLC), and Phone number (360-339-7867).

Schedule A – Cost of Goods Sold. Enter method of inventory valuation ► **COST METHOD**

1	Inventory at beginning of year	1	0	6	Inventory at end of year	6	
2	Purchases	2	542,314	7	Cost of goods sold. Subtract line 6 from line 5. Enter here and in Part I, line 2	7	1,117,784
3	Cost of labor	3	354,039	8	Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the organization?	Yes	No
4a	Additional sec 263A costs (attach schedule)	4a					
b	Other costs (attach schedule) STMT 6	4b	221,431				
5	Total. Add lines 1 through 4b	5	1,117,784				X

Schedule C – Rent Income (From Real Property and Personal Property Leased With Real Property)
(see instructions)

1. Description of property

(1) **NON DEBT RENT**

(2)

(3)

(4)

2 Rent received or accrued		3(a) Deductions directly connected with the income in columns 2(a) and 2(b) (attach schedule)
(a) From personal property (if the percentage of rent for personal property is more than 10% but not more than 50%)	(b) From real and personal property (if the percentage of rent for personal property exceeds 50% or if the rent is based on profit or income)	
(1) 43,200		SEE STATEMENT 1 38,933
(2)		
(3)		
(4)		
Total 43,200	Total	(b) Total deductions. Enter here and on page 1, Part I, line 6, column (B) ► 38,933

(c) **Total income.** Add totals of columns 2(a) and 2(b). Enter here and on page 1, Part I, line 6, column (A) ► **43,200**

Schedule E – Unrelated Debt-Financed Income (see instructions)

1. Description of debt-financed property	2 Gross income from or allocable to debt-financed property	3 Deductions directly connected with or allocable to debt-financed property		
		STMT 2 (a) Straight line depreciation (attach schedule)	STMT 3 (b) Other deductions (attach schedule)	
(1) RENTAL INCOME	145,155	20,854	110,181	
(2)				
(3)				
(4)				
4. Amount of average acquisition debt on or allocable to debt-financed property (attach schedule)	5. Average adjusted basis of or allocable to debt-financed property (attach schedule)	6 Column 4 divided by column 5	7. Gross income reportable (column 2 x column 6)	8. Allocable deductions (column 6 x total of columns 3(a) and 3(b))
(1) 492,406	711,497	69.21%	100,462	90,689
(2)		%		
(3)		%		
(4)		%		
SEE STATEMENT 4		SEE STATEMENT 5		
Totals		Enter here and on page 1, Part I, line 7, column (A). 100,462		Enter here and on page 1, Part I, line 7, column (B). 90,689
Total dividends-received deductions included in column 8				

Schedule F – Interest, Annuities, Royalties, and Rents From Controlled Organizations (see instructions)

1. Name of controlled organization	2. Employer identification number	Exempt Controlled Organizations			
		3 Net unrelated income (loss) (see instructions)	4 Total of specified payments made	5 Part of column 4 that is included in the controlling organization's gross income	6 Deductions directly connected with income in column 5
(1) N/A					
(2)					
(3)					
(4)					

Nonexempt Controlled Organizations

7. Taxable Income	8. Net unrelated income (loss) (see instructions)	9 Total of specified payments made	10 Part of column 9 that is included in the controlling organization's gross income	11 Deductions directly connected with income in column 10
(1)				
(2)				
(3)				
(4)				

			Add columns 5 and 10 Enter here and on page 1, Part I, line 8, column (A)	Add columns 6 and 11 Enter here and on page 1, Part I, line 8, column (B)
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Totals

Schedule G – Investment Income of a Section 501(c)(7), (9), or (17) Organization (see instructions)

1. Description of income	2. Amount of income	3 Deductions directly connected (attach schedule)	4. Set-asides (attach schedule)	5. Total deductions and set-asides (col 3 plus col 4)
(1) N/A				
(2)				
(3)				
(4)				

		Enter here and on page 1, Part I, line 9, column (A)	Enter here and on page 1, Part I, line 9, column (B).	
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Totals

Schedule I – Exploited Exempt Activity Income, Other Than Advertising Income (see instructions)

1. Description of exploited activity	2 Gross unrelated business income from trade or business	3 Expenses directly connected with production of unrelated business income	4. Net income (loss) from unrelated trade or business (column 2 minus column 3) If a gain, compute cols 5 through 7	5. Gross income from activity that is not unrelated business income	6. Expenses attributable to column 5	7. Excess exempt expenses (column 6 minus column 5, but not more than column 4)
(1) N/A						
(2)						
(3)						
(4)						

		Enter here and on page 1, Part I, line 10, col (A)	Enter here and on page 1, Part I, line 10, col (B)	Enter here and on page 1, Part II, line 26		
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Totals

Schedule J – Advertising Income (see instructions)

Part I Income From Periodicals Reported on a Consolidated Basis

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4 Advertising gain or (loss) (col 2 minus col 3) If a gain, compute cols 5 through 7	5 Circulation income	6 Readership costs	7 Excess readership costs (column 6 minus column 5, but not more than column 4)
(1) N/A						
(2)						
(3)						
(4)						

Totals (carry to Part II, line (5))						
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Part II Income From Periodicals Reported on a Separate Basis (For each periodical listed in Part II, fill in columns 2 through 7 on a line-by-line basis.)

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or (loss) (col 2 minus col 3) If a gain, compute cols 5 through 7	5. Circulation income	6. Readership costs	7. Excess readership costs (column 6 minus column 5, but not more than column 4)
(1) N/A						
(2)						
(3)						
(4)						
Totals from Part I						
Totals, Part II (lines 1-5)	Enter here and on page 1, Part I, line 11, col (A)	Enter here and on page 1, Part I, line 11, col (B)				Enter here and on page 1, Part II, line 27

Schedule K – Compensation of Officers, Directors, and Trustees (see instructions)

1. Name	2. Title	3. Percent of time devoted to business	4. Compensation attributable to unrelated business
(1) N/A		%	
(2)		%	
(3)		%	
(4)		%	
Total. Enter here and on page 1, Part II, line 14			

Form **4562**

Department of the Treasury
Internal Revenue Service (99)
Name(s) shown on return

Depreciation and Amortization
(Including Information on Listed Property)

▶ Attach to your tax return.

▶ Go to www.irs.gov/Form4562 for instructions and the latest information.

OMB No 1545-0172

2018

Attachment Sequence No **179**

THE ARC OF WASHINGTON STATE

Identifying number
91-0747027

Business or activity to which this form relates

INDIRECT DEPRECIATION

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount (see instructions)	1	1,000,000
2	Total cost of section 179 property placed in service (see instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation (see instructions)	3	2,500,000
4	Reduction in limitation Subtract line 3 from line 2. If zero or less, enter -0-	4	
5	Dollar limitation for tax year Subtract line 4 from line 1. If zero or less, enter -0- If married filing separately, see instructions	5	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter the amount from line 29	7	
8	Total elected cost of section 179 property Add amounts in column (c), lines 6 and 7	8	
9	Tentative deduction. Enter the smaller of line 5 or line 8	9	
10	Carryover of disallowed deduction from line 13 of your 2017 Form 4562	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5. See instructions	11	
12	Section 179 expense deduction Add lines 9 and 10, but don't enter more than line 11	12	
13	Carryover of disallowed deduction to 2019. Add lines 9 and 10, less line 12	13	

Note: Don't use Part II or Part III below for listed property. Instead, use Part V

Part II Special Depreciation Allowance and Other Depreciation (Don't include listed property See instructions.)

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year. See instructions	14	
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	87,000

Part III MACRS Depreciation (Don't include listed property. See instructions)

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2018	17	0
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here		

Section B—Assets Placed in Service During 2018 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs		S/L	
h Residential rental property			27.5 yrs	MM	S/L	
i Nonresidential real property			39 yrs	MM	S/L	

Section C—Assets Placed in Service During 2018 Tax Year Using the Alternative Depreciation System

20a Class life					S/L	
b 12-year			12 yrs		S/L	
c 30-year			30 yrs.	MM	S/L	
d 40-year			40 yrs	MM	S/L	

Part IV Summary (See instructions.)

21	Listed property Enter amount from line 28	21	
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return Partnerships and S corporations—see instructions	22	87,000
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

For Paperwork Reduction Act Notice, see separate instructions.

Form **4562**
 Department of the Treasury
 Internal Revenue Service (99)
 Name(s) shown on return

Depreciation and Amortization
 (Including Information on Listed Property)

▶ Attach to your tax return.

▶ Go to www.irs.gov/Form4562 for instructions and the latest information.

OMB No 1545-0172

2018

Attachment Sequence No **179**

THE ARC OF WASHINGTON STATE

Identifying number
91-0747027

Business or activity to which this form relates

RENTAL INCOME

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount (see instructions)	1	1,000,000
2	Total cost of section 179 property placed in service (see instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation (see instructions)	3	2,500,000
4	Reduction in limitation Subtract line 3 from line 2. If zero or less, enter -0-	4	
5	Dollar limitation for tax year Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter the amount from line 29	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	
9	Tentative deduction Enter the smaller of line 5 or line 8	9	
10	Carryover of disallowed deduction from line 13 of your 2017 Form 4562	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5. See instructions	11	
12	Section 179 expense deduction. Add lines 9 and 10, but don't enter more than line 11	12	
13	Carryover of disallowed deduction to 2019. Add lines 9 and 10, less line 12	13	

Note: Don't use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Don't include listed property. See instructions.)

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year. See instructions	14	
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	39,803

Part III MACRS Depreciation (Don't include listed property. See instructions.)

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2018	17	0
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here		

Section B—Assets Placed in Service During 2018 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs		S/L	
h Residential rental property			27.5 yrs	MM	S/L	
			27.5 yrs	MM	S/L	
i Nonresidential real property			39 yrs.	MM	S/L	
				MM	S/L	

Section C—Assets Placed in Service During 2018 Tax Year Using the Alternative Depreciation System

20a Class life					S/L	
b 12-year			12 yrs		S/L	
c 30-year			30 yrs.	MM	S/L	
d 40-year			40 yrs.	MM	S/L	

Part IV Summary (See instructions.)

21	Listed property. Enter amount from line 28	21	
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations—see instructions	22	39,803
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

For Paperwork Reduction Act Notice, see separate instructions.

Federal Statements

Statement 1 - Form 990-T, Schedule C, Column 3 - Deductions

Description	Deduction
NON DEBT RENT	
MANAGEMENT FEES	1,500
INSURANCE	3,373
CLEANING & MAINTENANCE	7,043
TAXES	7,239
DEPRECIATION	18,949
ANNUAL FEES	829
TOTAL	38,933

Statement 2 - Form 990-T, Schedule E, Column 3a - Straight Line Depreciation

Description	Deduction
RENTAL INCOME	
DEPRECIATION	20,854
TOTAL	20,854

Statement 3 - Form 990-T, Schedule E, Column 3b - Other Deductions

Description	Deduction
RENTAL INCOME	
MANAGEMENT FEES	10,983
INTEREST	29,544
INSURANCE	6,718
CLEANING & MAINTENANCE	31,707
TAXES	13,272
UTILITIES	17,957
TOTAL	110,181

Statement 4 - Form 990-T, Schedule E, Column 4 - Average Acquisition Debt

Description	Deduction
RENTAL INCOME	
SUM OF DEBT OUTSTANDING AT FIRST OF EACH MONTH	5,908,873
DIVIDED BY TOTAL NUMBER OF MONTHS PROPERTY HELD	12
AVERAGE ACQUISITION DEBT	492,406

Federal Statements

Statement 5 - Form 990-T, Schedule E, Column 5 - Average Adjusted Basis

<u>Description</u>	<u>Deduction</u>
RENTAL INCOME	
ADJUSTED BASIS ON FIRST DAY PROPERTY WAS HELD	720,498
ADJUSTED BASIS ON LAST DAY PROPERTY WAS HELD	702,495
	<u>1,422,993</u>
DIVIDED BY 2	<u>2</u>
AVERAGE ADJUSTED BASIS	<u><u>711,497</u></u>

Statement 6 - Form 990-T, Schedule A, Line 4b - Other Costs

<u>Description</u>	<u>Amount</u>
USED CLOTHING SALES	\$ <u>221,431</u>
TOTAL	\$ <u><u>221,431</u></u>