

**THE ARC - JEFFERSON, CLEAR CREEK
& GILPIN COUNTIES**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

THE ARC - JEFFERSON, CLEAR CREEK & GILPIN COUNTIES
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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Taylor, Roth and Company, PLLC
Certified Public Accountants
working exclusively with nonprofit organizations

April 12, 2013

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Arc - Jefferson, Clear Creek & Gilpin Counties
Lakewood, Colorado

We have audited the accompanying statement of financial position of The Arc - Jefferson, Clear Creek & Gilpin Counties, (a Colorado nonprofit corporation) as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. Information for the year ended December 31, 2011, is presented for comparative purposes only and was extracted from the financial statements presented by net asset class for that year, on which an unqualified audit opinion dated April 20, 2012, was expressed.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Arc - Jefferson, Clear Creek & as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.



TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

THE ARC - JEFFERSON, CLEAR CREEK & GILPIN COUNTIES

STATEMENT OF FINANCIAL POSITION
 DECEMBER 31, 2012
 (WITH COMPARATIVE TOTALS FOR 2011)

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 125,327	\$ 166,077
Cash and cash equivalents - temporarily restricted	39,261	46,173
Contracts receivable	57,449	-
Pledges receivable (Note 3)	79,551	89,817
Prepaid expenses	13,883	10,034
Inventory - books at cost	5,294	10,667
Investments (Note 4)	624,204	614,648
Property and equipment (Note 5)	2,136	5,430
Total assets	<u>\$ 947,105</u>	<u>\$ 942,846</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 7,330	\$ 10,547
Payroll liabilities	43,020	37,895
Deferred contract revenue	1,500	-
Total liabilities	<u>51,850</u>	<u>48,442</u>
<u>Net assets</u>		
<u>Unrestricted</u>		
Operating	385,857	497,801
Board designated operating reserve	468,001	345,000
Net investment in fixed assets	2,136	5,430
Temporarily restricted (Note 7)	39,261	46,173
Total net assets	<u>895,255</u>	<u>894,404</u>
Total liabilities and net assets	<u>\$ 947,105</u>	<u>\$ 942,846</u>

The accompanying notes are an integral part of these financial statements

THE ARC - JEFFERSON, CLEAR CREEK & GILPIN COUNTIES

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total
<u>Revenue and other support</u>				
arc Thrift Store funding (Note 8)	\$ 680,963	\$ -	\$ 680,963	\$ 597,142
Contributions	80,451	1,354	81,805	154,567
Foundations	-	37,000	37,000	47,500
Investment income	18,106	-	18,106	(59,339)
Memberships	605	-	605	2,457
In-kind (Note 9)	13,151	-	13,151	6,190
All other	1,414	-	1,414	6,914
Net assets released from restrictions (Note 10)	45,266	(45,266)	-	-
Total revenue and other support	839,956	(6,912)	833,044	755,431
<u>Expense</u>				
Program services	718,923	-	718,923	683,752
Supporting services				
Management and general	80,475	-	80,475	73,571
Fund-raising	32,795	-	32,795	16,359
Total expense	832,193	-	832,193	773,682
Change in net assets	7,763	(6,912)	851	(18,251)
Net assets, beginning of year	848,231	46,173	894,404	912,655
Net assets, end of year	\$ 855,994	\$ 39,261	\$ 895,255	\$ 894,404

The accompanying notes are an integral part of these financial statements

THE ARC - JEFFERSON, CLEAR CREEK & GILPIN COUNTIES

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

	2012			2011	
	Supporting Services				Total
	Program Services	Management and General	Fund-raising	Total	Total
Salaries	\$ 424,014	\$ 30,026	\$ 19,781	\$ 473,821	\$ 432,375
Payroll taxes and benefits	83,546	5,917	3,897	93,360	81,038
Rent	45,275	2,844	1,753	49,872	49,872
Contract services	33,314	2,256	1,485	37,055	24,285
Accounting	-	34,312	613	34,925	27,450
Meals	23,572	151	917	24,640	33,896
Conferences and travel	18,936	1,066	701	20,703	14,950
Events	16,216	-	530	16,746	14,090
Telephone	13,323	686	452	14,461	13,087
Supplies	12,753	754	549	14,056	21,464
Dues and subscriptions	10,756	616	406	11,778	9,552
Fiduciary fees	7,563	535	353	8,451	8,944
Bad debts	6,407	-	712	7,119	6,713
Printing	5,150	183	199	5,532	6,424
Insurance	3,171	224	148	3,543	3,586
Awards and gifts	2,433	7	5	2,445	1,968
Postage	2,149	152	100	2,401	4,824
Board	1,865	132	87	2,084	-
Member fees	2,000	-	-	2,000	2,000
Childcare	1,480	-	-	1,480	1,400
Client assistance	1,119	-	-	1,119	6,455
All other	1,063	308	73	1,444	7,689
	716,105	80,169	32,761	829,035	772,062
Depreciation	2,818	306	34	3,158	1,620
Total expenses	\$ 718,923	\$ 80,475	\$ 32,795	\$ 832,193	\$ 773,682

The accompanying notes are an integral part of these financial statements

THE ARC - JEFFERSON, CLEAR CREEK & GILPIN COUNTIES

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

	<u>2012</u>	<u>2011</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 851	\$ (18,251)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
(Gains)loss on investments	(7,689)	70,653
Loss on disposal of fixed assets	136	-
Depreciation	3,158	1,620
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in contracts receivable	(57,449)	46,781
(Increase)decrease in grants receivable	10,266	(21,027)
(Increase)decrease in prepaid expenses	(3,849)	(3,131)
(Increase)decrease in inventory	5,373	5,333
Increase(decrease) in accounts payable	(3,217)	6,131
Increase(decrease) in payroll accruals	5,125	14,064
Increase(decrease) in deferred contract revenue	1,500	-
Net cash provided(used) by operating activities	<u>(45,795)</u>	<u>102,173</u>
<u>Cash flows from investing activities</u>		
(Purchase) of fixed assets	-	(2,550)
(Reinvestment) of investment proceeds	(10,318)	(10,946)
(Purchases) proceeds from investments	8,451	8,944
Net cash provided(used) by investing activities	<u>(1,867)</u>	<u>(4,552)</u>
Net increase(decrease) in cash and cash equivalents	(47,662)	97,621
Cash and cash equivalents, beginning of year	<u>212,250</u>	<u>114,629</u>
Cash and cash equivalents, end of year	<u>\$ 164,588</u>	<u>\$ 212,250</u>

The accompanying notes are an integral part of these financial statements

THE ARC - JEFFERSON, CLEAR CREEK & GILPIN COUNTIES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 1 - DESCRIPTION OF THE ORGANIZATION

The Arc - Jefferson, Clear Creek & Gilpin Counties (Organization) promotes and protects the human rights of people with intellectual and developmental disabilities and actively supports their full inclusion and participation in the community throughout their lifetimes. The Organization serves individuals of all ages who reside in Jefferson, Clear Creek and Gilpin Counties through individual advocacy, training and education and community building. The Organization assists individuals and their caregivers with issues related to education, health care, residential options, employment, legal concerns, and systems navigation, as well as social, recreational, and religious inclusion.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

2. Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

3. Cash and Cash Equivalents

Cash and cash equivalents are considered to be all unrestricted highly liquid investments with an initial maturity of three months or less.

4. Donations

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities, as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless the explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Continued)

5. Capitalization and Depreciation

The Organization follows the practice of capitalizing all expenditures for land, buildings and equipment of \$500 or more. The fair value of donated assets is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

6. Estimates

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

7. Income Taxes

The Organization is exempt from Federal and State income taxes under the provisions of Internal Revenue Code Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

8. Functional Reporting of Expenses

For the year ended December 31, 2012, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

9. Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

10. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

11. Subsequent Events

Management has evaluated subsequent events through April 12, 2013, the date the financial statements were available to be issued.

NOTE 3 - PLEDGES RECEIVABLE

The Organization has received multiple pledges that will be received over several years. Management believes a present value discount would not be significant for these financial statements. The remaining pledges and the related allowance for uncollectable pledges are as follows:

<u>Description</u>	<u>Amount</u>
2012	\$ 36,937
2013	22,535
2014	15,985
2015	7,630
2016 and after	<u>5,203</u>
Total payments	88,290
Less allowance for uncollectable pledges	<u>(8,739)</u>
Total	<u>\$ 79,551</u>

NOTE 4 - INVESTMENTS

At year-end, investments are stated at the quoted market price (level one inputs) and consist of:

<u>Description</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash and cash equivalents	\$ 50,808	\$ 50,808	\$ -
Equity securities	275,680	249,210	(26,470)
Mutual funds	<u>323,731</u>	<u>324,186</u>	<u>455</u>
	<u>\$ 650,219</u>	<u>\$ 624,204</u>	<u>\$ (26,015)</u>

Investment return is summarized as follows:

<u>Description</u>	<u>Amount</u>
Realized gains	\$ 22,989
Unrealized (losses)	<u>(15,300)</u>
Net gains(losses) on securities	7,689
Interest and dividend income	<u>10,318</u>
Net investment return	<u>\$ 18,007</u>

Additionally, the Organization earned interest income of \$99 on its operating cash accounts.

NOTE 4 - INVESTMENTS - CONTINUED

The Organization adopted the *Fair Value Measurements and Disclosures* Topic of FASB ASC 820 which requires enhanced disclosures about assets and liabilities that are measured and reported at fair value. The standard establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments included in Level 1 include mutual funds, listed equities, listed derivatives, cash, and cash equivalents. The Organization's investments in cash equivalents, mutual funds, and equities are considered level one inputs.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate and government bonds, less liquid and restricted equity securities and certain over-the-counter derivatives. The Organization does not have any investments in this category.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include limited partnership interests in corporate private equity and real estate funds, funds of hedge funds, and distressed debt. The Organization does not have any investments in this category.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The carrying amounts reported in the statement of financial position for cash and cash equivalents, prepaid expenses, accounts payable, and accrued liabilities approximate fair values.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of:

<u>Description</u>	<u>Amount</u>
Furniture and equipment	\$ 19,555
Leasehold improvements	<u>11,891</u>
Total	31,446
Less: accumulated depreciation	<u>(29,310)</u>
Net property and equipment	<u>\$ 2,136</u>

Depreciation expense for the year was \$3,158.

NOTE 6 - COMMITMENTS

During 2009, the Organization entered into a lease for office space. The future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2013	\$ 49,872
2014	<u>12,468</u>
Total	<u>\$ 62,340</u>

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are to be used for the following purposes:

<u>Description</u>	<u>Amount</u>
Mobilizing families	\$ 27,500
Guardianship/Adult advocacy	7,500
Transition alliance group	3,105
Scholarship – People First	<u>1,156</u>
Total	<u>\$ 39,261</u>

NOTE 8 - CONCENTRATION OF FUNDING SOURCE

Together with other unrelated organizations operating for a similar purpose, the Organization is a member of arc Thrift Stores. arc Thrift Stores is a Colorado, nonprofit corporation organized to support member organizations. The stores collect clothing and other household items from the community then resell them to the general public.

To be a member of arc Thrift Stores, a member must be an exempt organization under Internal Revenue Code Section 501(c)(3), be a member in good standing with Arc of Colorado and demonstrate behavior that neither interferes with nor undermines arc Thrift Stores' business or other activities.

For the year ended December 31, 2012, the Organization was allocated \$680,963 by arc Thrift Stores which represents approximately 82% of its total revenue.

NOTE 9 - IN-KIND

Donated services are reflected in the accompanying statements at their estimated values at date of receipt and only included if professional in nature. In-kind contributions consisted of the following:

<u>Description</u>	<u>Amount</u>
Computer IT services	\$ 12,390
Printing services	<u>761</u>
Total	<u>\$ 13,151</u>

NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS

During the year, net assets were released from donor restrictions by incurring expenses satisfying the restricted program purposes:

<u>Description</u>	<u>Amount</u>
Mobilizing families	\$ 27,500
Transition alliance group	9,226
Guardianship/Adult advocacy	7,500
Scholarship – People First	<u>1,040</u>
Total	<u>\$ 45,266</u>

NOTE 11 - BENEFIT PLAN

The Organization allows a 12% of gross pay benefit to all employees working an average of 32 hours or more per week. The cash benefit is applied, at each employee's discretion, to premiums under the Organization's medical/life insurance plan, or to a qualified retirement plan under the Internal Revenue Code section 403(b). During the year, the Organization's benefit plan expense totaled \$56,892.

NOTE 12 - UNEMPLOYMENT INSURANCE

The State of Colorado allows a tax-exempt, nonprofit two methods of paying costs of Unemployment Insurance. An organization may elect to be a “contributing” employer meaning they choose to pay a quarterly premium based upon the payroll paid. Also, an employer can elect to be a “reimbursing” employer, meaning the organization will fund unemployment benefits if and when any are assessed against the organization. The Organization has elected to be the latter. The Organization has reserved \$377 with the State of Colorado as a deposit on future claims.

NOTE 13 - BURIAL PLOT

In May 2000, an individual donated a burial plot at the Crown Hill Cemetery for the benefit of any individual for whom the Organization is guardian. The transfer fee was waived at the time the donation was made, and it was stated that Crown Hill Cemetery would charge no future transfer fee, since the ultimate beneficiary has yet to be identified.