

THE ARC IN JEFFERSON COUNTY

FINANCIAL STATEMENTS

DECEMBER 31, 2009

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Board of Directors
The Arc in Jefferson County
Lakewood, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of financial position of The Arc in Jefferson County as of December 31, 2009, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of The Arc in Jefferson County's management. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Arc in Jefferson County as of December 31, 2009, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The comparative totals presented as of December 31, 2008 and for the year then ended is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it

Ginsburg, Cohen & Company, P.C.

GINSBURG, COHEN & COMPANY, PC
Certified Public Accountants

March 29, 2010
Aurora, Colorado

THE ARC IN JEFFERSON COUNTY
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2009 (WITH COMPATATIVE TOTALS FOR 2008)

	2009			2008
	OPERATING	TEMPORARILY RESTRICTED	TOTAL ALL FUNDS	TOTAL ALL FUNDS
ASSETS				
CASH	\$ 91,531	\$ 18,000	\$ 109,531	\$ 30,479
ACCOUNTS RECEIVABLE	102,112	0	102,112	150,335
PREPAID EXPENSES	18,585	0	18,585	21,139
INVESTMENTS, at fair market value	686,588	0	686,588	634,634
FURNITURE	3,542	0	3,542	3,542
EQUIPMENT	33,221	0	33,221	35,171
LEASEHOLD IMPROVEMENTS	11,891	0	11,891	11,891
ACCUMULATED DEPRECIATION	(44,154)	0	(44,154)	(44,217)
DEPOSITS	4,319	0	4,319	4,319
TOTAL ASSETS	\$ 907,635	\$ 18,000	\$ 925,635	\$ 847,293
LIABILITIES AND NET ASSETS				
ACCOUNTS PAYABLE	\$ 4,522	\$ 0	\$ 4,522	\$ 2,078
ACCRUED EXPENSES	24,294	0	24,294	28,503
NET ASSETS:				
Designated by the governing board for:				
Operating reserve	120,000	0	120,000	120,000
Unemployment reserve	20,000	0	20,000	20,000
Capital reserve	5,163	0	5,163	5,163
Undesignated	733,656	18,000	751,656	671,549
	878,819	18,000	896,819	816,712
TOTAL LIABILITIES AND NET ASSETS	\$ 907,635	\$ 18,000	\$ 925,635	\$ 847,293

-The Accompanying Notes Are An Integral Part Of These Financial Statements-

THE ARC IN JEFFERSON COUNTY
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 YEAR ENDED DECEMBER 31, 2009 (WITH COMPARATIVE TOTALS FOR 2008)

	2009			2008
	<u>OPERATING</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL ALL FUNDS</u>	<u>TOTAL ALL FUNDS</u>
SUPPORT AND REVENUES				
ARC Thrift Stores	\$ 524,673	\$ 0	\$ 524,673	\$ 524,671
Contributions	79,854	0	79,854	121,991
Realized gain (loss) on investments	36,089	0	36,089	(83,701)
Unrealized gain (loss) on investments	34,710	0	34,710	(91,570)
Investment and other income	29,196	0	29,196	58,636
Grant income	0	23,000	23,000	23,500
Membership dues	3,050	0	3,050	3,023
Release of temporary restricted assets	<u>23,000</u>	<u>(23,000)</u>	<u>0</u>	<u>0</u>
TOTAL SUPPORT AND REVENUE	<u>730,572</u>	<u>0</u>	<u>730,572</u>	<u>556,550</u>
EXPENSES				
Program	573,155	0	573,155	629,412
Administrative	70,657	0	70,657	72,851
Fundraising	6,653	0	6,653	15,908
	<u>650,465</u>	<u>0</u>	<u>650,465</u>	<u>718,171</u>
NET CHANGE IN ASSETS	80,107	0	80,107	(161,621)
NET ASSETS, beginning	<u>798,712</u>	<u>18,000</u>	<u>816,712</u>	<u>978,333</u>
NET ASSETS, ending	<u>\$ 878,819</u>	<u>\$ 18,000</u>	<u>\$ 896,819</u>	<u>\$ 816,712</u>

-The Accompanying Notes Are An Integral Part Of These Financial Statements-

THE ARC IN JEFFERSON COUNTY
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2009 (WITH COMPARATIVE TOTALS FOR 2008)

	2009			2008
	<u>OPERATING</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL ALL FUNDS</u>	<u>TOTAL ALL FUNDS</u>
CASH FLOWS FROM OPERATIONS:				
Net change in assets	\$ 80,107	\$ 0	\$ 80,107	\$ (161,621)
Adjustments to reconcile net cash provided by operating activities:				
Depreciation	1,887	0	1,887	2,849
Unrealized (gain) loss on investments	(34,710)	0	(34,710)	90,209
Realized (gain) loss on investments	(36,089)	0	(36,089)	83,701
Decrease (Increase) in certain assets and liabilities	49,012	0	49,012	(73,559)
Net cash from operations	<u>60,207</u>	<u>0</u>	<u>60,207</u>	<u>(58,421)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of fixed assets	0	0	0	(4,870)
Proceeds from sale of investments	523,986	0	523,986	1,214,855
Purchase of investments	(505,141)	0	(505,141)	(1,165,714)
	<u>18,845</u>	<u>0</u>	<u>18,845</u>	<u>44,271</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
None	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET CHANGE IN CASH	79,052	0	79,052	(14,150)
CASH, beginning	<u>12,479</u>	<u>18,000</u>	<u>30,479</u>	<u>44,629</u>
CASH, ending	<u>\$ 91,531</u>	<u>\$ 18,000</u>	<u>\$ 109,531</u>	<u>\$ 30,479</u>

-The Accompanying Notes Are An Integral Part Of These Financial Statements-

THE ARC IN JEFFERSON COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2009 (WITH COMPARATIVE TOTALS FOR 2008)

	2009				2008
	ADMINI- STRATION	FUND- RAISING	PROGRAM	TOTAL	TOTAL
Salaries	\$ 44,862	806	\$ 328,144	\$ 373,812	\$ 409,080
Rent	5,687	95	44,579	50,361	51,828
Employee benefits	4,693	84	34,331	39,108	45,084
Independent contractors	4,123	74	30,160	34,357	57,894
Taxes, payroll	3,319	60	24,275	27,654	31,798
Meals	149	655	14,812	15,616	16,887
Other event expense	0	922	10,706	11,628	7,350
Ind & direct support	0	0	11,299	11,299	9,679
Investment fees	1,184	21	8,663	9,868	19,565
Telephone	1,148	21	8,487	9,656	7,087
Dues/subscriptions	884	16	7,667	8,567	5,715
Professional fees	963	17	7,044	8,024	4,849
Office supplies	759	70	7,029	7,858	11,504
Mileage	305	14	6,205	6,524	8,178
Other ARC US fees	541	10	3,955	4,506	5,219
Bad debts	0	3,526	0	3,526	10,340
Postage	389	7	2,849	3,245	2,680
Insurance	389	7	2,842	3,238	3,616
Miscellaneous	2	56	3,064	3,122	448
Printing	252	24	2,339	2,615	7,170
Awards and gifts	16	20	2,340	2,376	2,078
Facility rental	10	131	2,235	2,376	985
Workers compenstion	260	4	1,899	2,163	2,237
Depreciation	226	4	1,657	1,887	2,849
Childcare	0	0	1,425	1,425	2,450
Equipment (non capital)	167	3	1,221	1,391	200
Conferences/conventions	58	1	1,022	1,081	4,835
Repairs and maintenance	126	2	925	1,053	0
Bank fees & service charges	113	2	828	943	484
Consumer expenses	0	0	870	870	1,422
Foreign taxes	31	1	223	255	484
Travel	1	0	60	61	618
Computer supplies	0	0	0	0	1,258
Advertising	0	0	0	0	100
Capitalized book expenses	0	0	0	0	(17,800)
	<u>\$ 70,657</u>	<u>\$ 6,653</u>	<u>\$ 573,155</u>	<u>\$ 650,465</u>	<u>\$ 718,171</u>

-The Accompanying Notes Are An Integral Part Of These Financial Statements-

THE ARC IN JEFFERSON COUNTY NOTES TO FINANCIAL STATEMENTS

The Arc in Jefferson County (the Organization) is an advocacy Organization for developmentally disabled citizens in Jefferson, Gilpin and Clear Creek Counties. It was formed in 1961 as The Association for Retarded Children of Jefferson County. During 1996, it changed its name to The Arc in Jefferson County.

The Organization is a tax-exempt, non-profit corporation and is controlled by its members. It is not a private foundation.

The Organization's mission is to collaboratively provide leadership in addressing the choices and needs of individuals with developmental disabilities and their families. Advocacy education and support is directed toward building a community that values diversity, expands options and respects individuals so their life goals can be realized.

The Organization's goals are:

- To maintain an adequate and stable funding base, foster a motivated, dedicated and committed staff, and recruit and develop an active and involved Board of Directors.
- To ensure networking, influencing, and collaborating with other agencies, individuals, community groups, political and governmental entities to expand choices and opportunities for individuals with developmental disabilities and their families.
- To promote informed choices, practices and knowledge for applicable creative options through support and dissemination of research and evaluation.
- To increase community awareness and acceptance through ongoing training, information and referral, marketing, membership and advocacy.
- To support individuals and their families in attaining and exercising their rights as citizens and assisting them with problem solving and whatever is necessary to be successful within the community of their choice.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CASH - Cash is composed of cash on hand and cash funds available for use in the operating money market account.

ACCOUNTS RECEIVABLE - The Organization uses the allowance method for bad debts. Under this method, an estimation of the uncollectible portion of accounts receivable is offset against accounts receivable. As accounts are determined to be uncollectible, accounts receivable and the allowance account are reduced.

THE ARC IN JEFFERSON COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF PRESENTATION – Financial statement presentation follows the recommendations of the Accounting Standards Codification (“ASC”) as found in ASC 958.” Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

1. Operating - net assets available for current activities.
2. Temporarily Restricted – net assets restricted by the donor for future use
3. Permanently Restricted – net assets restricted by the donor with stipulations that they be invested to provide a permanent source of income.

DONATED SERVICES - In accordance with ASC, contributions of services are recognized only if the services received either (a) create or enhance non financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the year ended December 31, 2009, there were no donated services meeting these criteria.

PROPERTY AND EQUIPMENT - Amounts capitalized as property and equipment, including additions and improvements to existing assets, are recorded at cost. Office furniture and equipment is depreciated over five years using the straight-line method. Leasehold improvements are depreciated over four years using the straight-line method.

Maintenance cost and repairs are expensed when incurred in the operating fund; renewals and betterments are capitalized. When assets are retired or otherwise disposed of, the respective costs and accumulated depreciation are removed from the accounts. The resulting gain or loss is included in the statement of operations for that period, except for non monetary exchanges in which the basis of the asset acquired is adjusted for the gain or loss. Proceeds from the sale of assets, if unrestricted, are transferred to operating fund, or if restricted, are transferred to the temporarily restricted fund for equipment acquisitions.

USE OF ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles 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 amounts could differ from those estimates.

THE ARC IN JEFFERSON COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

TEMPORARILY RESTRICTED RESOURCES - The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the 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 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 explicit donor stipulations about 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 - COMMITMENTS AND CONTINGENCIES

OFFICE LEASE: The Organization leases its office space under a lease agreement that expires December 31, 2012. The lease requires monthly rent of \$4,319. A summary of the future minimum lease payments is as follows:

Annual rent payments as of December 31,	
2010	\$ 51,828
2011	51,828
2012	<u>51,828</u>
Total future minimum payments	<u>\$ 155,484</u>

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, a reimbursing employer, and therefore, does not maintain an account with the State of Colorado. The Organization's Board of Directors has reserved \$20,000 of its net assets to meet any future unemployment claims.

THE ARC IN JEFFERSON COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - COMMITMENTS AND CONTINGENCIES (continued)

In addition, the State of Colorado has required that the organization post an irrevocable standby letter of credit in the amount of \$13,366 so that if need be, the State can draw off this line of credit to fund any claims against the organization. The organization has entered into an agreement with Firstbank of Colorado to satisfy this requirement. This agreement expires June 28, 2011, and is secured by a bank account held by Firstbank.

NOTE 3 - INVESTMENTS

The Organization's investments are held primarily by a national investment banking and financial services company and managed by an investment adviser in accordance with the terms of an investment advisory agreement.

Investments, at fair value, consist of the following:

<u>DESCRIPTION</u>	<u>COST BASIS</u>	<u>FAIR MARKET VALUE</u>	<u>UN- REALIZED GAIN (LOSS)</u>
Temporary investments	\$ 161,712	\$ 161,712	\$ 0
Government securities	99,441	124,221	24,780
Mutual Funds	<u>390,725</u>	<u>400,655</u>	<u>9,930</u>
	<u>\$ 651,878</u>	<u>\$ 686,588</u>	<u>\$ 34,710</u>

All of the investments were valued using level 1 inputs which are based on quoted market prices within active markets.

The components of investment income and related fiduciary fees related to the above investments are as follows:

Interest and dividends on cash and cash investments	\$ 26,005
Realized gain (loss) net or prior period unrealized gain or (loss)	36,089
Unrealized gain or (loss)	<u>34,710</u>
Total investment income	<u>\$ 96,804</u>
Fiduciary fees	<u>\$ 9,868</u>

THE ARC IN JEFFERSON COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INCOME TAXES

The organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3); consequently, no provision or liability for income taxes has been provided in the accompanying financial statements.

NOTE 5 - TEMPORARY RESTRICTED FUND

The following is an analysis of the temporarily restricted funds:

	BALANCE DECEMBER 31, 2008	ADDITIONS	DELETIONS	BALANCE DECEMBER 31, 2009
Mobilizing Families Project	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000
Guardianship	<u>0</u>	<u>5,000</u>	<u>5,000</u>	<u>0</u>
Total	<u>\$ 18,000</u>	<u>\$ 23,000</u>	<u>\$ 23,000</u>	<u>\$ 18,000</u>

NOTE 6 - ECONOMIC DEPENDENCY

Together with other unrelated organizations operating for a similar purpose, the Organization is a member of the Metropolitan Association for Retarded Citizens (MARC). MARC is a Colorado, nonprofit corporation organized to support member organizations. MARC owns and operates ARC Thrift Stores in the metropolitan area. The stores collect clothing and other household items from the community then resell them to the general public.

To be a member of MARC, a member must be an exempt organization under Internal Revenue Code Section 501(c)(3), membership in good standing with Arc/Colorado and behavior that neither interferes with nor undermines MARC's thrift store business or other activities.

For the year ended December 31, 2009, the Organization earned \$ 524,673 in distributions from MARC which represents approximately 72% of its total revenue.

THE ARC IN JEFFERSON COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - ACCOUNTS RECEIVABLE

The following is an analysis of accounts receivable as of December 31, 2009:

MARC Value Village	\$ 43,723
Pledges	<u>62,489</u>
Total receivables	106,212
Less Allowance for doubtful accounts	<u>4,100</u>
Accounts receivable, net	<u>\$ 102,112</u>

Pledges receivable are due as follows:

December 31,	
2010	\$ 28,300
2011	20,935
2012	8,415
2013	3,976
2014+	<u>369</u>
	<u>\$ 62,489</u>

NOTE 8 - EMPLOYEE BENEFITS

The Organization allows a 12% of gross pay benefit to all employees working an average of 20 hours or more per week. The cash benefit is applied, at each employee's discretion, to premiums under the Organization's hospital/medical/life insurance plan, or to a qualified retirement plan under Internal Revenue Code Section 403(b). The amounts incurred by the Organization for 2009 were \$39,108.

NOTE 9 - PREPAID EXPENSES

Included in prepaid expense is the cost of a book which the Organization supported and funded. The amount included in prepaid expenses as of December 31, 2009, is \$16,000.

THE ARC IN JEFFERSON COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - CASH FLOWS

The following is an analysis of changes in certain current assets and liabilities:

	Operating	Temporarily Restricted
CURRENT ASSETS (Increase) Decrease		
Accounts receivable	\$ 48,223	\$ 0
Prepaid expenses	2,554	0
CURRENT LIABILITIES Increase (Decrease)		
Accounts payable	2,444	0
Accrued expenses	<u>(4,209)</u>	<u>0</u>
	<u>\$ 49,012</u>	<u>\$ 0</u>