THE ARC - JEFFERSON, CLEAR CREEK & GILPIN COUNTIES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

THE ARC - JEFFERSON, CLEAR CREEK & GILPIN COUNTIES

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

April 20, 2012

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, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the management of The Arc - Jefferson, Clear Creek & Gilpin Counties. Our responsibility is to express an opinion on these financial statements based on our audit. Information for the year ended December 31, 2010, 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 25, 2011 was expressed.

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 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, as well as evaluating the overall financial statement presentation. 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 - Jefferson, Clear Creek & Gilpin Counties as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Taylor, Roth and Company PLLC

TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

800 Grant Street, Suite 310, Denver, CO 80203-2944
www.TaylorRoth.com phone 303-830-8109 fax 303-830-8127 toll free 1-866-330-8109

THE ARC - JEFFERSON, CLEAR CREEK & GILPIN COUNTIES

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

	2011	2010
Assets		
Cash and cash equivalents	$ 166,077	$ 92,129
Cash and cash equivalents - temporarily restricted	46,173	22,500
Contracts receivable	-	46,781
Pledges receivable (Note 3)	89,817	68,790
Prepaid expenses	10,034	6,903
Inventory - books at cost	10,667	16,000
Investments (Note 4)	614,648	683,299
Property and equipment (Note 5)	5,430	4,500
Total assets	$ 942,846	$ 940,902
Liabilities and net assets		
Liabilities		
Accounts payable	$ 10,547	$ 4,416
Payroll liabilties	37,895	23,831
Total liabilities	48,442	28,247
Net assets		
Unrestricted		
Operating	497,801	515,492
Board designated operating reserve	345,000	345,000
Board designated unemployment fund	-	20,000
Board designated capital reserve	-	5,163
Net investment in fixed assets	5,430	4,500
Temporarily restricted (Note 7)	46,173	22,500
Total net assets	894,404	912,655
Total liabilities and net assets	$ 942,846	$ 940,902

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, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

	2011			2010
	Unrestricted	Temporarily Restricted	Total	Total
Revenue and other support				
MARC funding (Note 8)	$ 597,142	$ -	$ 597,142	$ 536,456
Contributions	153,862	705	154,567	109,865
Foundations	-	47,500	47,500	30,000
Memberships	2,457	-	2,457	1,903
Investment income	(59,339)	-	(59,339)	6,385
In-kind (Note 9)	6,190	-	6,190	-
All other	6,914	-	6,914	1,278
Net assets released from restrictions (Note 10)	24,532	(24,532)	-	-
Total revenue and other support	731,758	23,673	755,431	685,887
Expense				
Program services	683,752	-	683,752	600,049
Supporting services				
Management and general	73,571	-	73,571	49,594
Fund-raising	16,359	-	16,359	20,408
Total expense	773,682	-	773,682	670,051
Change in net assets	(41,924)	23,673	(18,251)	15,836
Net assets, beginning of year	890,155	22,500	912,655	896,819
Net assets, end of year	$ 848,231	$ 46,173	$ 894,404	$ 912,655

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, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

	2011				2010
		Supporting Services			
	Program Services	Management and General	Fund-raising	Total	Total
Salaries	$ 393,399	$ 30,314	$ 8,662	$ 432,375	$ 392,510
Payroll taxes and benefits	73,733	5,681	1,624	81,038	73,633
Rent	45,583	3,142	1,147	49,872	49,872
Meals	32,425	213	1,258	33,896	17,861
Accounting	-	26,900	550	27,450	7,041
Contract services	22,115	1,688	482	24,285	14,329
Supplies	20,495	679	290	21,464	13,373
Conferences	13,651	1,010	289	14,950	15,063
Events	13,107	-	983	14,090	9,763
Telephone	12,151	728	208	13,087	11,003
Dues and subscriptions	8,760	616	176	9,552	9,382
Fiduciary fees	8,138	627	179	8,944	9,061
Bad debts	6,041	672	-	6,713	10,795
Client assistance	6,455	-	-	6,455	13,134
Printing	6,023	221	180	6,424	4,734
Postage	4,444	257	123	4,824	3,557
Insurance	3,262	251	73	3,586	4,256
Member fees	2,000	-	-	2,000	3,803
Advertising	1,978	152	44	2,174	175
Awards and gifts	1,920	37	11	1,968	2,753
Childcare	1,400	-	-	1,400	1,280
All other	5,243	211	61	5,515	2,673
	682,323	73,399	16,340	772,062	670,051
Depreciation	1,429	172	19	1,620	-
Total expenses	$ 683,752	$ 73,571	$ 16,359	$ 773,682	$ 670,051

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, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

	2011	2010
Cash flows from operating activities		
Change in net assets	$ (18,251)	$ 15,836
Adjustments to reconcile change in net assets		
to net cash provided by operating activities		
(Gains)loss on investments	70,653	4,815
Depreciation	1,620	-
Changes in operating assets and liabilities		
(Increase)decrease in contracts receivable	46,781	(3,058)
(Increase)decrease in grants receivable	(21,027)	(10,402)
(Increase)decrease in prepaid expenses	(3,131)	1
(Increase)decrease in inventory	5,333	-
Increase(decrease) in accounts payable	6,131	(106)
Increase(decrease) in payroll accruals	14,064	(463)
Net cash provided(used) by operating activities	102,173	6,623
Cash flows from investing activities		
(Purchase) of fixed assets	(2,550)	-
(Reinvestment) of investments	(10,946)	(10,579)
(Purchases) proceeds from investments	8,944	9,053
Net cash provided(used) by investing activities	(4,552)	(1,526)
Net increase(decrease) in cash and cash equivalents	97,621	5,097
Cash and cash equivalents, beginning of year	114,629	109,532
Cash and cash equivalents, end of year	$ 212,250	$ 114,629

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, 2011

NOTE 1 - DESCRIPTION OF THE ORGANIZATION

The Arc - Jefferson, Clear Creek & Gilpin Counties' (Organization) mission is to provide leadership in addressing the choices and needs of individuals with developmental disabilities and their families while safeguarding the rights of individuals with developmental disabilities, facilitating choices, and promoting independence and inclusion in community life. The Organization is supported primarily through an allocation from the Metropolitan Association for Retarded Citizens.

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, 2011, 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, 2010, 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 20, 2012, 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:

Description	Amount
2012	$ 36,886
2013	22,414
2014	19,320
2015	13,286
2016 and after	7,891
Total payments	99,797
Less allowance for uncollectable pledges	(9,980)
Total	$ 89,817

NOTE 4 - INVESTMENTS

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

Description	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash and cash equivalents	$ 33,716	$ 33,716	$ 0
Equity securities	189,957	181,158	(8,799)
Mutual funds	401,702	399,774	(1,928)
	$ 625,375	$ 614,648	$ (10,727)

Investment return is summarized as follows:

Description	Amount
Realized gains(losses)	$ (53,058)
Unrealized gains(losses)	(17,598)
Net gains(losses) on securities	(70,656)
Interest and dividend income	10,946
Net investment return	$ (59,710)

Additionally, the Organization earned interest income of $ 371 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:

Description	Amount
Furniture and equipment	$ 39,313
Leasehold improvements	11,891
Total	51,204
Less: accumulated depreciation	(45,774)
Net property and equipment	$ 5,430

Depreciation expense for the year was $1,620.

NOTE 6 - COMMITMENTS

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

Fiscal Year	Amount
2012	$ 49,872
2013	49,872
2014	12,468
Total	$ 112,212

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

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

Description	Amount
Mobilizing families	$ 27,500
Transitional advocacy group	10,331
Guardians	7,500
Scholarship – People First	842
Total	$ 46,173

NOTE 8 - CONCENTRATION OF FUNDING SOURCE

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 of Colorado and behavior that neither interferes with nor undermines MARC's thrift store business or other activities.

For the year ended December 31, 2011, the Organization was allocated $597,142 by MARC which represents approximately 79% 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:

Description	Amount
Computer IT services	$ 6,090
Historian services	100
Total	$ 6,190

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:

Description	Amount
Mobilizing families	$ 22,500
Transitional advocacy group	2,032
Total	$ 24,532

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 $48,135.

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.

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

April 20, 2012

Board of Directors
The Arc in Jefferson, Clear Creek & Gilpin Counties

We have audited the financial statements of The Arc in Jefferson, Clear Creek & Gilpin Counties for the year ended December 31, 2011, and have issued our report thereon dated April 20, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 10, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by The Arc in Jefferson County are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010 We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached Adjusting Journal Entries include misstatements detected as a result of audit procedures. These journal entries are reflected in your audited financial statements, and management has agreed to post them to your general ledger.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter April 20, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

This information is intended solely for the use of the Board of Directors and management of The Arc in Jefferson, Clear Creek & Gilpin Counties and is not intended to be and should not be used by anyone other than these specified parties.

Taylor, Roth and Company PLLC

Taylor, Roth, and Company, PLLC
Certified Public Accountants
Denver, Colorado