THE ARC IN JEFFERSON COUNTY

FINANCIAL STATEMENTS

DECEMBER 31, 2008

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Ginsburg, Cohen & Company
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Board of Directors
The Arc in Jefferson County
Lakewood, Colorado

AUDITORS' REPORT

We have audited the accompanying statement of financial position of The Arc in Jefferson County as of December 31, 2008, 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, 2008, 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.

GINSBURG, COHEN & COMPANY
Certified Public Accountants

September 9, 2009
Aurora, Colorado

THE ARC IN JEFFERSON COUNTY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008

	OPERATING	TEMPORARILY RESTRICTED	TOTAL ALL FUNDS
ASSETS			
CASH	$ 12,479	$ 18,000	$ 30,479
ACCOUNTS RECEIVABLE	150,335	0	150,335
PREPAID EXPENSES	21,139	0	21,139
INVESTMENTS, at fair market value	634,634	0	634,634
FURNITURE	3,542	0	3,542
EQUIPMENT	35,171	0	35,171
LEASEHOLD IMPROVEMENTS	11,891	0	11,891
ACCUMULATED DEPRECIATION	(44,217)	0	(44,217)
DEPOSITS	4,319	0	4,319
TOTAL ASSETS	$ 829,293	$ 18,000	$ 847,293
LIABILITIES AND NET ASSETS			
ACCOUNTS PAYABLE	$ 2,078	$ 0	$ 2,078
ACCRUED EXPENSES	28,503	0	28,503
NET ASSETS:			
Designated by the governing board for:			
Operating reserve	120,000	0	120,000
Unemployment reserve	20,000	0	20,000
Capital reserve	5,163	0	5,163
Undesignated	653,549	18,000	671,549
	798,712	18,000	816,712
TOTAL LIABILITIES AND NET ASSETS	$ 829,293	$ 18,000	$ 847,293

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

THE ARC IN JEFFERSON COUNTY
STATEMENT OF ACTIVITES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2008

	OPERATING	TEMPORARILY RESTRICTED	TOTAL ALL FUNDS
SUPPORT AND REVENUES			
ARC Thrift Stores	$ 524,671	$ 0	$ 524,671
Contributions	121,991	0	121,991
Investment and other income	58,636	0	58,636
Grant income	0	23,500	23,500
Membership dues	3,023	0	3,023
Realized gain (loss) on investments	(83,701)	0	(83,701)
Unrealized gain (loss) on investments	(91,570)	0	(91,570)
Release of temporary restricted assets	48,500	(48,500)	0
TOTAL SUPPORT AND REVENUE	581,550	(25,000)	556,550
EXPENSES			
Program	629,412	0	629,412
Administrative	72,851	0	72,851
Fundraising	15,908	0	15,908
	718,171	0	718,171
NET CHANGE IN ASSETS	(136,621)	(25,000)	(161,621)
NET ASSETS, beginning	935,333	43,000	978,333
NET ASSETS, ending	$ 798,712	$ 18,000	$ 816,712

THE ARC IN JEFFERSON COUNTY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2008

	OPERATING	TEMPORARILY RESTRICTED	TOTAL ALL FUNDS
CASH FLOWS FROM OPERATIONS:			
Net change in assets	$ (136,621)	$ (25,000)	$ (161,621)
Adjustments to reconcile net cash provided by operating activities:			
Depreciation	2,849	0	2,849
Unrealized (gain) loss on investments	90,209	0	90,209
Realized (gain) loss on investments	83,701	0	83,701
Decrease (Increase) in certain assets and liabilities	(73,559)	0	(73,559)
Net cash from operations	(33,421)	(25,000)	(58,421)
CASH FLOWS FROM INVESTING ACTVITIES:			
Purchase of fixed assets	(4,870)	0	(4,870)
Proceeds from sale of investments	1,214,855	0	1,214,855
Purchase of investments	(1,165,714)	0	(1,165,714)
	44,271	0	44,271
CASH FLOWS FROM FINANCING ACTIVITES:			
None	0	0	0
	0	0	0
NET CHANGE IN CASH	10,850	(25,000)	(14,150)
CASH, beginning	1,629	43,000	44,629
CASH, ending	$ 12,479	$ 18,000	$ 30,479

THE ARC IN JEFFERSON COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2008

	ADMINI-STRATION	FUND-RAISING	PROGRAM	TOTAL	BUDGET
Salaries	$ 53,589	3,273	$ 352,218	$ 409,080	$ 431,618
Independent contractors	260	16	57,618	57,894	24,235
Rent	6,893	777	44,158	51,828	51,828
Employee benefits	3,923	406	40,755	45,084	51,794
Taxes, payroll	4,166	254	27,378	31,798	33,019
Investment fees	0	0	19,565	19,565	14,500
Meals	0	0	16,887	16,887	20,900
Office supplies	0	5	11,499	11,504	16,700
Bad debts	0	10,340	0	10,340	0
Ind & direct support	0	0	9,679	9,679	11,750
Mileage	0	7	8,171	8,178	10,082
Other event expense	0	567	6,783	7,350	5,400
Printing	0	17	7,153	7,170	1,050
Telephone	890	54	6,143	7,087	7,810
Dues/subscriptions	748	45	4,922	5,715	6,094
Other ARC US fees	684	42	4,493	5,219	5,219
Professional fees	635	39	4,175	4,849	5,500
Conferences/conventions	564	35	4,236	4,835	18,375
Insurance	0	0	3,616	3,616	3,750
Depreciation	0	0	2,849	2,849	0
Postage	0	0	2,680	2,680	3,500
Childcare	0	0	2,450	2,450	3,340
Workers compenstion	293	18	1,926	2,237	2,500
Awards and gifts	28	2	2,048	2,078	1,170
Consumer expenses	0	0	1,422	1,422	0
Computer supplies	165	10	1,083	1,258	1,500
Facility rental	0	0	985	985	3,970
Travel	0	0	618	618	5,250
Bank fees & service charges	0	0	484	484	1,200
Foreign taxes	0	0	484	484	0
Miscellaneous	0	0	448	448	0
Office equipment	0	0	200	200	1,000
Advertising	13	1	86	100	750
Capitalized book expenses	0	0	(17,800)	(17,800)	0
	$ 72,851	$ 15,908	$ 629,412	$ 718,171	$ 743,804

-The Accompanying Notes Are An Integral Part Of These 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF PRESENTATION – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ("FASB") in its Statement of Financial Accounting Standard ("SFAS") No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, 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 FASB 116, "*Accounting for Contributions Received and Contributions Made*", 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, 2008, 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.

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 place 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,	
2009	$ 51,828
2010	51,828
2011	51,828
2012	51,828
Total future minimum payments	$ 207,312

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.

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:

DESCRIPTION	COST BASIS	FAIR MARKET VALUE	UN-REALIZED GAIN (LOSS)
Temporary investments	$ 44,317	$ 44,317	$ 0
Government securities	138,632	152,610	13,978
Mtg. & asset backed securities	59,965	63,416	3,451
Equities	246,761	178,310	(68,451)
Mutual funds	188,055	147,642	(40,413)
Fixed securities	47,112	48,339	1,227
	$ 742,842	$ 634,634	$ (90,208)

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	$ 40,592
Realized gain (loss) net or prior period unrealized gain or (loss)	(83,701)
Unrealized gain or (loss)	(91,570)
Total investment income	$ (134,679)
Fiduciary fees	$ 19,565

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, 2007	ADDITIONS	DELETIONS	BALANCE DECEMBER 31, 2008
Mobilizing Families Project	$ 18,000	$ 18,500	$ 18,500	$ 18,000
T4T	25,000	0	25,000	0
Total	$ 43,000	$ 18,500	$ 43,500	$ 18,000

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, 2008, the Organization earned $ 524,671 in distributions from MARC which represents approximately 90% of its total revenue.

NOTE 7 - ACCOUNTS RECEIVABLE

The following is an analysis of accounts receivable as of December 31, 2008:

MARC Value Village	$ 43,723
Pledges	115,812
Total receivables	159,535
Less Allowance for doubtful accounts	9,200
Accounts receivable, net	$ 150,335

Pledges receivable are due as follows:

December 31,	
2009	$ 33,088
2010	31,090
2011	29,611
2012	15,433
2013+	6,590
	$ 115,812

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 2008 were $45,084.

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, 2008, is $17,800.

NOTE 10 - CASH FLOWS

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

	Operating	Temporarily Restricted	Total all Funds
CURRENT ASSETS (Increase) Decrease			
Accounts receivable	$ (40,592)	$ 0	$ (41,592)
Prepaid expenses	(12,824)	0	(12,824)
CURRENT LIABILITIES Increase (Decrease)			
Accounts payable	(577)	0	(577)
Accrued expenses	(19,566)	0	(19,566)
	$ (73,559)	$ 0	$ (73,599)