THE ARC IN JEFFERSON COUNTY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

THE ARC IN JEFFERSON COUNTY

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

CONTENTS

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

April 25, 2011

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Arc in Jefferson County
Lakewood, Colorado

We have audited the accompanying statement of financial position of **The Arc in Jefferson County** (a Colorado nonprofit corporation) as of December 31, 2010, 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 in Jefferson County. Our responsibility is to express an opinion on these financial statements based on our audit. Information for the year ended December 31, 2009, is presented for comparative purposes only and was extracted from the financial statements, audited by other auditors, presented by net asset class for that year, on which an unqualified audit opinion dated March 29, 2010 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 in Jefferson County as of December 31, 2010, 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 & Company, PLLC
TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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THE ARC IN JEFFERSON COUNTY

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

	2010	2009
Assets		
Cash and cash equivalents	$ 92,129	$ 91,532
Cash and cash equivalents - temporarily restricted	22,500	18,000
Contracts receivable	46,781	43,723
Pledges receivable (Note 3)	68,790	58,388
Prepaid expenses	6,903	6,904
Inventory	16,000	16,000
Investments (Note 4)	683,299	686,588
Property and equipment (Note 5)	4,500	4,500
Total assets	$ 940,902	$ 925,635
Liabilities and net assets		
Liabilities		
Accounts payable	$ 4,416	$ 4,522
Payroll liabilties	23,831	24,294
Commitments (Note 6)	-	-
Total liabilities	28,247	28,816
Net assets		
Unrestricted		
Operating	515,492	729,156
Board designated operating reserve	345,000	120,000
Board designated unemployment fund	20,000	20,000
Board designated capital reserve	5,163	5,163
Net investment in fixed assets	4,500	4,500
Temporarily restricted (Note 7)	22,500	18,000
Total net assets	912,655	896,819
Total liabilities and net assets	$ 940,902	$ 925,635

The accompanying notes are an integral part of these financial statements

THE ARC IN JEFFERSON COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

	2010			2009
	Unrestricted	Temporarily Restricted	Total	Total
Revenue and other support				
MARC funding (Note 8)	$ 536,456	$ -	$ 536,456	$ 524,673
Contributions	109,015	850	109,865	73,361
Foundations	-	30,000	30,000	23,000
Investment income	6,385	-	6,385	96,804
Memberships	1,903	-	1,903	3,050
In-kind	-	-	-	6,500
All other	1,278	-	1,278	3,184
Net assets released from restrictions (Note 9)	26,350	(26,350)	-	-
Total revenue and other support	681,387	4,500	685,887	730,572
Expense				
Program services	600,049	-	600,049	573,155
Supporting services				
Management and general	49,594	-	49,594	70,657
Fund-raising	20,408	-	20,408	6,653
Total expense	670,051	-	670,051	650,465
Change in net assets	11,336	4,500	15,836	80,107
Net assets, beginning of year	878,819	18,000	896,819	816,712
Net assets, end of year	$ 890,155	$ 22,500	$ 912,655	$ 896,819

The accompanying notes are an integral part of these financial statements

THE ARC IN JEFFERSON COUNTY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

	2010				2009
		Supporting Services			
	Program Services	Management and General	Fund-raising	Total	Total
Salaries	$ 352,333	$ 32,387	$ 7,790	$ 392,510	$ 373,812
Payroll taxes and benefits	66,095	6,103	1,435	73,633	68,925
Rent	45,819	3,366	687	49,872	50,361
Meals	17,042	203	616	17,861	15,620
Conferences	13,626	1,162	275	15,063	7,666
Contract services	6,147	552	7,630	14,329	34,358
Supplies	12,192	944	237	13,373	9,249
Client assistance	13,134	-	-	13,134	11,299
Telephone	10,083	745	175	11,003	9,656
Bad debts	9,690	895	210	10,795	3,526
Events	8,948	250	565	9,763	14,004
Dues and subscriptions	8,527	692	163	9,382	8,568
Fiduciary fees	8,133	751	177	9,061	9,868
Accounting	6,320	584	137	7,041	8,024
Printing	4,433	191	110	4,734	2,615
Insurance	3,820	353	83	4,256	3,238
Member fees	3,803	-	-	3,803	4,506
Postage	3,254	239	64	3,557	3,245
Awards and gifts	2,658	68	27	2,753	2,375
Childcare	1,280	-	-	1,280	1,425
Repairs and maintenance	513	47	12	572	1,053
All other	2,199	62	15	2,276	5,185
	600,049	49,594	20,408	670,051	648,578
Depreciation	-	-	-	-	1,887
Total expenses	$ 600,049	$ 49,594	$ 20,408	$ 670,051	$ 650,465

The accompanying notes are an integral part of these financial statements

THE ARC IN JEFFERSON COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

	2010	2009
Cash flows from operating activities		
Change in net assets	$ 15,836	$ 80,107
Adjustments to reconcile change in net assets to net cash provided by operating activities		
(Gains)loss on investments	4,815	(70,799)
Depreciation	-	1,887
Changes in operating assets and liabilities		
(Increase)decrease in accounts receivable	(3,058)	48,223
(Increase)decrease in grants receivable	(10,402)	-
(Increase)decrease in prepaid expenses	1	2,554
Increase(decrease) in accounts payable	(106)	2,445
Increase(decrease) in payroll accruals	(463)	(4,209)
Net cash provided(used) by operating activities	6,623	60,208
Cash flows from investing activities		
(Reinvestment) of investments	(10,579)	(26,005)
(Purchases) proceeds from investments	9,053	44,850
Net cash provided(used) by investing activities	(1,526)	18,845
Net increase(decrease) in cash and cash equivalents	5,097	79,053
Cash and cash equivalents, beginning of year	109,532	30,479
Cash and cash equivalents, end of year	$ 114,629	$ 109,532

The accompanying notes are an integral part of these financial statements

THE ARC IN JEFFERSON COUNTY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 1 - DESCRIPTION OF THE ORGANIZATION

The Arc in Jefferson County's (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, 2010, 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, 2009, 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 25, 2011, 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 theses financial statements. The remaining amounts of the pledges and the related allowance for uncollectable are as follows:

Description	Amount
2011	$ 37,813
2012	16,760
2013	11,574
2014	8,800
2015 and after	1,505
Total payments	76,452
Less allowance for uncollectable	(7,662)
Total	$ 68,790

NOTE 4 - INVESTMENTS

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

Description	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash and cash equivalents	$ 185,955	$ 185,955	$ 0
Equity securities	193,782	186,624	(7,158)
Mutual funds	298,893	310,720	11,827
	$ 678,630	$ 683,299	$ 4,669

Investment return is summarized as follows:

Description	Amount
Realized gains(losses)	$ 5,135
Unrealized gains(losses)	(9,950)
Net gains(losses) on securities	(4,815)
Interest and dividend income	10,579
Net investment return	$ 5,764

Additionally, the Organization earned interest income of $ 621 on its operating cash accounts.

NOTE 4 - INVESTMENTS - CONTINUED

The Organization adopted the *Fair Value Measurements and Disclosures* Topic of FASB ASC 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, receivables, prepaid expenses, inventory, accounts payable, and accrued liabilities approximate fair values.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of:

Description	Amount
Furniture and equipment	$ 36,763
Leasehold improvements	11,891
Total	48,654
Less: accumulated depreciation	(44,154)
Net property and equipment	$ 4,500

Depreciation expense for the year was $0.

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
2011	$ 49,872
2012	49,872
2013	49,872
2014	12,468
Total	$ 162,084

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

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

Description	Amount
Mobilizing families	$ 22,500

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, 2010, the Organization was allocated $536,456 by MARC which represents approximately 78% of its total revenue.

NOTE 9 - 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	$ 18,000
Transition training	8,350
Total	$ 26,350

NOTE 10 - 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 totaled $43,761.

NOTE 11 - 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.

In addition, the State of Colorado has required that the organization post an irrevocable standby letter of credit in the amount of $15,273, 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 12 - 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.