

**THE JIMMIE HEUGA CENTER
DBA
THE HEUGA CENTER**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

THE JIMMIE HEUGA CENTER

DBA
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FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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Taylor, Roth and Company, PLLC

Certified Public Accountants

working exclusively with nonprofit organizations

March 21, 2009

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Jimmie Heuga Center DBA
The Heuga Center
Edwards, Colorado

We have audited the accompanying statement of financial position of **The Jimmie Heuga Center DBA The Heuga Center** (a Colorado nonprofit corporation) as of December 31, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of The Jimmie Heuga Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. Information for the year ended December 31, 2007, 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 opinion dated February 1, 2008, 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 Jimmie Heuga Center DBA The Heuga Center as of December 31, 2008, 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

THE JIMMIE HEUGA CENTER
DBA
THE HEUGA CENTER
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Cash and cash equivalents - unrestricted	\$ 463,739	\$ 306,496
Cash and cash equivalents - temporarily restricted	214,835	81,250
Cash - board designated	282,463	180,000
Accounts receivable	2,640	16,990
Prepaid expenses	48,660	27,120
Inventory (Note 3)	51,221	9,480
Investments (Note 4)	200,000	-
Property and equipment (Note 5)	876,518	904,265
Total assets	<u><u>\$ 2,140,076</u></u>	<u><u>\$ 1,525,601</u></u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 34,522	\$ 13,699
Accrued payroll costs	36,327	38,435
Accrued interest	2,412	2,466
Prepaid Rent	2,600	-
Property taxes payable	6,331	6,280
Deferred event revenue	107,626	132,476
Security deposit	1,000	1,000
Line of credit (Note 6)	-	-
Mortgage note payable (Note 7)	439,440	452,952
Lease commitments (Note 8)	-	-
Total liabilities	<u>630,258</u>	<u>647,308</u>
<u>Net assets</u>		
<u>Unrestricted</u>		
Operating	575,442	165,730
Board designated stability reserve (Note 9)	282,463	180,000
Net investment in fixed assets	437,078	451,313
Temporarily restricted (Note 10)	214,835	81,250
Total net assets	<u>1,509,818</u>	<u>878,293</u>
Total liabilities and net assets	<u><u>\$ 2,140,076</u></u>	<u><u>\$ 1,525,601</u></u>

The accompanying notes are an integral part of these financial statements

**THE JIMMIE HEUGA CENTER
DBA
THE HEUGA CENTER**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008
(WITH COMPARATIVE TOTALS FOR 2007)**

	2008		2007	
	Unrestricted	Temporarily Restricted	Total	Total
<u>Revenue and other support</u>				
Special event income	\$ 857,237	\$ -	\$ 857,237	\$ 903,572
Less special event direct expense	(249,750)	-	(249,750)	(237,424)
Net special event income	607,487	-	607,487	666,148
Grants	788,850	214,835	1,003,685	333,557
Contributions	161,106	-	161,106	338,377
Corporate donations	90,000	-	90,000	95,000
Education, seminars and symposiums	68,740	-	68,740	80,756
Rental income	31,200	-	31,200	32,190
Interest income	9,440	-	9,440	5,874
Raffle and sale of merchandise	6,217	-	6,217	9,777
In-kind contributions (Note 11)	125,791	-	125,791	66,807
Net assets released from restrictions (Note 12)	81,250	(81,250)	-	-
Total revenue and other support	<u>1,970,081</u>	<u>133,585</u>	<u>2,103,666</u>	<u>1,628,486</u>
<u>Expense</u>				
Program services	1,215,371	-	1,215,371	1,157,454
Supporting services				
Management and general	167,814	-	167,814	153,693
Fund-raising	88,956	-	88,956	110,712
Total expense	<u>1,472,141</u>	<u>-</u>	<u>1,472,141</u>	<u>1,421,859</u>
Change in net assets	497,940	133,585	631,525	206,627
Net assets, beginning of year	<u>797,043</u>	<u>81,250</u>	<u>878,293</u>	<u>671,666</u>
Net assets, end of year	<u>\$1,294,983</u>	<u>\$ 214,835</u>	<u>\$1,509,818</u>	<u>\$ 878,293</u>

The accompanying notes are an integral part of these financial statements

THE JIMMIE HEUGA CENTER
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STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	2008			2007	
	Program Services	Supporting Services		Total	Total
		Manage- ment and General	Fund-raising		
Salaries	\$ 449,546	\$ 94,244	\$ 32,567	\$ 576,357	\$ 564,585
Payroll taxes and benefits	86,595	18,154	6,273	111,022	109,884
Education	281,989	-	-	281,989	332,136
Public relations	92,896	-	30,965	123,861	120,013
Printing	59,333	12,439	4,298	76,070	61,322
Endowment support	40,000	-	-	40,000	10,000
Occupancy	28,232	5,919	2,045	36,196	41,133
Interest	26,888	5,637	1,948	34,473	35,275
Professional services	24,653	5,168	1,786	31,607	19,085
Technology consulting	14,224	2,982	1,030	18,236	-
Contract labor	18,251	3,826	1,322	23,399	-
Bank fees	14,377	3,013	1,042	18,432	13,788
Postage	8,966	1,879	650	11,495	14,651
Insurance	7,028	1,473	510	9,011	11,228
Supplies	6,434	1,349	466	8,249	9,525
Telephone	6,138	1,286	445	7,869	7,521
Property tax	4,938	1,035	358	6,331	6,280
Equipment rent	9,211	1,931	667	11,809	14,307
All other	9,334	1,957	676	11,967	18,562
	1,189,033	162,292	87,048	1,438,373	1,389,295
Depreciation	26,338	5,522	1,908	33,768	32,564
Total	<u>\$1,215,371</u>	<u>\$ 167,814</u>	<u>\$ 88,956</u>	<u>\$1,472,141</u>	<u>\$1,421,859</u>

The accompanying notes are an integral part of these financial statements

THE JIMMIE HEUGA CENTER
DBA
THE HEUGA CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	<u>2008</u>	<u>2007</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 631,525	\$ 206,627
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	33,768	32,564
 <u>Changes in operating assets and liabilities</u>		
(Increase)decrease in accounts receivable	14,350	(8,829)
(Increase)decrease in prepaid expenses	(21,540)	(21,840)
(Increase)decrease in inventory	(41,741)	(750)
Increase(decrease) in accounts payable	20,823	(12,481)
Increase(decrease) in payroll accruals	(2,108)	22,400
Increase(decrease) in property taxes payable	51	6,280
Increase(decrease) in pre paid rent payable	2,600	-
Increase(decrease) in security deposits	-	(400)
Increase(decrease) in accrued interest	(54)	-
Increase(decrease) in deferred revenue	(24,850)	(69,054)
Net cash provided(used) by operating activities	<u>612,824</u>	<u>154,517</u>
 <u>Cash flows from investing activities</u>		
Purchase of fixed assets	(6,021)	-
Purchase of Certificates of Deposit	(200,000)	-
Net cash provided(used) by investing activities	<u>(206,021)</u>	<u>-</u>
 <u>Cash flows from financing activities</u>		
(Repayment) on mortgage note and line of credit	(13,512)	(14,288)
Net cash provided(used) by financing activities	<u>(13,512)</u>	<u>(14,288)</u>
Net increase(decrease) in cash and cash equivalents	393,291	140,229
Cash and cash equivalents, beginning of year	<u>567,746</u>	<u>427,517</u>
Cash and cash equivalents, end of year	<u>\$ 961,037</u>	<u>\$ 567,746</u>
 <u>Supplemental disclosure of information:</u>		
Cash paid during the period for interest	<u>\$ 34,473</u>	<u>\$ 35,275</u>

The accompanying notes are an integral part of these financial statements

THE JIMMIE HEUGA CENTER

DBA

THE HEUGA CENTER

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

NOTE 1 - NATURE OF ACTIVITIES

The Jimmie Heuga Center DBA The Heuga Center (the Organization) was established in 1984 to offer Multiple Sclerosis programs based on the philosophy of founder, Jimmie Heuga: That a person can have a chronic disease and also maintain their health. The Heuga Center leads the way with comprehensive programs that empower people and families living with MS to transform and improve their quality of life. Programs include education, nutrition, exercise, and overall mental well being. The Organization is supported primarily through grants, fundraising, and contributions.

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

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standard (SFAS) No. 117, "Financial Statement 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: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

3. Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

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

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.

5. Accounts Receivable

No allowance for doubtful accounts has been established. The Organization believes all accounts will be collected.

6. Capitalization and Depreciation

The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$3,000 and has a 3 year life. The fair value of donated assets is similarly capitalized. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Estimated useful lives of furniture and equipment range from 3 to 5 years. Building and improvements are being depreciated over 25 years.

7. Support

The organization receives most of its support from grants and event revenue given for events that educate the public about living a healthy life while dealing with multiple sclerosis.

8. 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.

9. Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c) (3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

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

10. Functional Reporting of Expenses

For the year ended December 31, 2008, 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.

11. 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, 2007 from which the summarized information was derived.

NOTE 3 - INVENTORY

Inventory is valued at the lower of cost or market and consists of promotional items used in events.

NOTE 4 - INVESTMENTS

Investments consist of two \$ 100,000 certificates of deposit that mature more than 90 days after year end.

NOTE 5 - PROPERTY AND EQUIPMENT

At year-end, the cost of fixed assets and their related accumulated depreciation was:

<u>Description</u>	<u>Amount</u>
Building and improvements	\$ 1,236,094
Furniture and equipment	<u>54,946</u>
Total	1,291,040
Less: accumulated depreciation	<u>(414,522)</u>
Net property and equipment	<u>\$ 876,518</u>

Depreciation expense for the year was \$ 33,768.

NOTE 6 - LINE-OF-CREDIT

A line of credit exists with a local bank. The balance is zero at year end. The line-of-credit has a \$150,000 maximum. Interest accrues on the unpaid balance at a variable rate. The line-of-credit expires on April 20, 2009.

NOTE 7 - MORTGAGE NOTE PAYABLE

In 1996, the Organization purchased the River Center. The condominium office unit is located in Edwards, Colorado and serves as the main office for The Jimmie Heuga Center. The unit was refinanced in 2006 with an interest rate of 7.6% for 5 years with a balloon in 2011. Monthly payments are \$4,003. The principal balance as of December 31, 2008 is \$439,440. The future scheduled maturities are:

<u>Year</u>	<u>Amount</u>
2009	\$ 15,181
2010	16,376
2011	17,665
2012	19,055
2013	<u>371,163</u>
Total	<u>\$ 439,440</u>

Subsequent to year-end, the note was paid off in full on January 15, 2009.

NOTE 8 - LEASE COMMITMENTS

The Center is obligated under 2 operating leases. The copier is a lease for a five year period with monthly payments of \$499 and total future lease obligation of \$28,970. The postage machine is a lease for a five year period with monthly payments of \$427 and total future lease obligation of \$17,507.

NOTE 9 - BOARD DESIGNATED RESERVE

The Organization's board of directors approved designating an operating reserve in the amount of \$282,463.

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS

At year-end, temporarily restricted net assets were available for the following program purpose:

<u>Description</u>	<u>Amount</u>
Educational programs and general operations	<u>\$ 214,835</u>

NOTE 11 - IN-KIND CONTRIBUTIONS

Donated goods and services are reflected in the accompanying statements at their estimated values at date of receipt. Donated goods and services amounted to:

<u>Description</u>	<u>Amount</u>
Donated inventory	\$ 115,170
Donated legal services	<u>10,621</u>
Total	<u>\$ 125,791</u>

NOTE 12 - 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>
Educational programs	<u>\$ 81,250</u>

NOTE 13 - RELATED PARTY AGREEMENT

The Center maintains a license and appearance agreement with Jimmie Heuga whereby the Center will have a license to use Jimmie Heuga's name and Jimmie Heuga will attend programs and other functions related to the Center's mission, for public education and for the purpose of expanding awareness and donor support. In exchange for the license and appearances agreement, the Center agreed to pay \$115,000 annually in equal monthly installments for a 3 year period commencing on January 1, 2006. At the expiration of the 3 year term, the Center shall have the option to renew the agreement for up to five succeeding three year periods on such terms and conditions as are mutually agreeable to the parties. The Center must provide written notice of renewal at least 120 days prior to the expiration of each three year term. Monies paid to Jimmie Heuga are allocated 75% to program and 25% to fundraising. As of December 31, 2008, a new agreement is being negotiated.

NOTE 14 - CAFETERIA PLAN

The Center offers a cafeteria compensation plan organized under IRC Section 125 that includes the following benefits; health, accident and/or term life insurance benefit and health expense reimbursement. No cost to the center is recognized as the plan is a salary reduction plan.

NOTE 15 - DEFERRED COMPENSATION

The Center implemented a tax-sheltered annuity retirement plan in April of 2005 in accordance with IRC 403(b). All permanent full-time employees are eligible to participate in the plan immediately and receive employer matching after six months of service. All eligible employees can contribute up to 15% of their gross wages. The Center matches 100% of each employee's annual contribution but no more than 10% of gross wages. All amounts contributed, including the matching contribution, vest immediately. The Center's current year contribution as of December 31, 2008 was \$35,994. Covered payroll totaled \$422,599 as of December 31, 2008. The total payroll for full time employees was \$484,454 at December 31, 2008. The Center has no long-term liability in connection with the plan since it is a defined contribution plan.

NOTE 16 - THE JIMMIE HEUGA CENTER ENDOWMENT

The Jimmie Heuga Center Endowment is a not for profit corporation with separate board of directors and funding sources. The purpose of the Jimmie Heuga Center Endowment is to raise money for a permanent fund. The earnings derived from the permanent fund will be used to support the Jimmie Heuga Center's operations. The Jimmie Heuga Center contributed \$40,000 to the Jimmie Heuga Center Endowment in 2008.

NOTE 17 - ALLOCATION OF OPERATING EXPENSES

Operating expenses that do not have a direct relationship to any of the centers primary activities, such as rent and administrative personnel costs have been allocated based on management's estimate of employees' time spent in each category as follows:

Education programs	77.99%
Management and general	16.35%
Fundraising	<u>5.66%</u>
Total	<u>100.00%</u>