Financial Statements and Report of Independent Certified Public Accountants

The Resource Exchange, Inc.

June 30, 2009

TABLE OF CONTENTS

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	3
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	5
STATEMENT OF ACTIVITIES	6
STATEMENT OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8
SUPPLEMENTARY INFORMATION	
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON SUPPLEMENTARY INFORMATION	19
SUMMARY OF REVENUE AND EXPENSES BY PROGRAM	20
SCHEDULE OF MEDICAID ADULT SUPPORTED LIVING SERVICES	26
SCHEDULE OF CASE MANAGEMENT SERVICES	28
SCHEDULE OF ROOM AND BOARD AND OTHER UNALLOWABLE EXPENSES	30
SCHEDULE OF ACCOUNTS RECEIVABLE – FEES AND GRANTS RECEIVABLE FROM GOVERNMENTAL AGENCIES	32

Logan, Thomas & Johnson, LLC
Certified Public Accountants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
The Resource Exchange, Inc.

We have audited the accompanying statement of financial position of The Resource Exchange, Inc. (the Center) as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Center's 2008 financial statements, and in our report dated June 1, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. 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 Center'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, 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 Resource Exchange, Inc. as of June 30, 2009, 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.

The accompanying financial statements have been prepared assuming that the Center will continue as a going concern. As discussed in Note B to the financial statements, the Center has suffered recurring losses from operations and negative cash flows from operations that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note B. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Logan, Thomas & Johnson, LLC

Broomfield, Colorado
December 2, 2009

5023 W. 120th Ave., #165, Broomfield, CO 80020-5606

Calvin Logan
Phone 303 532 1000
Fax 303 532 1080

Jan Thomas
Phone 303 569 6030
Fax 303 569 6031

Pauline Johnson
Phone 719 640 1188
Fax 719 937 4271

Financial Statements

The Resource Exchange, Inc.
STATEMENT OF FINANCIAL POSITION
June 30, 2009
(With summarized financial information for June 30, 2008)

	2009	2008
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,638,096	$ 145,821
Investments	184,336	268,782
Accounts receivable		
Fees and grants from governmental agencies, net	1,347,132	1,662,374
Other	43,169	10,649
Prepaid expenses and other assets	52,629	76,931
Total current assets	3,265,362	2,164,557
Land, building and equipment, net	1,121,710	1,408,930
	$ 4,387,072	$ 3,573,487
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 1,089,818	$ 1,499,103
Accrued expenses	160,311	188,971
Deferred revenue	125,823	213,165
Total current liabilities	1,375,952	1,901,239
Commitments and contingencies	-	-
Net assets		
Unrestricted		
Net investment in land, building and equipment	1,121,710	1,408,930
Undesignated	1,889,410	263,318
Total net assets	3,011,120	1,672,248
	$ 4,387,072	$ 3,573,487

The accompanying notes are an integral part of this statement.

The Resource Exchange, Inc.
STATEMENT OF ACTIVITIES
Year ended June 30, 2009
(With summarized financial information for the year ended June 30, 2008)

	Total unrestricted	
	2009	2008
Fees and grants from governmental agencies		
Fees for services		
State of Colorado		
State General Fund		
Comprehensive	$ 370,939	$ 377,376
Adult supported living	836,049	866,907
Children and families	2,555,912	1,917,622
Medicaid		
Comprehensive	3,186,984	7,560,639
Adult supported living	4,959,833	3,822,884
Children's extensive support	887,924	626,537
Part C	658,383	499,754
Grants and other		
Joint Budget Committee supplemental funding	726,000	363,000
Pikes Peak Rural Transportation Authority	3,917	23,500
Total fees and grants from governmental agencies	14,185,941	16,058,219
Public support - contributions	198,461	185,867
Other revenue (loss)	(80,742)	39,558
Total support and revenue	14,303,660	16,283,644
Expenses		
Program services		
State comprehensive	194,559	147,009
Medicaid comprehensive	1,048,393	5,888,167
State adult supported living	572,097	598,345
Medicaid adult supported living	4,415,639	3,853,615
Children's extensive support	833,300	713,130
Early intervention	1,934,372	1,517,587
Family support	661,740	558,804
Case management	2,185,145	2,264,325
Total program services	11,845,245	15,540,982
Supporting services		
Management and general	1,119,543	1,439,968
Total expenses	12,964,788	16,980,950
CHANGE IN NET ASSETS	1,338,872	(697,306)
Net assets, beginning of year	1,672,248	2,369,554
Net assets, end of year	$ 3,011,120	$ 1,672,248

The accompanying notes are an integral part of this statement.

The Resource Exchange, Inc.
STATEMENT OF CASH FLOWS
Year ended June 30, 2009
(With summarized financial information for the year ended June 30, 2008)

	2009	2008
Cash flows from operating activities		
Change in net assets	$ 1,338,872	$ (697,306)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	133,914	230,338
(Gain) loss on dispositions of land, building and equipment	138,653	(11,000)
Realized/unrealized loss on investments	91,167	194,249
Change in assets and liabilities		
Decrease in accounts receivable	282,722	761,799
(Increase) decrease in prepaid expenses and other	24,302	(22,691)
Decrease in accounts payable and accrued expenses	(437,945)	(1,400,508)
Increase (decrease) in deferred revenue	(87,342)	90,011
Net cash provided by (used in) operating activities	1,484,343	(855,108)
Cash flows from investing activities		
Purchase of land, building and equipment	(22,224)	(18,958)
Proceeds from sale of land, building and equipment	36,877	11,000
Purchases of marketable securities	(38,141)	(253,789)
Proceeds from sale of marketable securities	31,420	739,492
Net cash provided by investing activities	7,932	477,745
Cash flows from financing activities		
Proceeds from line of credit	-	2,035,000
Payments on line of credit	-	(2,560,000)
Net cash used in investing activities	-	(525,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,492,275	(902,363)
Cash and cash equivalents, beginning of year	145,821	1,048,184
Cash and cash equivalents, end of year	$ 1,638,096	$ 145,821
Supplemental data		
Interest paid	$ -	$ 36,849

The accompanying notes are an integral part of this statement.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of The Resource Exchange, Inc. (the Center) is presented to assist in understanding the Center's financial statements.

1. *Summary of Business Activities*

   The Resource Exchange, Inc. was incorporated under the laws of the State of Colorado in 1964 for the purpose of providing a community center board to coordinate programs through interagency cooperation and local agencies to provide services to persons with developmental disabilities in El Paso, Park and Teller counties. The Center's revenue comes primarily from the State of Colorado for services provided.

   In December 2007, Red Earth Developmental Services, Inc. (Red Earth) was established and was organized exclusively to provide residential services to persons with developmental disabilities. It is organized exclusively for the exempt charitable purposes under section 501(c)(3) of the Internal Revenue Code. Red Earth is affiliated with the Center through common management and the Center is required to consolidate the financial activity of Red Earth in the Center's financial statements. As of June 30, 2009, there were no financial transactions for Red Earth.

2. *Description of Services Provided*

   The major program services or supports and functional activities directly provided or purchased by the Center are:

   Program Services or Supports

   Comprehensive (State and Medicaid) refers to residential services, adult day services or supports and transportation activities as specified in the Individualized Plan. Included are a number of different types of residential settings, which provide an array of training, learning, experiential and support activities provided in residential living alternatives designed to meet individual needs. Additionally, adult day services provide opportunities for individuals to experience and actively participate in valued roles in the community. These services and supports enable individuals to access and participate in typical community activities such as work, recreation, and senior citizen activities. Finally, transportation activities refer to "Home to Day Program transportation" services relevant to an individual's work schedule as specified in the Individualized Plan. For these purposes, "work schedule" is defined broadly to include adult and retirement activities such as education, training, community integration and employment.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. *Description of Services Provided (Continued)*

Program Services or Supports (Continued)

Adult Supported Living (State and Medicaid) provides individualized living services for persons who are responsible for their own living arrangements in the community.

Children's Extensive Support is a deeming waiver (only the child's income is considered in determining eligibility) intended to provide needed services and supports for the children to remain in or return to the family home. Waiver services are targeted to children having extensive support needs, which require constant line-of-sight supervision due to significantly challenging behaviors and/or coexisting medical conditions. Available services include personal assistance, household modification, specialized medical equipment and supplies, professional services and community connection services.

Early Intervention is for children from birth through age two which offer infants and toddlers and their families services and supports to enhance child development in the areas of cognition, speech, communication, physical, motor, vision, hearing, social-emotional development, and self help skills; parent-child or family interaction; and early identification, screening and assessment services.

Family Support provides an array of supportive services to the person with a developmental disability and his/her family when the person remains within the family home, thereby preventing or delaying the need for out-of-home placement which is unwanted by the person or the family.

Case Management is the determination of eligibility for services and supports, service and support coordination, and the monitoring of all services and supports delivered pursuant to the Individualized Plan, and the evaluation of results identified in the Individualized Plan.

Supporting Services

Management and General includes those activities necessary for planning, coordination, and overall direction of the organization, financial administration, general board activities and other related activities indispensable to the Center's corporate existence.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. *Basis of Accounting*

Financial statements of the Center have been prepared on the accrual basis, whereby support and revenue are recorded when services are performed and expenses are recognized when incurred.

4. *Use of Estimates*

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 results could differ from those estimates.

5. *Subsequent Events*

The Center has evaluated events and transactions occurring subsequent to the end of the fiscal year for potential recognition or disclosure through December 2, 2009, the date on which the financial statements were issued, and did not identify any events or transactions that would have a material impact on the financial statements.

6. *Cash and Cash Equivalents*

For purposes of the statement of cash flows, the Center considers all cash on hand, cash on deposit and money market accounts subject to immediate withdrawal and certificates of deposit with an original maturity of three months or less, to be cash equivalents.

The Center maintains its cash balances in financial institutions located in Colorado Springs, Colorado, which at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

7. *Accounts Receivable*

The majority of the Center's accounts receivable are due from the State of Colorado. Accounts receivable are due according to contractual terms and are stated at the amounts management expects to collect from outstanding balances. The Center determines its allowance by considering a number of factors, including the length of time accounts receivable are past due and the Center's previous collection history. The Center writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are recorded as revenue.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. *Investments*

The Center records its investments in equity securities with readily determinable fair values and all investments in debt securities at fair value in the statement of financial position as determined by quoted market prices. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

9. *Land, Building and Equipment*

Land, building, and equipment are reported at cost for purchased assets and at estimated value, at date of receipt, for donated property. Any asset purchase in excess of $500 that has a life expectancy of more than one year is capitalized. Depreciation is provided on the straight-line method over the following estimated useful lives:

	Years
Administrative equipment	3 – 5
Program equipment	3 – 5
Transportation equipment	3 – 10
Buildings	25

10. *Revenue Recognition*

Revenues are recognized when services are performed. The Center receives certain revenue for which if it does not spend all the revenue in the current year and the Center has met certain control points, it is allowed to recognize five percent of the total original revenue and the remaining excess revenue is deferred to the next year.

11. *Temporarily Restricted Revenue*

Donor restricted revenue, whose restrictions are currently satisfied in the same fiscal year, are reported as unrestricted revenue, rather than temporarily restricted. Donor restricted contributions, whose restrictions are not currently met, are reflected as an increase to temporarily restricted net assets. The Center did not have any temporarily restricted net assets at June 30, 2009.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. *In-kind Donations*

Contributions of property, materials and personal services are known as in-kind donations and are recorded at estimated value at date of receipt. These donations (other than contributions of land, building and equipment) are included as program costs to properly reflect the total cost of the particular program.

13. *Income Taxes*

The Center is operated as a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Effective July 1, 2008, the Center adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – An Interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income tax recognized in an entity's financial statements. FIN 48 requires entities to determine whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statements. It also provides guidance on the recognition, measurement, and classification of income tax uncertainties, along with any related interest or penalties. A tax position is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement. The adoption of FIN 48 had no impact on the Center's financial statements.

14. *New Accounting Pronouncement*

Adoption of Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*

Effective July 1, 2008, the Center adopted Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements (SFAS 157).* SFAS defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This pronouncement does not require any new fair value measurements. In February 2008, the FASB issued FASB Staff Position (FSP) No. FAS 157-2 (FAS 157-2), *Effective Date of FASB Statement No. 157*, which defers the effective date of SFAS 157 for one year for nonfinancial assets and nonfinancial liabilities that are not disclosed at fair value in the financial statements on a recurring basis. FAS 157-2 did not defer the recognition and disclosure requirements for financial or nonfinancial assets and liabilities that are measured at least annually. In February 2008, the Center adopted FAS 157-2. In October 2008, the FASB issued FSP No. FAS 157-3 (FAS 157-3), *Determining the Fair Value of a Financial Asset in a Market That Is Not Active.* FAS 157-3 was effective upon issuance, and applies to periods for which financial statements have

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. *New Accounting Pronouncement (Continued)*

Adoption of Statement of Financial Accounting Standards No. 157, *Fair Value Measurements (Continued)*

not been issued. SFAS 157 guidance clarifies various application issues with respect to the objective of a fair value measurement, distressed transactions, relevance of observable data, and the use of management's assumptions. The effect of the adoption of SFAS 157, FAS 157-2 and FAS 157-3 did not have a material effect on the changes in net assets or financial position of the Center.

Fair Value Hierarchy

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 157 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and mutual funds that are traded in an active exchange market.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. Government agency debt securities and corporate-debt securities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. *New Accounting Pronouncement (Continued)*

Fair Value Hierarchy (Continued)

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

15. *Prior Year Summarized 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements as of and for the year ended June 30, 2008, from which the summarized information was derived.

NOTE B – GOING CONCERN

The Center has sustained recurring losses and negative cash flows from operations over the past several years. The Center's current assets exceed their current liabilities as of June 30, 2009. The Center believes that it currently has sufficient cash and investments to meet its funding requirements over the next year. The Center is now able to generate revenue for targeted case management services provided to Medicaid eligible consumers in the Early Intervention program. In the next fiscal year, the Center will start billing the medical Medicaid State plan and private health insurance for its Early Intervention program with the acquisition of the third-party billing organization, which currently bills this for the Center. This will reduce the Center's costs that it is paying for the billing of its medical Medicaid State plan and private health insurance. Management continues to work collaboratively with the Colorado Department of Human Services to ensure adequate funding is provided for mandated requirements. Management believes these factors have and will continue to contribute toward achieving profitability. The accompanying financial statements do not include any adjustments that might be necessary if the Center is unable to continue as a going concern.

NOTE C – FEES AND GRANTS FROM GOVERNMENTAL AGENCIES

Amounts receivable from governmental agencies are as follows at June 30, 2009:

State of Colorado	
General Fund	$ 270,831
Medicaid	1,064,187
Part C	44,114
	1,379,132
Less allowance for doubtful accounts	32,000
	$ 1,347,132

NOTE D – INVESTMENTS

The Center's investments as of June 30, 2009, consist of equity securities in the amount of $184,336.

The following table presents the Center's fair value hierarchy for those assets measured at fair value as of June 30, 2009:

	Fair value	Level 1	Level 2	Level 3
Financial assets:				
Equity income securities	$ 184,336	$ 184,336	$ -	$ -

Investment return earned on cash and cash equivalents, certificates of deposit, and marketable securities for the year ended June 30, 2009, consists of the following:

Interest income	$ 5,788
Dividend income	8,311
Realized loss on investments	(59,787)
Unrealized loss on investments	(31,380)
	$ (77,068)

NOTE E – LAND, BUILDING AND EQUIPMENT

Land, building and equipment consist of the following at June 30, 2009:

Building	$ 1,536,531
Administrative equipment	898,322
Program equipment	136,668
	2,571,521
Less accumulated depreciation and amortization	1,544,811
	1,026,710
Land	95,000
	$ 1,121,710

Depreciation expense was $133,914 for the year ended June 30, 2009.

NOTE F – DEFERRED REVENUE

Deferred revenue of $125,823 at June 30, 2009 consists of unspent State adult supported living services revenue of $53,161 and State comprehensive services revenue of $72,662.

NOTE G – LINE OF CREDIT

On June 1, 2009, the Center extended its revolving line of credit from a bank, originally dated June 2, 2008, with a limit of $700,000. There was no outstanding balance as of June 30, 2009. The interest rate to be charged on utilization of this line will be the Wall Street Journal Prime rate plus 0.5% (Prime was 3.25% at June 30, 2009). Interest is due monthly. All unpaid principal and interest is due on the maturity date of June 2, 2010. The line of credit is collateralized by real property.

NOTE H – LEASES

The Center currently leases office space and equipment under operating leases. The leases expire at various dates through June 2011. Rent expense for the year ended June 30, 2009, was $137,954. Future minimum payments for the noncancelable portions of operating leases are as follows:

Year ending June 30,	
2010	$ 54,077
2011	34,221
	$ 88,298

NOTE I – RETIREMENT PLAN

In March 1999, the Board of Directors adopted a 401(k) retirement plan covering all employees who are 21 years of age or older and have three months of service with the Center. The amount of cost recognized for the plan for the year ended June 30, 2009 was $35,256.

NOTE J – RELATED PARTY TRANSACTIONS

The Center receives a substantial amount of revenue from the State of Colorado. The amount of receivable the Center has from the State of Colorado is disclosed in Note C, deferred revenue is disclosed in Note F, and the Center has a payable to the State of Colorado in the amount of $227,001, which is recorded in accounts payable. These transactions are considered to be transactions with a related party by virtue of significant management influence exercised by the State of Colorado through contract provisions.

The Center purchases services from six other entities which are economically dependent on the Center for revenue and over which the Center exercises significant management influence through contract provisions. Total expenses incurred by the Center to those organizations for the year ended June 30, 2009, were approximately $1,528,000. At June 30, 2009, the balance owed to those organizations was approximately $165,000.

Supplementary Information

Logan, Thomas & Johnson, LLC
Certified Public Accountants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON SUPPLEMENTARY INFORMATION

Board of Directors
The Resource Exchange, Inc.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole of The Resource Exchange, Inc. as of and for the year ended June 30, 2009, which are presented in the preceding section of this report. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The statistical data shown on pages 24 through 29 and the schedule of room and board and other unallowable expenses on pages 30 and 31 have been summarized from the Center's records and were not subjected to the audit procedures applied in the audit of the basic financial statements. Accordingly, we do not express an opinion on such information. Such information, except for that portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Logan, Thomas & Johnson, LLC

Broomfield, Colorado
December 2, 2009

5023 W. 120th Ave., #165, Broomfield, CO 80020-5606

Calvin Logan
Phone 303 532 1000
Fax 303 532 1080

Jan Thomas
Phone 303 569 6030
Fax 303 569 6031

Pauline Johnson
Phone 719 640 1188
Fax 719 937 4271

The Resource Exchange, Inc.
SUMMARY OF REVENUE AND EXPENSES BY PROGRAM
Year ended June 30, 2009
(With summarized financial information for the year ended June 30, 2008)

	Program Services			
	Non specified	State comprehen-sive	Medicaid comprehen-sive	State adult supported living
Fees and grants from governmental agencies				
Fees for services				
State of Colorado				
State General Fund				
Comprehensive	$ -	$ 170,983	$ 52,119	$ -
Adult supported living	-	-	-	605,323
Children and families	-	-	-	-
Medicaid				
Comprehensive	-	-	985,637	-
Adult supported living	-	-	-	-
Children's extensive support	-	-	-	-
Part C	-	-	-	-
Grants and other				
Joint Budget Committee supplemental funding	-	-	-	-
Pikes Peak Rural Transportation Authority	-	-	3,917	-
Total fees and grants from governmental agencies	-	170,983	1,041,673	605,323
Public support - contributions	-	-	-	-
Other revenue (loss)	(62,724)	-	1,366	-
Total support and revenue	$ (62,724)	$ 170,983	$ 1,043,039	$ 605,323
Expenses				
Salaries				
Direct care	$ -	$ -	$ 63,848	$ 17,770
Other	-	-	-	-
Payroll taxes	-	-	8,874	1,178
Employee benefits	-	-	1,413	1,314
Total personal services	-	-	74,135	20,262
Medical professional services				
Physicians	-	-	-	7
Other	-	-	364,079	-
Other professional services	-	-	247,756	141,574

Program Services						Total	
Medicaid adult supported living	Children's extensive support	Early intervention	Family support	Case manage-ment	Management and general	2009	2008
$ -	$ -	$ -	$ -	$ 3,015	$ 144,822	$ 370,939	$ 377,376
-	-	-	-	113,458	117,268	836,049	866,907
-	-	1,260,867	677,032	286,802	331,211	2,555,912	1,917,622
-	-	-	-	1,898,783	302,564	3,186,984	7,560,639
4,959,833	-	-	-	-	-	4,959,833	3,822,884
-	887,924	-	-	-	-	887,924	626,537
-	-	397,022	-	206,809	54,552	658,383	499,754
-	-	-	-	-	726,000	726,000	363,000
-	-	-	-	-	-	3,917	23,500
4,959,833	887,924	1,657,889	677,032	2,508,867	1,676,417	14,185,941	16,058,219
-	-	105,429	20,000	-	73,032	198,461	185,867
39	-	90,188	1,987	1,433	(113,031)	(80,742)	39,558
$ 4,959,872	$ 887,924	$ 1,853,506	$ 699,019	$ 2,510,300	$ 1,636,418	$ 14,303,660	$ 16,283,644
$ 62,398	$ 13,499	$ 505,881	$ 279,523	$ 1,581,694	$ -	$ 2,524,613	$ 2,754,636
-	-	-	-	-	615,976	615,976	616,571
5,408	1,280	45,342	24,886	141,239	46,931	275,138	291,461
4,839	1,045	52,436	16,986	139,826	74,798	292,657	318,643
72,645	15,824	603,659	321,395	1,862,759	737,705	3,708,384	3,981,311
-	-	333	1,011	1,528	200	3,079	2,612
-	-	-	-	-	-	364,079	215,996
1,479,732	762,873	1,209,084	253,238	38,763	208,105	4,341,125	3,612,914

(Continued)

The Resource Exchange, Inc.
SUMMARY OF REVENUE AND EXPENSES BY PROGRAM (CONTINUED)
Year ended June 30, 2009
(With summarized financial information for the year ended June 30, 2008)

	Program Services			
	Non specified	State comprehen-sive	Medicaid comprehen-sive	State adult supported living
Staff development	$ -	$ -	$ 1	$ 205
Staff travel	-	-	59	141
Vehicles				
Fuel and oil	-	-	4,892	6
Maintenance	-	-	1,404	-
Leases	-	-	-	-
Occupancy				
Rent	-	-	-	2,091
Maintenance	-	-	1,407	200
Utilities	-	-	1,737	396
Equipment				
Leases	-	-	107	272
Maintenance	-	-	-	-
Supplies				
Medical and client care supplies	-	-	-	-
Pharmacy	-	-	-	-
Production materials	-	-	-	-
Other	-	-	248	572
Telephone	-	-	461	190
Dues and subscriptions	-	-	1	2
Food	-	-	-	-
Insurance	-	-	2,854	132
Interest	-	-	-	-
Other	-	-	4,046	336
In-kind donations	-	-	-	-
Total direct program expenses	-	-	703,187	166,386
Purchased services	-	194,559	310,309	405,332
Expenses before depreciation and amortization	-	194,559	1,013,496	571,718
Depreciation and amortization	-	-	34,897	379
Total expenses	$ -	$ 194,559	$ 1,048,393	$ 572,097

Program Services						Total	
Medicaid adult supported living	Children's extensive support	Early intervention	Family support	Case manage-ment	Management and general	2009	2008
$ 761	$ 51	$ 7,155	$ 2,246	$ 13,662	$ 2,900	$ 26,981	$ 25,111
616	98	27,499	8,151	45,127	3,683	85,374	84,622
25	5	251	109	772	1,048	7,108	63,366
23	4	163	74	512	448	2,628	24,624
-	-	-	-	-	-	-	-
7,865	1,478	23,198	30,958	18,776	985	85,351	83,863
752	96	1,540	1,890	12,665	10,066	28,616	42,368
1,550	252	3,965	4,262	16,817	6,958	35,937	44,402
945	220	8,416	4,452	30,554	7,637	52,603	49,461
-	-	-	-	-	5,824	5,824	10,777
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,190	521	13,620	7,682	45,221	29,058	99,112	106,176
564	134	11,747	7,069	29,912	9,130	59,207	54,191
7	2	94	32	314	69,510	69,962	63,671
-	-	-	-	-	-	-	-
498	99	4,406	2,029	14,402	11,895	36,315	73,025
-	-	-	-	-	145	145	36,849
812	11	3,204	6,004	4,404	(10,606)	8,211	256,209
-	-	-	-	-	-	-	-
1,568,985	781,668	1,918,334	650,602	2,136,188	1,094,691	9,020,041	8,831,548
2,845,162	51,299	-	4,172	-	-	3,810,833	7,919,064
4,414,147	832,967	1,918,334	654,774	2,136,188	1,094,691	12,830,874	16,750,612
1,492	333	16,038	6,966	48,957	24,852	133,914	230,338
$ 4,415,639	$ 833,300	$ 1,934,372	$ 661,740	$ 2,185,145	$ 1,119,543	$ 12,964,788	$ 16,980,950

(Continued)

The Resource Exchange, Inc.
SUMMARY OF REVENUE AND EXPENSES BY PROGRAM (CONTINUED)
Year ended June 30, 2009
(With summarized financial information for the year ended June 30, 2008)

	Program Services			
	Non specified	State comprehen-sive	Medicaid comprehen-sive	State adult supported living
Total expenses	$ -	$ 194,559	$ 1,048,393	$ 572,097
Less unallowable expenses	-	-	21	-
Total allowable expenses	-	194,559	1,048,372	572,097
Net allocated management and general (note A)	-	(8,607)	(46,378)	(25,308)
Adjusted total expenses	$ -	$ 185,952	$ 1,001,994	$ 546,789

Statistical Data (Unaudited)			
1. Total days in residential used - State, Medicaid, private pay, etc.	2,310	2,592	
2. Total days in residential used - State and Medicaid only	2,310	2,592	
3. Unduplicated number of individuals	420	12	88
Cost per unit of service			
Adjusted total expense/item 2	$ 80	$ 387	
Adjusted total expense/item 3			$ 6,214

Note A:

Net management and general costs are allocated to program services based on the individual program's expenses as a percentage to total program expenses.

Program Services						Total	
Medicaid adult supported living	Children's extensive support	Early intervention	Family support	Case manage-ment	Management and general	2009	2008
$ 4,415,639	$ 833,300	$ 1,934,372	$ 661,740	$ 2,185,145	$ 1,119,543	$ 12,964,788	$ 16,980,950
-	5,838	175	47	2,950	7,128	16,159	25,680
4,415,639	827,462	1,934,197	661,693	2,182,195	1,112,415	12,948,629	16,955,270
(195,336)	(36,863)	(85,572)	(29,274)	(96,665)	524,003	-	-
$ 4,220,303	$ 790,599	$ 1,848,625	$ 632,419	$ 2,085,530	$ 1,636,418	$ 12,948,629	$ 16,955,270
401	63	1,100	210	2,312			
$ 10,524	$ 12,549	$ 1,681	$ 3,012	$ 902			

The Resource Exchange, Inc.
SCHEDULE OF MEDICAID ADULT SUPPORTED LIVING SERVICES
Year ended June 30, 2009

	Personal assistance	Day habilitation	Supported employment
Revenue			
Medicaid	$ 1,637,307	$ 2,332,287	$ 73,295
Total expenses	1,469,504	2,116,473	66,101
Less unallowable expenses	-	-	-
Total allowable expenses	1,469,504	2,116,473	66,101
Net allocated management and general (note A)	(65,007)	(93,627)	(2,924)
Adjusted total expenses	1,404,497	2,022,846	63,177
Excess (deficiency) of revenues over expenses	$ 232,810	$ 309,441	$ 10,118
Statistical Data (Unaudited)			
1. Unduplicated number of individuals	262	321	64
2. Number of units provided	372,073	599,054	8,840
3. Number of occurrences provided			
Cost per unit of service			
Adjusted total expense/item 2	$ 4	$ 3	$ 7
Adjusted total expense/item 3			

Note A:

Net management and general costs are allocated to the different Medicaid Adult Supported Living Services categories based on the individual category's expenses as a percentage to total Medicaid Adult Supported Living Services expense.

Professional services	Trans-portation	Dental/ vision/ hearing	Environ-mental engineering	Total
$ 425,622	$ 251,844	$ 194,002	$ 45,476	$ 4,959,833
261,604	257,296	198,202	46,459	4,415,639
-	-	-	-	-
261,604	257,296	198,202	46,459	4,415,639
(11,573)	(11,382)	(8,768)	(2,055)	(195,336)
250,031	245,914	189,434	44,404	4,220,303
$ 175,591	$ 5,930	$ 4,568	$ 1,072	$ 739,530
56	380	205	29	
10,074				
	9,620	375	66	
$ 25				
	$ 26	$ 505	$ 673	

The Resource Exchange, Inc.
SCHEDULE OF CASE MANAGEMENT SERVICES
Year ended June 30, 2009

	Targeted case manage-ment	Other case manage-ment	Total
Fees and grants from governmental agencies			
Fees for services			
State of Colorado			
State General Fund			
Comprehensive	$ -	$ 3,015	$ 3,015
Adult supported living	-	113,458	113,458
Children and families	-	286,802	286,802
Medicaid			
Comprehensive	1,898,783	-	1,898,783
Part C	-	206,809	206,809
Total fees and grants from governmental agencies	1,898,783	610,084	2,508,867
Other	-	1,433	1,433
Total support and revenue	$ 1,898,783	$ 611,517	$ 2,510,300
Expenses			
Salaries			
Direct care	$ 1,249,538	$ 332,156	$ 1,581,694
Other	-	-	-
Payroll taxes	111,580	29,659	141,239
Employee benefits	110,462	29,364	139,826
Total personal services	1,471,580	391,179	1,862,759
Medical professional services			
Physicians	1,207	321	1,528
Other	-	-	-
Other professional services	30,623	8,140	38,763
Staff development	10,793	2,869	13,662
Staff travel	35,650	9,477	45,127
Vehicles			
Fuel and oil	610	162	772
Maintenance	404	108	512
Leases	-	-	-
Occupancy			
Rent	14,833	3,943	18,776
Maintenance	10,005	2,660	12,665
Utilities	13,286	3,531	16,817
Equipment			
Leases	24,138	6,416	30,554
Maintenance	-	-	-

(Continued)

The Resource Exchange, Inc.
SCHEDULE OF CASE MANAGEMENT SERVICES (CONTINUED)
Year ended June 30, 2009

	Targeted case manage-ment	Other case manage-ment	Total
Supplies			
Medical and client care supplies	$ -	$ -	$ -
Pharmacy	-	-	-
Production materials	-	-	-
Other	35,724	9,497	45,221
Telephone	23,631	6,281	29,912
Dues and subscriptions	248	66	314
Food	-	-	-
Insurance	11,378	3,024	14,402
Interest	-	-	-
Other	3,479	925	4,404
In-kind donations	-	-	-
Total direct program expenses	1,687,589	448,599	2,136,188
Purchased services	-	-	-
Expenses before depreciation and amortization	1,687,589	448,599	2,136,188
Depreciation and amortization	38,676	10,281	48,957
Total expenses	$ 1,726,265	$ 458,880	$ 2,185,145

Statistical Data (Unaudited)		
Unduplicated number of individuals	1,133	1,179
Full-time equivalents	36	9.5

The Resource Exchange, Inc.
SCHEDULE OF ROOM AND BOARD AND OTHER UNALLOWABLE EXPENSES
Year ended June 30, 2009
(Unaudited)

	Program Services			
	Non specified	State compre-hensive	Medicaid compre-hensive	State adult supported living
Salaries				
Direct care	$ -	$ -	$ -	$ -
Other	-	-	-	-
Payroll taxes	-	-	-	-
Employee benefits	-	-	-	-
Total personal services	-	-	-	-
Medical professional services				
Physicians	-	-	-	-
Other	-	-	-	-
Other professional services	-	-	-	-
Staff development	-	-	-	-
Staff travel	-	-	-	-
Vehicles				
Fuel and oil	-	-	-	-
Maintenance	-	-	-	-
Leases	-	-	-	-
Occupancy				
Rent	-	-	-	-
Maintenance	-	-	-	-
Utilities	-	-	-	-
Equipment				
Leases	-	-	-	-
Maintenance	-	-	-	-
Supplies				
Medical and client care supplies	-	-	-	-
Pharmacy	-	-	-	-
Production materials	-	-	-	-
Other	-	-	-	-
Telephone	-	-	-	-
Dues and subscriptions	-	-	-	-
Food	-	-	-	-
Insurance	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
In-kind donations	-	-	-	-
Total direct program expenses	-	-	-	-
Purchased services	-	-	21	-
Expenses before depreciation and amortization	-	-	21	-
Depreciation and amortization	-	-	-	-
Total expenses	$ -	$ -	$ 21	$ -

Program Services						
Medicaid adult supported living	Children's extensive support	Early interven-tion	Family support	Case manage-ment	Management and general	Total
$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	175	-	-	7,128	7,303
-	-	175	-	-	7,128	7,303
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	5,838	-	-	120	-	5,958
-	-	-	-	-	-	-
-	-	-	47	46	-	93
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	5,838	175	47	166	7,128	13,354
-	-	-	-	2,784	-	2,805
-	5,838	175	47	2,950	7,128	16,159
-	-	-	-	-	-	-
$ -	$ 5,838	$ 175	$ 47	$ 2,950	$ 7,128	$ 16,159

The Resource Exchange, Inc.
SCHEDULE OF ACCOUNTS RECEIVABLE -
FEES AND GRANTS RECEIVABLE FROM GOVERNMENTAL AGENCIES
June 30, 2009

State of Colorado	
General Fund	
Comprehensive services	$ 6,876
Adult supported living services	54,967
Children and families	135,611
Case management	33,470
Management fee	35,100
Special purpose funds	3,030
Administration	917
SIS Administration	860
Medicaid	
Comprehensive	61,763
Adult supported living	649,696
Children's extensive support	135,769
Targeted case management	190,497
Quality assurance	21,812
Utilization review	4,650
Part C	44,114
	1,379,132
Less allowance for doubtful accounts	32,000
	$1,347,132