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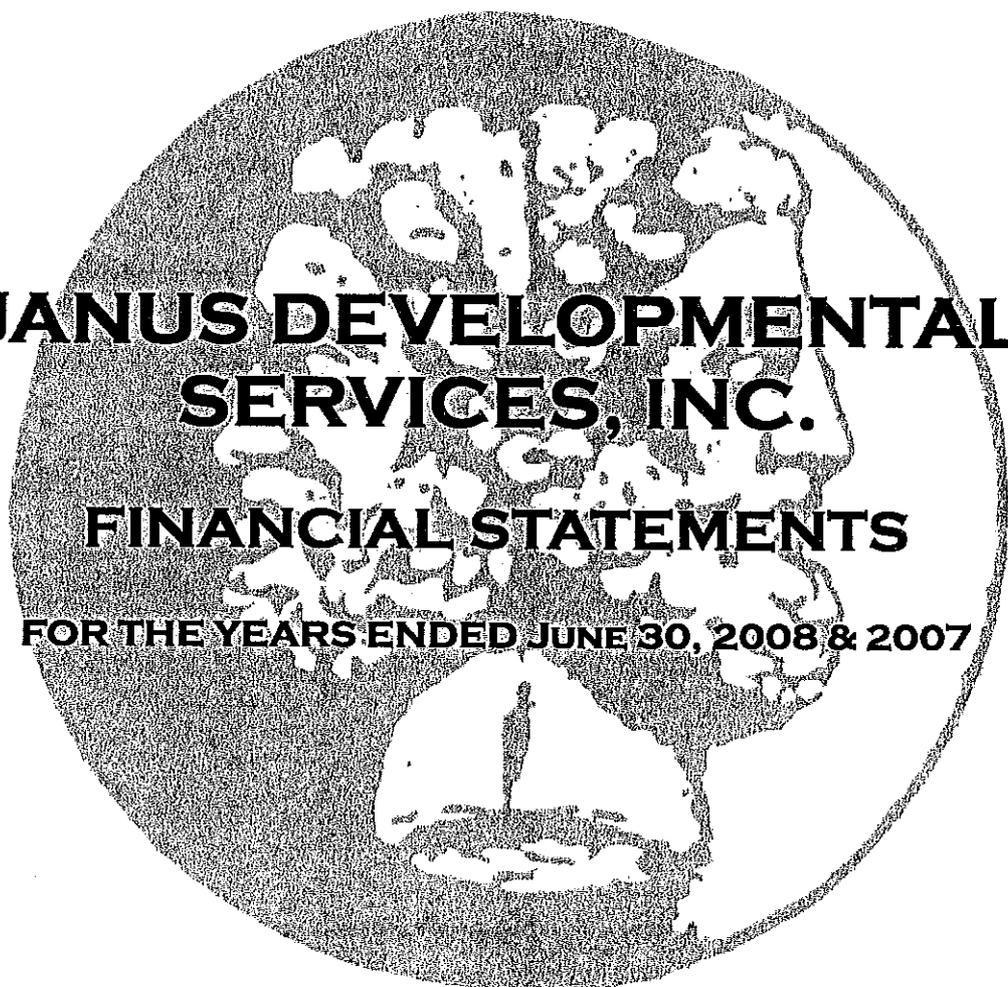
January 21, 2010

Board of Directors
Janus Developmental Services, Inc.
1555 Westfield Rd.
Noblesville, IN 46062

We have reviewed the audit report prepared by Bastin, Dorrell & Snyder, LLC, Independent Public Accountants, for the period July 1, 2007 to June 30, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Janus Developmental Services, Inc., as of June 30, 2008, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS



**JANUS DEVELOPMENTAL
SERVICES, INC.**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2008 & 2007

BASTIN, DORRELL & SNYDER, LLC

CERTIFIED PUBLIC ACCOUNTANTS

JANUS DEVELOPMENTAL SERVICES, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2008 & 2007.

JANUS DEVELOPMENTAL SERVICES, INC.

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BASTIN, DORRELL & SNYDER, L.L.C.



Certified Public Accountants

12 North Ninth Street • Noblesville, Indiana 46060 • (317) 773-1897 • Fax (317) 773-1874



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Janus Developmental Services, Inc.
Noblesville, IN 46062

We have audited the accompanying statements of financial position of Janus Developmental Services, Inc. (a nonprofit organization) as of June 30, 2008 and 2007, and the related statements of activities, statements of cash flows and statements of functional expenses for the years then ended. These financial statements are the responsibility of the Organization'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 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 Janus Developmental Services, Inc., as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Bastin, Dorrell & Snyder, LLC

September 30, 2008

JANUS DEVELOPMENTAL SERVICES, INC.

Statement of Financial Position

June 30, 2008 & 2007

Assets

| <u>Current Assets:</u> | <u>6/30/08</u> | <u>6/30/07</u> |
|---|-------------------------|-------------------------|
| Cash and Cash Equivalents (Note 2 & 14) | \$ 204,097 | \$ 321,455 |
| Accounts receivable (net of allowance for doubtful accounts of \$0 and \$0) | 189,626 | 211,720 |
| Inventory (Note 3) | 31,213 | 37,259 |
| Other assets and deposits (Note 4) | 43,710 | 20,542 |
| Total current assets | <u>\$ 468,646</u> | <u>\$ 590,976</u> |
| <u>Noncurrent Assets:</u> | | |
| Prepaid interest | \$ 3,331 | \$ 4,331 |
| Land and buildings (Note 5) | 1,683,446 | 1,586,611 |
| Equipment (Note 5) | 612,142 | 563,028 |
| Vehicles (Note 5) | 390,464 | 408,124 |
| Less: accumulated depreciation (Note 5) | <u>(1,328,065)</u> | <u>(1,237,979)</u> |
| Total noncurrent assets | <u>\$ 1,361,318</u> | <u>\$ 1,324,115</u> |
| Total assets | <u>\$ 1,829,964</u> | <u>\$ 1,915,091</u> |

Liabilities And Net Assets

| | | |
|--|-------------------------|-------------------------|
| <u>Current Liabilities:</u> | | |
| Accounts payable | \$ 101,528 | \$ 55,011 |
| Deferred revenue | 60,449 | 145,883 |
| Notes payable - current portion (Note 6) | 82,993 | 77,993 |
| Accrued expense and employee withholding | 114,897 | 127,970 |
| Total current liabilities | <u>\$ 359,867</u> | <u>\$ 406,857</u> |
| <u>Noncurrent Liabilities:</u> | | |
| Notes and loans payable (Note 7 & 8) | <u>\$ 413,979</u> | <u>\$ 497,222</u> |
| <u>Net Assets:</u> | | |
| Unrestricted | \$ 965,984 | \$ 1,042,735 |
| Temporarily restricted | 90,134 | (31,723) |
| Total net assets | <u>\$ 1,056,118</u> | <u>\$ 1,011,012</u> |
| Total liabilities and net assets | <u>\$ 1,829,964</u> | <u>\$ 1,915,091</u> |

(See Accountants' Reports and Notes To The Financial Statements)

JANUS DEVELOPMENTAL SERVICES, INC.
Statement of Activities
For The Years Ended June 30, 2008 & 2007

| <u>Changes in Unrestricted Net Assets:</u> | <u>6/30/2008</u> | <u>6/30/2007</u> |
|--|---------------------|---------------------|
| Revenues: | | |
| Contributions | \$ 24,883 | \$ 27,728 |
| Special events | 56,328 | 43,828 |
| Title XX-Federal Funds | 115,437 | 41,617 |
| Title XX-State Funds | 1,639 | 68,774 |
| Medicaid Waiver - Day Services | 229,433 | 249,598 |
| FSSA - Vocational Rehabilitation | 86,929 | 106,634 |
| County & local funds | 726,134 | 611,541 |
| Infant & Homebound Services | 21,245 | 22,163 |
| Transportation | 6,485 | 7,527 |
| Medicaid Waiver - Transportation | 50,363 | 52,265 |
| Group home fees | 117,359 | 117,271 |
| Private Pay Funds | 22,158 | 16,258 |
| Contract income | 202,669 | 223,309 |
| Jury transportation | 18,314 | 839 |
| Sale of assets | (651) | (604) |
| Vending and canteen | 61,200 | 59,059 |
| Interest Income | 5,041 | 7,324 |
| Miscellaneous and expense reimbursements | 9,410 | 15,702 |
| Total unrestricted revenue | <u>\$ 1,754,376</u> | <u>\$ 1,670,833</u> |
| Net assets released from restrictions: | | |
| Restrictions satisfied by payment & time | <u>787,082</u> | <u>592,629</u> |
| Total unrestricted revenue and other support | <u>\$ 2,541,458</u> | <u>\$ 2,263,462</u> |
| Expenses: | | |
| Program expenses | \$ 2,132,106 | \$ 1,681,924 |
| Management and general | 385,683 | 449,784 |
| Fund-raising expense | 100,420 | 96,435 |
| Total expense | <u>\$ 2,618,209</u> | <u>\$ 2,228,143</u> |
| Increase (Decrease) in unrestricted net assets | <u>\$ (76,751)</u> | <u>\$ 35,319</u> |
| <u>Changes in Temporarily Restricted Net Assets:</u> | | |
| Contributions & grants | \$ 260,720 | \$ 70,287 |
| Public Transportation | 648,219 | 404,956 |
| Net assets released from restrictions | <u>(787,082)</u> | <u>(592,629)</u> |
| Change in temporarily restricted net assets | <u>\$ 121,857</u> | <u>\$ (117,386)</u> |
| Increase (Decrease) in net assets | <u>\$ 45,106</u> | <u>\$ (82,067)</u> |
| Net assets at beginning of year | <u>1,011,012</u> | <u>1,093,079</u> |
| Net assets at end of year | <u>\$ 1,056,118</u> | <u>\$ 1,011,012</u> |

(See Accountants' Report and Notes To The Financial Statements)

JANUS DEVELOPMENTAL SERVICES, INC.

Statement of Cash Flows

For The Years Ended June 30, 2008 & 2007

| | <u>6/30/08</u> | <u>6/30/07</u> |
|---|---------------------|--------------------|
| <u>Cash Flows from Operating Activities:</u> | | |
| Increase/(Decrease) in net assets | \$ 45,106 | \$ (82,067) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 105,981 | 109,632 |
| (Increase)/Decrease in accounts receivable | 22,094 | (108,903) |
| (Increase)/Decrease in inventory | 6,046 | (2,791) |
| (Increase)/Decrease in other assets & prepaid interest | (22,168) | 27,931 |
| Increase/(Decrease) in accounts payable | 46,517 | 24,937 |
| Increase/(Decrease) in deferred revenue | (85,434) | 64,024 |
| Increase/(Decrease) in accrued expense & withholding | (13,073) | 11,824 |
| Net cash provided by operating activities | <u>\$ 105,069</u> | <u>\$ 44,587</u> |
| <u>Cash Flows from Investing Activities:</u> | | |
| Purchase of equipment & building | \$ (145,949) | \$ (63,924) |
| Additional proceeds from sale of assets | 1,765 | 10,277 |
| Net cash (used) provided by investing activities | <u>\$ (144,184)</u> | <u>\$ (53,647)</u> |
| <u>Cash Flows from Financing Activities:</u> | | |
| Increase/ (Decrease) in notes payable -current | \$ 5,000 | \$ 17,993 |
| Payment and reclassification of long-term debt | (83,243) | (62,778) |
| Net cash provided (used) in financing activities | <u>\$ (78,243)</u> | <u>\$ (44,785)</u> |
| Net increase/(decrease) in cash and cash equivalents | \$ (117,358) | \$ (53,845) |
| Cash and cash equivalents at beginning of year | <u>321,455</u> | <u>375,300</u> |
| Cash and Cash equivalents at end of year | <u>\$ 204,097</u> | <u>\$ 321,455</u> |
| <u>Supplemental Data:</u> | | |
| Interest paid | <u>\$ 33,184</u> | <u>\$ 32,536</u> |

(See Accountants' Report and Notes To The Financial Statements)

JANUS DEVELOPMENTAL SERVICES, INC.

Statement of Functional Expense

For The Year Ended June 30, 2008

| | <u>Children Services</u> | <u>Adult Therapy</u> | <u>Community Employment</u> | <u>Habil- itation Training</u> | <u>Canteen and Vending</u> |
|-----------------------------|------------------------------|--------------------------|---------------------------------|--|------------------------------------|
| <u>Program Expense:</u> | | | | | |
| Salaries & Wages | 43,930 | 0 | 86,300 | 66,462 | 42,423 |
| Employee Benefits | 8,691 | 0 | 17,637 | 18,603 | 735 |
| Payroll Taxes | 3,196 | 0 | 10,556 | 8,586 | 3,051 |
| Materials & Production | 0 | 0 | 0 | 0 | 44,262 |
| Consult & Prof Fees | 115 | 856 | 2,900 | 2,847 | 94 |
| Supplies | 403 | 0 | 351 | 761 | 249 |
| Telephone | 297 | 7 | 1,314 | 1,129 | 7 |
| Postage | 26 | 0 | 14 | 19 | 0 |
| Occupancy Expense | 1,596 | 38 | 2,875 | 2,194 | 382 |
| Equip. Rent & Maint. | 630 | 0 | 364 | 656 | 1,818 |
| Printing & Publications | 44 | 0 | 53 | 53 | 79 |
| Advertising | 0 | 0 | 0 | 0 | 100 |
| Travel & Auto | 2,450 | 0 | 7,199 | 1,025 | 82 |
| Conference & Meetings | 611 | 0 | 339 | 0 | 0 |
| Membership, Dues & Develop. | 40 | 0 | 0 | 0 | 0 |
| Depreciation | 56 | 22 | 3,293 | 4,349 | 331 |
| Interest | 0 | 0 | 0 | 0 | 0 |
| Miscellaneous | 0 | 0 | 0 | 10 | 116 |
| Fund Raising & Donations | 0 | 0 | 0 | 0 | 0 |
| Total Program Expense | <u>62,085</u> | <u>923</u> | <u>133,195</u> | <u>106,694</u> | <u>93,729</u> |

(See Accountants' Reports and Notes To The Financial Statements)

| <u>Trans- portation</u> | <u>Public Transit</u> | <u>Sheltered Work</u> | <u>Client Services</u> | <u>Fund- Raising</u> | <u>Admini- stration</u> | <u>Total</u> |
|-----------------------------|---------------------------|---------------------------|----------------------------|--------------------------|-----------------------------|------------------|
| 102,747 | 353,841 | 249,537 | 127,996 | 61,500 | 164,028 | 1,298,764 |
| 37,935 | 48,531 | 66,844 | 11,296 | 1,651 | 36,411 | 248,334 |
| 8,192 | 26,239 | 37,312 | 9,981 | 7,858 | 15,968 | 130,939 |
| 0 | 0 | 113,897 | 0 | 0 | 0 | 158,159 |
| 196 | 4,562 | 11,700 | 21,869 | 898 | 51,935 | 97,972 |
| 758 | 2,935 | 4,214 | 6,328 | 1,206 | 10,389 | 27,594 |
| 4,061 | 9,999 | 3,378 | 349 | 16 | 4,021 | 24,578 |
| 29 | 112 | 541 | 261 | 1,309 | 1,848 | 4,159 |
| 2,462 | 48,349 | 73,077 | 4,504 | 2,306 | 14,050 | 151,836 |
| 461 | 1,751 | 4,229 | 998 | 306 | 8,380 | 19,593 |
| 712 | 2,978 | 340 | 8,645 | 3,106 | 7,092 | 23,102 |
| 422 | 55 | 315 | 10,075 | 100 | 991 | 12,058 |
| 57,436 | 133,486 | 11,790 | 10,851 | 447 | 6,782 | 231,548 |
| 0 | 0 | 1,993 | 1,953 | 304 | 365 | 5,565 |
| 18 | 1,018 | 69 | 2,170 | 0 | 11,979 | 15,294 |
| 14,369 | 9,890 | 41,818 | 2,130 | 2,059 | 27,664 | 105,981 |
| 0 | 168 | 16,621 | 0 | 0 | 16,395 | 33,184 |
| 0 | 832 | 56 | 3,796 | 10 | 7,385 | 12,205 |
| 0 | 0 | 0 | 0 | 17,344 | 0 | 17,344 |
| <u>229,798</u> | <u>644,746</u> | <u>637,731</u> | <u>223,202</u> | <u>100,420</u> | <u>385,683</u> | <u>2,618,209</u> |

JANUS DEVELOPMENTAL SERVICES, INC.

Statement of Functional Expense

For The Year Ended June 30, 2007

| | <u>Children Services</u> | <u>Adult Therapy</u> | <u>Community Employment</u> | <u>Habil- itation Training</u> | <u>Canteen and Vending</u> |
|--------------------------|------------------------------|--------------------------|---------------------------------|--|------------------------------------|
| <u>Program Expense:</u> | | | | | |
| Salaries & Wages | 45,679 | 276 | 98,181 | 77,110 | 32,331 |
| Employee Benefits | 8,342 | 0 | 15,184 | 20,286 | 1,075 |
| Payroll Taxes | 3,280 | 22 | 7,965 | 5,725 | 2,429 |
| Materials & Production | 0 | 0 | 0 | 0 | 38,399 |
| Consult & Prof Fees | 28 | 1,053 | 375 | 783 | 73 |
| Supplies | 299 | 0 | 490 | 514 | 449 |
| Telephone | 290 | 7 | 729 | 942 | 7 |
| Postage | 51 | 0 | 20 | 4 | 50 |
| Occupancy Expense | 1,272 | 269 | 4,618 | 2,055 | 683 |
| Equip. Rent & Maint. | 408 | 6 | 483 | 234 | 845 |
| Printing & Publications | 0 | 0 | 700 | 0 | 0 |
| Advertising | 0 | 0 | 0 | 0 | 225 |
| Travel & Auto | 2,410 | 0 | 6,258 | 1,706 | 0 |
| Uniforms | 0 | 0 | 0 | 0 | 0 |
| Conference & Meetings | 449 | 0 | 259 | 0 | 0 |
| Depreciation | 265 | 4 | 3,387 | 3,114 | 245 |
| Interest | 0 | 0 | 0 | 0 | 0 |
| Miscellaneous | 0 | 0 | 4 | 0 | 335 |
| Fund Raising & Donations | 0 | 0 | 0 | 0 | 0 |
| Total Program Expense | <u>62,773</u> | <u>1,637</u> | <u>138,653</u> | <u>112,473</u> | <u>77,146</u> |

(See Accountants' Reports and Notes To The Financial Statements)

| <u>Trans- portation</u> | <u>Public Transit</u> | <u>Sheltered Work</u> | <u>Client Services</u> | <u>Fund- Raising</u> | <u>Admi- stration</u> | <u>Total</u> |
|-----------------------------|---------------------------|---------------------------|----------------------------|--------------------------|---------------------------|------------------|
| 100,218 | 178,713 | 282,358 | 42,039 | 43,955 | 234,447 | 1,135,307 |
| 29,938 | 22,237 | 61,742 | 6,039 | 2,256 | 28,612 | 195,711 |
| 7,589 | 15,076 | 32,371 | 3,459 | 3,365 | 18,041 | 99,322 |
| 0 | 0 | 101,990 | 0 | 0 | 0 | 140,389 |
| 344 | 335 | 7,433 | 6,917 | 4,806 | 48,663 | 70,810 |
| 1,033 | 22,429 | 4,164 | 2,733 | 1,156 | 6,470 | 39,737 |
| 2,324 | 1,946 | 2,208 | 1,769 | 0 | 4,237 | 14,459 |
| 5 | 77 | 333 | 529 | 3,672 | 2,527 | 7,268 |
| 1,692 | 1,476 | 84,459 | 1,457 | 0 | 15,724 | 113,705 |
| 479 | 6,622 | 13,858 | 367 | 865 | 7,459 | 31,626 |
| 12 | 1,310 | 70 | 24,509 | 575 | 3,698 | 30,874 |
| 236 | 1,727 | 319 | 0 | 0 | 655 | 3,162 |
| 36,788 | 54,982 | 13,425 | 4,142 | 293 | 13,334 | 133,338 |
| 0 | 1,060 | 0 | 0 | 0 | 0 | 1,060 |
| 209 | 40 | 875 | 4,250 | 15 | 24,581 | 30,678 |
| 20,454 | 11,038 | 44,452 | 841 | 1,571 | 24,261 | 109,632 |
| 0 | 0 | 17,813 | 0 | 0 | 14,723 | 32,536 |
| 0 | 530 | 1,342 | 60 | 1,320 | 2,352 | 5,943 |
| 0 | 0 | 0 | 0 | 32,586 | 0 | 32,586 |
| <u>201,321</u> | <u>319,598</u> | <u>669,212</u> | <u>99,111</u> | <u>96,435</u> | <u>449,784</u> | <u>2,228,143</u> |

JANUS DEVELOPMENTAL SERVICES, INC.

Notes To Financial Statements

Note 1 - Organization:

Janus Developmental Services, Inc. was incorporated on April 4, 1979, under the Indiana Not-For-Profit Corporation Act of 1971. Janus operates with the intent to provide educational, residential, and habilitation services and programs in conjunction with vocational and employment training and placement for individuals with developmental and physical disabilities. It was established exclusively for charitable, educational and scientific purposes to enable the handicapped to function at their full potential in society.

Note 2 - Summary of Significant Accounting Policies:

- (a) Assets, liabilities, revenues and expenses are recognized on the accrual basis of accounting. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. 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, or if they are designated as support for future periods. 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 activity as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.
- (b) Inventories of raw materials are carried at the lower of cost or market on an average cost basis. All obsolete and scrap materials have been deleted from the inventory value.
- (c) Finished goods inventory includes raw materials (at cost) and actual direct labor costs associated with the production process. Manufacturing expenses are allocated based on a percentage of direct costs at a standard rate.
- (d) Property, plant and equipment of the Organization are presented at cost or fair value on the date of donation. Depreciation of exhaustible assets is provided over their estimated useful lives using the straight-line method.
- (e) The Organization reports gifts of goods 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 placed in service.
- (f) Contributions pledged to the Organization in support of a future period are recorded as income in the applicable support period and an estimate of uncollectible amounts is provided based on past experience.

JANUS DEVELOPMENTAL SERVICES, INC.

Notes To Financial Statements

Note 2 - Summary of Significant Accounting Policies: (cont)

- (g) Donated services have been reflected in the accompanying financial statements when an objective basis is available to measure the value of such service.
- (h) Expenses have been allocated among program and supporting service classifications on the basis of various records and on estimates made by the organization's management.
- (i) The Organization considers all highly liquid investments with a maturity of three months or less at the date of acquisition, to be "cash equivalents".
- (j) The Organization expenses advertising costs as they are incurred as reflected in the statement of functional expense for each year.

Note 3 - Inventories:

The following is an analysis of the value of inventory owned by the Organization on June 30, 2008 and 2007:

| | <u>6/30/08</u> | <u>6/30/07</u> |
|-----------------------------|------------------|------------------|
| Raw materials | \$ 18,516 | \$ 21,985 |
| Finished goods and supplies | 12,697 | 15,274 |
| Total | <u>\$ 31,213</u> | <u>\$ 37,259</u> |

Note 4 - Other Assets and Deposits:

Amounts are presented as follows:

| | <u>6/30/08</u> | <u>6/30/07</u> |
|---------------------|------------------|------------------|
| Prepaid insurance | 10,770 | 2,954 |
| Prepaid interest | 999 | 999 |
| Prepaid maintenance | 3,892 | 3,270 |
| Prepaid fees & dues | 28,049 | 13,319 |
| | <u>\$ 43,710</u> | <u>\$ 20,542</u> |

JANUS DEVELOPMENTAL SERVICES, INC.

Notes To Financial Statements

Note 5 - Property, Plant and Equipment:

Property, plant and equipment of the Association are presented as follows:

| | Useful <u>Life</u> | <u>Cost</u> | Accumulated <u>Depreciation</u> | Net Value at <u>6/30/08</u> |
|-----------|-----------------------|------------------|------------------------------------|-----------------------------------|
| Land | (N/A) | 59,655 | 0 | 59,655 |
| Buildings | (10-40 yrs) | 1,623,791 | 540,467 | 1,083,324 |
| Equipment | (3-10 yrs) | 612,142 | 471,860 | 140,282 |
| Vehicles | (5 yrs) | 390,464 | 315,738 | 74,726 |
| Total | | <u>2,686,052</u> | <u>1,328,065</u> | <u>1,357,987</u> |

| | Useful <u>Life</u> | <u>Cost</u> | Accumulated <u>Depreciation</u> | Net Value at <u>6/30/07</u> |
|-----------|-----------------------|------------------|------------------------------------|-----------------------------------|
| Land | (N/A) | 59,655 | 0 | 59,655 |
| Buildings | (10-40 yrs) | 1,526,956 | 500,340 | 1,026,616 |
| Equipment | (3-10 yrs) | 563,028 | 439,294 | 123,734 |
| Vehicles | (5 yrs) | 408,124 | 298,345 | 109,779 |
| Total | | <u>2,557,763</u> | <u>1,237,979</u> | <u>1,319,784</u> |

Note 6 - Short Term Notes Payable:

| | <u>6/30/08</u> | <u>6/30/07</u> |
|---|------------------|------------------|
| (a) Current portion of long-term notes (see Note 7) | \$ <u>82,993</u> | \$ <u>77,993</u> |

Note 7 - Long Term Notes & Bonds

| | <u>6/30/08</u> | <u>6/30/07</u> |
|---|-------------------|-------------------|
| (a) Variable rate mortgage bonds payable to Star Bank with a current rate of 1.64%. The loan began on November 4, 1997 and has a maturity date of July 1, 2013. The funds for the loan were received from an Indiana Health Facility Financing Authority Multi-Mode Variable Rate Revenue Bond Series 1997 (See Note 8) | 485,000 | 560,000 |
| (b) Note payable – GMAC, six years at 0% | 11,972 | 15,215 |
| (c) Less: current portion in Note 6 | <u>(82,993)</u> | <u>(77,993)</u> |
| | <u>\$ 413,979</u> | <u>\$ 497,222</u> |

JANUS DEVELOPMENTAL SERVICES, INC.

Notes To Financial Statements

Note 7 - Long Term Notes & Bonds (cont):
Principal or lease payments due in each of
the next five years are as follows:

| | <u>6/30/08</u> | <u>6/30/07</u> |
|---------------------------|-------------------|-------------------|
| Year ending -June 30,2008 | N/A | 77,993 |
| June 30, 2009 | 82,993 | 82,993 |
| June 30, 2010 | 82,993 | 82,993 |
| June 30, 2011 | 97,993 | 97,993 |
| June 30, 2012 | 102,993 | 102,993 |
| June 30, 2013 & later | 130,000 | 130,250 |
| | <u>\$ 496,972</u> | <u>\$ 575,215</u> |

Note 8 - Long Term Note & Bonds Payable:

As mentioned in Note 7(a), the Organization entered into an agreement with the Indiana Health Facility Financing Authority and Star Bank as trustee to borrow one million dollars to accomplish the construction of additional warehouse facilities at their Noblesville, IN location and to refinance the existing mortgage loan on their current building at 1555 Westfield Road, Noblesville, IN 46060. In order to accomplish this financing, the Organization initiated the issuance of one million dollars of Indiana Health Facility Financing Authority Multi-Mode Variable Rate Revenue Bonds - Series 1997 through a trust agreement entered into by Star Bank (as trustee) and the Indiana Health Facility Financing Authority. The bonds have a variable rate of interest, which is currently changed on a weekly basis. Redemption of the bonds is at the option of the Organization through payments made to Star Bank as trustee. Current estimates schedule the amount of bond redemption at \$80,000 per year.

JANUS DEVELOPMENTAL SERVICES, INC.

Notes To Financial Statements

Note 8 - Long Term Note & Bonds Payable (cont):

The bonds are secured by a Letter of Credit issued by KeyBank National Association and delivered to the trustee at Star Bank. The KeyBank National Association letter of credit contains terms and conditions which are separate from the requirements that apply to the loan and bond issue. KeyBank required the following provisions as conditions to its issuance of the letter of credit:

- (1) The term is to be based on a rolling five year period with an annual extension at the option of KeyBank on the anniversary date.
- (2) The bonds are required to be redeemed on a quarterly basis sufficient to repay the principal over a fifteen year period.
- (3) The letter of credit is to be secured by a first mortgage on the land and building located at 1555 Westfield Road, Noblesville, IN 46060 and a blanket lien on accounts receivable, inventory and equipment.
- (4) The terms also require that the Organization meet reasonable financial covenants based on a minimum cash flow coverage ratio, which is calculated on a rolling four quarter basis and must be at least one times coverage.

Note 9 - Interest Rate Swap and Contingencies:

On November 13, 2002, the Organization entered into an interest rate swap agreement with Keybank National Association. The agreement was entered into to set the rate of interest on the Indiana Health Facility variable rate bond issue at a fixed 3.5%. This swap is designated as a cash flow hedge, as defined by SFAS No. 133 and the change in fair value of the interest rate swap has not been presented in these statements. For the year ended June 30, 2008, interest totaling \$2,989 has been paid in addition to the amount required by the variable rate bond issue and that amount has been deducted as interest expense in the financial statements. For the year ended June 30, 2007, the Organization received a refund of interest in the amount of \$713. The fair value of the rate swap at the end of each year was projected to be a positive amount of \$3,749 for 2007 and a negative amount of \$10,108 for 2008. This estimate was provided by Keybank National Association through the use of a Mark-to-Market value proprietary model based upon recognized financial principles. The rate swap agreement has a stated termination date of July 1, 2013.

Note 10 - Income Taxes:

Janus Developmental Services, Inc., has been granted an exemption from the payment of federal income taxes under Section 501 (c)(3) of the Internal Revenue Code of 1954, as amended.

Note 11 - Leases:

Lease agreements covering personal and real property were cancelable or had a short duration and were consequently classified as operating leases.

JANUS DEVELOPMENTAL SERVICES, INC.

Notes To Financial Statements

Note 12 - Retirement Plan:

Effective July 1, 1991, the organization established a qualified money purchase pension plan covering substantially all of its employees, who meet the minimum entry requirements. Plan contributions on behalf of the employees are equal to 50% of the employee's elective deferral under the Section 403(b) program up to a maximum of 8% of covered compensation.

Note 13 - Use of 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.

Note 14 - Concentrations of Credit Risk:

Funds at risk are deposited at KeyBank National Association, Indianapolis, Indiana, and amount to \$98,974 at June 30, 2008 and \$53,679 at June 30, 2007. These funds represent a concentration of credit risk from cash deposits in excess of federal insured limits. The Organization minimizes exposure to such risk, however, by dealing with major banks and financial institutions. Additional cash amounts are held at other banks or with money market mutual funds and did not represent a concentration of credit risk.

Note 15 - Functional Allocation of Expenses:

The cost of providing the various programs, fund-raising and other activities has been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and fund-raising activities benefited.

JANUS DEVELOPMENTAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 16 - UNRESTRICTED & RESTRICTED REVENUE BY FUNDING SOURCE:

| <u>REVENUE CLASSIFICATION</u> | <u>FUNDING SOURCE</u> | <u>6/30/2008</u> <u>AMOUNT</u> | <u>PERCENT</u> | <u>FSSA</u> |
|----------------------------------|--------------------------------------|-----------------------------------|-----------------|---------------|
| <u>UNRESTRICTED:</u> | | | | |
| Contributions - Unrestricted | Various Individuals | 24,883 | 0.93 % | |
| Special Events | Various Individuals | 56,328 | 2.11 % | |
| Title XX - Federal Funds | Family & Social Services Admin. | 115,437 | 4.33 % | 4.33 % |
| Title XX - State Funds | Family & Social Services Admin. | 1,639 | 0.06 % | 0.06 % |
| Medicaid Waiver - Day Services | Medicaid | 229,433 | 8.61 % | |
| FSSA - Vocational Rehabilitation | Family & Social Services Admin. | 86,929 | 3.26 % | 3.26 % |
| County & Local Funds | Hamilton & Tipton Counties | 726,134 | 27.26 % | |
| Infant & Homebound Services | Family & Social Services Admin. | 21,245 | 0.80 % | 0.80 % |
| Transportation | Various Individuals | 6,485 | 0.24 % | |
| Medicaid Waiver - Transportation | Medicaid | 50,363 | 1.89 % | |
| Group Home Fees | Group Homes | 117,359 | 4.41 % | |
| Private Pay Funds | Various Individuals | 22,158 | 0.83 % | |
| Contract Income | Various Individuals & Businesses | 202,669 | 7.61 % | |
| Jury Transportation | Local Court System | 18,314 | 0.69 % | |
| Sale of Assets | None | (651) | (0.02) % | |
| Vending & Canteen | Various Individuals | 61,200 | 2.30 % | |
| Interest Income | Keybank | 5,041 | 0.19 % | |
| Misc & Expense Reimburse | Various Individuals & Businesses | 9,410 | 0.35 % | |
| <u>RESTRICTED:</u> | | | | |
| Contributions - Restricted | Various Individuals | 46,500 | 1.75 % | |
| VR Grant | Assoc of Rehab Facilities of Indiana | 188,289 | 7.07 % | |
| Outreach Grant | The ARC of Indiana | 25,931 | 0.97 % | |
| Noblesville Public Transit | Various Vendors | 648,219 | 24.34 % | |
| TOTAL | | <u>2,663,315</u> | <u>100.00 %</u> | <u>8.45 %</u> |