

ORANGE COUNTY AAC
INDEPENDENT AUDITORS' REPORT
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015 AND 2014

ORANGE COUNTY AAC

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**Bates
Coughtry
Reiss
LLP**

Serving Growing
Companies Since 1967

David L. Bates
Wayne R. Coughtry
(1936 - 1997)
Stephen P. Janowicz*
Kenneth J. Liekhus*
Jeffrey P. Reiss
.....

Brian D. Bates
Steve Bertolucci
Robyn R. Bjorklund
Kathy Evans
Lori Henderson
Debra L. Howe
Shawn B. LaBurn
Louis H. Lopez
Judith A. Pappe
(1946 - 2005)

*Professional Corporation

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Orange County AAC
Anaheim, California 92801

We have audited the accompanying financial statements of Orange County AAC (a nonprofit organization) which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Orange County AAC as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 12 and 13 are presented for purposes of additional analysis and are not required parts of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Brea, California
March 10, 2016

A handwritten signature in black ink, reading "Bates Coughtry" followed by a stylized flourish.

ORANGE COUNTY AAC
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2015 and 2014

| | 2015 | 2014 |
|--|------------------|-------------------|
| <u>CURRENT ASSETS</u> | | |
| Cash and cash equivalents (Note 2) | \$ 2,437,072 | \$ 2,721,835 |
| Accounts receivable, net of allowance for doubtful accounts of zero and \$1,037 for 2015 and 2014 respectively (Note 1) | 1,414,910 | 1,386,376 |
| Investments | - | 98,780 |
| Supplies & inventories | 339,579 | 267,039 |
| Prepaid expenses (Note 3) | 72,871 | 42,860 |
| Total current assets | 4,264,432 | 4,516,890 |
| <u>FIXED ASSETS</u> | | |
| Property and equipment, net of accumulated depreciation of \$5,109,522 and \$5,259,382 for 2015 and 2014 respectively (Note 4) | 5,511,450 | 5,435,195 |
| <u>OTHER ASSETS</u> | | |
| Loan financing costs, less accumulated amortization of \$38 and \$87,196 for 2015 and 2014 respectively | 7,948 | 96,374 |
| Deposits | 36,680 | 36,640 |
| Total other assets | 44,628 | 133,014 |
| Total assets | \$ 9,820,510 | \$ 10,085,099 |

See Independent Auditors' Report.
 See Accompanying Notes to Financial Statements.

ORANGE COUNTY AAC
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

| <u>LIABILITIES AND NET ASSETS</u> | <u>2015</u> | <u>2014</u> |
|--|---------------------|----------------------|
| <u>CURRENT LIABILITIES</u> | | |
| Accounts payable | \$ 325,526 | \$ 561,351 |
| Accrued expenses | 12,226 | 99,499 |
| Accrued salaries & vacation pay | 248,797 | 210,536 |
| Loan payable (Note 5) | <u>181,884</u> | <u>140,332</u> |
| Total current liabilities | 768,433 | 1,011,718 |
| <u>LONG-TERM LIABILITIES</u> | | |
| Loan payable (Note 5) | <u>2,503,584</u> | <u>2,600,579</u> |
| Total liabilities | <u>3,272,017</u> | <u>3,612,297</u> |
| <u>NET ASSETS</u> | | |
| Unrestricted | 6,533,727 | 6,462,956 |
| Temporarily Restricted | <u>14,766</u> | <u>9,846</u> |
| TOTAL NET ASSETS | <u>6,548,493</u> | <u>6,472,802</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 9,820,510</u> | <u>\$ 10,085,099</u> |

See Independent Auditors' Report.
See Accompanying Notes to Financial Statements.

ORANGE COUNTY AAC
 STATEMENTS OF ACTIVITIES
 For the Years Ended December 31, 2015 and 2014

| | 2015 | 2014 |
|--|--------------|--------------|
| <u>CHANGES IN UNRESTRICTED NET ASSETS</u> | | |
| SUPPORT AND REVENUE: | | |
| Contributions | \$ 127,099 | \$ 94,207 |
| United Way allocations | 773 | 20,660 |
| Habilitation fee | 1,295,768 | 1,470,530 |
| Transportation income | 1,403,387 | 1,433,275 |
| Independent living fees | 148,913 | 140,202 |
| Service-DAP fees | 1,054,601 | 933,412 |
| Supported employment fees | 717,958 | 755,646 |
| Contract income | 2,156,178 | 2,168,669 |
| Family Connections income | 1,978,904 | 1,937,049 |
| Investment income | 3,964 | 2,348 |
| HAB client support | 763,684 | 798,302 |
| 4:1 Regional Center | 654,157 | 684,188 |
| 3:1 Regional Center | 63,491 | 204,632 |
| Assessment income | 4,400 | 52,160 |
| Bus donation | 462,035 | - |
| Loss on investments | (2,089) | (1,220) |
| Miscellaneous | 54,926 | 56,359 |
| Total support and revenue | 10,888,149 | 10,750,419 |
| Net assets released from restriction | 40,080 | 12,957 |
| Total unrestricted support, revenue and other | 10,928,229 | 10,763,376 |
| EXPENSES: | | |
| Program and supporting services | 10,857,458 | 11,617,924 |
| Change in unrestricted net assets | 70,771 | (854,548) |
| <u>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</u> | | |
| Contributions | 45,000 | 10,969 |
| Net assets released from restrictions | (40,080) | (12,957) |
| Changes in temporarily restricted net assets | 4,920 | (1,988) |
| CHANGE IN NET ASSETS | 75,691 | (856,536) |
| NET ASSETS, Beginning of Year | 6,472,802 | 7,329,338 |
| NET ASSETS, End of Year | \$ 6,548,493 | \$ 6,472,802 |

See Independent Auditors' Report.
 See Accompanying Notes to Financial Statements.

ORANGE COUNTY AAC
 STATEMENTS OF CASH FLOWS
 For the Years Ended December 31, 2015 and 2014
 Increase (Decrease) in Cash and Cash Equivalents

| | 2015 | 2014 |
|---|--------------|--------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | |
| Change in net assets | \$ 75,691 | \$ (856,536) |
| Adjustments to reconcile changes in net assets to net cash used for operating activities: | | |
| Depreciation & amortization expense | 583,505 | 518,617 |
| Donated vehicles included in contributions | (462,035) | - |
| Unrealized loss on investments | - | 1,220 |
| Realized loss on investments | 2,089 | - |
| Loss on sale of fixed assets | - | 26,087 |
| Changes in operating assets and liabilities: | | |
| (Increase)/decrease in accounts receivable | (28,534) | 329,109 |
| (Increase)/decrease in prepaid expense | (30,011) | 4,468 |
| Increase in supplies/inventory | (72,540) | (152,292) |
| Increase in deposits | (40) | (39) |
| (Decrease)/increase in accounts payable | (235,825) | 152,841 |
| (Decrease)/increase in accrued expenses | (87,273) | 26,112 |
| (Decrease)/increase in accrued salaries/vacation | 38,261 | (73,871) |
| Net cash used for operating activities | (216,712) | (24,284) |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | |
| Proceeds from sale of property | - | 4,000 |
| Proceeds from sale of investment | 96,691 | - |
| Purchase of investment | - | (100,000) |
| Capital expenditures | (109,299) | (125,244) |
| Net cash used by investing activities | (12,608) | (221,244) |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | |
| Principal payments on loan payable | (55,443) | (133,707) |
| Net cash used for financing activities | (55,443) | (133,707) |
| Net Decrease in Cash and Cash Equivalents | (284,763) | (379,235) |
| Cash and Cash Equivalents at Beginning of Year | 2,721,835 | 3,101,070 |
| Cash and Cash Equivalents at End of Year | \$ 2,437,072 | \$ 2,721,835 |

See Independent Auditors' Report.
 See Accompanying Notes to Financial Statements.

ORANGE COUNTY AAC
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

- A. The Association was incorporated in 1955 as a non-profit organization providing services to the developmentally disabled. The Association is exempt from taxation under the provisions of the Internal Revenue Code Section 501(c)(3), and Section 23701(d) of the California Revenue and Taxation Code.
- B. The Association implements Statement of Financial Accounting Standards FASB ASC 958-205. In accordance with FASB ASC 958-205, the Association 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. In addition, the Association is required to present a statement of cash flows.
- C. The Association implements FASB ASC 958-225. In accordance with FASB ASC 958-225, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor stipulation that limit the use of the donation. When a donor time restriction expires 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.
- D. All transactions are recorded using the accrual basis method of accounting.
- E. The Association implements FASB ASC 958-320. In accordance with FASB ASC 958-320, investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with unrealized or realized gains or losses included in the Statement of Activities.
- F. Fixed assets are shown at cost, less accumulated depreciation. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Association reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation is computed using the straight-line method over estimated useful lives ranging from three to forty years.
- G. Accounts receivable are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the results of operations of the year in which those differences are determined, with an offsetting entry to a valuation allowance for accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.
- H. The Association expenses advertising costs as they are incurred. Total advertising expense, including promotion, was \$21,814 for the year ended December 31, 2015 and zero for the year ended December 31, 2014.

See Independent Auditors' Report.

ORANGE COUNTY AAC
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2015 and 2014

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- I. The Statement of Cash Flows is prepared using the indirect method. For purposes of the Statement of Cash Flows, the Association considers all highly liquid debt instruments purchased with a maturity date of twelve months or less, and that have a fixed interest rate of return, to be cash equivalents.
- J. Inventories consist primarily of raw materials used in the packaging of coffee cleaner packets and coffee maker supplies. Inventories are stated at the lower of cost or market determined by the first-in, first-out method.
- K. 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.
- L. The Association has adopted FASB ASC 740, Income Taxes which changes the framework for accounting for uncertainty in income taxes. Management has considered its tax positions and believes that the positions taken by the Association are more likely than not to be sustained upon examination. As of and for the year ended December 31, 2015, management has determined that the Association did not have any unrelated business activities subject to tax. Orange County AAC's tax returns are subject to examination by Federal taxing authorities for a period of three years from the date they are filed and for a period of four years for California taxing authorities.
- M. Management has evaluated subsequent events through March 10, 2016, the date that the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or a disclosure in the accompanying financial statements.
- N. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Association. The Association's administrative expenses are 7.9% and 6.0% of total expenses at December 31, 2015 and 2014, respectively.

NOTE 2 – CASH AND CASH EQUIVALENTS

| | 2015 | 2014 |
|---------------------------------|--------------|--------------|
| Cash consists of the following: | | |
| Petty cash | \$ 1,000 | \$ 1,000 |
| Cash in various banks | 2,436,068 | 1,902,022 |
| Cash in various banks-CD | 4 | 818,813 |
| | \$ 2,437,072 | \$ 2,721,835 |

See Independent Auditors' Report.

ORANGE COUNTY AAC
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 3 – PREPAID EXPENSES

As of December 31, 2015 and 2014, the following expenses were prepaid:

| | 2015 | 2014 |
|---------------|-----------|-----------|
| Rent | \$ 26,164 | \$ 26,164 |
| Insurance | 33,683 | 16,696 |
| Miscellaneous | 13,024 | - |
| | \$ 72,871 | \$ 42,860 |

NOTE 4 – PROPERTY AND EQUIPMENT

| | Cost | Accumulated Depreciation | Book Value |
|-------------------------------|---------------|-----------------------------|---------------|
| Land | \$ 807,280 | \$ - | \$ 807,280 |
| Buildings | 5,575,632 | 2,435,532 | 3,140,100 |
| Workshop and equipment | 979,005 | 770,247 | 208,758 |
| Office furniture and fixtures | 596,768 | 528,204 | 68,564 |
| Vehicles | 2,662,287 | 1,375,539 | 1,286,748 |
| | \$ 10,620,972 | \$ 5,109,522 | \$ 5,511,450 |

NOTE 5 – LOAN PAYABLE

In May 2005 the Association borrowed \$400,000 from the California Health Facilities Financing Authority. This loan is payable in monthly installments of \$2,762, including interest at 3%, due May 2020.

In October 2015 the Association refinanced the loan originally made in March 2010. The terms of the new loan include \$2,530,000 borrowed with an initial interest rate of 4.00% for the first seven years. At the end of the seven years the rate will convert to the then three year Treasury plus 2.00% for the remaining three years. The loan is amortized over 20 years, due in 10 years. The monthly payment is \$15,409. The loan has various terms and conditions, including minimum cash flow coverage of 1.20.

See Independent Auditors' Report.

ORANGE COUNTY AAC
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2015 and 2014

NOTE 5 – LOAN PAYABLE (cont'd)

Principal maturities of long-term debt are as follows:

| | | |
|----------------------------|------------|---------------------|
| Years ending December 31, | | |
| | 2016 | \$ 181,884 |
| | 2017 | 189,633 |
| | 2018 | 197,409 |
| | 2019 | 205,518 |
| | 2020 | 189,376 |
| | Thereafter | <u>1,721,648</u> |
| Total | | 2,685,468 |
| Less current maturities | | <u>181,884</u> |
| Total long-term maturities | | <u>\$ 2,503,584</u> |

NOTE 6 – LEASE COMMITMENTS

The Association has two leases for facilities in Anaheim for the Life Unlimited program. The first is a ten year lease that began April 1, 2005 with the following terms: \$7,262 per month or \$87,144 per year for years one through five, \$8,424 per month or \$101,088 per year for years six through ten. The lease has been renewed for a period of five years beginning April 1, 2015 at \$8,892 per month or \$106,704 per year. The total remaining lease obligation of this lease is \$453,492. The second is a five year lease that began September 1, 2011 with the following terms: \$1,444 per month or \$17,328 per year. The total remaining lease obligation of this lease is \$11,552.

The Association also has a twenty-four month lease for a storage and distribution facility in Anaheim that began January 1, 2015 with the following terms: \$1,256 per month or \$15,072 per year for the first twelve months, \$1,291 per month or \$15,492 per year for months thirteen through twenty-four. The total remaining lease obligation of this lease is \$15,492.

NOTE 7 – STATEMENT OF CASH FLOWS

A. Supplemental disclosure of cash flow information:

| | | |
|-------------------------------|-------------------|-------------------|
| | <u>2015</u> | <u>2014</u> |
| Cash paid during the year for | | |
| Interest | <u>\$ 163,530</u> | <u>\$ 145,093</u> |

B. Supplemental schedule of noncash investing and financing activities:

None

NOTE 8 – DONATION OF BUSES

In September 2015 the Association received a donation from the Department of Transportation of seven buses. The value of the buses, \$462,035, has been reported as a contribution for the year ended December 31, 2015. Six of the buses were subsequently leased to Western Transit Systems for one dollar per year to be used for the transportation of OCAAC clients. The Association uses one of the buses to transport clients into the community during the day.

See Independent Auditors' Report.

ORANGE COUNTY AAC
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 9 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Association has adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification for financial instruments measured at fair value on a recurring basis. The standard defines the fair value, established a framework for measuring fair value in accordance with accounting principles generally accepted in the United States and expands disclosures about fair value measurements.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework establishes a three-tier fair value hierarchy that prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant value drivers are observable.

We measured certain financial instruments at fair value on a recurring basis. Financial assets measured at fair value on a recurring basis are as follows as of December 31,

| | 2015 | 2014 |
|-----------------------|------|-----------|
| Investments – Level 1 | \$ - | \$ 98,780 |
| Investments – Level 2 | - | - |
| Investments – Level 3 | - | - |
| | \$ - | \$ 98,780 |
| Total | \$ - | \$ 98,780 |

NOTE 10 – CONCENTRATIONS OF CREDIT RISK

The Association has accounts at various banks. The accounts at each bank are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Association does maintain balances above \$250,000. These amounts are not insured by the Federal Deposit Insurance Corporation.

Financial instruments, which potentially expose the Association to concentrations of credit risk, consist primarily of trade accounts receivable. A majority of the Association's accounts receivable are made up of fees from the Regional Center of Orange County, which make up 51% of the receivables and the Orange County Transportation Authority, which make up 16% of the receivables at December 31, 2015. The remainder of the accounts receivable are made up of contract sales to mostly Orange County businesses.

See Independent Auditors' Report.

SUPPLEMENTARY INFORMATION

ORANGE COUNTY AAC
SCHEDULE OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2015

| | <u>Program Services</u> | <u>Support Services</u> | <u>Total</u> |
|--|-----------------------------|-----------------------------|--------------------------|
| <u>EXPENSES</u> | | | |
| Advertising/Promotion | \$ 21,814 | \$ - | \$ 21,814 |
| Purchases | 887,161 | - | 887,161 |
| Staff salaries | 2,666,562 | 602,140 | 3,268,702 |
| Temporary help-agency | 812,073 | - | 812,073 |
| Temporary help-production | 337,187 | - | 337,187 |
| Sales commissions | 75,850 | 1,655 | 77,505 |
| Client wages | 500,319 | - | 500,319 |
| Payroll taxes | 275,547 | 56,987 | 332,534 |
| Workers' compensation | 200,005 | 4,823 | 204,828 |
| Insurance | 425,203 | 41,498 | 466,701 |
| Contract materials | 41,430 | - | 41,430 |
| Freight/postage | 1,345 | 2,895 | 4,240 |
| Small tools and supplies | 17,515 | 756 | 18,271 |
| Vehicle expense | 42,234 | - | 42,234 |
| Bldg & equip. maintenance | 170,431 | 18,206 | 188,637 |
| Occupancy | 188,960 | - | 188,960 |
| Utilities | 109,628 | 2,160 | 111,788 |
| Telephone | 17,243 | 5,935 | 23,178 |
| Staff mileage | 62,471 | 3,719 | 66,190 |
| Copy machine expense | 19,888 | 548 | 20,436 |
| Staff development/training | 4,216 | 1,256 | 5,472 |
| Office & printing | 12,405 | 6,240 | 18,645 |
| Staff recruitment | 5,650 | 238 | 5,888 |
| Equipment rental | 1,939 | - | 1,939 |
| Professional & legal | - | 39,752 | 39,752 |
| Conferences & meetings | 838 | 4,221 | 5,059 |
| Dues & subscriptions | 4,107 | 2,891 | 6,998 |
| Tax, licenses and permits | - | 4,426 | 4,426 |
| Transportation | 1,198,926 | - | 1,198,926 |
| Client reinforcements/incentives | 34,107 | - | 34,107 |
| ARC support | - | 9,900 | 9,900 |
| CARF expense | 6,200 | - | 6,200 |
| Interest expense | 133,507 | 30,023 | 163,530 |
| Fund raising expense | - | 16,745 | 16,745 |
| Home care provider | 1,056,301 | - | 1,056,301 |
| Miscellaneous | 79,112 | 6,765 | 85,877 |
| Total expenses before provision for depreciation & amortization | 9,410,174 | 863,779 | 10,273,953 |
| Provision for depreciation & amortization | 583,505 | - | 583,505 |
| Total expenses | <u>\$ 9,993,679</u> | <u>\$ 863,779</u> | <u>\$ 10,857,458</u> |

See Independent Auditors' Report.

ORANGE COUNTY AAC
SCHEDULE OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2014

| | <u>Program Services</u> | <u>Support Services</u> | <u>Total</u> |
|--|-----------------------------|-----------------------------|--------------------------|
| <u>EXPENSES</u> | | | |
| Purchases | \$ 665,840 | \$ - | 665,840 |
| Staff salaries | 2,722,533 | 461,840 | 3,184,373 |
| Temporary help-agency | 1,199,390 | 581 | 1,199,971 |
| Temporary help-production | 604,527 | - | 604,527 |
| Sales commissions | 99,175 | 11,387 | 110,562 |
| Client wages | 652,736 | - | 652,736 |
| Payroll taxes | 251,696 | 57,091 | 308,787 |
| Workers' compensation | 161,693 | 4,713 | 166,406 |
| Insurance | 470,895 | 31,626 | 502,521 |
| Contract materials | 107,411 | - | 107,411 |
| Freight/postage | 7,858 | 2,837 | 10,695 |
| Small tools and supplies | 21,649 | - | 21,649 |
| Vehicle expense | 63,958 | - | 63,958 |
| Bldg & equip. maintenance | 155,171 | 17,054 | 172,225 |
| Occupancy | 334,894 | - | 334,894 |
| Utilities | 122,158 | 2,068 | 124,226 |
| Telephone | 17,510 | 11,754 | 29,264 |
| Staff mileage | 60,630 | 4,660 | 65,290 |
| Copy machine expense | 17,465 | 3,450 | 20,915 |
| Staff development/training | 5,719 | 5,986 | 11,705 |
| Office & printing | 16,996 | 7,655 | 24,651 |
| Staff recruitment | 8,201 | 368 | 8,569 |
| Equipment rental | 4,806 | - | 4,806 |
| Professional & legal | - | 15,681 | 15,681 |
| Conferences & meetings | 3,397 | 3,101 | 6,498 |
| Dues & subscriptions | 4,522 | 1,750 | 6,272 |
| Tax, licenses and permits | - | 4,284 | 4,284 |
| Transportation | 1,290,685 | - | 1,290,685 |
| Client reinforcements/incentives | 35,683 | - | 35,683 |
| ARC support | - | 10,800 | 10,800 |
| CARF expense | 1,265 | - | 1,265 |
| Interest expense | 140,294 | 4,799 | 145,093 |
| Fund raising expense | - | 22,362 | 22,362 |
| Home care provider | 1,038,875 | - | 1,038,875 |
| Miscellaneous | 119,484 | 6,344 | 125,828 |
| Total expenses before provision for depreciation & amortization | 10,407,116 | 692,191 | 11,099,307 |
| Provision for depreciation & amortization | 518,617 | - | 518,617 |
| Total expenses | <u>\$ 10,925,733</u> | <u>\$ 692,191</u> | <u>\$ 11,617,924</u> |

See Independent Auditors' Report.