

ORANGE COUNTY ADULT ACHIEVEMENT CENTER
dba My Day Counts

INDEPENDENT AUDITORS' REPORT
AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2016 AND 2015

BATES COUGHTRY REISS LLP
Certified Public Accountants

ORANGE COUNTY ADULT ACHIEVEMENT CENTER
dba My Day Counts

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 – 2
FINANCIAL STATEMENTS:	
STATEMENTS OF FINANCIAL POSITION	3 – 4
STATEMENTS OF ACTIVITIES	5
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7 – 11
SUPPLEMENTARY INFORMATION:	
SCHEDULES OF FUNCTIONAL EXPENSES	12 – 13

**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 Adult Achievement Center
dba My Day Counts
Anaheim, California 92801

We have audited the accompanying financial statements of Orange County Adult Achievement Center dba My Day Counts (a nonprofit organization) which comprise the statements of financial position as of December 31, 2016 and 2015, 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 Adult Achievement Center dba My Day Counts as of December 31, 2016 and 2015, 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
April 28, 2017

Bates Coughtry Spiss LLP

ORANGE COUNTY ADULT ACHIEVEMENT CENTER
 dba My Day Counts
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2016 and 2015

	2016	2015
<u>CURRENT ASSETS</u>		
Cash and cash equivalents (Note 2)	\$ 2,836,633	\$ 2,437,072
Accounts receivable (Note 1)	2,058,413	1,414,910
Supplies & inventories	264,828	339,579
Prepaid expenses (Note 3)	62,836	72,871
 Total current assets	 5,222,710	 4,264,432
<u>FIXED ASSETS</u>		
Property and equipment, net of accumulated depreciation of \$5,539,780 and \$5,109,522 for 2016 and 2015 respectively (Note 4)	5,137,514	5,511,450
<u>OTHER ASSETS</u>		
Loan financing costs, less accumulated amortization of \$865 and \$38 for 2016 and 2015 respectively	7,121	7,948
Deposits	36,720	36,680
 Total other assets	 43,841	 44,628
 Total assets	 \$ 10,404,065	 \$ 9,820,510

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

ORANGE COUNTY ADULT ACHIEVEMENT CENTER
 dba My Day Counts
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2016 and 2015

<u>LIABILITIES AND NET ASSETS</u>	<u>2016</u>	<u>2015</u>
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 827,269	\$ 325,526
Accrued expenses	54,876	12,226
Accrued salaries & vacation pay	264,315	248,797
Loan payable (Note 5)	<u>125,545</u>	<u>181,884</u>
Total current liabilities	1,272,005	768,433
<u>LONG-TERM LIABILITIES</u>		
Loan payable (Note 5)	<u>2,419,329</u>	<u>2,503,584</u>
Total liabilities	<u>3,691,334</u>	<u>3,272,017</u>
<u>NET ASSETS</u>		
Unrestricted	6,697,965	6,533,727
Temporarily Restricted	<u>14,766</u>	<u>14,766</u>
TOTAL NET ASSETS	<u>6,712,731</u>	<u>6,548,493</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,404,065</u>	<u>\$ 9,820,510</u>

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

ORANGE COUNTY ADULT ACHIEVEMENT CENTER
 dba My Day Counts
 STATEMENTS OF ACTIVITIES
 For the Years Ended December 31, 2016 and 2015

	2016	2015
<u>CHANGES IN UNRESTRICTED NET ASSETS</u>		
SUPPORT AND REVENUE:		
Contributions	\$ 96,849	\$ 127,099
United Way allocations	-	773
Habilitation fee	1,194,325	1,295,768
Transportation income	1,562,508	1,403,387
Independent living fees	168,635	148,913
CCDAP fees	1,076,878	1,054,601
Supported employment fees	776,556	717,958
Contract income	2,167,370	2,156,178
Family Connections income	1,990,792	1,978,904
Investment income	6,171	3,964
HAB client support	771,778	763,684
4:1 Regional Center	702,899	654,157
3:1 Regional Center	-	63,491
Assessment income	8,210	4,400
Bus donation	-	462,035
Loss on investments	-	(2,089)
Miscellaneous	9,349	54,926
Total support and revenue	10,532,320	10,888,149
Net assets released from restriction	-	40,080
Total unrestricted support, revenue and other	10,532,320	10,928,229
EXPENSES:		
Program and supporting services	10,368,082	10,857,458
Change in unrestricted net assets	164,238	70,771
<u>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</u>		
Contributions	-	45,000
Net assets released from restrictions	-	(40,080)
Changes in temporarily restricted net assets	-	4,920
CHANGE IN NET ASSETS	164,238	75,691
NET ASSETS, Beginning of Year	6,548,493	6,472,802
NET ASSETS, End of Year	\$ 6,712,731	\$ 6,548,493

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

ORANGE COUNTY ADULT ACHIEVEMENT CENTER
 dba My Day Counts
 STATEMENTS OF CASH FLOWS
 For the Years Ended December 31, 2016 and 2015
 Increase (Decrease) in Cash and Cash Equivalents

	2016	2015
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 164,238	\$ 75,691
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:		
Depreciation & amortization expense	459,090	583,505
Donated vehicles included in contributions	-	(462,035)
Realized loss on investments	-	2,089
Gain on sale of fixed assets	(10,899)	-
Changes in operating assets and liabilities:		
Increase in accounts receivable	(643,503)	(28,534)
(Increase)/decrease in prepaid expense	10,035	(30,011)
(Increase)/decrease in supplies/inventory	74,751	(72,540)
Increase in deposits	(40)	(40)
(Decrease)/increase in accounts payable	501,743	(235,825)
(Decrease)/increase in accrued expenses	42,650	(87,273)
Increase in accrued salaries/vacation	15,518	38,261
Net cash provided/(used) by operating activities	613,583	(216,712)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from sale of property	10,899	-
Proceeds from sale of investment	-	96,691
Capital expenditures	(84,327)	(109,299)
Net cash used by investing activities	(73,428)	(12,608)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal payments on loan payable	(140,594)	(55,443)
Net cash used for financing activities	(140,594)	(55,443)
Net Increase/(Decrease) in Cash and Cash Equivalents	399,561	(284,763)
Cash and Cash Equivalents at Beginning of Year	2,437,072	2,721,835

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

ORANGE COUNTY ADULT ACHIEVEMENT CENTER
dba My Day Counts
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

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. The 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 \$7,127 for the year ended December 31, 2016 and \$21,814 for the year ended December 31, 2015.

See Independent Auditors' Report.

ORANGE COUNTY ADULT ACHIEVEMENT CENTER
 dba My Day Counts
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016 and 2015

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 net realizable value 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, 2016, 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 April 28, 2017, 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 7.7% and 7.9% of total expenses at December 31, 2016 and 2015, respectively.

NOTE 2 – CASH AND CASH EQUIVALENTS

	<u>2016</u>	<u>2015</u>
Cash consists of the following:		
Petty cash	\$ 1,000	\$ 1,000
Cash in various banks	2,835,633	2,436,068
Cash in various banks-CD	<u>-</u>	<u>4</u>
	<u>\$ 2,836,633</u>	<u>\$ 2,437,072</u>

See Independent Auditors' Report.

ORANGE COUNTY ADULT ACHIEVEMENT CENTER
 dba My Day Counts
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016 and 2015

NOTE 3 – PREPAID EXPENSES

As of December 31, 2016 and 2015, the following expenses were prepaid:

	2016	2015
Rent	\$ 26,164	\$ 26,164
Insurance	34,771	33,683
Miscellaneous	1,901	13,024
	\$ 62,836	\$ 72,871

NOTE 4 – PROPERTY AND EQUIPMENT

	Cost	Accumulated Depreciation	Book Value
Land	\$ 807,280	\$ -	\$ 807,280
Buildings	5,607,754	2,568,940	3,038,814
Workshop and equipment	1,040,306	809,403	230,903
Office furniture and fixtures	598,784	558,008	40,776
Vehicles	2,623,170	1,603,429	1,019,741
	\$ 10,677,294	\$ 5,539,780	\$ 5,137,514

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 ADULT ACHIEVEMENT CENTER
 dba My Day Counts
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016 and 2015

NOTE 5 – LOAN PAYABLE (cont'd)

Principal maturities of long-term debt are as follows:

Years ending December 31,		
	2017	\$ 125,545
	2018	130,673
	2019	136,025
	2020	116,982
	2021	104,278
	Thereafter	<u>1,931,371</u>
Total		2,544,874
Less current maturities		<u>125,545</u>
Total long-term maturities		<u>\$ 2,419,329</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 \$346,788. The second is a two year lease that began September 1, 2016 with the following terms: \$1,473 per month or \$17,676 per year. The total remaining lease obligation of this lease is \$29,460.

NOTE 7 – STATEMENT OF CASH FLOWS

A. Supplemental disclosure of cash flow information:

	<u>2016</u>	<u>2015</u>
Cash paid during the year for		
Interest	<u>\$ 106,111</u>	<u>\$ 163,530</u>

B. Supplemental schedule of noncash investing and financing activities:

None

See Independent Auditors' Report.

ORANGE COUNTY ADULT ACHIEVEMENT CENTER
dba My Day Counts
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

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 Orange County Adult Achievement Center clients. The Association uses one of the buses to transport clients into the community during the day.

NOTE 9 – 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, 2016. 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 ADULT ACHIEVEMENT CENTER
dba My Day Counts
SCHEDULE OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2016

	Program Services	Support Services	Total
<u>EXPENSES</u>			
Advertising/Promotion	\$ 5,776	\$ 1,351	\$ 7,127
Purchases	1,080,997	-	1,080,997
Staff salaries	2,628,574	475,515	3,104,089
Temporary help-agency	737,872	8,220	746,092
Temporary help-production	109,131	-	109,131
Sales commissions	71,029	22,021	93,050
Client wages	435,892	-	435,892
Payroll taxes	259,402	47,149	306,551
Workers' compensation	200,808	4,591	205,399
Insurance	378,145	39,883	418,028
Contract materials	33,736	-	33,736
Freight/postage	1,113	2,976	4,089
Small tools and supplies	13,709	611	14,320
Vehicle expense	36,092	12	36,104
Bldg & equip. maintenance	148,568	20,560	169,128
Occupancy	176,088	-	176,088
Utilities	106,327	2,137	108,464
Telephone	17,550	8,711	26,261
Staff mileage	54,627	6,438	61,065
Copy machine expense	20,020	593	20,613
Staff development/training	2,659	6,624	9,283
Office & printing	9,860	6,934	16,794
Staff recruitment	4,246	154	4,400
Equipment rental	320	-	320
Professional & legal	7,198	37,141	44,339
Conferences & meetings	1,130	7,814	8,944
Dues & subscriptions	4,865	1,662	6,527
Tax, licenses and permits	439	5,342	5,781
Transportation	1,344,339	-	1,344,339
ARC support	9,900	-	9,900
Interest expense	104,107	2,004	106,111
Fund raising expense	-	30,226	30,226
Home care provider	972,369	-	972,369
Miscellaneous	136,188	57,247	193,435
Total expenses before provision for depreciation & amortization	9,113,076	795,916	9,908,992
Provision for depreciation & amortization	450,951	8,139	459,090
 Total expenses	 <u>\$ 9,564,027</u>	 <u>\$ 804,055</u>	 <u>\$ 10,368,082</u>

See Independent Auditors' Report.

ORANGE COUNTY ADULT ACHIEVEMENT CENTER
 dba My Day Counts
 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	175,372	18,206	193,578
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	74,171	6,765	80,936
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.