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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, 2019 and 2018, 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, 2019 and 2018, 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.

Bates Coughtry Qian LLP

Brea, California
May 26, 2020

ORANGE COUNTY ADULT ACHIEVEMENT CENTER
 dba MY DAY COUNTS
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2019 and 2018

	2019	2018
<u>CURRENT ASSETS</u>		
Cash and cash equivalents (Note 2)	\$ 2,376,742	\$ 3,066,104
Accounts receivable (Note 1)	1,514,516	1,418,729
Supplies & inventories	227,659	258,292
Prepaid expenses (Note 3)	60,048	59,136
 Total current assets	 4,178,965	 4,802,261
<u>FIXED ASSETS</u>		
Property and equipment, net of accumulated depreciation of \$6,266,887 and \$6,547,948 for 2019 and 2018 respectively (Note 4)	7,398,285	4,766,497
<u>OTHER ASSETS</u>		
Loan financing costs, less accumulated amortization of \$3,261 and \$2,462 for 2019 and 2018 respectively	4,725	5,524
Deposits	36,831	36,794
 Total other assets	 41,556	 42,318
 Total assets	 \$ 11,618,806	 \$ 9,611,076

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, 2019 and 2018

	2019	2018
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 444,728	\$ 331,163
Accrued expenses	6,413	30,614
Accrued salaries & vacation pay	305,540	271,021
Loan payable (Note 5)	211,153	136,025
Total current liabilities	967,834	768,823
<u>LONG-TERM LIABILITIES</u>		
Loan payable (Note 5)	3,867,268	2,152,631
Total liabilities	4,835,102	2,921,454
<u>NET ASSETS</u>		
Unrestricted	6,783,704	6,689,622
TOTAL NET ASSETS	6,783,704	6,689,622
TOTAL LIABILITIES AND NET ASSETS	\$ 11,618,806	\$ 9,611,076

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, 2019 and 2018

<u>CHANGES IN UNRESTRICTED NET ASSETS</u>	<u>2019</u>	<u>2018</u>
SUPPORT AND REVENUE:		
Contributions	\$ 195,445	\$ 283,180
Training activity program	1,164,199	953,856
Transportation income	1,471,256	1,631,134
Independent living fees	183,975	197,111
CCDAP fees	1,207,950	1,110,082
Supported employment fees	591,529	606,359
Contract income	2,027,226	2,225,999
Food services	62,670	56,450
Parenting support	57,081	71,137
Family Connections income	1,439,059	1,445,482
Investment income	25,392	19,387
Aide support	881,249	820,050
Life Unlimited	663,493	755,149
Training sites	171,145	149,200
Assessment income	10,580	12,000
Miscellaneous	<u>2,029</u>	<u>1,034</u>
Total support and revenue	10,154,278	10,337,610
EXPENSES:		
Program and supporting services	<u>10,060,196</u>	<u>10,411,235</u>
Change in unrestricted net assets	<u>94,082</u>	<u>(73,625)</u>
CHANGE IN NET ASSETS	94,082	(73,625)
NET ASSETS, Beginning of Year	<u>6,689,622</u>	<u>6,763,247</u>
NET ASSETS, End of Year	<u>\$ 6,783,704</u>	<u>\$ 6,689,622</u>

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, 2019 and 2018
Increase (Decrease) in Cash and Cash Equivalents

	2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 94,082	\$ (73,625)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation & amortization expense	396,058	557,016
Changes in operating assets and liabilities:		
(Increase)/decrease in accounts receivable	(95,787)	226,031
Increase in prepaid expense	(912)	(1,786)
Decrease in supplies/inventory	30,633	102,948
Increase in deposits	(37)	(37)
(Decrease)/increase in accounts payable	113,565	(245,683)
Decrease in accrued expenses	(24,201)	(72,959)
(Decrease)/increase in accrued salaries/vacation	34,519	(16,853)
Net cash provided by operating activities	547,920	475,052
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Capital expenditures	(3,027,047)	(471,146)
Net cash used by investing activities	(3,027,047)	(471,146)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from loan	1,937,000	-
Principal payments on loan payable	(147,235)	(130,673)
Net cash provided/(used) by financing activities	1,789,765	(130,673)
Net Decrease in Cash and Cash Equivalents	(689,362)	(126,767)
Cash and Cash Equivalents at Beginning of Year	3,066,104	3,192,871
Cash and Cash Equivalents at End of Year	\$ 2,376,742	\$ 3,066,104

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, 2019 and 2018

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 \$17,028 for the year ended December 31, 2019 and \$27,483 for the year ended December 31, 2018.

See Independent Auditors' Report.

ORANGE COUNTY ADULT ACHIEVEMENT CENTER
 dba MY DAY COUNTS
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2019 and 2018

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. 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, 2019, 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. 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 10.0% and 8.5% of total expenses at December 31, 2019 and 2018, respectively.

NOTE 2 – CASH AND CASH EQUIVALENTS

	2019	2018
Cash consists of the following:		
Petty cash	\$ 1,000	\$ 1,000
Cash and T-bills	2,375,742	3,065,104
	\$ 2,376,742	\$ 3,066,104

See Independent Auditors' Report.

ORANGE COUNTY ADULT ACHIEVEMENT CENTER
dba MY DAY COUNTS
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 3 – PREPAID EXPENSES

As of December 31, 2019 and 2018, the following expenses were prepaid:

	<u>2019</u>	<u>2018</u>
Rent	\$ 26,164	\$ 26,164
Insurance	33,488	32,576
Miscellaneous	396	396
	<u>\$ 60,048</u>	<u>\$ 59,136</u>

NOTE 4 – PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land	\$ 3,069,280	\$ -	\$ 3,069,280
Buildings	6,730,598	2,990,158	3,740,440
Machinery and equipment	1,146,098	939,943	206,155
Office furniture and fixtures	772,346	638,226	134,120
Vehicles	1,946,850	1,698,560	248,290
	<u>\$ 13,665,172</u>	<u>\$ 6,266,887</u>	<u>\$ 7,398,285</u>

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. As of December 31, 2019, the balance is \$13,708.

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. As of December 31, 2019, the balance is \$2,135,556.

In October 2019 the Association purchased a building in Anaheim where Life Unlimited operates. The purchase price was \$2,837,000 and included an initial payment of \$900,000 with the remaining \$1,937,000 financed by the seller with an interest rate of 4%. The loan is amortized over 15 years, due in 10 years. The monthly payment is \$14,300. As of December 31, 2019, the balance is \$1,929,157.

See Independent Auditors' Report.

ORANGE COUNTY ADULT ACHIEVEMENT CENTER
 dba MY DAY COUNTS
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2019 and 2018

NOTE 5 – LOAN PAYABLE (cont'd)

Principal maturities of long-term debt are as follows:

Years ending December 31,		
	2020	\$ 211,153
	2021	207,419
	2022	218,644
	2023	229,245
	2024	240,086
	Thereafter	<u>2,971,874</u>
Total		4,078,421
Less current maturities		<u>211,153</u>
Total long-term maturities		<u>\$ 3,867,268</u>

NOTE 6 – STATEMENT OF CASH FLOWS

A. Supplemental disclosure of cash flow information:

	<u>2019</u>	<u>2018</u>
Cash paid during the year for		
Interest	<u>\$ 99,901</u>	<u>\$ 95,605</u>

B. Supplemental schedule of noncash investing and financing activities:

None

NOTE 7 – 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 54% of the receivables, the Orange County Transportation Authority, which make up 21% of the receivables and Ecolab, which make up 21% of receivables at December 31, 2019. The remainder of the accounts receivable are made up of contract sales to mostly Orange County businesses.

See Independent Auditors' Report.

ORANGE COUNTY ADULT ACHIEVEMENT CENTER
dba MY DAY COUNTS
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 8 – COMMITMENTS & CONTINGENCIES

Orange County Adult Achievement Center and affiliates are named in various claims and legal actions in the normal course of its activities. Based upon counsel and management's opinion, the outcome of such matters is not expected to have a material adverse effect on Orange County Adult Achievement Center and affiliates' financial position or changes in net assets.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 26, 2020, the date that the financial statements were available to be issued. In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. This has led to federal, state and local governments and private entities mandating various restrictions on public gatherings, stay at home orders and advisories and quarantining of people who may have been exposed to the virus. After close monitoring and responses and guidance from federal, state and local governments, in an effort to mitigate the spread of COVID-19, effective March 17, 2020, the Association temporarily closed its doors to participants. Staff working in Contract Packaging were furloughed for a short time, but called back to work due to customer demand. Social distancing protocols have been put into action as well as increased cleaning and sanitizing procedures. Staff working for Regional Center programs are working remotely where possible, continuing to provide support and services to participants. The Association continues to monitor developments including government requirements and recommendations from the Department of Developmental Services to evaluate possible changes to operations. As the COVID-19 pandemic is complex and rapidly evolving, the Association's plans may change. At this point, we cannot reasonably estimate the duration and severity of this pandemic, which could have a material adverse impact on the Association, results of operations, financial position and cash flows.

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, 2019

	Program Services	Support Services	Total
<u>EXPENSES</u>			
Advertising/Promotion	\$ 3,687	\$ 13,341	\$ 17,028
Purchases	973,613	-	973,613
Staff salaries	2,831,451	516,359	3,347,810
Temporary help-agency	749,022	426	749,448
Temporary help-production	209,522	-	209,522
Sales commissions	18,872	46,140	65,012
Participant wages	327,058	-	327,058
Payroll taxes	251,660	46,590	298,250
Workers' compensation	105,597	1,236	106,833
Insurance	383,430	39,051	422,481
Contract materials	6,072	-	6,072
Freight/postage	3,006	3,109	6,115
Small tools and supplies	13,338	334	13,672
Vehicle expense	44,517	957	45,474
Bldg & equip. maintenance	140,322	32,392	172,714
Occupancy	127,476	-	127,476
Utilities	112,252	3,017	115,269
Telephone	19,041	14,193	33,234
Staff mileage	54,822	7,238	62,060
Copy machine expense	21,129	(1,069)	20,060
Staff development/training	4,355	22,788	27,143
Office & printing	12,942	6,260	19,202
Staff recruitment	13,452	5,268	18,720
Professional & legal	-	130,166	130,166
Conferences & meetings	3,337	8,154	11,491
Dues & subscriptions	2,612	4,196	6,808
Tax, licenses and permits	791	10,003	10,794
Transportation	1,281,395	-	1,281,395
Interest expense	96,189	3,712	99,901
Fund raising expense	-	44,517	44,517
Home care provider	717,444	-	717,444
Miscellaneous	140,690	36,666	177,356
Total expenses before provision for depreciation & amortization	8,669,094	995,044	9,664,138
Provision for depreciation & amortization	383,162	12,896	396,058
 Total expenses	 <u>\$ 9,052,256</u>	 <u>\$ 1,007,940</u>	 <u>\$ 10,060,196</u>

See Independent Auditors' Report.

ORANGE COUNTY ADULT ACHIEVEMENT CENTER
 dba MY DAY COUNTS
 SCHEDULE OF FUNCTIONAL EXPENSES
 For the Years Ended December 31, 2018

	Program Services	Support Services	Total
EXPENSES			
Advertising/Promotion	\$ 3,685	\$ 23,798	\$ 27,483
Purchases	1,115,716	-	1,115,716
Staff salaries	2,787,416	537,157	3,324,573
Temporary help-agency	668,000	-	668,000
Temporary help-production	188,598	-	188,598
Sales commissions	25,507	38,418	63,925
Participant wages	354,009	-	354,009
Payroll taxes	256,156	47,567	303,723
Workers' compensation	160,570	9,472	170,042
Insurance	404,056	32,390	436,446
Contract materials	13,705	-	13,705
Freight/postage	1,091	3,185	4,276
Small tools and supplies	18,987	24	19,011
Vehicle expense	45,659	121	45,780
Bldg & equip. maintenance	137,854	27,872	165,726
Occupancy	169,749	-	169,749
Utilities	114,940	2,335	117,275
Telephone	19,334	11,914	31,248
Staff mileage	43,155	8,343	51,498
Copy machine expense	22,033	639	22,672
Staff development/training	4,570	4,657	9,227
Office & printing	12,165	4,884	17,049
Staff recruitment	11,427	2,723	14,150
Professional & legal	-	84,886	84,886
Conferences & meetings	1,779	7,792	9,571
Dues & subscriptions	1,876	3,313	5,189
Tax, licenses and permits	-	6,914	6,914
Transportation	1,422,740	-	1,422,740
Participant reinforcements/incentives	(300)	-	(300)
CARF expense	3,979	3,822	7,801
Interest expense	93,754	1,851	95,605
Fund raising expense	-	22,820	22,820
Home care provider	735,369	-	735,369
Miscellaneous	143,654	(13,914)	129,740
Total expenses before provision for depreciation & amortization	8,981,233	872,983	9,854,216
Provision for depreciation & amortization	544,632	12,387	557,019
 Total expenses	 <u>\$ 9,525,865</u>	 <u>\$ 885,370</u>	 <u>\$ 10,411,235</u>

See Independent Auditors' Report.