

ORANGE COUNTY ADULT ACHIEVEMENT CENTER
dba MY DAY COUNTS

INDEPENDENT AUDITORS' REPORT
AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2017 AND 2016

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

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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, 2017 and 2016, 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, 2017 and 2016, 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
May 21, 2018

Bates Coughtry Spiss LLP

ORANGE COUNTY ADULT ACHIEVEMENT CENTER
 dba MY DAY COUNTS
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2017 and 2016

	2017	2016
<u>CURRENT ASSETS</u>		
Cash and cash equivalents (Note 2)	\$ 3,192,871	\$ 2,836,633
Accounts receivable (Note 1)	1,644,760	2,058,413
Supplies & inventories	361,240	264,828
Prepaid expenses (Note 3)	57,350	62,836
 Total current assets	 5,256,221	 5,222,710
<u>FIXED ASSETS</u>		
Property and equipment, net of accumulated depreciation of \$5,991,730 and \$5,539,780 for 2017 and 2016 respectively (Note 4)	4,851,569	5,137,514
<u>OTHER ASSETS</u>		
Loan financing costs, less accumulated amortization of \$1,664 and \$865 for 2017 and 2016 respectively	6,322	7,121
Deposits	36,757	36,720
 Total other assets	 43,079	 43,841
 Total assets	 \$ 10,150,869	 \$ 10,404,065

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, 2017 and 2016

	2017	2016
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 576,846	\$ 827,269
Accrued expenses	103,573	54,876
Accrued salaries & vacation pay	287,874	264,315
Loan payable (Note 5)	130,673	125,545
Total current liabilities	1,098,966	1,272,005
<u>LONG-TERM LIABILITIES</u>		
Loan payable (Note 5)	2,288,656	2,419,329
Total liabilities	3,387,622	3,691,334
<u>NET ASSETS</u>		
Unrestricted	6,763,247	6,697,965
Temporarily Restricted	-	14,766
TOTAL NET ASSETS	6,763,247	6,712,731
TOTAL LIABILITIES AND NET ASSETS	\$ 10,150,869	\$ 10,404,065

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, 2017 and 2016

	2017	2016
<u>CHANGES IN UNRESTRICTED NET ASSETS</u>		
SUPPORT AND REVENUE:		
Contributions	\$ 125,925	\$ 96,849
Work activity program	1,073,000	1,194,325
Transportation income	1,795,758	1,562,508
Independent living fees	202,172	168,635
CCDAP fees	1,072,225	1,076,878
Supported employment fees	736,981	776,556
Contract income	2,127,872	2,097,537
Food services	58,831	69,833
Family Connections income	1,733,699	1,990,792
Investment income	10,694	6,171
Aide support	847,260	771,778
Life Unlimited	748,427	702,899
Assessment income	9,125	8,210
Miscellaneous	602	9,349
Total support and revenue	10,542,571	10,532,320
Net assets released from restriction	14,766	-
Total unrestricted support, revenue and other	10,557,337	10,532,320
EXPENSES:		
Program and supporting services	10,492,055	10,368,082
Change in unrestricted net assets	65,282	164,238
<u>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</u>		
Net assets released from restrictions	(14,766)	-
Changes in temporarily restricted net assets	(14,766)	-
CHANGE IN NET ASSETS	50,516	164,238
NET ASSETS, Beginning of Year	6,712,731	6,548,493
NET ASSETS, End of Year	\$ 6,763,247	\$ 6,712,731

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, 2017 and 2016
Increase (Decrease) in Cash and Cash Equivalents

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 50,516	\$ 164,238
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation & amortization expense	452,747	459,090
Gain on sale of fixed assets	-	(10,899)
Changes in operating assets and liabilities:		
(Increase)/decrease in accounts receivable	413,653	(643,503)
Decrease in prepaid expense	5,486	10,035
(Increase)/decrease in supplies/inventory	(96,412)	74,751
Increase in deposits	(37)	(40)
(Decrease)/increase in accounts payable	(250,423)	501,743
Increase in accrued expenses	48,697	42,650
Increase in accrued salaries/vacation	23,559	15,518
Net cash provided by operating activities	<u>647,786</u>	<u>613,583</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from sale of property	-	10,899
Capital expenditures	<u>(166,003)</u>	<u>(84,327)</u>
Net cash used by investing activities	<u>(166,003)</u>	<u>(73,428)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal payments on loan payable	<u>(125,545)</u>	<u>(140,594)</u>
Net cash used for financing activities	<u>(125,545)</u>	<u>(140,594)</u>
Net Increase in Cash and Cash Equivalents	356,238	399,561
Cash and Cash Equivalents at Beginning of Year	<u>2,836,633</u>	<u>2,437,072</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,192,871</u>	<u>\$ 2,836,633</u>

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, 2017 and 2016

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 \$22,589 for the year ended December 31, 2017 and \$7,127 for the year ended December 31, 2016.

See Independent Auditors' Report.

ORANGE COUNTY ADULT ACHIEVEMENT CENTER
 dba MY DAY COUNTS
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017 and 2016

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, 2017, 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 May 21, 2018, the date that the financial statements were available to be issued. Subsequent to year end, the Organization settled a civil lawsuit through mediation with a former employee. The settlement amount of \$175,000 was paid by the insurance carrier.
- 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 9.1% and 7.7% of total expenses at December 31, 2017 and 2016, respectively.

NOTE 2 – CASH AND CASH EQUIVALENTS

	2017	2016
Cash consists of the following:		
Petty cash	\$ 1,000	\$ 1,000
Cash in various banks	3,191,871	2,835,633
	\$ 3,192,871	\$ 2,836,633

See Independent Auditors' Report.

ORANGE COUNTY ADULT ACHIEVEMENT CENTER
 dba MY DAY COUNTS
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017 and 2016

NOTE 3 – PREPAID EXPENSES

As of December 31, 2017 and 2016, the following expenses were prepaid:

	<u>2017</u>	<u>2016</u>
Rent	\$ 26,164	\$ 26,164
Insurance	30,865	34,771
Miscellaneous	321	1,901
	<u>\$ 57,350</u>	<u>\$ 62,836</u>

NOTE 4 – PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land	\$ 807,280	\$ -	\$ 807,280
Buildings	5,672,271	2,703,498	2,968,773
Workshop and equipment	1,119,344	851,865	267,479
Office furniture and fixtures	621,234	581,158	40,076
Vehicles	2,623,170	1,855,209	767,961
	<u>\$ 10,843,299</u>	<u>\$ 5,991,730</u>	<u>\$ 4,851,569</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.

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, 2017 and 2016

NOTE 5 – LOAN PAYABLE (cont'd)

Principal maturities of long-term debt are as follows:

Years ending December 31,		
	2018	\$ 130,673
	2019	133,025
	2020	116,982
	2021	104,278
	2022	108,586
	Thereafter	<u>1,825,785</u>
Total		2,419,329
Less current maturities		<u>130,673</u>
Total long-term maturities		<u>\$ 2,288,656</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 \$240,084. 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 \$11,784.

NOTE 7 – STATEMENT OF CASH FLOWS

A. Supplemental disclosure of cash flow information:

	<u>2017</u>	<u>2016</u>
Cash paid during the year for		
Interest	<u>\$ 100,751</u>	<u>\$ 106,111</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, 2017 and 2016

NOTE 8 – 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, the Orange County Transportation Authority, which make up 23% of the receivables and Ecolab, which make up 20% of receivables at December 31, 2017. 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, 2017

	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>
<u>EXPENSES</u>			
Advertising/Promotion	\$ 6,923	\$ 15,666	\$ 22,589
Purchases	1,077,822	-	1,077,822
Staff salaries	2,763,724	568,650	3,332,374
Temporary help-agency	665,062	599	665,661
Temporary help-production	143,358	-	143,358
Sales commissions	17,310	37,779	55,089
Client wages	354,986	-	354,986
Payroll taxes	280,949	49,166	330,115
Workers' compensation	168,430	3,527	171,957
Insurance	362,935	38,304	401,239
Contract materials	23,722	-	23,722
Freight/postage	734	2,563	3,297
Small tools and supplies	16,546	823	17,369
Vehicle expense	37,944	526	38,470
Bldg & equip. maintenance	157,422	33,783	191,205
Occupancy	169,332	-	169,332
Utilities	106,391	2,152	108,543
Telephone	18,963	10,288	29,251
Staff mileage	39,869	6,516	46,385
Copy machine expense	20,292	628	20,920
Staff development/training	3,844	5,285	9,129
Office & printing	10,861	8,058	18,919
Staff recruitment	5,106	251	5,357
Professional & legal	-	57,042	57,042
Conferences & meetings	1,040	11,578	12,618
Dues & subscriptions	3,351	2,403	5,754
Tax, licenses and permits	-	7,179	7,179
Transportation	1,558,844	-	1,558,844
Client reinforcements/incentives	300	-	300
ARC support	9,900	-	9,900
CARF expense	3,468	-	3,468
Interest expense	98,827	1,924	100,751
Fund raising expense	-	14,000	14,000
Home care provider	824,543	-	824,543
Miscellaneous	134,397	73,423	207,820
Total expenses before provision for depreciation & amortization	9,087,195	952,113	10,039,308
Provision for depreciation & amortization	443,417	9,330	452,747
Total expenses	<u>\$ 9,530,612</u>	<u>\$ 961,443</u>	<u>\$ 10,492,055</u>

See Independent Auditors' Report.

ORANGE COUNTY ADULT ACHIEVEMENT CENTER
dba MY DAY COUNTS
SCHEDULE OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2016

	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>
<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.