

Orange Children & Parents Together, Inc.

**Certified Public Accountants'
Audited Financial Statements**

Years Ended June 30, 2015 and 2014

ORANGE CHILDREN & PARENTS TOGETHER, INC.

Years Ended June 30, 2015 and 2014

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ORANGE CHILDREN & PARENTS TOGETHER, INC.

Years Ended June 30, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Orange Children & Parents Together, Inc.
Orange, California

Report on the Financial Statements

We have audited the accompanying financial statements of Orange Children & Parents Together, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Children & Parents Together, Inc. as of June 30, 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 Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of federal and state awards and additional supplemental information is presented for the purposes of additional analysis as required by the State of California Department of Education, and is in accordance with the *CDE Audit Guide*, issued by the State of California Department of Education. 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 audit 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2015 on our consideration of Orange Children & Parents Together, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Orange Children & Parents Together, Inc.'s internal control over financial reporting and compliance.

Stephens, Reidinger + Beller LLP

Newport Beach, California
September 24, 2015

ORANGE CHILDREN & PARENTS TOGETHER, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 489,798	\$ 366,550
Accounts receivable	129,776	105,503
Prepaid expenses	25,421	18,738
Security deposit	22,508	22,508
Furniture, equipment & improvements, net of accumulated depreciation	<u>93,304</u>	<u>118,291</u>
Total assets	<u><u>\$ 760,807</u></u>	<u><u>\$ 631,590</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 62,414	\$ 34,559
Accrued liabilities	88,092	77,013
Deferred revenue	<u>155,000</u>	<u>77,000</u>
Total liabilities	305,506	188,572
Net assets		
Unrestricted	455,301	443,018
Temporarily restricted	<u>-</u>	<u>-</u>
Total net assets	<u><u>455,301</u></u>	<u><u>443,018</u></u>
Total liabilities and net assets	<u><u>\$ 760,807</u></u>	<u><u>\$ 631,590</u></u>

The accompanying notes are an integral part of these financial statements.

ORANGE CHILDREN & PARENTS TOGETHER, INC.

STATEMENT OF ACTIVITIES

For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenue and other support		
Head Start grants	\$ 2,869,069	\$ 2,832,628
Other grants	492,013	501,783
Contributions	31,831	32,044
Donated services and facilities	<u>795,852</u>	<u>815,738</u>
Total revenue and other support	4,188,765	4,182,193
Expenses		
Program services		
Head Start program services	2,869,069	2,832,628
Other program services	890,840	943,854
Support services	<u>416,573</u>	<u>406,374</u>
Total expenses	<u>4,176,482</u>	<u>4,182,856</u>
Increase (decrease) in net assets	12,283	(663)
Net assets at beginning of year	<u>443,018</u>	<u>443,681</u>
Net assets at end of year	<u><u>\$ 455,301</u></u>	<u><u>\$ 443,018</u></u>

The accompanying notes are an integral part of these financial statements.

ORANGE CHILDREN & PARENTS TOGETHER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2015

	<u>Program Services</u>		<u>Support Services</u>	<u>Total Expenses</u>
	<u>Head Start</u>	<u>Other Program Services</u>	<u>Support Services</u>	
Accounting/auditing	\$ 15,559	\$ -	\$ 1,816	\$ 17,375
Custodian	27,115	5,075	-	32,190
Depreciation	-	24,987	-	24,987
Dues, fees & taxes	5,768	-	1,062	6,830
Duplicating & printing	3,136	-	56	3,192
Employee retention	1,494	1,272	-	2,766
Equipment lease	6,637	-	-	6,637
Fringe benefits	593,855	221,747	61,389	876,991
Insurance	18,553	-	2,343	20,896
Medical services	-	140	-	140
Meetings & conferences	3,460	180	-	3,640
Miscellaneous	1,788	-	813	2,601
Office expenses	22,385	-	981	23,366
Parents activity/babysitting	626	88	-	714
Payroll processing fee	6,327	-	-	6,327
Payroll taxes	147,275	43,069	26,498	216,842
Professional services	29,100	-	-	29,100
Program expenses	-	4,943	-	4,943
Program supplies	65,147	181,220	-	246,367
Repairs & maintenance	22,899	766	-	23,665
Salaries	1,697,871	229,912	284,246	2,212,029
Space rental	129,006	176,385	33,932	339,323
Subscriptions & publications	58	232	-	290
Telephone	8,489	-	538	9,027
Travel	3,655	-	-	3,655
Utilities	54,763	-	2,899	57,662
Vehicle expense	4,103	824	-	4,927
Total Expenses	\$ 2,869,069	\$ 890,840	\$ 416,573	\$ 4,176,482

The accompanying notes are an integral part of these financial statements.

ORANGE CHILDREN & PARENTS TOGETHER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2014

	<u>Program Services</u>		<u>Support Services</u>	<u>Total Expenses</u>
	<u>Head Start</u>	<u>Other Program Services</u>	<u>Support Services</u>	
Accounting/auditing	\$ 15,065	\$ -	\$ 1,760	\$ 16,825
Advertiting	-	254	-	254
Custodian	27,038	5,053	-	32,091
Depreciation	-	24,987	-	24,987
Dues, fees & taxes	5,917	-	774	6,691
Duplicating & printing	3,341	-	19	3,360
Employee retention	2,840	937	-	3,777
Equipment lease	6,074	-	-	6,074
Fringe benefits	553,946	167,919	45,342	767,207
Insurance	16,852	-	1,919	18,771
Medical services	-	125	-	125
Meetings & conferences	4,766	204	-	4,970
Miscellaneous	4,439	-	3,628	8,067
Office expenses	15,815	-	445	16,260
Parents activity/babysitting	744	450	-	1,194
Payroll processing fee	5,029	17	-	5,046
Payroll taxes	154,090	33,167	22,837	210,094
Professional services	27,975	-	3,160	31,135
Program expenses	380	6,023	-	6,403
Program supplies	58,848	183,335	-	242,183
Repairs & maintenance	20,150	1,289	-	21,439
Salaries	1,727,440	341,448	289,894	2,358,782
Space rental	119,882	178,646	33,170	331,698
Subscriptions & publications	277	-	-	277
Telephone	8,161	-	540	8,701
Travel	4,074	-	103	4,177
Utilities	45,395	-	2,783	48,178
Vehicle expense	4,090	-	-	4,090
Total Expenses	\$ 2,832,628	\$ 943,854	\$ 406,374	\$ 4,182,856

The accompanying notes are an integral part of these financial statements.

ORANGE CHILDREN & PARENTS TOGETHER, INC.

STATEMENT OF CASH FLOWS

For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 12,283	\$ (663)
Adjustments to reconcile change in net assets		
Depreciation	24,987	24,987
(Increase) decrease in operating assets		
Accounts receivable	(24,273)	63,169
Prepaid expenses	(6,683)	7,766
Deposits	-	-
Increase (decrease) in operating liabilities		
Accounts payable	27,855	(56,820)
Accrued liabilities	11,079	15,369
Net cash provided from operating activities	<u>45,248</u>	<u>53,808</u>
Cash flows from investments activities	-	-
Cash flows from financing activities:		
Increase in deferred revenue	<u>78,000</u>	<u>19,769</u>
Net cash provided from financing activities	<u>78,000</u>	<u>19,769</u>
Net increase in cash and cash equivalents	123,248	73,577
Cash and cash equivalents at beginning of year	<u>366,550</u>	<u>292,973</u>
Cash and cash equivalents at end of year	<u><u>\$ 489,798</u></u>	<u><u>\$ 366,550</u></u>

The accompanying notes are an integral part of these financial statements.

ORANGE CHILDREN & PARENTS TOGETHER, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 1: NATURE OF ORGANIZATION

Orange Children & Parents Together, Inc. (OCPT) is a non-profit organization established to provide Head Start and State Preschool programs. The Organization is exempt from federal income taxes under section 501 (c) (3) of the Internal Revenue Code and Section 23701 of the California Revenue and Taxation Code.

OCPT is committed to providing family-friendly, community-based programs that enhance children's growth, strengthen families, and build healthy communities.

NOTE 2: SUMMARY OF SIGIFICANT ACCOUNTING POLICIES

Financial statement presentation

The financial statements are prepared on the accrual basis of accounting. Management has evaluated subsequent events through September 24, 2015, the date which the financial statements were available for issue.

OCPT presents its financial statements in accordance with Accounting Standards Codification ("ASC") Topic No. 958-205 *Not-for-Profit Entities – Presentation of Financial Statements*. ASC 958-205 requires that net assets and revenue, gains, expenses and losses be classified as unrestricted, temporarily restricted and permanently restricted based on the following criteria:

- Unrestricted net assets represent expendable funds available for operations that are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to specific donor restrictions contingent upon specific performance of a future event or a specific passage of time before OCPT may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for generating investment income to fund current operations.

ORANGE CHILDREN & PARENTS TOGETHER, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

NOTE 2: SUMMARY OF SIGIFICANT ACCOUNTING POLICIES (continued)

Contributions

OCPT accounts for contributions in accordance with Accounting Standards of Codification (“ASC”) Topic No. 958-605 *Not-for-Profit Entities – Revenue Recognition*. In accordance with ASC 958-605, contributions received as well as unconditional promises to give are recognized in the period received. Contributions with donor-imposed restrictions are reported as temporarily or permanently restricted revenues. Temporarily restricted net assets are reclassified to unrestricted net assets when the donor restrictions are satisfied.

Contributions received with donor-imposed restrictions that are satisfied within the same reporting period are reported as unrestricted support in that period.

Estimates

The preparation of the financial statements in accordance with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Concentration of Credit Risk

OCPT places its cash deposits with high-credit quality financial institutions. At times, balances in the organization’s cash accounts may exceed the Federal Deposit Insurance Corporation’s (FDIC) insurance limit. OCPT has not incurred losses related to carrying cash balances in excess of the FDIC insurance limit.

Functional Allocation of Expenses

The costs of providing the various programs have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

ORANGE CHILDREN & PARENTS TOGETHER, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

NOTE 2: SUMMARY OF SIGIFICANT ACCOUNTING POLICIES (continued)

Donated services, facilities and materials

Donated materials and facilities have been included in the accompanying financial statements where estimates of market value were available to measure the value of such materials and facilities. The total of contributed facilities during the years ended June 30, 2015 and 2014 were \$204,708 and \$206,207, respectively. Donated services are recognized when a nonfinancial asset is created or specialized skills are required and OCPT would otherwise need to purchase the services. The total of donated services during the years ended June 30, 2015 and 2014 were \$588,623 and \$605,290, respectively. The total of donated materials during the year ended June 30, 2015 and 2014 were \$2,521 and \$4,241, respectively.

Accounts receivable

Accounts receivables of \$129,776 and \$105,503 as of June 30, 2015 and 2014, respectively, are all receivable in one year or less and in the opinion of management are fully collectable. Therefore, no allowance for doubtful accounts has been provided.

Property and equipment

Property and equipment purchased by OCPT are carried at cost. Major renewals and betterments are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and gains or losses are credited or charged to income.

Contributed property and equipment are reported as support and carried at fair value at the time of donation. Assets donated with restrictions regarding their use and contributions of cash that must be used for property or equipment are reported as restricted support. Absent donor stipulations regarding how long their donated assets must be maintained, OCPT reports expirations of restrictions when the donated or acquired assets are placed into service.

Depreciation is recorded on the straight-line basis over the estimated useful lives of the related assets.

ORANGE CHILDREN & PARENTS TOGETHER, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

NOTE 2: SUMMARY OF SIGIFICANT ACCOUNTING POLICIES (continued)

Deferred Revenue

Funds received in advance of program services or activities to be performed or delivered in future periods are recorded as deferred revenue in the accompanying Statement of Financial Position. Revenues relating to such advance payments are recognized as the required services or activities are performed and related exchange transaction is completed. Deferred revenue at June 30, 2015 and 2014 was \$155,000 and \$77,000, respectively.

NOTE 3: FUNDING SOURCES

OCPT is largely funded through federal, state, and local agencies. For the years ended June 30, 2015 and 2014, OCPT received \$2,869,069 and \$2,832,628, respectively, from Orange County Head Start, passed through from the Administration for Children and Families, U.S. Department of Health and Human Services. OCPT also received \$180,342 and \$170,731, respectively, from the California Department of Education for its Pre-School Programs and \$228,671 and \$228,531 passed through from the State of California for the U.S. Department of Agriculture Child and Adult Care Fund for the years ended June 30, 2015 and 2014, respectively.

NOTE 4: LEASES

OCPT leases various facilities for its programs. The lease terms vary from one year to five years. OCPT is responsible for insurance, repairs, and maintenance. The base rent is adjusted annually for cost of living adjustments. The leases are recorded as operating leases. Lease expense for the years ended June 30, 2015 and 2014 was \$125,890 and \$120,490, respectively.

Minimum future lease obligations for these facilities are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 102,700
2017	57,850
2018	<u>6,500</u>
Total	<u>\$ 167,050</u>

ORANGE CHILDREN & PARENTS TOGETHER, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

NOTE 5: FURNITURE, EQUIPMENT AND IMPROVEMENTS

Property and equipment for OCPT as of June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Office equipment	\$ 18,547	\$ 18,547
Outdoor equipment	91,196	91,196
Classroom equipment	19,941	19,941
Improvements	511,363	511,363
Vehicles	<u>46,580</u>	<u>46,580</u>
Subtotal	687,627	687,627
Accumulated depreciation	<u>(594,323)</u>	<u>(569,336)</u>
Total	<u>\$ 93,304</u>	<u>\$ 118,291</u>

Depreciation expense was \$24,987 for both of the years ended June 30, 2015 and 2014.

NOTE 6: PENSION PLAN

The employees of OCPT participate in the Organization's defined contribution retirement plan. Orange Children & Parents Together contributions are equal to 3% of the annual salary of all employees with at least one year of full time service. During the years ended June 30, 2015 and 2014, OCPT's contribution to the plan totaled \$64,179 and \$62,181, respectively.

NOTE 7: LINE OF CREDIT

OCPT has a line of credit from a local bank in the amount of \$35,000. There is no outstanding balance on this credit line as of either June 30, 2015 or 2014.