GARVIN COUNTY COMMUNITY LIVING CENTER, INC.

FINANCIAL STATEMENTS AND SUPPLEMENTAL REPORTS

June 30, 2014 and 2013

GARVIN COUNTY COMMUNITY LIVING CENTER, INC.

TABLE OF CONTENTS

Arledge
& Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors
Garvin County Community Living Center, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Garvin County Community Living Center, Inc. (the "Center") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, 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 audits. We conducted our audits 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 the Center as of June 30, 2014 and 2013, 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.

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Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part 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 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 October 22, 2014, on our consideration of the Center'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 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 the Center's internal control over financial reporting and compliance.

Arledge & Associates, P.C.

October 22, 2014

GARVIN COUNTY COMMUNITY LIVING CENTER, INC.

Statements of Financial Position
June 30, 2014 and 2013

	2014	2013
Assets		
Current assets		
Cash	$ 54,888	$ 58,706
Accounts receivable	225,636	285,050
Inventory	80,266	99,783
Prepaid expenses	19,081	16,275
Total current assets	379,871	459,814
Property, plant and equipment, net	769,462	470,627
Total assets	$ 1,149,333	$ 930,441
Liabilities and Net Position		
Current liabilities		
Accounts payable	$ 190,798	$ 244,131
Accrued expenses	155,400	109,285
Deposits held for others	36,702	40,274
Line of credit	383,901	329,988
Current maturities of capital lease obligations	9,487	-
Current maturities of long-term debt	60,615	44,093
Total current liabilities	836,903	767,771
Noncurrent liabilities		
Capital lease obligations, net of current maturities	40,513	-
Long-term debt, net of current maturities	503,121	242,017
Total liabilities	1,380,537	1,009,788
Net assets, unrestricted	(231,204)	(79,347)
Total liabilities and net assets	$ 1,149,333	$ 930,441

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

GARVIN COUNTY COMMUNITY LIVING CENTER, INC.

Statements of Activities
June 30, 2014 and 2013

	2014	2013
Changes in unrestricted net position		
Project activity		
Sales	$ 1,711,002	$ 1,925,436
Cost of sales	(1,314,266)	(1,631,750)
Net project activity	396,736	293,686
Other revenues and support		
Grants and contracts	2,369,169	2,071,290
Gain on disposition of assets	-	380
Other	243,115	143,685
Total unrestricted revenues	3,009,020	2,509,041
Expenses		
Program services		
In-home support	71	53
Residential	1,420,565	1,208,629
Vocational	1,064,391	976,379
Total program services	2,485,027	2,185,061
Management and general	675,850	643,207
Total expenses	3,160,877	2,828,268
Increase (decrease) in unrestricted net position	(151,857)	(319,227)
Net assets at beginning of year	(79,347)	239,880
Net assets at end of year	$ (231,204)	$ (79,347)

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

GARVIN COUNTY COMMUNITY LIVING CENTER, INC.

Statements of Functional Expenses
June 30, 2014 and 2013

	Program Services				June 30,	June 30,
	In-Home Support	Residential Programs	Vocational Programs	Management & General	2014 Totals	2013 Totals
Personnel	$ -	$ 967,329	$ 664,055	$ 306,635	$ 1,938,019	$ 1,666,564
Fringe benefits	-	181,918	137,455	78,560	397,933	347,076
Utilities	-	19,980	53,050	19,185	92,215	92,273
Insurance	-	42,129	35,220	56,628	133,977	117,537
Supplies	68	32,677	44,794	17,656	95,195	99,345
Food	-	58,117	-	-	58,117	66,260
Repairs and maintenance	3	13,034	32,110	3,875	49,022	55,053
Auto expense	-	75,159	81,431	-	156,590	202,500
Miscellaneous	-	-	2,599	7,156	9,755	6,074
Postage	-	-	131	3,162	3,293	2,182
Recreation	-	15,194	-	-	15,194	12,313
Contract services	-	10,200	-	23,500	33,700	36,200
Depreciation and amortization	-	-	-	78,565	78,565	56,316
Interest	-	-	-	54,846	54,846	23,696
Marketing	-	2,708	10,077	1,293	14,078	13,913
Office expense	-	-	1,565	21,501	23,066	24,054
Staff development and travel	-	2,120	1,904	3,288	7,312	6,912
	$ 71	$ 1,420,565	$ 1,064,391	$ 675,850	$ 3,160,877	$ 2,828,268

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

GARVIN COUNTY COMMUNITY LIVING CENTER, INC.

Statements of Cash Flows
June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Change in net position	$ (151,857)	$ (319,227)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	78,565	56,316
(Increase) decrease in accounts receivable	59,414	(5,910)
(Increase) decrease in inventory	19,517	(17,375)
(Increase) decrease in prepaid expenses	(2,806)	(342)
Increase (decrease) in accounts payable	(53,333)	20,638
Increase (decrease) in accrued expenses	46,115	9,985
Increase (decrease) in deposits held for others	(3,572)	17,703
Net cash provided by operations	(7,957)	(238,212)
Cash flows from investing activities:		
Purchases of property and equipment	(377,400)	(285,994)
Net cash provided (used) by investing activities	(377,400)	(285,994)
Cash flows from financing activities:		
Net borrowings (repayments) on line of credit	53,913	253,603
Borrowings on long-term debt	334,246	286,240
Borrowings on capital lease obligation	56,000	-
Payments on long-term debt	(56,620)	(35,121)
Payments on capital lease obligation	(6,000)	-
Net cash provided (used) by financing activities	381,539	504,722
Net increase (decrease) in cash	(3,818)	(19,484)
Cash at beginning of year	58,706	78,190
Cash at end of year	$ 54,888	$ 58,706
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 54,846	$ 23,696

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

1. **Summary of Significant Accounting Policies**

Organization – Garvin County Community Living Center, Inc. (the "Center") was incorporated in February 1982, under the laws of the State of Oklahoma as a not-for-profit organization for charitable and educational purposes relating to developmentally disabled people. The Center was established as a community-based agency to provide an environment of support, which will foster and encourage independence and self-worth for persons with developmental disabilities. The agency operates both a residential program and a vocational training program for adults.

Income Taxes – The Center is exempt from federal taxation pursuant to Section 501(c)(3) of the Internal Revenue Code (IRC) and therefore no provision for income taxes has been made. However, limited events or interpretations of the IRC could result in contingent income tax obligations to the Center. The Center follows accounting guidance relating to the accounting for uncertainty in income tax reporting; which provides criteria for the recognition, measurement, presentation, and disclosure of uncertain tax positions. At June 30, 2014 and 2013, no uncertain tax positions taken or expected to be taken have been identified by the Center. As of June 30, 2014, the tax years ended June 30, 2010 through June 30, 2013 are open to examination by taxing authorities.

Inventory – Laser toner cartridge inventory is stated at the lower cost or market determined by the first-in, first-out method. Gift and award inventory is valued using the average cost method.

Basis of Accounting – These financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America and are presented in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) No. 958, *Financial Statements of Not-For-Profit Organizations.*

Use of Estimates – In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Property and equipment – Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method based on the estimated useful life of the asset, which ranges from five to twenty years. Maintenance and repairs are charged to operations when incurred and improvements greater than $5,000 are capitalized.

Subsequent events – The Center has evaluated the effects of all subsequent events from June 30, 2014, through October 22, 2014, the date the financial statements were available to be issued.

2. Contingencies and Concentrations

The Center receives a substantial portion of its total revenues from contracts with the State of Oklahoma. These contracts are subject to audit by the state or their representatives. Such audits could lead to requests for reimbursement to the state for expenditures disallowed, the amount of which, if any, cannot be determined at this time. Additionally, future funding could be affected by government cutbacks.

3. Property, Plant, and Equipment

A summary of property, plant, and equipment is as follows:

	June 30 2014	June 30 2013
Buildings (including lot cost)	$ 1,482,332	$ 1,212,839
Buildings - capital lease	56,000	-
Automotive equipment	437,162	385,262
Furniture and equipment	371,698	371,698
	2,347,192	1,969,799
Less accumulated depreciation:		
Property and equipment	(1,575,866)	(1,499,172)
Buildings - capital lease	(1,864)	-
Net property and equipment	$ 769,462	$ 470,627

4. Debt

Long-term debt consists of the following:

	June 30	
	2014	2013
Note payable to a bank in monthly installments of $1,511, including interest at 5.75% maturing February 2018, and secured by vehicles	$ 59,884	$ 18,575
Note payable to a bank in monthly installments of $872, including interest at 7.25% maturing August 2016, and secured by vehicles	20,009	29,509
Note payable to a bank in monthly installments of $2,775, including interest at 6.00% maturing December 2022, and secured by vehicles	219,374	238,026
Note payable to a bank in monthly installments of $1,438, including interest at 5.50% maturing April 2024, and secured by real estate	130,837	-
Note payable to a bank in monthly installments of $760, including interest at 3.00% maturing October 2033, and secured by real estate	133,632	-
Total long-term debt	$ 563,736	$ 286,110

Maturities of long-term debt by fiscal year are as follows:

	Principal	Interest	Total
2015	$ 60,615	$ 27,669	$ 88,284
2016	64,218	24,066	88,284
2017	57,951	20,545	78,496
2018	54,534	17,329	71,863
2019	45,007	14,681	59,688
Thereafter	281,411	45,895	327,306
	$ 563,736	$ 150,185	$ 713,921

4. Debt

Short-term debt consists of the following:

A revolving credit facility provides access to $400,500 of working capital through December 24, 2014. Interest charged on advances is calculated at 8.95%. Advances under the credit facility are secured by accounts receivable and real estate. As of June 30, 2014 and 2013, outstanding advances totaled $383,901 and $329,988, respectively.

5. Capital Lease Obligation

The Center leases real estate from the Mitchell family with an option to purchase the real estate at the end of the lease agreement. Minimum future payments required under this capital lease obligation as of June 30, 2014 is as follows:

	Principal	Interest	Total
2015	$ 9,487	$ 2,513	$ 12,000
2016	10,022	1,978	12,000
2017	10,587	1,413	12,000
2018	11,184	816	12,000
2019	8,720	200	8,920
	$ 50,000	$ 6,920	$ 56,920

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GARVIN COUNTY COMMUNITY LIVING CENTER, INC.

SUPPLEMENTAL INFORMATION

GARVIN COUNTY COMMUNITY LIVING CENTER, INC.

Schedule of Budget vs. Actual Expenses
For the Year Ended June 30, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
Personnel	$ 1,656,320	1,938,019	(281,699)
Fringe benefits	363,455	397,933	(34,478)
Utilities	99,470	92,215	7,255
Insurance	126,141	133,977	(7,836)
Supplies	51,000	95,195	(44,195)
Food	60,000	58,117	1,883
Repairs and maintenance	64,200	49,022	15,178
Auto expense	213,121	156,590	56,531
Miscellaneous	3,900	9,755	(5,855)
Postage	2,000	3,293	(1,293)
Recreation	5,500	15,194	(9,694)
Contract services	39,100	33,700	5,400
Depreciation and amortization	-	78,565	(78,565)
Interest	13,000	54,846	(41,846)
Marketing	30,748	14,078	16,670
Office expense	28,300	23,066	5,234
Staff development and travel	12,700	7,312	5,388
	$ 2,768,955	3,160,877	(391,922)

GARVIN COUNTY COMMUNITY LIVING CENTER, INC.

Schedule of Financial Awards
For the Year Ended June 30, 2014

Funding Agency	Program Title	Contract Number	Contract Period	Contract Amount	Revenues	Expenses
State of Oklahoma:						
	Community Based Group Homes	130002100000	07/1/13-06/30/14	$ 256,778	263,743	244,577
	Vocational Training Services - Sheltered Workshop	130001260000	07/1/13-06/30/14	127,864	132,418	132,418
	Assisted Living Program	130001260000	07/1/13-06/30/14	6,570	4,986	4,624
	Community Integrated Employment	130001610000	07/1/13-06/30/14	21,632	21,211	21,211
	Home and Community Based Waivered Services -					
	Home Training Services	100682840A	07/1/13-06/30/14	(1)	118,559	107,635
	DLS Therapeutic Leave/Daily Living w/ Support DLS (Waivered Services)	100682840F	07/1/13-06/30/14	(1)	1,066,936	989,403
	Group Home Waivered Services	100682840G	07/1/13-06/30/14	(1)	93,639	86,834
	Home and Community Based Waivered Services - Vocational Training Services	100682840D	07/1/13-06/30/14	(1)	642,311	642,311
	Home and Community Based Waivered Services - Transporation Services	100682840C	07/1/13-06/30/14	(1)	25,366	25,375
Total Financial Awards				$ 412,844	2,369,169	2,254,388

(1) Contract amounts are not computed because of varying numbers of participants and varying reimbursement rates for different types of services.

GARVIN COUNTY COMMUNITY LIVING CENTER, INC.

DDSD Supplemental Schedule of Revenues and Expenses for Daily Living Supports
For the Year Ended June 30, 2014

Revenues		
Contracts/Grants:		
Procedure code T2033	$ 1,049,928	
Procedure code T2033 TV	17,008	
Total revenues		1,066,936
Expenses		
Non-Administration labor		
Program coordinator expenses	31,982	
Direct support staff regular expenses	492,162	
Direct support staff overtime premium and payroll tax	356,568	
Total non-administrative labor		880,712
Other habilitative and house management expenses		22,799
Administration		98,004
Total expenses		1,001,515
Revenues minus expenses		$ 65,421
Total days of DLS service provided	7,152	
Number of individuals served	24	

GARVIN COUNTY COMMUNITY LIVING CENTER, INC.

DDSD Supplemental Schedule of Revenues and Expenses
for Habilitative Training Specialist and Intensive Personal Supports
For the Year Ended June 30, 2014

Revenues		
Contracts/Grants:		
Procedure code T2017	$ 116,702	
Procedure code T2017 SE	-	
Procedure code T2017 TF	-	
Procedure code T2017 TF SE	-	
Procedure code T2033 TV	-	
Total revenues		116,702
Expenses		
Non-Administration labor		
Program coordinator expenses	43,895	
Direct support staff regular expenses	93,885	
Direct support staff overtime premium and payroll tax	79,871	
Total non-administrative labor		217,651
Administration		21,953
Total expenses		239,604
Revenues minus expenses		$ (122,902)
Total units of HTS service provided	29,771	
Number of individuals served	13	

GARVIN COUNTY COMMUNITY LIVING CENTER, INC.

Combined Room and Board
Compliance Schedule
For the Year Ended June 30, 2014

Revenues		
Service recipient fees	$ 97,396	
Other non-medicaid room and board revenues	-	
Total revenues		97,396
Expenses		
Non-medicaid room and board expenses	86,978	
Non-medicaid facilities/maintenance expenses	7,800	
Total expenses		94,778
Revenues minus expenses		$ 2,618
Total days of service provided	5,740	
Number of individuals served	16	

GARVIN COUNTY COMMUNITY LIVING CENTER, INC.

DDSD Supplemental Schedule of Revenues and Expenses for Transportation
For the Year Ended June 30, 2014

Revenues		
Revenue received through procedure code S0215	$ 14,886	
Revenue received through procedure code A0130	5,956	
Total revenues		20,842
Expenses		
Adapted and non-adapted transportation expense	74,306	
Public transportation expense	-	
Administration expense	9,064	
Total expenses		83,370
Revenues minus expenses		$ (62,528)
Number of individuals served	22	

GARVIN COUNTY COMMUNITY LIVING CENTER, INC.

DDSD Supplemental Schedule of Revenues and Expenses for Other DDSD and all Non-DDSD
For the Year Ended June 30, 2014

Total revenues	$ 1,707,144
Total expenses	1,741,610
Change in net position	$ (34,466)