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February 12, 2015

Board of Directors
Orange County Rehabilitative & Developmental Services, Inc.
986 W. Hospital Rd.
Paoli, IN 47454

We have reviewed the audit report prepared by Brad Parrott CPA, for the period July 1, 2011 to June 30, 2012. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of Orange County Rehabilitative & Developmental Services, Inc., as of June 30, 2012, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

ORANGE COUNTY REHABILITATIVE AND
DEVELOPMENTAL SERVICES, INC.

PAOLI, INDIANA

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.

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BRAD PARROTT
Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Orange County Rehabilitative and Developmental Services, Inc.
Paoli, Indiana

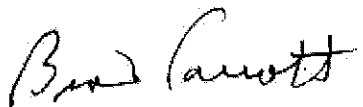
I have audited the accompanying statements of financial position of Orange County Rehabilitative and Developmental Services, Inc. (a nonprofit organization) as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my 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 I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Orange County Rehabilitative and Developmental Services, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 18, 2012 on my consideration of Orange County Rehabilitative and Developmental Services, Inc.'s internal control over financial reporting and on my 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 my 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* and should be considered in assessing the results of my audit.

My audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 my opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

 CPA

Brad Parrott
Certified Public Accountant

December 18, 2012

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2012 AND 2011

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Cash	\$ 650,906	\$ 735,077
Investment in certificate of deposits	504,795	593,535
Investments	488,602	453,184
Accounts receivable	287,389	260,238
Prepaid insurance	22,120	20,654
Property and equipment (net of accumulated depreciation of \$ 1,158,915 and \$ 1,100,194 respectively)	<u>571,565</u>	<u>625,386</u>
 Total assets	 <u>\$ 2,525,377</u>	 <u>\$ 2,688,074</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and accrued expenses	\$ 98,338	\$ 118,650
Net assets		
Unrestricted	<u>2,427,039</u>	<u>2,569,424</u>
 Total liabilities and net assets	 <u>\$ 2,525,377</u>	 <u>\$ 2,688,074</u>

See accompanying notes to financial statements.

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

UNRESTRICTED NET ASSETS

	<u>2012</u>	<u>2011</u>
Revenues and support:		
Government grants/contracts	\$ 977,296	\$ 979,759
Non-government grants/contracts	208,823	198,280
Sub-contract income	41,578	647,239
Food program	1,792,347	1,819,614
County support	45,000	-
Service crews	767,143	749,706
Donations	48,209	50,128
Interest and dividends	18,124	16,025
Unrealized gains	15,826	96,920
Gain on disposal of assets	-	3,700
Miscellaneous	<u>35,576</u>	<u>27,964</u>
Total revenue and support	<u>3,949,922</u>	<u>4,589,335</u>
Expenses:		
Program services		
Sheltered workshop	-	-
Orange County Transit	602,478	522,969
Habilitation	515,903	495,720
Early intervention	55,577	63,204
Community employment	190,290	242,794
Service crew	630,029	681,546
First Chance Industries	291,767	537,287
Food program	<u>1,806,263</u>	<u>1,821,411</u>
Total expenses	<u>4,092,307</u>	<u>4,364,931</u>
Increase (decrease) in unrestricted net assets	(142,385)	224,404
Net assets, Beginning of year	<u>2,569,424</u>	<u>2,345,020</u>
Net assets, End of year	<u>\$ 2,427,039</u>	<u>\$ 2,569,424</u>

See accompanying notes to financial statements.

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
 STATEMENT OF FUNCTIONAL EXPENSES
 FISCAL YEAR ENDED JUNE 30, 2012

	PROGRAM SERVICES			
	Sheltered Workshop	Orange Co. Transit	Habilitation	Early Intervention
Salaries		\$ 348,899	\$ 288,657	\$ 35,854
Payroll taxes and fringe benefits		76,357	103,730	4,497
Total employee compensation		425,256	392,387	40,351
Provider reimbursement				
Rent				
Supplies		22,950	12,732	482
Telephone		4,652	1,441	116
Travel		64	261	28
Utilities		2,509	14,638	4,017
Accounting		6,427	6,239	499
Auditing		1,950	1,875	150
Van & truck expenses		120,735	21,237	1,825
Contracted services		1,815	1,795	49
Repairs & maintenance		531	3,011	1,195
Dues and subscriptions		162	9,289	436
Insurance		10,977	11,125	2,026
In service			1,510	75
Miscellaneous		1,661	9,759	2,084
Subtotal	-	599,689	487,299	53,333
Depreciation		2,789	28,604	2,244
Total Expense	\$ -	\$ 602,478	\$ 515,903	\$ 55,577

See accompanying notes to financial statements.

Community Employment	Service Crews	First Chance Industries	Food Program	Totals
\$ 105,525	\$ 367,686	\$ 181,328	\$ 89,567	\$ 1,417,516
46,194	60,691	32,991	29,525	353,985
151,719	428,377	214,319	119,092	1,771,501
			1,644,746	1,644,746
			16,800	16,800
1,448	8,806	16,349	2,817	65,584
1,243	1,775	1,832	1,823	12,882
2,649	205	11	5,842	9,060
2,091	1,046	6,225		30,526
2,557	6,239	2,995	5,100	30,056
750	1,875	900	2,500	10,000
5,959	13,255	18,539		181,550
59	146,924	629	884	152,155
354	517	6,031		11,639
6,253	1,975	41	144	18,300
4,048	12,079	7,961	3,777	51,993
97		193	2,574	4,449
1,304	5,079	2,294	164	22,345
180,531	628,152	278,319	1,806,263	4,033,586
9,759	1,877	13,448		58,721
\$ 190,290	\$ 630,029	\$ 291,767	\$ 1,806,263	\$ 4,092,307

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
 STATEMENT OF FUNCTIONAL EXPENSES
 FISCAL YEAR ENDED JUNE 30, 2011

	PROGRAM SERVICES			
	Sheltered Workshop	Orange Co. Transit	Habilitation	Early Intervention
Salaries		\$ 316,748	\$ 266,339	\$ 39,824
Payroll taxes and fringe benefits		63,054	82,047	5,630
Total employee compensation		379,802	348,386	45,454
Provider reimbursement				
Rent				
Supplies		22,631	16,987	1,610
Telephone		3,105	1,351	114
Travel		338	323	92
Utilities		2,647	15,442	4,212
Accounting		5,658	6,150	492
Auditing		1,725	1,875	150
Van & truck expenses		87,290	36,282	1,833
Contracted services		3,063	3,170	209
Repairs & maintenance		1,889	12,983	4,119
Dues and subscriptions		1,616	2,316	174
Insurance		8,490	9,357	1,200
In service		37	415	10
Miscellaneous		1,931	10,820	1,312
Subtotal		520,222	465,857	60,981
Depreciation		2,747	29,863	2,223
Total Expense	\$ -	\$ 522,969	\$ 495,720	\$ 63,204

See accompanying notes to financial statements.

	Community Employment	Service Crews	First Chance Industries	Food Program	Totals
\$	142,159	\$ 402,180	\$ 420,627	\$ 84,869	\$ 1,672,746
	54,167	71,885	58,699	25,063	360,545
	196,326	474,065	479,326	109,932	2,033,291
				1,668,132	1,668,132
				16,800	16,800
	2,407	8,860	7,589	2,920	63,004
	1,184	2,021	1,789	1,714	11,278
	4,712	708	535	5,327	12,035
	2,206	1,103	8,378		33,988
	3,198	6,642	2,460	5,100	29,700
	975	2,025	750	2,500	10,000
	9,804	45,133	1,284		181,626
	1,256	109,124	3,608	3,686	124,116
	1,662	2,056	8,774	59	31,542
	1,245	2,348	1,584	265	9,548
	4,021	9,632	8,809	1,825	43,334
	482	63	31	3,032	4,070
	3,589	9,252	1,428	119	28,451
	233,067	673,032	526,345	1,821,411	4,300,915
	9,727	8,514	10,942		64,016
\$	242,794	\$ 681,546	\$ 537,287	\$ 1,821,411	\$ 4,364,931

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

<u>OPERATING ACTIVITIES</u>	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ (142,385)	\$ 224,404
Adjustments to reconcile operating activity to net cash provided by net operating activities:		
Depreciation	58,721	64,016
Unrealized (gains)	(15,826)	(96,920)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(27,151)	72,108
(Increase) decrease in prepaid insurance	(1,466)	(3,829)
Increase (decrease) in accounts payable and accrued expenses	(20,312)	(43,798)
Net cash provided by operations	(148,419)	215,981
<u>INVESTING ACTIVITIES</u>		
Purchase of property and equipment	(4,900)	-
(Increase) decrease in investment securities	69,148	(35,888)
	<u>64,248</u>	<u>(35,888)</u>
Net increase (decrease) in cash	(84,171)	180,093
Cash, Beginning of year	<u>735,077</u>	<u>554,984</u>
Cash, End of year	\$ <u>650,906</u>	\$ <u>735,077</u>
Supplemental cash flows disclosures		
Interest Paid	\$ <u>-</u>	\$ <u>-</u>
Income Taxes Paid	\$ <u>-</u>	\$ <u>-</u>

See accompanying notes to financial statements.

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Note 1- Summary of Significant Accounting Policies

Nature of Activities

Orange County Rehabilitative and Developmental Services, Inc. (hereinafter referred to as "the Organization") provides assistance to individuals with developmental disabilities, physical handicaps, or emotional handicaps to improve their ability to function independently and to reach their full potential in all areas of development.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. It is management's opinion that there are no activities that would subject the Organization to the unrelated business income tax.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending June 30, 2010, 2011 and 2012 are subject to examination by the IRS, generally for three years after they were filed.

Revenue Recognition

Support is recorded as revenue in the fiscal year designated by the donor.

Revenues from cost reimbursement grants are recognized in the period expenses are incurred and claimed for reimbursement.

Revenues from performance-based grants, whereby revenue is based on units of service delivered, are recorded in the period that the Organization renders the agreed-upon services.

Cash and cash equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Investments

Investments are composed of mutual funds and are carried at fair value.

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(continued)

Note 1 – Summary of Significant Accounting Policies (continued)

Property and Equipment

Furniture, equipment, and leasehold improvements are capitalized at cost. It is the Organization's policy to capitalize expenditures for these items in excess of \$ 2,500. Maintenance and repairs that do not improve or extend the useful lives of the respective assets are currently expensed. The Organization provides for depreciation of property and equipment using the straight-line method at rates designed to depreciate the cost of such assets over their estimated useful lives.

Property and equipment acquired by Orange County Rehabilitative and Developmental Services, Inc. is considered owned by the Organization. However, funding sources may maintain equitable interests in properties purchased with grant monies as well as the right to determine the use of any proceeds from the sales of those assets.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs provided by the Organization.

Note 2 – Cash

The total cash held by the Organization at June 30, 2012 and 2011, includes \$ 655,551 and \$ 815,929 respectively, in monies that are not covered by insurance provided by the federal government. It is the opinion of management that the solvency of the financial institutions is not of particular concern at this time.

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(continued)

Note 3 – Fair Value Measurements

Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investment securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices for similar assets, if available. Mutual funds are valued at net asset value (NAV) of shares held as published at the end of the last trading day of the fiscal year.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2012 and 2011:

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012 AND 2011
 (continued)

Note 3 – Fair Value Measurements (continued)

Assets at Fair Value as of June 30, 2012

	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 488,602	-	-	\$ 488,602

Assets at Fair Value as of June 30, 2010

	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 453,184	-	-	\$ 453,184

Note 4 – Investments

Investments as of June 30, 2012 and 2011 are summarized as follows:

	2012		2011	
	Cost	Carrying Value	Cost	Carrying Value
Vanguard Fund	\$ 337,958	\$ 426,430	\$ 327,958	\$ 393,589
Hartford Funds	43,164	62,172	43,164	59,595
	\$ 381,122	\$ 488,602	\$ 371,122	\$ 453,184

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(continued)

Note 5 – Accounts Receivable

Accounts receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for uncollectible accounts and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. 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. The allowance for doubtful accounts at June 30, 2011 and June 30, 2010 was \$10,000.

Note 6 – Property and Equipment

Property and equipment, at June 30, 2012 and 2011, is comprised of the following:

	<u>2012</u>	<u>2011</u>
Land	\$ 23,180	\$ 23,180
Buildings	1,118,078	1,118,078
Office equipment	72,116	67,216
Other equipment	139,246	139,246
Vehicles	<u>377,860</u>	<u>432,710</u>
	1,730,480	1,780,430
Accumulated depreciation	<u>1,158,915</u>	<u>1,091,028</u>
Net property and equipment	<u>\$ 571,565</u>	<u>\$ 689,402</u>

The Organization receives grants from time to time for van purchases, which are used by the Organization. The grants are from the Indiana Department of Transportation, which maintains a lien against the vehicles for four years. After that time, the vans become the property of the Organization. The Organization is currently operating vans subject to such liens.

Note 7 – Contingency

The Organization is substantially funded by contracts awarded by agencies of the State of Indiana. The majority of the agreements contain provisions, which permit the funding to be terminated, or the funds to be reduced, if the State discontinues or reduces current funding levels. A significant reduction in the level of this support, if it were to occur, would have a serious effect on the Organization's programs and activities.

Note 8 – Evaluation of Subsequent Events

The Organization has evaluated subsequent events through December 18, 2012, the date which the financial statements were available to be issued.

Supplementary Information

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND NOTE TO SCHEDULE
 JUNE 30, 2012

Federal Grantor/ Pass-through Grantor Program	Federal CFDA Title	Pass-through Number	Total Expenditures
U. S. Department of Agriculture/ Indiana Department of Education Child and Adult Care Food Program	10.558	1590055	\$ 1,792,347

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Orange County Rehabilitative and Developmental Services, Inc. under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Orange County Rehabilitative and Developmental Services, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Orange County Rehabilitative and Developmental Services, Inc.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying number are presented where available.

BRAD PARROTT
Certified Public Accountant

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REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Orange County Rehabilitative and Developmental Services, Inc.
Paoli, Indiana

I have audited the financial statements of Orange County Rehabilitative and Developmental Services, Inc. (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued my report thereon dated December 18, 2012. I conducted my 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.

Internal Control over Financial Reporting

Management of Orange County Rehabilitative and Developmental Services, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered Orange County Rehabilitative and Developmental Services, Inc.'s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Orange County Rehabilitative and Developmental Services, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Orange County Rehabilitative and Developmental Services, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the entity, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Brad Parrott CPA". The signature is written in a cursive style.

Brad Parrott
Certified Public Accountant
December 18, 2012

BRAD PARROTT
Certified Public Accountant

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**INDEPENDENT AUDITORS'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Orange County Rehabilitative and Developmental Services, Inc.

Compliance

I have audited Orange County Rehabilitative and Developmental Services, Inc. (a nonprofit organization) compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Orange County Rehabilitative and Developmental Services, Inc.'s major federal programs for the year ended June 30, 2012. Orange County Rehabilitative and Developmental Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Orange County Rehabilitative and Developmental Services, Inc.'s management. My responsibility is to express an opinion on Orange County Rehabilitative and Developmental Services, Inc.'s compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Orange County Rehabilitative and Developmental Services, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Orange County Rehabilitative and Developmental Services, Inc.'s compliance with those requirements.

In my opinion, Orange County Rehabilitative and Developmental Services, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance


Management of Orange County Rehabilitative and Developmental Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Orange County Rehabilitative and Developmental Services, Inc.'s internal control over compliance with the requirements that

could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Orange County Rehabilitative and Developmental Services, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Brad Parrott
Certified Public Accountant
December 18, 2012

Single Audit Reports

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDING JUNE 30, 2012

Section I - Summary of Auditors' Results

a. Financial Statements

Type of auditor's report issued: Unqualified opinion

Internal control over financial reporting:

Material weaknesses identified: **None Noted**

Significant Deficiencies (not considered material weaknesses): **None Noted**

Noncompliance material to financial statements: **None Noted**

b. Federal Awards

Internal control over major programs

Material weaknesses identified: **None Noted**

Significant Deficiencies (not considered material weaknesses): **None Noted**

Type of auditors' report issued on compliance for major programs:

Child and Adult Care Food Program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133: **None Noted**

Identification of major programs:

10,558

Child and Adult Care Food Program

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? **Yes**

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDING JUNE 30, 2011
(continued)

Section II- Financial Statement findings

None

Section III- Federal Award Findings and Questioned Costs

None