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February 12, 2015

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

We have reviewed the audit report prepared by Brad Parrott CPA, for the period July 1, 2012 to June 30, 2013. 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, 2013, 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, 2013 AND 2012

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.

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BRAD PARROTT
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of Orange County Rehabilitative and Developmental Services, Inc. (*a nonprofit organization*), which comprise the statements of financial position as of June 30, 2013 and 2012, 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

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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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, 2013 and 2012, 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.

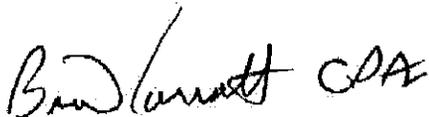
Other Matters

Other Information

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, 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. 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 17, 2013, 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* in considering Orange County Rehabilitative and Developmental Services, Inc.'s internal control over financial reporting and compliance.



Brad Parrott
Certified Public Accountant

December 17, 2013

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 922,087	\$ 650,906
Investment in certificate of deposits	172,223	504,795
Investments	565,728	488,602
Accounts receivable	217,654	287,389
Prepaid insurance	22,640	22,120
Property and equipment (net of accumulated depreciation of \$ 1,193,873 and \$ 1,158,915 respectively)	<u>596,086</u>	<u>571,565</u>
 Total assets	 <u>\$ 2,496,418</u>	 <u>\$ 2,525,377</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and accrued expenses	\$ 76,142	\$ 98,338
Net assets		
Unrestricted	<u>2,420,276</u>	<u>2,427,039</u>
 Total liabilities and net assets	 <u>\$ 2,496,418</u>	 <u>\$ 2,525,377</u>

See accompanying notes to financial statements.

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

UNRESTRICTED NET ASSETS	<u>2013</u>	<u>2012</u>
Revenues and support:		
Government grants/contracts	\$ 827,574	\$ 977,296
Non-government grants/contracts	191,572	208,823
Sub-contract income	46,687	41,578
Food program	1,715,238	1,792,347
County support	52,500	45,000
Service crews	738,521	767,143
Donations	48,603	48,209
Interest and dividends	12,976	18,124
Unrealized gains	76,433	15,826
Miscellaneous	<u>40,333</u>	<u>35,576</u>
Total revenue and support	<u>3,750,437</u>	<u>3,949,922</u>
Expenses:		
Program services		
Orange County Transit	472,623	588,331
Habilitation	479,279	515,868
Early intervention	54,263	58,930
Community employment	129,570	190,290
Service crew	137,448	152,766
Crane - NISH	453,619	491,210
First Chance Industries	315,173	288,648
Food program	<u>1,715,225</u>	<u>1,806,264</u>
Total expenses	<u>3,757,200</u>	<u>4,092,307</u>
Increase (decrease) in unrestricted net assets	(6,763)	(142,385)
Net assets, Beginning of year	<u>2,427,039</u>	<u>2,569,424</u>
Net assets, End of year	\$ <u>2,420,276</u>	\$ <u>2,427,039</u>

See accompanying notes to financial statements.

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
 STATEMENT OF FUNCTIONAL EXPENSES
 FISCAL YEAR ENDED JUNE 30, 2013

	PROGRAM SERVICES			
	Orange Co. Transit	Habilitation	Early Intervention	Community Employment
Salaries	\$ 284,444	\$ 271,127	\$ 34,584	\$ 76,993
Payroll taxes and fringe benefits	65,658	99,167	4,632	20,869
Total employee compensation	350,102	370,294	39,216	97,862
Provider reimbursement				
Rent				
Supplies	3,397	14,890	1,072	1,091
Telephone	3,253	1,336	211	1,192
Travel	79	258	34	3,276
Utilities	3,058	15,175	4,647	2,168
Accounting	6,438	6,190	495	2,476
Auditing	1,950	1,875	150	750
Van & truck expenses	84,487	18,420	1,816	6,186
Contracted services	2,161	2,863	204	370
Repairs & maintenance	871	4,750	1,489	634
Dues and subscriptions	133	3,430	190	2,352
Insurance	6,633	5,324	336	951
In service	770	380	119	298
Miscellaneous	6,372	7,516	2,040	1,274
Subtotal	469,704	452,701	52,019	120,880
Depreciation	2,919	26,578	2,244	8,690
Total Expense	\$ 472,623	\$ 479,279	\$ 54,263	\$ 129,570

See accompanying notes to financial statements.

Service Crews	Crane NISH	First Chance Industries	Food Program	Totals
\$ 98,488	\$ 261,503	\$ 195,383	\$ 80,641	\$ 1,303,163
28,843	25,180	42,580	26,755	313,684
127,331	286,683	237,963	107,396	1,616,847
			1,572,346	1,572,346
			17,223	17,223
2,565	26,032	8,983	2,029	60,059
	1,689	2,859	1,708	12,248
	336	11	5,450	9,444
	1,084	6,905		33,037
1,238	4,952	2,971	5,100	29,860
375	1,500	900	2,500	10,000
2,391	10,971	20,544		144,815
204	109,188	754	590	116,334
	338	14,274		22,356
47	1,823	381	90	8,446
2,027	4,614	4,665	206	24,756
38	26		300	1,931
832	4,366	1,650	287	24,337
137,048	453,602	302,860	1,715,225	3,704,039
400	17	12,313		53,161
\$ 137,448	\$ 453,619	\$ 315,173	\$ 1,715,225	\$ 3,757,200

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

	PROGRAM SERVICES			
	Orange Co. Transit	Habilitation	Early Intervention	Community Employment
Salaries	\$ 348,899	\$ 288,657	\$ 35,854	\$ 105,525
Payroll taxes and fringe benefits	78,592	103,730	4,915	46,194
Total employee compensation	427,491	392,387	40,769	151,719
Provider reimbursement				
Rent				
Supplies	4,121	12,732	3,383	1,448
Telephone	4,652	1,406	151	1,243
Travel	64	261	28	2,649
Utilities	2,509	14,638	4,017	2,091
Accounting	6,427	6,239	499	2,557
Auditing	1,950	1,875	150	750
Van & truck expenses	120,735	21,237	1,825	5,959
Contracted services	1,815	1,795	49	59
Repairs & maintenance	531	3,011	1,195	354
Dues and subscriptions	162	9,289	436	6,253
Insurance	10,977	11,125	2,026	4,048
In service		1,510	75	97
Miscellaneous	4,108	9,759	2,083	1,304
Subtotal	585,542	487,264	56,686	180,531
Depreciation	2,789	28,604	2,244	9,759
Total Expense	\$ 588,331	\$ 515,868	\$ 58,930	\$ 190,290

See accompanying notes to financial statements.

Service Crews	Crane NISH	First Chance Industries	Food Program	Totals
\$ 107,830	\$ 259,855	\$ 181,328	\$ 89,567	\$ 1,417,515
30,907	27,549	32,574	29,525	353,986
138,737	287,404	213,902	119,092	1,771,501
			1,644,746	1,644,746
			16,800	16,800
5,595	22,041	13,448	2,817	65,585
	1,575	2,032	1,823	12,882
	205	11	5,842	9,060
	1,046	6,225		30,526
1,248	4,991	2,995	5,100	30,056
375	1,500	900	2,500	10,000
2,324	10,930	18,539		181,549
49	146,875	629	884	152,155
	517	6,031		11,639
3	1,973	41	144	18,301
3,429	8,650	7,961	3,777	51,993
		193	2,574	4,449
736	1,896	2,293	165	22,344
152,496	489,603	275,200	1,806,264	4,033,586
270	1,607	13,448		58,721
\$ 152,766	\$ 491,210	\$ 288,648	\$ 1,806,264	\$ 4,092,307

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

<u>OPERATING ACTIVITIES</u>	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ (6,763)	\$ (142,385)
Adjustments to reconcile operating activity to net cash provided by net operating activities:		
Depreciation	53,161	58,721
Unrealized (gains)	(76,433)	(15,826)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	69,735	(27,151)
(Increase) decrease in prepaid insurance	(520)	(1,466)
Increase (decrease) in accounts payable and accrued expenses	(22,196)	(20,312)
Net cash provided by operations	<u>16,984</u>	<u>(148,419)</u>
<u>INVESTING ACTIVITIES</u>		
Purchase of property and equipment	(77,682)	(4,900)
(Increase) decrease in investment securities and certificates of deposit	<u>331,879</u>	<u>69,148</u>
	<u>254,197</u>	<u>64,248</u>
Net increase (decrease) in cash	271,181	(84,171)
Cash, Beginning of year	<u>650,906</u>	<u>735,077</u>
Cash, End of year	<u>\$ 922,087</u>	<u>\$ 650,906</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, 2013 AND 2012

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, 2011, 2012 and 2013 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, 2013 AND 2012
(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, 2013 and 2012, includes \$ 595,275 and \$ 655,551 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, 2013 AND 2012
(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, 2013 and 2012:

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013 AND 2012
 (continued)

Note 3 – Fair Value Measurements (continued)

Assets at Fair Value as of June 30, 2013

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$ 514,067	-	-	\$ 514,067
Municipal Bonds	<u>51,661</u>	-	-	<u>51,661</u>
	<u>\$ 565,728</u>			<u>\$ 565,728</u>

Assets at Fair Value as of June 30, 2012

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$ 488,602	-	-	\$ 488,602

Note 4 – Investments

Investments as of June 30, 2013 and 2012 are summarized as follows:

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Carrying Value</u>	<u>Cost</u>	<u>Carrying Value</u>
Vanguard Fund	\$ 348,422	\$ 514,067	\$ 337,958	\$ 426,430
Hartford Funds	-	-	43,164	62,172
Municipal Bonds	<u>54,824</u>	<u>51,661</u>	-	-
	<u>\$ 403,246</u>	<u>\$ 565,728</u>	<u>\$ 381,122</u>	<u>\$ 488,602</u>

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(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, 2013 and June 30, 2012 was \$10,000.

Note 6 – Property and Equipment

Property and equipment, at June 30, 2013 and 2012, is comprised of the following:

	<u>2013</u>	<u>2012</u>
Land	\$ 23,180	\$ 23,180
Buildings	1,168,078	1,118,078
Office equipment	72,116	72,116
Other equipment	139,246	139,246
Vehicles	<u>387,339</u>	<u>377,860</u>
	1,789,959	1,730,480
Accumulated depreciation	<u>1,193,873</u>	<u>1,158,915</u>
Net property and equipment	<u>\$ 596,086</u>	<u>\$ 571,565</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 17, 2013, 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, 2013

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	\$ 1,715,225

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, 2013. 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 numbers are presented where available.

BRAD PARROTT
Certified Public Accountant

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**INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of Orange County Rehabilitative and Developmental Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated December 17, 2013.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered Orange County Rehabilitative and Developmental Services, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Orange County Rehabilitative and Developmental Services, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

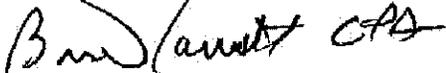
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Brad Parrott
Certified Public Accountant
December 17, 2013

BRAD PARROTT
Certified Public Accountant

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**INDEPENDENT AUDITORS'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

I have audited Orange County Rehabilitative and Developmental Services, Inc.'s 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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Orange County Rehabilitative and Developmental Services, Inc.'s major federal programs based on my audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, my audit does not provide a legal determination of Orange County Rehabilitative and Developmental Services, Inc.'s compliance.

Opinion on Each Major Federal Program

In my opinion, Orange County Rehabilitative and Developmental Services, Inc. complied, in all material respects, with the types of 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, 2013.

Report on 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 types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Orange County Rehabilitative and Developmental Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Brad Parrott
Certified Public Accountant
December 17, 2013

Single Audit Reports

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDING JUNE 30, 2013

Section I – Summary of Auditors' Results

a. Financial Statements

Type of auditor's report issued: Unmodified opinion

Internal control over financial reporting:

Material weaknesses identified: **No**

Significant Deficiencies identified: **None Reported**

Noncompliance material to financial statements: **No**

b. Federal Awards

Internal control over major programs

Material weaknesses identified: **No**

Significant Deficiencies identified: **None Reported**

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

Child and Adult Care Food Program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133: **No**

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, 2013
(continued)

Section II- Financial Statement findings

None

Section III- Federal Award Findings and Questioned Costs

None