

**UNITED CEREBRAL PALSY ASSOCIATION
OF ORANGE COUNTY**

FINANCIAL STATEMENTS

**WITH REPORT ON AUDIT
BY INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS**

JUNE 30, 2015 AND 2014

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United Cerebral Palsy
Association of Orange County
Irvine, California

We have audited the accompanying financial statements of the United Cerebral Palsy Association of Orange County (a nonprofit organization) (the Association), which comprise the statements of financial position as of June 30, 2015 and June 30, 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.

Auditors' 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. Those standards require that we 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 auditors' 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 auditors consider internal control relevant to the Association'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 Association'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 United Cerebral Palsy Association of Orange County as of June 30, 2015 and June 30, 2014 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

White Nelson Dick Evans LLP

Irvine, California
September 25, 2015

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

STATEMENTS OF FINANCIAL POSITION

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 799,379	\$ 1,210,026
Accounts receivable, net	521,110	407,280
Deposits	28,800	28,800
Prepaid expenses	69,319	75,890
TOTAL CURRENT ASSETS	<u>1,418,608</u>	<u>1,721,996</u>
FURNITURE AND EQUIPMENT, NET	29,699	56,468
RESTRICTED ASSETS:		
Pledges receivable	<u>5,000</u>	<u>42,592</u>
TOTAL ASSETS	<u>\$ 1,453,307</u>	<u>\$ 1,821,056</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 51,185	\$ 14,137
Accrued payroll and related expenses	177,187	152,761
Deferred rent payable	11,788	44,322
Compensated absences payable	45,012	34,566
Line of credit	135,000	205,000
Unearned revenue	25,095	-
TOTAL CURRENT LIABILITIES	<u>445,267</u>	<u>450,786</u>
NET ASSETS:		
Unrestricted	1,003,040	1,327,678
Temporarily restricted	5,000	42,592
TOTAL NET ASSETS	<u>1,008,040</u>	<u>1,370,270</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,453,307</u>	<u>\$ 1,821,056</u>

See independent auditors' report and notes to financial statements.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

STATEMENT OF ACTIVITIES

For the year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Totals
REVENUES AND SUPPORT:			
Contributions:			
General contributions	\$ 145,045	\$ -	145,045
Grant income	218,200	-	218,200
Total Contributions	<u>363,245</u>	<u>-</u>	<u>363,245</u>
Special Events:			
Revenues	767,292	5,000	772,292
Direct expenses	(194,655)	-	(194,655)
Total Net Special Events	<u>572,637</u>	<u>5,000</u>	<u>577,637</u>
Program Revenues:			
Therapy Services	1,059,906	-	1,059,906
Respite Connection	1,811,001	-	1,811,001
Recreation Services	22,083	-	22,083
Total Program Revenues	<u>2,892,990</u>	<u>-</u>	<u>2,892,990</u>
Other Support:			
Interest income	8,010	-	8,010
In-kind gifts	17,719	-	17,719
Rental income	23,929	-	23,929
Miscellaneous	341	-	341
Total Other Support	<u>49,999</u>	<u>-</u>	<u>49,999</u>
Total Revenues and Support	<u>3,878,871</u>	<u>5,000</u>	<u>3,883,871</u>
Net Assets Released from Restriction	<u>42,592</u>	<u>(42,592)</u>	<u>-</u>
 TOTAL REVENUES AND SUPPORT	 <u>3,921,463</u>	 <u>(37,592)</u>	 <u>3,883,871</u>
 EXPENSES:			
Therapy Services	1,716,206	-	1,716,206
Respite Connection	1,507,985	-	1,507,985
Family Support	52,640	-	52,640
Recreation	103,561	-	103,561
Administrative and general	381,115	-	381,115
Volunteer and fund development	484,594	-	484,594
 TOTAL EXPENSES	 <u>4,246,101</u>	 <u>-</u>	 <u>4,246,101</u>
 CHANGE IN NET ASSETS	 (324,638)	 (37,592)	 (362,230)
 NET ASSETS AT BEGINNING OF YEAR	 <u>1,327,678</u>	 <u>42,592</u>	 <u>1,370,270</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 1,003,040</u>	 <u>\$ 5,000</u>	 <u>\$ 1,008,040</u>

See independent auditors' report and notes to financial statements.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

STATEMENT OF ACTIVITIES

For the year ended June 30, 2014

	Unrestricted	Temporarily Restricted	Totals
REVENUES AND SUPPORT:			
Contributions:			
General contributions	\$ 101,706	\$ 31,992	\$ 133,698
Grant income	49,171	-	49,171
United Way contributions	31,875	-	31,875
Total Contributions	<u>182,752</u>	<u>31,992</u>	<u>214,744</u>
Special Events:			
Revenues	547,983	10,600	558,583
Direct expenses	(181,894)	-	(181,894)
Total Net Special Events	<u>366,089</u>	<u>10,600</u>	<u>376,689</u>
Program Revenues:			
Therapy Services	1,151,981	-	1,151,981
Respite Connection	1,537,352	-	1,537,352
Family Support	24,454	-	24,454
Recreation Services	26,395	-	26,395
Total Program Revenues	<u>2,740,182</u>	<u>-</u>	<u>2,740,182</u>
Other Support:			
Investment income, net	11,546	-	11,546
In-kind gifts	18,810	-	18,810
Rental income	14,922	-	14,922
Miscellaneous	4,372	-	4,372
Total Other Support	<u>49,650</u>	<u>-</u>	<u>49,650</u>
Total Revenues and Support	<u>3,338,673</u>	<u>42,592</u>	<u>3,381,265</u>
Net Assets Released from Restrictions	<u>601,599</u>	<u>(601,599)</u>	<u>-</u>
 TOTAL REVENUES AND SUPPORT	 <u>3,940,272</u>	 <u>(559,007)</u>	 <u>3,381,265</u>
EXPENSES:			
Therapy Services	1,763,343	-	1,763,343
Respite Connection	1,465,589	-	1,465,589
Family Support	42,155	-	42,155
Recreation	74,676	-	74,676
Administrative and general	280,382	-	280,382
Volunteer and fund development	334,305	-	334,305
 TOTAL EXPENSES	 <u>3,960,450</u>	 <u>-</u>	 <u>3,960,450</u>
 CHANGE IN NET ASSETS	 (20,178)	 (559,007)	 (579,185)
NET ASSETS AT BEGINNING OF YEAR	<u>1,347,856</u>	<u>601,599</u>	<u>1,949,455</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,327,678</u>	<u>\$ 42,592</u>	<u>\$ 1,370,270</u>

See independent auditors' report and notes to financial statements.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2015

	Program Services			Supporting Services			Totals
	Therapy Services	Respite Connection	Family Support	Recreation	Administrative and General	Volunteer and Fund Development	
Accounts receivable, net	\$ 1,407,494	\$ 1,267,735	\$ 18,216	\$ 42,678	\$ 207,559	\$ 373,106	\$ 3,316,788
SALARIES AND RELATED EXPENSES							
OTHER EXPENSES:							
Facilities and equipment	186,789	29,673	28,278	28,167	43,718	35,240	351,865
National and State affiliate	-	-	-	-	36,624	-	36,624
Supplies	6,353	360	14	1,652	5,019	878	14,276
Professional services	85,833	38,540	4,623	19,008	23,217	17,282	188,503
Insurance expenses	6,619	1,350	1,350	1,350	1,350	1,254	13,273
Business expenses	2,917	125	9	70	17,811	35,944	56,876
Travel and meetings	8,708	168,837	32	12	1,494	962	180,045
Marketing	-	-	-	-	3,196	-	3,196
Other expenses	11,493	1,365	118	10,624	12,658	19,928	56,186
Depreciation	-	-	-	-	28,469	-	28,469
TOTAL OTHER EXPENSES	308,712	240,250	34,424	60,883	173,556	111,488	929,313
TOTAL EXPENSES	\$ 1,716,206	\$ 1,507,985	\$ 52,640	\$ 103,561	\$ 381,115	\$ 484,594	\$ 4,246,101

See independent auditors' report and notes to financial statements.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2014

	Program Services			Supporting Services		Totals
	Therapy Services	Respite Connection	Family Support	Recreation	Administrative and General	
Accounts receivable, net	\$ 1,359,309	\$ 1,173,975	\$ 15,754	\$ 3,707	\$ 137,469	\$ 2,903,379
SALARIES AND RELATED EXPENSES						
OTHER EXPENSES:						
Facilities and equipment	174,058	50,292	7,966	44,074	29,700	368,690
National and State affiliate	13,314	16,633	265	285	271	38,648
Supplies	26,603	8,752	2,915	195	100	41,463
Professional services	86,409	41,007	11,080	18,792	75,177	244,416
Insurance expenses	7,552	526	394	2,337	6,923	20,069
Business expenses	1,537	313	29	-	7,486	16,658
Travel and meetings	9,290	172,863	2,000	-	1,612	187,365
Other expenses	68,383	52	870	60	18,377	107,097
Depreciation	16,888	1,176	882	5,226	3,267	32,665
TOTAL OTHER EXPENSES	404,034	291,614	26,401	70,969	142,913	1,057,071
TOTAL EXPENSES	\$ 1,763,343	\$ 1,465,589	\$ 42,155	\$ 74,676	\$ 280,382	\$ 3,960,450

See independent auditors' report and notes to financial statements.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (362,230)	\$ (579,185)
Adjustments to reconcile change in net assets to		
A net cash used for operating activities:		
Depreciation	28,469	32,665
Loss on disposal of furniture and equipment	1,779	-
Net realized and unrealized (gains) and losses on investments	-	4,642
(Increase) decrease in accounts and pledges receivable	(76,238)	24,230
Decrease in prepaid expenses	6,571	26,620
Increase in accounts payable	37,048	(14,753)
Increase in accrued payroll and related expenses	34,872	18,419
Decrease in deferred rent payable	(32,534)	(29,746)
Increase in unearned revenue	25,095	-
NET CASH USED FOR OPERATING ACTIVITIES	<u>(337,168)</u>	<u>(517,108)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of furniture and equipment	(3,479)	(26,442)
Proceeds from sales of investments	-	967,711
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>(3,479)</u>	<u>941,269</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment on line of credit	(70,000)	(50,000)
Payments on leases	-	(4,005)
NET CASH USED FOR FINANCING ACTIVITIES	<u>(70,000)</u>	<u>(54,005)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(410,647)	370,156
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,210,026</u>	<u>839,870</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 799,379</u>	<u>\$ 1,210,026</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	<u>\$ 1,004</u>	<u>\$ 7,181</u>

See independent auditors' report and notes to financial statements.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

Note 1: Nature of Business and Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the United Cerebral Palsy Association of Orange County (the Association) have been prepared on the accrual basis of accounting. Support and program service revenue earned, but not received, are recorded as receivables, and support received before the revenue recognition criteria have been met are reported as deferred revenues. All expenditures are recorded when the liability is incurred.

The accounts of the Association have been classified for financial statement purposes as follows:

Unrestricted Fund - The Unrestricted Fund is the general operating fund of the Association. All receipts not temporarily or permanently restricted by donors are accounted for in this fund. Expenses of this fund include management and program expenses.

Temporarily Restricted Funds - The Association accounts for contributions of cash and other assets in the Temporarily Restricted Fund if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Permanently Restricted Funds - The Association accounts for contributions of cash and other assets with donor-imposed restrictions that stipulate the principal amount be maintained permanently in permanently restricted funds. There were no permanently restricted funds as of June 30, 2015 and 2014.

Donated Goods and Services

In-kind donations are valued at their estimated fair market values. In-kind donations were \$17,719 and \$18,810 for the years ended June 30, 2015 and 2014, respectively.

A substantial number of volunteers have donated significant amounts of their time in the Association's program services and its fund raising campaigns. No amounts have been reported in the financial statements for these donated services.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015 and 2014

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Furniture and Equipment

The Association's fixed assets are stated at cost when purchased or fair market value when donated, and depreciated over their estimated useful lives of 3 to 7 years using the straight-line method.

Expenditures of \$1,000 or more for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Tax Exempt Status

The Association is exempt from federal income taxes under Internal Revenue Code Section 501(c) (3) and is also exempt from California income or franchise taxes under Revenue and Taxation Code Section 23701d. As of June 30, 2015 and 2014, the Association had no uncertain tax positions that qualified for either recognition or disclosure in the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents have been defined as demand deposits and highly liquid investments purchased with an original maturity of 90 days or less.

Investments in Equity and Debt Securities

Investments in equity securities with readily determinable fair values and debt securities are measured at fair value in the Statements of Financial Position. Unrealized gains and losses from changes in value of equity or debt securities are recorded in the Statements of Activities as an element of unrestricted and temporarily restricted investment income or loss.

Accounts Receivable and Related Program Revenue

The Association bills insurance companies for services provided to covered clients. Amounts recorded at the time of service as revenue and the related accounts receivable are equal to the amount billed less any contractual adjustments expected to be made by the insurance companies.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015 and 2014

Note 2: History and Goals of the Organization and Programs

Incorporated in 1953, the mission of the Association is to help children with disabilities reach their full potential, improve the quality of life for their families and foster an attitude of acceptance and inclusion.

Current Programs, Activities and Accomplishments

More than 60 years ago, the Association was established to assist people of all ages affected by cerebral palsy. Over the years, due to a significant increase in demand for services for children with disabilities, the Association streamlined its mission to focus primarily on children, yet broaden the range of disabilities served. Currently, the Association provides specialized care to children with autism spectrum disorder, Down syndrome, and other developmental delays. The Association also serves children who are at-risk for developing a developmental disability, including infants who experience low birth weight, pre-term delivery or those who have been substance exposed. Services offered are as follows:

Therapy Services - Physical, Occupational, and Speech Therapy are provided by licensed therapists in one-on-one situations or small groups. Multi-disciplinary therapy is focused on building skills in the areas of mobility, functional ability, and use of language. Early Intervention therapy and instruction is specifically designed to help children from birth to five years old with one or more developmental disability to accomplish developmental milestones and mitigate long-term issues.

Respite Connection - Respite provides critically needed “respite” for families facing the challenges of a special needs child by providing skilled caregivers who are able to care for medically fragile and behaviorally challenging children. This program helps to keep children at home with their families where they have a greater chance of prospering in society. Inclusive Childcare provides a safety net for working parents and an opportunity for children with special needs to be included in a typical after school care setting. Highly skilled one-on-one aides work collaboratively with center staff to properly assess, evaluate and include special needs children with their developmentally typical peers.

Family Support - This multi-faceted program is designed to help families adjust to the experience and cope with the stress of having a child born with disabilities, through workshops, support groups, and resources to help parents with all aspects of raising a child with special needs.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015 and 2014

Note 2: History and Goals of the Organization and Programs (Continued)

Current Programs, Activities and Accomplishments (Continued)

Recreation - Recreation offers a wide variety of after school, community based classes and activities that allow children with disabilities to participate in activities not readily available to them including yoga, dance, drawing and painting, music, and gymnastics. The Association also offers a number of special recreation opportunities throughout the year, including an annual Bike Camp held in August, and bi-weekly Friday Night Club gatherings for teens.

The Association works collaboratively with Children's Hospital of Orange County and University of Irvine, California Medical Center, as well as local pediatricians and nonprofit organizations to offer targeted services and therapies to children with disabilities and their families.

Note 3: Business Concentration

The Association receives a substantial portion of its revenue and support from the Regional Center of Orange County in the form of cost reimbursements for services provided to its clients. The amount of revenue received for the years ended June 30, 2015 and 2014 were \$2,202,486 and \$1,966,996 respectively. These amounts are reported as part of program revenue in the Statements of Activities. These represent 54% and 55% of total revenue and support for the years ended June 30, 2015 and 2014, respectively, and indicates a significant concentration. At June 30, 2015 and 2014, these amounts included \$384,633 and \$340,282 of accounts receivable, respectively. These represent 73% and 75% of total accounts receivable in the Statements of Financial Position as of June 30, 2015 and 2014, respectively.

Note 4: Cash and Cash Equivalents

Cash and cash equivalents at June 30, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Cash in bank	\$ 33,784	\$ 246,102
Money market mutual funds	<u>765,595</u>	<u>963,924</u>
Total Cash and Cash Equivalents	<u>\$ 799,379</u>	<u>\$1,210,026</u>

Cash on deposit at June 30, 2015 and 2014 exceeded the federally insured limit by \$0 and \$27,394, respectively, and money market mutual funds were not insured.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015 and 2014

Note 5: Investment Income, Net

There were no investments during the year ended June 30, 2015. Net investment income for the years ended June 30, 2014 is comprised of the following:

	<u>2014</u>
Interest and dividends from investments	\$ 16,188
Net realized and unrealized gains and losses	<u>(4,642)</u>
Total Investment Income, Net	<u>\$ 11,546</u>

Investment fees of \$2,956 for the year ended June 30, 2014, are included in other administrative expense in the Statements of Functional Expenses.

Note 6: Furniture and Equipment

Balances at June 30, 2015 and June 30, 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 220,723	\$ 406,552
Less accumulated depreciation	<u>(191,024)</u>	<u>(350,084)</u>
Net Furniture and Equipment	<u>\$ 29,699</u>	<u>\$ 56,468</u>

Depreciation expense for the years ended June 30, 2015 and 2014 was \$28,469 and \$32,665, respectively.

Note 7: Deferred Rent

In November 2008, the Association entered into an operating lease agreement for its administrative office which contains provisions for future rent increases. In January 2010, the Association amended this operating lease to adjust the provisions for future rent increases, extend the lease term an additional two years and provision for base rent discounts totaling \$150,000 to be applied in twelve equal installments to various predetermined months during the calendar years 2011 and 2010. The Association records monthly rent expense ratability over the term of the lease. Deferred rent payable amounts of \$11,788 and \$44,322 as of June 30, 2015 and 2014, respectively, represents the amount of rent expense recorded in excess of the amount paid under the terms of the lease.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015 and 2014

Note 8: Line of Credit

In 2011, the Association entered into a revolving line of credit loan with Citizens Business Bank. In November 2014 the loan agreement was extended and provides for borrowings through September 2016 (the maturity date) up to a maximum amount of \$330,000. Borrowings will bear a variable interest rate equal to the bank's prime rate not to be less than 3.25%, payable monthly. All borrowings are collateralized by substantial assets of the Association. The line of credit has an interest rate of 3.25% and balances of \$135,000 and \$205,000 as of June 30, 2015 and 2014, respectively.

Note 9: Restricted Net Assets

Restricted net assets as of June 30, 2015 and 2014 included pledges receivable of \$5,000 and \$42,592, respectively.

Note 10: Commitments and Contingencies

Operating Leases

The Association leases its office space under the terms of non-cancellable operating lease agreement expiring in October 2017. The lease contains stipulated rent increases. Future minimum lease payments under the terms of the agreements were as follows as of June 30, 2015:

Year Ending <u>June 30,</u>	<u>Amount</u>
2016	\$ 286,833
2017	<u>93,049</u>
Total	<u>\$ 379,882</u>

Rent expense under the agreement for the years ended June 30, 2015 and 2014 totaled \$266,843. The Association subleased a portion of its premises and received \$23,929 and \$14,922 of rental income under that sublease during the years ended June 30, 2015 and 2014 respectively.

Litigation

The Association experiences routine litigation in the normal course of its business. Management does not believe that any pending or threatened litigation will have a material adverse effect on its financial statements.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015 and 2014

Note 11: Net Assets Released from Temporary Restrictions

The following temporarily restricted net assets were released from restrictions during the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Pledges received or written off	\$ 42,592	\$ 116,825
Early Learning Center Costs incurred or released	-	265,040
Therapy Program costs incurred	-	187,934
Infant Stimulation Program costs incurred	<u>-</u>	<u>31,800</u>
Total Temporary Restrictions Released	<u>\$ 42,592</u>	<u>\$ 601,599</u>

Note 12: Retirement Plan

On July 1, 2002 the Association established a 401(k) plan, a qualified defined contribution pension plan. The Plan is administered by Flex Pensions of California, Inc.

As a defined contribution plan, the plan provides an individual account for each participant, and specifies how contributions to the participants' accounts are to be determined instead of specifying the amount of benefits the participants are to receive. The benefits a participant will receive depend solely on the participant's account balance at the time payments are calculated.

Enrollment in the elective deferral portion of the plan is completely voluntary. An employee can authorize elective deferral contributions from compensation up to the maximum amount allowed by law. Employees are always 100% vested in the amount of their elective deferral contributions.

Effective July 1, 2009, the Association eliminated the employer matching program. The new adopted agreement allows the Association to make discretionary matching contributions.

Employer contributions for the years ended June 30, 2015 and 2014 were \$43,175 and \$0 respectively. Employees' contributions for the years ended June 30, 2015 and 2014 were \$74,900 and \$13,314, respectively.

Note 13: Flexible Benefit Plan

The Association has a flexible benefit plan for eligible employees whereby salaries can be reduced for amounts paid by the Association for health, dental, disability or group term life insurance premiums. This is a qualified "cafeteria plan" under Internal Revenue Code Section 125.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015 and 2014

Note 14: Reclassifications

Certain reclassifications have been made to the June 30, 2014 financial statements in order to conform with the current year presentation.

Note 15: Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through September 25, 2015, which is the date the financial statements were available to be issued.