

**UNITED CEREBRAL PALSY ASSOCIATION
OF ORANGE COUNTY**

FINANCIAL STATEMENTS

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

JUNE 30, 2014 AND 2013

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

TABLE OF CONTENTS

June 30, 2014 and 2013

	<u>Page Numbers</u>
Independent Auditors' Report	1 - 2
Financial Statements:	
Statements of Financial Position as of June 30, 2014 and 2013	3
Statement of Activities for the year ended June 30, 2014	4
Statement of Activities for the year ended June 30, 2013	5
Statement of Functional Expenses for the year ended June 30, 2014	6
Statement of Functional Expenses for the year ended June 30, 2013	7
Statements of Cash Flows for the years ended June 30, 2014 and 2013	8
Notes to Financial Statements	9 - 18

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, 2014 and June 30, 2013 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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, 2014 and June 30, 2013 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

October 8, 2014

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

STATEMENTS OF FINANCIAL POSITION

June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,210,026	\$ 839,870
Accounts receivable	407,280	357,277
Deposits	28,800	28,800
Prepaid expenses	75,890	102,510
TOTAL CURRENT ASSETS	<u>1,721,996</u>	<u>1,328,457</u>
INVESTMENTS	<u>-</u>	<u>972,352</u>
FURNITURE AND EQUIPMENT, NET	<u>56,468</u>	<u>62,692</u>
RESTRICTED ASSETS:		
Pledges receivable	<u>42,592</u>	<u>116,825</u>
TOTAL ASSETS	<u>\$ 1,821,056</u>	<u>\$ 2,480,326</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 14,137	\$ 28,890
Accrued payroll and related expenses	152,761	143,360
Deferred rent payable	44,322	74,068
Compensated absences payable	34,566	25,548
Line of credit	205,000	255,000
Current portion of lease payable	-	4,005
TOTAL CURRENT LIABILITIES	<u>450,786</u>	<u>530,871</u>
NET ASSETS:		
Unrestricted	1,327,678	1,347,856
Temporarily restricted	42,592	601,599
TOTAL NET ASSETS	<u>1,370,270</u>	<u>1,949,455</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,821,056</u>	<u>\$ 2,480,326</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:			
Grant income	\$ 49,171	\$ -	\$ 49,171
United Way contributions	31,875	-	31,875
Philanthropy and special events	649,689	42,592	692,281
Program revenues:			
Therapy Services	953,400	-	953,400
Infant Stimulation	213,503	-	213,503
Respite Connection	1,102,125	-	1,102,125
Family Support Services	24,454	-	24,454
Inclusive Childcare	435,227	-	435,227
Recreation Services	26,395	-	26,395
Investment income, net	11,546	-	11,546
In-kind contributions	18,810	-	18,810
Miscellaneous	4,372	-	4,372
Net assets released from restrictions	601,599	(601,599)	-
 TOTAL REVENUES AND SUPPORT	 <u>4,122,166</u>	 <u>(559,007)</u>	 <u>3,563,159</u>
EXPENSES:			
Therapy Services	1,524,506	-	1,524,506
Early Intervention	238,837	-	238,837
Respite Connection	1,007,749	-	1,007,749
Family Support	42,155	-	42,155
Inclusive Childcare	457,840	-	457,840
Recreation	74,676	-	74,676
Administrative and General	280,382	-	280,382
Volunteer and Fund Development	516,199	-	516,199
 TOTAL EXPENSES	 <u>4,142,344</u>	 <u>-</u>	 <u>4,142,344</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 ACTIVITIES

For the year ended June 30, 2013

	Unrestricted	Temporarily Restricted	Totals
REVENUES AND SUPPORT:			
Grant income	\$ 207,819	\$ 100,000	\$ 307,819
United Way contributions	31,909	31,857	63,766
Philanthropy and special events	821,339	204,702	1,026,041
Program revenues:			
Therapy Services	956,842	-	956,842
Infant Stimulation	186,460	-	186,460
Respite Connection	981,313	-	981,313
Family Support Services	12,986	-	12,986
Inclusive Childcare	441,356	-	441,356
Recreation Services	27,210	-	27,210
Investment income, net	35,072	320	35,392
Miscellaneous	3,621	-	3,621
Net assets released from restrictions	325,377	(325,377)	-
	<u>4,031,304</u>	<u>11,502</u>	<u>4,042,806</u>
TOTAL REVENUES AND SUPPORT			
EXPENSES:			
Therapy Services	1,284,002	-	1,284,002
Early Intervention	187,921	-	187,921
Respite Connection	857,180	-	857,180
Family Support	57,911	-	57,911
Inclusive Childcare	422,749	-	422,749
Recreation	106,218	-	106,218
Administrative and General	297,648	-	297,648
Volunteer and Fund Development	693,292	-	693,292
	<u>3,906,921</u>	<u>-</u>	<u>3,906,921</u>
TOTAL EXPENSES			
CHANGE IN NET ASSETS	124,383	11,502	135,885
NET ASSETS AT BEGINNING OF YEAR	<u>1,223,473</u>	<u>590,097</u>	<u>1,813,570</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,347,856</u>	<u>\$ 601,599</u>	<u>\$ 1,949,455</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, 2014

	Program Services					Program Services (Continued)	Supporting Services		Totals
	Physical, Occupational and Speech Therapy	Early Intervention	Respite Care	Family Support	Inclusive Childcare	Recreation	Administrative and General	Volunteer and Fund Development	
SALARIES AND RELATED EXPENSES	\$ 1,158,937	\$ 198,813	\$ 745,258	\$ 15,754	\$ 421,047	\$ 3,707	\$ 134,577	\$ 207,185	\$ 2,885,278
OTHER EXPENSES:									
Special events	-	-	-	-	-	-	-	181,894	181,894
Insurance	7,012	540	351	394	175	2,337	6,923	2,337	20,069
Licensing requirements	650	-	-	-	-	-	702	-	1,352
National and State affiliate	10,951	2,363	11,927	265	4,706	285	271	7,880	38,648
Postage	431	-	4	29	32	-	1,751	1,134	3,381
Printing	1,050	56	65	-	212	-	5,735	6,159	13,277
Professional fees	79,693	6,716	27,202	11,080	13,805	18,792	75,177	11,951	244,416
Rent - facilities, equipment	135,790	11,252	12,669	7,457	5,685	43,525	27,251	47,449	291,078
Repairs, maintenance and cleaning	18,276	3,814	19,255	427	7,597	461	2,365	12,721	64,916
Staff recruitment and education	1,459	100	7,510	-	160	-	2,892	5,980	18,101
Staff transportation and auto expense	18	9,272	172,076	2,000	787	-	1,612	1,600	187,365
Supplies	23,511	3,092	6,965	2,915	1,787	195	100	2,898	41,463
Telephone	3,377	1,549	3,657	82	1,429	88	84	2,430	12,696
Other	67,672	61	26	870	26	60	17,675	19,355	105,745
Depreciation	15,679	1,209	784	882	392	5,226	3,267	5,226	32,665
TOTAL OTHER EXPENSES	365,569	40,024	262,491	26,401	36,793	70,969	145,805	309,014	1,257,066
TOTAL EXPENSES	\$ 1,524,506	\$ 238,837	\$ 1,007,749	\$ 42,155	\$ 457,840	\$ 74,676	\$ 280,382	\$ 516,199	\$ 4,142,344

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, 2013

	Program Services					Program Services (Continued)	Supporting Services		Totals
	Physical, Occupational and Speech Therapy	Early Intervention	Respite Care	Family Support	Inclusive Childcare	Recreation	Administrative and General	Volunteer and Fund Development	
SALARIES AND RELATED EXPENSES	\$ 1,051,599	\$ 157,882	\$ 623,901	\$ 34,721	\$ 398,166	\$ 41,132	\$ 121,319	\$ 309,118	\$ 2,737,838
OTHER EXPENSES:									
Special events	-	-	-	-	-	-	-	259,773	259,773
Insurance	6,420	495	321	361	160	2,140	3,372	2,140	15,409
Licensing requirements	650	-	-	-	-	-	621	-	1,271
National and State affiliate	9,550	1,992	9,512	458	4,279	273	363	12,744	39,171
Postage	238	19	40	-	10	-	2,151	264	2,722
Printing	2,866	182	714	92	196	-	4,777	6,329	15,156
Professional fees	6,566	314	1,502	72	676	12,578	100,506	5,196	127,410
Rent - facilities, equipment	133,063	10,863	11,018	7,447	5,279	42,948	26,935	48,973	286,526
Repairs, maintenance and cleaning	15,499	2,697	12,882	621	5,796	370	1,822	17,259	56,946
Staff recruitment and education	2,683	32	5,187	100	888	326	5,143	3,839	18,198
Staff transportation and auto expense	88	8,958	185,939	488	3,362	150	3,913	968	203,866
Supplies	18,070	832	3,685	6,464	1,799	577	140	4,937	36,504
Telephone	3,189	2,135	1,440	3,189	1,699	-	1,786	1,276	14,714
Other	16,348	196	180	2,932	10	-	21,222	14,752	55,640
Depreciation	17,173	1,324	859	966	429	5,724	3,578	5,724	35,777
TOTAL OTHER EXPENSES	232,403	30,039	233,279	23,190	24,583	65,086	176,329	384,174	1,169,083
TOTAL EXPENSES	\$ 1,284,002	\$ 187,921	\$ 857,180	\$ 57,911	\$ 422,749	\$ 106,218	\$ 297,648	\$ 693,292	\$ 3,906,921

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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (579,185)	\$ 135,885
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	32,665	35,777
Net realized and unrealized (gains) and losses in investments	4,642	(1,054)
(Increase) decrease in accounts and pledges receivable	24,230	56,281
Decrease in prepaid expenses	26,620	11,701
Decrease in accounts payable	(14,753)	(7,385)
Decrease in accrued payroll and related expenses	18,419	9,627
Decrease in deferred rent payable	(29,746)	(45,051)
NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES	<u>(517,108)</u>	<u>195,781</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of furniture and equipment	(26,442)	(2,775)
Purchases of investments	-	(192,736)
Proceeds from sales of investments	967,711	171,499
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>941,269</u>	<u>(24,012)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Advances from line of credit	-	100,000
Payment on line of credit	(50,000)	-
Payments on leases	(4,005)	(9,328)
NET CASH (USED FOR) PROVIDED BY FINANCING ACTIVITIES	<u>(54,005)</u>	<u>90,672</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	370,156	262,441
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>839,870</u>	<u>577,429</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,210,026</u>	<u>\$ 839,870</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	<u>\$ 7,181</u>	<u>\$ 7,803</u>

See independent auditors' report and notes to financial statements.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. 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, 2014 and 2013.

b. Donated Goods and Services:

In-kind donations are valued at their estimated fair market values. In-kind donations were \$18,810 and \$0 for the years ended June 30, 2014 and 2013, 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.

See independent auditors' report.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014 and 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. 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.

d. 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, 2014 and 2013, the Association had no uncertain tax positions that qualified for either recognition or disclosure in the financial statements.

e. 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.

f. 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.

g. 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.

h. 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.

See independent auditors' report.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014 and 2013

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.

a. 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:

Physical, Occupational, and Speech Therapy - provided by licensed therapists in one-on-one or small groups, multi-disciplinary therapy is focused on building skill in the areas of mobility, functional ability, and use of language.

Early Intervention - therapy and instruction are specifically designed to help children from birth to five years old with one or more developmental disability delay to accomplish developmental milestones and mitigate long-term issues.

Respite Care - provides critically needed “respite” for families facing the challenges of a special needs child by providing skilled caregivers 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.

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.

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.

See independent auditors’ report.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014 and 2013

2. HISTORY AND GOALS OF THE ORGANIZATION AND PROGRAMS (CONTINUED):

a. Current Programs, Activities and Accomplishments (Continued)

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.

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, 2014 and 2013 were \$1,966,996 and \$1,821,457 respectively. These amounts are reported as part of program revenue in the Statements of Activities. These represent 55% and 45% of total revenue and support for the years ended June 30, 2014 and 2013, respectively, and indicates a significant concentration. At June 30, 2014 and 2013, these amounts included \$340,282 and \$307,863 of accounts receivable, respectively. These represent 75% and 86% of total accounts receivable in the Statements of Financial Position as of June 30, 2014 and 2013, respectively.

The current economy has resulted in a significant decrease in revenues collected by the State of California forcing the State to reduce or suspend funding of certain programs. Regional Center of Orange County receives most of its funding from the State of California. The projection of the financial data for future periods must recognize these factors and consider the related effects on its operations and costs.

See independent auditors' report.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014 and 2013

4. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents at June 30, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Cash in bank	\$ 246,102	\$ 507,038
Money market mutual funds	<u>963,924</u>	<u>332,832</u>
Total Cash and Cash Equivalents	<u>\$1,210,026</u>	<u>\$ 839,870</u>

Cash on deposit at June 30, 2014 and 2013 exceeded the federally insured limit by \$27,394 and \$269,477, respectively, and money market mutual funds were not insured.

5. INVESTMENT INCOME, NET:

Net investment income for the years ended June 30, 2014 and 2013 is comprised of the following:

	<u>2014</u>	<u>2013</u>
Interest and dividends from investments	\$ 16,188	\$ 34,338
Net realized and unrealized gains and losses	<u>(4,642)</u>	<u>1,054</u>
Total Investment Income, Net	<u>\$ 11,546</u>	<u>\$ 35,392</u>

Investment fees of \$2,956 and \$8,918 for the years ended June 30, 2014 and 2013, respectively, are included in other administrative expense in the Statements of Functional Expenses.

See independent auditors' report.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014 and 2013

6. FAIR VALUE MEASUREMENTS:

The Association's investments are reported at fair value in the accompanying Statements of Financial Position. There were no investments as of June 30, 2014. The investments at June 30, 2013 were as follows:

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Common Stocks	\$ 234,130	\$ 234,130	\$ -	\$ -
U.S. Bonds	508,977	508,977	-	-
Mortgage Backed Securities	193,209	193,209	-	-
International Stocks	18,238	18,238	-	-
Exchange Traded Funds:				
Index Fund	6,872	6,872	-	-
Real Estate	10,926	-	10,926	-
	<u>\$ 972,352</u>	<u>\$ 961,426</u>	<u>\$ 10,926</u>	<u>\$ -</u>

Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Association uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Association measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 inputs were available to the Association, and Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

Level 1 Fair Value Measurements - The fair value of the investments listed above are based on quoted prices in active markets for identical investments to those held by the Association at year-end.

Level 2 Fair Value Measurements - Measurements under Level 2 are from observable inputs, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other observable inputs that can be corroborated by observable market data.

See independent auditors' report.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014 and 2013

6. FAIR VALUE MEASUREMENTS (CONTINUED):

Level 3 Fair Value Measurements - Are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets. No Association assets or liabilities were measured using Level 3 inputs.

Gains and losses (realized and unrealized) for the fiscal years ended June 30, 2014 and June 30, 2013 are reported as investment income, net in the Statements of Activities.

7. FURNITURE AND EQUIPMENT:

Balances at June 30, 2014 and June 30, 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Furniture and equipment	\$ 406,552	\$ 380,110
Less accumulated depreciation	<u>(350,084)</u>	<u>(317,418)</u>
Total Furniture and Equipment	<u>\$ 56,468</u>	<u>\$ 62,692</u>

Depreciation expense for the years ended June 30, 2014 and 2013 was \$32,665 and \$35,777, respectively.

8. 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 expense of \$44,322 and \$74,068 as of June 30, 2014 and 2013, respectively, represents the amount of rent expense recorded in excess of the amount paid under the terms of the lease.

9. LEASES PAYABLE:

In December 2008, the Association entered into a lease agreement to finance tenant improvements. The agreement provides for 60 monthly payments of \$833 with an interest rate of 0.00% that was paid off in October 2013.

See independent auditors' report.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014 and 2013

9. LEASES PAYABLE (CONTINUED):

Total interest expense incurred and paid on these financing agreements totals \$0 and \$7,803 for the years ended June 30, 2014 and 2013, respectively.

These leased assets have been classified as furniture and equipment. The original costs of the assets were \$181,365 at June 30, 2014 and 2013. The accumulated depreciation was \$157,697 and \$134,276 at June 30, 2014 and 2013, respectively. The depreciation expenses were \$23,421 and \$28,500 for the years ended June 30, 2014 and 2013, respectively.

There were no future scheduled lease payments related to these leased assets due as of June 30, 2014.

10. LINE OF CREDIT:

On September 28 2012, the Association entered into a revolving line of credit loan with Citizens Business Bank. In September 2014 the loan agreement was extended and provides for borrowings through September 2015 (the maturity date) up to a maximum amount of \$330,000. Borrowings will bear a variable interest rate equal to the prime rate as reported in the Money Rates Section of the West Coast Edition of the Wall Street Journal. All borrowings are collateralized by substantial assets of the Association. The line of credit had an interest rate of 3.25% and a balance of \$205,000 and \$255,000 as of June 30, 2014 and 2013, respectively.

11. RESTRICTED NET ASSETS:

Restricted net assets as of June 30, 2014 and 2013 included temporarily restricted assets of \$0 and \$265,040, respectively, for the Early Learning Center project. Special events were sponsored by a donor, who was also a member of the Board of Directors, to raise funds for an Early Learning Center. Temporarily restricted net assets included unspent donations received from these events. In May 2013 the Board of Directors voted to release the Early Learning Center funds from restriction.

Pledges receivable of \$42,592 comprise the June 30, 2014 temporarily restricted net assets. Pledges receivable of \$116,825 and temporarily restricted gifts and grants for the Therapy and Infant Stimulation Programs of \$219,734 comprised the remainder of the June 30, 2013 temporarily restricted net assets.

See independent auditors' report.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014 and 2013

12. COMMITMENTS:

In January, 2010 the Association executed an amendment of the lease agreement for its administrative office. Under the terms of the amendment, the Association leases its administrative office space in Irvine for \$25,419 per month. The lease contains an annual escalation clause and expires on October 31, 2015. Future minimum lease payments are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2015	\$ 299,375
2016	<u>100,735</u>
Total	<u>\$ 400,110</u>

Rent expense under the agreement for the years ended June 30, 2014 and 2013 totaled \$266,843.

13. NET ASSETS RELEASED FROM TEMPORARY RESTRICTIONS:

The following temporarily restricted net assets were released from restrictions during the years ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Pledges received or written off	\$ 116,825	\$ 200,377
Early Learning Center Costs incurred or released	265,040	-
Therapy Program costs incurred	187,934	100,000
Infant Stimulation Program costs incurred	<u>31,800</u>	<u>25,000</u>
Total Temporary Restrictions Released	<u>\$ 601,599</u>	<u>\$ 325,377</u>

14. 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.

See independent auditors' report.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014 and 2013

14. RETIREMENT PLAN (CONTINUED):

Prior to July 1, 2009, the plan authorized the employer to match an amount equal to 50% of the first 5% of participant compensation contributed. Plan participants are vested in the accumulated employer contributions based on years of service in accordance with the following chart:

<u>Years of Service</u>	<u>Percent Vested</u>
1-2	0%
2	20%
3	40%
4	60%
5	80%
6	100%

Effective July 1, 2009, the employer eliminated the employer matching program. The new adopted agreement allows the employer the discretion to match future contributions without needing to make a plan amendment. A corporate resolution would be needed to resume a matching program.

There were no employer contributions for the years ended June 30, 2014 and 2013, respectively. Employees' contributions were \$13,314 and \$41,872 for the years ended June 30, 2014 and 2013, respectively.

15. 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.

16. RECLASSIFICATIONS:

Certain reclassifications have been made to the June 30, 2013 financial statements to confirm to the current year presentation. These reclassifications had no effect on the change in net assets for the year ended June 30, 2013.

17. 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 October 8, 2014, which is the date the financial statements were available to be issued.

See independent auditors' report.