

**UNITED CEREBRAL PALSY ASSOCIATION  
OF ORANGE COUNTY**

**FINANCIAL STATEMENTS**

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

**JUNE 30, 2013 AND 2012**



UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

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June 30, 2013 and 2012

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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 "the Association"), which comprise the statements of financial position as of June 30, 2013 and June 30, 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.

### **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, 2013 and June 30, 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.

*White Nelson Nick Evans LLP*

Irvine, California

October 16, 2013

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

STATEMENTS OF FINANCIAL POSITION

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 355,096	\$ 187,709
Accounts receivable	357,277	330,006
Deposits	28,800	28,800
Prepaid expenses	102,510	114,211
TOTAL CURRENT ASSETS	<u>843,683</u>	<u>660,726</u>
INVESTMENTS	<u>972,352</u>	<u>950,061</u>
FURNITURE AND EQUIPMENT, NET	<u>62,692</u>	<u>95,694</u>
RESTRICTED ASSETS:		
Cash and cash equivalents	484,774	389,720
Pledges receivable	116,825	200,377
TOTAL RESTRICTED ASSETS	<u>601,599</u>	<u>590,097</u>
TOTAL ASSETS	<u>\$ 2,480,326</u>	<u>\$ 2,296,578</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 28,890	\$ 36,275
Accrued payroll and related expenses	143,360	113,156
Deferred rent payable	74,068	119,119
Compensated absences payable	25,548	46,125
Line of credit	255,000	155,000
Current portion of lease payable	4,005	9,328
TOTAL CURRENT LIABILITIES	<u>530,871</u>	<u>479,003</u>
LONG - TERM LIABILITIES:		
Lease payable - net of current portion	<u>-</u>	<u>4,005</u>
TOTAL LIABILITIES	<u>530,871</u>	<u>483,008</u>
NET ASSETS:		
Unrestricted	1,347,856	1,223,473
Temporarily restricted	601,599	590,097
TOTAL NET ASSETS	<u>1,949,455</u>	<u>1,813,570</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,480,326</u>	<u>\$ 2,296,578</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
<b>REVENUES AND SUPPORT:</b>			
Grant income	\$ 207,819	\$ 100,000	\$ 307,819
United Way contributions	31,909	31,857	63,766
Other contributions	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>
<b>TOTAL REVENUES AND SUPPORT</b>			
<b>EXPENSES:</b>			
Therapy Services	1,284,002	-	1,284,002
Infant Stimulation	187,921	-	187,921
Respite Connection	857,180	-	857,180
Family Support Services	57,911	-	57,911
Inclusive Childcare	422,749	-	422,749
Recreation Services	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>
<b>TOTAL EXPENSES</b>			
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 ACTIVITIES

For the year ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
<b>REVENUES AND SUPPORT:</b>			
Grant income	\$ 86,000	\$ -	\$ 86,000
United Way contributions	31,875	31,875	63,750
Other contributions	767,694	293,502	1,061,196
Program revenues:			
Therapy Services	842,406	-	842,406
Infant Stimulation	146,804	-	146,804
Respite Connection	814,566	-	814,566
Family Support Services	21,707	-	21,707
Inclusive Childcare	511,916	-	511,916
Recreation Services	30,240	-	30,240
Investment income, net	43,598	423	44,021
Miscellaneous	80	-	80
In-kind gifts	21,000	-	21,000
Net assets released from restrictions	204,375	(204,375)	-
	<u>3,522,261</u>	<u>121,425</u>	<u>3,643,686</u>
<b>TOTAL REVENUES AND SUPPORT</b>			
<b>EXPENSES:</b>			
Therapy Services	1,220,691	-	1,220,691
Infant Stimulation	195,752	-	195,752
Respite Connection	701,144	-	701,144
Family Support Services	107,998	-	107,998
Inclusive Childcare	476,484	-	476,484
Recreation Services	107,713	-	107,713
Administrative and General	251,639	-	251,639
Volunteer and Fund Development	621,525	-	621,525
	<u>3,682,946</u>	<u>-</u>	<u>3,682,946</u>
<b>TOTAL EXPENSES</b>			
CHANGE IN NET ASSETS	(160,685)	121,425	(39,260)
NET ASSETS AT BEGINNING OF YEAR	<u>1,384,158</u>	<u>468,672</u>	<u>1,852,830</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,223,473</u>	<u>\$ 590,097</u>	<u>\$ 1,813,570</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, 2013

	Program Services				
	Therapy Services	Infant Stimulation	Respite Connection	Family Support Services	Inclusive Childcare
SALARIES AND RELATED EXPENSES	\$ 1,051,599	\$ 157,882	\$ 623,901	\$ 34,721	\$ 398,166
OTHER EXPENSES:					
Contribution campaigns	-	-	-	-	-
Insurance	6,420	495	321	361	160
Licensing requirements	650	-	-	-	-
National and State affiliate	9,550	1,992	9,512	458	4,279
Postage	238	19	40	-	10
Printing	2,866	182	714	92	196
Professional fees	6,566	314	1,502	72	676
Rent - facilities, equipment	133,063	10,863	11,018	7,447	5,279
Repairs, maintenance and cleaning	15,499	2,697	12,882	621	5,796
Staff recruitment and education	2,683	32	5,187	100	888
Staff transportation and auto expense	88	8,958	185,939	488	3,362
Supplies	18,070	832	3,685	6,464	1,799
Telephone	3,189	2,135	1,440	3,189	1,699
Other	16,348	196	180	2,932	10
Depreciation	17,173	1,324	859	966	429
TOTAL OTHER EXPENSES	232,403	30,039	233,279	23,190	24,583
TOTAL EXPENSES	\$ 1,284,002	\$ 187,921	\$ 857,180	\$ 57,911	\$ 422,749

See independent auditors' report and notes to financial statements.

Program Services (Continued)	Supporting Services		
	Administrative and General	Volunteer and Fund Development	Totals
<u>\$ 41,132</u>	<u>\$ 121,319</u>	<u>\$ 309,118</u>	<u>\$ 2,737,838</u>
-	-	259,773	259,773
2,140	3,372	2,140	15,409
-	621	-	1,271
273	363	12,744	39,171
-	2,151	264	2,722
-	4,777	6,329	15,156
12,578	100,506	5,196	127,410
42,948	26,935	48,973	286,526
370	1,822	17,259	56,946
326	5,143	3,839	18,198
150	3,913	968	203,866
577	140	4,937	36,504
-	1,786	1,276	14,714
-	21,222	14,752	55,640
<u>5,724</u>	<u>3,578</u>	<u>5,724</u>	<u>35,777</u>
<u>65,086</u>	<u>176,329</u>	<u>384,174</u>	<u>1,169,083</u>
<u>\$ 106,218</u>	<u>\$ 297,648</u>	<u>\$ 693,292</u>	<u>\$ 3,906,921</u>

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2012

	Program Services				
	Therapy Services	Infant Stimulation	Respite Connection	Family Support Services	Inclusive Childcare
SALARIES AND RELATED EXPENSES	\$ 926,045	\$ 166,446	\$ 510,606	\$ 85,124	\$ 443,538
OTHER EXPENSES:					
Contribution campaigns	-	-	-	-	-
Insurance	6,064	467	303	341	152
Licensing requirements	1,150	-	-	-	-
National and State affiliate	10,842	1,736	8,220	402	5,166
Postage	188	15	263	302	42
Printing	697	-	1,872	100	415
Professional fees	88,745	471	2,228	10,086	1,399
Rent - facilities, equipment	132,245	10,633	10,355	7,337	5,692
Repairs, maintenance and cleaning	15,901	2,256	10,680	522	6,712
Staff recruitment and education	2,565	343	5,686	270	356
Staff transportation and auto expense	272	7,776	140,419	654	5,100
Supplies	7,991	904	4,481	329	2,878
Telephone	78	818	1,798	-	395
Other	14,616	-	15	1,628	592
Depreciation	13,292	3,887	4,218	903	4,047
TOTAL OTHER EXPENSES	294,646	29,306	190,538	22,874	32,946
TOTAL EXPENSES	\$ 1,220,691	\$ 195,752	\$ 701,144	\$ 107,998	\$ 476,484

See independent auditors' report and notes to financial statements.

Program Services (Continued)	Supporting Services		Totals
	Administrative and General	Volunteer and Fund Development	
\$ 48,014	\$ 97,924	\$ 249,923	\$ 2,527,620
-	-	253,200	253,200
2,021	3,222	2,021	14,591
-	10	-	1,160
346	445	9,401	36,558
38	2,489	227	3,564
58	6,002	7,704	16,848
10,527	48,437	16,426	178,319
42,487	26,666	46,902	282,317
449	2,216	12,214	50,950
-	7,500	1,490	18,210
38	3,525	1,799	159,583
189	14,020	6,244	37,036
-	11,836	36	14,961
510	22,818	7,725	47,904
3,036	4,529	6,213	40,125
59,699	153,715	371,602	1,155,326
<u>\$ 107,713</u>	<u>\$ 251,639</u>	<u>\$ 621,525</u>	<u>\$ 3,682,946</u>

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 135,885	\$ (39,260)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	35,777	40,125
Net realized and unrealized (gains) and losses in investments	(1,054)	(5,243)
(Increase) decrease in accounts and pledges receivable	56,281	(147,804)
(Increase) decrease in prepaid expenses	11,701	(14,909)
Increase (decrease) in accounts payable	(7,385)	15,093
Increase (decrease) in accrued payroll and related expenses	9,627	11,873
Increase (decrease) in deferred rent payable	(45,051)	11,592
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>195,781</u>	<u>(128,533)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of furniture and equipment	(2,775)	(13,063)
Transfer from investments to cash	-	200,000
Purchases of investments	(192,736)	(463,693)
Proceeds from sales of investments	171,499	450,500
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>(24,012)</u>	<u>173,744</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Advances from line of credit	100,000	155,000
Payments on leases	(9,328)	(74,566)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>90,672</u>	<u>80,434</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	262,441	125,645
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>577,429</u>	<u>451,784</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 839,870</u>	<u>\$ 577,429</u>
CASH PAID FOR INTEREST	<u>\$ 7,803</u>	<u>\$ 8,662</u>

See independent auditors' report and notes to financial statements.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

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, 2013 and 2012.

b. Association's Activities:

The Association's activities which are in accordance with its primary purpose (see Note 2) have been classified as follows:

Therapy Services - Provides individual and small group child centered play-based intervention in a family friendly environment. In center services include physical, occupational and speech therapy. These services are provided on-site at the Life Without Limits Pediatric Therapy Center.

See independent auditors' report.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

b. Association's Activities (Continued):

Infant Stimulation - Provides in-home individualized developmental guidance, several forms of therapy, and parent support for developmentally delayed infants and toddlers from birth to 3 years of age.

Respite Connection - Provides trained workers who care for disabled children and adults in their homes.

Family Support Services - Provides support to families as they care for children with disabilities, through support meetings, email network, information referral and swap meet (a classified ad type listing of equipment that families want to sell or donate). Through the Parent Connection, UCP links parents/family members who have a child with special needs with an experienced parent/family for support and resources.

Inclusive Childcare - Provides functional assessment and related support services for children with special needs, from birth to age 18, who attend child care facilities and similar programs. The supports are designed to enable each child to participate in the setting environment to his/her maximum potential. Also provides training for childcare providers who want to include children with special needs in traditional child care settings.

Recreation Services - Provides after-school classes in art, dance, yoga, gymnastics, music and martial arts to elementary-aged children and teens.

Administrative and General - Administrative and general costs associated with the Association's daily operations are accounted for through this activity account.

Volunteer and Fund Development - Fund raising expenses are accounted for through this activity account.

c. Donated Goods and Services:

In-kind donations are valued at their estimated fair market values.

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, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

d. 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 using the straight-line method as follows:

Furniture and equipment	3 - 7 years
Vehicles	4 years

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.

e. 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, 2013 and 2012, the Association had no uncertain tax positions that qualified for either recognition or disclosure in the financial statements.

f. 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.

g. 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.

See independent auditors' report.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

h. 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.

i. Estimates:

The preparation of financial statements in conformity 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.

j. 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 16, 2013, which is the date the financial statements were available to be issued.

2. ORGANIZATION:

United Cerebral Palsy Association of Orange County is a nonprofit organization designed to provide facilities and programs for the treatment, education and rehabilitation of persons with cerebral palsy and other developmental disabilities, and to increase public awareness of the condition and the services available. The Association is an affiliate member of the national United Cerebral Palsy Association and is a United Way funded agency.

See independent auditors' report.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013 and 2012

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, 2013 and 2012 were \$1,821,457 and \$1,671,179 respectively. These amounts are reported as part of program revenue in the Statements of Activities. These represent 45% and 46% of total revenue and support for the years ended June 30, 2013 and 2012, respectively, and indicates a significant concentration. At June 30, 2013 and 2012, these amounts included \$307,863 and \$288,297 of accounts receivable, respectively. These represent 86% and 87% of total accounts receivable in the Statements of Financial Position as of June 30, 2013 and 2012, 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.

4. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents at June 30, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Cash in bank	\$ 507,038	\$ 234,005
Money market mutual funds	<u>332,832</u>	<u>343,424</u>
Total Cash	<u>\$ 839,870</u>	<u>\$ 577,429</u>

Cash on deposit at June 30, 2013 and 2012 exceeded the federally insured limit by \$599,850 and \$339,213, respectively.

Cash and cash equivalents were restricted for the following purposes as of the years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Early Learning Center (Note 11)	\$ 265,040	\$ 264,720
Therapy (Note 11)	187,934	100,000
Infant Stimulation (Note 11)	<u>31,800</u>	<u>25,000</u>
Total Restricted Cash	<u>\$ 484,774</u>	<u>\$ 389,720</u>

See independent auditors' report.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013 and 2012

5. INVESTMENT INCOME:

Net investment income for the years ended June 30, 2013 and 2012 is comprised of the following:

	<u>2013</u>	<u>2012</u>
Interest and dividends from investments	\$ 34,338	\$ 38,778
Net realized and unrealized gains and losses	<u>1,054</u>	<u>5,243</u>
Total Investment Income, Net	<u>\$ 35,392</u>	<u>\$ 44,021</u>

The above amounts are net of investment fees of \$8,918 and \$8,005 for the years ended June 30, 2013 and 2012, respectively, and are included in other administrative expense in the Statements of Functional Expenses.

6. FAIR VALUE MEASUREMENTS:

The Association's investments are reported at fair value in the accompanying Statements of Financial Position as follows:

<u>June 30, 2013</u>	<u>Fair Value Measurements Using</u>			
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
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	<u>10,926</u>	<u>10,926</u>	<u>-</u>	<u>-</u>
	<u>\$ 972,352</u>	<u>\$ 972,352</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013 and 2012

6. FAIR VALUE MEASUREMENTS (CONTINUED):

<u>June 30, 2012</u>	<u>Fair Value Measurements Using</u>			
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
U.S. Common Stocks	\$ 217,695	\$ 217,695	\$ -	\$ -
U.S. Bonds	531,721	531,721	-	-
Mortgage Backed Securities	165,621	165,621	-	-
International Stocks	18,670	18,670	-	-
Exchange Traded Funds:				
Index Fund	16,354	16,354	-	-
	<u>\$ 950,061</u>	<u>\$ 950,061</u>	<u>\$ -</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. No assets or liabilities for the Association were measured under Level 2.

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, 2013 and June 30, 2012 are reported as investment income, net in the Statements of Activities.

See independent auditors' report.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013 and 2012

7. FURNITURE AND EQUIPMENT:

Balances at June 30, 2013 and June 30, 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Furniture and equipment	\$ 380,110	\$ 377,335
Less accumulated depreciation	<u>(317,418)</u>	<u>(281,641)</u>
Total Furniture and Equipment	<u>\$ 62,692</u>	<u>\$ 95,694</u>

Depreciation expense for the years ended June 30, 2013 and 2012 was \$35,777 and \$40,125, 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 \$74,068 and \$119,119 as of June 30, 2013 and 2012, 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 the purchase of equipment. The agreement provides for 60 monthly payments of \$993 with an interest rate of 8.00% per annum that was paid off in December 2011.

In December 2008, the Association entered into a lease agreement to finance the purchase of equipment. The agreement provides for 60 monthly payments of \$1,417 with an interest rate of 8.50% per annum that was paid off in January 2012.

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 matures in October 2013. The remaining balance payable at June 30, 2013 was \$4,005.

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UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013 and 2012

9. LEASES PAYABLE (CONTINUED):

In December 2008, the Association entered into a lease agreement to finance the purchase of equipment. The agreement provides for 60 monthly payments of \$239 with an interest rate of 8.60% per annum that was paid off in December 2011.

Total interest expense incurred and paid on these financing agreements totals \$7,803 and \$8,662 for the years ended June 30, 2013 and 2012, respectively.

These leased assets have been classified as furniture and equipment. The original costs of the assets were \$181,365 at June 30, 2013 and 2012. The accumulated depreciation was \$134,276 and \$105,776 at June 30, 2013 and 2012, respectively. The depreciation expenses were \$28,500 for the years ended June 30, 2013 and 2012.

Future scheduled lease payments total \$4,005 and are all due in the year ending 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. The loan agreement provides for borrowings through September 28, 2014 (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 \$255,000 and \$155,000 as of June 30, 2013 and 2012, respectively.

11. RESTRICTED NET ASSETS:

Restricted net assets as of June 30, 2013 and 2012 included temporarily restricted assets of \$265,040 and \$264,720, 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 include unspent donations received from these events. Pledges receivable of \$116,825 and temporarily restricted gifts and grants for the Therapy and Infant Stimulation Programs of \$219,734 comprise the remainder of the June 30, 2013 temporarily restricted net assets. Pledges receivable of \$200,377 and temporarily restricted gifts and grants for the Therapy and Infant Stimulation Programs of \$125,000 comprised the remainder of the June 30, 2012 temporarily restricted net assets.

See independent auditors' report.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013 and 2012

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 \$24,679 per month. The lease contains an annual escalation clause and expires on October 31, 2015. Future minimum lease payments are as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2014	\$ 300,535
2015	299,374
2016	<u>100,735</u>
Total	<u>\$ 700,644</u>

Rent expense under the agreement for the years ended June 30, 2013 and 2012 totaled \$286,526 and \$282,317, respectively.

13. NET ASSETS RELEASED FROM RESTRICTIONS:

The following restricted net assets were released from restrictions during the years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Pledges received	\$ 200,377	\$ 71,875
Therapy Program costs incurred	100,000	132,500
Infant Stimulation Program costs incurred	<u>25,000</u>	<u>-</u>
Total Temporary Restrictions Released	<u>\$ 325,377</u>	<u>\$ 204,375</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.

See independent auditors' report.



UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013 and 2012

14. RETIREMENT PLAN (CONTINUED):

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.

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, 2013 and 2012, respectively. Employees' contributions were \$41,872 and \$61,909 for the years ended June 30, 2013 and 2012, 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.

See independent auditors' report.

