

**UNITED CEREBRAL PALSY ASSOCIATION
OF ORANGE COUNTY**

FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITORS' REPORT

JUNE 30, 2016 AND 2015

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

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June 30, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
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, 2016 and 2015, 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, 2016 and 2015, 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 26, 2016

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 678,732	\$ 799,379
Accounts receivable, net	645,796	521,110
Prepaid expenses	73,985	69,319
TOTAL CURRENT ASSETS	<u>1,398,513</u>	<u>1,389,808</u>
FURNITURE AND EQUIPMENT, NET	35,042	29,699
OTHER ASSETS:		
Deposits	28,800	28,800
RESTRICTED ASSETS:		
Pledges receivable	<u>1,140</u>	<u>5,000</u>
TOTAL ASSETS	<u>\$ 1,463,495</u>	<u>\$ 1,453,307</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	54,357	\$ 51,185
Accrued payroll and related expenses	173,108	177,187
Deferred rent payable	-	11,788
Compensated absences payable	76,538	45,012
Unearned revenue	13,025	25,095
Line of credit	-	135,000
TOTAL CURRENT LIABILITIES	<u>317,028</u>	<u>445,267</u>
LONG -TERM LIABILITIES:		
Line of credit	<u>200,000</u>	-
TOTAL LONG-TERM LIABILITIES	<u>200,000</u>	-
TOTAL LIABILITIES	<u>517,028</u>	<u>445,267</u>
NET ASSETS:		
Unrestricted	910,327	1,003,040
Temporarily restricted	<u>36,140</u>	<u>5,000</u>
TOTAL NET ASSETS	<u>946,467</u>	<u>1,008,040</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,463,495</u>	<u>\$ 1,453,307</u>

See independent auditors' report and notes to financial statements.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

STATEMENT OF ACTIVITIES

Year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT:			
Contributions:			
General contributions	\$ 90,850	\$ 52,140	\$ 142,990
Grant income	263,823	-	263,823
Total Contributions	<u>354,673</u>	<u>52,140</u>	<u>406,813</u>
Special Events:			
Revenues	670,982	-	670,982
Direct expenses	<u>(217,383)</u>	<u>-</u>	<u>(217,383)</u>
Total Net Special Events	<u>453,599</u>	<u>-</u>	<u>453,599</u>
Program Revenue:			
Therapy Services	1,353,595	-	1,353,595
Respite Connection	2,256,778	-	2,256,778
Recreation Services	<u>21,813</u>	<u>-</u>	<u>21,813</u>
Total Program Revenue	<u>3,632,186</u>	<u>-</u>	<u>3,632,186</u>
Other Support:			
Interest income	4,645	-	4,645
In-kind gifts	39,882	-	39,882
Rental income	24,647	-	24,647
Miscellaneous	<u>19,118</u>	<u>-</u>	<u>19,118</u>
Total Other Support	<u>88,292</u>	<u>-</u>	<u>88,292</u>
Total Revenues and Support	<u>4,528,750</u>	<u>52,140</u>	<u>4,580,890</u>
Net Assets Released from Restriction	<u>21,000</u>	<u>(21,000)</u>	<u>-</u>
 TOTAL REVENUES AND SUPPORT	 <u>4,549,750</u>	 <u>31,140</u>	 <u>4,580,890</u>
EXPENSES:			
Therapy Services	1,834,688	-	1,834,688
Respite Connection	1,792,292	-	1,792,292
Family Support	66,715	-	66,715
Recreation	87,702	-	87,702
Administrative and general	437,716	-	437,716
Volunteer and fund development	<u>423,350</u>	<u>-</u>	<u>423,350</u>
 TOTAL EXPENSES	 <u>4,642,463</u>	 <u>-</u>	 <u>4,642,463</u>
 CHANGE IN NET ASSETS	 (92,713)	 31,140	 (61,573)
NET ASSETS AT BEGINNING OF YEAR	<u>1,003,040</u>	<u>5,000</u>	<u>1,008,040</u>
NET ASSETS AT END OF YEAR	<u>\$ 910,327</u>	<u>\$ 36,140</u>	<u>\$ 946,467</u>

See independent auditors' report and notes to financial statements.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

STATEMENT OF ACTIVITIES

Year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
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	<u>(194,655)</u>	<u>-</u>	<u>(194,655)</u>
Total Net Special Events	<u>572,637</u>	<u>5,000</u>	<u>577,637</u>
Program Revenue:			
Therapy Services	1,059,906	-	1,059,906
Respite Connection	1,811,001	-	1,811,001
Recreation Services	<u>22,083</u>	<u>-</u>	<u>22,083</u>
Total Program Revenue	<u>2,892,990</u>	<u>-</u>	<u>2,892,990</u>
Other Support:			
Investment income, net	8,010	-	8,010
In-kind gifts	17,719	-	17,719
Rental income	23,929	-	23,929
Miscellaneous	<u>341</u>	<u>-</u>	<u>341</u>
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 Restrictions	<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	<u>484,594</u>	<u>-</u>	<u>484,594</u>
 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 FUNCTIONAL EXPENSES

Year ended June 30, 2016

	Program Services				Supporting Services		Total
	Therapy Services	Respite Connection	Family Support	Recreation	Administrative and General	Volunteer and Fund Development	
SALARIES AND RELATED EXPENSES	\$ 1,482,654	\$ 1,503,490	\$ 27,972	\$ 27,957	\$ 230,681	\$ 244,515	\$ 3,517,269
OTHER EXPENSES:							
Facilities and equipment	162,380	32,289	31,477	31,055	37,862	39,075	334,138
National and state affiliate	-	-	-	-	36,624	-	36,624
Supplies	14,282	7,482	-	144	6,582	2,171	30,661
Professional services	130,462	70,705	4,903	16,323	32,366	92,191	346,950
Insurance expenses	11,167	2,244	2,244	2,244	2,280	2,244	22,423
Business expenses	3,698	335	60	162	17,562	39,833	61,650
Travel and meetings	9,461	171,879	-	188	1,179	1,098	183,805
Marketing	-	-	-	-	1,669	-	1,669
Other expenses	20,584	3,868	59	9,629	49,569	2,223	85,932
Depreciation	-	-	-	-	21,342	-	21,342
TOTAL OTHER EXPENSES	352,034	288,802	38,743	59,745	207,035	178,835	1,125,194
TOTAL EXPENSES	\$ 1,834,688	\$ 1,792,292	\$ 66,715	\$ 87,702	\$ 437,716	\$ 423,350	\$ 4,642,463

See independent auditors' report and notes to financial statements.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2015

	Program Services				Supporting Services		Total
	Therapy Services	Respite Connection	Family Support	Recreation	Administrative and General	Volunteer and Fund Development	
SALARIES AND RELATED EXPENSES	\$ 1,407,494	\$ 1,267,735	\$ 18,216	\$ 42,678	\$ 207,559	\$ 373,106	\$ 3,316,788
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

STATEMENTS OF CASH FLOWS

Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (61,573)	\$ (362,230)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	21,342	28,469
Allowance for doubtful accounts	8,070	4,476
Loss on disposal of furniture and equipment	-	1,779
Decrease in accounts and pledges receivable	(128,896)	(80,714)
(Increase) decrease in prepaid expenses	(4,666)	6,571
Increase (decrease) in accounts payable	3,172	37,048
Increase in accrued payroll and related expenses	27,447	34,872
Decrease in deferred rent payable	(11,788)	(32,534)
Increase (decrease) in unearned revenue	(12,070)	25,095
NET CASH USED IN OPERATING ACTIVITIES	<u>(158,962)</u>	<u>(337,168)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of furniture and equipment	<u>(26,685)</u>	<u>(3,479)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(26,685)</u>	<u>(3,479)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings (payments) on line of credit	<u>65,000</u>	<u>(70,000)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>65,000</u>	<u>(70,000)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(120,647)	(410,647)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>799,379</u>	<u>1,210,026</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 678,732</u>	<u>\$ 799,379</u>
SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest	<u>\$ 8,795</u>	<u>\$ 1,004</u>

See independent auditors' report and notes to financial statements.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

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 in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). References to the "ASC" hereafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board ("FASB") as the source of authoritative U.S. GAAP. Support and program service revenue earned, but not received is recorded as a receivable, and support received before the revenue recognition criteria has been met is reported as deferred revenue. 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.

Temporarily Restricted Fund - 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 Fund - 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, 2016 and 2015.

Donated Goods and Services

In-kind donations are contributions of donated noncash assets measured on a nonrecurring basis and recorded at fair value in the period received. In-kind donations were \$39,882 and \$17,719 for the years ended June 30, 2016 and 2015, respectively.

Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements as there is no objective basis of deriving their value. None of the volunteer services provided to the Organization in these reporting periods met the criteria for recognition.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016 and 2015

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 are depreciated over their estimated useful lives of three to seven 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.

Income Taxes

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.

Management does not believe that the Association has any uncertain tax positions as of June 30, 2016 and 2015. The Association evaluates its tax positions and would recognize a loss contingency associated with an uncertain tax position when it is probable that a liability has been incurred as of the statement of financial position date and the amount of the loss can be reasonably estimated. The amount recognized would be subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. The years open for tax authority examination are 2012 through 2015 for federal purposes and 2011 through 2015 for state purposes.

Cash and Cash Equivalents

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

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. Accounts receivable are periodically evaluated for collectibility based on past credit history with insurance companies and their current financial condition. The allowance for doubtful accounts is determined on the basis of loss experience, economic conditions in the industry, and financial stability of the insurance companies.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016 and 2015

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

Fair Value Measurements

The Organization follows the provisions of ASC Topic Section 820, *Fair Value Measurements* in which fair value is defined as the price that would be received to sell an asset or aid to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820 established a fair value hierarchy which categorizes inputs into three levels as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Use of 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.

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

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, preterm delivery, or those who have been exposed to substance abuse. The services offered are as follows:

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016 and 2015

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

Current Programs, Activities, and Accomplishments (Continued)

Therapy Services - Physical, occupational, and speech therapy are provided by licensed therapists in one-on-one situations or small groups. Multidisciplinary 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, accomplish developmental milestones and mitigate long-term issues.

Respite Connection - Respite Connection 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 challenged 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 and evaluate special needs children and include them with their developmentally typical peers.

Family Support - This multifaceted 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.

Recreation - Recreation offers a wide variety of after-school activities and community-based classes 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.

The Association works collaboratively with Children’s Hospital of Orange County and the 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.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016 and 2015

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, 2016 and 2015, was \$2,713,372 and \$2,202,486, respectively. These amounts are reported as part of program revenue in the statements of activities, which represent 59% and 54% of total revenue and support for the years ended June 30, 2016 and 2015, respectively. At June 30, 2016 and 2015, amounts included in accounts receivable totaled \$456,608 and \$384,633, respectively, which represent 71% and 73%, respectively, of total accounts receivable in the statements of financial position.

Note 4: Cash and Cash Equivalents

Cash and cash equivalents at June 30, 2016 and 2015, consist of the following:

	<u>2016</u>	<u>2015</u>
Cash in bank and petty cash	\$ 49,130	\$ 33,784
Money market funds	<u>629,602</u>	<u>765,595</u>
Total Cash and Cash Equivalents	<u>\$ 678,732</u>	<u>\$ 799,379</u>

Cash on deposit at June 30, 2016 and 2015, did not exceed the federally insured limits. Money market funds were not insured.

Note 5: Furniture and Equipment

Balances at June 30, 2016 and 2015, are as follows:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 247,408	\$ 220,723
Less accumulated depreciation	<u>(212,366)</u>	<u>(191,024)</u>
Net Furniture and Equipment	<u>\$ 35,042</u>	<u>\$ 29,699</u>

Depreciation expense for the years ended June 30, 2016 and 2015, was \$21,342 and \$28,469, respectively.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016 and 2015

Note 6: Deferred Rent

In January 2010, the Association entered into an operating lease agreement for its administrative office that contains provisions for rent credits and future rent increases. Total rents, after consideration of all rent credits and escalators, are recognized as rent expense on a straight-line basis over the lease term. The difference between the rent paid and the straight-line expense is recorded as deferred rent in the accompanying statement of financial position. As of June 30, 2016, the liability was reduced to zero.

Note 7: Line of Credit

The Association has a revolving line of credit loan with Citizens Business Bank. In November 2015, the loan agreement was extended and provides for borrowings through September 2017 (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 3.50% and 3.25% and balances of \$200,000 and \$135,000 as of June 30, 2016 and 2015, respectively.

The line of credit agreement with the bank contains various covenants. At June 30, 2016, the Association was in compliance with respect to all terms of the line of credit agreement.

Note 8: Restricted Net Assets

Temporarily restricted net assets as of June 30, 2016, include donations and pledges receivable of \$36,140. At June 30, 2015, temporarily restricted net assets include pledges receivable of \$5,000.

Note 9: Commitments and Contingencies

Operating Leases

The Association leases its office space under the terms of a noncancelable operating lease agreement expiring in October 2017 and a equipment lease expiring September 2020. Future minimum lease payments under the terms of these agreements are as follows as of June 30, 2016:

Year Ending June 30,	Amount
2017	\$ 304,158
2018	113,407
2019	15,706
2020	<u>10,471</u>
Total	<u>\$ 443,742</u>

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016 and 2015

Note 9: Commitments and Contingencies (Continued)

Operating Leases (Continued)

Rent expense under the agreement for the years ended June 30, 2016 and 2015, totaled \$275,045 and \$266,843, respectively. The Association subleased a portion of its premises and received \$24,647 and \$23,929 of rental income under that sublease during the years ended June 30, 2016 and 2015, 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.

Note 10: Net Assets Released from Temporary Restrictions

The following temporarily restricted net assets were released from restrictions during the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Pledges received	\$ 5,000	\$ 42,592
Therapy program costs incurred	<u>16,000</u>	<u>-</u>
Total Temporary Restrictions Released	<u>\$ 21,000</u>	<u>\$ 42,592</u>

Note 11: Retirement Plan

The Association sponsors a qualified 401(k) plan for all eligible employees. Employees may contribute a portion of their yearly compensation, with the Association matching a discretionary contribution equal to a percentage of the amount of the employee deferral as determined each year by the Association. For the years ended June 30, 2016 and 2015 the Association elected to make a matching contribution of up to 4%. Matching contributions to the plan, for the years ended June 30, 2016 and 2015, totaled \$44,555 and \$43,175, respectively.

Note 12: Reclassifications

Certain reclassifications have been made to the 2015 financial statements in order to conform with the current year presentation.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016 and 2015

Note 13: 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 26, 2016, which is the date the financial statements were available to be issued.