

Financial Statements with Independent Auditors' Report

United Cerebral Palsy Association of Orange County

As of and For the Year Ended June 30, 2020

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
United Cerebral Palsy Association of Orange County

We have audited the accompanying financial statements of the United Cerebral Palsy Association of Orange County (a nonprofit organization) ("UCP-OC"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 UCP-OC'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 UCP-OC'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.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibility (continued)

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 UCP-OC as of June 30, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Report on Summarized Comparative Information

We have previously audited UCP-OC 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 8, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



HASKELL & WHITE LLP

Irvine, California
November 10, 2020

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

Statement of Financial Position
June 30, 2020
(with summarized comparative 2019 information)

ASSETS		
	<u>2020</u>	<u>2019</u>
Current assets		
Cash and cash equivalents (Note 2)	\$ 1,881,656	\$ 745,543
Accounts receivable, net of contractual allowances reserves of \$169,138 and \$18,361, respectively	803,604	846,760
Promises to give	-	17,525
Investment in UST (Note 3)	5,024	40,793
Prepaid expenses	<u>9,780</u>	<u>4,811</u>
Total current assets	2,700,064	1,655,432
Furniture and equipment, net (Note 5)	36,257	54,080
Other assets		
Deposits	<u>28,800</u>	<u>28,800</u>
Total assets	<u><u>\$ 2,765,121</u></u>	<u><u>\$ 1,738,312</u></u>
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 29,245	\$ 42,702
Accrued payroll and related expenses	397,240	264,747
SBA emergency loans short term portion (Note 6)	<u>446,996</u>	<u>-</u>
Total current liabilities	873,481	307,449
Long-term liabilities		
SBA emergency loans, net of short term portion (Note 6)	613,759	-
Line of credit (Note 7)	<u>700,000</u>	<u>511,000</u>
Total liabilities	<u>2,187,240</u>	<u>818,449</u>
Commitments and contingencies (Note 6-11)		
Net assets		
Without donor restrictions	546,881	788,382
With donor restrictions (Note 9)	<u>31,000</u>	<u>131,481</u>
Total net assets	<u>577,881</u>	<u>919,863</u>
Total liabilities and net assets	<u><u>\$ 2,765,121</u></u>	<u><u>\$ 1,738,312</u></u>

See accompanying notes to financial statements and independent auditor's report

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

Statement of Activities
For the Year Ended June 30, 2020
(with summarized comparative 2019 information)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>2019 Total</u>
Revenues and support:				
Contributions:				
General contributions	\$ 394,720	\$ 31,000	\$ 425,720	\$ 270,272
Grant income	278,642	-	278,642	47,140
In-kind gifts	5,742	-	5,742	-
Total contributions	<u>679,104</u>	<u>31,000</u>	<u>710,104</u>	<u>317,412</u>
Special events:				
Revenues	102,514	-	102,514	569,688
Direct expenses	(39,503)	-	(39,503)	(163,584)
Total special events, net	<u>63,011</u>	<u>-</u>	<u>63,011</u>	<u>406,104</u>
Program revenue:				
Therapy services	1,581,670	-	1,581,670	1,819,873
Respite connection	3,909,120	-	3,909,120	3,734,513
Recreation	6,758	-	6,758	7,400
Total program revenue	<u>5,497,548</u>	<u>-</u>	<u>5,497,548</u>	<u>5,561,786</u>
Other support:				
Interest income	6,168	-	6,168	19,681
Miscellaneous	3,015	-	3,015	3,990
Total other support	<u>9,183</u>	<u>-</u>	<u>9,183</u>	<u>23,671</u>
Total revenues and support	6,248,846	31,000	6,279,846	6,308,973
Net assets released from restriction	<u>131,481</u>	<u>(131,481)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>6,380,327</u>	<u>(100,481)</u>	<u>6,279,846</u>	<u>6,308,973</u>
Expenses:				
Program expenses	5,113,141	-	5,113,141	5,308,354
Administrative and general	1,050,447	-	1,050,447	462,764
Fund-raising	458,240	-	458,240	558,972
Total expenses	<u>6,621,828</u>	<u>-</u>	<u>6,621,828</u>	<u>6,330,090</u>
Change in Net Assets	(241,501)	(100,481)	(341,982)	(21,117)
Net Assets, Beginning of Year	<u>788,382</u>	<u>131,481</u>	<u>919,863</u>	<u>940,980</u>
Net Assets, End of Year	<u>\$ 546,881</u>	<u>\$ 31,000</u>	<u>\$ 577,881</u>	<u>\$ 919,863</u>

See accompanying notes to financial statements and independent auditor's report

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

**Statement of Functional Expenses
For the Year Ended June 30, 2020
(with comparative 2019 information)**

	Program Services			Supporting Services			2019 Total	
	Therapy Services	Respite Connection	Recreation	Total Program	Administrative and General	Fund-Raising		Total
Salaries and related expenses	\$ 1,705,700	\$ 2,899,513	\$ 22,952	\$ 4,628,165	\$ 677,883	\$ 388,593	\$ 5,694,641	\$ 5,113,555
Other expenses:								
Facilities and equipment	243,075	47,420	138	290,633	69,737	43,261	403,631	388,937
Professional services	125,287	4,477	-	129,764	164,731	3,855	298,351	264,948
Travel and meetings	7,526	869	-	8,395	463	1,994	10,852	210,321
Other expenses	16,792	4,673	2,660	24,125	20,968	9,074	54,167	132,322
Business expenses	1,190	284	5,348	6,822	39,532	7,966	54,320	72,803
Insurance expenses	4,777	4,777	-	9,554	22,869	2,388	34,810	29,856
Depreciation	-	-	-	-	19,412	-	19,412	24,591
National and state affiliate	-	-	-	-	18,333	-	18,333	21,667
Supplies	13,052	2,498	56	15,606	16,485	186	32,277	14,114
Marketing	-	10	67	77	34	922	1,033	56,976
Total other expenses	411,699	65,008	8,269	484,976	372,564	69,646	927,188	1,216,535
Total expenses	\$ 2,117,399	\$ 2,964,522	\$ 31,220	\$ 5,113,141	\$ 1,050,447	\$ 458,240	\$ 6,621,828	\$ 6,330,090

See accompanying notes to financial statements and independent auditor's report

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

Statement of Cash Flows
For the Year Ended June 30, 2020
(with summarized comparative 2019 information)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ (341,982)	\$ (21,117)
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:		
Depreciation	19,412	24,591
Investment gain	739	-
Bad debt expense	3,893	85,248
Changes in operating assets and liabilities		
Accounts receivable	39,263	(423,278)
Promises to give	17,525	(2,450)
Prepaid expenses	(4,969)	20,429
Accounts payable	(13,457)	(3,808)
Unearned revenue	-	(10,725)
Accrued payroll and related expenses	<u>132,493</u>	<u>(16,520)</u>
Net cash and cash equivalents used in operating activities	<u>(147,083)</u>	<u>(347,630)</u>
Cash flows from investing activities		
Use of UST investments for SUI	35,030	-
Furniture and equipment acquisitions	<u>(1,589)</u>	<u>-</u>
Net cash and cash equivalents provided by investing activities	<u>33,441</u>	<u>14,757</u>
Cash flows from financing activities		
Draws (payments) from line of credit	189,000	(9,000)
Proceeds from SBA emergency funds	<u>1,060,755</u>	<u>-</u>
Net cash and cash equivalents provided by (used in) financing activities	<u>1,249,755</u>	<u>(9,000)</u>
Net increase (decrease) in cash and cash equivalents	1,136,113	(341,873)
Cash and cash equivalents, beginning of year	<u>745,543</u>	<u>1,087,416</u>
Cash and cash equivalents, end of year	<u>\$ 1,881,656</u>	<u>\$ 745,543</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	<u>\$ 26,454</u>	<u>\$ 30,725</u>

See accompanying notes to financial statements and independent auditor's report

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

Notes to Financial Statements for the Years Ended June 30, 2020 and 2019

1. Organization and Summary of Significant Accounting Policies

The mission of the United Cerebral Palsy Association of Orange County (“UCP-OC” or the “Organization”) is to help children with disabilities reach their full potential and improve the quality of life for their families.

Current Programs, Activities, and Accomplishments

Founded in 1953, UCP-OC was established as United Cerebral Palsy of Orange County to assist people of all ages affected by cerebral palsy. With over 60-plus years of service, UCP-OC has observed a great demand for services for children with disabilities. In response, UCP-OC has streamlined its focus to children while broadening the programs offered, as well as the range of disabilities served to include autism spectrum disorder, cerebral palsy, Down syndrome, and other developmental delays. In order to help every child reach his/her full potential, UCP-OC’s services are highly individualized from simple delays to complicated lifetime conditions.

The services offered by UCP-OC are as follows:

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.

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. UCP-OC also offers a number of special recreation opportunities throughout the year, including an annual Bike Camp held in August.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

Notes to Financial Statements for the Years Ended June 30, 2020 and 2019

1. Organization and Summary of Significant Accounting Policies (continued)

Current Programs, Activities, and Accomplishments (continued)

UCP-OC 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.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958). This standard became effective for the Organization's financial statements for the year ended June 30, 2020 and reduces the number of classes of net assets from three to two, requires the presentation of expenses in both natural and functional classifications, and requires both quantitative and qualitative disclosures about liquidity and the availability of financial resources, among other provisions.

Net Asset Classification

The financial statements present net assets and changes in net assets in two classes of net assets that are based upon the existence or nonexistence of donor-imposed restrictions. The two classes of net assets are as follows:

Net Assets With Donor Restrictions – Net assets with donor restrictions are resources that are restricted by a donor for a specified purpose or for use in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature and the Organization must continue to use these resources in accordance with the donor's stipulations. The Organization's unspent contributions are included in this class if the donor has limited their use. When a donor's restriction is satisfied, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

If a donor restriction expires within the same period in which the support is recognized, such support is reported as an increase in net assets without donor restrictions. All other donor-restricted support is reported as an increase in net assets with donor restrictions.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

Notes to Financial Statements for the Years Ended June 30, 2020 and 2019

1. Organization and Summary of Significant Accounting Policies (continued)

Net Asset Classification (continued)

Net Assets Without Donor Restrictions – Net assets without donor restrictions are resources available to support the Organizations’ operations. The only limits on the use of these net assets, if any, are broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of operations.

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.

Risks and Uncertainties

UCP-OC, through the investment in UST, invests in various types of investment securities, which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of financial position, to the extent that the investment account is material.

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, which is neither held for nor restricted by donors for long-term purposes.

Furniture and Equipment

UCP-OC’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 furniture and equipment are capitalized. Expenditures for maintenance and repairs that do not extend the useful life of the asset are charged to expense as incurred.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

Notes to Financial Statements for the Years Ended June 30, 2020 and 2019

1. Organization and Summary of Significant Accounting Policies (continued)

Furniture and Equipment (continued)

Furniture and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If an asset is determined to be impaired, impairment expense to be recognized is measured as the amount by which the carrying value of the asset exceeds its fair value. No impairment losses were recognized in the financial statements for the year ended June 30, 2020.

Accounts Receivable and Related Program Revenue

UCP-OC 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 collectability 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 the financial stability of insurance companies. UCP-OC has recorded an allowance for doubtful accounts of \$0 and \$18,361 at June 30, 2020 and 2019, respectively. Additionally, UCP-OC has recorded contractual allowance reserves of \$169,168 and \$0 at June 30, 2020 and 2019, respectively.

Contributions Receivable and Support Revenues

The Organization recognizes contributions when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. If the restrictions expire in the fiscal year in which the contributions are recognized, they are report in net assets without donor restrictions. When restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions through the net assets released from restriction line item on the statement of activities.

In-Kind Donations

In-kind donations are contributions of donated noncash assets and services measured on a nonrecurring basis and are recorded at fair value in the period received. There were \$3,342 and \$0 of in-kind goods for the year ended June 30, 2020 and 2019, respectively.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

Notes to Financial Statements for the Years Ended June 30, 2020 and 2019

1. Organization and Summary of Significant Accounting Policies (continued)

In-Kind Donations (continued)

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. \$2,400 and \$0 of the volunteer services provided to UCP-OC during the year ended June 30, 2020 and 2019, respectively, met the criteria for recognition.

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

Cash equivalents and Investment in UST are all valued using Level 1 inputs.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include facilities and equipment, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, supplies, travel, business expenses, insurance, and other, which are allocated on the basis of estimates of time and effort.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

Notes to Financial Statements for the Years Ended June 30, 2020 and 2019

1. Organization and Summary of Significant Accounting Policies (continued)

Income Taxes

UCP-OC 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 UCP-OC has any uncertain tax positions as of June 30, 2020 and 2019. UCP-OC 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's 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.

New Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842). ASU 2016-02 requires lessees to recognize lease assets and liabilities for those leases classified as operating leases under previous standards. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of asset not to recognize lease assets and lease liabilities. ASU 2016-02 is effective for fiscal years beginning after December 15, 2020, and early application is permitted. UCP-OC is currently evaluating the impact of the provisions of ASU 2016-02 on the presentation of its financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities - Revenue Recognition (Topic 958-605). ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. This update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2019, and early adoption is permitted. UCP-OC does not believe the provisions of ASU 2018-08 will have a material impact on the presentation of its financial statements.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

Notes to Financial Statements for the Years Ended June 30, 2020 and 2019

1. Organization and Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements (continued)

In August of 2018 the FASB issued ASU 2018-13 that modifies the disclosure requirements on fair value measurements. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted for financial statements that have not been previously issued. Management is currently evaluating the impact ASU 2018-13 will have on the financial statements and related disclosures.

2. Cash and Cash Equivalents

Cash and cash equivalents at June 30, 2020 and 2019, consist of the following:

	<u>2020</u>	<u>2019</u>
Cash in bank and petty cash	\$ 1,529,687	\$ 360,848
Money market funds	351,969	363,541
Restricted cash	<u>-</u>	<u>21,154</u>
Total cash and cash equivalents	<u>\$ 1,881,656</u>	<u>\$ 745,543</u>

The Organization maintains cash balances at a financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation for up to \$250,000. The cash balances at this institution are at times in excess of federally insured limits. The restricted cash balance consists of cash paid to the Organization from the new equipment lessor in order to pay off the lease for the old equipment.

3. Investment in UST

In order to manage unemployment insurance costs, under the reimbursement method allowed for not-for-profit organizations, UCP-OC submits amounts to a United States Trust (“UST”) account quarterly and the administrator of the trust makes quarterly payments based on the statement provide by the Employment Development Department. Minimal interest and fees are earned and incurred through this account. The investment is considered current due to the continuous use of the funds for unemployment insurance costs.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

Notes to Financial Statements for the Years Ended June 30, 2020 and 2019

4. Liquidity Disclosure

As of June 30, 2020, the Organization has financial assets available for general expenditure, which is without donor or other restrictions limiting their use, within one year of the statement of financial position comprising the following:

Financial assets, at year-end:

Cash and cash equivalents	\$ 1,881,656
Accounts receivable	803,604
Investment in UST	<u>5,024</u>
Total financial assets	2,690,284

Less those unavailable for general expenditures within one year, due to:

Assets held to meet donor-imposed restrictions	31,000
Investment restricted for use to pay unemployment insurance	<u>5,024</u>
Amount available for general expenditures within one year	<u><u>\$ 2,654,260</u></u>

The accounts receivable and promises to give are subject to implied time restrictions but are expected to be collected within one year. UCP-OC has a goal to maintain financial assets, which consist of cash and cash equivalents, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$1,078,000.

UCP-OC has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization currently does not utilize investment options beyond the cash equivalents and UST account.

5. Furniture and Equipment

Furniture and equipment at June 30, 2020 and 2019, consist of the following:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 328,563	\$ 326,974
Less: accumulated depreciation	<u>(292,306)</u>	<u>(272,894)</u>
Net furniture and equipment	<u><u>\$ 36,257</u></u>	<u><u>\$ 54,080</u></u>

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

**Notes to Financial Statements for the Years Ended
June 30, 2020 and 2019**

5. Furniture and Equipment (Continued)

Depreciation expense for the year ended June 30, 2020 and 2019, was \$19,412 and \$24,591, respectively.

6. SBA Emergency Loans

SBA Emergency Loan (PPP)

UCP-OC received an emergency loan under the Paycheck Protection Program (PPP) from the Small Business Administration in April 2020. This was received due to the COVID-19 pandemic with a loan date of April 28, 2020 maturing April 28, 2022 for \$900,755. The loan contains a 1% fixed interest rate. In terms of repayment, there is a six-months payment deferral period, followed by eighteen months of payments on the principal and interest. However, the agreement does contain provisions for loan forgiveness depending on how the loan is used. Further, an additional \$10,000 was received from the SBA separately as an advance to supplement expenses while the loan was being processed and is not expected to be repaid.

SBA EIDL

UCP-OC received an Economic Injury Disaster Loan (EIDL) from the Small Business Administration in FY20. This was received due to the COVID-19 pandemic with a loan date of May 18, 2020 for \$150,000. The loan contained a 2.75% fixed interest rate. In terms of repayment, UCP-OC must pay \$641 every month beginning twelve months from the date of the note and is payable thirty years from the date of the note. The proceeds of this loan must be solely used as working capital to alleviate economic injury caused by disaster.

7. Line of Credit

UCP-OC has a revolving line of credit loan with Citizens Business Bank. In August 2017, the loan agreement was extended and provides for borrowings through September 2020 (the maturity date) of up to a maximum amount of \$700,000. UCP did not extend their line of credit with Citizens Business Bank but is negotiating a line of credit with Farmers & Merchants Bank. Borrowings 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 substantially all assets of UCP-OC. The line of credit has an interest rate of 3.75% and balance of \$700,000 as of June 30, 2020. The line of credit was paid off on July 7, 2020.

The line of credit agreement with the bank contains various covenants. At June 30, 2020, UCP-OC was in compliance with respect to all terms of the line of credit agreement.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

**Notes to Financial Statements for the Years Ended
June 30, 2020 and 2019**

8. Commitments and Contingencies

Operating Leases

UCP-OC leases its office space under the terms of a month to month operating lease agreement which extends until June 30, 2021 and an equipment lease expiring March 2024. Additionally, UCP has entered into a new noncancelable operating lease agreement that starts June 1, 2021 and expires May 31, 2035 for its office space. Future minimum lease payments under the terms of these agreements are as follows as of June 30, 2020:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 401,578
2022	623,113
2023	641,283
2024	654,173
2025	661,801
Thereafter	<u>7,664,326</u>
	<u>\$ 10,646,273</u>

Rent expense for the year ended June 30, 2020 and 2019 totaled \$326,075 and \$330,536, respectively.

Litigation

UCP-OC 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.

9. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at June 30:

	<u>2020</u>	<u>2019</u>
Promises to give	\$ -	\$ 17,525
Therapy program	<u>31,000</u>	<u>113,956</u>
Total net assets with donor restrictions	<u>\$ 31,000</u>	<u>\$ 131,481</u>

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

Notes to Financial Statements for the Years Ended June 30, 2020 and 2019

9. Net Assets with Donor Restrictions (Continued)

Net assets totaling \$131,481 were released from donor restrictions due to the satisfaction of purpose or time restrictions during the year ended June 30, 2020.

10. Business Concentration

UCP-OC receives a substantial portion of its revenue and support from the Regional Center of Orange County (RCOC) in the form of cost reimbursements for services provided to its clients. The amount of revenue received for the year ended June 30, 2020, was \$4,407,099. These amounts are reported as part of program revenue in the statement of activities, which represent 71% of total revenue and support for the year ended June 30, 2020. At June 30, 2020, amounts included in accounts receivable totaled \$719,521, which represent 74%, of total accounts receivable in the statement of financial position.

For the year ended June 30, 2019, the amount of revenue received from the RCOC was \$4,257,943. These amounts are reported as part of program revenue in the statement of activities, which represent 68% of total revenue and support for the year ended June 30, 2019. At June 30, 2019, amounts included in accounts receivable totaled \$726,075, which represent 84%, of total accounts receivable in the statement of financial position.

11. Retirement Plan

UCP-OC sponsors a qualified 401(k) plan for all eligible employees. Employees may contribute a portion of their yearly compensation, with UCP-OC matching a discretionary contribution equal to a percentage of the amount of the employee deferral as determined each year by UCP-OC. For the year ended June 30, 2020, UCP-OC elected to not match contributions. As such, employer-matching contributions to the plan for the year ended June 30, 2020 and 2019 totaled \$0 and \$22,823, respectively.

12. Subsequent Events

General

Management has evaluated subsequent events through November 10, 2020, the date the financial statements were available to be issued.

UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY

Notes to Financial Statements for the Years Ended June 30, 2020 and 2019

12. Subsequent Events (Continued)

COVID-19

In March 2020, the World Health Organization declared the outbreak caused by the novel strain of coronavirus (“COVID-19”) to be a global pandemic. COVID-19 has caused significant disruption to individuals, governments, businesses, financial markets and the Organization’s operations. The extent of the impact of COVID-19 on the Organization’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak.

Through and since June 30, 2020, the Organization has not been and does not expect to be significantly impacted by the global pandemic as the services UCP provides are essential to those who use them. The ultimate duration and impact of the COVID-19 pandemic on the Organization’s business, results of operations, financial condition and cash flows is dependent on future developments, including the duration of the pandemic and the related length of its impact on the global economy, which are uncertain and cannot be predicted at this time.