

United Cerebral Palsy Association of San Diego County

Financial Report

September 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of United Cerebral Palsy
Association of San Diego County:

Opinion

We have audited the accompanying financial statements of United Cerebral Palsy Association of San Diego County (the Association), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Cerebral Palsy Association of San Diego County as of September 30, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the United Cerebral Palsy Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the United Cerebral Palsy Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 United Cerebral Palsy Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the United Cerebral Palsy Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited United Cerebral Palsy Association of San Diego County's 2022 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated February 13, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



WEST RHODE & ROBERTS

San Diego, California
February 28, 2024

UNITED CEREBRAL PALSY ASSOCIATION OF SAN DIEGO COUNTY

STATEMENT OF FINANCIAL POSITION

September 30, 2023

(With Summarized Financial Information for September 30, 2022)

	2023	2022 (Note 14)
Assets		
Cash and cash equivalents	\$ 158,409	\$ 264,520
Accounts receivable	1,077,249	357,360
Investments	297,724	263,722
Prepaid expenses and other assets	66,934	70,102
Right-of-use asset	504,740	-
Net property and equipment	48,599	80,355
Total assets	<u>\$ 2,153,655</u>	<u>\$ 1,036,059</u>
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 289,966	\$ 290,991
Grant payable	420,000	420,000
Deferred revenue	112,671	61,916
Line of credit - UCP Foundation	179,700	-
Lease liability	505,130	-
Total liabilities	<u>1,507,467</u>	<u>772,907</u>
Net assets		
Without donor restrictions	628,859	243,055
With donor restrictions	17,329	20,097
Total net assets	<u>646,188</u>	<u>263,152</u>
Total liabilities and net assets	<u>\$ 2,153,655</u>	<u>\$ 1,036,059</u>

UNITED CEREBRAL PALSY ASSOCIATION OF SAN DIEGO COUNTY

STATEMENT OF ACTIVITIES

Year Ended September 30, 2023

(With Summarized Financial Information for the year ended September 30, 2022)

<u>Operating Activities</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Total</u>	<u>2022 (Note 14)</u>
Revenues and support				
Fees from government agencies	\$ 1,944,887	\$ -	\$ 1,944,887	\$ 2,108,137
Contributions, bequests and grants	952,725	155,083	1,107,808	874,998
Work activity and placement	260,325	-	260,325	267,714
Other income	4,219	-	4,219	10,057
Special events:				
Revenues from special events	465,307	-	465,307	652,558
Cost of direct benefits to donors	(165,556)	-	(165,556)	(241,019)
	299,751	-	299,751	411,539
Net assets released from restrictions:				
Satisfaction of program restrictions	157,851	(157,851)	-	-
Total revenues and support	<u>3,619,758</u>	<u>(2,768)</u>	<u>3,616,990</u>	<u>3,672,445</u>
Expenses				
Program	2,763,162	-	2,763,162	2,869,758
Supporting services:				
Management and general	370,671	-	370,671	362,513
Fundraising	130,537	-	130,537	94,759
Total supporting services	<u>501,208</u>	<u>-</u>	<u>501,208</u>	<u>457,272</u>
Total expenses	<u>3,264,370</u>	<u>-</u>	<u>3,264,370</u>	<u>3,327,030</u>
Operating revenues and support in excess of expenses	<u>355,388</u>	<u>(2,768)</u>	<u>352,620</u>	<u>345,415</u>
Non-operating activities				
Investment income	3,732	-	3,732	4,405
Realized and unrealized gain (loss)	34,204	-	34,204	(72,234)
Loss on disposal of assets	(7,520)	-	(7,520)	-
Total non-operating activities	<u>30,416</u>	<u>-</u>	<u>30,416</u>	<u>(67,829)</u>
Change in net assets	385,804	(2,768)	383,036	277,586
Net assets (deficit) at beginning of year	243,055	20,097	263,152	(14,434)
Net assets at end of year	<u>\$ 628,859</u>	<u>\$ 17,329</u>	<u>\$ 646,188</u>	<u>\$ 263,152</u>

UNITED CEREBRAL PALSY ASSOCIATION OF SAN DIEGO COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2023

(With Summarized Financial Information for the year ended September 30, 2022)

	Program Services	Supporting Services		2023 Total	2022 (Note 14)
		Management and General	Fundraising		
Expenses					
Salaries	\$ 1,680,628	\$ 245,846	\$ 96,782	\$ 2,023,256	\$ 1,961,803
Employee benefits	113,628	10,076	4,138	127,842	196,587
Payroll taxes	134,805	21,085	6,143	162,033	208,070
	<u>1,929,061</u>	<u>277,007</u>	<u>107,063</u>	<u>2,313,131</u>	<u>2,366,460</u>
Occupancy	429,023	32,117	12,785	473,925	459,058
Professional fees	81,713	5,778	3,805	91,296	89,961
Supplies	86,782	3,528	190	90,500	89,943
Equipment and maintenance	37,570	8,506	615	46,691	75,423
Insurance	38,896	2,876	1,159	42,931	34,563
Telephone	36,062	2,667	1,075	39,804	50,932
Travel	32,429	4,728	122	37,279	32,091
Depreciation	21,595	1,596	644	23,835	26,143
Miscellaneous	15,288	11,439	128	26,855	27,511
Recruitment	17,646	934	1,401	19,981	24,227
National and state affiliation	-	18,548	-	18,548	18,552
Printing	17,920	410	189	18,519	19,018
Marketing	11,915	-	1,145	13,060	13,148
Interest expense	7,262	537	216	8,015	-
Total expenses	<u>\$ 2,763,162</u>	<u>\$ 370,671</u>	<u>\$ 130,537</u>	<u>\$ 3,264,370</u>	<u>\$ 3,327,030</u>

UNITED CEREBRAL PALSY ASSOCIATION OF SAN DIEGO COUNTY

STATEMENT OF CASH FLOWS

Year Ended September 30, 2023

(With Summarized Financial Information for the year ended September 30, 2022)

	2023	2022 (Note 14)
Cash flows from operating activities		
Change in net assets	\$ 383,036	\$ 277,586
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	23,835	26,143
Net realized and unrealized (gain) loss on investments	(34,204)	72,234
Loss on disposal of assets	7,520	-
Non cash lease expense	390	-
Change in operating assets and liabilities:		
Accounts receivable	(719,889)	(75,173)
Prepaid expenses and other assets	3,168	28,604
Accounts payable and accrued expenses	(1,025)	(34,526)
Grant payable	-	(748)
Refundable advance	-	(450,000)
Deferred revenue	50,755	(20,603)
Net cash used in operating activities	<u>(286,414)</u>	<u>(176,483)</u>
Cash flows from investing activities		
Net (purchases) sales of investments	202	(740)
Sale (purchases) of property and equipment	401	(70,800)
Net cash provided by (used in) investing activities	<u>603</u>	<u>(71,540)</u>
Cash flows from financing activities		
Draws on line of credit - UCP Foundation	284,700	-
Payments on line of credit - UCP Foundation	(105,000)	-
Draws margin account	193,000	-
Payments margin account	(193,000)	-
Net cash provided by financing activities	179,700	-
Change in cash and cash equivalents	(106,111)	(248,023)
Cash and cash equivalents at beginning of year	264,520	512,543
Cash and cash equivalents at end of year	<u>\$ 158,409</u>	<u>\$ 264,520</u>
Supplemental cash flow information		
Cash paid for interest	<u>\$ 8,015</u>	<u>\$ -</u>

UNITED CEREBRAL PALSY ASSOCIATION OF SAN DIEGO COUNTY

Notes to Financial Statements

Note 1. Organization and Significant Accounting Policies

Organization and Activities

United Cerebral Palsy Association of San Diego County (the Association) was formed under the laws of the State of California to advance the independence, productivity, and full citizenship of people affected by cerebral palsy and other disabilities.

Significant Accounting Policies

Method of Accounting – The financial statements of the Association have been prepared on the accrual basis of accounting.

Basis of Presentation – The financial statements of the Association have been prepared in accordance with United States of America generally accepted accounting principles ("US GAAP"), which require the Association to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Association's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Measure of Operations – The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Association's ongoing programs. Nonoperating activities are limited to resources that generate return from long-term investments and other activities considered to be of a more unusual or nonrecurring nature.

Revenue Recognition – Contributions are recognized as revenue when they are unconditionally pledged or when all conditions have been met.

The Association reports contributions as restricted 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 revenues are reclassified to unrestricted revenues and reported in the statement of activities as revenues released from restrictions. Contributions with donor restrictions requiring the principal gift to be held in perpetuity are reported as with donor restrictions. The income earned from such assets is generally restricted to the purpose designated by the donor.

Contributions of service are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Association reports such contributions at their estimated fair value when received. During the year ended September 30, 2023, no material contributions of services were recorded.

Cash and Cash Equivalents – The Association considers all highly liquid debt instruments with an original maturity of less than three months to be cash equivalents.

UNITED CEREBRAL PALSY ASSOCIATION OF SAN DIEGO COUNTY

Notes to Financial Statements

Accounts Receivable – Accounts receivable consists mainly of amounts due from contracts and the Employee Retention Tax Credit. All accounts receivable are reviewed for collectability and reserves for uncollectible amounts are recorded based on previous experience and economic factors. Accounts are written off against the allowance for doubtful accounts when deemed uncollectible. Management has determined that an allowance of \$2,000 is needed for the year ended September 30, 2023.

Employee Retention Tax Credit - Employee Retention Tax Credit (ERTC) was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136, in March 2020 to help businesses retain employees. Eligible businesses that experienced a full or partial government ordered suspension of operations or a significant decline in gross receipts in any quarter (more than 50% decrease in 2020 from 2019, and more than 20% in 2021) could receive a quarterly refundable payroll tax credit. ERTCs are claimed on federal payroll tax forms. UCP qualified and claimed a total of \$806,498 during the year ended September 30, 2023, which is recorded as grant income on the statement of activities. The amount claimed excludes program staff covered by state funding.

Investments – Marketable securities, consisting primarily of mutual funds, are carried at market value as measured principally by market quotations. Accordingly, the carrying amount of the investments is adjusted for unrealized gains and losses.

Property and Equipment – Purchased property is recorded at cost and donated property is recorded at the estimated fair value on the date received. The Association capitalizes all amounts greater than \$1,000. Property and equipment is depreciated on a straight-line basis as follows:

Building improvements	2 to 10 years
Furniture and equipment	5 to 10 years
Automotive equipment	5 years
Computers and software	3 years

Depreciation expense totaled \$23,835 for the year ended September 30, 2023.

Leases – Under ASC 842, the Association determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the balance sheet. ROU assets represent the right to control the use of an identified asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. The Association does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Deferred Revenue – Deferred revenue represents monies received in advance for events or services not yet performed.

Functional Allocation of Expenses – The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Association are reported as expenses of those functional areas. A portion of costs that benefit multiple functional areas (indirect costs) like depreciation, interest expense and facilities have been allocated based on a square footage basis.

Cost of Direct Benefits to Donors – The costs of special events that represent a direct benefit to donors are separately reported. For the year ended September 30, 2023, the amounts totaled \$165,556.

Income Tax Status – The Association is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code and is also exempt from state income taxes. The Financial Accounting Standards Board (FASB) issued Accounting Standards Codification No. 740-10, Accounting for Uncertainties in Income Tax, which sets a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. The Association has reviewed its positions for all open tax years and has determined that it has no uncertain tax positions requiring accrual or disclosure.

UNITED CEREBRAL PALSY ASSOCIATION OF SAN DIEGO COUNTY

Notes to Financial Statements

Use of 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 the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Adopted Accounting Standards – In February 2016, the FASB issued ASU No. 2016-02, Lease (Topic 842) that requires a lessee to recognize on statement of financial position, a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term, regardless of classification of a lease as an operating or finance lease. The Association adopted ASU 2016-02 on October 1, 2022, using the modified retrospective approach for operating leases with a term greater than 12 months. The Association also elected the package of practice expedients permitted under the new standard that allowed the Association to carry forward historical lease classification for existing leases on the adoption date, and allowed the Association not to assess whether an existing contract contains a lease or initial direct costs. As permitted by the guidance, prior comparative periods will not be adjusted under this method. The adoption of this standard did not have a material impact on the financial statements.

The adoption of this standard resulted in recognition of operating right-of-use assets of \$179,952 and lease liabilities of \$181,902 on the statement of financial position as of October 1, 2022. There was no material impact on the statement of activities, statement of functional expenses or statement of cash flows.

Subsequent Events – Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Association recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at that date, including the estimates inherent in the process of preparing financial statements. The Association's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after that date and before the financial statements are available to be issued.

The Association has evaluated subsequent events through February 28, 2024, which is the date the financial statements are available for issuance, and concluded that there are no events or transactions that need to be disclosed.

Note 2. Liquidity and Availability of Resources

The Association's financial assets available for general expenditure, that is without donor restrictions limiting their use within one year of the statement of position date, are as follows:

Financial assets	
Cash and cash equivalents	\$ 158,409
Accounts receivable	1,077,249
Investments	<u>297,724</u>
Total financial assets available	<u>1,533,382</u>
Less amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose restrictions	<u>(17,329)</u>
Total amounts unavailable for general expenditures within one year	<u>(17,329)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 1,516,053</u>

To manage liquidity, the Association maintains a \$122,000 margin line of credit that can be drawn upon as needed during the year to manage cash flows. As of September 30, 2023, there was no outstanding balance under this line of credit.

UNITED CEREBRAL PALSY ASSOCIATION OF SAN DIEGO COUNTY

Notes to Financial Statements

The Association also has a \$300,000 line of credit with UCP Foundation, that can be drawn upon as needed during the year to manage cash flows. As of September 30, 2023, the outstanding balance under this line of credit is \$179,700.

The Association maintains policies of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 3. Risks and Uncertainties

Concentration of Credit Risk - The Association may maintain cash balances at a bank in excess of the Federal Deposit Insurance Corporation limit of \$250,000. The Association has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk.

In addition, the Association invests in various investments, including mutual funds. Investment securities, in general, are subject to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments could occur in the near term and that such change could materially affect amounts reported on the financial statements.

Note 4. Investments and Fair Value Measurements

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Association uses a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

The hierarchy for fair value measurement is described as follows:

Level 1 - quoted prices for identical assets or liabilities in active markets as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - observable market-based inputs or unobservable inputs that are corroborated by market data. May include quoted prices in a market that is not active.

Level 3 - unobservable inputs that cannot be corroborated by market data. These inputs reflect management's best estimate of fair value using its own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The following are descriptions of the valuation inputs and techniques that the Association utilizes to determine fair value for each major category of assets and liabilities.

Due to the short-term nature of cash equivalents, other assets, accounts payable and accrued expenses, carrying value approximates fair value.

The Association's statement of financial position includes investments in publicly traded mutual funds that have been considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.

For the valuation of investments held at the San Diego Foundation, the Association used quoted prices in principal active markets for certain underlying fund positions and significant other observable inputs (Level 2).

UNITED CEREBRAL PALSY ASSOCIATION OF SAN DIEGO COUNTY

Notes to Financial Statements

The following table summarizes the Association's investments by type, including placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis:

	Fair Value Measurements at September 30, 2023, Using:			
	Total	Level 1	Level 2	Level 3
Assets				
Mutual funds	\$ 283,407	\$ 283,407	\$ -	\$ -
Investments at San Diego Foundation	14,317	-	14,317	-
Total assets	<u>\$ 297,724</u>	<u>\$ 283,407</u>	<u>\$ 14,317</u>	<u>\$ -</u>

The management of the Association is responsible for making the fair value measurements and disclosures in the financial statements. As part of fulfilling this responsibility, the management of the Association has established an accounting and financial reporting process for determining the fair value measurements and disclosures, which identifies and adequately supports the valuation methods and assumptions used and ensures that the presentation of the fair value measurement is in accordance with US GAAP.

For the year ended September 30, 2023, investment income consists of:

Interest and dividends	\$ 3,732
Net realized/unrealized gain	34,204
Investment income	<u>\$ 37,936</u>

Note 5. Accounts Receivable

Receivables at September 30, 2023, consist of the following:

Client funding	\$ 233,098
Employee retention tax credit	806,498
Other	39,653
	<u>1,079,249</u>
Less allowance for doubtful accounts	2,000
	<u>\$ 1,077,249</u>

Note 6. Property and Equipment

Property and equipment consist of the following at September 30, 2023:

Building improvements	\$ 189,491
Computers and software	138,387
Furniture and equipment	78,427
Automotive equipment	150,980
	<u>557,285</u>
Less accumulated depreciation	(508,686)
	<u>\$ 48,599</u>

Note 7. Margin Account Line of Credit

The Association has a margin account line of credit for \$122,000. The account is secured by the investments. The interest rate at September 30, 2023 was 12.00%. Interest paid relating to this line of credit for the fiscal year ended September 30, 2023, was \$1,561. At September 30, 2023, no amount was outstanding.

UNITED CEREBRAL PALSY ASSOCIATION OF SAN DIEGO COUNTY

Notes to Financial Statements

Note 8. Related Party Transactions

During the year ended September 30, 2023, the Association had a management agreement with the United Cerebral Palsy Foundation of San Diego County (the Foundation), a Type III supporting organization, to provide accounting activities, and was paid \$3,000. In addition, the Foundation made a contribution to the Association in the amount of \$109,000.

The Association’s bylaws require that it donate 50% of unrestricted bequests to the Foundation, a Type III supporting organization. As of September 30, 2023, \$420,000 was outstanding as grant payable.

The Association has a line of credit from the Foundation of \$300,000 that is currently at a rate of 1.75% in excess of the Wall Street Journal Prime Rate which was 10.25% at September 30, 2023. Interest paid relating to this line of credit for the fiscal year ended September 30, 2023, was \$6,454. The outstanding balance on the line of credit was \$179,700 as of September 30, 2023.

Note 9. Leases

The Association evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent the Association’s right to use underlying assets for the lease term, and the lease liabilities represent the Association’s obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Association has made an accounting policy election to use US treasury rate as of October 1, 2022, to discount future lease payments. The US treasury rate applied to calculate lease liabilities was 4.12%.

For the year ended September 30, 2023, total operating lease cost was \$158,303, and is included with occupancy expense on the statement of functional expenses.

Right-of-use assets at September 30, 2023 was \$504,740.

Future minimum base lease payments required under the lease agreement for the years ended September 30 is as follows:

<u>Years Ending September 30,</u>	
2024	\$ 164,648
2025	169,585
2026	<u>203,926</u>
Total lease payments	538,159
Less imputed interest	<u>(33,029)</u>
Present value of lease liability	<u>\$ 505,130</u>

Note 10. Net Assets with Donor Restrictions

Net Assets with donor restrictions represent contributions and other inflows received by the Association, which are limited in their use by the donor-imposed stipulations. Net assets with donor restrictions at September 30, 2023 are available for the following purposes:

Program expenses	<u>\$ 17,329</u>
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Note 11. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the year ended September 30, 2023.

UNITED CEREBRAL PALSY ASSOCIATION OF SAN DIEGO COUNTY

Notes to Financial Statements

Purpose restrictions accomplished:

Toy & software library	\$	85,000
Assistive technology center		48,461
Program expenses		24,390
	\$	<u>157,851</u>

Note 12. Pension Plan

The Association has a 403(b) plan (the Plan) covering all eligible employees that have completed one year of service and worked at least 1,000 hours. The Association has an account set up in each qualified employee's name where an annual percentage of the employee's salary is contributed. The percentage varies annually and is approved by the Board of Directors. After three years, the employee is 100% vested. There were no employer contributions during the year ended September 30, 2023.

Note 13. Programs for the Disabled Community

The following is a summarized list of where the program dollars were spent and how many individuals were served. The following represents a breakout of functional expenses by program for the year ended September 30, 2023:

	<u>Program Expenses</u>	<u>People Served</u>
Adult day program (site based)	\$ 1,038,293	62
Adult day programs (community based)	954,242	46
Work activity programs	367,578	16
Assistive technology center	149,753	884
Toy & software library	96,568	382
Publicity for general UCP programs	63,959	-
Information & referral and community services	43,496	1,210
Equipment recycling	23,364	34
Respite for parents	13,561	58
Grants issued for equipment	12,348	25
	<u>\$ 2,763,162</u>	<u>2,717</u>

Note 14. September 30, 2022, Financial Information

The financial statements include certain prior year summarized financial information. Such prior year information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended September 30, 2022, from which the summarized information was derived. Certain reclassifications have been made to summarized 2022 information to conform to the classifications adopted for the 2023 financial statements. This reclassification had no effect on the change in net assets.