

FINANCIAL REPORT



UNITED CEREBRAL PALSY ASSOCIATION OF SAN DIEGO COUNTY

SEPTEMBER 30, 2006



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
United Cerebral Palsy Association of San Diego County
San Diego, California

We have audited the accompanying statement of financial position of United Cerebral Palsy Association of San Diego County as of September 30, 2006, and the related statements of activities, functional expense, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Association's 2005 financial statements, and in our report dated January 13, 2006, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2006, and the results of its activities and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

James H. West, CPA
for WEST RHODE & ROBERTS

San Diego, California
December 11, 2006

James H. West, C.P.A.

Cheryl M. Rhode, C.P.A.

Christopher M. Roberts, C.P.A.

UNITED CEREBRAL PALSY ASSOCIATION OF SAN DIEGO COUNTY

STATEMENT OF FINANCIAL POSITION

September 30, 2006

(With Summarized Financial Information for September 30, 2005)

	2006	2005 (Note 11)
ASSETS		
Cash and cash equivalents	\$ 556,417	\$ 496,001
Accounts receivable (Note 2)	296,400	226,967
Investments (Note 3)	685,790	636,928
Prepaid expenses and other assets	96,746	81,813
Net property and equipment (Note 4)	152,795	107,315
Investments held by San Diego Foundation	<u>13,402</u>	<u>12,951</u>
Total assets	<u>\$ 1,801,550</u>	<u>\$ 1,561,975</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 91,342	\$ 132,386
Accrued expenses	186,147	170,933
Deferred revenue	<u>106,713</u>	<u>76,870</u>
Total liabilities	<u>384,202</u>	<u>380,189</u>
Commitments and contingencies (Notes 8 and 9)		
Net assets:		
Unrestricted:		
Designated for building	89,025	117,228
Undesignated	<u>1,263,557</u>	<u>1,032,326</u>
Total unrestricted	1,352,582	1,149,554
Temporarily restricted (Note 6)	<u>64,766</u>	<u>32,232</u>
Total net assets	<u>1,417,348</u>	<u>1,181,786</u>
Total liabilities and net assets	<u>\$ 1,801,550</u>	<u>\$ 1,561,975</u>

See Notes to Financial Statements.

UNITED CEREBRAL PALSY ASSOCIATION OF SAN DIEGO COUNTY

STATEMENT OF ACTIVITIES

Year Ended September 30, 2006

(With Summarized Financial Information for September 30, 2005)

	Unrestricted	Temporarily Restricted	2006 Total	2005 (Note 11)
SUPPORT AND REVENUE				
Fees from government agencies	\$ 1,958,879	\$ -	\$ 1,958,879	\$ 1,921,508
Work activity	311,861	-	311,861	198,197
Work placement	39,789	-	39,789	40,583
Contributions	269,455	53,915	323,370	258,702
Grants	3,776	143,394	147,170	157,833
Special events, net of \$163,789 in direct costs	368,666	38,013	406,679	427,681
Thrift stores, net of \$2,615,588 in direct costs (Note 12)	612,704	-	612,704	385,148
United Way	16,087	35,262	51,349	60,606
Investment income	29,034	-	29,034	20,104
Net gain on investments	44,988	-	44,988	33,073
Other income	67,900	-	67,900	46,289
Net assets released from restriction (Note 7)	<u>238,050</u>	<u>(238,050)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,961,189</u>	<u>32,534</u>	<u>3,993,723</u>	<u>3,549,724</u>
EXPENSES				
Program services:				
Program services	2,926,652	-	2,926,652	2,675,363
Work activity vocational services	<u>275,292</u>	<u>-</u>	<u>275,292</u>	<u>269,648</u>
Total program services	<u>3,201,944</u>	<u>-</u>	<u>3,201,944</u>	<u>2,945,011</u>
Supporting services:				
Management and general	371,384	-	371,384	354,617
Fundraising	<u>151,062</u>	<u>-</u>	<u>151,062</u>	<u>128,124</u>
Total supporting services	<u>522,446</u>	<u>-</u>	<u>522,446</u>	<u>482,741</u>
Total program and supporting services	3,724,390	-	3,724,390	3,427,752
Payments to national and state	<u>32,316</u>	<u>-</u>	<u>32,316</u>	<u>35,572</u>
Total expenses	<u>3,756,706</u>	<u>-</u>	<u>3,756,706</u>	<u>3,463,324</u>
Loss on disposal of assets	<u>1,455</u>	<u>-</u>	<u>1,455</u>	<u>-</u>
CHANGE IN NET ASSETS	203,028	32,534	235,562	186,400
NET ASSETS AT BEGINNING OF YEAR	<u>1,149,554</u>	<u>32,232</u>	<u>1,181,786</u>	<u>995,386</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,352,582</u>	<u>\$ 64,766</u>	<u>\$ 1,417,348</u>	<u>\$ 1,181,786</u>

See Notes to Financial Statements.

UNITED CEREBRAL PALSY ASSOCIATION OF SAN DIEGO COUNTY

STATEMENT OF CASH FLOWS

Year Ended September 30, 2006

(With Summarized Financial Information for September 30, 2005)

	2006	2005 (Note 11)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 235,562	\$ 186,400
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	73,040	79,221
Increase in allowance for uncollectable accounts	2,176	
Unrealized (gain) on investments	(44,988)	(51,781)
Realized (gain) loss on investments	(24,984)	18,708
Loss on disposal of assets	1,455	-
Restricted contributions	(53,915)	(64,604)
(Increase) decrease in operating assets:		
Accounts receivable	(71,609)	72,796
Prepaid expenses and other assets	(14,933)	(25,988)
Increase (decrease) in operating liabilities:		
Accounts payable	(41,044)	64,199
Accrued expenses	15,214	53,952
Accrued rent	-	(19,732)
Deferred revenue	29,843	5,944
Net cash provided by operating activities	<u>105,817</u>	<u>319,115</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities/sales of investments	265,382	238,776
Purchases of investments	(244,723)	(242,089)
Purchases of property and equipment	<u>(119,975)</u>	<u>(40,149)</u>
Net cash (used in) investing activities	<u>(99,316)</u>	<u>(43,462)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	-	(41,587)
Contributions restricted for program	<u>53,915</u>	<u>64,604</u>
Net cash provided by financing activities	<u>53,915</u>	<u>23,017</u>
INCREASE IN CASH AND CASH EQUIVALENTS	60,416	298,670
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>496,001</u>	<u>197,331</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 556,417</u>	<u>\$ 496,001</u>

See Notes to Financial Statements.

UNITED CEREBRAL PALSY ASSOCIATION OF SAN DIEGO COUNTY

STATEMENT OF FUNCTIONAL EXPENSE

Year Ended September 30, 2006

(With Summarized Financial Information for September 30, 2005)

	PROGRAM SERVICES			SUPPORTING SERVICES			2006 Total	2005 (Note 11)
	Program Services	Vocational Services	Total Program Services	Management and General	Fundraising	Supporting Services		
EXPENSES								
Salaries	\$ 1,611,041	\$ 69,819	\$ 1,680,860	\$ 247,797	\$ 98,808	\$ 346,605	\$ 2,027,465	\$ 1,856,391
Employee benefits	305,148	12,631	317,779	11,345	11,186	22,531	340,310	322,762
Payroll taxes	145,667	6,695	152,362	19,351	8,629	27,980	180,342	203,551
	2,061,856	89,145	2,151,001	278,493	118,623	397,116	2,548,117	2,382,704
Occupancy	407,931	60,891	468,822	28,298	24,979	53,277	522,099	458,815
Supplies	73,450	52,885	126,335	6,826	505	7,331	133,666	117,987
Depreciation	52,035	4,683	56,718	2,190	954	3,144	59,862	67,436
Professional fees	87,502	5,446	92,948	17,292	142	17,434	110,382	112,197
Travel	26,717	14,691	41,408	5,149	278	5,427	46,835	52,280
Miscellaneous	105,218	13,449	118,667	12,957	1,370	14,327	132,994	70,987
Repair & maintenance	32,696	16,235	48,931	5,392	1,180	6,572	55,503	64,820
Telephone	27,303	5,740	33,043	5,264	1,005	6,269	39,312	32,205
Postage & shipping	10,034	6,113	16,147	2,541	581	3,122	19,269	21,142
Organizational dues	1,555	-	1,555	483	-	483	2,038	1,935
Printing	13,592	5,778	19,370	-	117	117	19,487	10,933
Conference & meeting	20,825	80	20,905	5,775	1,328	7,103	28,008	30,324
Activity fees	5,191	-	5,191	-	-	-	5,191	3,008
Subscription	747	156	903	724	-	724	1,627	979
TOTAL EXPENSES	\$ 2,926,652	\$ 275,292	\$ 3,201,944	\$ 371,384	\$ 151,062	\$ 522,446	\$ 3,724,390	\$ 3,427,752

See Notes to Financial Statements.

UNITED CEREBRAL PALSY ASSOCIATION OF SAN DIEGO COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2006

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization – United Cerebral Palsy Association of San Diego County (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.

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

Financial Statement Presentation – The Association's financial presentation is in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Association reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Association presents a statement of cash flows.

Contributions – The Association's contributions are recorded in accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made," whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Under SFAS No. 116, contributions received that have temporary restrictions as to their use are reported as temporarily restricted support and are then reclassified to unrestricted net assets upon fulfillment of the restriction.

Contributions of services 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, 2006, the Association recorded no such contributions.

Investments – The Association's investments are stated at fair value.

Property and Equipment – Purchased property is carried at cost; donated property is recorded at the estimated fair value on the date received. Building improvements and equipment are depreciated on a straight-line basis over useful lives of three to ten years.

The Association's policy is to capitalize all items over \$1,000.

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

Income Taxes – 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.

Functional Allocation of Expenses – Salaries and related expenses are allocated to the various programs and supporting services based on actual or estimated time employees spend on each function. The remaining expenses are specifically allocated whenever practical, or are allocated based on space utilization.

Thrift Store Revenue – The Association engages directly in the solicitation, pickup, and sales of goods donated for its behalf.

Cash Equivalents – Cash equivalents are highly liquid debt instruments with original maturities of three months or less.

UNITED CEREBRAL PALSY ASSOCIATION OF SAN DIEGO COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2006

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported 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.

NOTE 2. ACCOUNTS RECEIVABLE

Receivables at September 30, 2006 consist of:

Client funding	\$ 211,537
Other	<u>90,453</u>
	301,990
Less allowance for doubtful accounts	<u>5,590</u>
	<u>\$ 296,400</u>

NOTE 3. INVESTMENTS

Investments at September 30, 2006, stated at fair value, consist of the following:

Fixed income funds	\$ 205,957
Money market	38,310
Equity securities	<u>441,523</u>
	<u>\$ 685,790</u>

The fair value of the investments has been determined by the Association using independent pricing services as of September 30, 2006.

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment with an original cost in excess of \$1,000 are comprised of:

Building improvements	\$ 285,504
Computer and software	251,760
Furniture and equipment	215,262
Automotive equipment	<u>46,726</u>
	799,252
Less accumulated depreciation	<u>646,457</u>
	<u>\$ 152,795</u>

UNITED CEREBRAL PALSY ASSOCIATION OF SAN DIEGO COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2006

NOTE 5. RELATED PARTY TRANSACTIONS

During the year ended September 30, 2006, the Association had a management agreement with the United Cerebral Palsy Foundation San Diego County (Foundation) to provide accounting activities, and was paid \$2,500.

NOTE 6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Self advocacy	\$ 11,417
Program expenses	<u>53,349</u>
	<u>\$ 64,766</u>

NOTE 7. NET ASSETS RELEASED FROM RESTRICTION

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Purpose restrictions accomplished:

Equipment	\$ 45,920
Self advocacy	35,074
Program expenses	<u>157,056</u>
	<u>\$ 238,050</u>

NOTE 8. CONCENTRATION OF CREDIT RISK

The Association maintains cash balances at a bank in excess of the Federal Deposit Insurance Corporation limit of \$100,000. At September 30, 2006, approximately \$212,000 was in excess of the insured amount in the Association's operating accounts.

NOTE 9. COMMITMENTS

Operating Leases – The Association leases office, program space, thrift store locations, and equipment under operating leases. For the year ended September 30, 2006, rent expense totaled \$995,996.

As of September 30, 2006, minimum rental payments totaling \$3,074,571 are due under these leases as follows:

<u>Years Ending September 30,</u>	<u>Amount</u>
2007	\$ 930,216
2008	653,374
2009	629,086
2010	606,023
2011	<u>255,872</u>
	<u>\$ 3,074,571</u>

UNITED CEREBRAL PALSY ASSOCIATION OF SAN DIEGO COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2006

NOTE 10. PENSION PLAN

The Association has a Money Purchase Pension Plan (the Plan) covering all eligible employees that have completed one year of service and worked at least 1,000 hours. During the calendar year ended December 31, 2004, matching contributions to the Plan were suspended. Matching contributions were reinstated in July 2005 by the Board of Directors. In addition, the Association also has a separate 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. A vesting schedule applies to this account as follows: Years one through three, vested 0%; after three years the employee is vested 100%. Retirement expense for the year ended September 30, 2006 was \$69,161.

NOTE 11. SEPTEMBER 30, 2005 FINANCIAL INFORMATION

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such 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, 2005, from which the summarized information was derived.

NOTE 12. OPENING THRIFT STORES

In March 2004, the Association took over Children's Hospital of San Diego thrift store in Lemon Grove. During the fiscal year ended September 30, 2005, the Association took over the operations of three thrift stores in Pacific Beach, El Cajon, and Chula Vista. These stores were previously operated by Children's Hospital of San Diego. The Association is greatly appreciative of the generosity shown by Children's Hospital of San Diego. All thrift store locations are leased, with these leases expiring at various times through the fiscal year ending September 30, 2011. The lease commitments are included in Note 9.