

United Cerebral Palsy Association of San Luis Obispo County, Inc.

Financial Statements

June 30, 2020

C O N T E N T S

	<u><i>Page(s)</i></u>
<i>Independent Auditors' Report on the Financial Statements</i>	1 – 2
<i>Financial Statements</i>	
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of changes in net assets	6
Statement of cash flows	7
Notes to financial statements	8 – 18
<i>Independent Auditors' Report on the Supplementary Information</i>	19
Divisional statements of financial position	20 – 21
Divisional statements of activities	22



Independent Auditors' Report on the Financial Statements

To the Board of Directors
United Cerebral Palsy Association of San Luis Obispo County, Inc.
San Luis Obispo, California

We have audited the accompanying financial statements of the United Cerebral Palsy Association of San Luis Obispo County, Inc. ("the Organization"), a non-profit organization, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, 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.

Accountants' 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor considers internal control relevant to the entity'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 entity'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.



Independent Auditors' Report on the Financial Statements – Continued

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 San Luis Obispo County, Inc., as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Caliber Audit & Attest, LLP

San Luis Obispo, California
March 19, 2021

United Cerebral Palsy Association of San Luis Obispo County, Inc.

*Statement of Financial Position
June 30, 2020*

ASSETS

Current Assets

Cash and cash equivalents	\$ 455,304
Accounts receivable	353,041
Prepaid expenses	38,737
Deposits	12,973
Total current assets	<u>860,055</u>

Long-term Assets

Property and equipment, net of accumulated depreciation	<u>900,523</u>
Total assets	<u>\$ 1,760,578</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 79,548
Accrued expenses	309,767
Deferred revenue	8,677
Current portion of capital lease obligations	28,644
Current portion of long-term debt	52,953
Total current liabilities	<u>479,589</u>

Long-term Liabilities

Advance - PPP funds	695,645
Capital lease obligations, less current portion	70,546
Long-term debt, less current portion	113,476
Total long-term liabilities	<u>879,667</u>
Total liabilities	<u>1,359,256</u>

Commitments and Contingencies

Net Assets

Without donor restrictions	
Board designated endowment	5,000
Unreserved	396,322
Total without donor restrictions	<u>401,322</u>
Total liabilities and net assets	<u>\$ 1,760,578</u>

See Notes to Financial Statements.

United Cerebral Palsy Association of San Luis Obispo County, Inc.

*Statement of Activities
Year Ended June 30, 2020*

	<i><u>Without Donor Restrictions</u></i>	<i><u>With Donor Restrictions</u></i>	<i><u>Total</u></i>
<i>Public Support and Revenue:</i>			
<i>Public support:</i>			
Contributions	\$ 3,780	\$ -	\$ 3,780
Grants	85,993	-	85,993
Special events, net of direct costs of \$2,289	2,661	-	2,661
Total support	<u>92,434</u>	<u>-</u>	<u>92,434</u>
<i>Revenue:</i>			
Transportation	4,993,446	-	4,993,446
Program income	926,217	-	926,217
Investment income	64	-	64
Other income	10,107	-	10,107
Total revenue	<u>5,929,834</u>	<u>-</u>	<u>5,929,834</u>
Net assets released from restrictions	-	-	-
Total public support and revenues	<u>6,022,268</u>	<u>-</u>	<u>6,022,268</u>
<i>Functional Expenses:</i>			
Program services	5,743,446	-	5,743,446
Management and general	250,739	-	250,739
Fundraising	28,824	-	28,824
Total functional expenses	<u>6,023,009</u>	<u>-</u>	<u>6,023,009</u>
Change in net assets	<u>\$ (741)</u>	<u>\$ -</u>	<u>\$ (741)</u>

See Notes to Financial Statements.

United Cerebral Palsy Association of San Luis Obispo County, Inc.

Statement of Functional Expenses
Year Ended June 30, 2020

	Supporting Services			Total
	Program Services	Management and General	Fundraising	
Personnel costs:				
Salaries and wages	\$ 269,180	\$ 160,566	\$ 12,734	\$ 442,480
Employee benefits	231,161	20,417	2,592	254,170
Payroll taxes	29,275	1,233	308	30,816
Total personnel costs	<u>529,616</u>	<u>182,216</u>	<u>15,634</u>	<u>727,466</u>
Advertising and marketing	32,820	-	3,646	36,466
Computer	19,370	1,722	430	21,522
Depreciation	271,243	-	-	271,243
Insurance	40,565	11,632	476	52,673
Interest	29,704	-	-	29,704
Miscellaneous	47,502	1,951	-	49,453
Occupancy	105,925	9,198	2,350	117,473
Office operations	31,923	2,434	707	35,064
Professional fees	35,574	33,048	1,419	70,041
Program	682,603	-	-	682,603
Program affiliates	457,551	-	-	457,551
Program coordinator	111,180	5,538	3,162	119,880
Repairs and maintenance	214,310	-	-	214,310
Transportation	1,909,767	-	-	1,909,767
Vehicle	1,107,718	-	-	1,107,718
National share and awards	116,075	3,000	1,000	120,075
	<u>5,743,446</u>	<u>250,739</u>	<u>28,824</u>	<u>6,023,009</u>
Total functional expenses	<u>\$ 5,743,446</u>	<u>\$ 250,739</u>	<u>\$ 28,824</u>	<u>\$ 6,023,009</u>

See Notes to Financial Statements.

United Cerebral Palsy Association of San Luis Obispo County, Inc.

*Statement of Changes in Net Assets
Year Ended June 30, 2020*

	<i><u>Without Donor Restrictions</u></i>	<i><u>With Donor Restrictions</u></i>	<i><u>Totals</u></i>
<i>Year Ended June 30, 2019 - as previously presented</i>	\$ 387,703	\$ 5,000	\$ 392,703
Prior period adjustment (Note 13)	<u>9,360</u>	<u>-</u>	<u>9,360</u>
<i>Year End June 30, 2019 - as restated</i>	397,063	5,000	402,063
Change in net assets	<u>(741)</u>	<u>-</u>	<u>(741)</u>
<i>Year End June 30, 2020</i>	<u><u>\$ 396,322</u></u>	<u><u>\$ 5,000</u></u>	<u><u>\$ 401,322</u></u>

See Notes to Financial Statements.

United Cerebral Palsy Association of San Luis Obispo County, Inc.

*Statement of Cash Flows
Year Ended June 30, 2020*

Cash flows from operating activities:

Change in net assets \$ (741)

Adjustments to reconcile the change in net assets to net cash provided by operating activities:

Depreciation 271,243

Changes in operating assets and liabilities:

Accounts receivable 16,557

Prepaid expenses 12,516

Deposits 7,495

Accounts payable (213,571)

Accrued expenses (44,089)

Net cash provided by operating activities 49,410

Cash flows from investing activities:

Purchase of property and equipment (72,117)

Net cash used in investing activities (72,117)

Cash flows from financing activities:

Proceeds from advance - PPP funds 695,645

Payments on line of credit (199,972)

Payments on capital leases (25,647)

Payments on long-term debt (29,375)

Net cash provided by in financing activities 440,651

Net increase in cash and cash equivalents 417,944

Cash and cash equivalents, beginning of year 37,360

Cash and cash equivalents, end of year \$ 455,304

See Notes to Financial Statements.

United Cerebral Palsy Association of San Luis Obispo County, Inc.

Notes to Financial Statements

Note 1. Operations and Summary of Significant Accounting Policies

Nature of operations:

The United Cerebral Palsy Association of San Luis Obispo County, Inc. (“the Organization”) is a California non-profit corporation established in 1994. The Organization is dedicated to further, by public education, the knowledge of the causes and treatments of Cerebral Palsy and other developmental disabilities and to promote public awareness of the capabilities of people with such disabilities; to provide community access for developmentally disabled people and their families; to solicit, collect and otherwise raise money for the above purposes. Originally, the Organization was borne out of a transfer of assets and associated liabilities from United Cerebral Palsy Association of California, Inc. The Organization operates the following divisions:

United Cerebral Palsy: Program offers services for individuals with Cerebral Palsy and other developmental disabilities, designed to provide and allow them to be a part of the community. Services offered for children and their families include respite care, social facilitation, sibling support groups, family advocacy network, parents helping parents, and programs allowing parents time away from home. Adults services include Community Interaction Program (CIP) transportation, leisure club events, tours, weeklong camp, and informational and referral services in San Luis Obispo County.

Ride-On: Program was established to fulfill the need for social service transportation. Rides are available to the disabled as well as non-disabled persons. Fees are charged at the same rate for each passenger.

Transportation Management Association (TMA): Program uses Ride-On vehicles to encourage group transportation with vanpools and shuttles to reduce traffic congestion and air pollution throughout San Luis Obispo County.

Basis of accounting:

The financial statements are presented on an accrual basis, which recognizes income when performance obligations are met, and expenses when incurred. The financial resources are maintained in accordance with the principles of fund accounting.

Financial statement presentation and net assets:

The Organization has presented its financial statements in accordance with generally accepted accounting principles for not-for profit organizations. Under this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions or with donor restrictions.

The Organization reports gifts of cash and other assets as restricted support 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 a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

United Cerebral Palsy Association of San Luis Obispo County, Inc.

Notes to Financial Statements

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions: Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions: Net assets subject to donor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Support revenue:

All public support and revenue is considered to be available for unrestricted use unless specifically restricted by the donor or the terms of a grant. Revenue from public support is recognized at the time an unconditional promise to give or transfer of assets is made.

Revenues from grant agreements that represent exchange transactions, if any, are recognized as the revenue is earned over the grant term.

Government contract revenues:

The Organization has contracts with local and state governmental agencies to provide a variety of program services to the public based on contract requirements. Such contracts from government agencies are recorded as revenue as performance obligations are satisfied, which is generally when the related expenditures are incurred at the point in time the service is provided.

Advances are recorded as deferred revenue from government contracts upon receipt. Included in receivables are contract assets for unbilled services and receivables for billed unpaid services.

Revenue recognition:

The Organization follows the five step, principles-based method to recognize revenue upon the transfer of promised goods or services to customers and in an amount that reflects the consideration for which the Organization expects to be entitled in exchange for those goods or services. The five steps are as follows: 1) identification of the contract with a customer, 2)

United Cerebral Palsy Association of San Luis Obispo County, Inc.

Notes to Financial Statements

identification of the performance obligation(s), 3) determination of the transaction price, 4) allocation of the transaction price to performance obligations in the contract, and 5) recognition of revenue as performance obligations are met. Prices are specific to distinct performance obligations and do not consist of multiple transactions. Revenues are recognized in the period the service is provided, which is when the performance obligation is met either over time or at the point-in-time that the recipient receives the service. Amounts collected but unearned are reflected in the balance sheet as deferred revenue. Amounts billed but unpaid are contract assets and are recorded as accounts receivable.

Disaggregation of revenue:

The Organization's revenue types are disclosed on the statement of activities, disaggregated between transportation and program, all of which are satisfied at a point-in-time.

Contract balances:

The timing of revenue recognition, billings and cash collections results in billed accounts receivable (contract assets), and deferred revenue (contract liabilities) on the balance sheet. Generally, billing occurs subsequent to revenue recognition, resulting in contract assets and an unconditional right to consideration recorded as a receivable. However, the Organization sometimes receives advances or payments from customers before revenue is recognized, resulting in deferred revenue. The deferred revenue is recognized as revenue when the Organization satisfied the related performance obligation.

The beginning and ending contract balances were as follows:

	<u>2020</u>	<u>2019</u>
Accounts receivable	\$ 353,041	\$ 369,598
Deferred revenue	\$ 8,677	\$ 8,677

Performance obligations:

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of accounting. A good or service is distinct if the customer can benefit from the good or service either on its own or together with other resources that are readily available from third parties or from the Organization, and within the context of the contract is separately identifiable from other promises in the contract.

Donated services and assets:

The Organization occasionally receives donations of time and services from members of the community and volunteers. Donated services are recorded in the financial statements to the extent that those services create or enhance a nonfinancial asset or meet the following criteria: a) the service requires specialized skills, b) the service is provided by individuals who possess

United Cerebral Palsy Association of San Luis Obispo County, Inc.

Notes to Financial Statements

those skills, and c) the service would typically need to be purchased if not contributed. There were no donated services for the year ended June 30, 2020.

In-kind donations of fixed assets and supplies used directly by the Organization are valued at their estimated fair values at the time of the donation. There were no donated fixed assets or supplies for the year ended June 30, 2020.

Functional allocation of expenses:

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service. Expenses which apply to more than one functional category have been allocated based on estimates made by management.

Use of estimates:

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and cash equivalents:

The Organization considers cash equivalents to be all short-term securities purchased with a maturity of three months or less.

The Organization maintains cash balances with financial institutions located in California. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2020, there were amounts held in excess of the federally insured limit.

Accounts receivable:

Management has determined that an allowance for doubtful accounts receivable would be zero based on the Organization's credit policies, prior collection experience, and the type of customers associated with the Organization.

Property and equipment:

Purchased property and equipment are stated at cost and donated assets are valued at their estimated fair value on the date donated. Property and equipment additions over \$1,000 are capitalized. All assets are depreciated over estimated useful lives on a straight line basis. Repairs and maintenance are expensed as incurred. Expenditures that significantly increase asset values or extend useful lives are capitalized. Upon retirement, sale or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and gains or losses are included on the statement of activities.

United Cerebral Palsy Association of San Luis Obispo County, Inc.

Notes to Financial Statements

Estimated useful lives are as follows:

	<u>Years</u>
Vehicles	5
Furniture and equipment	3 - 7

Income tax status:

The Organization's activities are generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Franchise Tax Code. Since the Organization is exempt from federal and state income tax liability, no provision is made for current or deferred income tax expense. The Organization is not a private foundation. Management is not aware of any transactions that would impact the Organization's tax-exempt status.

For the year ended June 30, 2020, management of the Organization is not aware of any material uncertain tax positions to be accounted for in the financial statements under the principles of the *Income Taxes* topic of the FASB (*ASC*). The Organization recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense.

All tax exempt entities are subject to review and audit by federal, state and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualification of the tax-exempt entity under the Internal Revenue Code and applicable state statutes.

Advertising:

The Organization expenses advertising costs as incurred.

Recent accounting pronouncements:

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This new standard amends a number of aspects of lease accounting, including requiring lessees to recognize operating leases with a term greater than one year on their balance sheet as a right-of-use asset and corresponding lease liability, measured at the present value of the lease payments. The new standard is effective for private companies for fiscal years beginning after December 15, 2021, which means that it will be effective for the Company for the year beginning July 1, 2022. Early adoption is permitted. The new standard is required to be adopted using a modified retrospective approach. Management will be evaluating the potential impact of the new guidance and is currently uncertain what impact the pronouncement will have on the financial statements, if any.

United Cerebral Palsy Association of San Luis Obispo County, Inc.

Notes to Financial Statements

Note 2. *Liquidity and Availability*

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 455,304
Accounts receivable	353,041
	<u>\$ 808,345</u>

The Organization's liquidity management plan is designed to cover operating expenses and cash flow needs.

Note 3. *Property and Equipment*

Major classes of property and equipment and accumulated depreciation are as follows at June 30, 2020:

Vehicles	\$ 3,708,671
Furniture and equipment	234,320
	<u>3,942,991</u>
Less accumulated depreciation	(3,042,468)
Total property and equipment	<u>\$ 900,523</u>

Depreciation expense for the year ended June 30, 2020 was \$271,243.

Note 4. *Accrued Expenses*

Accrued expenses consist of the following at June 30, 2020:

Accrued salaries	\$ 83,085
Accrued payroll taxes	27,971
Accrued vacation	196,158
Accrued employee benefits	2,553
Total accrued expenses	<u>\$ 309,767</u>

Note 5. *Line of Credit*

The Organization has a line of credit with Rural Community Assistance Corporation, allowing for borrowings up to \$300,000 with a maturity date of January 1, 2022. Interest accrues at the rate of 6.875%. The line of credit is secured by vehicles. There was no outstanding balance on the line of credit at June 30, 2020.

Note 6. *Capital Lease Obligations*

The Organization leases vehicles and equipment under capital lease obligations. The capital lease obligations have been recorded in the accompanying financial statements at the present

United Cerebral Palsy Association of San Luis Obispo County, Inc.

Notes to Financial Statements

value of future minimum lease payments. The cost of assets acquired under the capital leases totaled \$153,736 for the year ended June 30, 2020. Accumulated depreciation on assets under the capital leases totaled \$46,958 at June 30, 2020. Depreciation expense on assets recorded under capital leases totaled \$25,947 for the year ended June 30, 2020.

Capital lease obligations consist of the following at June 30, 2020:

Wells Fargo, June 2018, secured by vehicles, monthly payments of \$1,780 include interest at 6.79%, due May 2023.	\$ 56,374
Financial Pacific Leasing, March 2019, secured by equipment, monthly payments of \$710 include interest at 20.92%, due January 2023.	17,124
Glesby Marks, April 2020, secured by vehicles, variable monthly payments include interest at 7.36%, due April 2025.	25,692
	<hr/> 99,190
Less current portion	(28,644)
Total capital lease obligations, less current portion	<hr/> <hr/> \$ 70,546

At June 30, 2020, future minimum lease payments under the capital lease obligations and the net present value of the future minimum lease payments are as follows:

Years Ending

June 30,

2021	\$ 36,844
2022	36,508
2023	30,817
2024	5,881
2025	4,617
Total future minimum lease payments	<hr/> 114,667
Less amount representing future interest	(15,477)
Present value of future minimum lease payments	<hr/> <hr/> \$ 99,190

United Cerebral Palsy Association of San Luis Obispo County, Inc.

Notes to Financial Statements

Note 7. Long-term Debt

Long-term debt consists of the following at June 30, 2020:

Ally, secured by vehicle, monthly payments of \$384 include interest at 6.99%, due June 2024.	\$ 15,967
Ford Credit, secured by vehicles, monthly payments of \$464 include interest at 10.49%, due October 2024.	19,625
Ford Credit, secured by vehicles, monthly payments of \$683 include interest at 9.69%, due February 2025.	30,670
Wells Fargo, secured by vehicles, monthly payments of \$1,103 include interest at 6.39%, due May 2022.	23,817
Wells Fargo, secured by vehicles, monthly payments of \$2,668 include interest at 6.09%, due January 2023.	76,350
	<hr/>
	166,429
Less current portion	(52,953)
Total long-term debt, less current portion	<hr/> <hr/>
	\$ 113,476

Aggregate maturities of long-term debt at June 30, 2020 are as follows:

<i>Years Ending</i>	
<u><i>June 30,</i></u>	
2021	\$ 52,953
2022	55,626
2023	33,605
2024	16,774
2025	7,471
	<hr/>
	\$ 166,429
	<hr/> <hr/>

United Cerebral Palsy Association of San Luis Obispo County, Inc.

Notes to Financial Statements

Note 8. Commitments and Contingencies

Operating leases:

The Organization has multiple facilities with separate lease agreements for office spaces, the bus yard, vehicle maintenance facilities, and a storage unit with monthly payments totaling approximately \$13,335. The bus yard, vehicle maintenance facilities, and storage unit are on a month to month basis. The office leases are long-term, non-cancellable operations leases with expiration dates from February 2021 through March 2024.

Future minimum lease payments under the non-cancellable leases at June 30, 2020 are as follows:

<i>Years Ending</i>	
<u>June 30,</u>	
2021	\$ 100,172
2022	86,112
2023	89,556
2024	69,165
	<u>\$ 345,005</u>

Note 9. Paycheck Protection Program and COVID-19 Impact

During the year ended June 30, 2020, the COVID-19 coronavirus outbreak in the United States and related shelter in place directives resulted in the Organization suspending certain services and incurring other operational challenges. Management has responded by reducing operating costs where possible. In addition, management will continue to closely monitor the results and will take actions necessary to, as much as possible, mitigate the impact on the Organization's operations.

On May 5, 2020, the Organization received loan proceeds in the amount of \$695,645 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and the borrower maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the specified time period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months.

The Organization has used the proceeds for purposes consistent with the PPP program requirements. The Organization expects to meet the PPP program's eligibility criteria and concludes that the PPP loan represents, in substance, a grant that is expected to be forgiven. As such, the Organization will record the loan as a contribution in accordance with FASB ASC 958-605 once all conditions are met and the forgiveness application is submitted, representing

United Cerebral Palsy Association of San Luis Obispo County, Inc.

Notes to Financial Statements

the last condition. However, the loan is initially recorded as a refundable advance upon issuance of the loan proceeds. The refundable advance will be reduced and recognized as contributions after all conditions for forgiveness are released.

While the Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the PPP loan, it is possible that the Organization may not be eligible for forgiveness of the loan, in whole or in part. Given the expected forgiveness, the Organization has elected not to accrue interest.

Note 10. *Functionalized Expenses – Methods used for Allocations*

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include insurance, depreciation, contract services, promotion and publication, salaries, benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort. Most expenses are directly tracked by program or function.

Note 11. *Related Party Transactions*

The Organization receives donations from board members, who are considered related parties to the Organization.

Note 12. *Concentrations*

The Organization has concentrations as a result of services provided by the Organization to significant customers. Revenues from these customers as a percentage of total revenues for the year ended June 30, 2020 are as follows:

Major Customer 1	49%
Major Customer 2	12%

Accounts receivable balances as a percentage of the total accounts receivable for those customers with a concentration of credit risk for the year ended June 30, 2020 are as follows:

Major Customer A	72%
Major Customer B	10%

Note 13. *Retirement Savings Plan*

The Organization offers a 401(k) plan that covers all eligible full-time employees. To be eligible to participate in the salary deferrals into the plan, employees must be at least 21 years of age. Employees are not required to complete a service requirement to participate in the plan. Employees are eligible to participate in the plan on the first day of the month on or after the day they have met the age requirement. There are no Organization matching or discretionary contributions for the year ended June 30, 2020.

United Cerebral Palsy Association of San Luis Obispo County, Inc.

Notes to Financial Statements

Note 14. Prior Period Adjustment

The statement of financial position and statement of changes in net assets have been restated for the correction of the overstatement of property and equipment and deferred revenue for the year ended June 30, 2019. The correction for the year ended June 30, 2019 resulted in the following changes in net assets as of June 30, 2019:

	<u><i>Property and Equipment</i></u>	<u><i>Deferred Revenue</i></u>	<u><i>Unreserved Net Assets</i></u>
Balance, June 30, 2019, as previously stated	\$ 1,035,524	\$ (124,314)	\$ (387,703)
Prior period adjustment:			
Overstatement of property and equipment	(103,758)	-	103,758
Overstatement of deferred revenue	-	113,118	(113,118)
	<u>(103,758)</u>	<u>113,118</u>	<u>(9,360)</u>
Balance, June 30, 2019, as restated	<u>\$ 931,766</u>	<u>\$ (11,196)</u>	<u>\$ (397,063)</u>

Note 15. Subsequent Events

On February 8, 2021, the Organization received another round of loan proceeds in the amount of \$688,942 under the Paycheck Protection Program (PPP) under the CARES Act to continue to manage cash flows and meet expectations as they come due.

The date to which events occurring after June 30, 2020 have been evaluated for possible adjustment to the financial statements or disclosure is March 19, 2021, which is the date on which the financial statements were available to be issued.



Independent Auditors' Report on the Supplementary Information

To the Board of Directors
United Cerebral Palsy Association of San Luis Obispo County, Inc.
San Luis Obispo, California

We have audited the financial statements of United Cerebral Palsy Association of San Luis Obispo County, Inc. as of and for the year ended June 30, 2020, and our report thereon dated March 19, 2021 which contained an unmodified opinion on those financial statements, appears on page one. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The statements on pages 20 through 22 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Caliber Audit & Attest, LLP

San Luis Obispo, California
March 19, 2021

United Cerebral Palsy Association of San Luis Obispo County, Inc.

**Divisional Statements of Financial Position
June 30, 2020**

	<u>United Cerebral Palsy</u>	<u>Ride-On</u>	<u>Transportation Management Association</u>	<u>Totals</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ (3,784,705)	\$ 3,512,157	\$ 727,852	\$ 455,304
Accounts receivable	21,973	326,837	4,231	353,041
Prepaid expenses	-	38,737	-	38,737
Deposits	-	12,973	-	12,973
Total current assets	<u>(3,762,732)</u>	<u>3,890,704</u>	<u>732,083</u>	<u>860,055</u>
Long-term Assets				
Property and equipment, net of accumulated depreciation	<u>-</u>	<u>900,523</u>	<u>-</u>	<u>900,523</u>
Total assets	<u><u>\$ (3,762,732)</u></u>	<u><u>\$ 4,791,227</u></u>	<u><u>\$ 732,083</u></u>	<u><u>\$ 1,760,578</u></u>

United Cerebral Palsy Association of San Luis Obispo County, Inc.

Divisional Statements of Financial Position - continued
June 30, 2020

	<u>United Cerebral Palsy</u>	<u>Ride-On</u>	<u>Transportation Management Association</u>	<u>Totals</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 9,333	\$ 67,970	\$ 2,245	\$ 79,548
Accrued expenses	60,642	233,702	15,423	309,767
Deferred revenue	8,677	-	-	8,677
Current portion of capital lease obligations	-	28,644	-	28,644
Current portion of long-term debt	-	52,953	-	52,953
Total current liabilities	<u>78,652</u>	<u>383,269</u>	<u>17,668</u>	<u>479,589</u>
Long-term Liabilities				
Advance - PPP funds	695,645	-	-	695,645
Capital lease obligations, less current portion	-	70,546	-	70,546
Long-term debt, less current portion	-	113,476	-	113,476
Total long-term liabilities	<u>695,645</u>	<u>184,022</u>	<u>-</u>	<u>879,667</u>
Total liabilities	<u>774,297</u>	<u>567,291</u>	<u>17,668</u>	<u>1,359,256</u>
Commitments and Contingencies				
Net Assets				
Without donor restrictions				
Board designated endowment	5,000	-	-	5,000
Unreserved	<u>(362,401)</u>	<u>(218,195)</u>	<u>976,918</u>	<u>396,322</u>
Total without donor restrictions	<u>(357,401)</u>	<u>(218,195)</u>	<u>976,918</u>	<u>401,322</u>
Total liabilities and net assets	<u>\$ 416,896</u>	<u>\$ 349,096</u>	<u>\$ 994,586</u>	<u>\$ 1,760,578</u>

United Cerebral Palsy Association of San Luis Obispo County, Inc.

**Divisional Statements of Activities
Year Ended June 30, 2020**

	<i>United Cerebral Palsy</i>	<i>Ride-On</i>	<i>Transportation Management Association</i>	<i>Totals</i>
Public Support and Revenue:				
Contributions	\$ 3,432	\$ -	\$ 348	\$ 3,780
Grants	85,993	-	-	85,993
Special events, net of direct costs of \$2,289	2,661	-	-	2,661
Total support	<u>92,086</u>	<u>-</u>	<u>348</u>	<u>92,434</u>
Transportation	-	4,598,408	395,038	4,993,446
Program income	926,217	-	-	926,217
Investment income	55	7	2	64
Other income	-	10,022	85	10,107
Total revenue	<u>926,272</u>	<u>4,608,437</u>	<u>395,125</u>	<u>5,929,834</u>
Total public support and revenues	<u>1,018,358</u>	<u>4,608,437</u>	<u>395,473</u>	<u>6,022,268</u>
Expenses:				
Salaries and wages	49,862	368,085	24,533	442,480
Employee benefits	-	254,170	-	254,170
Payroll taxes	2,015	28,042	759	30,816
Advertising and marketing	21,965	9,357	5,144	36,466
Computer	4,107	15,411	2,004	21,522
Depreciation	-	271,243	-	271,243
Insurance	29,454	15,586	7,633	52,673
Interest	-	29,704	-	29,704
Miscellaneous	3,289	37,881	8,283	49,453
Occupancy	23,136	70,258	24,079	117,473
Office operations	6,890	25,265	2,909	35,064
Professional fees	18,503	36,079	15,459	70,041
Program	378,535	-	304,068	682,603
Program affiliates	457,551	-	-	457,551
Program coordinator	64,504	-	55,376	119,880
Repairs and maintenance	-	214,310	-	214,310
Transportation	-	1,909,767	-	1,909,767
Vehicle	-	1,107,718	-	1,107,718
National share and awards	20,000	92,169	7,906	120,075
Total expenses	<u>1,079,811</u>	<u>4,485,045</u>	<u>458,153</u>	<u>6,023,009</u>
Change in net assets	<u>\$ (61,453)</u>	<u>\$ 123,392</u>	<u>\$ (62,680)</u>	<u>\$ (741)</u>