

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

Financial Statements

June 30, 2023 and 2022

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>	
Statements of financial position	3 – 4
Statements of activities	5 – 6
Statements of functional expenses	7 – 8
Statements of changes in net assets	9
Statements of cash flows	10
Notes to financial statements	11 – 22
<i>Independent Auditors' Report on the Supplementary Information</i>	23
Divisional statements of financial position	24 – 27
Divisional statements of activities	28 – 31



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

Opinion

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 statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, changes in net assets, and cash flows for the years 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 the Organization as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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 Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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



Independent Auditors' Report on the Financial Statements – Continued

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, including omissions, 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 Organization'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 Organization'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.

Caliber Audit & Attest, LLP

San Luis Obispo, California
March 28, 2024

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

*Statements of Financial Position
June 30, 2023 and 2022*

<i>ASSETS</i>	<u>2023</u>	<u>2022</u>
<i>Current Assets</i>		
Cash and cash equivalents	\$ 556,285	\$ 602,985
Accounts receivable	1,739,170	651,074
Prepaid expenses	64,269	26,052
Deposits	13,007	12,583
Total current assets	<u>2,372,731</u>	<u>1,292,694</u>
<i>Long-term Assets</i>		
Property and equipment, net of accumulated depreciation	645,127	793,739
Operating lease right-of-use assets	513,656	-
Total non-current assets	<u>1,158,783</u>	<u>793,739</u>
Total assets	<u>\$ 3,531,514</u>	<u>\$ 2,086,433</u>

See Notes to Financial Statements.

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

*Statements of Financial Position - continued
June 30, 2023 and 2022*

<i>LIABILITIES AND NET ASSETS</i>	<u>2023</u>	<u>2022</u>
<i>Current Liabilities</i>		
Accounts payable	\$ 188,446	\$ 209,440
Accrued expenses	422,521	350,789
Deferred revenue	9,431	9,507
Operating lease liabilities, current portion	73,798	-
Current portion of finance lease obligations	5,339	30,131
Current portion of long-term debt	57,165	65,383
Total current liabilities	<u>756,700</u>	<u>665,250</u>
<i>Long-term Liabilities</i>		
Operating lease liabilities, less current portion	450,773	-
Finance lease obligations, less current portion	3,907	8,011
Long-term debt, less current portion	81,513	28,140
Total long-term liabilities	<u>536,193</u>	<u>36,151</u>
Total liabilities	<u>1,292,893</u>	<u>701,401</u>
<i>Commitments and Contingencies</i>		
<i>Net Assets</i>		
Without donor restrictions		
Board designated endowment	5,000	5,000
Unreserved	2,233,621	1,380,032
Total without donor restrictions	<u>2,238,621</u>	<u>1,385,032</u>
Total liabilities and net assets	<u>\$ 3,531,514</u>	<u>\$ 2,086,433</u>

See Notes to Financial Statements.

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

*Statement of Activities
Year Ended June 30, 2023*

	<u><i>Without Donor Restrictions</i></u>	<u><i>With Donor Restrictions</i></u>	<u><i>Total</i></u>
<i>Public Support and Revenue:</i>			
<i>Public support:</i>			
Contributions	\$ 9,096	\$ -	\$ 9,096
Grants	1,022,624	-	1,022,624
In-kind services	9,065	-	9,065
Special events, net of direct costs of \$24,847	21,531	-	21,531
Total support	1,062,316	-	1,062,316
<i>Revenue:</i>			
Transportation	5,564,949	-	5,564,949
Program income	1,537,570	-	1,537,570
Investment income	30	-	30
Other income	20,015	-	20,015
Total revenue	7,122,564	-	7,122,564
Net assets released from restrictions	-	-	-
Total public support and revenues	8,184,880	-	8,184,880
<i>Functional Expenses:</i>			
Program services	7,009,354	-	7,009,354
Management and general	288,328	-	288,328
Fundraising	33,609	-	33,609
Total functional expenses	7,331,291	-	7,331,291
Change in net assets	\$ 853,589	\$ -	\$ 853,589

See Notes to Financial Statements.

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

Statement of Activities
Year Ended June 30, 2022

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Public Support and Revenue:			
<i>Public support:</i>			
Contributions	\$ 19,913	\$ -	\$ 19,913
Grants	93,817	-	93,817
In-kind services	13,700	-	13,700
In-kind equipment	407,073	-	407,073
Special events, net of direct costs of \$11,113	5,492	-	5,492
Total support	<u>539,995</u>	<u>-</u>	<u>539,995</u>
<i>Revenue:</i>			
Transportation	4,223,848	-	4,223,848
Program income	1,055,866	-	1,055,866
Investment income	103	-	103
Other income	35,814	-	35,814
Total revenue	<u>5,315,631</u>	<u>-</u>	<u>5,315,631</u>
Net assets released from restrictions	-	-	-
Total public support and revenues	<u>5,855,626</u>	<u>-</u>	<u>5,855,626</u>
Functional Expenses:			
Program services	5,971,054	-	5,971,054
Management and general	286,770	-	286,770
Fundraising	31,896	-	31,896
Total functional expenses	<u>6,289,720</u>	<u>-</u>	<u>6,289,720</u>
Change in net assets	<u>\$ (434,094)</u>	<u>\$ -</u>	<u>\$ (434,094)</u>

See Notes to Financial Statements.

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

*Statement of Functional Expenses
Year Ended June 30, 2023*

	<i>Program Services</i>	<i>Supporting Services</i>		<i>Total</i>
		<i>Management and General</i>	<i>Fundraising</i>	
Personnel costs:				
Salaries and wages	\$ 303,982	\$ 179,916	\$ 16,198	\$ 500,096
Employee benefits	258,881	15,374	2,392	276,647
Payroll taxes	32,715	1,377	344	34,436
Total personnel costs	<u>595,578</u>	<u>196,667</u>	<u>18,934</u>	<u>811,179</u>
Advertising and marketing	28,486	-	3,165	31,651
Computer	30,124	2,678	669	33,471
Depreciation	326,894	-	-	326,894
Insurance	22,140	11,176	282	33,598
Interest	8,998	-	-	8,998
Miscellaneous	212,163	4,731	-	216,894
Occupancy	143,240	12,475	3,178	158,893
Office operations	34,756	2,764	766	38,286
Professional fees	40,008	49,192	1,693	90,893
Program	806,108	-	-	806,108
Program affiliates	617,435	-	-	617,435
Program coordinator	128,719	5,645	3,922	138,286
Repairs and maintenance	252,435	-	-	252,435
Transportation	2,196,911	-	-	2,196,911
Vehicle	1,432,788	-	-	1,432,788
National share and awards	132,571	3,000	1,000	136,571
Total functional expenses	<u>\$ 7,009,354</u>	<u>\$ 288,328</u>	<u>\$ 33,609</u>	<u>\$ 7,331,291</u>

See Notes to Financial Statements.

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

*Statement of Functional Expenses
Year Ended June 30, 2022*

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Personnel costs:				
Salaries and wages	\$ 292,767	\$ 179,125	\$ 15,338	\$ 487,230
Employee benefits	225,492	17,838	2,263	245,593
Payroll taxes	27,101	1,141	285	28,527
Total personnel costs	<u>545,360</u>	<u>198,104</u>	<u>17,886</u>	<u>761,350</u>
Advertising and marketing	32,438	-	3,604	36,042
Computer	26,751	2,378	594	29,723
Depreciation	347,558	-	-	347,558
Insurance	13,937	9,441	195	23,573
Interest	18,429	-	-	18,429
Miscellaneous	195,453	2,297	-	197,750
Occupancy	133,748	11,674	2,968	148,390
Office operations	26,734	2,562	719	30,015
Professional fees	30,123	51,599	1,655	83,377
Program	771,589	-	-	771,589
Program affiliates	450,627	-	-	450,627
Program coordinator	115,332	5,715	3,275	124,322
Repairs and maintenance	220,415	-	-	220,415
Transportation	1,692,497	-	-	1,692,497
Vehicle	1,254,972	-	-	1,254,972
National share and awards	95,091	3,000	1,000	99,091
Total functional expenses	<u>\$ 5,971,054</u>	<u>\$ 286,770</u>	<u>\$ 31,896</u>	<u>\$ 6,289,720</u>

See Notes to Financial Statements.

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

*Statements of Changes in Net Assets
Years Ended June 30, 2023 and 2022*

	<i><u>Without Donor Restrictions</u></i>	<i><u>With Donor Restrictions</u></i>	<i><u>Totals</u></i>
<i>Year End June 30, 2021</i>	\$ 1,819,126	\$ -	\$ 1,819,126
Change in net assets	<u>(434,094)</u>	<u>-</u>	<u>(434,094)</u>
<i>Year End June 30, 2022</i>	1,385,032	-	1,385,032
Change in net assets	<u>853,589</u>	<u>-</u>	<u>853,589</u>
<i>Year End June 30, 2023</i>	<u>\$ 2,238,621</u>	<u>\$ -</u>	<u>\$ 2,238,621</u>

See Notes to Financial Statements.

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

*Statements of Cash Flows
Years Ended June 30, 2023 and 2022*

<i>Cash flows from operating activities:</i>	<u>2023</u>	<u>2022</u>
Change in net assets	\$ 853,589	\$ (434,094)
<i>Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:</i>		
Depreciation	326,894	347,558
Gain on disposal of fixed assets	(20,000)	(35,814)
In-kind equipment	-	(407,073)
<i>Changes in operating assets and liabilities:</i>		
Accounts receivable	(1,088,096)	240,840
Prepaid expenses	(38,217)	(16,531)
Deposits	(424)	(734)
Accounts payable	(20,994)	84,019
Accrued expenses	71,732	29,469
Deferred revenue	(76)	516
Deferred rent	10,915	-
Net cash provided by (used in) operating activities	<u>95,323</u>	<u>(191,844)</u>
<i>Cash flows from investing activities:</i>		
Proceeds from sale of property and equipment	20,000	35,814
Purchase of property and equipment	(54,001)	(40,135)
Net cash used in investing activities	<u>(34,001)</u>	<u>(4,321)</u>
<i>Cash flows from financing activities:</i>		
Payments on finance leases	(28,896)	(31,498)
Payments on long-term debt	(79,126)	(79,649)
Net cash used in financing activities	<u>(108,022)</u>	<u>(111,147)</u>
<i>Net decrease in cash and cash equivalents</i>	(46,700)	(307,312)
<i>Cash and cash equivalents, beginning of year</i>	<u>602,985</u>	<u>910,297</u>
<i>Cash and cash equivalents, end of year</i>	<u><u>\$ 556,285</u></u>	<u><u>\$ 602,985</u></u>
<i>Noncash operating activities:</i>		
In-kind donations of services	<u>\$ 9,065</u>	<u>\$ 13,700</u>
In-kind donations of equipment	<u>\$ -</u>	<u>\$ 407,073</u>

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.

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.

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

Notes to Financial Statements

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) 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

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

Notes to Financial Statements

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 statements of financial position 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 statements of financial position. 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>2023</u>	<u>2022</u>	<u>2021</u>
Accounts receivable	\$ 1,739,170	\$ 651,074	\$ 891,914
Deferred revenue	\$ 9,431	\$ 9,507	\$ 8,991

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 those skills, and c) the service would typically need to be purchased if not contributed. Donated services for the years ended June 30, 2023 and 2022 were \$9,065 and \$13,700, respectively, which were provided at no cost to the Organization and based on current market rates.

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

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

Notes to Financial Statements

or supplies for the year ended June 30, 2023. Donated vehicles for the year ended June 30, 2022 were \$407,073, which were provided at no cost to the Organization and valued based on the estimated market value of the vehicles.

All gifts in-kind received by the Organization for the years ended June 30, 2023 and 2022 were considered without donor restrictions and able to use by the Organization as determined by the board of directors and management.

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, 2023 and 2022, there were amounts held in excess of the federally insured limit.

Accounts receivable:

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

The balance of accounts receivable at June 30, 2023 includes an amount of \$621,759 due from the largest customer of the Organization. Per Management, the customer agreed to pay additional "deadhead" time, which is the time spent garage-to-garage (not just the route time), for the time period of September 2022 through March 2023. The amount mentioned above is related to this time period. Management has been able to use an outside consultant to assist in the calculations of this deadhead time, and is confident they will be collecting on the full amount in the near future.

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

Notes to Financial Statements

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.

Estimated useful lives are as follows:

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

Leases:

The Organization assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. The right to control the use of an asset includes the right to obtain substantially all of the economic benefits of the underlying asset and the right to direct how and for what purpose the asset is used. Leases with an initial term of twelve months or less are not recorded on the statement of financial position and are expensed as incurred.

Finance leases are included in property and equipment and finance lease obligations on the statements of financial position.

Operating lease right-of-use assets and liabilities are recognized at the commencement date of the lease based on the present value of the fixed lease payments over the lease term. The Organization has elected to use the risk-free interest rate at lease commencement as a practical expedient for the discount rate used to calculate the present value of the operating lease liabilities. The Organization includes any options to extend the lease as part of the right-of-use lease assets and liability calculations if it is reasonably certain that the Organization will exercise the option. Certain lease agreements include rental payments adjusted annually based on an index. Lease expense is recognized for all leases on a straight-line basis over the lease term.

Variable lease payments, including non-lease components, are expensed as incurred. In general, the lease and non-lease components are accounted for separately with amounts allocated to the lease and non-lease components based on standalone prices.

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

Notes to Financial Statements

Compensated absences:

The Organization allows full-time employees to receive compensation for vacation and sick leave. The estimate related to compensated absences is based on vacation hours available and current pay rates. The obligation for compensated absences has been recorded to accrued vacation and the offsetting expense to employee benefits.

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, 2023, 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:

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 Organization adopted the new standard effective July 1, 2022, using the modified retrospective approach. The Organization elected all practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Organization to carry forward the historical lease classifications. In addition, the Organization elected the practical expedient to use hindsight in determining the lease term for existing leases.

The adoption had a material impact on the Organizations' statements of financial position but did not have a material impact on the statement of activities. The most significant impact was the recognition of the right-of-use assets and lease liabilities for operating leases. Adoption of the standard did not require the Organization to restate amounts as of July 1, 2022, since the written lease started after this date.

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 statement of financial position, comprise the following:

Cash and cash equivalents	\$ 556,285
Accounts receivable	1,739,170
	<u>\$ 2,295,455</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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 23,586	\$ 23,586
Vehicles	3,186,285	3,195,772
Furniture and equipment	201,168	161,867
	<u>3,411,039</u>	<u>3,381,225</u>
Less accumulated depreciation	(2,765,912)	(2,587,486)
Total property and equipment	<u>\$ 645,127</u>	<u>\$ 793,739</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$326,894 and \$347,558, respectively.

Note 4. 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 \$15,134. Certain office leases, the bus yard, vehicle maintenance facilities, and storage unit are on a month-to-month basis. One office lease located in San Luis Obispo has a term greater than one year.

As discussed in Note 1, the operating lease right-of-use asset and lease liabilities were calculated utilizing the risk-free discount rate according to the Organization's elected policy, which was determined to be 4% upon adoption of the lease accounting standard.

The Organization also leases vehicles and equipment under finance lease obligations. The finance lease obligations have been recorded in the accompanying financial statements at the present value of future minimum lease payments.

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

Notes to Financial Statements

The following summarizes the line items in the statement of financial position which include amounts for operating and finance leases as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
<i>Operating leases:</i>		
Operating lease right-of-use assets	\$ 513,656	\$ -
Operating lease liabilities, current portion	\$ 73,798	\$ -
Operating lease liabilities, less current portion	450,773	-
Total operating lease liabilities	<u>\$ 524,571</u>	<u>\$ -</u>
<i>Finance leases:</i>		
Property and equipment	\$ 28,802	\$ 153,736
Accumulated depreciation	(18,241)	(108,452)
Property and equipment, net	<u>\$ 10,561</u>	<u>\$ 45,284</u>
Finance lease obligations, current portion	\$ 5,339	\$ 30,131
Finance lease obligations, less current portion	3,907	8,011
Total finance lease obligations	<u>\$ 9,246</u>	<u>\$ 38,142</u>

The following summarizes the weighted average remaining lease term as discount rate as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
<i>Weighted average remaining lease term (years):</i>		
Operating leases	5.84	n/a
Finance leases	1.78	n/a
<i>Weighted average discount rate:</i>		
Operating leases (using risk-free interest rate)	4.00%	n/a
Finance leases	7.36%	n/a

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

Notes to Financial Statements

The following summarizes the line items in the statements of activities which include components of lease expense, including fixed and short-term lease costs, for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
<i>Operating lease costs:</i>		
Facility rent	\$ 100,471	\$ 86,112
Short-term lease costs	112,300	115,868
Total operating lease costs	<u>\$ 212,771</u>	<u>\$ 201,980</u>
<i>Finance lease costs:</i>		
Amortization of lease assets included in depreciation	\$ 5,760	\$ 30,747
Interest on lease liabilities	1,889	4,978
Total finance lease costs	<u>\$ 7,649</u>	<u>\$ 35,725</u>

The following summarizes the cash flow information related to leases for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
<i>Cash paid for amounts included in the measurement of lease liabilities:</i>		
Operating cash flows from operating leases	\$ 89,556	n/a
Finance cash flows from finance leases	\$ 30,131	n/a
<i>Non-cash activities: Leased assets obtained in exchange for lease obligations:</i>		
Operating leases and right-of-use assets	\$ 591,960	n/a

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

Notes to Financial Statements

The future maturities of lease liabilities as of June 30, 2023 were as follows:

<u>Years Ending</u> <u>June 30,</u>	<u>Operating</u> <u>Leases</u>	<u>Finance</u> <u>Leases</u>
2024	\$ 93,141	\$ 5,881
2025	96,864	4,618
2026	100,740	-
2027	104,766	-
2028	108,960	-
Thereafter	84,150	-
Total for future lease payments	<u>588,621</u>	<u>10,499</u>
Less amount representing interest	(64,050)	(1,253)
Present value of lease liabilities	<u><u>\$ 524,571</u></u>	<u><u>\$ 9,246</u></u>

Note 5. Accrued Expenses

Accrued expenses consist of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Accrued salaries	\$ 121,283	\$ 97,799
Accrued payroll taxes	39,440	34,151
Accrued vacation	256,447	213,805
Accrued employee benefits	5,351	5,034
Total accrued expenses	<u><u>\$ 422,521</u></u>	<u><u>\$ 350,789</u></u>

Note 6. 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, 2024. 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, 2023 and 2022.

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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Ally, secured by vehicle, monthly payments of \$384 include interest at 6.99%, due June 2024.	\$ 4,422	\$ 8,559
Ford Credit, secured by vehicles, monthly payments of \$464 include interest at 10.49%, due October 2024.	7,299	11,842
Ford Credit, secured by vehicles, monthly payments of \$683 include interest at 9.69%, due February 2025.	12,561	19,187
Wells Fargo, secured by vehicles, monthly payments of \$2,668 include interest at 6.09%, paid in full in 2023.	-	18,302
Rural Community Assistance Corporation, secured by vehicles, interest only payments until July 2021 at 6.875%, due June 2025.	110,542	26,816
Tenant improvements loan, unsecured, monthly payments of \$435 include interest at 4%, due March 2024.	3,854	8,817
	<u>138,678</u>	<u>93,523</u>
Less current portion	(57,165)	(65,383)
Total long-term debt, less current portion	<u>\$ 81,513</u>	<u>\$ 28,140</u>

Aggregate maturities of long-term debt at June 30, 2023 are as follows:

Years Ending	
<u>June 30,</u>	
2024	\$ 57,165
2025	81,513
	<u>\$ 138,678</u>

Note 8. 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.

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

Notes to Financial Statements

Note 9. Related Party Transactions

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

Note 10. 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 years ended June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Major Customer 1	45%	44%
Major Customer 2	11%	1%
Major Customer 3	10%	9%

Accounts receivable balances as a percentage of the total accounts receivable for those customers with a concentration of credit risk for the years ended June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Major Customer A	78%	77%
Major Customer B	3%	12%
Major Customer C	12%	6%

Note 11. 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 years ended June 30, 2023 and 2022.

Note 12. Subsequent Events

The date to which events occurring after June 30, 2023 have been evaluated for possible adjustment to the financial statements or disclosure is March 28, 2024, 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 years ended June 30, 2023 and 2022, and our report thereon dated March 28, 2024 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 24 through 31 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 28, 2024

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

**Divisional Statements of Financial Position
June 30, 2023**

	<u>United Cerebral Palsy</u>	<u>Ride-On</u>	<u>Transportation Management Association</u>	<u>Totals</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ (10,257,137)	\$ 9,581,342	\$ 1,232,080	\$ 556,285
Accounts receivable	143,382	1,582,472	13,316	1,739,170
Prepaid expenses	21,185	43,084	-	64,269
Deposits	-	13,007	-	13,007
Total current assets	<u>(10,092,570)</u>	<u>11,219,905</u>	<u>1,245,396</u>	<u>2,372,731</u>
Long-term Assets				
Property and equipment, net of accumulated depreciation	25,843	614,567	4,717	645,127
Operating lease right-of-use asset	-	513,656	-	513,656
Total non-current assets	<u>25,843</u>	<u>1,128,223</u>	<u>4,717</u>	<u>1,158,783</u>
Total assets	<u><u>\$ (10,066,727)</u></u>	<u><u>\$ 12,348,128</u></u>	<u><u>\$ 1,250,113</u></u>	<u><u>\$ 3,531,514</u></u>

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

Divisional Statements of Financial Position - continued
June 30, 2023

	<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	\$ 33,126	\$ 153,312	\$ 2,008	\$ 188,446
Accrued expenses	107,272	286,195	29,054	422,521
Deferred revenue	9,431	-	-	9,431
Operating lease liabilities, current portion	-	73,798	-	73,798
Current portion of capital lease obligations	-	5,339	-	5,339
Current portion of long-term debt	1,725	53,715	1,725	57,165
Total current liabilities	<u>151,554</u>	<u>572,359</u>	<u>32,787</u>	<u>756,700</u>
Long-term Liabilities				
Operating lease liabilities, less current portion	-	450,773	-	450,773
Capital lease obligations, less current portion	-	3,907	-	3,907
Long-term debt, less current portion	-	81,513	-	81,513
Total long-term liabilities	<u>-</u>	<u>536,193</u>	<u>-</u>	<u>536,193</u>
Total liabilities	<u>151,554</u>	<u>1,108,552</u>	<u>32,787</u>	<u>1,292,893</u>
Commitments and Contingencies				
Net Assets				
Without donor restrictions				
Board designated endowment	5,000	-	-	5,000
Unreserved	1,041,459	547,278	644,884	2,233,621
Total without donor restrictions	<u>1,046,459</u>	<u>547,278</u>	<u>644,884</u>	<u>2,238,621</u>
Total liabilities and net assets	<u>\$ 1,198,013</u>	<u>\$ 1,655,830</u>	<u>\$ 677,671</u>	<u>\$ 3,531,514</u>

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

**Divisional Statements of Financial Position
June 30, 2022**

	<i>United Cerebral Palsy</i>	<i>Ride-On</i>	<i>Transportation Management Association</i>	<i>Totals</i>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>ASSETS</i>				
<i>Current Assets</i>				
Cash and cash equivalents	\$ (7,644,103)	\$ 7,238,125	\$ 1,008,963	\$ 602,985
Accounts receivable	48,997	590,280	11,797	651,074
Prepaid expenses	17,613	8,439	-	26,052
Deposits	-	12,583	-	12,583
Total current assets	<u>(7,577,493)</u>	<u>7,849,427</u>	<u>1,020,760</u>	<u>1,292,694</u>
<i>Long-term Assets</i>				
Property and equipment, net of accumulated depreciation	<u>6,645</u>	<u>782,376</u>	<u>4,718</u>	<u>793,739</u>
Total assets	<u><u>\$ (7,570,848)</u></u>	<u><u>\$ 8,631,803</u></u>	<u><u>\$ 1,025,478</u></u>	<u><u>\$ 2,086,433</u></u>

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

Divisional Statements of Financial Position - continued
June 30, 2022

	<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	\$ 19,195	\$ 187,665	\$ 2,580	\$ 209,440
Accrued expenses	87,071	235,520	28,198	350,789
Deferred revenue	9,507	-	-	9,507
Current portion of capital lease obligations	-	30,131	-	30,131
Current portion of long-term debt	-	65,383	-	65,383
Total current liabilities	<u>115,773</u>	<u>518,699</u>	<u>30,778</u>	<u>665,250</u>
Long-term Liabilities				
Capital lease obligations, less current portion	-	8,011	-	8,011
Long-term debt, less current portion	2,717	22,706	2,717	28,140
Total long-term liabilities	<u>2,717</u>	<u>30,717</u>	<u>2,717</u>	<u>36,151</u>
Total liabilities	<u>118,490</u>	<u>549,416</u>	<u>33,495</u>	<u>701,401</u>
Commitments and Contingencies				
Net Assets				
Without donor restrictions				
Board designated endowment	5,000	-	-	5,000
Unreserved	803,281	(139,294)	716,045	1,380,032
Total without donor restrictions	<u>808,281</u>	<u>(139,294)</u>	<u>716,045</u>	<u>1,385,032</u>
Total liabilities and net assets	<u>\$ 926,771</u>	<u>\$ 410,122</u>	<u>\$ 749,540</u>	<u>\$ 2,086,433</u>

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

**Divisional Statements of Activities
Year Ended June 30, 2023**

	<i>United Cerebral Palsy</i>	<i>Ride-On</i>	<i>Transportation Management Association</i>	<i>Totals</i>
<i>Public Support and Revenue:</i>				
Contributions	\$ 9,040	\$ 56	\$ -	\$ 9,096
Grants	152,510	870,114	-	1,022,624
In-kind services	-	9,065	-	9,065
Special events, net of direct costs of \$24,845	21,531	-	-	21,531
Total support	<u>183,081</u>	<u>879,235</u>	<u>-</u>	<u>1,062,316</u>
Transportation	-	5,262,020	302,929	5,564,949
Program income	1,537,570	-	-	1,537,570
Investment income	8	21	1	30
Other income	14	20,000	1	20,015
Total revenue	<u>1,537,592</u>	<u>5,282,041</u>	<u>302,931</u>	<u>7,122,564</u>
Total public support and revenues	<u>\$ 1,720,673</u>	<u>\$ 6,161,276</u>	<u>\$ 302,931</u>	<u>\$ 8,184,880</u>

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

Divisional Statements of Activities - continued
Year Ended June 30, 2023

	United Cerebral Palsy	Ride-On	Transportation Management Association	Totals
Expenses:				
Salaries and wages	\$ 60,810	\$ 411,810	\$ 27,476	\$ 500,096
Employee benefits	3,175	271,907	1,565	276,647
Payroll taxes	2,807	30,646	983	34,436
Advertising and marketing	15,781	5,591	10,279	31,651
Computer	4,833	26,299	2,339	33,471
Depreciation	-	326,894	-	326,894
Insurance	25,652	5,567	2,379	33,598
Interest	52	8,894	52	8,998
Miscellaneous	11,299	200,528	5,067	216,894
Occupancy	27,699	109,807	21,387	158,893
Office operations	8,644	26,565	3,077	38,286
Professional fees	17,899	58,148	14,846	90,893
Program	583,912	-	222,196	806,108
Program affiliates	617,435	-	-	617,435
Program coordinator	81,834	-	56,452	138,286
Repairs and maintenance	-	252,435	-	252,435
Transportation	-	2,196,911	-	2,196,911
Vehicle	-	1,432,688	100	1,432,788
National share and awards	20,000	110,512	6,059	136,571
Total expenses	<u>1,481,832</u>	<u>5,475,202</u>	<u>374,257</u>	<u>7,331,291</u>
Change in net assets	<u>\$ 238,841</u>	<u>\$ 686,074</u>	<u>\$ (71,326)</u>	<u>\$ 853,589</u>

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

**Divisional Statements of Activities
Year Ended June 30, 2022**

	United Cerebral Palsy	Ride-On	Transportation Management Association	Totals
Public Support and Revenue:				
Contributions	\$ 19,763	\$ 150	\$ -	\$ 19,913
Grants	90,097	3,720	-	93,817
In-kind services	-	13,700	-	13,700
In-kind equipment	-	407,073	-	407,073
Special events, net of direct costs of \$11,113	5,492	-	-	5,492
Total support	<u>115,352</u>	<u>424,643</u>	<u>-</u>	<u>539,995</u>
Transportation	-	3,937,592	286,256	4,223,848
Program income	1,055,866	-	-	1,055,866
Investment income	45	56	2	103
Other income	1,384,587	(1,348,773)	-	35,814
Total revenue	<u>2,440,498</u>	<u>2,588,875</u>	<u>286,258</u>	<u>5,315,631</u>
Total public support and revenues	<u>\$ 2,555,850</u>	<u>\$ 3,013,518</u>	<u>\$ 286,258</u>	<u>\$ 5,855,626</u>

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

Divisional Statements of Activities - continued
Year Ended June 30, 2022

	United Cerebral Palsy	Ride-On	Transportation Management Association	Totals
Expenses:				
Salaries and wages	\$ 58,332	\$ 401,586	\$ 27,312	\$ 487,230
Employee benefits	5,427	238,595	1,571	245,593
Payroll taxes	2,085	25,486	956	28,527
Advertising and marketing	15,440	12,745	7,857	36,042
Computer	6,282	21,132	2,309	29,723
Depreciation	-	347,558	-	347,558
Insurance	23,418	(2,052)	2,207	23,573
Interest	-	18,429	-	18,429
Miscellaneous	13,624	179,169	4,957	197,750
Occupancy	27,122	100,322	20,946	148,390
Office operations	6,872	20,047	3,096	30,015
Professional fees	18,102	51,412	13,863	83,377
Program	555,244	-	216,345	771,589
Program affiliates	450,627	-	-	450,627
Program coordinator	67,172	-	57,150	124,322
Repairs and maintenance	-	220,415	-	220,415
Transportation	-	1,692,497	-	1,692,497
Vehicle	-	1,254,972	-	1,254,972
National share and awards	20,000	73,403	5,688	99,091
Total expenses	<u>1,269,747</u>	<u>4,655,716</u>	<u>364,257</u>	<u>6,289,720</u>
Change in net assets	<u>\$ 1,286,103</u>	<u>\$ (1,642,198)</u>	<u>\$ (77,999)</u>	<u>\$ (434,094)</u>