

**UNITED CEREBRAL PALSY ASSOCIATION
OF CENTRAL ARIZONA, INC.**

Annual Financial Statements
and
Independent Auditors' Reports

Years Ended June 30, 2009 and 2008

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
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Financial Statements

Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses (2009)	4
Statement of Functional Expenses (2008)	5
Statement of Cash Flows	6
Notes to Financial Statements	7



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United Cerebral Palsy Association of Central Arizona, Inc.
Phoenix, Arizona

We have audited the accompanying statements of financial position a of United Cerebral Palsy Association of Central Arizona, Inc. (a nonprofit organization) as of June 30, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 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 audits provide 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 Central Arizona, Inc. as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Colby & Powell

October 9, 2009

UNITED CEREBRAL PALSY ASSOCIATION OF CENTRAL ARIZONA, INC.

**Statement of Financial Position
Years ended June 30, 2009 and 2008**

ASSETS

	<u>2009</u>	<u>2008</u>
Assets		
Cash and cash equivalents	\$ 1,777,889	\$ 938,262
Cash restricted for debt service	-	50,200
Investments	3,251,404	6,952,197
Receivables, less allowance for uncollectible accounts	907,047	860,743
Prepaid expenses	138,370	59,367
Other assets	24,070	20,799
Property and equipment, less accumulated depreciation	<u>4,973,633</u>	<u>5,059,697</u>
TOTAL ASSETS	<u><u>\$ 11,072,413</u></u>	<u><u>\$ 13,941,265</u></u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 356,008	\$ 450,731
Accrued expenses	463,880	422,164
Deferred revenue	59,895	77,459
Bonds payable	<u>-</u>	<u>1,650,000</u>
Total liabilities	<u>879,783</u>	<u>2,600,354</u>
Net Assets		
Unrestricted		
Investment in property and equipment	4,973,633	5,059,697
Undesignated	5,159,102	5,440,952
Temporarily restricted	<u>59,895</u>	<u>840,262</u>
Total net assets	<u>10,192,630</u>	<u>11,340,911</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 11,072,413</u></u>	<u><u>\$ 13,941,265</u></u>

The accompanying notes are an integral part of these financial statements.

UNITED CEREBRAL PALSY ASSOCIATION OF CENTRAL ARIZONA, INC.

Statement of Activities

For the Year Ended June 30, 2009 and 2008

Unrestricted Net Assets	2009	2008
Unrestricted support and revenue		
Contracts: Dept. of Economic Security	\$ 5,092,839	\$ 5,164,471
Other fundraising activities	2,907,275	2,127,123
Insurance and service fees	814,531	753,100
Contracts: Dept. of Education	1,684,523	1,109,411
General contributions	118,796	177,063
Investment interest and dividends	230,265	349,577
Other income	12,511	21,232
Realized gain (loss) on investments	(1,810,390)	238,373
Total unrestricted support and revenue	9,050,350	9,940,350
Net assets released from restrictions		
Expiration of time restriction	809,118	33,848
Total unrestricted support, revenues, and other support	9,859,468	9,974,198
Expenses		
Program services		
Home Care	\$ 3,851,968	\$ 3,676,207
Children's Services	4,496,733	4,128,868
Adult Services	733,983	342,614
Supporting activities		
Administration	261,398	294,608
Fundraising	810,922	738,347
Total expenses	10,155,004	9,180,644
Increase (decrease) in unrestricted net assets	(295,536)	793,554
Temporarily Restricted Net Assets		
Contributions	28,751	69,545
Net assets released from restrictions	(809,118)	(33,848)
Increase (decrease) in temporarily restricted net assets	(780,367)	35,697
Unrealized gain (loss) on investments	(72,378)	(1,110,025)
Increase (decrease) in net assets	(1,148,281)	(280,774)
Net assets - beginning of year	11,340,911	11,621,685
NET ASSETS - END OF YEAR	\$ 10,192,630	\$ 11,340,911

The accompanying notes are an integral part of these financial statements.

UNITED CEREBRAL PALSY ASSOCIATION OF CENTRAL ARIZONA, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2009

	Program Services			Supporting Activities			
	Home Care	Children's Services	Adult Services	Total	Administration	Fundraising	Total
Salaries	\$ 3,044,501	\$ 2,531,593	\$ 409,311	\$ 5,985,405	\$ 109,024	\$ 246,088	\$ 6,340,517
Payroll taxes	267,811	222,693	36,005	526,509	9,591	21,647	557,747
Employee benefits	296,153	263,668	59,023	618,844	15,423	21,696	655,963
Total salaries and related expenses	3,608,465	3,017,954	504,339	7,130,758	134,038	289,431	7,554,227
Professional services and subcontractors	6,315	438,176	3,552	448,043	26,314	14,209	488,566
Occupancy	5,377	115,729	103,339	224,445	16,130	8,065	248,640
Insurance	3,361	20,809	8,574	32,744	8,401	1,939	43,084
Telephone	3,485	14,399	8,444	26,328	2,248	5,071	33,647
Supplies and equipment	503	13,018	2,865	16,386	25,434	8,444	50,264
Vehicle expenses	-	112,574	37,335	149,909	-	-	149,909
National shares and dues	7,999	19,998	11,999	39,996	-	-	39,996
Travel	125,750	68,070	4,463	198,283	3,031	-	201,314
Postage, printing and publ.	1,579	4,475	263	6,317	9,477	10,530	26,324
Interest	3,335	64,200	2,501	70,036	9,171	4,169	83,376
Project expense	10,000	17,500	12,500	40,000	-	456,839	496,839
Program expense	42,017	358,100	16,726	416,843	-	-	416,843
Bad debts	24,001	43,463	9,748	77,212	259	-	77,471
Depreciation	9,781	188,268	7,335	205,384	26,895	12,225	244,504
Total expenses	\$ 3,851,968	\$ 4,496,733	\$ 733,983	\$ 9,082,684	\$ 261,398	\$ 810,922	\$ 10,155,004

The accompanying notes are an integral part of these financial statements.

UNITED CEREBRAL PALSY ASSOCIATION OF CENTRAL ARIZONA, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2008

	Program Services			Supporting Activities			
	Home Care	Children's Services	Adult Services	Total	Administration	Fundraising	Total
Salaries	\$ 2,940,759	\$ 2,390,890	\$ 228,895	\$ 5,560,544	\$ 89,335	\$ 197,106	\$ 5,846,985
Payroll taxes	273,103	222,038	21,257	516,398	8,296	18,304	542,999
Employee benefits	237,425	248,368	21,931	507,724	8,878	15,977	532,579
Total salaries and related expenses	3,451,288	2,861,296	272,083	6,584,667	106,509	231,387	6,922,563
Professional services and subcontractors	14,893	342,571	8,381	365,845	62,055	33,507	461,407
Occupancy	24,017	155,021	6,550	185,588	21,834	10,917	218,339
Insurance	5,874	35,241	14,684	55,798	13,950	3,671	73,419
Telephone	6,331	16,279	904	23,515	2,110	4,522	30,147
Supplies and equipment	653	16,910	3,721	21,284	33,036	10,968	65,288
Vehicle expenses	-	95,371	-	95,371	-	-	95,371
National shares and dues	8,000	20,000	11,975	39,975	-	-	39,975
Travel	129,686	47,305	5,349	182,340	1,083	-	183,423
Postage, printing and publ.	1,356	3,842	226	5,424	8,136	9,040	22,600
Interest	4,244	81,688	3,183	89,114	11,670	5,304	106,088
Project expense	5,580	9,764	6,972	22,316	-	418,096	440,411
Program expense	11,848	254,985	1,755	268,588	-	-	268,588
Bad debts	3,691	20,206	270	24,167	10,170	-	34,337
Depreciation	8,747	168,389	6,561	183,697	24,056	10,934	218,687
Total expenses	\$ 3,676,207	\$ 4,128,868	\$ 342,614	\$ 8,147,689	\$ 294,608	\$ 738,347	\$ 9,180,644

The accompanying notes are an integral part of these financial statements.

UNITED CEREBRAL PALSY ASSOCIATION OF CENTRAL ARIZONA, INC.

Statement of Cash Flows

For the Year Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ (1,148,281)	\$ (280,774)
Adjustments to reconcile increase (decrease) in net assets to cash provided (used) by operating activities:		
Depreciation	244,504	218,687
Unrealized gain (loss) on investments	(72,378)	(1,075,330)
Realized gain (loss) on investments	(1,810,390)	(238,373)
(Increase) decrease in:		
Accounts receivable	(46,304)	(207,704)
Prepaid expenses	(79,003)	(19,002)
Other assets	(3,271)	-
Increase (decrease) in:		
Accounts payable	(94,723)	191,292
Accrued expenses	41,716	21,590
Deferred revenue	(17,564)	(33,548)
	<u>(2,985,694)</u>	<u>(1,423,162)</u>
Net cash provided (used) by operating activities		
Cash Flows from Investing Activities		
Acquisition of property and equipment	(158,440)	(256,249)
Purchase of investments	(1,215,871)	(3,217,894)
Sale of investments	3,033,896	4,628,218
	<u>1,659,585</u>	<u>1,154,075</u>
Net cash provided (used) by investing activities		
Cash Flows from Financing Activities		
Payment on bonds payable	(1,650,000)	(300,000)
	<u>(1,650,000)</u>	<u>(300,000)</u>
Net cash provided (used) by financing activities		
Net increase (decrease) in cash and cash equivalents	(2,976,109)	(569,087)
Cash and cash equivalents - beginning of year	<u>988,462</u>	<u>1,557,549</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ (1,987,647)</u>	<u>\$ 988,462</u>
Supplemental Information		
Interest paid	\$ 65,376	\$ 106,088

The accompanying notes are an integral part of these financial statements.

UNITED CEREBRAL PALSY ASSOCIATION OF CENTRAL ARIZONA, INC.

Notes to Financial Statements

June 30, 2009 and 2008

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – United Cerebral Palsy Association of Central Arizona, Inc. (Association), an Arizona nonprofit corporation, is a private rehabilitation and training facility. The Association promotes the general health and welfare of Arizonans with cerebral palsy and related developmental disabilities. The Association executes contracts annually with the Arizona Department of Economic Security and other groups to provide a variety of services. The Association also obtains funding from the general public, corporations, and institutions through fundraising activities, donations, and bequests.

The accounting policies of the Association conform to generally accepted accounting principles of the United States of America as applicable to nonprofit organizations. The following is a summary of the more significant accounting policies:

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all receivables, payables, and other liabilities. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions in accordance with generally accepted accounting principles. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Association and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. Generally, the donors of these assets permit the Association to use all or part of the income earned on any investments for general or specific purposes.

Property and Equipment – Property and equipment acquired by United Cerebral Palsy Association of Central Arizona, Inc. are stated at cost. Property and equipment received as contributions are stated at estimated fair value on the date received. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to forty years.

UNITED CEREBRAL PALSY ASSOCIATION OF CENTRAL ARIZONA, INC.

Notes to Financial Statements

June 30, 2009 and 2008

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Revenue Recognition – Revenues are recognized when earned; gifts and contributions are recognized when received. Bequests and legacies are recognized when title to the fund is established and the amount is determinable. Related costs and expenses are recognized when incurred.

Arizona Department of Economic Security – The Association's contract with the Arizona Department of Economic Security provides for payment of services rendered at negotiated rates. Revenue is recognized when services have been performed.

Insurance and Service Fees – Insurance and service fee revenue is recognized as services are rendered.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Association considers all cash and other highly liquid investments available for current use with initial maturities of three months or less to be cash equivalents.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes – Income taxes are not provided for in the financial statements since United Cerebral Palsy Association of Central Arizona, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state statutes. Furthermore, the Association has been classified by the Internal Revenue Service as a publicly supported organization, and not as a private foundation.

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.

Subsequent Events – Management has evaluated subsequent events through the date of issuance of the financial statements, and has determined that there are no significant subsequent events requiring disclosure.

UNITED CEREBRAL PALSY ASSOCIATION OF CENTRAL ARIZONA, INC.

Notes to Financial Statements

June 30, 2009 and 2008

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2009 and 2008, consisted of the following:

	<u>2009</u>	<u>2008</u>
Investment money market account	\$ 1,053,889	\$ 340,563
Operating account	329,860	389,099
Checking account	270,946	85,026
Operating money market account	13,750	103,555
Bond sinking fund	-	50,200
Building account	105,994	16,819
Petty cash	3,450	3,200
	<u>\$ 1,777,889</u>	<u>\$ 988,462</u>

NOTE 3 – INVESTMENTS

Investments consist entirely of marketable securities. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Fair value measurements at the reporting date are determined using quoted prices in active markets for identical assets (Level 1 fair value hierarchy). Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

Fair values and unrealized appreciation (depreciation) at June 30, 2009 and 2008, are summarized as follows:

	<u>2009</u>	<u>2008</u>
Fair value	\$ 3,251,404	\$ 6,952,197
Cost	<u>3,385,881</u>	<u>7,814,699</u>
Unrealized appreciation (depreciation)	<u>\$ (134,477)</u>	<u>\$ (862,502)</u>

UNITED CEREBRAL PALSY ASSOCIATION OF CENTRAL ARIZONA, INC.

Notes to Financial Statements

June 30, 2009 and 2008

NOTE 4 – RECEIVABLES

Receivables at June 30, 2009 and 2008, consist of:

	<u>2009</u>	<u>2008</u>
Services	\$ 892,901	\$ 890,743
Other receivables	44,146	-
Total receivables	<u>937,047</u>	<u>890,743</u>
Less allowance for uncollectible accounts	<u>(30,000)</u>	<u>(30,000)</u>
Net receivables	<u>\$ 907,047</u>	<u>\$ 860,743</u>

Receivables are recorded at the amount the Association expects to collect on balances outstanding at June 30, 2009 and 2008. Management closely monitors outstanding balances and writes off, as of year end, all amounts considered uncollectible by the time the financial statements are issued.

Accounts receivable past due ninety days or more at June 30, 2009 and 2008, were \$85,928 and \$136,781, respectively.

NOTE 5 – PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30, 2009 and 2008, is as follows:

	<u>2009</u>	<u>2008</u>
Buildings	\$ 4,183,238	\$ 4,171,163
Land	1,139,730	1,139,730
Transportation equipment	480,468	565,598
Furniture, fixtures and equipment	<u>487,984</u>	<u>348,548</u>
	6,291,420	6,225,039
Accumulated depreciation	<u>(1,317,787)</u>	<u>(1,165,342)</u>
	<u>\$ 4,973,633</u>	<u>\$ 5,059,697</u>

Depreciation expense for the years ended June 30, 2009 and 2008, was \$244,504 and \$218,687, respectively.

UNITED CEREBRAL PALSY ASSOCIATION OF CENTRAL ARIZONA, INC.

Notes to Financial Statements

June 30, 2009 and 2008

NOTE 6 – BONDS PAYABLE

During the year ended June 30, 2009, the Association retired the remaining bonds payable to the Industrial Development Authority of the City of Phoenix. Bonds payable consist of the following at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
\$3,030,000 bond payable, IDA of the City of Phoenix, collateralized by a bank letter of credit, variable interest rate, payments of \$21,997 including interest through April 2027. The interest rate at June 30, 2009, was approximately 6.2%	<u>\$ -</u>	<u>\$ 1,650,000</u>
Total bonds payable	<u><u>\$ -</u></u>	<u><u>\$ 1,650,000</u></u>

Interest expense paid on the bonds during the year ended June 30, 2009 and 2008 were \$59,696 and \$106,088, respectively.

NOTE 7 – CONCENTRATIONS

The Association receives a substantial portion of its support from federal and state programs. Contribution of these awards in future years is not guaranteed and the loss of this support may have an effect upon the operation of the Association. For the years ended June 30, 2009 and 2008, the Association received \$5,092,839 and \$5,164,471 of support, respectively, from a contract with the Arizona Department of Economic Security.

The Association has received a substantial portion of its other fund raising support from one contributor for the past twenty years. Contributions from this one contributor are not guaranteed and the loss of this support may have an effect upon its operation. For the years ended June 30, 2009 and 2008, the Association received \$2,337,024 and \$1,902,373, respectively, from this one contributor.

The Association maintains cash deposits at several financial institutions located in Maricopa County, Arizona, which throughout the year regularly exceeds federally insured deposit limits.

The Association maintains accounts with a brokerage firm. The account contains cash and securities. Balances are insured up to \$500,000 (with a limit of \$100,000 for cash) by the Securities Investor Protection Corporation. The stock brokerage firms' accounts carry additional insurance and are insured up to \$50,000,000. At June 30, 2009 and 2008, the money market accounts with the stock brokerage firm were \$1,053,889 and \$340,563, respectively.

UNITED CEREBRAL PALSY ASSOCIATION OF CENTRAL ARIZONA, INC.

Notes to Financial Statements

June 30, 2009 and 2008

NOTE 8 – EMPLOYEE BENEFIT PLAN

The Association sponsors a 401(k) defined contribution plan to provide retirement and incidental benefits for its employees. Employees may contribute up to 15% of their annual compensation to the plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service. The Association matches a portion of each participant's contribution. Association matching contributions to the plan totaled \$56,938 in 2009, and \$37,661 in 2008.