

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

Annual Financial Statements
and
Independent Auditors' Reports

Years Ended June 30, 2010 and 2009

TABLE OF CONTENTS

Independent Auditors' Report	1
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Financial Statements

Statement of Financial Position	3
Statement of Activities.....	4
Statement of Functional Expenses (2010)	5
Statement of Functional Expenses (2009)	6
Statement of Cash Flows	7
Notes to Financial Statements.....	8

Single Audit Act Reports Section

Schedule of Expenditures of Federal Awards.....	14
Notes to Schedule of Expenditures of Federal Awards	15
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	19
Schedule of Findings and Questioned Costs.....	21
Summary Schedule of Prior Audit Findings	23



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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 of United Cerebral Palsy Association of Central Arizona, Inc. (a nonprofit Association) as of June 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2010 and 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2010, on our consideration of United Cerebral Palsy Association of Central Arizona, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of United Cerebral Palsy of Central Arizona, Inc.'s taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Associations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Colby & Powell, PLLC

November 22, 2010

UNITED CEREBRAL PALSY ASSOCIATION OF CENTRAL ARIZONA, INC.

Statement of Financial Position
Years ended June 30, 2010 and 2009

ASSETS

	<u>2010</u>	<u>2009</u>
Assets		
Cash and cash equivalents	\$ 1,454,265	\$ 1,777,889
Investments	4,584,524	3,251,404
Receivables, less allowance for uncollectible accounts	1,082,658	907,047
Prepaid expenses	88,473	138,370
Other assets	30,471	24,070
Property and equipment, less accumulated depreciation	<u>5,012,565</u>	<u>4,973,633</u>
TOTAL ASSETS	<u><u>\$ 12,252,956</u></u>	<u><u>\$ 11,072,413</u></u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 465,463	\$ 356,008
Accrued expenses	434,686	463,880
Deferred revenue	<u>200,956</u>	<u>59,895</u>
Total liabilities	<u>1,101,105</u>	<u>879,783</u>
Net Assets		
Unrestricted		
Investment in property and equipment	5,012,565	4,973,633
Undesignated	6,068,856	5,159,102
Temporarily restricted	<u>70,430</u>	<u>59,895</u>
Total net assets	<u>11,151,851</u>	<u>10,192,630</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 12,252,956</u></u>	<u><u>\$ 11,072,413</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 Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Unrestricted Net Assets		
Unrestricted support and revenue		
Contracts with Arizona Department of Economic Security		
Department of Developmental Disabilities	\$ 4,585,064	\$ 5,092,839
Arizona Early Intervention Program	2,191,130	\$ 1,600,592
Rehabilitation Services Administration	1,869	83,931
Insurance and service fees	739,727	814,531
General contributions	137,098	118,796
Other fundraising activities	3,180,088	2,907,275
Investment income (loss)	372,337	(1,652,503)
Other income	80,414	12,511
Total unrestricted support and revenue	<u>11,287,727</u>	<u>8,977,972</u>
Net assets released from restrictions		
Expiration of time restriction	6,719	809,118
Restricted fund expenses	6,987	-
Total unrestricted support, revenues, and other support	<u>11,301,433</u>	<u>9,787,090</u>
Expenses		
Program services		
Home Care	\$ 3,790,955	\$ 3,851,968
Childrens' Services	4,746,067	4,496,733
Adult Services	711,820	733,983
Supporting activities		
Administration	277,036	261,398
Fundraising	826,869	810,922
Total expenses	<u>10,352,747</u>	<u>10,155,004</u>
Increase (decrease) in unrestricted net assets	<u>948,686</u>	<u>(367,914)</u>
Temporarily Restricted Net Assets		
Contributions	24,241	28,751
Net assets released from restrictions	(13,706)	(809,118)
Increase (decrease) in temporarily restricted net assets	<u>10,535</u>	<u>(780,367)</u>
Increase (decrease) in net assets	959,221	(1,148,281)
Net assets - beginning of year	<u>10,192,630</u>	<u>11,340,911</u>
NET ASSETS - END OF YEAR	<u><u>\$ 11,151,851</u></u>	<u><u>\$ 10,192,630</u></u>

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, 2010

	Program Services			Supporting Activities			
	Home Care	Children's Services	Adult Services	Total	Administration	Fundraising	Total
Salaries	\$ 2,971,715	\$ 2,466,555	\$ 338,061	\$ 5,776,331	\$ 97,703	\$ 247,289	\$ 6,121,323
Payroll taxes	263,055	218,339	29,925	511,319	8,649	21,890	541,858
Employee benefits	305,940	259,660	50,964	616,564	14,643	26,790	657,997
Total salaries and related expenses	3,540,710	2,944,554	418,950	6,904,214	120,995	295,969	7,321,178
Professional services and subcontractors	6,355	767,582	3,575	777,512	26,479	14,299	818,290
Occupancy	5,815	124,043	101,244	231,102	17,444	8,721	257,267
Insurance	3,639	22,531	9,283	35,453	9,097	2,099	46,649
Telephone	5,839	15,193	7,577	28,609	3,766	8,494	40,869
Supplies and equipment	1,273	32,963	7,254	41,490	64,398	21,381	127,269
Vehicle expenses	-	122,437	31,306	153,743	-	-	153,743
National shares and dues	9,500	23,751	14,251	47,502	-	-	47,502
Travel	81,413	57,453	112	138,978	1,850	-	140,828
Postage, printing and publ.	1,408	3,990	235	5,633	8,450	9,390	23,473
Project expense	10,000	17,500	12,500	40,000	-	455,354	495,354
Program expense	111,078	347,396	82,975	541,449	-	-	541,449
Bad debts	4,995	48,603	819	54,417	-	-	54,417
Depreciation	8,930	218,071	21,739	248,740	24,557	11,162	284,459
Total expenses	\$ 3,790,955	\$ 4,746,067	\$ 711,820	\$ 9,248,842	\$ 277,036	\$ 826,869	\$ 10,352,747

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 Cash Flows

For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 959,221	\$ (1,148,281)
Adjustments to reconcile increase (decrease) in net assets to cash provided (used) by operating activities:		
Depreciation	284,459	244,504
Net unrealized loss (gain) on investments	(181,260)	(729,219)
Net realized loss (gain) on investments	(63,989)	2,611,987
(Increase) decrease in:		
Accounts receivable	(175,611)	(46,304)
Prepaid expenses	49,897	(79,003)
Other assets	(6,401)	(3,271)
Increase (decrease) in:		
Accounts payable	109,455	(94,723)
Accrued expenses	(29,194)	41,716
Deferred revenue	141,061	(17,564)
	<u>1,087,638</u>	<u>779,842</u>
Net cash provided (used) by operating activities		
Cash Flows from Investing Activities		
Acquisition of property and equipment	(329,390)	(158,440)
Disposal of property and equipment	5,999	-
Purchase of investments	(2,976,923)	(1,215,871)
Sale of investments	1,889,052	3,033,896
	<u>(1,411,262)</u>	<u>1,659,585</u>
Net cash provided (used) by investing activities		
Cash Flows from Financing Activities		
Payment on bonds payable	-	(1,650,000)
	<u>-</u>	<u>(1,650,000)</u>
Net cash provided (used) by financing activities		
Net increase (decrease) in cash and cash equivalents	(323,624)	789,427
Cash and cash equivalents - beginning of year	1,777,889	988,462
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,454,265</u>	<u>\$ 1,777,889</u>
Supplemental Information		
Interest paid	\$ -	\$ 65,376

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, 2010 and 2009

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 Central 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 Associations. 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.

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.

Investments – Investments are stated at fair value based on quoted market prices within active markets. All gains and investment income are included in the accompanying Statement of Activities.

Property and Equipment – Property and equipment acquired by the Association are stated at cost. Donated property and equipment are carried at fair value at the date of donation. 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, 2010 and 2009

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. Grant and contract revenue are recognized as services are rendered under unit-of-service contracts and as expenses are incurred under cost reimbursement contracts. A receivable is recognized to the extent grant and contract revenue earned exceeds cash advances. Conversely, deferred revenue is recorded when cash advances exceed grant or contract revenue earned.

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.

Fair Value of Financial Instruments – The carrying amounts of cash and cash equivalents approximate fair value because of the short maturity of those financial instruments. The carrying value of investments (which is fair value) is based upon quoted market prices.

Income Taxes – The Association qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the “Code”) and, therefore, there is no provision for income taxes. In addition, the Association qualifies for the charitable contribution deduction under Section 170 of the Code and it is not deemed to be a private foundation. Income determined to be unrelated business taxable income (UBTI) would be taxable.

On January 1, 2009, the Association adopted the authoritative guidance issued by FASB related to accounting for income tax uncertainties. Under this guidance, the Association accounts for the effect of any uncertain tax positions based on whether it is “more-likely-than-not” the position will be sustained by the taxing authority upon examination. The Association routinely evaluates potential uncertain tax positions. The Association does not believe its financial statements include any uncertain tax positions. Tax years that remain subject to examination are years 2006 and forward for Federal tax returns (generally three years after they are filed) and 2005 and forward for State tax returns (generally four years after they are filed).

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.

UNITED CEREBRAL PALSY ASSOCIATION OF CENTRAL ARIZONA, INC.

Notes to Financial Statements

June 30, 2010 and 2009

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

Subsequent Events – Management evaluated subsequent events through November 22, 2010, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2010, but prior to November 22, 2010, that provided additional evidence about conditions that existed at June 30, 2010 have been recognized in the financial statements for the year ended June 30, 2010. Events or transactions that provided evidence about conditions that did not exist at June 30, 2010 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2010.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2010 and 2009, consisted of the following:

	2010	2009
Petty cash	\$ 3,754	\$ 3,450
Payroll checking account	541,990	329,860
Operations checking account	250,487	270,946
Combined DSFCU checking account	396,081	-
Flexible spending checking account	72,372	105,994
Operating money market account	113,845	13,750
Investment money market account	75,736	1,053,889
	<u>\$ 1,454,265</u>	<u>\$ 1,777,889</u>

NOTE 3 – INVESTMENTS AT FAIR VALUE

ASC 820, “Fair Value Measurements” (formerly Statement of Financial Accounting Standards No. 157) establishes a valuation framework and creates a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants, operating within a similar marketplace as the Association, would use in pricing asset or liability data based on independently derived and objectively determined market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of the Association are traded. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

UNITED CEREBRAL PALSY ASSOCIATION OF CENTRAL ARIZONA, INC.

Notes to Financial Statements

June 30, 2009

NOTE 3 – INVESTMENTS AT FAIR VALUE – Continued

Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities. Examples include equity securities and publicly-traded mutual funds that are actively traded on a major exchange or over-the-counter market.

Level 2 – Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly, such as municipal bonds. The fair value of this type of investment may be estimated using recently executed transactions, bid/ask prices and pricing models that factor in, where applicable, interest rates, yield curves and volatility.

Level 3 – Valuation based on inputs that are unobservable and reflect management’s best estimate of what market participants would use as fair value. Examples may include limited partnerships and private equity investments.

The Associations investments consist of mutual funds carried at market value that is determined by quoted market prices. The valuation is based on Level 1 inputs within the hierarchy used in measuring fair value.

The table below sets forth assets measured at fair value as of June 30, 2010 and 2009:

	Quoted prices in active markets for identical assets (Level 1)	
	2010	2009
Mutual funds		
Domestic equity funds	\$ 923,588	\$ 397,517
International equity funds	336,884	373,450
Domestic fixed income funds	1,988,404	1,470,621
International fixed income funds	133,409	110,785
Fixed income bond funds	878,856	788,074
Real assets funds	323,383	110,956
	\$ 4,584,524	\$ 3,251,403

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect account balances and the amounts reported in the accompanying financial statements.

UNITED CEREBRAL PALSY ASSOCIATION OF CENTRAL ARIZONA, INC.
Notes to Financial Statements
June 30, 2010 and 2009

NOTE 3 – INVESTMENTS AT FAIR VALUE – Continued

The components of investment income consisted of the following at June 30, 2010 and 2009:

	2010	2009
Dividends and interest earned	\$ 127,088	\$ 230,265
Net realized gain (loss) on investments	63,989	(2,611,987)
Net unrealized gain on investments	181,260	729,219
Investment income (loss)	\$ 372,337	\$ (1,652,503)

NOTE 4 – RECEIVABLES

Receivables at June 30, 2010 and 2009, consist of:

	2010	2009
Receivable for services rendered	\$ 1,100,214	\$ 892,901
Other receivables	12,445	44,146
	1,112,659	937,047
Less allowance for uncollectible accounts	(30,000)	(30,000)
Net receivables	\$ 1,082,659	\$ 907,047

Receivables are recorded at the amount the Association expects to collect on balances outstanding at year end. 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, 2010 and 2009, were \$82,189 and \$85,928, respectively.

UNITED CEREBRAL PALSY ASSOCIATION OF CENTRAL ARIZONA, INC.
Notes to Financial Statements
June 30, 2010 and 2009

NOTE 5 – PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30, 2010 and 2009, is as follows:

	<u>2010</u>	<u>2009</u>
Buildings	\$ 4,199,876	\$ 4,183,238
Land	1,139,730	1,139,730
Transportation equipment	656,488	480,468
Furniture, fixtures and equipment	<u>616,716</u>	<u>487,984</u>
	6,612,810	6,291,420
Accumulated depreciation	<u>(1,600,245)</u>	<u>(1,317,787)</u>
	<u>\$ 5,012,565</u>	<u>\$ 4,973,633</u>

Depreciation expense for the years ended June 30, 2010 and 2009, was \$284,459 and \$244,504, respectively.

NOTE 6 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Education programs	\$ 54,313	\$ -
Equipment grants	<u>16,117</u>	<u>59,895</u>
	<u>\$ 70,430</u>	<u>\$ 59,895</u>

NOTE 7 – 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 \$72,294 in 2010, and \$56,938 in 2009.

UNITED CEREBRAL PALSY ASSOCIATION OF CENTRAL ARIZONA, INC.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE 8 – CONCENTRATIONS

The Association receives a substantial portion of its support from federal and state programs. Continuation 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, 2010 and 2009, the Association received \$4,585,064 and \$5,092,839 of support, respectively, from a contract with the Arizona Department of Economic Security.

The Association has received a substantial portion of its fund raising support from one contributor for many years. Contributions from this single contributor are not guaranteed and the loss of this support may have an effect upon the Association's operations. For the years ended June 30, 2010 and 2009, the Association received \$2,489,353 and \$2,337,024, respectively, from this contributor.

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

The Association maintains a managed investment account with a single brokerage firm. The account contains cash equivalents and securities. Balances are insured up to \$500,000 (with a limit of \$100,000 for cash) by the SIPC. The brokerage firms' accounts carry additional insurance and are insured up to \$50,000,000. At June 30, 2010 and 2009, the money market accounts with the stock brokerage firm were \$72,736 and \$1,053,889, respectively.

SINGLE AUDIT ACT REPORTS SECTION

UNITED CEREBRAL PALSY ASSOCIATION OF CENTRAL ARIZONA, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Health and Human Services - Administration for Children and Families</u>			
Passed through the Arizona Department of Economic Security Developmental Disabilities Basic Support and Advocacy	93.630	E2709050	<u>\$ 2,116,866</u>
Total Federal Awards			<u>\$ 2,116,866</u>

UNITED CEREBRAL PALSY ASSOCIATION OF CENTRAL ARIZONA, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of United Cerebral Palsy Association of Central Arizona, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OBM Circular A-133, *Audits of States, Local Governments, and Non-Profit Associations*.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of United Cerebral Palsy Association of Central Arizona, Inc. (a nonprofit Association) as of and for the year ended June 30, 2010, and have issued our report thereon dated November 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered United Cerebral Palsy Association of Central Arizona, Inc. internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the United Cerebral Palsy Association of Central Arizona, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether United Cerebral Palsy Association of Central Arizona, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Colby & Powell, PLC

November 22, 2010



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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of United Cerebral Palsy Association of Central Arizona, Inc. (a nonprofit Association) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. United Cerebral Palsy Association of Central Arizona, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of United Cerebral Palsy Association of Central Arizona, Inc.'s management. Our responsibility is to express an opinion on United Cerebral Palsy Association of Central Arizona, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Associations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about United Cerebral Palsy Association of Central Arizona, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of United Cerebral Palsy Association of Central Arizona, Inc.'s compliance with those requirements.

In our opinion, United Cerebral Palsy Association of Central Arizona, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of United Cerebral Palsy Association of Central Arizona, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered United Cerebral Palsy Association of Central Arizona, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of United Cerebral Palsy Association of Central Arizona, Inc.'s internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not indentify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Colby & Powell, PLLC

November 22, 2010

UNITED CEREBRAL PALSY ASSOCIATION OF CENTRAL ARIZONA, INC.
Schedule of Findings and Questioned Costs
June 30, 2010

Section 1 – Summary of Auditors’ Results

Financial Statements

- | | |
|--|-------------|
| 1. Type of auditors’ report issued: | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses? | None |
| b. Significant deficiencies identified not considered to be material weaknesses? | None |
| c. Noncompliance material to the financial statements noted? | None |

Federal Awards

- | | |
|--|-------------|
| 1. Internal control over major program: | |
| a. Material weaknesses identified? | None |
| b. Significant deficiencies identified not considered to be material weaknesses? | None |
| 2. Type of auditors’ report issued on compliance for major program: | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510 (a)? | No |

4. Identification of major program:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Developmental Disabilities Basic Support and Advocacy	93.630

- | | |
|---|------------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$ 300,000 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | Yes |

UNITED CEREBRAL PALSY ASSOCIATION OF CENTRAL ARIZONA, INC.
Schedule of Findings and Questioned Costs
June 30, 2010

Section 2 – *Financial Statement Findings*

None

Section 3 – *Federal Award Findings and Questioned Costs*

None

UNITED CEREBRAL PALSY ASSOCIATION OF CENTRAL ARIZONA, INC.
Schedule of Findings and Questioned Costs
June 30, 2010

There were no findings in the prior year audit