United Cerebral Palsy Association of Central Arizona, Inc.

Financial Statements

June 30, 2023

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of United Cerebral Palsy Association of Central Arizona, Inc. (the "Organization"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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 the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 audit. 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 the 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.

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Auditor's 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 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 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.

Price Kong & Co. CPA's P.A

Price, Kong & Co, CPA's, P.A.
Phoenix, Arizona
January 19, 2024

United Cerebral Palsy Association of Central Arizona, Inc.
Statement of Financial Position
June 30, 2023

ASSETS

Current Assets		
Cash and cash equivalents	$	1,245,716
Receivables:		
Client service		1,473,196
Contributions		27,948
Other		5,657
Prepaid expenses and other current assets		90,961
Total Current Assets		2,843,478
Noncurrent Assets		
Property and equipment, net of accumulated depreciation		3,661,542
Operating lease right-of-use		102,472
Investments		3,357,074
Deposits		2,147
Total Noncurrent Assets		7,123,235
Total Assets	$	9,966,713

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	$	273,511
Accrued expenses		487,683
Current portion of operating lease liability		24,720
Total Current Liabilities		785,914
Noncurrent Liabilities		
Operating lease liability, net of current portion		79,343
Total Noncurrent Liabilities		79,343
Total Liabilities		865,257
Net Assets		
Without donor restrictions		9,001,456
With donor restrictions		100,000
Total Net Assets		9,101,456
Total Liabilities and Net Assets	$	9,966,713

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, 2023

	Without donor restrictions	With donor restrictions	Total
Revenues and Support			
Client service revenue	$ 6,412,008	$ -	$ 6,412,008
Contributions	1,746,766	100,000	1,846,766
Investment gain and dividends	262,149	-	262,149
Special events	128,080	-	128,080
Other revenue	23,461	-	23,461
Net assets released from restrictions	1,922,980	(1,922,980)	-
Total Public and Other Support	10,495,444	(1,822,980)	8,672,464
Functional Expenses			
Program services	9,483,662	-	9,483,662
Support services	955,307	-	955,307
Total Functional Expenses	10,438,969	-	10,438,969
Loss on disposal of property and equipment	(2,333)	-	(2,333)
Change in Net Assets	54,142	(1,822,980)	(1,768,838)
Net Assets, Beginning of Year	8,947,314	1,922,980	10,870,294
Net Assets, End of Year	$ 9,001,456	$ 100,000	$ 9,101,456

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, 2023

	Program Services				Support Services			
	Home Care	Children's Services	Adult Services	Total Program Services	Administration	Fundraising	Total Support Services	Total Expenses
Salaries and wages	$ 4,055,185	$ 1,920,235	$ 259,001	$ 6,234,421	$ 88,532	$ 363,938	$ 452,470	$ 6,686,891
Professional services	605,787	370,691	33,260	1,009,738	81,028	39,008	120,036	1,129,774
Employee benefits	394,813	210,542	30,651	636,006	11,671	25,638	37,309	673,315
Payroll taxes	304,366	143,216	19,098	466,680	6,508	25,934	32,442	499,122
Dues and subscriptions	97,567	95,678	7,847	201,092	12,089	9,324	21,413	222,505
Depreciation	1,651	144,359	54,136	200,146	18,054	2,613	20,667	220,813
Occupancy	4,744	162,211	33,672	200,627	7,361	3,235	10,596	211,223
Community awareness	1,039	2,588	947	4,574	150	187,750	187,900	192,474
Supplies and equipment	38,616	66,960	12,703	118,279	4,951	15,194	20,145	138,424
Telephone	19,548	48,456	8,071	76,075	2,073	5,391	7,464	83,539
Training and education	23,088	38,581	954	62,623	1,417	6,919	8,336	70,959
Vehicle expenses	573	163	59,494	60,230	83	25	108	60,338
Insurance	13,726	31,949	4,697	50,372	1,250	3,859	5,109	55,481
Other employee related expenses	27,514	12,053	2,566	42,133	3,091	3,373	6,464	48,597
Meals	-	30,356	-	30,356	-	-	-	30,356
Travel	19,232	2,308	457	21,997	1,261	5,790	7,051	29,048
Operating lease expense	-	26,668	-	26,668	-	-	-	26,668
Postage, printing and publishing	2,132	3,383	138	5,653	297	12,782	13,079	18,732
Other expense	20,618	14,296	1,078	35,992	2,974	1,744	4,718	40,710
Total expenses	$ 5,630,199	$ 3,324,693	$ 528,770	$ 9,483,662	$ 242,790	$ 712,517	$ 955,307	$ 10,438,969

United Cerebral Palsy Association of Central Arizona, Inc.

Statement of Cash Flows

For the Year Ended June 30, 2023

Cash Flows from Operating Activities	
Change in net assets	$ (1,768,838)
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Depreciation	220,813
Net unrealized gain on investments	(79,869)
Loss on disposal of property and equipment	2,333
(Increase) decrease in operating assets	
Client service receivables	(1,160,763)
Contributions receivables	1,703,175
Other receivables	(3,392)
Prepaid expenses and other current assets	6,344
Operating lease right-of-use	(102,472)
Increase (decrease) in operating liabilities	
Accounts payable	146,257
Accrued expenses	62,277
Conditional contribution liability	(234,066)
Operating lease liabilities	104,063
Net Cash Used for Operating Activities	(1,104,138)
Cash Flows from Investing Activities	
Purchase of property and equipment	(168,116)
Proceeds from sales of investments	1,855,394
Purchases of investments	(1,045,995)
Net Cash Provided by Investing Activities	641,283
Net Change in Cash	(462,855)
Cash - Beginning of Year	1,708,571
Cash - End of Year	$ 1,245,716

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

NOTE 1 – NATURE OF OPERATIONS

United Cerebral Palsy Association of Central Arizona, Inc. (the "Organization") was incorporated in Arizona in May 1952 as a private nonprofit, health and human service organization for adults and children with disabilities and their families. The Organization provides therapies, life skill and independent living services, inclusive and integrated educational based programs, innovative social outlets, and basic research to generate and develop possibilities and opportunities for those with disabilities.

The mission of the Organization is to provide comprehensive services to individuals with disabilities and their families by providing physical and developmental support as well as educational growth which is the foundation for independent living, "Life without Limits". The Organization operates primarily in central Arizona.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of Presentation</u>
The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

> *Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.
>
> *Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of June 30, 2023, the Organization had no donor restrictions that are perpetual in nature.
>
> Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and changes in net assets.

The Organization maintains its accounts on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash includes cash deposits in banks and cash equivalents. The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Amounts at each institution are insured in limited amounts by the Federal Deposit Insurance Corporation ("FDIC").

Client Service Receivables

At June 30, 2023, the Organization had amounts outstanding primarily from the Arizona Department of Economic Security - Division of Developmentally Disabled ("DES-DDD") and various other third-party payors for the provision of therapy, attendant care, habilitation and respite care services. Client service receivables, where a third-party payor is responsible for paying the amount under fee-for-service contracts, are carried at an amount determined by the original charge for the services provided, less explicit price concessions representing an estimate made for contractual adjustments or discounts provided to third-party payers. Client service receivables for all payers are also carried at an amount less an estimate for implicit price concessions. The Organization continuously monitors collections from payers, including clients, and records an estimated price concession based upon specific payer collection issues that the Organization has identified and based on historical collection experience. Collections are impacted by the economic ability of clients to pay and the effectiveness of the Organization's collection efforts. Significant changes in payor mix, business office operations, economic conditions or trends in federal and state governmental healthcare coverage could affect the Organization's collection of client service receivables and the estimates of the collectability of future client service receivables. Client service receivables are written off when deemed uncollectible.

Contributions Receivable

Contributions receivable that are to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Contributions Receivable - continued

In periods subsequent to initial recognition, unconditional contributions receivable are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition. The discount rate determined at the initial recognition of the unconditional promise to give is based upon management's assessment of many factors, including when the receivable is expected to be collected, the creditworthiness of the donors, the Organization's past collection experience and its policies concerning the enforcement of promises to give, expectations about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the receivable's collectability. Amortization of the discounts is included in contribution revenue. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

At June 30, 2023, all contributions receivable are due within one year. At June 30, 2023, management considers contributions receivable to be fully collectible and accordingly, an allowance is not considered necessary.

Investments

The Organization accounts for its investments in accordance with FASB ASC 958-321, *Not-for-Profit Entities - Investments - Debt Securities* and FASB ASC 958-320, *Not-for-Profit Entities - Investments - Equity Securities*. Under FASB ASC 958-320 and 958-321, the Organization reports investments in equity and debt securities at fair value. The fair value of investments is based on quoted market prices. Investment income includes interest, dividends, and realized and unrealized gains and losses on investments. Investments are classified as long-term based on management's intent to hold such investments. However, these investments can be liquidated without significant penalty within a short period of time.

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risks 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.

Fair Value Measurement

FASB ASC 820-10, *Fair Value Measurement*, establishes a common definition for fair value to be applied to U.S. GAAP requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. FASB ASC 820-10 also establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Fair Value Measurement - continued
FASB ASC 820-10 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

Property and Equipment
Purchased property and equipment is stated at cost. Donated property and equipment is recorded at fair value at the date of gift. Maintenance and repairs are charged to operations when incurred. Betterments and renewals in excess of $2,000 are capitalized. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved, and any gain or loss is included in operations. Depreciation of property and equipment is computed on a straight-line basis over estimated useful lives ranging as follows:

	Estimated Useful Lives
Building and building improvements	5 – 40 years
Furniture and equipment	3 – 15 years
Vehicles	3 – 5 years

The Organization accounts for long-lived assets in accordance with the provisions of FASB ASC 360, Property, Plant, and Equipment. FASB ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of cost or fair value less costs to sell. No impairment charges were recorded for 2023.

Revenue Recognition
The Organization earns revenue from contracts with customers (clients). The Organization's primary services provided to clients include therapy, attendant care, habilitation and respite care services. These services are provided through direct agreements with clients, and the Organization provides these services using its employees. The client simultaneously receives and consumes the benefits of the services as they are provided.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue Recognition - continued

The Organization applies the practical expedient to recognize revenue for these services over the term of the agreement commensurate with the amount it has the right to invoice the customer. Payment terms for invoices are generally within 30 days from the acceptance of hours billed.

The Organization has an agreement with DES-DDD and other third-party payors to either fund a defined amount of units during an authorized period of time for the Organization to provide the necessary services to qualified individuals or to provide services in accordance with fee-for-service contracts. Revenue is recognized as the promised services are provided to the Organization's clients at an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. The Organization's performance obligations to clients are typically satisfied at a point in time as the services are generally completed in one day. This consideration is based on approved rates for services provided as evidenced in its underlying contract with DES-DDD or under various third-party payor contracts.

The payment arrangements with third-party payers for the services provided by the Organization to the related clients oftentimes specify payments at amounts less than standard charges and generally provides for payments based upon predetermined rates per services or discounted fee-for-service rates. Management continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations and the frequent changes in managed care contractual terms resulting from contract renegotiations and renewals. Estimates of these explicit price concessions under third-party payor arrangements are based upon the payment terms specified in the related contractual agreements. Retroactively calculated explicit price concessions arising under reimbursement agreements with third-party payers are recognized on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Revenues related to uninsured clients and uninsured copayment and deductible amounts for clients who have third-party payor coverage may have discounts applied (uninsured discounts and contractual discounts).

For changes in credit issues not assessed at the date of service, the Organization will prospectively recognize those amounts in bad debt expense on the statement of activities and changes in net assets. For the year ended June 30, 2023, the Organization did not encounter changes in credit issues not assessed at the date of service that would represent a material value.

The Organization also records estimated implicit price concessions (based primarily on historical collection experience) related to uninsured accounts to record self-pay revenues at the estimated amounts expected to be collected. Implicit price concessions for uninsured accounts represent the sole component of variable consideration in the Organization's contracts with customers.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue Recognition – continued

The Organization's estimation of the implicit price concessions is based primarily upon the type of claim and the effectiveness of past collection efforts. The Organization monitors historical collection results and the effectiveness of reserve policies on a periodic basis and reviews various analytics to support the basis for its estimates. Those efforts primarily consist of reviewing the following:

- Historical write-off and collection experience using a hindsight or look-back approach
- Revenue and volume trends by payor, particularly the self-pay components
- Changes in the aging and payor mix of client service receivables, including increased focus on accounts due from the uninsured and accounts that represent co-payments and deductibles due from clients
- Cash collections as a percentage of net client revenue less implicit price concessions
- Trending of days revenue in accounts receivable
- Various allowance coverage statistics
- Economic conditions and trends in federal and state healthcare coverage

In addition to the above, the Organization derives client service revenue through services provided by the Early Learning Center ("ELC"). The Organization recognizes ELC revenue associated with services provided to parents whose children are enrolled in the ELC on the basis of contractual weekly or monthly tuition for services rendered. Payment is required in advance of services. The client simultaneously receives and consumes the benefits of the services as they are provided over the term of the contract. Performance obligations relate to contracts all with durations of one year or less. As a result, the Organization is not required to separately disclose aggregate amounts of unsatisfied (or partially satisfied) performance obligations as of the end of the period. ELC revenue totaled $461,509 for the year ended June 30, 2023.

As permitted under FASB ASC 606, Revenue from Contracts with Customers, the Organization elected two of the available practical expedients provided for by the standard. First, the Organization does not adjust the transaction price for any financing components as these are deemed to be insignificant. Additionally, the Organization expenses all incremental customer contract acquisition costs as incurred as such costs are not material and would be amortized over a period of less than one year.

Variable Consideration

The nature of the Organization's business does not give rise to variable consideration.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Contributions

The Organization accounts for contributions in accordance with FASB Accounting Standards Update ("ASU") No. 2018-08, *Not-For-Profit Entities (Topic 958)*. ASU 2018-08 clarifies the characterization of grants as either reciprocal transactions (exchanges) or nonreciprocal transactions (contributions). ASU 2018-08 also provides additional guidance to distinguish between conditional and unconditional contributions. In accordance with ASU 2018-08, the Organization evaluates grants and contributions for evidence of the transfer of commensurate value from the Organization to the grantor or resource provider. The transfer of commensurate value from the Organization to the grantor or resource provider may include instances when a) the goods or services provided by the Organization directly benefit the grantor or resource provider or are for the sole use of the grantor or resource provider or b) the grantor or resource provider obtains proprietary rights or other privileges from the goods or services provided by the Organization. When such factors exist, the Organization accounts for the grants or contributions as exchange transactions under ASC 606, Revenue from Contracts with Customers, or other appropriate guidance. In the absence of these factors, the Organization accounts for the award under the contribution accounting model.

In the absence of the transfer of commensurate value from the Organization to the resource provider, the Organization evaluates the contribution for criteria indicating the existence of measurable barriers to entitlement for the Organization or the right of return to the resource provider. A barrier to entitlement is subject to judgment and generally represents an unambiguous threshold for entitlement that provides clarity to both the Organization and resource provider whether the threshold has been met and when. These factors may include measurable performance thresholds or limited discretion on the part of the Organization to use the funds. Should the existence of a measurable barrier to entitlement exist and be accompanied by a right of return of the funds to the resource provider or release of the resource provider from the obligation, the contribution is treated as a conditional contribution. If both the barrier to entitlement and right of return do not exist, the contribution is unconditional.

The Organization accounts for contributions in accordance with FASB ASC 958-605, *Not-for-Profit Organizations – Revenue Recognition*. In accordance with FASB ASC 958-605, contributions received are recorded as contributions without donor restrictions or contributions with donor restrictions depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Donated Materials and Services

In addition to receiving cash contributions, the Organization occasionally receives in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair market value of certain in-kind donations as an asset or expense in its financial statements, and increase donations by a like amount. For the year ended June 30, 2023, there were no in-kind contributions.

Volunteers have donated significant amounts of time to the Organization's programs and supporting services. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills provided by individuals possessing these skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. For the year ended June 30, 2023, there were no amounts recorded for contributed services.

Special Events Revenue

The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the events. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at the special events is measured at the actual cost to the Organization. The direct costs of the special events, which ultimately benefits the donor rather than the Organization, are recorded as costs of direct donor benefits. All proceeds received are recorded as special events revenue in the accompanying statement of activities and changes in net assets.

Functional Expense Allocation

The costs of providing various programs and other activities has been reported on a functional basis in the accompanying statement of activities and changes in net assets. The statement of functional expense presents the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to program and supporting services on the basis of personnel activity and other appropriate allocation methods. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization and are allocated based on personnel or other appropriate indicators. Salaries and related expenses are allocated based on an analysis performed by management of time and effort. Occupancy and depreciation expenses are allocated based on square footage. All other expenses are allocated based on full time equivalents.

Concentration of Credit Risk

In the normal course of business, the Organization maintains checking account balances in excess of Federal Deposit Insurance Corporation's insurance limit in effect at June 30, 2023.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) as described in Section 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code (the "Code") and, accordingly, there is no provision for income taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income would be taxable. The Organization evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts. The Organization's federal Return of Organization Exempt from Income Tax (Form 990) are subject to examination by the Internal Revenue Service generally for three years after they were filed.

Right of Use Assets and Lease Liabilities

On July 1, 2022, the Organization adopted FASB Accounting Standards Updates (ASU) No. 2016-2, ASC 842 leases, which requires the recognition of a right-of-use asset and a lease liability based on the present value of the remaining lease payment. The Organization used the modified retrospective approach and elected to apply the transition method that allows the Company to continue applying guidance under the lease standard in effect at the time in the comparative period financial statements and recognize a cumulative-effect adjustment to the balance sheet on the date of adoption.

At the commencement date of the lease, the Organization recognizes a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term.

The Organization has elected the package of practical expedients to not reassess its prior conclusions about lease identification, lease classification and indirect costs and to not separate lease and non-lease components. The Organization has also elected not to recognize leases with a term less than one year on the statement of financial position.

Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses the implicit rate when it is readily determinable. Since the Organization's lease does not provide an implicit rate, to determine the present value of lease payments, management uses the Organization's risk free borrowing rate based on the information available at the US Treasury. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives and one-time fee or charges. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise the option. See Note 8, "Leases" for additional disclosure on leases.

Subsequent Events

The Organization has evaluated subsequent events through January 19, 2024, which is the date the financial statements were available to be issued.

NOTE 3 – CLIENT SERVICE RECEIVABLES

Client service receivables consist of the following at June 30, 2023:

Arizona Department of Economic Security,		
Division of Developmental Disabilities (DDD)	$	1,215,312
Insurance providers		258,656
Other third-party payors		32,512
Allowance for doubtful accounts		(33,284)
Total client service receivables	$	1,473,196

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENT

Investments consist of the following at June 30, 2023:

Fixed income bond funds	$	1,499,070
Equity mutual funds		1,144,864
Mixed assets/ managed strategic funds		713,140
Total investments	$	3,357,074

Investment income (loss) for the year ended June 30, 2023 consists of:

Interest and dividend income	$	121,450
Net unrealized gains		79,869
Net realized gains		85,956
Investment expenses		(25,126)
Total investment gain	$	262,149

The following table summarizes the valuation of the Organization's financial instruments by the FASB ASC 820 categories at June 30, 2023:

		Level 1		Level 2		Level 3
Fixed income bond funds	$	1,499,070	$	-	$	-
Equity mutual funds		1,144,864		-		-
Mixed assets/ managed strategic funds		713,140		-		-
Total investments	$	3,357,074	$	-	$	-

The Organization currently has no other assets or liabilities subject to fair value measurement on a recurring or non-recurring basis.

NOTE 5 – PROPERTY & EQUIPMENT

Property and equipment consists of the following at June 30, 2023:

Building and building improvements	$ 4,907,128
Furniture and equipment	586,992
Vehicles	447,434
Total cost and donated value	5,941,554
Less accumulated depreciation	(3,419,742)
Total depreciable property and equipment	2,540,531
Land	1,139,730
Property and equipment, net	$ 3,661,542

Depreciation expense for the year ended June 30, 2023 totaled $220,813.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2023:

Restricted for construction of playground	$ 100,000
Total net assets with donor restrictions	$ 100,000

NOTE 7 – RETIREMENT PLAN

The Organization has a defined contribution plan covering all employees who are at least 21 years of age. The plan permits participants to make elective deferrals of a limited percentage of their compensation. Under the plan, the Organization matches 100% of the first 6% of employee contributions. The Organization contributed $166,638 to the plan during the year ended June 30, 2023.

NOTE 8 – LEASES

The Organization entered into an operating lease agreement with a third party to lease office space. The escalating lease agreement was initiated in January 2021 and expires in June 2027. In the normal course of business, operating leases are generally renewed or replaced by other leases. The monthly payment as of June 30, 2023 was $2,212. The Organization uses an incremental borrowing rate of 2.31% per the U.S. treasury yield rate as the weighted-average discount rate to determine present value for the remaining terms. The Organization used the modified retrospective approach on the transition to lease standard ASC 842, and the Organization's initial adoption date of ASC 842 was on July 1, 2022.

NOTE 8 – LEASES – continued

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

Operating lease right-of-use asset	$ 102,472
Operating lease liabilities, current	24,720
Operating lease liabilities, less current portion	79,343
Total operating lease liabilities	$ 104,063

The maturities of lease liabilities at June 30, 2023 are as follows:

Fiscal Year Ending June 30:	
2024	$ 26,812
2025	27,080
2026	27,351
2027	27,624
Total lease payments	108,867
Less: present value discount	(4,804)
Total lease liabilities	$ 104,063

Operating lease expense totaled $26,668 for the year ended June, 30 2023. Short term lease expense for equipment totaled $16,752 for the year ended June 30, 2023 and is included in supplies and equipment expenses on the accompanying statement of functional expenses.

NOTE 9 – RELATED PARTY TRANSACTIONS

The Organization is affiliated with a national organization who grants the Organization the right to use the name and branding of United Cerebral Palsy, operate in a geographical area, and provides voting rights for being a member of the organization. In return, the Organization is required to pay the affiliated entity an annual membership fee based on the amount of expenses allocated by the affiliate. For the year ended June 30, 2023, membership fees totaled $16,667, which is included in dues and subscriptions expenses in the accompanying statement of functional expenses.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Litigation
From time to time, the Organization is involved in various legal actions occurring in the normal course of business. In the opinion of management, based on consultation with legal counsel, there will be no adverse effect on its financial position or results of operations as a result of these matters.

NOTE 10 – COMMITMENTS AND CONTINGENCIES – continued

Compliance

The contracted services revenue received by the Organization is subject to compliance audits by the funding agencies or their representatives. Funding agencies may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by the Organization with the terms of the contracts. Management believes that the Organization is in compliance with the term of its contracts.

Healthcare Regulation

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for client services, and Medicare and Medicaid fraud and abuse. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for client services previously billed. Management believes the Organization is in compliance with fraud and abuse laws and regulations, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future review and interpretation as well as regulatory actions unknown or unasserted at this time.

Health reform legislation at both the federal and state levels continues to evolve. Changes continue to impact existing and future laws and rules. Such changes may impact the way the Organization does business, restrict revenue and growth, increase administrative and capital costs, and expose the Organization to increased risk of loss or further liabilities. The Organization's operating results, financial position and cash flows could be adversely impacted by such changes.

Liability Insurance

The Organization maintains professional and general liability coverage on an occurrence basis through commercial insurance carriers.

NOTE 11 – CONCENTRATIONS

Client service revenue by major payor sources, is as follows for the year ended June 30, 2023:

Arizona Department of Economic Security, Division of Developmental Disabilities (DDD)	76%
Medicaid	13%
Other third-party payors	6%
Self-pay	6%
Total	100%

For the year ended June 30, 2023, one donor comprised approximately 30% of total contribution revenue.

NOTE 12 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization monitors its cash position on a monthly basis to ensure the fulfillment of all obligations and considers the funds necessary to maintain the Organization's operations within one year of the statement of financial position date with regular reviews of the budget to actual results. As part of the Organization's liquidity plan, excess cash is invested and maintained in investments. The Organization has a goal to maintain financial assets, which consist of cash and receivables, on hand to meet 30 days of normal operating expenses, which are, on average, approximately $850,000.

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 date are as follows:

Cash and cash equivalents	$	1,245,716
Receivables, net		1,506,801
Total financial assets		2,752,517
Less:		
Restricted by donors with purpose restrictions		(100,000)
Financial assets available to meet cash needs for general expenditures within one year	$	2,652,517

While the Organization's investments are classified as long-term in the accompanying statement of financial position based on management's intent, the investments could be readily liquidated without significant penalty to fund operating cash flow needs.

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