UNITED CEREBRAL PALSY ASSOCIATION
OF CENTRAL ARIZONA, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2018

UNITED CEREBRAL PALSY ASSOCIATION
OF CENTRAL ARIZONA, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

UNITED CEREBRAL PALSY ASSOCIATION OF CENTRAL ARIZONA, INC.

Report on the Financial Statements

We have audited the accompanying financial statements of ***United Cerebral Palsy Association of Central Arizona, Inc.*** which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility for the Financial Statements

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2018, 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.

Mayer Hoffman McCann P.C.

November 30, 2018

UNITED CEREBRAL PALSY ASSOCIATION
OF CENTRAL ARIZONA, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2018

A S S E T S

CURRENT ASSETS	
Cash and cash equivalents	$ 862,494
Receivables:	
Grants and contracts	627,888
Client fees and insurance	312,937
Contributions	332,194
Prepaid expenses and other current assets	39,642
TOTAL CURRENT ASSETS	2,175,155
PROPERTY AND EQUIPMENT, net	4,708,428
INVESTMENTS	5,176,974
DEPOSITS	9,190
TOTAL ASSETS	$ 12,069,747

L I A B I L I T I E S   A N D   N E T   A S S E T S

CURRENT LIABILITIES	
Line of credit	$ 487,000
Accounts payable	440,755
Accrued expenses	393,068
Deferred revenue	7,053
TOTAL CURRENT LIABILITES	1,327,876
NET ASSETS	
Unrestricted	10,243,110
Temporarily restricted	498,761
TOTAL NET ASSETS	10,741,871
TOTAL LIABILITES AND NET ASSETS	$ 12,069,747

UNITED CEREBRAL PALSY ASSOCIATION
OF CENTRAL ARIZONA, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT:			
Grants and contracts	$ 5,343,596	$ -	$ 5,343,596
Contributions	3,026,765	365,694	3,392,459
Client fees and insurance, net	1,687,495	-	1,687,495
Special events	895,400	-	895,400
Less direct donor benefits	(83,162)	-	(83,162)
Investment income	254,008	-	254,008
Donated materials and services	145,046	-	145,046
Other revenue	153,572	-	153,572
Net assets released from restrictions	702,556	(702,556)	-
TOTAL REVENUES AND SUPPORT	12,125,276	(336,862)	11,788,414
EXPENSES			
Program services	11,477,501	-	11,477,501
Support services	1,130,534	-	1,130,534
TOTAL EXPENSES	12,608,035	-	12,608,035
CHANGE IN NET ASSETS	(482,759)	(336,862)	(819,621)
NET ASSETS, BEGINNING OF YEAR	10,725,869	835,623	11,561,492
NET ASSETS, END OF YEAR	$ 10,243,110	$ 498,761	$ 10,741,871

UNITED CEREBRAL PALSY ASSOCIATION OF CENTRAL ARIZONA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018

	Program Services				Support Services			
	Home Care	Children's Services	Adult Services	Total Program Services	Administration	Fundraising	Total Support Services	Total Expenses
Salaries and wages	$ 2,205,244	$ 4,842,119	$ 501,232	$ 7,548,595	$ 193,245	$ 175,285	$ 368,530	$ 7,917,125
Payroll taxes	167,966	355,468	37,799	561,233	14,554	13,274	27,828	589,061
Employee benefits	280,028	639,590	66,741	986,359	26,162	31,085	57,247	1,043,606
	2,653,238	5,837,177	605,772	9,096,187	233,961	219,644	453,605	9,549,792
Professional services	185,735	256,804	33,989	476,528	21,233	7,266	28,499	505,027
Administrative fee	-	-	-	-	-	319,491	319,491	319,491
Advertising	-	-	-	-	-	64	64	64
Community awareness	26,491	32,394	4,959	63,844	9,915	1,070	10,985	74,829
Dues and subscriptions	48,871	172,728	10,004	231,603	16,145	4,646	20,791	252,394
Grant expense	-	18,067	1,973	20,040	-	-	-	20,040
In-kind contributions	54	63	10	127	20	57,711	57,731	57,858
Insurance	34,415	41,165	7,176	82,756	3,544	1,749	5,293	88,049
Meals	-	40,341	-	40,341	-	-	-	40,341
Other employee related expenses	9,993	29,260	2,684	41,937	1,244	1,595	2,839	44,776
Other expense	38,851	54,608	16,980	110,439	14,466	1,457	15,923	126,362
Postage, printing and publishing	3,328	5,586	499	9,413	704	5,110	5,814	15,227
Supplies and equipment	15,236	99,725	22,590	137,551	4,624	91,310	95,934	233,485
Telephone	15,688	92,416	9,424	117,528	4,652	3,581	8,233	125,761
Training and education	14,910	19,335	2,951	37,196	5,465	767	6,232	43,428
Travel	22,071	130,893	354	153,318	707	1,166	1,873	155,191
Vehicle expenses	-	74,651	19,658	94,309	-	-	-	94,309
Occupancy	53,764	278,228	142,105	474,097	50,396	3,148	53,544	527,641
Depreciation	2,317	200,064	87,906	290,287	41,976	1,707	43,683	333,970
	$ 3,124,962	$ 7,383,505	$ 969,034	$ 11,477,501	$ 409,052	$ 721,482	$ 1,130,534	$ 12,608,035

UNITED CEREBRAL PALSY ASSOCIATION
OF CENTRAL ARIZONA, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (819,621)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	333,970
Net realized and unrealized gains on investments	(146,262)
Changes in operating assets and liabilities:	
Grants and contracts receivable	(127,947)
Client fees and insurance receivables, net	(7,646)
Contributions receivable	218,774
Prepaid expenses and other current assets	10,222
Accounts payable	26,073
Accrued expenses	(29,834)
Deferred revenue	(8,826)
Net cash used in operating activities	(551,097)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(154,463)
Change in deposits	2,165
Purchases of investments	(1,725,945)
Proceeds from sales of investments	2,492,651
Net cash provided by investing activities	614,408
CASH FLOWS FROM FINANCING ACTIVITIES	
Draws on line of credit	495,000
Payments on line of credit	(245,000)
Net cash provided by financing activities	250,000
CHANGE IN CASH AND CASH EQUIVALENTS	313,311
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	549,183
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 862,494
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid for interest	$ 19,884

(1) Organization operations and summary of significant accounting policies

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.

The significant accounting policies followed by the Organization are as follows:

Basis of presentation – The accompanying financial statements have been prepared in accordance Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, *Non-for-Profit Entities – Presentation of Financial Statements*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of new assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization had no permanently restricted net assets as of June 30, 2018.

Management's use of estimates – 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").

Grants and contracts receivable – Grants and contracts receivable primarily represents amounts due under government contracts and grants. Grants and contracts receivable are stated at the amount management expects to collect. Management provides for probable uncollectible amounts, if any, through a charge to earnings and a credit to a valuation allowance based upon its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to grants and contracts receivable. Although the Organization does not require collateral on its grants and contracts receivable, credit risk with respects to grants and contracts receivable is limited due to the nature of the funding sources comprising the Organization's customer base. At June 30, 2018, management considers grants and contracts receivable to be collectible in full. Accordingly, an allowance is not considered necessary.

(1) Organization operations and summary of significant accounting policies (continued)

Client fees and insurance receivable – Client fees and insurance receivable represents amounts due from the provision of therapeutic services. Client fees and insurance receivable, where a third-party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the services provided, less an estimate made for contractual adjustments or discounts provided to third-party payors and less an estimated allowance for doubtful accounts receivable. The Organization grants credit without collateral to its clients and patients, most of who are local residents and are insured under payment arrangements with payors which include (1) Medicaid, (2) other third party payors including commercial carriers, health maintenance organizations, and (3) self-pay. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and credit to client fees and insurance receivable. At June 30, 2018, management considers client fees and insurance receivable to be fully collectible and accordingly, an allowance for uncollectible accounts is not considered necessary.

The following summarizes the percentage of client fees and insurance receivable from all payors as of June 30, 2018:

Medicaid	13%
Other third-party payors	84%
Self-pay	3%
Total	100%

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. 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 contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. At June 30, 2018, all contributions receivable are due within 1 year. At June 30, 2018, 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 958-320, *Not-for-Profit Entities – Investments – Debt and Equity Securities*. Under FASB ASC 958-320, the Organization reports investments in equity securities that have readily determinable fair values, and all investments in 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.

(1) Organization operations and summary of significant accounting policies (continued)

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. Generally Accepted Accounting Principles ("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. 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 and related depreciation – 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

Impairment of long-lived assets – 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 2018.

Grants and contract revenue recognition – The Organization recognizes amounts received from grants and contracts as earned when services are rendered under unit of service contracts. A receivable is recorded to the extent the amount earned exceeds cash advances, less an estimate made for amounts that may be uncollectible, which is determined based on management's judgment and historical experience with the contracting agency.

Funding sources 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 grants or contracts. Additionally, if the Organization terminates its activities, all unearned amounts are to be returned to the funding sources.

(1) Organization operations and summary of significant accounting policies (continued)

Client fees and insurance revenue – The Organization recognizes client fees and insurance revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for services rendered. For uninsured patients that do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy).

For the year ended June 30, 2018, gross client fees and insurance was $2,652,738 with related contractual deductions from revenue of $965,243. Client fees and insurance revenue, net of contractual allowances and discounts, by major payor sources, is as follows for the year ended June 30, 2018:

Medicaid	$ 184,370
Other third-party payors	989,087
Self-pay	514,038
Total	$ 1,687,495

Contributions – The Organization accounts for contributions in accordance with FASB ASC 958-605, *Not-for-Profit Entities- Revenue Recognition*. In accordance with FASB ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

For the year ended June 30, 2018, one donor comprised approximately 89% of total contribution revenue and accounted for approximately 53% of total contributions receivable at June 30, 2018. For this donor, the Organization is required to pay a fundraising fee. For the year ended June 30, 2018, this fundraising fee totaled $288,007, which is included in administrative fee in the accompanying statement of functional expenses.

Donated materials and services – Donated materials and services are reflected in the accompanying financial statements at their estimated fair value as of the date of donation. Donated services are recognized as contributions in accordance with FASB ASC 958-605 if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. Donated materials and services consists of the following for the year ended June 30, 2018:

Facilities	$ 87,188
Fundraising items	57,858
Total donated materials and services	$ 145,046

(1) Organization operations and summary of significant accounting policies (continued)

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 allocation of expenses – 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 expenses. Salaries and related expenses are allocated based on an analysis performed by management of time incurred. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated based on appropriate allocation methods.

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)(iv) 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) for the years ended June 30, 2017, 2016, and 2015 are subject to examination by the Internal Revenue Service, generally for three years after they were filed. The return for the year ended June 30, 2018 has not yet been filed as of the date of the auditors' report.

Recent accounting pronouncements – In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606),* that, as amended, will supersede most current revenue recognition guidance, including industry-specific guidance. The core principle of the new guidance is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. Additionally, the guidance requires disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in ASU No. 2014-09 for annual reporting periods beginning after December 15, 2017. All other entities should apply the guidance in ASU No. 2014-09 to annual reporting periods beginning after December 15, 2018. Transition to the new guidance may be done using either a full or modified retrospective method. The Organization is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* ASU 2018-08 is intended to clarify current guidance about whether a transfer of assets is a contribution or an exchange transaction. ASU 2018-08 will be effective for the Organization beginning in fiscal 2020. Early adoption is permitted. The ASU is intended to be applied on a modified prospective basis, but retrospective application is permitted. The Organization is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

(1) Organization operations and summary of significant accounting policies (continued)

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). ASU 2016-02 requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and changes in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. The ASU is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Organization has estimated that if they were to adopt the standard for the year ended June 30, 2018, a non-current right of use asset of approximately $555,000 would be recorded and a corresponding current and non-current lease liability of approximately $171,000 and $384,000, respectively, would be recorded in the accompanying statement of financial position. The estimate was calculated using the minimum future lease payments (see Note 9) as adjusted by a discount rate of 4.75% representing the Company's incremental borrowing rate (see Note 6).

In August 2016, The FASB issued ASU No. 2016-14*, Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*, ASU 2016-14 improves the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted. The amendments of this ASU are to be applied on a retrospective basis in the year that the ASU is first applied. The Organization is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

Subsequent events – The Organization has evaluated subsequent events through November 30, 2018, which is the date the financial statements were available to be issued.

(2) Grants and contracts receivable

Grants and contracts receivable consist of the following at June 30, 2018:

Arizona Early Intervention Program (AzEIP)	$	161,223
Arizona Health Care Cost Containment System (AHCCCS)		46,045
Arizona Department of Economic Security, Division of Developmental Disabilities (DDD)		420,620
Total grants and contracts receivable	$	627,888

For the year ended June 30, 2018, AzEIP, AHCCCS and DDD accounted for $964,375, $171,544 and $4,207,677, respectively, of total grants and contracts revenue. A significant reduction in the level of this support, if it were to occur, would have a material effect on the programs and activities of the Organization. This funding is subject to compliance audits by the respective governmental agencies. Assessments from such audits, if any, are recorded when the amounts of such assessments are reasonably determinable.

(3) Investments

Investments consist of the following at June 30, 2018:

Mutual funds:	
Fixed income	$ 1,124,270
Equity	2,193,043
Other	1,112,786
Real asset funds	746,875
Total investments	$ 5,176,974

Investment income for the year ended June 30, 2018 consists of:

Interest and dividend income	$ 151,184
Net unrealized gains	11,097
Net realized gains	135,165
Investment expenses	(43,438)
Total investment income	$ 254,008

(4) Fair value measurement

The following table summarizes the valuation of the Organization's financial instruments by the FASB ASC 820 categories at June 30, 2018:

	Level 1	Level 2	Level 3
Mutual funds:			
Fixed income:			
Domestic	$ 786,484	$ -	$ -
International	337,786	-	-
Equity:			
Domestic	1,675,677	-	-
International	517,366	-	-
Other	1,112,786	-	-
Real asset funds	746,875	-	-
Total investments at fair value	$ 5,176,974	$ -	$ -

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

(5) Property and equipment

Property and equipment consists of the following at June 30, 2018:

Land	$ 1,139,730
Building and building improvements	5,155,033
Furniture and equipment	787,312
Vehicles	1,154,885
Total cost and donated value	8,236,960
Less accumulated depreciation and amortization	(3,528,532)
Property and equipment, net	$ 4,708,428

Depreciation expense charged to operations totaled $333,970 for the year ended June 30, 2018.

(6) Line of credit

The Organization has a line of credit agreement with a bank with a maximum borrowing limit of $500,000. The borrowings bear interest at a variable rate equal to the bank prime rate minus 0.25% (4.75% as of June 30, 2018). The line of credit is collateralized by the Organization's investment account with the bank. The loan agreement matured in November 2017 and was subsequently renewed through November 5, 2018. Subsequent to year end, the loan agreement was renewed again through December 20, 2018.

(7) Temporarily restricted net assets

Temporarily restricted net assets consist of:	
Time restricted contributions	$ 332,194
Purpose restricted contributions	166,567
Total temporarily restricted net assets	$ 498,761

Net assets released from donor restrictions by incurring expense satisfying the restricted purpose or by occurrence of other events specified by donors were as follows for the year ended June 30, 2018:

Satisfaction of purpose restrictions:	
MAG Vehicles	$ 118,507
Other	93,081
Total satisfaction of purpose restrictions	211,588
Expiration of time restrictions	490,968
Total releases of temporarily restricted funds	$ 702,556

(8) 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 has the ability to make discretionary matching and/or profit sharing contributions to the plan. The Organization contributed $196,341 to the plan during the year ended June 30, 2018.

(9) Leases

The Organization leases office space under operating leases that expire at various dates through April 2022 and equipment through March 2022:

Future minimum lease payments are as follows:

Years Ending June 30,		
2019	$	178,816
2020		178,816
2021		165,857
2022		92,588
Total minimum future rental payments	$	616,077

Lease expense for the year ended June 30, 2018 totaled $285,821. No renewal options are provided for in the leases; however, in the normal course of business, operating leases are generally renewed or replaced by other leases.

(10) 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, 2018, membership fees totaled $37,500, which is included in dues and subscriptions in the accompanying statement of functional expenses.

(11) 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.

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 patient 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 patient 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.

(11) Commitments and contingencies (continued)

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 in certain eligibility categories, restrict revenue growth rates for certain eligibility categories, 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. The Organization's general liability per location claim coverage is $1,000,000 with an aggregate maximum annual coverage of $2,000,000 with no per claim deductible. The Organization's professional liability per claim coverage is $1,000,000 with an aggregate maximum annual coverage of $2,000,000 with no per claim deductible.