

**UNITED CEREBRAL PALSY  
ASSOCIATION OF  
SAN JOAQUIN, CALAVERAS,  
AMADOR COUNTIES  
(A NONPROFIT CORPORATION)**

**FINANCIAL REPORT**

**JUNE 30, 2019**

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## INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

Board of Directors  
UNITED CEREBRAL PALSY ASSOCIATION  
OF SAN JOAQUIN, CALAVERAS, AMADOR COUNTIES  
(A NONPROFIT CORPORATION)  
Stockton, California

### Report on the Financial Statements

We have audited the accompanying financial statements of United Cerebral Palsy Association of San Joaquin, Calaveras, Amador Counties (A Nonprofit Corporation), which comprise the statement of financial position as of June 30, 2019, 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

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 of 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 auditor’s 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.

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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 San Joaquin, Calaveras, Amador Counties as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited United Cerebral Palsy Association of San Joaquin, Calaveras, Amador Counties' June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 9, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Schwartz, Giannini, Lantsberger & Adamson*

Stockton, California  
January 6, 2020

**UNITED CEREBRAL PALSY ASSOCIATION OF  
SAN JOAQUIN, CALAVERAS, AMADOR COUNTIES  
(A Nonprofit Corporation)  
STATEMENT OF FINANCIAL POSITION  
June 30, 2019  
(With Comparative Totals For June 30, 2018)**

<b>ASSETS</b>	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,740,105	\$ 2,516,728
Receivables (Note 3)	743,194	751,504
Prepaid expenses	45,994	19,790
Total current assets	<u>\$ 4,529,293</u>	<u>\$ 3,288,022</u>
<b>PROPERTY AND EQUIPMENT, NET (Note 2)</b>	<u>593,912</u>	<u>681,463</u>
Total assets	<u><u>\$ 5,123,205</u></u>	<u><u>\$ 3,969,485</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 43,992	\$ 36,865
Accrued payroll	107,014	103,795
Accrued vacation	190,393	144,983
Total current liabilities	<u>\$ 341,399</u>	<u>\$ 285,643</u>
<b>NET ASSETS</b>		
Net Assets Without Donor Restrictions	\$ 4,780,170	\$ 3,683,188
Net Assets With Donor Restrictions (Note 4)	<u>1,636</u>	<u>654</u>
Total net assets	<u>\$ 4,781,806</u>	<u>\$ 3,683,842</u>
Total liabilities and net assets	<u><u>\$ 5,123,205</u></u>	<u><u>\$ 3,969,485</u></u>

See Notes to Financial Statements.

**UNITED CEREBRAL PALSY ASSOCIATION OF  
SAN JOAQUIN, CALAVERAS, AMADOR COUNTIES  
(A Nonprofit Corporation)**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
Year Ended June 30, 2019  
(With Comparative Totals For June 30, 2018)**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total June 30, 2019	Total June 30, 2018
<b>SUPPORT AND REVENUE</b>				
Governmental grants and contract income (Note 3)	\$ 8,406,919	\$ 13,670	\$ 8,420,589	\$ 8,316,609
Contributions	18,960	-	18,960	22,343
Special events (net of direct expenses of \$72,505 and \$63,389)	130,442	-	130,442	136,313
Interest income	7,591	-	7,591	5,800
Net assets released from restrictions	12,688	(12,688)	-	
	<b>\$ 8,576,600</b>	<b>\$ 982</b>	<b>\$ 8,577,582</b>	<b>\$ 8,481,065</b>
<b>EXPENSES</b>				
Program services	\$ 6,658,665	\$ -	\$ 6,658,665	\$ 6,811,775
Supporting services				
Management and general	686,611	-	686,611	708,641
Fundraising	114,342	-	114,342	112,856
	7,459,618	-	7,459,618	7,633,272
Unallocated payments to national UCP	20,000	-	20,000	24,999
	<b>\$ 7,479,618</b>	<b>\$ -</b>	<b>\$ 7,479,618</b>	<b>\$ 7,658,271</b>
Change in net assets	\$ 1,096,982	\$ 982	\$ 1,097,964	\$ 822,794
Net assets, beginning of year	3,683,188	654	3,683,842	2,861,048
Net assets, end of year	\$ 4,780,170	\$ 1,636	\$ 4,781,806	\$ 3,683,842

See Notes to Financial Statements.

**UNITED CEREBRAL PALSY ASSOCIATION OF  
SAN JOAQUIN, CALAVERAS, AMADOR COUNTIES  
(A Nonprofit Corporation)  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2019  
(With Comparative Totals For June 30, 2018)**

	Program Services						
	Adult Day Program	Stockton Adult Dev. Center	Manteca Adult Dev. Center	Supported Employment Program	Independent Living Program	Early/Creative Intervention Program	Great Beginnings
Salaries	\$ 831,270	\$ 703,870	\$ 331,765	\$ 350,526	\$ 530,099	\$ 872,514	\$ 195,745
Payroll taxes	59,949	52,913	24,408	26,506	38,076	59,974	17,185
Benefits	101,508	21,616	30,856	16,532	44,654	57,371	14,403
Workers comp insurance	15,321	12,401	5,457	14,422	8,331	11,927	3,414
<b>Total personnel costs</b>	<b>\$ 1,008,048</b>	<b>\$ 790,800</b>	<b>\$ 392,486</b>	<b>\$ 407,986</b>	<b>\$ 621,160</b>	<b>\$ 1,001,786</b>	<b>\$ 230,747</b>
Contracted services	46,105	16,032	14,295	4,794	7,910	4,815	2,483
Office expenses and supplies	48,263	27,146	13,737	4,637	8,549	17,500	4,826
Telephone and utilities	29,927	22,305	12,328	3,820	11,839	5,498	1,153
Insurance	13,015	11,546	4,821	8,094	7,419	8,412	1,902
Licenses and fees	9,022	7,660	2,648	12,254	2,881	987	-
Postage	292	262	108	185	170	187	53
Rent	32,277	92,717	64,200	355	-	49,213	14,354
Printing and publications	3,726	1,077	525	648	1,032	1,250	62
Rehabilitation and education	3,063	1,819	428	899	-	3,016	3,541
Travel and conferences	910	1,006	7,308	25,621	16,596	62,150	8,744
Equipment maintenance	10,055	6,134	401	1,118	2,217	2,434	499
Other	3,654	505	8,668	349	1,220	741	-
Depreciation and amortization	22,441	399	10,865	7,380	5,832	781	128
<b>Total expenses</b>	<b>\$ 1,230,798</b>	<b>\$ 979,408</b>	<b>\$ 532,818</b>	<b>\$ 478,140</b>	<b>\$ 686,825</b>	<b>\$ 1,158,770</b>	<b>\$ 268,492</b>
Less special events expenses netted with revenues	-	-	-	-	-	-	-
<b>Total expenses</b>	<b>\$ 1,230,798</b>	<b>\$ 979,408</b>	<b>\$ 532,818</b>	<b>\$ 478,140</b>	<b>\$ 686,825</b>	<b>\$ 1,158,770</b>	<b>\$ 268,492</b>

See Notes to Financial Statements.

Respite	Supporting Services								Total Expenses	
	San Andreas/ Calaveras	Tracy	TRACS	Total Program Services	Management and General	Fund Raising	Total Supporting Services	2019	2018	
	\$ 205,140	\$ 5,436	\$ 478,013	\$ 206,963	\$ 4,711,341	\$ 474,340	\$ 90,282	\$ 564,622	\$ 5,275,963	\$ 5,185,097
15,395	261	35,382	16,354	346,403	34,308	-	34,308	380,711	382,217	
17,413	11	26,162	15,297	345,823	46,406	11,929	58,335	404,158	464,824	
3,812	62	9,656	3,367	88,170	3,085	764	3,849	92,019	224,688	
\$ 241,760	\$ 5,770	\$ 549,213	\$ 241,981	\$ 5,491,737	\$ 558,139	\$ 102,975	\$ 661,114	\$ 6,152,851	\$ 6,256,826	
9,058	-	15,269	1,388	122,149	29,350	1,142	30,492	152,641	195,014	
1,905	-	5,250	1,245	133,058	21,135	66,989	88,124	221,182	233,108	
6,408	2	13,920	1,505	108,705	13,279	1,183	14,462	123,167	132,538	
5,733	-	7,182	2,522	70,646	3,126	497	3,623	74,269	60,710	
3,436	-	5,239	2,204	46,331	8,717	336	9,053	55,384	40,010	
131	-	162	180	1,730	260	58	318	2,048	1,851	
-	-	78,502	13,729	345,347	355	-	355	345,702	339,398	
407	-	1,376	437	10,540	1,955	117	2,072	12,612	8,731	
541	35	3,664	2,733	19,739	-	3,046	3,046	22,785	23,234	
35,272	1,562	19,099	11,214	189,482	10,773	4,399	15,172	204,654	214,645	
511	-	5,581	683	29,633	5,898	8	5,906	35,539	46,154	
578	-	1,127	88	16,930	13,254	6,097	19,351	36,281	27,402	
1,085	-	23,527	200	72,638	20,370	-	20,370	93,008	117,040	
\$ 306,825	\$ 7,369	\$ 729,111	\$ 280,109	\$ 6,658,665	\$ 686,611	\$ 186,847	\$ 873,458	\$ 7,532,123	\$ 7,696,661	
-	-	-	-	-	-	(72,505)	(72,505)	(72,505)	(63,389)	
\$ 306,825	\$ 7,369	\$ 729,111	\$ 280,109	\$ 6,658,665	\$ 686,611	\$ 114,342	\$ 800,953	\$ 7,459,618	\$ 7,633,272	



**UNITED CEREBRAL PALSY ASSOCIATION OF  
SAN JOAQUIN, CALAVERAS, AMADOR COUNTIES  
(A Nonprofit Corporation)  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2019  
(With Comparative Totals For June 30, 2018)**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 1,097,964	\$ 822,794
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	93,008	117,040
Changes in assets and liabilities:		
(Increase) decrease:		
Accounts receivable	8,310	42,017
Prepaid expenses	(26,204)	(8,639)
Increase (decrease):		
Accounts payable	7,127	(51,037)
Accrued payroll	3,219	4,066
Accrued vacation	45,410	(34,519)
Net cash provided by operating activities	\$ 1,228,834	\$ 891,722
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	\$ (5,456)	\$ (15,165)
Net cash (used in) investing activities	\$ (5,456)	\$ (15,165)
Net increase in cash	\$ 1,223,377	\$ 876,557
<b>CASH AT BEGINNING OF YEAR</b>	2,516,728	1,640,171
<b>CASH AT END OF YEAR</b>	\$ 3,740,105	\$ 2,516,728

See Notes to Financial Statements.

**UNITED CEREBRAL PALSY ASSOCIATION OF  
SAN JOAQUIN, CALAVERAS, AMADOR COUNTIES  
(A Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

GENERAL

United Cerebral Palsy of San Joaquin, Calaveras, Amador Counties (UCP) offers programs to affect positively the quality of life for persons with cerebral palsy, those with other severe disabilities and multiple service needs, and their families. Programs include job placement and training, family support network and activity centers where participants with cerebral palsy or related disabilities develop skills and receive training to assist them in experiencing life to its fullest.

This summary of significant accounting policies of UCP is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

ORGANIZATION

UCP is a nonprofit, voluntary health agency exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has also been classified as an entity that is not a private foundation.

BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction - 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 Restriction - 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 passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds by maintained in perpetuity.

**UNITED CEREBRAL PALSY ASSOCIATION OF  
SAN JOAQUIN, CALAVERAS, AMADOR COUNTIES  
(A Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

**ALLOWANCE FOR DOUBTFUL ACCOUNTS**

The Organization estimates doubtful accounts based on historical bad debts, factors related to the specific payer's ability to pay, and current economic trends. Receivables are written off when a balance is determined to be uncollectible. No allowance is established at June 30, 2019 as management believes all amounts are collectible.

**PROPERTY AND EQUIPMENT, NET**

Purchased property and equipment is recorded at cost and donated equipment at its fair market value at the date of donation. It is the Organization's policy to capitalize expenditures for these items in excess of \$1,000. Lesser amounts are expensed.

**DEPRECIATION AND AMORTIZATION**

Depreciation of property and equipment is provided on the straight-line method over the estimated useful lives of the assets.

**CONTRIBUTIONS**

All contributions are considered available for unrestricted use, unless specifically restricted by donor.

**DONATED SERVICES**

A substantial number of volunteers donated significant amounts of their time in the Organization's behalf; however, amounts have not been reflected in the statements for donated services since an objective basis is not available to measure the value of such services.

**ALLOCATED EXPENSES**

The costs of providing services of the Organization have been summarized on a functional basis in the statement of functional expenses. Management and general expenses have been allocated among the programs based upon an estimation of personnel time and space utilized for the related activities.

**UNITED CEREBRAL PALSY ASSOCIATION OF  
SAN JOAQUIN, CALAVERAS, AMADOR COUNTIES  
(A Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

CASH AND CASH EQUIVALENTS

Cash consists of amounts on deposit with commercial banks in interest bearing and non-interest bearing accounts. The accounts are insured by the FDIC up to \$250,000 for each bank. As of June 30, 2019, cash on deposit in excess of federally insured limits was \$3,240,104.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ACCUMULATED VACATION AND SICK LEAVE

Vacation

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Organization. The value of accumulated vacation at June 30, 2019 is \$190,393.

Sick Leave

Sick leave benefits are accumulated for each employee, but the employees do not gain a vested right to the accumulated sick leave.

Accumulated employee sick leave benefits are not recognized as liabilities of the Organization since payment of such benefits is not probable or estimable. Therefore, sick leave benefits are recorded as expenditures in the period sick leave is taken.

INCOME TAX STATUS

UCP is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

**UNITED CEREBRAL PALSY ASSOCIATION OF  
SAN JOAQUIN, CALAVERAS, AMADOR COUNTIES  
(A Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Organization's tax filings are subject to audit by various taxing authorities. The Organization's federal tax returns for 2016, 2017 and 2018 remain open to examination by the Internal Revenue Service; state income tax returns for 2015, 2016, 2017 and 2018 are open to examination. In evaluating the Organization's tax provisions and accruals, the Organization believes that its estimates are appropriate based on current facts and circumstances.

**NEW ACCOUNTING PRONOUNCEMENTS**

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Management has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. ASU 2016-14 has no effect on the financial statements.

In November 2016, Financial Accounting Standards Board (FASB) issued ASU 2016-18, *Restricted Cash, a consensus of the FASB Emerging Issues Task Force*. ASU 2016-18 requires an entity to include amounts generally described as restricted cash and restricted cash equivalents, along with cash and cash equivalents when reconciling beginning and ending balances on the statement of cash flows. ASU 2016-18 is effective for nonpublic business entities for annual reporting periods beginning after December 15, 2018, with retrospective application and disclosure. Early adoption of ASU 2016-18 is permitted. The requirements of this statement are effective for the Organization for the year ending June 30, 2020. The Organization is currently evaluating the impact of this statement.

In February 2016, FASB issued ASU 2016-02 *Leases*. ASU 2016-02 requires entities to recognize all leased assets as assets on the balance sheet with corresponding liability resulting in a gross up of the balance sheet. Entities will also be required to present additional disclosures regarding the nature and extent of leasing activities. ASU 2016-02 is effective for nonpublic business entities for the annual reporting period beginning after December 31, 2018. The requirements of this statement are effective for the Organization for the year ending June 30, 2020. The Organization has not evaluated the impact of this statement.

**UNITED CEREBRAL PALSY ASSOCIATION OF  
SAN JOAQUIN, CALAVERAS, AMADOR COUNTIES  
(A Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In May 2014, FASB issued ASU 2014-09, *Revenue from Contract with Customer (Topic 606)*. This ASU establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the Organization's contracts with customers, particularly, that an entity recognizes 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 requirements of this statement are effective for the Organization for the year ending June 30, 2020. The Organization is in the process of evaluating the impact of this statement and potential effects on the financial statements, if any.

**NOTE 2. FIXED ASSETS**

Fixed assets are stated at cost and summarized as follows:

	<u>June 30, 2019</u>	<u>Life</u>
Land	\$ 170,500	- -
Building and improvements	1,166,767	15-40 Years
Furniture and equipment	181,071	5-10 Years
Vehicles	<u>499,048</u>	5 Years
	\$ 2,017,386	
Less: accumulated depreciation	<u>(1,423,474)</u>	
	<u>\$ 593,912</u>	

**NOTE 3. FEES FROM GOVERNMENT AGENCIES/CONCENTRATION**

UCP receives payments from Valley Mountain Regional Center (VMRC) for providing services to their clients. During the fiscal year ending June 30, 2019, UCP received \$7,480,922 from VMRC. VMRC provides approximately 86% of the total revenue for UCP and 73% of UCP's accounts receivable as of June 30, 2019. The programs' continuation is dependent on the continuing support of Valley Mountain Regional Center and the California Department of Developmental Services.

**UNITED CEREBRAL PALSY ASSOCIATION OF  
SAN JOAQUIN, CALAVERAS, AMADOR COUNTIES  
(A Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4. NET ASSETS WITH DONOR RESTRICTIONS**

At June 30, 2019 and 2018, the Organization had net assets with donor restrictions as follows:

	2019	2018
Subject to expenditure for specified purpose:		
Consumer equipment purchases	\$ 1,636	\$ 654
	\$ 1,636	\$ 654

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the years ended June 30, 2019 and 2018:

	2019	2018
Satisfaction of purpose restrictions:		
Consumer equipment purchases	\$ 12,688	\$ 4,915
	\$ 12,688	\$ 4,915

**NOTE 5. LEASES**

The Organization leases office equipment under an operating lease expiring in July 2020 with monthly payments of \$905. UCP also leases office space under five different lease agreements with expiration dates ranging from August 2019 to June 2021 and total monthly payments of \$28,609.

The approximate future minimum lease payments under all operating leases with an initial or remaining non-cancellable term of one year or more are as follows at June 30:

For year ending June 30:

2020		\$ 293,983
2021		79,524
		\$ 373,507

**UNITED CEREBRAL PALSY ASSOCIATION OF  
SAN JOAQUIN, CALAVERAS, AMADOR COUNTIES  
(A Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6. EMPLOYEE BENEFIT PLAN**

The Organization has a 401(k) defined contribution employee benefit plan which became effective in November 1997. All employees at least 21 years of age who have completed 60 days of service are eligible to participate. The plan was amended and restated on February 23, 2010, as a complete restatement of the prior plan, effective July 1, 2006. The plan's employer matching provision calls for an annual discretionary match. Per board resolution, effective July 1, 2014, UCP will match employee contributions equal to 50% of the first 3% of gross wages. No employer contributions were made for the year ended June 30, 2019.

**NOTE 7. DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements, the Organization has evaluated subsequent events and transactions for potential recognition or disclosure through January 6, 2020, the date the financial statements were available to be issued.

**NOTE 8. AVAILABILITY AND LIQUIDITY**

The following represents the Organization's financial assets at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash and equivalents	\$ 3,740,105	\$ 2,516,728
Accounts receivable, net	743,194	751,504
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,483,299</u>	<u>\$ 3,268,232</u>





To the Management and Board of Directors  
United Cerebral Palsy of San Joaquin,  
Calaveras, Amador Counties  
(A Nonprofit Corporation)  
Stockton, California

In planning and performing our audit of the financial statements of United Cerebral Palsy of San Joaquin, Calaveras, Amador Counties for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated November 12, 2019, on the financial statements of United Cerebral Palsy of San Joaquin, Calaveras, Amador Counties.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the Board of Directors, the audit committee, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Stockton, California  
November 12, 2019

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**Prior Year Recommendation**

## **New Accounting Standards**

The FASB has issued ASU 2016-14, which will be effective for not-for-profit entities for fiscal years ends beginning in 2019. ASU 2016-14 makes changes to the classes of net assets, requires disclosure about liquidity, requires the statement of functional expenses, changes reporting requirements for the statement of cash flows, and makes other significant changes to not-for-profit financial reporting and disclosures. We recommend that the accounting staff update themselves on the new standards for proper implementation.

Current status:

New accounting pronouncement has been implemented.

## **Current Year Recommendations**

### **Implement the New Leases Accounting Standard**

The FASB issued ASU 2016-02, *Leases (Topic 842)*, which, among other things, for operating leases requires the recognition of lease assets and lease liabilities on the balance sheet of lessees, along with the disclosure of key information about leasing arrangements. When effective, the ASU will supersede FASB ASC 840, *Leases*, and add FASB ASC 842, *Leases*, to the FASB Codification.

The standard is effective for nonpublic entities for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020, but nonpublic entities may choose to adopt this guidance early, so the following presents a *brief* overview/reminder of the new standard and a discussion.

At the beginning of a contract, an entity is required to determine whether the contract contains a lease. A lease is defined as a contract (or part of a contract) that, in exchange for consideration, conveys the right to control the use of an identified property, plant, or equipment for a period of time. An entity is required to classify each separate lease component as either an operating or financing lease as of the commencement date. The commencement date is the date the lessor makes the specific asset available for the lessee to use.

Under the new guidance, regardless of whether a lessee classifies the lease as a *finance lease* or an *operating lease*, at the commencement date of the lease, a lessee is required to recognize a *right-of-use asset* and a *lease liability* unless the lease has a term of 12 months or less as of the commencement date (a *short-term lease*) and does not have a purchase option that the lessee is reasonably certain to exercise. For such short-term leases, a lessee may elect, by class of the underlying asset, to *not* recognize a right-of-use asset and lease liability and expense the lease payments on a straight-line basis over the lease term.

A lessee should generally recognize the following expenses each period after the commencement date:

- a. Depending whether the lease is classified as a finance lease or an operating lease:
  - (1) If a finance lease, amortization expense for the right-of-use asset and interest expense related to the lease liability.
  - (2) If an operating lease, lease expense representing the straight-line allocation of the remaining cost of the lease over the remaining lease term.

- b. Variable lease payments incurred in the period which were not included in the lease liability.
- c. Impairment expense, if appropriate, related to the right-of-use asset.

Lessor accounting under ASU 2016-02 is substantially unchanged from current leasing standards. The vast majority of operating leases should continue to be classified as operating leases. However, the guidance in ASU 2016-02 does make specific changes to matters such as certain glossary terms. In addition, certain aspects of the lessor accounting model have been aligned with the new revenue recognition guidance introduced by ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*.

Lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. This approach provides a number of optional practical expedients under the transition guidance in FASB ASC 842-10-65-1 that entities may elect to apply.

We recommend that management finalize its implementation of the new guidance over the next few months, including the determination of its impact on debt covenants (or other financial statement requirements) and the final review and testing of the financial reporting processes and financial statement preparation. Implementation of the new leases standard may be difficult and involve a number of complex judgments and changes to systems processes and related internal controls over financial reporting, so ample time should be scheduled for this phase and the subsequent testing.

Additional information on the standard is available at [www.fasb.org](http://www.fasb.org). However, we will be happy to work with you in finalizing and fine-tuning the implementation of the new lease standard over the next year.