

**UNITED CEREBRAL PALSY OF THE
NORTH BAY, INC.
Financial Statements
For the year ended June 30, 2015**

**Audited by
COUGHLAN NAPA CPA COMPANY, INC.**

UNITED CEREBRAL PALSY OF THE NORTH BAY, INC.
June 30, 2015

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INDEPENDENT AUDITORS' REPORT

Board of Directors
United Cerebral Palsy of the North Bay, Inc.
Petaluma, California

We have audited the accompanying financial statements of United Cerebral Palsy of the North Bay, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, 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 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 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.

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 of the North Bay, Inc. as of June 30, 2015, 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.

A handwritten signature in cursive script that reads "Constance Coughlan".

Constance Coughlan, CPA
Coughlan Napa CPA Company, Inc.
October 12, 2015

UNITED CEREBRAL PALSY OF THE NORTH BAY, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2015

ASSETS

Current Assets	
Cash & equivalents	\$ 46,333
Accounts receivable (net)	2,272,189
Prepaid expenses & advances	186,646
Other current assets	<u>112,586</u>
Total Current Assets	<u>2,617,754</u>
Non-Current Assets	
Investments	21,666,537
Property and equipment, net of accumulated depreciation of \$1,920,935	13,320,508
Deposits	112,425
Intangible assets (net)	<u>81,032</u>
Total Non-Current Assets	<u>35,180,501</u>
Total Assets	<u>\$ 37,798,255</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 142,019
Accrued liabilities	138,710
Accrued compensation	440,725
Refundable deposits	19,611
Notes payable, current portion	<u>149,716</u>
Total Current Liabilities	<u>890,782</u>
Non-Current Liabilities	
Line of credit	8,757,421
Notes payable, net of current portion	<u>4,786,066</u>
Total Non-Current Liabilities	<u>13,543,488</u>
Net Assets	
Unrestricted	8,882,305
Temporarily restricted	<u>14,481,680</u>
Total Net Assets	<u>23,363,985</u>
Total Liabilities and Net Assets	<u>\$ 37,798,255</u>

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

UNITED CEREBRAL PALSY OF THE NORTH BAY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

UNRESTRICTED	
REVENUE	
Tuition and fees	\$ 13,392,034
Investment return	127,249
Rental income	318,411
Contributions	344,414
Other	69,904
	<u>14,252,012</u>
Release from restrictions	446,803
	<u>14,698,815</u>
EXPENSES	
Program service expenses	13,935,427
Management expenses	1,095,172
Fundraising expenses	40,287
	<u>15,070,886</u>
Change in Unrestricted Net Assets	<u>(372,071)</u>
TEMPORARILY RESTRICTED	
Investment return	521,774
Property and equipment subsidy	1,441
Restrictions satisfied by payments	(446,803)
	<u>76,411</u>
Increase (Decrease) in Net Assets	(295,660)
Net Assets - Beginning	<u>23,659,646</u>
Net Assets - Ending	<u>\$ 23,363,985</u>

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

UNITED CEREBRAL PALSY OF THE NORTH BAY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets from operations	\$ (295,660)
Adjustments to reconcile change in net assets to net cash provided (used):	
Depreciation and amortization	504,850
Net unrealized gains on investments	(358,273)
Increase in accounts receivable	(615,908)
Increase in prepaid expenses	(135,716)
Decrease in other current assets	14,644
Decrease in deposits	120,000
Decrease in accounts payable	(71,807)
Increase in accrued liabilities	84,323
Increase in accrued compensation	31,806
Decrease in refundable deposits	<u>(5,000)</u>
Net cash used by operating activities	<u>(726,741)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(557,574)
Net sale of investments	<u>136,676</u>
Net cash used by investing activities	<u>(420,898)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Net borrowings on line of credit	700,010
Payments on notes payable and capital leases	<u>(174,079)</u>
Net cash provided by financing activities	<u>525,931</u>
Net decrease in cash	(621,708)
Cash Balance - Beginning	<u>668,041</u>
Cash Balance - Ending	<u><u>\$ 46,333</u></u>
SUPPLEMENTAL DISCLOSURES	
Cash paid for interest	\$ 255,519
NONCASH TRANSACTIONS	

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

UNITED CEREBRAL PALSY OF THE NORTH BAY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Cypress School	WineRev Services	Boost Camp	Socialization Training	Gone For Good	OADS Day Program	Supported Employment	Recycling Center	Senior Program	Recreation Services	Total Program	Management	Fundraising	Total
Salaries	\$ 1,859,348	\$ 1,625,136	\$ 6,023	\$ 188,068	\$ 1,065,352	\$ 802,728	\$ 518,290	\$ 240,559	\$ 2,100	\$ 140,237	\$ 6,447,841	\$ 701,879	\$ -	\$ 7,149,720
Payroll taxes	149,216	133,722	498	14,653	81,059	62,391	39,162	18,562	164	10,456	509,883	49,830	-	559,713
Employee benefits	314,762	239,633	1,199	9,762	152,389	144,528	81,409	34,713	147	7,937	986,478	112,151	-	1,098,629
WC insurance	17,251	1,100	-	-	47,954	2,526	1,471	12,646	-	-	82,948	-	-	82,948
Total salary related	2,340,576	1,999,591	7,720	212,483	1,346,754	1,012,173	640,332	306,480	2,411	158,630	8,024,739	863,860	-	8,888,599
Advertising	-	1,500	-	-	-	-	-	-	-	-	1,500	-	-	1,500
Auto & travel	112,828	121,852	120	640	60,829	26,571	13,695	3,480	50	6,579	346,645	10,058	-	356,703
Consulting	501,941	6,068	18,950	-	49,120	11,349	5,456	11,904	-	20,075	624,862	17,420	-	642,282
Donations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dues & memberships	42,487	62,347	-	-	30,637	29,423	373	-	-	-	165,267	7,857	-	173,124
Insurance	124,319	110,524	-	-	4,642	-	-	-	-	-	239,485	16,034	-	255,519
Interest	-	10,966	-	-	1,674	10,774	-	-	-	-	23,414	2,927	-	26,341
Lease	-	23,987	267	244	22,758	6,728	12,800	2,636	344	2,759	110,556	10,253	-	120,809
Miscellaneous	38,032	23,987	-	-	-	-	-	-	-	-	21,551	2,395	-	23,946
Occupancy dues	21,551	41,671	-	-	21,782	43,469	-	4,975	-	-	191,579	-	-	191,579
Occupancy maintenance	79,683	25,766	-	-	-	63	-	-	-	-	26,257	-	-	26,257
Occupancy real estate tax	428	-	-	-	-	-	-	-	-	-	-	-	-	-
Occupancy rents	1,125	26,558	-	-	151,544	78,432	26,144	72,000	25,332	20,505	375,082	-	-	375,082
Occupancy utilities	25,422	23,855	-	-	20,196	12,229	5,434	5,434	-	-	89,840	-	-	89,840
Office	37,669	23,855	1,971	-	13,885	14,727	297	9,433	-	2,588	104,425	-	-	104,425
Professional fees	2,013	340	-	-	-	187	100	-	-	-	2,640	42,430	-	45,070
Other program	75,233	1,248,461	3,596	4,898	855,142	11,562	2,845	545,104	45	8,369	2,755,254	-	40,287	2,795,541
Seminars & meetings	18,187	16,661	10,297	234	12,120	7,219	3,753	1,050	-	-	69,520	18,612	-	88,132
Telephone	14,400	13,067	60	-	19,063	17,592	4,434	2,409	1,243	823	73,091	5,660	-	78,751
Vehicle/equipment repairs	82,209	58,758	2,248	5	32,280	20,019	1,477	8,732	45	-	205,773	357	-	206,130
Depreciation	3,518,104	3,791,972	45,230	218,503	2,642,425	1,302,518	711,706	973,636	29,470	220,329	13,453,893	1,093,956	40,287	14,588,135
	146,274	186,934	1,726	-	113,748	11,209	4,310	12,947	-	4,385	481,534	1,216	-	482,751
Total Expenses	\$ 3,664,379	\$ 3,978,906	\$ 46,956	\$ 218,503	\$ 2,756,173	\$ 1,313,727	\$ 716,016	\$ 986,583	\$ 29,470	\$ 224,714	\$ 13,935,427	\$ 1,095,172	\$ 40,287	\$ 15,070,886

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

UNITED CEREBRAL PALSY OF THE NORTH BAY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Organization

United Cerebral Palsy of the North Bay, Inc. (the Organization) was formed when United Cerebral Palsy of Marin (established in 1954) and United Cerebral Palsy of Sonoma (established in 1969) merged in 1981. At that time, the Organization defined its service area as the counties of Napa, Solano and Sonoma, California.

The Organization's mission is to promote and support a full quality of life for people with cerebral palsy and other disabilities. The Organization is a part of an affiliate network of United Cerebral Palsy Inc., which is a nonprofit organization committed to promoting change and progress for persons with disabilities and working with its affiliates, to ensure the inclusion of persons with disabilities in every facet of society. Current programs include:

- **Cypress School** provides non-public school services to children with autism and other developmental disabilities. The school also provides afterschool, vacation and summer programs.
- **WineBev Services** is a licensed Adult Day program that offers adults with disabilities employment in an integrated work environment with non-disabled peers. The program provides a variety of wine and beverage industry related services including packing for wineries in the Napa and Sonoma Counties. The program is located in a 42560ft² warehouse that is owned by the Organization.
- **Recreation Services** provide a variety of camp and adapted physical education activities in different locations for children and adults.
- **Behavioral Services** provide consultation and services for a continuum of age and development needs for individuals with autism and developmental disabilities as well as for their families.
- **Adaptive Behavior** provides curriculum-based adaptive and social skills training within afterschool, home and community programs and services.
- **Gone for Good** is a licensed Adult Day program that offers adults with developmental disabilities employment in an integrated work environment with non-disabled peers. The program provides secure document destruction (shredding services), imaging, eWaste deconstruction and printing & mailing projects to the public. The program is located in a 10000ft² warehouse leased by the Organization in Fairfield, CA.
- **OADS Day Program** is a social enterprise providing people with disabilities, employment, education, support and recreation services as well as volunteer opportunities.
- **Supported Employment** offers a variety of supported employment services in Sonoma, Napa and Solano Counties providing work opportunities which are designed to help people with disabilities gain skills to work independently or semi-independently.
- **Recycle Center** is the Petaluma Recycle Center serving as an employment and job training site for OADS employees with disabilities.

B. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification 958. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted, based on the existence or absence of donor-imposed restrictions.

Restrictions are those that specify a use of funds or assets that are significantly more specific than the broad purpose of the organization for which the tax-exemption has been granted. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

UNITED CEREBRAL PALSY OF THE NORTH BAY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Unrestricted Net Assets – This account is for resources over which the governing board has discretionary control to use in carrying on the general operations of the Organization. Fundraising for general or specific purposes is accounted for in this fund.

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

Permanently Restricted Net Assets – This represents contributions in which the donor has stipulated, as a condition of the gift, that the use of the proceeds are used for purposes that are permanently restricted or principle be maintained intact and only the earnings of the fund can be expended as the donor has specified.

D. Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments available for current use with an initial maturity of three months or less, including cash in demand deposit accounts and certificates of deposit, to be cash equivalents.

E. Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized, at historical cost if purchased or at the approximate fair value on the date of donation if donated.

Depreciation is computed using the straight-line basis of accounting over the estimated useful lives of the assets, which range from 5 for furniture, vehicles and other equipment, to 50 years for building and improvements.

F. Investments

The Organization's portfolio is managed by outside investment managers who invest according to the investment guidelines established by the Investment Committee of the Board. Investments are stated at market value in the case of marketable securities with readily determinable fair values and all investment in debt securities are reported at their fair values. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Gains, losses and investment income restricted by a donor are reported as increases to unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the gains and losses are recognized.

G. Contributed Services

Under FASB ASC 958, contributed services are recorded only if they (1) create or enhance nonfinancial assets, or (2) require specialized skills, are provided by individuals possessing those skills, and typically would need to be purchased if not provided by donation.

H. Revenue and Support Recognition

Revenues, expenses, gains and losses are classified based upon existence or absence of donor-imposed restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

UNITED CEREBRAL PALSY OF THE NORTH BAY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Joint expenses such as insurance, depreciation and professional services are allocated between the program and supporting services to which they relate. The expenses are allocated based on estimated use.

J. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted auditing standards requires management to make estimates and assumptions that affect the reported amounts of net assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the revenues and expenses during the year. Accordingly, actual results could differ from those estimates.

K. Tax Exemption

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Tax years for which the Organization's prior tax returns remain open to examination are three years for federal and four years for California.

NOTE 2 – CASH CONCENTRATIONS

The Organization maintains its cash balances in several financial institutions. Accounts at each institution are insured by Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2015, none of the institutions had balances exceeding the insurance limit.

NOTE 3 – PROPERTY AND EQUIPMENT

The following is a summary of the changes to the property and equipment accounts:

	Balance June 30, 2014	Additions	Retirement and Transfer	Balance June 30, 2015
Land	\$ 2,394,205	\$ -	\$ -	\$ 2,394,205
Buildings and Improvements	10,963,970	277,466	-	11,241,436
Furniture and Equipment	663,713	97,189	-	760,902
Vehicles	736,826	182,918	(74,845)	844,899
Construction in Progress	25,769	-	(25,769)	-
Total Property and Equipment	14,784,483	557,573	(100,613)	15,241,443
Less Accumulated Depreciation	(1,513,029)	(482,751)	74,845	(1,920,935)
Net Property and Equipment	\$ 13,271,454	\$ 74,822	\$ (25,768)	\$ 13,320,508

Depreciation expense for the year ended June 30, 2015 amounted to \$482,751.

UNITED CEREBRAL PALSY OF THE NORTH BAY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 4 – MARKETABLE SECURITIES

The following summarizes carrying and market values of marketable securities as of June 30, 2015:

Wells Fargo		
Money market	\$	2,246
Funride, Inc. common stock		10,000
Wells Fargo Nelson Capital		
Money market		45,714
Fixed income		1,281,771
Equities		3,259,858
		4,587,344
Linsco/Private Ledger		
Money market		141,012
Fixed income		1,501,484
Equities		1,859,074
		3,501,569
Morgan Stanley (pledged investments)		
Money market		1,054,016
Fixed income		1,108,780
Equities		11,402,583
		13,565,378
	\$	21,666,537

Net investment return consists of the following:

	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	\$ 185,861	\$ 262,768	\$ 448,629
Realized gains (losses)	-	-	-
Unrealized gains (losses)	32,933	325,340	358,273
Investment fees	(91,544)	(66,335)	(157,879)
Total investment return	\$ 127,249	\$ 521,774	\$ 649,023

NOTE 5 – FAIR VALUE MEASUREMENT OF INVESTMENTS

FASB ASC 820-10 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly including inputs in markets that are considered to be active.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of unobservable inputs.

UNITED CEREBRAL PALSY OF THE NORTH BAY, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015

NOTE 5 – FAIR VALUE MEASUREMENT OF INVESTMENTS (continued)

The following tables set forth by level, within the fair value hierarchy, the Organization's financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2015. As required by GAAP, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement requires judgement and may affect their placement within the hierarchy levels.

Asset	Fair Value as of June 30, 2015	Recurring Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Funds	\$ 1,242,987	\$ 1,242,987	\$ -	\$ -
Fixed Income Securities	3,892,036	3,892,036	-	-
Equity Securities	16,531,515	16,521,515	-	10,000
	<u>\$ 21,666,537</u>	<u>\$ 21,656,537</u>	<u>\$ -</u>	<u>\$ 10,000</u>

As of June 30, 2015 level 3 investments consisted only of the Funride, Inc. common stock as disclosed in Note 4, and it had no activity during the year then ended.

NOTE 6 – LINE OF CREDIT

On September 13, 2013 the Organization purchased a building located at 3880 Cypress Drive, Petaluma, California to house the Cypress School for Autism and Behavioural Services for a purchase price of \$4,295,040. The Organization obtained a Portfolio Loan Account (PLA) with Morgan Stanley Bank, NA with an approved amount of \$10,000,000. The Organization utilized \$4,211,737 from the PLA for the purchase of property and consolidated the Wells Fargo and Royal Bank of Canada lines of credit.

The PLA is a demand loan payable in monthly installments that the bank may demand at its sole discretion full or partial payment of all or part of any advance, and is secured by the Organization's Morgan Stanley investments. The PLA's annual interest rate at June 30, 2015 was 1.15% and the amount outstanding was \$8,757,421.

NOTE 7 – NOTES PAYABLE

Notes payable at June 30, 2015 consists of the following:

Mortgage payable to Bank of Marin & ABAG Finance Authority for Nonprofit Corporations, secured by real property, in the amount of \$5,110,000 with a fixed interest rate of 3%, dated April 1, 2014 and payable in monthly installments of principle and interest of \$24,387, which is due in full February 1, 2024.	<u>\$ 4,935,783</u>
Total Notes Payable	4,935,783
Less current portion	<u>(149,716)</u>
Total non-current portion	<u>\$ 4,786,066</u>

Future maturities on these notes for the year ended	2016	\$ 149,716
	2017	151,131
	2018	155,728
	2019	160,464
	2020	165,345
	Thereafter	<u>4,153,399</u>
	Total	<u>\$ 4,935,783</u>

UNITED CEREBRAL PALSY OF THE NORTH BAY, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015

NOTE 8 – DESIGNATED FUNDS

FASB ASC 958 establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, return of investment of those assets, or both to an entity that is specified by the donor. Under FASB ASC 958, when the Organization establishes a fund at a community foundation with its own funds and specifies itself or its affiliate as the beneficiary of that fund, the Organization (donor) must account for the transfer of such assets as an asset and the recipient organization as a liability.

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

During the year ended June 30, 2010 the Organization received a donation of \$1,000,000 that represented a decrease in the purchase price of the Napa facility. The facility was capitalized as a fixed asset and therefore the temporary restriction of the donation will be lifted as the facility depreciates over its useful life. Amount of restriction released for this item during the year ended June 30, 2015 was \$16,290.

The Organization entered into a security agreement with NISH (a national nonprofit agency whose mission is to create employment opportunities for people with significant disabilities by securing contracts) that provides a partial security interest in the leased equipment to NISH. In addition the Organization received a guarantee by NISH for the equipment loan which provides a subsidy, at its option, to the Organization if the Organization remains in the program for no less than five years. Amount of restriction released for this item during the year ended June 30, 2015 was \$30,501.

Temporarily restricted net assets consisted of the following as of June 30, 2015:

Morgan Stanley (pledged investments)	\$	13,565,378
Donations (facility acquisition)		909,036
Equipment (shredder)		7,266
		14,481,680
	\$	14,481,680

NOTE 10 – OPERATING LEASES

The Organization entered into two separate operating leases for the Day Program facility. The leases respectively have monthly lease obligations of \$8,582 and \$2,111, and have the lease term ending July 31, 2017 and August 31, 2015.

The Organization entered into a lease for a 10,000 ft² warehouse for the Gone for Good Program with a monthly lease obligation of \$12,865 and the lease term ending November 30, 2018.

The Organization also leases certain vehicles and equipment under non-cancellable operating leases with terms ranging from 2 to 3 years and monthly payments of \$187 and \$453. In addition, the Organization leases space for the Recycling Center with lease terms on month to month at a monthly rate of \$6,000.

Total rent expense for the year ended June 30, 2015 was \$401,423, and minimum lease payments over the next 5 years are as follows:

For the year ended	2016	\$	230,991
	2017		224,658
	2018		130,262
	2019		121,680
	2020		98,840

UNITED CEREBRAL PALSY OF THE NORTH BAY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 11 – RETIREMENT PLAN

The Organization has established a 403(b) retirement plan in which all employees are eligible for salary deferrals, with no minimum age requirements. The Organization provides a matching contribution of 100% (not to exceed 5% of total compensation) for employees who are at least 21 years of age, have worked for the Organization for more than one year and a minimum of 1,000 hours per year. Matching contributions begin to vest after two years and are 100% vested at six years.

NOTE 12 – CONCENTRATION OF RISK

The Organization has significant amounts of cash deposits and marketable securities invested in several investment companies that exceed the FDIC and SIPC limits. However, management believes that the concentration of credit risk associated with the investments is low due to the quality of the financial institutions holding these investments.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

The Organization has assumed the programs formerly operated by Old Adobe Day Services. While the transition occurred over time it was substantially completed in the prior fiscal year, thus the assumption is now complete.

NOTE 14 – AFFILIATED ORGANIZATIONS

The Organization is a member of the United Cerebral Palsy Associations, Inc., which provides a worldwide network of nonprofit corporations providing programs and services for persons with disabilities and their families under the name of United Cerebral Palsy.

NOTE 15 – GENERAL FUNDING CONTINGENCY

The Organization's operations are concentrated in disability aid services and support from federal and state governments. The Organization operates in a regulated environment, and its operations are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directives, rules and regulations are subject to change by an act of congress or an administrative change mandated by the relevant regulatory agency. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change. Any change in governmental support provided would have a direct and material effect on the Organization's ability to carry out its activities.

NOTE 16 – SUBSEQUENT EVENTS

Management of the Organization has evaluated subsequent events for disclosure through October 12, 2015, the date to which the financial statements were available to be issued.