

**UNITED CEREBRAL PALSY OF THE
NORTH BAY, INC.**

**Independent Auditor's Report,
And
Financial Statements,
Years Ended June 30, 2008 and 2007**

**UNITED CEREBRAL PALSY
OF THE NORTH BAY, INC.
(A California Nonprofit Corporation)
Financial Statements
For The Years Ended June 30, 2008 and 2007**

TABLE OF CONTENTS

Independent Auditor's Report.....	1
Financial Statements	
Statement of Financial Position.....	2
Statement of Activities.....	3
Statement of Cash Flows.....	4
Statement of Functional Expenses.....	5
Notes to Financial Statements.....	6

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of United Cerebral Palsy of the North Bay, Inc. (a nonprofit organization) as of June 30, 2008 and 2007, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. 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 and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Cerebral Palsy of the North Bay, Inc., as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Clay, Millias & Co., LLP
December 16, 2008

United Cerebral Palsy Of The North Bay, Inc.
Statement of Financial Position
June 30, 2008 and 2007

	2008	2007
<u>ASSETS</u>		
Current Assets:		
Cash & cash equivalents	\$ 45,925	\$ 72,509
Accounts receivable	87,390	-
Prepaid expenses	7,835	3,188
Investments	13,637,286	15,038,659
Designated Fund Investments	4,767,766	5,105,062
Fixed assets, net	1,992,873	1,507,808
Deposits	10,286	9,286
TOTAL ASSETS	\$20,549,361	\$21,736,512
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 1,943	\$ 163,830
Accrued liabilities	95,743	42,136
Line of credit	1,716,438	1,300,000
Total Liabilities	1,814,124	1,505,966
Net Assets:		
Unrestricted	13,967,471	15,125,484
Temporarily restricted	4,767,766	5,105,062
Total Net Assets	18,735,237	20,230,546
TOTAL LIABILITIES AND NET ASSETS	\$20,549,361	\$21,736,512

United Cerebral Palsy Of The North Bay, Inc.
Statement of Activities
June 30, 2008 and 2007

	2008	2007
UNRESTRICTED NET ASSETS:		
Support:		
Contributions	\$ 64,438	\$ 39,889
Tuition and fees	518,158	3,330
Bequests	293,374	14,957,041
Investment income (loss), net	(894,492)	1,304,912
Total Unrestricted Support	<u>(18,522)</u>	<u>16,305,172</u>
Net assets released from restrictions:		
Restrictions satisfied by payments	24,527	-
Total Unrestricted Support and Reclassifications	<u>6,005</u>	<u>16,305,172</u>
Expenses:		
Program services	996,246	76,078
Management expenses	505,068	228,259
Total Expenses	<u>1,501,314</u>	<u>304,337</u>
Change in Net Assets	(1,495,309)	16,000,835
TEMPORARILY RESTRICTED ASSETS:		
Grant income	24,527	-
Net assets released from restrictions:		
Restrictions satisfied by payments	<u>(24,527)</u>	<u>-</u>
Change in Temporarily Restricted Net Assets	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS	(1,495,309)	16,000,835
NET ASSETS AT BEGINNING OF YEAR	<u>20,230,546</u>	<u>4,229,711</u>
NET ASSETS AT END OF YEAR	<u>\$18,735,237</u>	<u>\$20,230,546</u>

United Cerebral Palsy Of The North Bay, Inc.
Statement of Cash Flows
June 30, 2008 and 2007

	2008	2007
Cash flows from operating activities		
Net Income	<u>\$ (1,495,309)</u>	<u>\$16,000,835</u>
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation and amortization	60,561	362
Net unrealized gains on investments	994,181	(668,392)
(Increase) decrease in accounts receivable	(87,390)	-
(Increase) decrease in prepaid expenses	(4,647)	(2,563)
(Increase) decrease in other assets	(1,000)	(9,286)
Increase (decrease) in accounts payable	(161,887)	163,830
Increase (decrease) in accrued liabilities	53,607	42,136
(Gain) loss on disposal of property	260,087	-
Total adjustments	<u>1,113,512</u>	<u>(473,913)</u>
Net cash provided (used) by operating activities	<u>(381,797)</u>	<u>15,526,922</u>
Cash flow from investing activities:		
Cash payments for the purchase of property	(545,626)	(1,508,170)
Costs of purchases of investments	-	(10,161,305)
Designated Funds	(32,811)	(5,105,062)
Investments	517,212	-
Net cash provided (used) by investing activities	<u>(61,225)</u>	<u>(16,774,537)</u>
Cash flow from financing activities:		
Net borrowings on line of credit	416,438	1,300,000
Net cash provided (used) by financing activities	<u>416,438</u>	<u>1,300,000</u>
Net increase (decrease) in cash and equivalents	<u>(26,584)</u>	<u>52,385</u>
Cash and equivalents, beginning of year	72,509	20,124
Cash and equivalents, end of year	<u>\$ 45,925</u>	<u>\$ 72,509</u>
Supplemental disclosures:		
Cash paid for interest expense	<u>\$ 95,909</u>	<u>\$ 422</u>

United Cerebral Palsy Of The North Bay, Inc.
Statement of Functional Expenses
Years Ended June 30, 2008 and 2007

	2008				2007			
	PROGRAM SERVICES				Total	Program Services	Management Expenses	Total
	Cypress School	WineBev Services	Recreation Services	Management Expenses				
Salaries	\$ 201,979	\$ 198,600	\$ 21,048	\$ 332,190	\$ 753,817	\$ 8,794	\$ 106,667	\$ 115,461
Payroll taxes	18,247	17,117	2,290	26,185	63,839	867	9,966	10,833
Employee benefits	20,052	10,019	-	23,741	53,812	-	3,325	3,325
Workman's comp. insurance	4,780	1,905	321	2,193	9,199	1,400	110	1,510
Total Salaries and Related Payroll Expense	<u>245,058</u>	<u>227,641</u>	<u>23,659</u>	<u>384,309</u>	<u>407,968</u>	<u>11,061</u>	<u>120,068</u>	<u>131,129</u>
Auto and travel expense	15,080	7,232	-	6,975	29,287	7,258	4,261	11,519
Consulting	30,688	-	17,025	-	47,713	15,685	-	15,685
Donations	-	-	-	6,211	6,211	-	13,400	13,400
Dues and memberships	867	3,021	40	14,623	18,551	-	8,255	8,255
Insurance	8,366	408	-	1,815	10,589	-	356	356
Interest	83,798	-	2,800	9,311	95,909	-	422	422
Lease expense	-	1,724	-	585	2,309	-	-	-
Legal fees	-	-	-	6,567	6,567	-	19,415	19,415
Miscellaneous	2,279	3,899	413	3,235	9,926	2,263	1,811	4,074
Occupancy								
Dues- HOA	19,755	-	-	2,195	21,950	2,387	-	2,387
Maintenance	6,893	13,631	-	-	20,524	-	-	-
Real estate taxes	319	-	-	36	355	-	258	258
Rents	248	112,323	-	-	112,571	8,753	-	8,753
Utilities	5,353	7,647	-	595	13,595	-	-	-
Office expense	6,836	14,090	178	8,975	30,079	623	3,241	3,864
Printing	1,227	2,836	-	2,285	6,348	-	-	-
Professional fees	-	-	-	34,099	34,099	-	43,776	43,776
Program expenses	14,030	12,346	12,486	-	38,862	26,942	8,319	35,261
Seminars/meetings	4,375	695	8,947	13,221	27,238	-	1,753	1,753
Telephone	6,676	8,255	-	5,711	20,642	-	1,687	1,687
Vehicle/Equipment repairs and mntc.	4,151	3,506	-	-	7,657	925	1,056	1,981
	<u>210,941</u>	<u>191,613</u>	<u>41,889</u>	<u>116,539</u>	<u>560,982</u>	<u>64,836</u>	<u>108,010</u>	<u>172,846</u>
Total Expenses Before Depreciation	455,999	419,254	65,548	500,848	1,441,649	75,897	228,078	303,975
Depreciation expense	40,076	15,369	-	4,220	59,665	181	181	362
Total Expenses	<u>\$ 496,075</u>	<u>\$ 434,623</u>	<u>\$ 65,548</u>	<u>\$ 505,068</u>	<u>\$ 1,501,314</u>	<u>\$ 76,078</u>	<u>\$ 228,259</u>	<u>\$ 304,337</u>

See accompanying notes.

UNITED CEREBRAL PALSY OF THE NORTH BAY, INC.

Notes to Financial Statements For The Year Ended June 30, 2008

A. Nature of Activities and Summary of Significant Accounting Policies

Organization

United Cerebral Palsy of the North Bay (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, United Cerebral Palsy of the North Bay defined its service area as the counties of Napa, Solano and Sonoma in the state of 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 part of a nationwide network of affiliates of United Cerebral Palsy, which is a national 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 with children with autism and other developmental disabilities. The school will also provide after school, vacation, and summer programs.
- WineBev Services- a licensed Adult Day Program which 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 packaging for wineries in the Napa and Sonoma Counties. The program is located in a 12,000 sq. ft. warehouse that is leased by the Organization.
- Recreation Services- providing a variety of camp and adapted physical education activities in different locations for children and adults.

Basis of Accounting

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

Financial presentation follows the Statement of Financial Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of assets: unrestricted net assets; temporarily restricted net assets; and permanently restricted net assets.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of net assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

UNITED CEREBRAL PALSY OF THE NORTH BAY, INC.

Notes to Financial Statements
For The Year Ended June 30, 2008

A. Nature of Activities and Summary of Significant Accounting Policies-continued

Revenue Recognition

The Organization adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Under SFAS No. 116, revenues, expenses, gains and losses are classified based upon the existence or absence of donor-imposed preferences. 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.

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 investments in debt securities are reported at their fair values. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Gains and 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.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Contributed Services

During the year ended June 30, 2008 and 2007 the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

UNITED CEREBRAL PALSY OF THE NORTH BAY, INC.

Notes to Financial Statements
For The Year Ended June 30, 2008

A. Nature of Activities and Summary of Significant Accounting Policies-continued

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of the donation. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

<u>Classification</u>	<u>Useful Lives</u>
Furniture, fixtures, vehicle & other equipment	5 years
Building and building improvements	50 years

Functional Allocation of Expenses

The cost of providing the Organization's various programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code.

B. Property, Plant & Equipment

<u>Description</u>	<u>2008</u>	<u>2007</u>
Land	\$ 226,877	\$ 226,877
Building & Improvements	1,598,513	1,088,085
Transportation equipment	69,675	13,275
Furniture and Equipment	146,335	6,683
Construction in progress	11,500	173,250
	<u>2,052,900</u>	<u>1,508,170</u>
Less Accumulated Depreciation	(60,027)	(362)
Net Assets	<u>\$ 1,992,873</u>	<u>\$ 1,507,808</u>

Depreciation expense for the year ended June 30, 2008 was \$59,665.

UNITED CEREBRAL PALSY OF THE NORTH BAY, INC.

Notes to Financial Statements
For The Year Ended June 30, 2008

C. Marketable Securities

The following summarizes carrying values and market values of Marketable Securities:

	June 30	
	2008	2007
Unrestricted:		
Wells Fargo:		
Money market	\$ 820,096	\$ 60,940
Fixed income	-	1,549,703
Equities	-	9,932
WF Nelson Capital:		
Money market	191,056	264,257
Fixed income	1,339,644	1,285,326
Equities	3,420,765	3,706,474
RBC Dain Rauscher:		
Money market	1,481,696	5,060,164
Fixed income	1,346,825	-
Equities	2,114,394	-
Linsco/Private Ledger:		
Money market	407,238	197,840
Fixed income	623,019	612,662
Equities	1,804,186	2,249,929
Mutual funds	88,367	41,432
Total Unrestricted	<u>13,637,286</u>	<u>15,038,659</u>
Temporarily Restricted:		
Designated Funds:		
Community of the Napa Valley Foundation	2,864,732	3,051,695
Solano Community Foundation	935,694	1,006,078
Community Foundation Sonoma County	967,340	1,047,289
Total Designated	<u>4,767,766</u>	<u>5,105,062</u>
Total Investments	<u>\$ 18,405,052</u>	<u>\$ 20,143,721</u>

Net investment income consists of the following:

	June 30	
	2008	2007
Interest and dividend income	\$ 590,841	\$ 649,281
Realized gains (losses)	(260,087)	59,902
Unrealized gains (losses)	(994,181)	668,392
Investment fees	(231,065)	(72,663)
	<u>\$ (894,492)</u>	<u>\$ 1,304,912</u>

UNITED CEREBRAL PALSY OF THE NORTH BAY, INC.

Notes to Financial Statements
For The Year Ended June 30, 2008

D. Designated Funds

The Organization adopted SFAS No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. SFAS No. 136 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. SFAS No. 136 specifically requires that if a not-for-profit 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.

Community of the Napa Valley Foundation

The Organization transferred \$3,000,000 to the Community Foundation of the Napa Valley (NAPA) in March 2007. As per the Designated Fund Agreement between the Organization and NAPA, the Organization granted variance power, as defined by SFAS No. 136, and the Organization specified itself as the beneficiary. Distributions from the fund shall be distributed at least once per year, but not more than monthly, as the parties may agree. The \$3,000,000 was reported on the statement of financial position as designated funds. The Organization did not receive any distributions from NAPA for the years ended June 30, 2008 and 2007.

Community Foundation Sonoma County

The Organization transferred \$1,000,000 to the Community Foundation of the Napa Valley (CFSC) in March 2007. As per the Fund Agreement between the Organization and CFSC, the Organization granted variance power, as defined by SFAS No. 136, and the Organization specified itself as the beneficiary. Distributions from the fund can be made at any time. The \$1,000,000 was reported on the statement of financial position as designated funds. The Organization did not receive any distributions from CFSC for the years ended June 30, 2008 and 2007.

Solano Community Foundation

The Organization transferred \$1,000,000 to the Community Foundation of the Solano Community Foundation (SCF) in March 2007. As per the Fund Agreement between the Organization and SCF, the Organization granted variance power, as defined by SFAS No. 136, and the Organization specified itself as the beneficiary. Distributions from the fund can be made at any time. The \$1,000,000 was reported on the statement of financial position as designated funds. The Organization did not receive any distributions from SCF for the years ended June 30, 2008 and 2007.

E. Allocation of Expenses

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 upon estimated use.

UNITED CEREBRAL PALSY OF THE NORTH BAY, INC.

Notes to Financial Statements
For The Year Ended June 30, 2008

F. Line of Credit

On April 2006, the Organization obtained a line of credit for \$2,000,000 with Wells Fargo Bank, with annual interest at either; a fluctuating rate per annum of .75% below the bank's prime or, at a fixed rate per annum of 1.25% above the LIBOR rate. The rate charge was at 6.25% at June 30, 2008. The line of credit is secured by the Organization's real estate. The amount outstanding at June 30, 2008 was \$1,716,438. The expiration date of the line of credit is May 2, 2009.

G. Retirement Plan

The Organization has established a retirement plan in which all employees are eligible for salary deferrals, with no minimum age requirement. 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 who worked a minimum of 1,000 hours per year. Matching contributions begin to vest after two years and are 100% vested at six years.

H. Leases

The Organization entered into a lease for warehouse space (approximately 12,000 sq. ft.) on May 3, 2007, for the Wine Bev Services Program (See Note L). The monthly lease obligation starts with a base rent of \$8,511 per month with scheduled increases over the term of the lease, beginning on June 1, 2007 and ending on May 31, 2010. Rent expense for the years ended June 30, 2008 and 2007 totaled \$112,323 and \$8,753 respectively.

Minimum future obligations at June 30, 2008 are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2009	\$ 136,455
2010	130,319
	<u>\$ 266,774</u>

I. Temporarily Restricted Assets

Temporarily restricted assets consisted solely of designated funds which are timing restrictions, and are as follows:

<u>Designated Fund</u>	<u>2008</u>	<u>2007</u>
Community of the Napa Valley Foundation	\$ 2,864,732	\$ 3,051,695
Solano Community Foundation	935,694	1,006,078
Community Foundation Sonoma County	967,340	1,047,289
	<u>\$ 4,767,766</u>	<u>\$ 5,105,062</u>

UNITED CEREBRAL PALSY OF THE NORTH BAY, INC.

Notes to Financial Statements
For The Year Ended June 30, 2008

J. Concentration of Risk

The Organization has significant amount of cash deposits and marketable securities invested in several investment companies which exceed 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.

K. Concentration of Contributions of Support Revenues

During the year ended 2007 approximately 92% of the Organizations total support came from a bequest from an individual private trust. The funds received were unrestricted and included in unrestricted net assets.

L. Affiliated Organizations

The Organization is a member of the United Cerebral Palsy Associations, Inc. (formerly The National Foundation for Cerebral Palsy) 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.

M. Subsequent Events

The Organization provided a line of credit to The California Institute on Human Services, Inc. (CIHSI), a 501 (c) 3 non-profit organization, amounting to \$100,000 on July 1, 2008. The terms provide for cash advances to CIHSI of \$20,000 per month not to exceed \$100,000. CIHSI is required to pay back \$80,000 of principal plus interest at the LIBOR Rate plus 2.25% no later than December 31, 2008. The remaining principal of \$20,000 is due, at the same rate as above, no later than June 30, 2009. As of December 31, 2008 CIHSI has utilized \$48,000 of the LOC and has repaid \$28,000 plus interest.