

*Financial Statements with Independent Auditors' Report*

United Cerebral Palsy Association of Orange County (dba Unlimited Possibilities)

*As of and For the Year Ended June 30, 2024 (With Summarized Comparative  
Information as of and for the Year ended June 30, 2023)*

**UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY  
(DBA UNLIMITED POSSIBILITIES)**

**Table of Contents**

	<b><u>Page</u></b>
<b>Independent Auditors' Report</b>	
<b>Financial Statements</b>	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8

## INDEPENDENT AUDITORS' REPORT

The Board of Directors of  
United Cerebral Palsy Association of Orange County (dba Unlimited Possibilities)

### *Opinion*

We have audited the accompanying financial statements of the United Cerebral Palsy Association of Orange County (dba Unlimited Possibilities) (a nonprofit organization) ("UP"), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UP as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of UP and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about UP's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UP's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about UP's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### *Report on Summarized Comparative Information*

We have previously audited UP's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 2, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *Other Matter*

As discussed in Note 9 of the notes to the financial statements, on July 8, 2024, UP entered into a non-binding letter of intent with Children's Hospital of Orange County. The result of the letter of intent is dependent upon the issuance of the financial statements.

A handwritten signature in black ink that reads "Haskell & White LLP". The signature is written in a cursive, flowing style.

HASKELL & WHITE LLP

Irvine, California  
October 11, 2024

**UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY  
(DBA UNLIMITED POSSIBILITIES)**

**Statement of Financial Position  
As of June 30, 2024  
(with summarized comparative 2023 information)**

ASSETS	<u>2024</u>	<u>2023</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 34,022	\$ 167,969
Accounts receivable, net of allowances for expected credit losses of \$133,000 and \$95,888, respectively	1,687,986	1,686,948
Pledges receivable, current portion (Note 2)	201,897	98,500
Investment in UST (Note 3)	41,837	37,963
Prepaid expenses and other assets	<u>17,374</u>	<u>39,837</u>
Total current assets	1,983,116	2,031,217
<b>Property and equipment, net</b> (Note 5)	251,851	318,257
<b>Other assets</b>		
Deposits	229,966	229,966
Pledges receivable, net of discount and current portion (Note 2)	263,284	292,257
Operating lease right-of-use assets, net (Note 8)	<u>5,501,464</u>	<u>5,918,742</u>
Total assets	<u>\$ 8,229,681</u>	<u>\$ 8,790,439</u>
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 275,027	\$ 417,207
Accrued payroll and related expenses	524,460	410,204
Unearned revenue	38,274	20,000
Operating lease right-of-use liabilities, current portion (Note 8)	334,647	344,713
SBA emergency loans, current portion (Note 6)	13,389	10,863
Bridge loans (Note 6)	<u>486,642</u>	<u>254,517</u>
Total current liabilities	1,672,439	1,457,504
<b>Long-term liabilities</b>		
SBA emergency loans, net of current portion (Note 6)	469,591	469,720
Line of credit (Note 7)	1,000,000	250,000
Operating lease right-of-use liabilities, net of current portion (Note 8)	<u>6,012,820</u>	<u>6,325,304</u>
Total liabilities	<u>9,154,850</u>	<u>8,502,528</u>
<b>Commitments and contingencies</b> (Notes 6-9)		
<b>Net (deficit) assets</b>		
Without donor restrictions	(1,488,205)	(274,589)
With donor restrictions (Note 8)	<u>563,036</u>	<u>562,500</u>
Total net (deficit) assets	<u>(925,169)</u>	<u>287,911</u>
Total liabilities and net (deficit) assets	<u>\$ 8,229,681</u>	<u>\$ 8,790,439</u>

See accompanying notes to financial statements and independent auditor's report.

**UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY  
(DBA UNLIMITED POSSIBILITIES)**

**Statement of Activities  
For the Year Ended June 30, 2024  
(with summarized comparative 2023 information)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2024 Total</u>	<u>2023 Total</u>
<b>Revenues and support:</b>				
Contributions:				
General contributions	\$ 571,710	\$ 25,000	\$ 596,710	\$ 1,006,038
Grant income	239,051	78,436	317,487	289,579
Contributed nonfinancial assets	84,926	-	84,926	20,369
Total contributions	<u>895,687</u>	<u>103,436</u>	<u>999,123</u>	<u>1,315,986</u>
Special events:				
Revenues	120,886	-	120,886	327,438
Direct expenses	(60,148)	-	(60,148)	(117,008)
Total special events, net	<u>60,738</u>	<u>-</u>	<u>60,738</u>	<u>210,430</u>
Program revenue (Note 8):				
Therapy services	1,952,956	-	1,952,956	1,795,015
Respite connection	5,044,951	-	5,044,951	3,656,739
Total program revenue	<u>6,997,907</u>	<u>-</u>	<u>6,997,907</u>	<u>5,451,754</u>
Other support:				
Investment income, net	4,490	-	4,490	2,726
Employee Retention Credit income (Note 8)	-	-	-	1,724,182
Miscellaneous income	-	-	-	8,120
Total other support	<u>4,490</u>	<u>-</u>	<u>4,490</u>	<u>1,735,028</u>
Subtotal revenues and support	7,958,822	103,436	8,062,258	8,713,198
Net assets released from restriction	<u>102,900</u>	<u>(102,900)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>8,061,722</u>	<u>536</u>	<u>8,062,258</u>	<u>8,713,198</u>
<b>Expenses:</b>				
Program expenses	7,227,039	-	7,227,039	5,982,644
Administrative and general	1,296,328	-	1,296,328	1,469,325
Fundraising	751,971	-	751,971	734,648
Total expenses	<u>9,275,338</u>	<u>-</u>	<u>9,275,338</u>	<u>8,186,617</u>
<b>Other Expenses</b>				
Financing costs	-	-	-	275,869
Change in net assets	(1,213,616)	536	(1,213,080)	250,712
Net (deficit) assets, beginning of year	<u>(274,589)</u>	<u>562,500</u>	<u>287,911</u>	<u>37,199</u>
Net (deficit) assets, end of year	<u>\$ (1,488,205)</u>	<u>\$ 563,036</u>	<u>\$ (925,169)</u>	<u>\$ 287,911</u>

See accompanying notes to financial statements and independent auditor's report.

**UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY  
(DBA UNLIMITED POSSIBILITIES)**

**Statement of Functional Expenses  
For the Year Ended June 30, 2024  
(with summarized comparative 2023 information)**

	Program Services			Supporting Services			2024 Total	2023 Total
	Therapy Services	Respite Connection	Recreation	Total Program	Administrative and General	Fundraising		
Salaries and related expenses	\$ 2,084,141	\$ 3,941,943	\$ 19,703	\$ 6,045,787	\$ 534,740	\$ 554,448	<b>\$ 7,134,975</b>	\$ 6,187,864
Other expenses:								
Facilities and equipment	669,463	79,309	-	748,772	73,946	57,505	<b>880,223</b>	838,300
Professional services	199,847	21,129	13,606	234,582	317,851	5,689	<b>558,122</b>	778,966
Travel and meetings	27,160	918	5,742	33,820	967	982	<b>35,769</b>	20,367
Other expenses	23,545	21,584	1,326	46,455	93,823	46,279	<b>186,557</b>	11,222
Business expenses	4,574	72	2,482	7,128	161,946	13,619	<b>182,693</b>	99,349
Insurance expenses	15,202	1,541	-	16,743	41,834	577	<b>59,154</b>	65,689
Depreciation	51,527	-	-	51,527	16,222	-	<b>67,749</b>	72,275
National and state affiliate	-	-	-	-	13,333	-	<b>13,333</b>	20,000
Supplies	25,857	167	7,856	33,880	8,500	7,911	<b>50,291</b>	33,383
Marketing	-	-	8,345	8,345	33,166	64,961	<b>106,472</b>	59,202
Total other expenses	<u>1,017,175</u>	<u>124,720</u>	<u>39,357</u>	<u>1,181,252</u>	<u>761,588</u>	<u>197,523</u>	<b><u>2,140,363</u></b>	<u>1,998,753</u>
Total expenses	<u><u>\$ 3,101,316</u></u>	<u><u>\$ 4,066,663</u></u>	<u><u>\$ 59,060</u></u>	<u><u>\$ 7,227,039</u></u>	<u><u>\$ 1,296,328</u></u>	<u><u>\$ 751,971</u></u>	<b><u><u>\$ 9,275,338</u></u></b>	<u><u>\$ 8,186,617</u></u>

See accompanying notes to financial statements and independent auditor's report.



**UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY  
(DBA UNLIMITED POSSIBILITIES)**

**Statement of Cash Flows  
For the Year Ended June 30, 2024  
(with summarized comparative 2023 information)**

	2024	2023
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (1,213,080)	\$ 250,712
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	67,749	72,275
Amortization and accretion of operating leases, net	94,728	162,820
Change in discount on pledges receivable	(4,444)	104,453
Investment gain	(4,490)	(37,963)
Write-off of uncollectible pledges receivable	43,905	-
Change in allowance for expected credit losses	37,112	-
Changes in operating assets and liabilities:		
Accounts receivable	(38,150)	(442,501)
Pledges receivable	(113,885)	(404,210)
Prepaid expenses and other assets	22,463	(19,689)
Accounts payable and accrued expenses	(142,180)	44,912
Accrued payroll and related expenses	114,256	25,948
Unearned revenue	18,274	19,750
<b>Net cash used in operating activities</b>	<b>(1,117,742)</b>	<b>(223,493)</b>
<b>Cash flows from investing activities</b>		
Change in investment in UST	616	24,080
Furniture and equipment acquisitions	(1,343)	-
<b>Net cash (used in) provided by investing activities</b>	<b>(727)</b>	<b>24,080</b>
<b>Cash flows from financing activities</b>		
Borrowings on line of credit	850,000	1,000,000
Payments on line of credit	(100,000)	(1,445,145)
Proceeds from bridge loans	600,779	850,000
Proceeds from SBA emergency loan	-	350,000
Payments on bridge loans and SBA emergency loans	(366,257)	(764,259)
<b>Net cash provided by (used in) financing activities</b>	<b>984,522</b>	<b>(9,404)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(133,947)</b>	<b>(208,817)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>167,969</b>	<b>376,786</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 34,022</b>	<b>\$ 167,969</b>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the year for interest	<b>\$ 123,376</b>	<b>\$ 103,623</b>

See accompanying notes to financial statements and independent auditor's report.

**UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY  
(DBA UNLIMITED POSSIBILITIES)**

**Notes to Financial Statements for the Year Ended June 30, 2024  
(with summarized comparative 2023 information)**

**1. Organization and Summary of Significant Accounting Policies**

The mission of the United Cerebral Palsy Association of Orange County (dba Unlimited Possibilities) (“UP” or the “Organization”) is to create a limitless future for children and families with disabilities.

*Dissolution of Affiliation Agreement with United Cerebral Palsy National Network*

In March 2024, in anticipation of entering into a letter of intent with Children’s Hospital of Orange County (“CHOC”) (as discussed further in Note 9), the Organization terminated its affiliation charter agreement with United Cerebral Palsy’s National Office.

*Current Programs, Activities, and Accomplishments*

Founded in 1953, UP was established as United Cerebral Palsy of Orange County to assist people of all ages affected by cerebral palsy. With nearly 70-plus years of service, UP has observed a great demand for services for children with disabilities. In response, UP has streamlined its focus to children while broadening the programs offered, as well as the range of disabilities served to include autism spectrum disorder, cerebral palsy, Down syndrome, and other developmental delays. In order to help every child reach his/her full potential, UP’s services are highly individualized from simple delays to complicated lifetime conditions.

The services offered by UP are as follows:

Therapy Services: Physical, occupational, and speech therapy are provided by licensed therapists in one-on-one situations or small groups. Multidisciplinary therapy is focused on building skills in the areas of mobility, functional ability, and use of language. Early intervention therapy and instruction is specifically designed to help children from birth to five years old, with one or more developmental disability, accomplish developmental milestones and mitigate long-term issues.

Respite Connection: Respite Connection provides critically needed “respite” for families facing the challenges of a special needs child by providing skilled caregivers who are able to care for medically fragile and behaviorally challenged children. This program helps to keep children at home with their families where they have a greater chance of prospering in society. Inclusive childcare provides a safety net for working parents and an opportunity for children with special needs to be included in a typical after-school-care setting. Highly skilled one-on-one aides work collaboratively with center staff to properly assess and evaluate special needs children and include them with their developmentally typical peers.

**UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY  
DBA UNLIMITED POSSIBILITIES**

**Notes to Financial Statements for the Year Ended June 30, 2024  
(with summarized comparative 2023 information)**

**1. Organization and Summary of Significant Accounting Policies (continued)**

*Current Programs, Activities, and Accomplishments (continued)*

Recreation: Recreation offers a wide variety of after-school activities and community-based classes that allow children with disabilities to participate in activities not readily available to them, including yoga, dance, drawing and painting, music, and gymnastics. UP also offers a number of special recreation opportunities throughout the year.

UP works collaboratively with Children’s Hospital of Orange County and the University of Irvine, California Medical Center, as well as local pediatricians and nonprofit organizations to offer targeted services and therapies to children with disabilities and their families.

*Basis of Presentation*

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles in the United States of America (“GAAP”). A summary of significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

*Net Asset Classification*

The financial statements present net assets and changes in net assets in two classes of net assets that are based upon the existence or nonexistence of donor-imposed restrictions. The two classes of net assets are as follows:

Net Assets With Donor Restrictions – Net assets with donor restrictions are resources that are restricted by a donor for a specified purpose or for use in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor’s instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature and the Organization must continue to use these resources in accordance with the donor’s stipulations. The Organization’s unspent contributions are included in this class if the donor has limited their use. When a donor’s restriction is satisfied, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

If a donor restriction expires within the same period in which the support is recognized, such support is reported as an increase in net assets without donor restrictions. All other donor-restricted support is reported as an increase in net assets with donor restrictions.

**UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY  
DBA UNLIMITED POSSIBILITIES**

**Notes to Financial Statements for the Year Ended June 30, 2024  
(with summarized comparative 2023 information)**

**1. Organization and Summary of Significant Accounting Policies (continued)**

*Net Asset Classification (continued)*

Net Assets Without Donor Restrictions – Net assets without donor restrictions are resources available to support the Organizations’ operations. The only limits on the use of these net assets, if any, are broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of operations.

*Use of Estimates*

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

*Risks and Uncertainties*

UP, through its investment in a United States Trust (“UST”) account, invests in various types of investment securities, which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of financial position, to the extent that the investment account is material.

*Cash and Cash Equivalents*

Cash and cash equivalents have been defined as petty cash, demand deposits, and highly liquid investments purchased with an original maturity of 90 days or less, which is neither held for nor restricted by donors for long-term purposes.

The Organization maintains cash balances on deposit at financial institutions. At times throughout the year, the Organization will have amounts on deposit at financial institutions that exceed the Federal Deposit Insurance Corporation insurance limits. Management of the Organization believes there is no significant risk with respect to such deposits.

**UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY  
DBA UNLIMITED POSSIBILITIES**

**Notes to Financial Statements for the Year Ended June 30, 2024  
(with summarized comparative 2023 information)**

**1. Organization and Summary of Significant Accounting Policies (continued)**

*Property and Equipment*

UP's fixed assets are stated at cost when purchased or fair market value when donated and are depreciated over their estimated useful lives of three to seven years using the straight-line method. Expenditures of \$1,000 or more for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs that do not extend the useful life of the asset are charged to expense as incurred.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If an asset is determined to be impaired, impairment expense to be recognized is measured as the amount by which the carrying value of the asset exceeds its fair value. No impairment losses were recognized in the financial statements for the years ended June 30, 2024 and 2023.

*Leases*

Management determines if a contract is or contains a lease at the inception or modification of such contract. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control over the use of the identified asset means the lessee has both the right to obtain substantially all of the economic benefits from the use of the asset and the right to direct the use of the asset.

Operating lease right-of-use assets and liabilities are recognized based on the present value of future minimum lease payments over the expected lease term on the lease commencement date. When the implicit lease rate is not determinable, management uses the Organization's incremental borrowing rate based on the information available at the lease commencement date in determining the present value of future minimum lease payments. The expected lease terms include options to extend or terminate the lease when it is reasonably certain the Organization will exercise such options. Lease expense for minimum lease payments is recognized on a straight-line basis over the expected lease terms.

Financing lease right-of-use assets are recognized within property and equipment, net on the Organization's statement of financial position. The Organization recognizes interest expense on the financing lease liabilities utilizing the effective interest method. The right-

**UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY  
DBA UNLIMITED POSSIBILITIES**

**Notes to Financial Statements for the Year Ended June 30, 2024  
(with summarized comparative 2023 information)**

**1. Organization and Summary of Significant Accounting Policies (continued)**

*Leases (continued)*

of-use asset is generally amortized to depreciation and amortization expense on a straight-line basis over the lease term. Currently, the Organization does not have any financing lease right-of-use assets or liabilities.

*Accounts Receivable and Related Program Revenue*

The Organization records revenue based on a five-step model which includes: (1) identifying a contract with a customer; (2) identifying the performance obligations in the contract; (3) determining the transaction price; (4) allocating the transaction price among the performance obligations; and (5) recognizing revenue as each of the various performance obligations are satisfied. The Organization only applies the five-step model to contracts when it is probable that it will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer.

Program fee revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for services provided. These amounts are due from the parents/guardians of the participants. The Organization bills the program fees on a monthly basis, according to contract. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided, and the Organization does not believe it is required to provide additional goods or services to the participant. Program fees receivable are primarily amounts due from fees billed to participants of the Organization's programs and are presented net of an allowance for doubtful accounts.

Payments received in advance for future services or special events are deferred and recognized as revenue when the performance obligations are met. For the years ended June 30, 2024 and 2023, the Organization had a balance of \$38,274 and \$20,000, respectively, in payments received for services not yet performed or for special events taking place in a future period.

UP bills insurance companies for services provided to covered clients. Amounts recorded at the time of service as revenue and the related accounts receivable are equal to the amount billed, less any contractual adjustments expected to be made by the insurance companies, and do not bear interest. Accounts receivable are periodically evaluated for collectability based on past credit history with insurance companies and their current

**UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY  
DBA UNLIMITED POSSIBILITIES**

**Notes to Financial Statements for the Year Ended June 30, 2024  
(with summarized comparative 2023 information)**

**1. Organization and Summary of Significant Accounting Policies (continued)**

*Accounts Receivable and Related Program Revenue (continued)*

financial condition. The Organization maintains an allowance for expected credit losses based on historical loss experience, economic conditions in the industry, and the financial stability of insurance companies. The allowance for expected credit losses is management's best estimate of probable credit losses. Account balances are charged against when it is probable that the receivable will not be recovered. UP has recorded an allowance for expected credit losses of \$133,000 and \$95,888 at June 30, 2024 and 2023, respectively.

*Pledges Receivable and Support Revenues*

The Organization recognizes contributions when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. If the restrictions expire in the fiscal year in which the contributions are recognized, they are reported in net assets without donor restrictions. When restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions through the net assets released from restriction line item on the statement of activities. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Promises to give in future years are recognized when received and are discounted to present value using risk-adjusted discount rates established in the years in which those promises are received. Amortization of such discounts is included in contributions. An allowance for estimated uncollectible contributions receivable is recorded based on management's judgment and analysis of the donor's creditworthiness, past collection experience and other relevant factors. Management has determined that no allowance for uncollectible pledges receivable was necessary as of June 30, 2024 and 2023.

*Contributions of Nonfinancial Assets and Services*

Contributed nonfinancial assets and services consisted of the following for the years ended June 30, 2024 and 2023:

<u>Description</u>	<u>2024</u>	<u>2023</u>
Professional services	\$ 490	\$ 18,433
Supplies	<u>84,436</u>	<u>1,936</u>
Total contributed nonfinancial assets	<u>\$ 84,926</u>	<u>\$ 20,369</u>

**UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY  
DBA UNLIMITED POSSIBILITIES**

**Notes to Financial Statements for the Year Ended June 30, 2024  
(with summarized comparative 2023 information)**

**1. Organization and Summary of Significant Accounting Policies (continued)**

*Contributions of Nonfinancial Assets and Services (continued)*

UP recognized contributed nonfinancial assets within revenue. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Donated supplies as noted above were used primarily for programs or for fundraising events. Donated supplies and other services are valued and are reported at the actual purchase amounts or at the estimated fair value of similar products.

Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements, as there is no objective basis of deriving their value.

*Functional Allocation of Expenses*

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include facilities and equipment, and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, supplies, travel, business expenses, insurance, and other, which are allocated on the basis of estimates of time and effort.

Administrative and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization. Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct its fundraising activities in conjunction with its other activities.

*Fair Value Measurements*

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified



**UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY  
DBA UNLIMITED POSSIBILITIES**

**Notes to Financial Statements for the Year Ended June 30, 2024  
(with summarized comparative 2023 information)**

**1. Organization and Summary of Significant Accounting Policies (continued)**

*Fair Value Measurements (continued)*

within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

Cash equivalents and the investment in UST are all valued using Level 1 inputs.

*Income Taxes*

UP is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and is also exempt from California income or franchise taxes under Revenue and Taxation Code Section 23701d.

Management does not believe that UP has any uncertain tax positions as of June 30, 2024 and 2023. UP evaluates its tax positions and would recognize a loss contingency associated with an uncertain tax position when it is probable that a liability has been incurred as of the statement of financial position date and the amount of the loss can be reasonably estimated. The amount recognized would be subject to estimate and management's judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

*Reclassifications*

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on the reported financial position, results of operations, or cash flows of the Organization.

**UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY  
DBA UNLIMITED POSSIBILITIES**

**Notes to Financial Statements for the Year Ended June 30, 2024  
(with summarized comparative 2023 information)**

**2. Pledges Receivable**

At June 30, 2024 and 2023, the Organization had gross pledges receivable totaling \$565,190 and \$495,210, respectively, and a related present value discount of \$100,009 and \$104,453, respectively. The Organization has presented these receivables in the accompanying financial statements at their net present value of future cash flows using the prime rate as the discount rate at the time of the contribution.

Pledges receivable, detailed by the type of donor restriction, are expected to be received by the Organization during the following fiscal years ending June 30:

Year Ending June 30,	Time Restriction
2025	\$ 115,718
2026	125,718
2027	90,000
2028	70,000
2029	62,500
Thereafter	15,075
	479,011
Less discount on pledges receivable	(100,009)
	379,002
Receivables without restriction	86,179
Total pledges receivable, net	\$ 465,181

**3. Investment in UST**

In order to manage unemployment insurance costs, under the reimbursement method allowed for not-for-profit organizations, UP submits amounts to a UST account quarterly and the administrator of the trust makes quarterly payments based on the statement provided by the Employment Development Department. Minimal interest and fees are earned and incurred through this account. The investment is considered current due to the continuous use of the funds for unemployment insurance costs.

**UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY  
DBA UNLIMITED POSSIBILITIES**

**Notes to Financial Statements for the Year Ended June 30, 2024  
(with summarized comparative 2023 information)**

**4. Availability of Financial Assets and Liquidity**

As of June 30, 2024, the Organization has financial assets available for general expenditure, which is without donor or other restrictions limiting their use, within one year of the statement of financial position comprising the following:

Cash and cash equivalents	\$	34,022
Accounts receivable		1,687,986
Pledges receivable		465,181
Investment in UST		<u>41,837</u>
 Total financial assets		 2,229,026
 Less: amounts not available to be used in operations:		
Investment in UST		41,837
Net assets with donor restrictions (including pledges with liquidity horizons greater than one year of \$363,293)		<u>563,036</u>
 Total financial assets available for general expenditures within one year		 <u><u>\$ 1,624,153</u></u>

The accounts receivable and pledges receivable are subject to implied time restrictions but are expected to be collected within one year. UP has a goal to maintain financial assets, which consist of cash and cash equivalents, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$1,510,000.

UP has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization currently does not utilize investment options beyond the cash equivalents and UST account.

**5. Property and Equipment**

Property and equipment at June 30, 2024 and 2023, consist of the following:

	2024	2023
Property and equipment	\$ 385,359	\$ 384,016
Leasehold improvements	143,899	143,899
Less: accumulated depreciation	<u>(277,407)</u>	<u>(209,658)</u>
 Property and equipment, net	 <u><u>\$ 251,851</u></u>	 <u><u>\$ 318,257</u></u>

**UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY  
DBA UNLIMITED POSSIBILITIES**

**Notes to Financial Statements for the Year Ended June 30, 2024  
(with summarized comparative 2023 information)**

**5. Property and Equipment (continued)**

Depreciation expense for the years ended June 30, 2024 and 2023, was \$67,749 and \$72,275, respectively.

**6. Debt**

*Bridge Loans*

In December 2022, the Organization obtained a bridge loan of \$500,000 from an unrelated third party. The interest rate on the bridge loan was 7.25%. The Organization began making payments of \$43,321 which consisted of interest and principal in December 2022. The balance at June 30, 2023 was \$254,517. In October 2023, the lender orally extended the maturity date from December 2023 to August 2024 and paused payments. In January 2024, the Organization entered into a new bridge loan agreement with the lender for \$286,642, representing the outstanding principal and accrued interest on the original bridge loan of \$86,642 plus additional borrowings of \$200,000. The new bridge loan has an interest rate of 7.25% and matures in December 2024. The agreement called for monthly principal and interest payments of \$32,819 beginning in April 2024; however, the lender orally agreed to paused payments until further notice. The balance at June 30, 2024 was \$286,642.

During the year ended June 30, 2024, the Organization obtained other bridge loans totaling \$400,000 from two related parties. The interest rates on the bridge loans range from 0% to 11.25%. The balance of these bridge loans at June 30, 2024 was \$200,000. In July 2024, the Organization repaid \$100,000, with the remaining \$100,000 maturing in December 2024.

*SBA EIDL*

In May 2020, the Organization obtained a Small Business Administration (“SBA”) Economic Injury Disaster Loan (“EIDL”) of \$150,000. Monthly payments of interest and principal were deferred until November 2022 and the EIDL loan matures in January 2050. The EIDL loan includes a 2.75% fixed interest rate. The proceeds of this EIDL loan must be solely used as working capital to alleviate economic injury caused by disaster.

In August 2022, the Organization obtained an additional EIDL loan of \$350,000. The additional loan has the same terms and maturity date as the loan referenced above. Outstanding principal and accrued interest related to these loans at June 30, 2024 and 2023 was approximately \$483,000 and \$500,000, respectively.

**UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY  
DBA UNLIMITED POSSIBILITIES**

**Notes to Financial Statements for the Year Ended June 30, 2024  
(with summarized comparative 2023 information)**

**6. Debt (continued)**

*Future Minimum Principal Payments*

Future minimum principal payments of loans as of June 30, 2024 are as follows:

Year Ending June 30,	Bridge Loans	SBA EIDL	Total
2025	\$ 486,642	\$ 13,389	\$ 500,031
2026	-	13,761	13,761
2027	-	14,145	14,145
2028	-	14,539	14,539
2029	-	14,943	14,943
Thereafter	-	412,203	412,203
	<u>\$ 486,642</u>	<u>\$ 482,980</u>	<u>\$ 969,622</u>

**7. Line of Credit**

In December 2022, UP entered into a revolving line of credit agreement with Bank of Southern California, N.A (“BSC loan”). The BSC loan provides for borrowings through December 2029 (the maturity date) of up to a maximum amount of \$1,000,000. Borrowings bear a variable interest rate equal to the Wall Street Journal prime rate plus 2.00%, to be not less than 7.75%, payable monthly. As of June 30, 2024 and 2023, the interest rate on the BSC loan was 10.50% and 10.25%, respectively. All borrowings are collateralized by substantially all assets of UP. As of June 30, 2024 and 2023, the BSC loan had a balance of \$1,000,000 and \$250,000, respectively.

The line of credit agreement contains various covenants with which UP was in compliance as of June 30, 2024.

Interest expense for the years ended June 30, 2024 and 2023 totaled \$123,376 and \$88,708, respectively, and is included in business expenses on the statement of functional expenses.

**8. Commitments and Contingencies**

*Litigation*

UP experiences routine litigation in the normal course of its business. Management does not believe that any pending or threatened litigation will have a material adverse effect on its financial statements.

**UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY  
DBA UNLIMITED POSSIBILITIES**

**Notes to Financial Statements for the Year Ended June 30, 2024  
(with summarized comparative 2023 information)**

**8. Commitments and Contingencies (continued)**

*Leases*

The Organization has an operating lease for the Organization's offices located at Dyer Road in Santa Ana, California. This lease commenced in June 2021 and provides 18,307 square feet of office space. The office lease terminates in November 2034. The Organization also had an operating lease for copier equipment that commenced in March 2019 and ended in February 2024, at which time it became a month-to-month lease.

The Organization used a discount rate of 4.25% for the Dyer lease and 3.75% for the copier lease in determining the operating lease liabilities. These rates represent the incremental borrowing rate at the time of lease commencement.

Short-term leases with initial terms of twelve months or less are not capitalized.

The following tables present the Organization's lease costs and other lease information as of and for the years ended June 30, 2024 and 2023:

	<b>2024</b>	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ <b>600,763</b>	\$ 536,018
Weighted-average remaining lease term - operating leases (years)	<b>10.4</b>	11.4
Weighted-average discount rate - operating leases	<b>4.25%</b>	4.25%

Maturities of operating lease ROU liabilities are as follows:

Year ending			
2025		\$	661,801
2026			681,655
2027			702,104
2028			723,168
2029			744,863
Thereafter			4,442,874
Total lease payments			7,956,465
Less: imputed interest			(1,608,998)
Total			6,347,467
Less: current portion			(334,647)
Operating right-of-use liabilities, net of current portion		\$	6,012,820

**UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY  
DBA UNLIMITED POSSIBILITIES**

**Notes to Financial Statements for the Year Ended June 30, 2024  
(with summarized comparative 2023 information)**

**8. Commitments and Contingencies (continued)**

*Leases (continued)*

Lease expense for the years ended June 30, 2024 and 2023 totaled \$694,252 and \$681,365, respectively, and is included in facilities and equipment expense on the statement of functional expenses.

*Net Assets with Donor Restrictions*

Net assets with donor restrictions are available for the following purposes at June 30:

	2024	2023
Capital campaign	\$ 484,600	\$ 497,500
Therapy program	78,436	65,000
Total net assets with donor restrictions	\$ 563,036	\$ 562,500

Net assets totaling \$102,900 were released from donor restrictions due to the satisfaction of purpose or time restrictions during the year ended June 30, 2024.

During 2022, the Organization commenced a capital campaign to raise funds to continue serving families with disabilities with the highest level of care and innovative programming. The Organization plans to invest financial capital over the coming years in the following three areas –

- to continue funding the Organization’s current critical program needs
- to fully equip the Organization’s new Pediatric Therapy Center
- to establish and support future endowments

*Employee Retention Credits*

During 2023, the Organization applied for Employee Retention Credits (“ERC”) in the amount of \$1,724,182, which was recorded as other support in the accompanying statement of activities for the year ended June 30, 2023. The ERC was fully collected during 2023. Consistent with how the Organization accounted for its previous government grants, the Organization accounted for the ERC as a conditional grant in accordance with *ASC 958-605, Conditional Promises to Give*, and analogized to International Accounting Standard (IAS) 20, Accounting for Government Grants and Disclosure of Government Assistance. Laws and regulations concerning government

**UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY  
DBA UNLIMITED POSSIBILITIES**

**Notes to Financial Statements for the Year Ended June 30, 2024  
(with summarized comparative 2023 information)**

**8. Commitments and Contingencies (continued)**

*Employee Retention Credits (continued)*

programs, including the ERC, established by the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) are complex and subject to varying interpretation. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization’s claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Organization.

In September 2023, the Organization determined it was eligible for additional ERC amounts of approximately \$630,000 and amended its Form 941X to recover payroll tax amounts previously paid in 2020 and 2021 which have not been collected as of issuance date of the financials.

*Business Concentration*

UP receives a substantial portion of its revenue and support from the Regional Center of Orange County (“RCOC”) in the form of cost reimbursements for services provided to its clients. The amount of revenue received from RCOC for the years ended June 30, 2024 and 2023 was approximately \$5,590,000 and \$4,126,000, respectively. These amounts are reported as part of program revenue in the statement of activities and represent 69% and 47% of total revenue and support for the years ended June 30, 2024 and 2023, respectively. At June 30, 2024 and 2023, amounts due from RCOC included in accounts receivable totaled approximately \$939,000 and \$1,080,000, respectively, which represents 52% and 61% of total accounts receivable in the statement of financial position as of June 30, 2024 and 2023, respectively.

*Retirement Plan*

UP sponsors a qualified 401(k) plan for all eligible employees. Employees may contribute a portion of their yearly compensation, with UP matching a discretionary contribution equal to a percentage of the amount of the employee deferral as determined each year by UP. For the years ended June 30, 2024 and 2023, UP elected to make discretionary contributions of \$86,844 and \$59,235, respectively, to the plan.

**9. Subsequent Events**

On July 8, 2024, UP entered into a non-binding letter of intent with CHOC. The result of the letter of intent is dependent upon the issuance of these financial statements. A definitive agreement is expected to be signed in the fourth quarter of calendar year 2024.



**UNITED CEREBRAL PALSY ASSOCIATION OF ORANGE COUNTY  
DBA UNLIMITED POSSIBILITIES**

**Notes to Financial Statements for the Year Ended June 30, 2024  
(with summarized comparative 2023 information)**

**9. Subsequent Events (continued)**

In August 2024, UP entered into a loan agreement with CHOC to borrow up to \$500,000. Borrowings on the loan bear a variable interest rate equal to the Wall Street Journal prime rate plus 2.00%, payable monthly. The loan matures on July 31, 2027, at which time the entire unpaid principal balance together with all accrued unpaid interest will be due. As of the date the financial statements were available to be issued, total outstanding borrowings on the loan were \$500,000.

As discussed in Note 6, in July 2024, the Organization repaid the outstanding balance on a bridge loan due to a related party totaling \$100,000. The Organization borrowed an additional \$100,000 from this related party later in July 2024, which was repaid in August 2024.

Management has evaluated subsequent events through October 11, 2024, the date the financial statements were available to be issued, noting no other events requiring disclosure.