

**UNITED CEREBRAL PALSY
OF CENTRAL MINNESOTA, INC.
(A MINNESOTA NONPROFIT ORGANIZATION)**

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 AND 2012

**UNITED CEREBRAL PALSY
OF CENTRAL MINNESOTA, INC.
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REPORT OF INDEPENDENT AUDITORS

Board of Directors
United Cerebral Palsy of
Central Minnesota, Inc.
St. Cloud, MN

We have audited the accompanying financial statements of United Cerebral Palsy of Central Minnesota, Inc. (a nonprofit corporation), which comprise the statement of financial position as of September 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 Central Minnesota, Inc. as of September 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in the Notes to the Financial Statements, the Organization has lost significant revenue from funding sources. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in the Notes to the Financial Statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Schmitz & Ketchum, P.A.

Schmitz & Ketchum, P.A.

Certified Public Accountants

November 5, 2013
St. Cloud, Minnesota

**UNITED CEREBRAL PALSY
OF CENTRAL MINNESOTA, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2013 AND 2012**

	2013			Restated 2012
ASSETS	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
CURRENT ASSETS				
Cash – Checking	\$ 15,122	\$ 1,500	\$ 16,622	\$ 5,885
Cash – Savings – Designated Reserve	2,800	-	2,800	2,788
Cash – Ameriprise Financial	<u>830</u>	<u>-</u>	<u>830</u>	<u>830</u>
TOTAL CASH AND CASH EQUIVALENTS	\$ 18,752	\$ 1,500	\$ 20,252	\$ 9,503
Certificates of Deposit – Designated Reserve	4,351	-	4,351	4,331
Grants Receivable	220	-	220	4,508
Accounts Receivable	897	-	897	2,082
Prepaid Expenses	<u>906</u>	<u>-</u>	<u>906</u>	<u>3,445</u>
TOTAL CURRENT ASSETS	\$ 25,126	\$ 1,500	\$ 26,626	\$ 23,869
Furniture and Equipment, Net of Accum. Depreciation of \$30,030 and \$29,441	816	-	816	1,405
OTHER ASSET				
Certificate of Deposit – Designated Reserve	<u>2,365</u>	<u>-</u>	<u>2,365</u>	<u>2,347</u>
TOTAL ASSETS	<u>\$ 28,307</u>	<u>\$ 1,500</u>	<u>\$ 29,807</u>	<u>\$ 27,621</u>
LIABILITIES AND NET ASSETS				
CURRENT (ALL) LIABILITIES				
Accounts Payable	\$ 2,288	\$ -	\$ 2,288	\$ 903
Payroll Taxes Payable	2,670	-	2,670	1,843
Flexible Spending Account Withholding	281	-	281	-58
SIMPLE IRA Withheld/Accrued	1,312	-	1,312	1,145
Accrued Paid Time Off	5,704	-	5,704	4,948
Deferred Revenue	<u>13,419</u>	<u>-</u>	<u>13,419</u>	<u>15,302</u>
TOTAL CURRENT (ALL) LIABILITIES	<u>\$ 25,674</u>	<u>\$ -</u>	<u>\$ 25,674</u>	<u>\$ 24,083</u>
NET ASSETS				
Unrestricted				
Undesignated	\$ -6,883	\$ -	\$ -6,883	\$ -8,028
Designated Reserve	<u>9,516</u>	<u>-</u>	<u>9,516</u>	<u>9,466</u>
Total Unrestricted	2,633	-	2,633	1,438
Temporarily Restricted	<u>-</u>	<u>1,500</u>	<u>1,500</u>	<u>2,100</u>
TOTAL NET ASSETS	<u>\$ 2,633</u>	<u>\$ 1,500</u>	<u>\$ 4,133</u>	<u>\$ 3,538</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 28,307</u>	<u>\$ 1,500</u>	<u>\$ 29,807</u>	<u>\$ 27,621</u>

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

**UNITED CEREBRAL PALSY
OF CENTRAL MINNESOTA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

REVENUES, GAINS, AND OTHER SUPPORT	2013			Restated 2012
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Contributions Received from				
Individuals and Other Organizations	\$ 44,858	\$ -	\$ 44,858	\$ 23,347
Contributed Professional Services	3,600	-	3,600	3,300
Contributed Printing and				
Advertising Services	150	-	150	150
Special Events	70,618	-	70,618	59,031
Grants				
STAR	7,907	-	7,907	14,517
Legislative Appropriation/ Assistive Technology	200	-	200	-
Bellows Fellows	1,359	-	1,359	3,080
Benton Telecommunications	-	-	-	6,564
EquipALife	4,029	-	4,029	10,085
Stearns Electric	-	-	-	100
United Way of St. Cloud Area	36,750	-	36,750	49,000
Program Revenue	6,543	-	6,543	8,869
Interest and Dividends Earned	51	-	51	53
Miscellaneous Revenue	28	-	28	1,100
Net Assets Released from Restrictions	600	-600	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	\$ 176,693	\$ -600	\$ 176,093	\$ 179,196
EXPENSES AND LOSSES				
National Organization - Settlements	\$ 7,500	\$ -	\$ 7,500	\$ 7,500
Special Events	13,035	-	13,035	12,239
Functional Expenses				
Access to Technology	70,481	-	70,481	74,713
Information, Referral & Public Ed.	39,157	-	39,157	41,509
Financial Assistance & Scholarships	23,494	-	23,494	24,905
Management & General	13,010	-	13,010	12,462
Fundraising	8,821	-	8,821	8,305
TOTAL EXPENSES AND LOSSES	\$ 175,498	\$ -	\$ 175,498	\$ 181,633
CHANGE IN NET ASSETS	\$ 1,195	\$ -600	\$ 595	\$ -2,437
NET ASSETS - BEGINNING OF YEAR	1,438	2,100	3,538	5,975
NET ASSETS - END OF YEAR	\$ 2,633	\$ 1,500	\$ 4,133	\$ 3,538

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

**UNITED CEREBRAL PALSY
OF CENTRAL MINNESOTA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

	2013	Restated 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 595	\$ -2,437
Adjustments to Reconcile Change in Net Assets To Net Cash Flows from Operating Activities:		
Depreciation	589	931
(Increase) Decrease in Receivables	5,473	1,946
(Increase) Decrease in Prepaid Expenses	2,539	-1,366
Increase (Decrease) in Accounts Payable	1,385	-7,212
Increase (Decrease) in Payroll Taxes Payable	827	-1,052
Increase (Decrease) in Flexible Spending Account Withholding	339	-820
Increase (Decrease) in SIMPLE IRA Withheld/Accrued	167	222
Increase (Decrease) in Accrued Paid Time Off	756	-3,831
Increase (Decrease) in Deferred Revenue	-1,883	-14,112
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 10,787	\$ -27,731
CASH FLOWS FROM INVESTING ACTIVITIES		
Certificates of Deposit - Net	\$ -38	\$ -32
NET CASH FLOWS FROM INVESTING ACTIVITIES	\$ -38	\$ -32
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 10,749	\$ -27,763
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	9,503	37,266
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 20,252	\$ 9,503

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

**UNITED CEREBRAL PALSY
OF CENTRAL MINNESOTA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

	Access to Technology	Information, Referral & Public Ed.	Financial Assistance & Scholarships	Management & General	Fundraising	Totals for Year Ended	
						September 30, 2013	Restated 2012
FUNCTIONAL EXPENSES							
Salaries	\$ 42,066	\$ 23,370	\$ 14,022	\$ 8,413	\$ 5,608	\$ 93,479	\$ 88,718
Payroll Taxes and Benefits	4,466	2,481	1,489	893	595	9,924	9,296
	46,532	25,851	15,511	9,306	6,203	103,403	98,014
Professional Fees	117	65	39	24	16	261	182
Contributed Professional Services	1,620	900	540	324	216	3,600	3,300
Supplies	1,519	844	506	304	203	3,376	3,381
Telephone/Internet	1,246	692	415	249	166	2,768	2,832
Postage	446	248	149	89	58	990	595
Contributed Printing and Advertising Services	-	-	-	-	150	150	150
Conferences, Conventions, Meetings, and Mileage	708	393	236	142	94	1,573	2,747
Program Expense	5,428	3,016	1,810	-	-	10,254	23,444
Office Rent/Storage	8,505	4,725	2,835	1,701	1,134	18,900	18,020
Insurance	1,499	833	500	300	199	3,331	3,181
Dues/Subscriptions	203	113	68	40	26	450	712
Depreciation	265	147	88	53	36	589	931
Equipment Maintenance and Rental	1,666	926	555	333	222	3,702	3,651
Miscellaneous	727	404	242	145	98	1,616	754
	\$ 70,481	\$ 39,157	\$ 23,494	\$ 13,010	\$ 8,821	\$ 154,963	\$ 161,894
TOTAL FUNCTIONAL EXPENSES							

The accompanying notes are an integral part of these financial statements.
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**UNITED CEREBRAL PALSY
OF CENTRAL MINNESOTA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

ORGANIZATION AND NATURE OF ACTIVITIES

United Cerebral Palsy of Central Minnesota, Inc. is a Minnesota nonprofit organization, organized to advance the independence, productivity and respect of people with cerebral palsy and other disabilities, provide information and referral services to these persons, their families and professionals, and in general, raise public awareness with regard to cerebral palsy. The Organization provides its services mainly within the St. Cloud tri-county area.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Net assets and revenues, gains, and losses of the Organization are classified based on donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted - Those resources over which the Board of Directors has discretionary control. Designated amounts represent those revenues which the Board has set aside for a particular purpose.

Temporarily Restricted - Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or passage of time.

Permanently Restricted - Those resources subject to a donor imposed restriction that they be maintained permanently by the Organization. The donors of these resources permit the Organization to use all or part of the income earned, including capital appreciation, or related investments for unrestricted or temporarily restricted purposes.

At this time, the Organization has only temporarily restricted and unrestricted net assets.

The Organization has elected to present temporarily restricted contributions, which are fulfilled in the same period, within the unrestricted net asset class.

The Organization further classifies its functional expenses into program groups as follows:

Access to Technology – The Access to Technology Program Group includes expenses incurred to provide information on assistive technology.

**UNITED CEREBRAL PALSY
OF CENTRAL MINNESOTA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Information, Referral & Public Education – The Information, Referral & Public Education Program Group includes expenses incurred to provide information and educate persons with cerebral palsy and other disabilities, their families, professionals and the public, with regard to cerebral palsy, through workshops, a speakers' bureau, a website, brochures and newsletters.

Financial Assistance & Scholarships – Expenses incurred to provide specialized equipment to individuals with cerebral palsy are accounted for in the Financial Assistance & Scholarships Program Group. Scholarships awarded to individuals with cerebral palsy, seeking a post secondary education, are also accounted for in this program group.

Management & General – The general and administrative activities serving the purpose of the Organization are accounted for in the Management & General Program Group.

Fundraising – The Fundraising Program Group includes expenses incurred to raise the funds necessary to carry on the activities serving the purpose of the Organization.

Revenue Recognition

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. 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. Absent explicit donor stipulations about how long donated long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated long-lived assets are placed in service.

Amounts received by the Organization but not yet earned, those amounts for which a corresponding expense has not been incurred or recognized, are included in deferred revenue on the statement of financial position. This revenue will be recognized as expenses relating to it are incurred and recognized.

Contributed Services

The Organization receives services donated by people committed to its mission. Contributed professional services meeting the requirements for recognition in the financial statements amounted to \$3,750 and \$3,450 for 2013 and 2012, respectively. In addition, many individuals (approximately 175 during the year ended September 30, 2013) volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition, and have not been recognized on the financial statements.

**UNITED CEREBRAL PALSY
OF CENTRAL MINNESOTA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

Cash consists of cash held in the bank checking and savings accounts and the Ameriprise Financial money market account. Certificates with a maturity of three months or less are classified as cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Designated Reserve

The designated reserve shown on the statement of financial position was established by the board of directors as a result of a recommendation from National United Cerebral Palsy, that the Organization establish a reserve of three month's operating expenses. The balance in the reserve as of September 30, 2013 and 2012, was \$9,516 and \$9,466, respectively, held in the Ameriprise Financial money market account and Organization's certificates of deposit.

Receivables

Receivables are recorded at original invoice amounts, and have been adjusted for all known uncollectible accounts. No allowance for bad debts is considered necessary at year-end. The Organization does not charge interest on outstanding receivables.

Furniture and Equipment and Depreciation

Furniture and equipment are carried at cost if purchased, or if donated, at the approximate fair value at the date of donation. Major additions and betterments are charged to the property accounts while replacements, maintenance, and repairs which do not improve or extend the life of the respective assets are expensed currently. It is the Organization's policy to capitalize acquisitions for items in excess of \$500.

Depreciation is provided over five to seven year estimated useful lives of the respective assets on a straight-line basis. Charges to operations amounted to \$589 and \$931 for 2013 and 2012, respectively.

Functional Expenses

The functional expense breakdown is based on the percentage of estimated time spent on these functions, unless an expense can be identified as a direct functional expense, in which case it is allocated at actual cost.

**UNITED CEREBRAL PALSY
OF CENTRAL MINNESOTA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

2012 RESTATEMENT

The Organization restated its 2012 financial statements to properly reflect deferred revenue relating to its Run for a Reason event occurring in October 2013. The affect on the 2012 financial statements of this restatement is as follows:

	Increase (Decrease)
Deferred Revenue	<u>\$ 2,537</u>
Ending Net Assets	<u>\$ -2,537</u>
Revenues and Change in Net Assets	<u>\$ -2,537</u>

SIMPLE IRA PLAN

The Organization provides a SIMPLE IRA plan for all employees meeting certain eligibility requirements, including being reasonably expected to earn \$5,000 in the year of participation. Under the terms of the plan, the Organization will match employees' contributions to the plan up to 3% of the employees' salary. Contributions on behalf of its employees for the years ended September 30, 2013 and 2012, were \$2,479 and \$1,879, respectively.

AFFILIATED ORGANIZATION

The United Cerebral Palsy of Central Minnesota pays monthly settlement fees to National United Cerebral Palsy. The fees are based on 1.75% of the affiliate's total expenses for the previous fiscal year plus the Effective Buying Income (EBI) of the affiliate's territory multiplied by its pro rata share of the affiliate's EBI to the total EBI for all counties served by all affiliates. Within these guidelines, the maximum an affiliate would have to pay under each of the above components is \$100,000, but limited to \$150,000 for the combined components. Each affiliate is required to pay a minimum total fee of \$7,500. For its years ended September 30, 2013 and 2012, the Organization paid \$7,500 and \$7,500, respectively, to National.

OFFICE LEASE

The Organization leases its office space from Styles Unlimited Rental Partnership. The term of the lease was for a period of two years, beginning September 1, 2011, and ending on August 31, 2013. The rental charge was payable monthly at a rate of \$1,465 for the first year of the lease and \$1,545 for the second year. As of September 30, 2013, the Organization has continued to rent this space on a month-to-month basis at the rate of \$1,545 per month.

EXEMPTION FROM INCOME TAXES

The Organization has been exempted from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable provisions of the State of Minnesota. The federal and state tax returns of the Organization are open and subject to examination by the taxing authority, generally for three years after the filing date.

**UNITED CEREBRAL PALSY
OF CENTRAL MINNESOTA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets of \$1,500 and \$2,100 at September 30, 2013 and 2012, respectively, were unspent funds contributed by donors for client assistance.

GOING CONCERN

The Organization had been notified by the United Way that their board had selected five focus areas that they would continue to fund: (1) homelessness, (2) access to food, (3) financial stability, (4) quality out of school time, and (5) early learning/literacy. Unless the Organization fit into these focus areas, its annual funding of \$49,000 from the United Way would cease after June 30, 2013. This funding did cease as of June 30, 2013.

In the past, the Organization has held an electronic recycling event twice a year. In the year ended September 30, 2011, these events generated \$36,214 in revenue. As more venues have been accepting electronics for recycling at no charge, it did not appear feasible for the Organization to continue hosting these events at a charge. During the year ended September 30, 2012, the Organization held one electronics recycling event, which generated \$8,482 in revenue. The Organization did not continue hosting this event in its year ended September 30, 2013.

The Organization has a history of hosting profitable fundraising events, having generated a gross margin on such events of approximately 80% during its years ended September 30, 2013 and 2012. With the introduction of additional events during its year ended September 30, 2013, and successful appeals to individual contributors, the Organization was able to cover the reduction in revenues discussed in the previous two paragraphs. However, there can be no assurance that this effort will be successful in the future.

These conditions raise substantial doubt about the Organization's ability to continue as a going concern.

Management of the Organization continues to re-focus their methods of obtaining sources of revenue and support from new grants, contracts, fundraisers and donors, and will continue this effort. On November 4, 2013, the Organization was notified that it has been awarded a grant from a new source in the amount of \$3,000 for technology planning. They have also taken steps to reduce expenditures, and plan to continue this effort.

However, there can be no assurance these efforts will be successful.

SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 5, 2013, the date which the financial statements were available to be issued, and has determined there are no subsequent events that require recognition or disclosure.