

*Financial Report*

*United Cerebral Palsy of  
Greater New Orleans, Inc.*

*June 30, 2017*

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June 30, 2017 and 2016

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**FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors,  
United Cerebral Palsy of Greater New Orleans, Inc.,  
Kenner, Louisiana.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of United Cerebral Palsy of Greater New Orleans, Inc. (UCP) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Cerebral Palsy of Greater New Orleans, Inc. as of June 30, 2017, 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.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Income and Expenses by Program (Schedule 1-A and 1-B) are presented for purposes of additional analysis and are not a required part of the financial statements. The Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Office (Schedule 2) is presented for purposes of additional analysis and is required by Louisiana Revised Statute 24:513(A)(3) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Requirements by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 28, 2017 on our consideration of UCP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance with the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering UCP's internal control over financial reporting and compliance.

## Report on Summarized Comparative Information

We have previously audited UCP's 2016 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 6, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Bourgeois Bennett, L.L.C." The signature is written in a cursive, flowing style.

Certified Public Accountants.

New Orleans, Louisiana,  
November 28, 2017.

**STATEMENT OF FINANCIAL POSITION****United Cerebral Palsy of Greater New Orleans, Inc.**  
Kenner, LouisianaJune 30, 2017  
(With comparative totals for 2016)

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Cash	\$ 365,354	\$ 255,025
Contract fees receivable	163,729	103,314
Funds held by Greater New Orleans Foundation	48,811	46,988
Property and equipment, less accumulated depreciation	27,105	9,756
Other assets	<u>38,606</u>	<u>38,773</u>
Total assets	<u>\$ 643,605</u>	<u>\$ 453,856</u>
<b>Liabilities</b>		
Accounts payable	\$ 18,184	\$ 34,765
Accrued payroll and related liabilities	108,463	118,731
Other liabilities	75,000	-
Capital lease obligations	<u>30,506</u>	<u>8,666</u>
	<u>232,153</u>	<u>162,162</u>
<b>Net Assets</b>		
Unrestricted	321,452	261,694
Temporarily restricted	60,000	-
Permanently restricted	<u>30,000</u>	<u>30,000</u>
	<u>411,452</u>	<u>291,694</u>
Total liabilities and net assets	<u>\$ 643,605</u>	<u>\$ 453,856</u>

See notes to financial statements.

**STATEMENT OF ACTIVITIES****United Cerebral Palsy of Greater New Orleans, Inc.**  
Kenner, LouisianaFor the year ended June 30, 2017  
(With comparative totals for 2016)

	2017				2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Totals
<b>Revenues and Support</b>					
Program service fees - Medicaid	\$ 2,734,927	\$ -	\$ -	\$ 2,734,927	\$ 2,188,493
Contributions	4,884	60,000	-	64,884	8,309
Investment income (loss), net	4,168	-	-	4,168	(152)
Miscellaneous income	6,765	-	-	6,765	7,254
Total revenues and support	<u>2,750,744</u>	<u>60,000</u>	<u>-</u>	<u>2,810,744</u>	<u>2,203,904</u>
<b>Expenses</b>					
Program services:					
Supported Living Services	2,339,712	-	-	2,339,712	1,767,596
Supporting services:					
Management and general	<u>351,274</u>	<u>-</u>	<u>-</u>	<u>351,274</u>	<u>312,840</u>
Total expenses	<u>2,690,986</u>	<u>-</u>	<u>-</u>	<u>2,690,986</u>	<u>2,080,436</u>
<b>Change in Net Assets</b>	59,758	60,000	-	119,758	123,468
<b>Net Assets</b>					
Beginning of year	<u>261,694</u>	<u>-</u>	<u>30,000</u>	<u>291,694</u>	<u>168,226</u>
End of year	<u>\$ 321,452</u>	<u>\$ 60,000</u>	<u>\$ 30,000</u>	<u>\$ 411,452</u>	<u>\$ 291,694</u>

See notes to financial statements.

**STATEMENT OF FUNCTIONAL EXPENSES****United Cerebral Palsy of Greater New Orleans, Inc.**  
Kenner, Louisiana

For the year ended June 30, 2017

	<u>Program Services Supported Living Services</u>	<u>Supporting Services Management and General</u>	<u>Totals</u>
Salaries	\$ 1,852,711	\$ 174,338	\$ 2,027,049
Payroll taxes	148,983	10,180	159,163
Employee benefits	85,268	20,126	105,394
Workers' compensation	4,015	26,872	30,887
	<u>2,090,977</u>	<u>231,516</u>	<u>2,322,493</u>
Total salaries and related expenses			
Depreciation	6,070	732	6,802
Dues and subscriptions	-	350	350
Interest expense	-	1,334	1,334
Meetings and conferences	-	703	703
Miscellaneous expense	3,507	17,093	20,600
National membership fees	-	17,774	17,774
Occupancy	85,576	17,408	102,984
Postage and shipping	-	858	858
Professional fees and consulting	64,428	47,384	111,812
Legal settlement	75,000	-	75,000
Stipends	-	2,346	2,346
Supplies	-	8,614	8,614
Telephone	6,083	4,887	10,970
Travel and transportation	8,071	275	8,346
	<u>2,339,712</u>	<u>351,274</u>	<u>2,690,986</u>
Total expenses			

See notes to financial statements.

**STATEMENT OF FUNCTIONAL EXPENSES****United Cerebral Palsy of Greater New Orleans, Inc.**  
Kenner, Louisiana

For the year ended June 30, 2016

	<u>Program Services Supported Living Services</u>	<u>Supporting Services Management and General</u>	<u>Totals</u>
Salaries	\$ 1,517,056	\$ 155,623	\$ 1,672,679
Payroll taxes	115,397	9,809	125,206
Employee benefits	26,019	6,183	32,202
Workers' compensation	23,283	3,175	26,458
	<u>1,681,755</u>	<u>174,790</u>	<u>1,856,545</u>
Total salaries and related expenses			
Depreciation	4,351	1,179	5,530
Dues and subscriptions	-	2,186	2,186
Interest expense	-	736	736
Meetings and conferences	-	3,256	3,256
Miscellaneous expense	128	16,133	16,261
National membership fees	-	17,073	17,073
Occupancy	53,027	27,787	80,814
Postage and shipping	-	849	849
Professional fees and consulting	18,672	46,032	64,704
Stipends	-	2,179	2,179
Supplies	113	13,134	13,247
Telephone	4,000	7,113	11,113
Travel and transportation	5,550	393	5,943
	<u>1,767,596</u>	<u>312,840</u>	<u>2,080,436</u>
Total expenses			

See notes to financial statements.

**STATEMENT OF CASH FLOWS****United Cerebral Palsy of Greater New Orleans, Inc.**  
Kenner, LouisianaFor the year ended June 30, 2017  
(With comparative totals for 2016)

	<u>2017</u>	<u>2016</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 119,758	\$ 123,468
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,802	5,530
Loss on disposal of fixed asset	3,507	-
Investment (gain) loss on funds held by Greater New Orleans Foundation, net	(1,823)	2,330
Changes in operating assets and liabilities:		
Contract fees and receivable	(60,415)	27,872
Other assets	167	(6,771)
Accounts payable	(16,581)	(618)
Accrued payroll and related liabilities	(10,268)	(7,183)
Other payables	75,000	-
Net cash provided by operating activities	<u>116,147</u>	<u>144,628</u>
<b>Cash Flows From Financing Activities</b>		
Purchases of property and equipment	-	(3,669)
Payments on capital lease obligations	(5,818)	(5,672)
Net cash used in financing activities	<u>(5,818)</u>	<u>(9,341)</u>
<b>Net Increase in Cash</b>	110,329	135,287
<b>Cash</b>		
Beginning of year	<u>255,025</u>	<u>119,738</u>
End of year	<u>\$ 365,354</u>	<u>\$ 255,025</u>
<b>Supplemental Disclosures</b>		
Cash paid for interest	<u>\$ 1,334</u>	<u>\$ 736</u>
<b>Noncash Investing and Financing transactions:</b>		
Equipment purchased through capital lease	<u>\$ 27,658</u>	<u>\$ -</u>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS****United Cerebral Palsy of Greater New Orleans, Inc.**  
Kenner, Louisiana

June 30, 2017 and 2016

**Note 1 - NATURE OF ACTIVITIES**

United Cerebral Palsy of Greater New Orleans, Inc. (UCP) is a nonprofit organization formed in 1950 which provides programs and services in several southeastern Louisiana parishes to advance the independence, productivity, and full citizenship of people with cerebral palsy and other disabilities and thereby to improve the quality of life for them and their families. UCP provides job placement and support for adults with disabilities in the Adult Program; and personal/respite care services and independent living assistance in the home through its Supported Living Services.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****a. Basis of Accounting**

The accompanying financial statements are presented on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded when the related liability is incurred.

**b. Basis of Presentation**

UCP reports information regarding financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted, based on donor stipulations and restrictions placed on contributions, if any. Accordingly, net assets of UCP and changes therein are classified and reported as follows:

**Unrestricted Net Assets** - Net assets that are not subject to donor-imposed stipulations.

**Temporarily Restricted Net Assets** - Net assets subject to donor-imposed stipulations that may or will be met either by actions of UCP and/or the passage of time. There are no temporarily restricted net assets as of June 30, 2016.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**b. Basis of Presentation (Continued)**

**Permanently Restricted Net Assets** - Net assets subject to donor - imposed stipulations that they be maintained permanently by UCP. Generally, the donors of these assets permit UCP to use all or part of the income earned on related cash and investments for general or specific purposes.

**c. Use of Estimates**

The preparation of financial statements in conformity 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.

**d. Contract Fees Receivable**

Services rendered to clients are paid through third parties. Contract fees receivable is stated at the amount management expects to collect from outstanding balances.

**e. Allowance for Uncollectible Receivables**

Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Receivables are charged against the allowance when deemed to be uncollectible. Management believes that all contract fees receivables as of June 30, 2017 and 2016 are fully collectible, and that no allowance was necessary.

**f. Promises to Give**

Unconditional promises to give are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There are no unconditional promises to give or conditional promises to give as of either June 30, 2017 or 2016.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**g. Investments**

Pooled accounts managed by the Greater New Orleans Foundation are reported at fair market value, including any pro rata gains and losses.

Donated investments are valued at current market value at the date of donation.

**h. Property and Equipment**

Property and equipment is recorded at cost when purchased. Expenditures for maintenance, repairs, and minor renewals are charged against earnings as incurred. Major expenditures for improvements, renewals, and betterments are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives of property and equipment range from five to ten years. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any resulting gain or loss is reflected in the change in net assets.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support, unless the donor has restricted the donated asset to a specific purpose or for use for a specified period of time. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support.

Absent donor stipulations regarding how long those donated assets must be maintained, UCP reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. UCP reclassifies temporarily restricted net assets to unrestricted net assets at that time. If the donor has stipulated a time restriction, the expiration of this restriction is reported as the related asset is depreciated.

**i. Contributions and Revenue Recognition**

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i. Contributions and Revenue Recognition (Continued)**

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. Donor restricted contributions whose restrictions are met in the same reporting periods are reporting as unrestricted support.

**j. Compensated Absences**

Full-time staff employees are entitled to paid vacations after one full year of employment. Vacations must be taken within the twelve months following the anniversary date of employment. Vacation time not used by this time will be forfeited and cannot be carried forward from year to year except with written approval. No more than two weeks can be accrued unless approved by the board of directors. Employees will be paid for unused vacation leave only upon termination and only for one year's accumulation. The total amount of accrued vacation leave as reported in accrued payroll and related liabilities on the Statements of Financial Position was \$142 and \$10,436 as of June 30, 2017 and 2016, respectively.

Sick leave accrues at one day for each month worked. An employee may accumulate sick leave not to exceed six months of leave. In no instance shall salary be paid in lieu of sick days unused, nor shall any employee receive wages for sick leave at termination.

**k. Allocated Expenses**

The costs of providing the programs and other activities are summarized in the Statement of Functional Expenses. Certain expenses have been allocated among the programs and supporting services based on management's estimates of the costs involved.

**l. Income Taxes**

United Cerebral Palsy of Greater New Orleans, Inc. is a nonprofit corporation organized under the laws of the State of Louisiana. It is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code"), and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is also exempt from Louisiana income tax under the authority of R.S.47:121(5). UCP is not subject to Federal income tax unless the organization has unrelated trade or business income.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**l. Income Taxes (Continued)**

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosures of uncertain tax positions recognized in an entity's financial statements. It requires an entity to recognize financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. Tax years ended June 30, 2014 and later remain subject to examination by taxing authorities. As of June 30, 2017, management of UCP believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

**m. Subsequent events**

Management evaluates events occurring subsequent to the date of financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through November 28, 2017, which is the date the financial statements were available to be issued.

**Note 3 - PROPERTY AND EQUIPMENT**

As of June 30, 2017 and 2016, the cost and accumulated depreciation is as follows:

	2017	2016
Furniture and equipment	\$ 50,632	\$ 44,012
Less accumulated depreciation	(23,527)	(34,256)
Net property and equipment	\$ 27,105	\$ 9,756

Depreciation expense for the years ended June 30, 2017 and 2016 was \$6,802 and \$5,530, respectively.

**Note 4 - CAPITAL LEASE OBLIGATIONS**

UCP entered into a capital lease for copier equipment in January 2017. The lease calls for 60 monthly payments of principal and interest of \$658 and the interest rate is approximately 7.0%.

**Note 4 - CAPITAL LEASE OBLIGATIONS (Continued)**

UCP entered into a capital lease for copier equipment in November 2012. The lease was for 60 monthly payments of principal and interest of \$534 and the interest rate was approximately 6.25%.

The net book value of assets acquired through a capital lease as of June 30, 2017 and 2016 is as follows:

	2017	2016
Cost	\$ 33,658	\$ 27,038
Accumulated depreciation	(8,766)	(20,828)
Net book value	\$ 24,892	\$ 6,210

Future minimum lease payments under the capital leases as of June 30, 2017 are as follows:

	2018	\$ 7,896
	2019	7,896
	2020	7,896
	2021	7,896
	2022	3,947
Total minimum lease payments		35,531
Less amounts representing interest		(5,025)
Capital lease obligations		\$ 30,506

**Note 5 - FAIR VALUE MEASUREMENTS**

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

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

**Note 5 - FAIR VALUE MEASUREMENTS (Continued)**

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation of other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

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

Investments held in pooled accounts managed by Greater New Orleans Foundation are included in Level 2 of the fair value hierarchy as the investment pool is valued using the net asset value as reported by the custodian. The net asset values are determined based on the fair values of the underlying investments. The custodian of this portfolio uses independent pricing services, where available, to value the securities included in this portfolio. If an independent pricing service does not value a security or the value is not, in the view of the custodian, representative of the market value, the custodian will attempt to obtain a price quote from a secondary pricing source, which may include third party brokers, investment advisers, and principal market makers or affiliated pricing services. If a secondary source is unable to provide a price, the custodian may obtain a quotation from the counterparty that sold the security.

This method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while UCP believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Note 5 - FAIR VALUE MEASUREMENTS (Continued)**

As of June 30, 2017 and 2016, assets measured at fair value on a recurring basis are comprised of and determined as follows:

Description	Fair Value At June 30, 2017	Based on		
		Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Pooled accounts managed by Greater New Orleans Foundation	<u>\$ 48,811</u>	<u>\$ -</u>	<u>\$ 48,811</u>	<u>\$ -</u>

Description	Fair Value At June 30, 2016	Based on		
		Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Pooled accounts managed by Greater New Orleans Foundation	<u>\$ 46,988</u>	<u>\$ -</u>	<u>\$ 46,988</u>	<u>\$ -</u>

As of June 30, 2017 and 2016, there were no assets measured at fair values on a non-recurring basis.

**Note 6 - BANK LINE OF CREDIT**

UCP has available a line of credit up to \$75,000 with a local financial institution at a variable interest rate (7.75% and 7.00% as of June 30, 2017 and 2016, respectively). The line of credit is secured with contract fees receivables, was renewed on November 2, 2017, and expires on November 2, 2019. As of June 30, 2017 and 2016, there was no balance outstanding under UCP's lines of credit. The lines of credit are required by the State of Louisiana Department of Health and Hospitals.

UCP recognized no interest expense on the line of credit for the years ended June 30, 2017 and 2016.

**Note 7 - RESTRICTIONS ON NET ASSETS**

Permanently restricted net assets are assets comprised of amounts received from donors with stipulations that the principal be maintained in perpetuity. Investment income will be used to support the Spasticity Clinic. In 2003, UCP established an endowment fund through Greater New Orleans Foundation (GNOF) for this purpose. Funds held by GNOF are invested in a pooled investment arrangement. Distributions from this fund began in fiscal year 2004 and are anticipated annually based on earnings by the fund during the year. Distributions received will be restricted for the Spasticity Clinic. Distributions of \$1,952 and \$1,940, respectively, were received for the Spasticity Clinic during the years ended June 30, 2017 and 2016. As of June 30, 2017 and 2016, permanently restricted net assets totaled \$30,000.

**Note 8 - DONOR DESIGNATED ENDOWMENT**

*The Endowments.* UCP's endowment fund consists of a permanently restricted fund established primarily for the purpose of generating income to support the Spasticity Clinic. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

*Interpretation of Relevant Law.* UCP has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as expressly requiring the preservation of the historical dollar value for donor restricted endowment funds absent explicit donor stipulations to the contrary.

The following are classified as permanently restricted net assets in the accompanying financial statements.

- the original value of gifts donated to the permanent endowment;
- the original value of subsequent gifts to the permanent endowment; and
- accumulations to the permanent endowment, made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

**Note 8 - DONOR DESIGNATED ENDOWMENT (Continued)**

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets until those amounts are appropriated for expenditure by UCP in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, UCP considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- the duration and preservation of the fund;
- the purposes of UCP and the donor-restricted endowment fund;
- general economic conditions;
- the possible effect of inflation and deflation;
- the expected total return from income and the appreciation of investments;
- other resources of UCP; and
- the investment policies of UCP.

Endowment net asset composition as of June 30, 2017 and 2016 is as follows:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ 18,811	\$ -	\$ 30,000	\$ 48,811
	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ 16,988	\$ -	\$ 30,000	\$ 46,988

**Note 8 - DONOR DESIGNATED ENDOWMENT (Continued)**

Changes in endowment net assets for the years ended June 30, 2017 and 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Net assets as of June 30, 2015	\$ 19,318	\$ -	\$ 30,000	\$ 49,318
Investment return:				
Investment income, net	194	-	-	194
Net loss, realized and unrealized	(584)	-	-	(584)
Net asset releases	<u>(1,940)</u>	<u>-</u>	<u>-</u>	<u>(1,940)</u>
Net assets as of June 30, 2016	16,988	-	30,000	46,988
Investment return:				
Investment loss, net	(62)	-	-	(62)
Net gain, realized and unrealized	3,837	-	-	3,837
Net asset releases	<u>(1,952)</u>	<u>-</u>	<u>-</u>	<u>(1,952)</u>
Net assets as of June 30, 2017	<u>\$ 18,811</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 48,811</u>

*Funds with Deficiencies.* From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that either the donor or UPMIFA requires the UCP to retain as a fund of perpetual duration. These deficiencies can result from unfavorable market fluctuations that occur after the investment of permanently restricted contributions. There were no such deficiencies of this nature as of June 30, 2017 and 2016.

*Return Objectives and Risk Parameters.* Management has adopted investment and spending policies for endowment assets that preserve the real purchasing power of the principal and provide a stable source of perpetual financial support. Under these policies, the endowment is invested with the intention of obtaining general market returns with a minimum amount of investment and management expenses and minimum risk.

*Strategies Employed for Achieving Objectives.* The investment funds are in a pooled account managed by GNOF. An allocation in each investment type has not been determined by the Board of Directors.

**Note 8 - DONOR DESIGNATED ENDOWMENT (Continued)**

*Spending Policy and How Investment Objectives Relate to the Spending Policy.* Management's policy for appropriating funds for annual expenditures is approximately 5% of the endowment fund's average value. This policy is consistent with the management's long-term objective to preserve the real purchasing power of the principal and provide a stable source of perpetual financial support.

**Note 9 - CONCENTRATIONS OF CREDIT RISK**

UCP maintained its cash balances in a financial institution where they are insured by the Federal Deposit Insurance Corporation up to \$250,000 as of June 30, 2017. As of June 30, 2017, the cash balance in excess of insured amounts was approximately \$141,000.

**Note 10 - THIRD PARTY REIMBURSEMENTS**

UCP has agreements with Medicare and Medicaid fiscal intermediaries to provide home health services to qualified patients. For the years June 30, 2017 and 2016, approximately \$2,735,000 and \$2,188,000, respectively, of program service fees were received from the State of Louisiana Department of Health and Hospitals acting as a Medicare and Medicaid fiscal intermediary. As reflected in the accompanying financial statements, Medicare and Medicaid accounts for approximately 97% and 99% of total revenue and support for years ended June 30, 2017 and 2016, respectively.

The State provides annual contracts to UCP which grant the State the right to audit program accounts and activities. The State, acting as the Medicare and Medicaid intermediary for Medicare and Medicaid patients, reimburses services rendered to Medicare and Medicaid program beneficiaries under an allowable cost reimbursement formula that is subject to audit and retroactive adjustments. Management believes that UCP is in compliance with the provisions of these contracts and grants.

**Note 11 - RETIREMENT PLAN**

UCP has a defined contribution plan (the "Plan") covering substantially all employees who have one year of service and are age 21 or older. Eligible employees may make salary deferral contributions pursuant to Section 401(k) of the Internal Revenue Code. The Plan allows discretionary matching contributions and profit-sharing contributions to be made by UCP. UCP did not make any matching or profit-sharing contributions for the years ended June 30, 2017 and 2016.

**Note 12 - LEGAL SETTLEMENT**

During the year ended June 30, 2005, an audit was conducted by the State of Louisiana Department of Health and Hospitals for the period November 1, 2002 through January 31, 2003 and March 1, 2005 through May 31, 2005 as a provider history review and November 1, 2001 through November 1, 2003 as a scientific sample. The audit concluded that UCP billed and subsequently was paid approximately \$350,000 of supervised independent living and personal care attendant services which had undocumented progress notes in the records maintained by UCP. The State of Louisiana Department of Health and Hospitals was seeking reimbursement for the \$350,000 and approximately \$50,000 of interest.

After the appeal process, the matter was resolved on May 9, 2017 the 19<sup>th</sup> Judicial District Court for the Parish of East Baton Rouge rendered judgment in this matter. UCP is required to pay to the Louisiana Department of Health \$75,000 in 60 monthly installments of \$1,250 beginning in July of 2017. There is no interest related to this contingency settlement. The settlement liability is recorded in other liabilities on the Statement of Financial Position.

As of June 30, 2017, minimum future obligations under this contingency settlement are as follows:

Year Ending <u>June 30,</u>	<u>Amounts</u>
2018	\$ 15,000
2019	15,000
2020	15,000
2021	15,000
2022	<u>15,000</u>
Total	<u>\$ 75,000</u>

**Note 13 - LEASE COMMITMENT**

UCP has a three year operating lease effective December 1, 2015 for the rental of office space. The lease expires November 30, 2018 and provides for monthly payments of \$5,524 for the first two years and \$5,691 for the third year. The previous lease which expired November 30, 2015 provided for monthly payments of \$3,172.

**Note 13 - LEASE COMMITMENT (Continued)**

Rent expense was \$74,176 and \$57,514 for the years ended June 30, 2017 and 2016, respectively.

As of June 30, 2017, minimum future obligations under operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Amounts</u>
2018	\$ 67,457
2019	<u>28,455</u>
Total	<u>\$ 95,912</u>

**Note 14 - RELATED PARTY TRANSACTIONS**

UCP is affiliated with the national organization, United Cerebral Palsy, and pays an annual membership fee. For the years ended June 30, 2017 and 2016, the fee was \$17,774 and \$17,073, respectively. United Cerebral Palsy provides services to UCP in the capacity of advisor, supporter, and partner in serving the local community. There were no balances due as of June 30, 2017 and 2016.

**Note 15 - CONTINGENCIES**

UCP is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disaster; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the years ended June 30, 2017 and 2016.

**SUPPLEMENTAL INFORMATION**

**SCHEDULE OF INCOME AND EXPENSES BY PROGRAM****United Cerebral Palsy of Greater New Orleans, Inc.**  
Kenner, LouisianaFor the year ended June 30, 2017  
(Unaudited)

	Program Services	Supporting Services			Totals
	Supported Living Services	Fundraising and Management and General	Administrative Services Restricted	Totals	
<b>Revenues and Support</b>					
Client generated self-support	\$ 2,734,927	\$ -	\$ -	\$ -	\$ 2,734,927
Other income	-	75,817	-	75,817	75,817
Support services allocated revenue	75,817	(75,817)	-	(75,817)	-
Total revenues and support	2,810,744	-	-	-	2,810,744
<b>Expenses</b>					
Total compensation	2,090,977	-	231,516	231,516	2,322,493
Occupancy and related expenses	85,576	-	17,408	17,408	102,984
Travel and meetings	8,071	-	275	275	8,346
Other direct program expenses	149,018	-	101,343	101,343	250,361
Allocation of support services	350,542	-	(350,542)	(350,542)	-
Total expense before non-cash expenses	2,684,184	-	-	-	2,684,184
Totals	126,560	-	-	-	126,560
<b>Non-Cash Expense</b>					
Depreciation expense	6,070	-	732	732	6,802
Change in net assets	\$ 120,490	\$ -	\$ (732)	\$ (732)	\$ 119,758

**SCHEDULE OF INCOME AND EXPENSES BY PROGRAM****United Cerebral Palsy of Greater New Orleans, Inc.**  
Kenner, LouisianaFor the year ended June 30, 2016  
(Unaudited)

	Program	Supporting Services			Totals	Totals
	Services	Fundraising and Management and General	Administrative Services Restricted	Totals		
	Supported Living Services					
<b>Revenues and Support</b>						
United Way funding - designations	\$ -	\$ 1,013	\$ -	\$ 1,013	\$ 1,013	\$ 1,013
Client generated self-support	2,188,493	-	-	-	2,188,493	2,188,493
Other income	-	14,398	-	14,398	14,398	14,398
Support services allocated revenue	15,411	(15,411)	-	(15,411)	-	-
Total revenues and support	2,203,904	-	-	-	2,203,904	2,203,904
<b>Expenses</b>						
Total compensation	1,681,755	-	174,790	174,790	1,856,545	1,856,545
Occupancy and related expenses	53,027	-	27,787	27,787	80,814	80,814
Travel and meetings	5,550	-	393	393	5,943	5,943
Other direct program expenses	22,913	-	108,691	108,691	131,604	131,604
Allocation of support services	311,661	-	(311,661)	(311,661)	-	-
Total expense before non-cash expenses	2,074,906	-	-	-	2,074,906	2,074,906
Totals	128,998	-	-	-	128,998	128,998
<b>Non-Cash Expense</b>						
Depreciation expense	4,351	-	1,179	1,179	5,530	5,530
Change in net assets	\$ 124,647	\$ -	\$ (1,179)	\$ (1,179)	\$ 123,468	\$ 123,468

**SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER  
PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER**

**United Cerebral Palsy of Greater New Orleans, Inc.**  
Kenner, Louisiana

For the year ended June 30, 2017

**Agency Head Name:** Kendra Nelson, Executive Director

**Purpose**

Salary	\$ 77,267
Benefits - insurance	7,948
Benefits - retirement	0
Benefits - other	0
Car allowance	0
Vehicle provided by government	0
Per diem	0
Reimbursements	0
Travel	2,000
Registration fees	0
Conference travel	0
Continuing professional education fees	0
Housing	0
Unvouchered expenses	0
Special meals	0
	<hr/>
	<b>\$ 87,215</b>

**SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors,  
United Cerebral Palsy of Greater New Orleans, Inc.,  
Kenner, Louisiana.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financials statements of United Cerebral Palsy of Greater New Orleans, Inc. (UCP) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 28, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered UCP's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of UCP's internal control. Accordingly, we do not express an opinion on the effectiveness of the UCP's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether UCP's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the UCP's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants.

New Orleans, Louisiana,  
November 28, 2017.



(Continued)

**Section II - Internal Control Over Financial Reporting and Compliance and Other Matters  
Material to the Basic Financial Statements (Continued)**

**Compliance and Other Matters**

There were no findings noted during the audit of the year ended June 30, 2017 related to compliance and other matters.

**Section III - Federal Award Findings and Questioned Costs**

Not applicable.

**REPORTS BY MANAGEMENT**

## **SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**

### **United Cerebral Palsy of Greater New Orleans, Inc. Kenner, Louisiana**

For the year ended June 30, 2017

#### **Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements**

##### **Internal Control Over Financial Reporting**

No material weaknesses were noted during the audit of financial statements for the fiscal year ended June 30, 2016.

No significant deficiencies were noted during the audit of the financial statements for the fiscal year ended June 30, 2016.

##### **Compliance and Other Matters**

No compliance findings material to the financial statements were noted during the audit for the year ended June 30, 2016.

#### **Section II - Internal Control and Compliance Material to Federal Awards**

United Cerebral Palsy of Greater New Orleans, Inc. did not expend more than \$750,000 in Federal awards during the year ended June 30, 2016, and therefore, was exempt from the audit requirements under Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

#### **Section III - Management Letter**

A management letter was not issued in connection with the audit of the financial statements for the year ended June 30, 2016.

## **MANAGEMENT'S CORRECTIVE ACTION PLAN**

**United Cerebral Palsy of Greater New Orleans, Inc.**  
Kenner, Louisiana

For the year ended June 30, 2017

### **Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements**

#### **Internal Control Over Financial Reporting**

No material weaknesses were noted during the audit of financial statements for the fiscal year ended June 30, 2017.

No significant deficiencies were noted during the audit of the financial statements for the fiscal year ended June 30, 2017.

#### **Compliance and Other Matters**

No compliance findings material to the financial statements were noted during the audit for the year ended June 30, 2017.

### **Section II - Internal Control and Compliance Material to Federal Awards**

United Cerebral Palsy of Greater New Orleans, Inc. did not expend more than \$750,000 in Federal awards during the year ended June 30, 2017, and therefore, was exempt from the audit requirements under Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

### **Section III - Management Letter**

A management letter was not issued in connection with the audit of the financial statements for the year ended June 30, 2017.

*Financial Report*

*United Cerebral Palsy of  
Greater New Orleans, Inc.*

*June 30, 2017*

