

UNITED CEREBRAL PALSY OF MICHIGAN, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

AND

INDEPENDENT AUDITORS' REPORT



Layton & Richardson, P.C.
Certified Public Accountants

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Layton & Richardson, P.C.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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Report on the Financial Statements

We have audited the accompanying financial statements of United Cerebral Palsy of Michigan, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and changes in net assets, 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.

Auditor's 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 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 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 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Cerebral Palsy of Michigan, Inc. as of June 30, 2014 and 2013, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2014, on our consideration of United Cerebral Palsy of Michigan, Inc.'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 and 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 United Cerebral Palsy of Michigan, Inc.'s internal control over financial reporting and compliance.

Layton & Richardson, P.C.
Certified Public Accountants

East Lansing, Michigan
December 8, 2014

UNITED CEREBRAL PALSY OF MICHIGAN, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS

	2014	JUNE 30, 2013
CURRENT ASSETS		
Cash	\$ 52,201	\$ 63,098
Restricted cash - current	114,138	128,498
Grants and contracts receivable	68,453	58,046
Other receivables	3,980	1,700
Prepaid expenses	2,854	1,406
	<u>241,626</u>	<u>252,748</u>
PROPERTY AND EQUIPMENT		
Office equipment	59,013	66,549
Less: accumulated depreciation	<u>(57,663)</u>	<u>(62,760)</u>
	<u>1,350</u>	<u>3,789</u>
OTHER ASSETS		
Restricted cash invested in CDs	<u>1,027,245</u>	<u>1,156,482</u>
TOTAL ASSETS	<u><u>\$ 1,270,221</u></u>	<u><u>\$ 1,413,019</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 11,238	\$ 15,314
Accrued payroll and payroll liabilities	21,146	28,625
Deferred revenue	40,692	61,478
State advances	16,000	16,000
Current portion - amounts held in trust	114,138	128,498
	<u>203,214</u>	<u>249,915</u>
LONG-TERM LIABILITIES		
Amounts held in trust	<u>1,027,245</u>	<u>1,156,482</u>
TOTAL LIABILITIES	1,230,459	1,406,397
NET ASSETS		
Unrestricted net assets	<u>39,762</u>	<u>6,622</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,270,221</u></u>	<u><u>\$ 1,413,019</u></u>

See accompanying notes to financial statements.

UNITED CEREBRAL PALSY OF MICHIGAN, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	FOR THE YEARS ENDED	
	JUNE 30,	
	2014	2013
SUPPORT		
Grant and contract revenue		
AT Center revenue	\$ 150,889	\$ 146,655
AT Loan Fund revenue	134,511	107,948
Telework revenue	18,254	20,429
DDC - 2 & 4 grants	168,252	161,838
ION	278	94,303
Other grants		(632)
Other contracts	65,716	8,136
Contributions	50,166	68,602
In-kind support	9,151	7,000
Special events and fundraising	27,493	16,201
Bingo, net of related expenses of \$474,657 and \$506,350 for 2014 and 2013, respectively	14,556	16,548
Interest income	6	10
Other income	311	6,312
Loss on disposal of assets	(1,146)	
	<u>638,437</u>	<u>653,350</u>
TOTAL SUPPORT		
EXPENDITURES		
Program services	542,758	547,640
Supporting services		
Management and general	37,762	57,189
Fundraising	24,777	26,640
	<u>605,297</u>	<u>631,469</u>
TOTAL EXPENDITURES		
CHANGE IN NET ASSETS	33,140	21,881
NET ASSETS, JULY 1	<u>6,622</u>	<u>(15,259)</u>
NET ASSETS, JUNE 30	<u>\$ 39,762</u>	<u>\$ 6,622</u>

See accompanying notes to financial statements.

UNITED CEREBRAL PALSY OF MICHIGAN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	PROGRAM SERVICES				
	AT CENTER	AT LOAN FUND	DDC	ION	TELEWORK
Salaries and wages	\$ 58,486	\$ 66,695	\$ 101,471	\$ 1,000	\$ 11,023
Employee benefits	5,036	7,502	9,074		1,233
Payroll taxes	5,565	7,755	9,373	44	1,273
Retirement contributions	2,385	3,553	4,299		584
Contracted services	41,040		1,150	62,186	
Accounting fees	4,471	7,379	7,323	734	1,118
Computer support	621	988	1,729		141
Telephone and internet	839	1,445	1,084		181
Supplies	1,559	1,153	1,306		98
Equipment	11,496	64			
Postage	945	1,201	984		150
Printing	1,116	2,320	1,380		178
Occupancy	10,834	6,710	6,710		959
Insurance	1,761	3,082	2,642		440
Licenses and fees	819	1,220	1,507		200
Dues and membership	2,133	4,030	2,971		487
Marketing	250	16,905	125		188
Meetings and conferences	2,412	460	4,978		
Travel and mileage	2,941	2,036	10,160		
Miscellaneous					
Depreciation	1,294				
TOTAL	\$ 156,003	\$ 134,498	\$ 168,266	\$ 63,964	\$ 18,253

See accompanying notes to financial statements.

<u>PROGRAM SERVICES</u>		<u>SUPPORTING SERVICES</u>				
GENERAL PROGRAMS	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND-RAISING	TOTAL SUPPORTING SERVICES	TOTAL EXPENSES 2014	
\$ 348	\$ 239,023	\$ 21,298	\$ 4,686	\$ 25,984	\$ 265,007	
	22,845	3,340	612	3,952	26,797	
	24,010	2,681	502	3,183	27,193	
	10,821	1,354	249	1,603	12,424	
1,087	105,463				105,463	
	21,025	(2,733)		(2,733)	18,292	
	3,479	226	12	238	3,717	
	3,549	247		247	3,796	
43	4,159	815	2,749	3,564	7,723	
	11,560	459		459	12,019	
	3,280	184	188	372	3,652	
	4,994	(72)	590	518	5,512	
	25,213	3,509	1,284	4,793	30,006	
257	8,182	881		881	9,063	
	3,746	663	606	1,269	5,015	
39	9,660	1,078	67	1,145	10,805	
	17,468				17,468	
	7,850	1,474	8,828	10,302	18,152	
	15,137	2,361	604	2,965	18,102	
		(3)	3,800	3,797	3,797	
	1,294				1,294	
<u>\$ 1,774</u>	<u>\$ 542,758</u>	<u>\$ 37,762</u>	<u>\$ 24,777</u>	<u>\$ 62,539</u>	<u>\$ 605,297</u>	

UNITED CEREBRAL PALSY OF MICHIGAN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

PROGRAM
SERVICES

	AT CENTER	AT LOAN FUND	DDC	ION
Salaries and wages	\$ 57,746	\$ 54,168	\$ 87,979	\$ 4,740
Employee benefits	8,986	4,078	8,866	307
Payroll taxes	7,541	3,818	7,401	287
Retirement contributions	4,398	2,199	4,314	167
Contracted services	40,001		2,232	84,026
Accounting fees	5,347	6,319	8,506	243
Computer support	1,406	1,661	2,236	64
Telephone and internet	2,296	1,202	1,618	46
Supplies	1,238	914	1,435	31
Equipment	12,453			
Postage	1,238	1,030	1,473	40
Printing	1,175	1,289	1,735	50
Occupancy	12,234	6,185	8,327	238
Insurance	1,782	2,106	2,834	81
Licenses and fees	1,232	647	1,432	49
Dues and membership	2,586	3,316	3,912	109
Marketing		16,189		
Meetings and conferences	716	34	3,488	1
Travel and mileage	1,333	2,795	14,330	12
Miscellaneous	2		5	
Depreciation	2,937			
TOTAL	\$ 166,647	\$ 107,950	\$ 162,123	\$ 90,491

See accompanying notes to financial statements.

<u>PROGRAM SERVICES</u>		<u>SUPPORTING SERVICES</u>			
TELEWORK	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND-RAISING	TOTAL SUPPORTING SERVICES	TOTAL EXPENSES 2013
\$ 12,873	\$ 217,506	\$ 28,435	\$ 8,090	\$ 36,525	\$ 254,031
1,011	23,248	3,046	6	3,052	26,300
1,026	20,073	2,015	221	2,236	22,309
586	11,664	1,400		1,400	13,064
	126,259		800	800	127,059
972	21,387	6,989		6,989	28,376
256	5,623	715	288	1,003	6,626
185	5,347	555		555	5,902
150	3,768	421	1,371	1,792	5,560
	12,453				12,453
159	3,940	1,078		1,078	5,018
198	4,447	2,713		2,713	7,160
952	27,936	2,892	1,334	4,226	32,162
324	7,127	972		972	8,099
173	3,533	650	97	747	4,280
435	10,358	1,415	569	1,984	12,342
544	16,733	84		84	16,817
5	4,244	2,307	13,326	15,633	19,877
580	19,050	1,102	538	1,640	20,690
	7	400		400	407
	2,937				2,937
<u>\$ 20,429</u>	<u>\$ 547,640</u>	<u>\$ 57,189</u>	<u>\$ 26,640</u>	<u>\$ 83,829</u>	<u>\$ 631,469</u>

UNITED CEREBRAL PALSY OF MICHIGAN, INC.
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED	
	2014	JUNE 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 33,140	\$ 21,881
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	1,294	2,937
Loss on disposal of assets	1,146	
(Increase) decrease in assets		
Grants and contracts receivable	(10,408)	5,152
Other receivables	(2,280)	
Prepaid expenses	(1,448)	(1,406)
Increase (decrease) in liabilities		
Accounts payable	(4,076)	(4,287)
Accrued payroll taxes and benefits	(7,479)	(10,852)
Deferred revenue	(20,786)	(15,680)
	<u>(10,897)</u>	<u>(2,255)</u>
NET CASH USED IN OPERATING ACTIVITIES		
	<u>(10,897)</u>	<u>(2,255)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10,897)	(2,255)
CASH AND CASH EQUIVALENTS, JULY 1	<u>63,098</u>	<u>65,353</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 52,201</u>	<u>\$ 63,098</u>

See accompanying notes to financial statements.

UNITED CEREBRAL PALSY OF MICHIGAN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

NOTE 1: SUMMARY OF ACCOUNTING POLICIES

Nature of the Organization

United Cerebral Palsy of Michigan, Inc. (the Organization) exists to develop and raise awareness of the needs of physically challenged individuals. The Organization is funded primarily through contributions, special events, grants, and local United Way agencies.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recorded when incurred.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. The Organization does not use fund accounting.

Public Support and Revenue

Grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts and Grants Receivable

Accounts and grants receivable are stated at their net realizable value. The Organization expects all outstanding balances to be collected, therefore, no allowance for uncollectable accounts has been established. The Organization uses the direct write off method to account for bad debt.

Investments

The Organization's investments are in bank certificates of deposit with readily determinable fair values with various maturity dates and rates of interest.

UNITED CEREBRAL PALSY OF MICHIGAN, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2014 AND 2013

NOTE 1: SUMMARY OF ACCOUNTING POLICIES - Concluded

Property and Equipment

The Organization capitalizes fixed assets purchases exceeding \$1,000. Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, generally 5 to 7 years.

Deferred Revenue

Deferred revenue represents grants and contracts received for which related expenditures required by the grants and contracts have not yet been made.

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 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.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Fund raising costs include both direct and indirect costs related to the solicitation of contributions from the general public.

Allocation of Contract Support

The Organization recognizes allocation from charitable organizations as the revenues are received. In accordance with the terms of the various funding organizations, revenues and expenses reported are subject to review or audit by the funding organization. The unused funds received from reimbursable contracts are refunded by United Cerebral Palsy of Michigan, Inc. at the end of the allocation period or contract.

Date of Management's Review

Subsequent events have been evaluated through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.

UNITED CEREBRAL PALSY OF MICHIGAN, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2014 AND 2013

NOTE 2: CASH AND CASH EQUIVALENTS

The Organization has unrestricted cash and cash equivalents available for operations which consist of the following as of June 30:

	2014	2013
Checking	\$ 15,388	\$ 18,800
Money market	27,203	35,207
Bingo checking	9,200	8,833
Undeposited funds and other	<u>410</u>	<u>258</u>
	<u>\$ 52,201</u>	<u>\$ 63,098</u>

Restricted cash amounts classified as current consist of:

	2014	2013
Current portion		
AT Loan Fund and Telework	<u>\$ 114,138</u>	<u>\$ 128,498</u>

AT Loan Fund

During the fiscal year ended June 30, 2007, United Cerebral Palsy of Michigan, Inc. was given the fiduciary responsibilities for the AT Loan and Telework Loan funds from the Michigan Disability Rights Coalition. In this capacity, United Cerebral Palsy of Michigan, Inc. will be the fiscal agent for the AT Loan Fund assets and Option 1 Credit Union is the loan maker. The decision on awards is not in the scope of the arrangement with United Cerebral Palsy of Michigan, Inc., however, the Organization, with the assistance of other agencies, advertises the program and does preliminary screening of applicants.

Restricted funds are held on deposit for the AT Loan and Telework Loan programs. These funds are reserved to cover the balances of lending for these programs and to provide funds to cover the administrative costs for the programs incurred by the Organization. The funds are held in both long and short-term accounts and are offset by related liabilities. We have classified these funds as other assets to reflect the long-term purpose of the program. A current portion has been recorded to reflect the administrative fee in the following year. The balances in the funds consist of the following as of June 30:

UNITED CEREBRAL PALSY OF MICHIGAN, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2014 AND 2013

NOTE 2: CASH AND CASH EQUIVALENTS - Concluded

AT Loan Fund - Concluded

	2014	2013
Checking	\$ 6,477	\$ 5,477
Money market	392,916	428,663
Savings	44,509	64,559
Special purpose	254,493	301,757
Certificates of deposit	<u>442,988</u>	<u>484,524</u>
	1,141,383	1,284,980
Less: current portion	<u>114,138</u>	<u>128,498</u>
TOTAL OTHER ASSETS	<u>\$ 1,027,245</u>	<u>\$ 1,156,482</u>

United Cerebral Palsy of Michigan, Inc. deposits all cash and investments in accounts that are insured by either the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA). United Cerebral Palsy of Michigan, Inc. had deposits in excess of insurance limits totaling \$467,654 and \$563,510 at June 30, 2014 and 2013, respectively. Total deposits in financial institutions at June 30, 2014 and 2013 were \$1,198,169 and \$1,361,246, respectively.

NOTE 3: INCOME TAX STATUS

The Organization is exempt under Section (501)(c)(3) of the Internal Revenue Code. The Organization is not classified as a private foundation by the Internal Revenue Service.

Professional standards prescribe a more-likely-than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2014 and 2013.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to June 30, 2010.

The Organization's policy is to classify income tax related interest and penalties as interest expense and other expenses, respectively. There were no income tax related expenses for the years ended June 30, 2014 and 2013.

UNITED CEREBRAL PALSY OF MICHIGAN, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2014 AND 2013

NOTE 4: GRANTS AND CONTRACTS RECEIVABLE

Grants receivable as are as follows as of June 30:

NAME OF GRANT/CONTRACT	2014	2013
DD Council – Region 2	\$ 18,112	\$ 33,523
DD Council – Region 4	17,412	
AT Center	<u>32,929</u>	<u>24,523</u>
TOTAL	<u>\$ 68,453</u>	<u>\$ 58,046</u>

NOTE 5: DEFERRED GRANT REVENUE

The detail of deferred grant revenue as of June 30 is as follows:

	2014	2013
AT Loan Fund	\$ 31,418	\$ 19,429
Telework	9,274	5,529
ION Contract	<u> </u>	<u>36,520</u>
	<u>40,692</u>	<u>61,478</u>
State Advances		
Developmental disability	<u>16,000</u>	<u>16,000</u>
TOTAL	<u>\$ 56,692</u>	<u>\$ 77,478</u>

NOTE 6: PROPERTY AND EQUIPMENT

Major classes of property and equipment are as follows as of June 30:

	2014	2013
AT Center equipment	\$ 36,361	\$ 37,845
Computer equipment	<u>22,652</u>	<u>28,704</u>
	59,013	66,549
Less: accumulated depreciation	(<u>57,663</u>)	(<u>62,760</u>)
Net property and equipment	<u>\$ 1,350</u>	<u>\$ 3,789</u>

Total depreciation expense for the years ended June 30, 2014 and 2013 was \$1,294 and \$2,937, respectively.

UNITED CEREBRAL PALSY OF MICHIGAN, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2014 AND 2013

NOTE 7: OPERATING LEASE

The Organization leased office space in East Lansing under a three year lease which commenced October 1, 2013. Monthly rent for the first year is \$1,406 and increases annually to a monthly amount of \$1,491 in year three. Total lease expense under this agreement for the year ended June 30, 2014 was \$21,084. A security deposit of \$1,406 was also recorded.

Future minimum lease payments required under the operating lease are as follows:

YEAR ENDING	AMOUNT
June 30, 2015	\$ 17,806
June 30, 2016	2,982

NOTE 8: AT AND TELEWORK LOANS

United Cerebral Palsy of Michigan, Inc. took over fiduciary responsibilities for the AT Loan Fund in 2007. In this capacity, the Organization is the fiscal agent for the loan funds assets. Option1 Credit Union is the maker. The Organization is required to maintain 100% of the outstanding loan balances as a guarantee for the loans (See Note 2). The loans are made to individuals with disabilities to fund needs for assistive technology. The terms and interest rates vary. The outstanding loan information is as follows:

	NUMBER OF LOANS OUTSTANDING	TOTAL LOAN AMOUNT	TOTAL REMAINING BALANCE
JUNE 30, 2014	75	\$ <u>822,331</u>	
Total loan funds available			\$ 1,141,383
Loan funds reserved			511,922
Current portion administrative			<u>114,138</u>
Available for future lending			\$ <u>515,323</u>
 JUNE 30, 2013	 97	 \$ <u>1,034,029</u>	
Total loan funds available			\$ 1,284,980
Loan funds reserved			673,216
Current portion administrative			<u>128,498</u>
Available for future lending			\$ <u>483,266</u>

UNITED CEREBRAL PALSY OF MICHIGAN, INC.

NOTES TO FINANCIAL STATEMENTS - Concluded

JUNE 30, 2014 AND 2013

NOTE 9: RETIREMENT PLANS

The Organization offers a 403(b) retirement plan. The Plan is administered by United Cerebral Palsy of Michigan, Inc. and fund assets are held at Mutual of America. Employees are eligible to participate after one year and 1,000 minimum hours of service. Employees are eligible to make salary reduction contributions to the Plan.

The Organization contributes 5% of all full time employees' wages to a 403(b) tax-deferred annuity plan. Four (4) employees participated in the Plan during the year ended June 30, 2014. Total amounts contributed for the years ended June 30, 2014 and 2013 were \$12,424 and \$13,064, respectively.

NOTE 10: GRANTS

The Organization has received numerous grants for specific purposes which are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that such required reimbursements, if any, would be immaterial.

The Organization relies on revenues from grants and assistive technology activities for approximately 84% of its funding. Currently, management does not anticipate the nature of these relationships will change.

NOTE 11: UNRELATED BUSINESS INCOME TAX

The Organization is subject to unrelated business income tax on the excess of its Bingo Charity Gaming Card revenue over expenses. For the years ended June 30, 2014 and 2013, the total tax liability was \$0 and \$0, respectively, and is netted with Bingo revenue on the statement of activities.

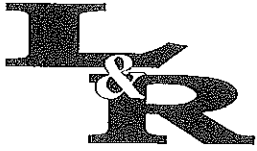
NOTE 12: IN-KIND SUPPORT

The Organization receives an in-kind donation of office space for its assistive technology center in Marquette. Prizes and children's books were also donated to the Organization for fund raising purposes. The total market value of these in-kind contributions for the years ended June 30, 2014 and 2013 was \$9,151 and \$7,000, respectively, and is included in revenue and occupancy expense.

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SUPPLEMENTARY INFORMATION

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Layton & Richardson, P.C.

Certified Public Accountants

INDEPENDENT AUDITORS' 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

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Board of Directors
United Cerebral Palsy
of Michigan, Inc.
East Lansing, Michigan

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 financial statements of United Cerebral Palsy of Michigan, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and changes in net assets, 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 December 8, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered United Cerebral Palsy of Michigan, Inc.'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 United Cerebral Palsy of Michigan, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 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. 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 United Cerebral Palsy of Michigan, Inc.'s financial statements are free from material misstatement, 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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Layton & Richardson, P.C.
Certified Public Accountants

East Lansing, Michigan
December 8, 2014