

United Cerebral Palsy, Inc.

Financial Report
September 30, 2009

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Trustees
United Cerebral Palsy, Inc.
Washington, D.C.

We have audited the accompanying statement of financial position of United Cerebral Palsy, Inc. (UCP) as of September 30, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of UCP's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Cerebral Palsy, Inc., as of September 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14 to the financial statements, UCP has restated its 2008 financial statements to properly report unrestricted and temporarily restricted net assets in accordance with accounting principles generally accepted in the United States of America. We audited the adjustments necessary to restate the 2008 financial statements as discussed in Note 14. In our opinion, such adjustments are appropriate and have been properly applied.

McGladrey & Pullen, LLP

Vienna, Virginia
May 4, 2010

United Cerebral Palsy, Inc.

Statement Of Financial Position
September 30, 2009

Assets

Cash And Cash Equivalents	
Cash available for operations	\$ 496,225
Temporary cash investments	174,873
Total cash and cash equivalents	<u>671,098</u>
Investments	8,229,687
Receivables And Other Assets, net	408,422
Beneficial Interests In Trusts Held By Third Parties	161,215
Property And Equipment, net	97,601
	<u>\$ 9,568,023</u>

Liabilities And Net Assets

Liabilities	
Accounts payable and accrued expenses	\$ 606,788
Deferred revenue	31,769
Due to affiliates	335,656
Line of credit	860,589
Total liabilities	<u>1,834,802</u>

Commitments (Notes 5, 7, and 8)

Net Assets

Unrestricted	
Undesignated (deficit)	(872,633)
Board-designated	3,156,762
Total unrestricted	<u>2,284,129</u>
Temporarily restricted	824,585
Permanently restricted	4,624,507
	<u>7,733,221</u>
	<u>\$ 9,568,023</u>

See Notes To Financial Statements.

United Cerebral Palsy, Inc.

Statement Of Activities
Year Ended September 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues And Support				
Affiliates' membership fees	\$ 2,461,495	\$ -	\$ -	\$ 2,461,495
Contributions	2,704,073	205,077	-	2,909,150
Event revenue	212,688	-	-	212,688
Other revenue	462,883	-	-	462,883
Net assets released from restrictions	1,135,317	(1,135,317)	-	-
Total operating revenues and support	6,976,456	(930,240)	-	6,046,216
Operating Expenses				
Program services:				
Support to affiliates	1,863,990	-	-	1,863,990
Public education	742,464	-	-	742,464
Life without limits	632,642	-	-	632,642
Public policy analysis/advocacy	620,993	-	-	620,993
Non-federal grants	177,025	-	-	177,025
Total program services	4,037,114	-	-	4,037,114
Supporting services:				
Management and general	1,879,927	-	-	1,879,927
Fundraising	786,601	-	-	786,601
Total supporting services	2,666,528	-	-	2,666,528
Total operating expenses	6,703,642	-	-	6,703,642
Change in net assets from operations	272,814	(930,240)	-	(657,426)
Non-Operating Revenues, Gains And Support				
Investment return	(459,265)	(641,418)	-	(1,100,683)
Change in beneficial interests in trusts held by third parties	-	(9,760)	(10,175)	(19,935)
Total non-operating revenues, gains and support	(459,265)	(651,178)	(10,175)	(1,120,618)
Change in net assets	(186,451)	(1,581,418)	(10,175)	(1,778,044)
Net Assets				
Beginning (as restated Note 14)	2,470,580	2,406,003	4,634,682	9,511,265
Ending	<u>\$ 2,284,129</u>	<u>\$ 824,585</u>	<u>\$ 4,624,507</u>	<u>\$ 7,733,221</u>

See Notes To Financial Statements.

United Cerebral Palsy, Inc.

Statement Of Functional Expenses
Year Ended September 30, 2009

	Program Services					Support Services				Total
	Support to Affiliates	Life Without Limits	Public Education	Public Policy Analysis/ Advocacy	Non-Federal Grants	Total Program Services	Management And General	Fundraising	Total Support Services	
Salaries	\$ 155,393	\$ 259,162	\$ 357,443	\$ 248,517	\$ -	\$ 1,020,515	\$ 564,889	\$ 319,444	\$ 884,333	\$ 1,904,848
Employee benefits and taxes	28,423	47,404	65,381	45,457	-	186,665	103,326	58,430	161,756	348,421
Total salaries and benefits	183,816	306,566	422,824	293,974	-	1,207,180	668,215	377,874	1,046,089	2,253,269
Awards and grants	1,250,532	-	182,518	-	177,025	1,610,075	41,490	23,200	64,690	1,674,765
Program, professional, and contract services	24,963	168,811	8,775	318,976	-	521,525	234,791	6,832	241,623	763,148
Occupancy	-	54,842	-	-	-	54,842	586,793	-	586,793	641,635
Rides	285,817	-	-	-	-	285,817	-	-	-	285,817
Membership dues, support and subscriptions	-	210,000	14,084	936	-	225,020	43,754	7,593	51,347	276,367
Direct mail	-	-	-	-	-	-	-	257,880	257,880	257,880
Conferences, conventions, and meetings	79,017	-	475	49	-	79,541	3,759	2,228	5,987	85,528
Interest expense and Investment Fees	-	-	-	-	-	-	84,979	-	84,979	84,979
Travel and related costs	25,652	1,886	1,418	4,481	-	33,437	39,970	8,295	48,265	81,702
Gala	-	-	-	-	-	-	-	78,151	78,151	78,151
Telephone and teleconference	1,743	317	575	1,762	-	4,397	29,868	6,246	36,114	40,511
Employee recruitment	-	35	-	-	-	35	18,055	110	18,165	18,200
Outside printing and artwork	7,090	-	1,487	250	-	8,827	7,547	411	7,958	16,785
Postage and shipping	853	7	101	-	-	961	9,523	746	10,269	11,230
Supplies	718	-	300	153	-	1,171	8,902	841	9,743	10,914
Other	1,039	-	85	412	-	1,536	27,382	16,194	43,576	45,112
Total expense before depreciation, uncollectible dues, and contributed services	1,861,240	742,464	632,642	620,993	177,025	4,034,364	1,805,028	786,601	2,591,629	6,625,993
Depreciation	-	-	-	-	-	-	61,899	-	61,899	61,899
Uncollectible dues	-	-	-	-	-	-	13,000	-	13,000	13,000
Contributed services	2,750	-	-	-	-	2,750	-	-	-	2,750
Total expenses	\$ 1,863,990	\$ 742,464	\$ 632,642	\$ 620,993	\$ 177,025	\$ 4,037,114	\$ 1,879,927	\$ 786,601	\$ 2,666,528	\$ 6,703,642

See Notes To Financial Statements.

United Cerebral Palsy, Inc.

Statement Of Cash Flows
Years Ended September 30, 2009

Cash Flows From Operating Activities	
Change in net assets	\$ (1,778,044)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	61,899
Uncollectible dues expense	13,000
Realized and unrealized losses on investments	1,625,825
Change in beneficial interests in trusts held by third parties	19,935
Change in deferred rent	(38,070)
Changes in assets and liabilities:	
(Increase) decrease in:	
Promises to give	500,000
Receivables and other assets	106,055
Increase (decrease) in:	
Accounts payable and accrued expenses	(159,177)
Deferred revenue	(42,303)
Due to affiliates	225,551
Net cash provided by operating activities	<u>534,671</u>
Cash Flows From Investing Activities	
Purchases of investments	(11,156,299)
Proceeds from sales of investments	10,887,602
Collections on notes receivable	172,000
Net cash used in investing activities	<u>(96,697)</u>
Cash Flows From Financing Activities	
Principle payments on line of credit	(298,099)
Net cash used in financing activities	<u>(298,099)</u>
Net increase in cash and cash equivalents	139,875
Cash And Cash Equivalents	
Beginning	531,223
Ending	<u>\$ 671,098</u>
Supplemental Disclosure of Cash Flow Information	
Cash payments for interest	<u>\$ 44,820</u>

See Notes To Financial Statements.

United Cerebral Palsy, Inc.

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies

Nature of activities: United Cerebral Palsy, Inc. (UCP) conducts four major program services for the benefit of persons with disabilities, as follows:

- Support to affiliates through the programs detailed below, as well as through public and private grants;
- Life Without Limits, which is an initiative to empower people with disabilities to envision and build a better future for themselves and their community;
- Public education designed to increase the public's awareness of cerebral palsy and other disabilities, the causes, treatments and preventions, as well as the needs and rights of persons with disabilities;
- Public policy analysis and advocacy.

UCP has approximately 100 state and local affiliates that provide advocacy and direct services to people with disabilities and their families. UCP was founded in 1948 to fulfill the important role of advancing the independence of people with disabilities. UCP supports affiliates in many facets of operations such as public education, public policy, advocacy, program services, and fundraising. UCP enhances the public's awareness of the services provided to people with disabilities and their families by UCP, its affiliates, and other agencies. UCP's support comes primarily from affiliate member fees, contributions and government grants.

A summary of UCP's significant accounting policies follows:

Basis of accounting: The accompanying financial statements are presented in accordance with the accrual basis of accounting whereby revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: The financial statement presentation follows the recommendation of the Financial Accounting Standards Board Accounting Standards Codification (the Codification). As required by the Non-Profit Entities topic of the Codification, *Financial Statements of Not-for-Profit Organizations*, UCP is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Cash and cash equivalents: UCP considers money market funds and all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Financial risk: UCP maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. UCP has not experienced any losses in such accounts. UCP believes it is not exposed to any significant financial risk on cash and cash equivalents.

UCP invests in professional managed portfolios that contain corporate stocks and bonds. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that the changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Investments: Investments are recorded at fair market value. To adjust the carrying value of these investments, the change in fair market value is included as a component of investment return on the statement of activities.

United Cerebral Palsy, Inc.

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Receivables: Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using the historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The provision for doubtful accounts was \$133,426 at September 30, 2009.

Beneficial interest in trusts held by third parties: UCP is the beneficiary of the income of two charitable annuity trusts that it does not administer. The investments of each trust are administered by a trustee who is independent of UCP, and distributions are made to UCP in accordance with the trust agreement for each trust. These trusts are invested in cash and cash equivalents, fixed income funds, mutual funds, and equities. UCP records its interest in these trusts at fair market value within permanently restricted net assets. Income lost on these trusts, representing depreciation, for the year ended September 30, 2009, was (\$10,175), and is classified as permanently restricted support in the accompanying statement of activities. Income earned on these trusts and paid quarterly is classified as unrestricted support in the accompanying statement of activities. For the year ended September 30, 2009, this amount was \$4,101.

UCP has two charitable remainder trust interests, valued at \$27,236, respectively, net of discount. These amounts were classified as temporarily restricted support in the statement of activities. These trusts currently pay income to the beneficiaries. At the time of the beneficiaries' deaths, the trusts will terminate and be distributed to ten charities, including UCP, in equal shares. UCP records its interest in these trusts at fair market value within temporarily restricted net assets. Income lost on these trusts, representing depreciation, for the year ended September 30, 2009, was (\$9,760), and is classified as temporarily restricted support in the accompanying statement of activities.

Property and equipment: UCP capitalizes all property and equipment with a cost of \$500 or more. Property and equipment is stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, ranging from three to five years.

Net asset classification: Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the 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 restrictions and may be expended for any purpose in performing the primary objectives of UCP.

Board Designated net assets – Net assets not subject to donor-imposed restrictions (unrestricted), but designated as to use by the Board of Trustees.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that will be met either by actions of UCP and/or the passage of time. As such restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed restrictions, which stipulate that the corpus be maintained in perpetuity by UCP, but permit UCP to expend part or all of the income and gains derived therefrom.

United Cerebral Palsy, Inc.

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Revenue and support: Affiliates' membership fees are recognized monthly when earned. Revenue received for these fees, which relate to subsequent years, has been reflected as deferred revenue.

Contributions are recognized when received or earned. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

Event revenue is recognized when earned. Revenues received for events, which relate to subsequent periods, are reflected as deferred revenue.

Functional allocation of expenses: The costs of providing UCP's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income taxes: UCP is a nonprofit voluntary health and welfare agency exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the IRC). It has been classified as a publicly supported charitable organization under Section 509(a)(1) of the IRC and qualifies for the maximum charitable contribution deduction allowable to donors.

Estimates: The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recent and upcoming accounting pronouncements: The Income Tax Topic of the Codification prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return, including positions that the organization is exempt from income taxes or not subject to income taxes on unrelated business income. If there are changes in net assets as a result of the application of the provisions of the Codification, these will be accounted for as an adjustment to the opening balance of net assets. Additional disclosures about the amounts of such liabilities will also be required. UCP presently recognizes or discloses income tax positions based on management's estimate of whether it is probably or reasonably possible that a liability has been incurred for unrecognized income tax benefits by applying the provisions of the Contingency Topic of the Codification. UCP has elected to defer the application of the uncertainty in income tax provisions of the Income Tax Topic of the Codification, and will be required to adopt these provisions in its 2010 annual financial statements.

Subsequent events: UCP evaluated subsequent events for potential required disclosures through May 4, 2010, which is the date the financial statements were available to be issued.

United Cerebral Palsy, Inc.

Notes To Financial Statements

Note 2. Investments

UCP's investments at September 30, 2009, consist of the following:

Equity securities	\$ 4,807,727
Fixed income securities	3,421,960
	<u>\$ 8,229,687</u>

Investment return for the year ended September 30, 2009, consists of the following:

Interest and dividend income	\$ 525,142
Realized and unrealized losses, net	(1,625,825)
	<u>\$ (1,100,683)</u>

Note 3. Notes Receivable

In May 2007, UCP entered into three notes receivables with affiliates totaling \$280,000. Under the terms of these notes, the interest rate is 1 percent per year, and the balance of the notes are due at the earlier of November 2010, or the date in which the affiliates receive permanent and long term financing for their residential property. The balances of these notes at September 30, 2009, are \$108,000, and are included in receivables and other assets on the accompanying statement of financial position.

Note 4. Property And Equipment And Accumulated Depreciation

Property and equipment and accumulated depreciation at September 30, 2009, are as follows:

Office equipment	\$ 397,999
Leasehold improvements	210,507
	<u>608,506</u>
Less: accumulated depreciation	510,905
	<u>\$ 97,601</u>

Note 5. Commitments

Leases: UCP has entered into various operating leases for office equipment. In addition, UCP maintains a lease for office space located in Washington, DC under a non-cancelable operating lease.

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

Years Ending September 30,	
2010	\$ 508,878
2011	515,649
2012	3,951
	<u>\$ 1,028,478</u>

Rent expense related to these leases was \$599,395 for the year ended September 30, 2009.

United Cerebral Palsy, Inc.

Notes To Financial Statements

Note 5. Commitments (Continued)

During the year ended September 30, 2009, UCP earned approximately \$130,000, of revenues from subleases. Future minimum sublease payments required under the lease agreements are approximately \$59,000, for the year ending September 30, 2010.

Note 6. Line Of Credit

UCP has a \$1,500,000 line of credit with Branch Banking and Trust Company (BB&T). The line of credit is secured by a collateral agreement pledging \$1,500,000 of unrestricted funds with the Board Restricted Endowment Fund Account held at Goldman, Sachs & Co. The line expires on April 15, 2011. Interest on the line of credit is payable monthly at a variable rate based on BB&T's prime rate, which was 4.25% as of September 30, 2009. As of September 30, 2009, UCP had \$860,589 outstanding on the line of credit.

Note 7. Retirement Contributions

UCP sponsors a 401(k) plan for its employees, whereby UCP deposits to each eligible employee's 401(k) account an amount equal to the employee's 401(k) contributions up to a maximum of 2 percent of the employee's annual salary, and an additional "Safe Harbor Contribution" of 3 percent of the employee's annual salary. Full time employees who have at least six months of service with UCP are eligible for the 2 percent employer match and 3 percent Safe Harbor Contribution. Pension expense for the year ended September 30, 2009, was approximately \$83,000, and is included in Employee benefits and taxes in the accompanying statement of functional expenses.

Note 8. Employment Agreement

UCP has an employment contract with the Executive Director of UCP through May 31, 2011, which includes a severance package for early termination.

Note 9. Related Parties

The local affiliates are related to, but not controlled by UCP. Therefore, they are not consolidated in the accompanying financial statements.

UCP recorded membership fee revenues from affiliates in the amount of \$2,461,495, during the year ended September 30, 2009.

A portion of the national corporate sponsors' contributions received directly by UCP is allocated to the local affiliates pursuant to sharing agreements with national corporate sponsors. These contributions amounted to \$1,827,917 for the year ended September 30, 2009. During the year ended September 30, 2009, \$1,251,521 was allocated to the local affiliates. Support from the public reflected in the accompanying financial statements excludes collections retained by the local affiliates and contributions allocated by UCP to the local affiliates. Expenses incurred by the local affiliates are borne by them and are not included in the accompanying financial statements. Public policy analysis/advocacy and public education are program services provided to and for the benefit of the general public and local affiliates. Affiliate services are program services provided to and for the benefit of local affiliates.

United Cerebral Palsy, Inc.

Notes To Financial Statements

Note 10. Unrestricted Net Assets Available For Operations Deficit

Unrestricted net assets available for operations as of September 30, 2009, had a deficit of \$872,633. The deficit was principally caused by costs incurred by UCP in funding a major ride program across the country. The ride was in conjunction with local UCP affiliates and was intended to raise awareness and educate the public about individuals with cerebral palsy and other disabilities.

Note 11. Fair Value Measurements

During the year ended September 30, 2009, UCP adopted the Codification topic on *Fair Value Measurements* and there was no material impact on the financial statements. This statement establishes a single authoritative definition of fair value, sets out a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurements. The FASB applies to all assets and liabilities that are being measured and reported on a fair value basis. This statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1. Quoted market prices in active markets for identical assets or liabilities.

Level 2. Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3. Unobservable inputs that are not corroborated by market data.

The estimated fair values of UCP's short-term financial instruments, including receivables and payables arising in the ordinary course of operations, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization.

In determining the appropriate levels, UCP performs a detailed analysis of the assets and liabilities that are subject to fair value measurements. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy.

	Level 1	Level 2	Level 3	Total
Assets:				
Equity securities	\$ 4,807,727	\$ -	\$ -	\$ 4,807,727
Fixed income securities	-	3,421,960	-	3,421,960
Money market funds	174,873	-	-	174,873
Beneficial interests in trusts held by third parties	-	-	161,215	161,215
Total assets	<u>\$ 4,982,600</u>	<u>\$ 3,421,960</u>	<u>\$ 161,215</u>	<u>\$ 8,565,775</u>

Equity securities and money market funds are classified as Level 1 instruments as they are actively traded on public exchanges.

United Cerebral Palsy, Inc.

Notes To Financial Statements

Note 11. Fair Value Measurements (Continued)

Fixed income securities are classified as Level 2 instruments as there are not quoted market prices in active markets for identical assets. Their value is determined using models and other valuation methodologies, which are corroborated by market data.

Beneficial interests in trusts held by third parties are classified as Level 3 instruments based on the fact that there is no market for UCP's interests in the trusts.

For assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period, FAS 157 requires reconciliation of the beginning and ending balances, separately for each major category of assets and liabilities, except for derivative assets and liabilities, which may be presented net. The table below represents the reconciliation of the Foundation's assets measured at fair value on a recurring basis using significant unobservable inputs.

Description	Beneficial interests in trusts held by third
Beginning balance of assets	\$ 181,150
Total change in value recorded in revenue	(19,935)
Ending balance of assets	<u>\$ 161,215</u>

Note 12. Board Designated And Permanently Restricted Net Assets

During the year ended September 30, 2009, UCP adopted the Codification on *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. The Codification addresses accounting issues related to guidelines in the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was adopted by the National Conferences of Commissioners on Uniform State Laws in July 2006. UCP includes all permanently restricted funds and temporarily restricted quasi-endowment funds in its endowments. The Management of UCP has interpreted UPMIFA as requiring the preservation of the fair value of original donor-restricted endowment gifts as of the date of the gift absent explicit donor stipulations to the contrary. As a result of this interpretation, UCP classifies as permanently restricted net assets (a) the original value of cash gifts donated to permanent endowment, (b) the discounted value of future gifts promised to permanent endowment, net of allowance for uncollectible pledges, and (c) the fair value of non-cash gifts received whereby the proceeds of any future sale are donor-restricted to permanent endowment. The remaining portion of donor-restricted endowment funds not classified in permanently restricted net assets is classified as temporarily restricted 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, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The purpose of UCP and donor-restricted endowment fund
- The duration and preservation of the fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other available financial resources
- Investment policies

United Cerebral Palsy, Inc.

Notes To Financial Statements

Note 12. Board Designated And Permanently Restricted Net Assets (Continued)

Investment and spending policies: UCP invests all endowment funds in a pooled fund managed by an investment manager according to the objectives and guidelines of UCP's Investment Policy. The Investment Committee is specifically charged with conducting regular reviews of the performance and mix of the investments that make up the Fund portfolio.

Annually, UCP budgets for 5% of the board designated endowment funds to be spent in the following year. This amount is approved by the UCP Board via the budgeting process. Throughout the year, monthly, 5% of the investment balance is transferred to operations for utilization.

Annually, UCP budgets for 4.5% of the donor-restricted endowment funds to be spent in the following year. During the year ended September 30, 2009, the use of funds was suspended to ensure the investment balance stayed in excess of the corpus.

UCP's endowment funds consist of the following at September 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 753,699	\$ 4,624,507	\$ 5,378,206
Board designated endowment funds	3,156,762	-	-	3,156,762
	<u>\$ 3,156,762</u>	<u>\$ 753,699</u>	<u>\$ 4,624,507</u>	<u>\$ 8,534,968</u>

Endowment fund activity for the year ended September 30, 2009, consists of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 3,837,058	\$ 1,586,452	\$ 4,634,682	\$ 10,058,192
Investment loss	(459,265)	(641,418)	-	(1,100,683)
Change in beneficial interests in trusts	-	-	(10,175)	(10,175)
Investment fees	(10,547)	(14,310)	-	(24,857)
Amounts appropriated for expenditure	(210,484)	(177,025)	-	(387,509)
Endowment net assets, end of year	<u>\$ 3,156,762</u>	<u>\$ 753,699</u>	<u>\$ 4,624,507</u>	<u>\$ 8,534,968</u>

The endowment funds are composed of the investments, detailed in Note 2, as well as the temporary cash investments on the statement of financial position.

Permanently restricted net assets at September 30, 2009, consist of the Bellows endowment detailed above, as well as the charitable annuity trust interests detailed in Note 1. Earnings on the Bellows endowment fund are temporarily restricted for program purposes as specified by the donor.

United Cerebral Palsy, Inc.

Notes To Financial Statements

Note 13. Temporarily Restricted Net Assets

Temporarily restricted net assets include donor restricted funds, which are only available for program activities, or general support designated for future years. Temporarily restricted net assets were released from restrictions during the year ended September 30, 2009, due to the purpose of the restriction being accomplished.

Temporarily restricted net assets at September 30, 2009, are available for the following:

	Balance September 30, 2008 (as Restated)	Additions	Investment Losses/Change in Value	Investment fees	Released	Balance September 30, 2009
Purpose restrictions:						
Bellows endowment funds	\$ 1,586,452	\$ -	\$ (641,418)	\$ (14,310)	\$ (177,025)	\$ 753,699
Life without limits	641,191	144,592	-	-	(742,464)	43,319
Toys "R" Us	-	10,000	-	-	-	10,000
My child without limits	151,033	50,485	-	-	(201,518)	-
	2,378,676	205,077	(641,418)	(14,310)	(1,121,007)	807,018
Time restriction - Trust assets	27,327	-	(9,760)	-	-	17,567
Total	\$ 2,406,003	\$ 205,077	\$ (651,178)	\$ (14,310)	\$ (1,121,007)	\$ 824,585

Note 14. Prior Period Adjustments

During the year ended September 30, 2009, management determined that time restriction on some temporarily restricted net assets had been satisfied in previous years and were not properly released from the restriction. This error caused previously reported unrestricted net assets to be understated and temporarily restricted net assets to be overstated by \$1,332,360 at September 30, 2008.

Also during the year ended September 30, 2009, management determined that during the year ended September 30, 2002, \$500,886 of investment gains from permanently restricted net assets were reported as unrestricted net assets instead of temporarily restricted net assets. This error caused previously reported unrestricted net assets to be overstated and temporarily restricted net assets to be understated by \$500,886 at September 30, 2008.

Unrestricted net assets and temporarily restricted net assets at September 30, 2008 have been restated by \$831,474 to correct the above errors.

The effect is as follows:

	Unrestricted Net Assets	Temporarily Restricted Net Assets
September 30, 2008, as originally reported	\$ 1,639,106	\$ 3,237,477
Prior period adjustment	831,474	(831,474)
September 30, 2008, as restated	<u>\$ 2,470,580</u>	<u>\$ 2,406,003</u>