

United Cerebral Palsy, Inc.

Financial Report
September 30, 2015

Contents

Independent auditor's report	1-2
<hr/>	
Financial statements	
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to financial statements	7-17



RSM US LLP

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of United Cerebral Palsy, Inc. (UCP), which comprise the statement of financial position as of September 30, 2015, the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, (collectively, 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. 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, Inc. as of September 30, 2015, 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.

Report on Summarized Comparative Information

We have previously audited UCP's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 14, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Washington, D.C.
February 16, 2016

United Cerebral Palsy, Inc.

**Statement of Financial Position
September 30, 2015
(With Comparative Totals for 2014)**

	2015	2014
Assets		
Cash and cash equivalents	\$ 421,022	\$ 369,205
Investments	9,328,130	10,461,047
Receivables, net	149,203	766,396
Prepaid expense	129,561	146,527
Beneficial interest in trusts held by third parties	221,431	236,075
Property and equipment, net	650,586	757,525
	<u>\$ 10,899,933</u>	<u>\$ 12,736,775</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 792,526	\$ 808,199
Line of credit	1,746,157	1,745,093
Due to affiliates	5,286	16,856
Deferred revenue	33,288	100,781
Deferred rent	904,823	992,208
Total liabilities	<u>3,482,080</u>	<u>3,663,137</u>
Commitments (Notes 3, 4, 5 and 6)		
Net assets:		
Unrestricted:		
Undesignated (deficit)	(2,330,338)	(1,776,086)
Board designated	3,094,230	3,555,510
Total unrestricted	<u>763,892</u>	<u>1,779,424</u>
Temporarily restricted	1,984,916	2,614,717
Permanently restricted	4,669,045	4,679,497
	<u>7,417,853</u>	<u>9,073,638</u>
	<u>\$ 10,899,933</u>	<u>\$ 12,736,775</u>

See notes to financial statements.

United Cerebral Palsy, Inc.

Statement of Activities

Year Ended September 30, 2015

(With Comparative Totals for 2014)

	2015			Total	2014
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Operating revenue and support:					
Affiliates' membership fees	\$ 2,156,763	\$ -	\$ -	\$ 2,156,763	\$ 2,218,914
Contributions	798,344	198,979	-	997,323	1,356,079
Event revenue	278,231	-	-	278,231	354,979
Other revenue	110,658	-	-	110,658	84,454
Consulting revenue	-	-	-	-	4,666
Net assets released from restrictions	329,395	(329,395)	-	-	-
Total operating revenue and support	3,673,391	(130,416)	-	3,542,975	4,019,092
Operating expenses:					
Program services:					
Support to affiliates	1,036,144	-	-	1,036,144	1,151,225
Public education	483,160	-	-	483,160	530,080
Public policy analysis/advocacy	327,188	-	-	327,188	517,829
Life without limits	279,604	-	-	279,604	235,433
Non-federal grants	169,265	-	-	169,265	219,067
Total program services	2,295,361	-	-	2,295,361	2,653,634
Supporting services:					
Management and general	1,444,687	-	-	1,444,687	1,478,768
Fundraising	771,227	-	-	771,227	625,875
Strategic Initiative	-	-	-	-	197,817
Total supporting services	2,215,914	-	-	2,215,914	2,302,460
Total operating expenses	4,511,275	-	-	4,511,275	4,956,094
Change in net assets from operations	(837,884)	(130,416)	-	(968,300)	(937,002)
Nonoperating revenue and (losses) gains:					
Investment return	(177,648)	(495,193)	-	(672,841)	1,028,327
Change in beneficial interests in trusts held by third parties	-	(4,192)	(10,452)	(14,644)	20,463
Total non-operating revenue and (losses) gains	(177,648)	(499,385)	(10,452)	(687,485)	1,048,790
Change in net assets	(1,015,532)	(629,801)	(10,452)	(1,655,785)	111,788
Net assets:					
Beginning	1,779,424	2,614,717	4,679,497	9,073,638	8,961,850
Ending	\$ 763,892	\$ 1,984,916	\$ 4,669,045	\$ 7,417,853	\$ 9,073,638

See notes to financial statements.

United Cerebral Palsy, Inc.

Statement of Functional Expenses
Year Ended September 30, 2015
(With Comparative Totals for 2014)

	2015										2014 Total
	Program Services					Support Services					
	Support to Affiliates	Public Education	Public Policy Analysis/ Advocacy	Life Without Limits	Non-Federal Grants	Total Program Services	Management and General	Fundraising	Total Support Services	Total	
Salaries	\$ 450,987	\$ 283,225	\$ 106,658	\$ 225,982	\$ -	\$ 1,066,852	\$ 579,740	\$ 356,576	\$ 936,316	\$ 2,003,168	\$ 2,050,161
Employee benefits and taxes	69,518	43,819	17,065	36,157	-	166,559	86,677	54,977	141,654	308,213	294,201
Total salaries and benefits	520,505	327,044	123,723	262,139	-	1,233,411	666,417	411,553	1,077,970	2,311,381	2,344,362
Occupancy	141,151	56,460	28,230	-	-	225,841	225,841	112,920	338,761	564,602	579,140
Program and professional and contract services	45,533	38,671	168,377	17,443	-	270,024	188,683	3,929	192,612	462,636	939,202
Awards and grants	192,648	27,518	-	-	169,265	389,431	-	-	-	389,431	438,812
Direct mail	-	-	-	-	-	-	-	138,702	138,702	138,702	64,613
Interest expense and investment fees	-	-	-	-	-	-	122,713	-	122,713	122,713	111,427
Conferences, conventions and meetings	82,100	-	-	-	-	82,100	4,418	-	4,418	86,518	85,547
Travel and related costs	23,537	6,124	65	22	-	29,748	43,615	10,957	54,572	84,320	95,899
Events	-	-	-	-	-	-	-	43,084	43,084	43,084	35,768
Membership dues and support and subscriptions	-	7,623	550	-	-	8,173	26,711	4,219	30,930	39,103	47,877
Postage and shipping	-	1,550	-	-	-	1,550	3,678	19,145	22,823	24,373	10,201
Outside printing and artwork	364	6,537	-	-	-	6,901	1,139	2,990	4,129	11,030	4,084
Supplies	-	280	-	-	-	280	4,243	823	5,066	5,346	7,693
Telephone and teleconference	20	-	616	-	-	636	576	103	679	1,315	2,635
Miscellaneous	-	98	-	-	-	98	111,634	293	111,927	112,025	1,775
Total expense before depreciation, loss on disposal, bad debt and uncollectible dues	1,005,858	471,905	321,561	279,604	169,265	2,248,193	1,399,668	748,718	2,148,386	4,396,579	4,769,035
Depreciation	28,137	11,255	5,627	-	-	45,019	45,019	22,509	67,528	112,547	118,325
Loss on disposal of property and equipment	-	-	-	-	-	-	-	-	-	-	5,960
Bad debt	-	-	-	-	-	-	-	-	-	-	50,000
Uncollectible dues	2,149	-	-	-	-	2,149	-	-	-	2,149	12,774
Total expenses	\$ 1,036,144	\$ 483,160	\$ 327,188	\$ 279,604	\$ 169,265	\$ 2,295,361	\$ 1,444,687	\$ 771,227	\$ 2,215,914	\$ 4,511,275	\$ 4,956,094

See notes to financial statements.

United Cerebral Palsy, Inc.

Statement of Cash Flows
Year Ended September 30, 2015
(With Comparative Totals for 2014)

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ (1,655,785)	\$ 111,788
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	112,547	118,325
Realized and unrealized loss (gain) on investments	914,333	(793,695)
Change in beneficial interests in trusts held by third parties	14,644	(20,463)
Loss on disposal of property and equipment	-	5,960
Change in deferred rent	(87,385)	(68,780)
Bad debt expense	-	50,000
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables, net	597,749	(579,202)
Prepaid expense	16,966	(32,861)
Increase (decrease) in:		
Accounts payable and accrued expenses	(15,673)	37,304
Due to affiliates	(11,570)	(5,391)
Deferred revenue	(67,493)	69,303
Net cash used in operating activities	(181,667)	(1,107,712)
Cash flows from investing activities:		
Purchases of investments	(1,769,455)	(4,455,129)
Proceeds from sales of investments	1,988,039	4,726,635
Purchases of property and equipment	(5,608)	(2,362)
Collections on notes receivable	19,444	59,127
Net cash provided by investing activities	232,420	328,271
Cash flows from financing activities:		
Principal payments on line of credit	(100,208)	-
Proceeds from line of credit	101,272	915,000
Net cash provided by financing activities	1,064	915,000
Net increase in cash and cash equivalents	51,817	135,559
Cash and cash equivalents:		
Beginning	369,205	233,646
Ending	\$ 421,022	\$ 369,205
Supplemental disclosure of cash flow information:		
Cash payments for interest	\$ 37,873	\$ 28,549

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 three 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
- 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 85 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 and contributions.

UCP operates the following programs:

Support to affiliates: UCP provides a worldwide and international network of various UCP nonprofit organizations providing programs and services for persons with disabilities and their families. UCP continues to strive to present a brand name that will generate revenue that will support the affiliates in the network. The National office hosts an annual conference, for all affiliates, that provides educational tools, resources and updates on changes within the network.

Public education: UCP's knowledge of disability issues has been growing each year. Connecting individuals and families with the resources and services they need, helps fulfill UCP's mission of advancing the independence, productivity and full citizenship of people with a spectrum of disabilities. UCP's Public Education & Outreach (PEO) efforts include two primary components:

- Public education resources: UCP's in depth, online resources; state resource guides; and a toll-free telephone hotline for inquiries
- Public education campaigns: At the heart of UCP's PEO effort are key public education campaigns which include My Life Without Limits and My Child Without Limits, which support individuals with a range of disabilities and their parents

Public policy analysis/advocacy: Since its founding, UCP has been a voice for issues important to people with disabilities. UCP raised awareness about horrific living conditions in state institutions, leading to the liberation of thousands of people with disabilities from institutional living nationwide. UCP is still pushing for opportunities, protections and public policies that ensure fair and full citizenship for people with a range of disabilities and their families.

Life Without Limits: Life Without Limits (LWL) is a national initiative launched by UCP to empower people with disabilities to envision and build a better future for themselves, their communities and the world at large. LWL shines a spotlight on key issues impacting people with disabilities and uses this information to advocate for dynamic changes in society that advance the civil rights movement for people with disabilities. It is about improving the lives of people with disabilities by harnessing the latest innovations in technology to increase their access to the wider world and marketplace. It is also a place to create a forum for increased learning that strengthens service providers, advocates, medical researchers and self-advocates creating broad changes in the way that society interacts with people with disabilities.

United Cerebral Palsy, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Non-federal grants: Assistive technology often plays a vital role in the lives of people with disabilities. Assistive technology is any item, piece of equipment, or product that is used to increase, maintain, or improve the functional capabilities of individuals with disabilities. We offer financial assistance through our non-federal grant program, which helps provide assistive technology equipment to individuals with disabilities. Use of this program is available only through UCP affiliates.

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, unconditional support is recognized when received, and expenses are recognized when incurred.

Basis of presentation: The financial statement presentation follows the recommendation of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification). As required by the Not-for-Profit Entities topics of the Codification, Balance Sheet and Income Statement, 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 which are available for operations to be cash equivalents. Cash and cash equivalents included in the investment portfolio is reported with investments.

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 a professionally managed portfolio that contains mutual funds, equities, and cash and cash equivalents. Such investments are exposed to various risks, such as interest, 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 in mutual funds and equities 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 in the accompanying statement of activities.

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 \$18,254 at September 30, 2015.

United Cerebral Palsy, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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. The loss on these perpetual trusts for the year ended September 30, 2015, was (\$10,452) and is classified as permanently restricted support in the accompanying statement of activities. Income earned on these trusts, which is paid quarterly, is classified as unrestricted support in the accompanying statement of activities. For the year ended September 30, 2015, this amount was \$4,592.

UCP has three charitable remainder trust interests, valued at \$33,245, net of discount. 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. The loss on these trusts for the year ended September 30, 2015, was (\$4,192), and is classified as temporarily restricted support in the accompanying statement of activities.

As of September 30, 2015, UCP had beneficial interests in five trust agreements totaling \$221,431.

Property and equipment: UCP capitalizes all property and equipment with a cost of \$1,000 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 eleven years. Depreciation expense for the year ended September 30, 2015, was \$112,547.

Deferred rent: UCP has a lease agreement for rental space in Washington, D.C. Under the terms of the lease agreement, UCP occupied its office space for three months free of charge during the first year of the agreement, followed by 12 months of reduced rent. The benefits that UCP received from the free and reduced rate months and rent increases in future years are being allocated on a straight-line basis over the term of the lease as an offset against each period's occupancy expenditures. In addition, a landlord improvement allowance was provided for leasehold improvements. This benefit is being recognized on a straight-line basis over the life of the lease agreement. The unamortized portion of these incentives is reported as deferred rent on the accompanying statement of financial position.

Net asset classification: Net assets, revenue and support, expenses, and losses/gains 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.

United Cerebral Palsy, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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 there from.

Revenue and support: Affiliates' membership fees are recognized monthly when earned. Payments received for these fees, which relate to subsequent months, are recorded as deferred revenue.

Contributions are recognized when received, if unconditional. Conditional contributions are recognized when all conditions are fulfilled. 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 accompanying statement of activities as net assets released from restrictions.

Event revenue is recognized on the date(s) of the event(s). Payments received for events, which relates to subsequent periods, are recorded as deferred revenue.

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. Income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. UCP did not have any net unrelated business income for the year ended September 30, 2015.

Management has evaluated UCP's tax positions and has concluded that UCP has taken no certain tax positions that require adjustments to the financial statements.

Use of 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 support and expenses during the reporting period. Actual results could differ from those estimates.

Prior year information: The financial statements include certain prior year summarized comparative information in total but not by net asset class or function. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with UCP's financial statements for the year ended September 30, 2014, from which the summarized information was derived.

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

Subsequent events: UCP evaluated subsequent events through February 16, 2016, which is the date the financial statements were available to be issued.

United Cerebral Palsy, Inc.

Notes to Financial Statements

Note 2. Property and Equipment and Accumulated Depreciation

Property and equipment and accumulated depreciation at September 30, 2015, are as follows:

Leasehold improvements	\$ 700,286
Furniture and fixtures	333,608
Office equipment	127,885
	<hr/>
	1,161,779
Less accumulated depreciation	511,193
	<hr/>
	\$ 650,586
	<hr/>

Note 3. Commitments

Leases: UCP has entered into various operating leases for office equipment. In addition, UCP maintains a lease for office space located in Washington, D.C. under a non-cancelable operating lease which expires during the year ending September 30, 2022. Rent expense relating to office operating leases for the year ended September 30, 2015, was \$548,009.

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

Years ending September 30:	
2016	\$ 611,952
2017	644,952
2018	661,056
2019	677,556
2020	694,452
2021 and 2022	1,441,572
	<hr/>
	\$ 4,731,540
	<hr/>

During the year ended September 30, 2015, UCP earned approximately \$76,000 of revenue from subleases. Future minimum sublease payments required under the sublease agreements are approximately \$78,000 for the year ending September 30, 2016.

Note 4. Line of Credit

UCP has a \$3,000,000 line of credit. The line of credit is secured by UCP's collateral accounts with the bank and will remain open as long as UCP is in good standing with the bank. Interest varies between 2.75 percent and 5 percent based on the amount drawn. As of September 30, 2015, UCP had \$1,746,157 outstanding on the line of credit.

Note 5. 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. Full-time employees who are enrolled in the 401(k) plan are eligible for 3 percent "Safe Harbor Contribution" immediately. Pension expense for the year ended September 30, 2015, was approximately \$75,000 and is included in employee benefits and taxes in the accompanying statement of functional expenses.

United Cerebral Palsy, Inc.

Notes to Financial Statements

Note 6. Employment Agreement

UCP has an employment contract with the Executive Director of UCP through April 30, 2017, which includes a severance package for early termination without cause.

Note 7. Affiliated Organizations

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 revenue from affiliates in the amount of \$2,156,763 during the year ended September 30, 2015.

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 \$76,697 for the year ended September 30, 2015. During the year ended September 30, 2015, \$72,180 was allocated to the local affiliates. Support from the public reflected in the accompanying financial statements excludes collections retained by the local affiliates. Expenses incurred by the local affiliates are borne by them and are not included in the accompanying financial statements. Affiliate services are program services provided to and for the benefit of local affiliates. Public education and public policy analysis/advocacy are program services provided to and for the benefit of the general public and local affiliates.

Note 8. Unrestricted Undesignated Net Assets Available for Operations Deficit

Unrestricted undesignated net assets available for operations as of September 30, 2015, had a deficit of \$2,330,338. The deficit was principally caused by a significant decrease in affiliates' membership fees, contributions, and corporate sponsorships during the past three years.

Note 9. Fair Value Measurements

The Fair Value Measurement topic of the Codification defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

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

Level 2: Observable market based inputs or unobservable inputs corroborated by market data

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

In determining the appropriate levels, UCP performs a detailed analysis of the assets and liabilities that are subject to the Codification topic, Fair Value Measurement. 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.

United Cerebral Palsy, Inc.

Notes to Financial Statements

Note 9. Fair Value Measurements (Continued)

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy as of September 30, 2015:

Description	Level 1	Level 2	Level 3	Total
Investments:				
Fixed income mutual funds:				
Ultrashort bond	\$ 947,157	\$ -	\$ -	\$ 947,157
Intermediate term bond	878,729	-	-	878,729
World bond	512,005	-	-	512,005
High yield bond	411,974	-	-	411,974
Multisector bond	293,759	-	-	293,759
	<u>3,043,624</u>	-	-	<u>3,043,624</u>
Equity mutual funds:				
International-emerging markets	1,190,551	-	-	1,190,551
International large blend	917,900	-	-	917,900
U.S. large growth	632,459	-	-	632,459
	<u>2,740,910</u>	-	-	<u>2,740,910</u>
	<u>5,784,534</u>	-	-	<u>5,784,534</u>
Equities:				
Consumer discretionary	841,363	-	-	841,363
Financials	825,422	-	-	825,422
Information technology	360,294	-	-	360,294
Healthcare	322,660	-	-	322,660
Materials	293,321	-	-	293,321
Industrials	239,543	-	-	239,543
Energy	139,081	-	-	139,081
Utilities	92,699	-	-	92,699
Consumer staples	86,137	-	-	86,137
Telecommunications	59,797	-	-	59,797
	<u>3,260,317</u>	-	-	<u>3,260,317</u>
Beneficial interest in trusts held by third parties	-	-	221,431	221,431
Total assets at fair value	<u>\$9,044,851</u>	<u>\$ -</u>	<u>\$ 221,431</u>	<u>9,266,282</u>
Less beneficial interest in trusts				(221,431)
Plus cash and cash equivalents held at cost				283,279
Total investments				<u><u>\$9,328,130</u></u>

United Cerebral Palsy, Inc.

Notes to Financial Statements

Note 9. Fair Value Measurements (Continued)

Mutual funds and equities are classified as Level 1 instruments as they are actively traded on public exchanges.

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. Further, UCP's asset is the right to receive cash flows from the trusts, not the assets of the trusts themselves. Although the trust assets may be investments for which quoted prices in an active market are available, UCP does not control those investments.

For assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period, the Codification topic, Fair Value Measurement, requires a 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 UCP's assets measured at fair value on a recurring basis using significant unobservable inputs:

Description	Beneficial Interests in Trusts Held by Third Parties
Beginning balance of assets	\$ 236,075
Total change in value recorded in support	(14,644)
Ending balance of assets	<u>\$ 221,431</u>

For fair value measurements categorized within Level 3 of the fair value hierarchy, UCP is required to provide quantitative information about the significant unobservable inputs used in the fair value measurement. The following table provides the required information for UCP:

Type	September 30, 2015	Valuation Technique	Unobservable Inputs	Range
Beneficial Interest in Trusts	\$ 188,186	Percentage of Assets Held by Custodian	Market Activity	4-17%
Beneficial Interest in Trusts	33,245	Present Value of Remaining Asset Balance	Discount Rate	5%
			Life Expectancy	18-34 additional years
	<u>\$ 221,431</u>			

Investment return for the year ended September 30, 2015, consists of the following:

Realized and unrealized (loss)	\$ (914,333)
Interest and dividend income	241,492
	<u>\$ (672,841)</u>

United Cerebral Palsy, Inc.

Notes to Financial Statements

Note 10. Board Designated and Permanently Restricted Net Assets

UCP follows the Codification Topic Not-for-Profit Entities Presentation of Financial Statements on Reporting 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 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, UCP 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

Investment and spending policies: UCP invests all endowment funds in a 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 percent of the board designated endowment funds to be spent in the following year. This amount is approved by the UCP Board of Trustees via the budgeting process. Throughout the year, on a quarterly basis, funds are transferred from the board designated funds to operations for utilization.

Annually, UCP budgets for 4.5 percent of the donor-restricted endowment funds to be spent in the following year.

United Cerebral Palsy, Inc.

Notes to Financial Statements

Note 10. Board Designated and Permanently Restricted Net Assets (Continued)

UCP's endowment funds consist of the following at September 30, 2015:

	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 1,753,040	\$ 4,669,045	\$ 6,422,085
Board designated endowment funds	3,094,230	-	-	3,094,230
	<u>\$ 3,094,230</u>	<u>\$ 1,753,040</u>	<u>\$ 4,669,045</u>	<u>\$ 9,516,315</u>

Endowment fund activity for the year ended September 30, 2015, consists of the following:

	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 3,555,510	\$ 2,424,679	\$ 4,679,497	\$ 10,659,686
Investment return	(240,524)	(495,193)	-	(735,717)
Change in beneficial interests in trusts	-	-	(10,452)	(10,452)
Amounts appropriated for expenditure	(220,756)	(176,446)	-	(397,202)
Endowment net assets, end of year	<u>\$ 3,094,230</u>	<u>\$ 1,753,040</u>	<u>\$ 4,669,045</u>	<u>\$ 9,516,315</u>

The endowment funds are composed of the investments, detailed in Note 9.

Permanently restricted net assets at September 30, 2015, consist of the Bellows endowment detailed above, as well as the charitable annuity trust interests detailed in Note 1. Earnings on the Bellows endowment funds are temporarily restricted for program purposes as specified by the donor.

United Cerebral Palsy, Inc.

Notes to Financial Statements

Note 11. 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, 2015, due to the purpose of the restriction being accomplished.

Changes in temporarily restricted net assets during the year ended September 30, 2015, are as follows by purpose:

	Balance September 30, 2014	Additions	Investment Return	Releases	Balance September 30, 2015
Purpose restrictions:					
Bellows endowment funds	\$ 2,424,679	\$ -	\$ (495,193)	\$ (176,446)	\$ 1,753,040
Public education and outreach	152,601	135,621	-	(135,484)	152,738
Life Without Limits	-	63,358	-	(17,465)	45,893
	<u>2,577,280</u>	<u>198,979</u>	<u>(495,193)</u>	<u>(329,395)</u>	<u>1,951,671</u>
Time restriction:					
Trust assets	37,437	-	(4,192)	-	33,245
	<u>\$ 2,614,717</u>	<u>\$ 198,979</u>	<u>\$ (499,385)</u>	<u>\$ (329,395)</u>	<u>\$ 1,984,916</u>