

**UNITED CEREBRAL PALSY, INC.**

**FINANCIAL STATEMENTS**

September 30, 2019 and 2018

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of United Cerebral Palsy, Inc., which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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***

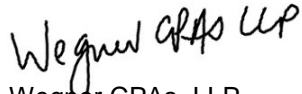
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Cerebral Palsy, Inc. as of September 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Adoption of New Accounting Pronouncement**

As discussed in Note 1 to the financial statements, United Cerebral Palsy, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended September 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

### **Prior Period Financial Statements**

The financial statements of United Cerebral Palsy, Inc. as of and for the year ended September 30, 2018, were audited by other auditors whose report dated February 21, 2019, expressed an unmodified opinion on those financial statements. As discussed in Note 1 to the financial statements, the Organization has adjusted its year ended September 30, 2018 financial statements to retrospectively apply ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The other auditors reported on the financial statements before the retrospective adjustment. As part of our audit of the year ended September 30, 2019 financial statements, we also audited the adjustments to the year ended September 30, 2018 financial statements to retrospectively apply the change in accounting as described in Note 1. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to United Cerebral Palsy, Inc.'s year ended September 30, 2018 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the year ended September 30, 2018 financial statements as a whole.



Wegner CPAs, LLP  
Waukesha, Wisconsin  
March 9, 2020

**UNITED CEREBRAL PALSY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
September 30, 2019 and 2018

	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 285,983	\$ 318,574
Accounts receivable, net	41,173	77,313
Unconditional promise to give	89,354	-
Prepaid expenses	30,487	22,878
Total current assets	446,997	418,765
<b>PROPERTY AND EQUIPMENT</b>		
Leasehold improvements	700,286	700,286
Furniture and fixtures	335,864	335,864
Office equipment	86,202	85,008
Property and equipment	1,122,352	1,121,158
Accumulated depreciation	(876,537)	(789,965)
Property and equipment, net	245,815	331,193
<b>OTHER ASSETS</b>		
Security deposits	46,200	46,200
Investments	8,912,975	9,496,628
Beneficial interests in trusts held by third parties	271,313	276,144
<b>Total assets</b>	<b>\$ 9,923,300</b>	<b>\$ 10,568,930</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 23,852	\$ 42,256
Accrued payroll	97,411	62,502
Deferred revenue	38,424	29,515
Total current liabilities	159,687	134,273
<b>OTHER LIABILITIES</b>		
Deferred rent	522,638	662,381
Security deposit	7,083	-
Total other liabilities	529,721	662,381
Total liabilities	689,408	796,654
<b>NET ASSETS</b>		
Without donor restrictions	2,128,111	2,042,135
With donor restrictions	7,105,781	7,730,141
Total net assets	9,233,892	9,772,276
<b>Total liabilities and net assets</b>	<b>\$ 9,923,300</b>	<b>\$ 10,568,930</b>

See accompanying notes.

**UNITED CEREBRAL PALSY, INC.**  
**STATEMENTS OF ACTIVITIES**  
Years Ended September 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
Contributions and bequests	\$ 734,116	\$ 123,462	\$ 857,578	\$ 1,692,784	\$ -	\$ 1,692,784
Affiliates' membership fees	991,097	-	991,097	1,012,190	-	1,012,190
Conference revenue	40,075	-	40,075	32,950	-	32,950
Rental and other revenue	213,207	-	213,207	256,773	-	256,773
Grant revenue, Public Outreach	-	-	-	26,369	-	26,369
Total support and revenue	1,978,495	123,462	2,101,957	3,021,066	-	3,021,066
<b>EXPENSES</b>						
Program services						
Bellows grants	711,290	-	711,290	322,922	-	322,922
Public policy analysis and advocacy	82,049	-	82,049	88,903	-	88,903
Support of affiliates	296,210	-	296,210	572,680	-	572,680
Total program services	1,089,549	-	1,089,549	984,505	-	984,505
Supporting activities						
Management and general	1,381,130	-	1,381,130	1,237,847	-	1,237,847
Fundraising	167,781	-	167,781	260,663	-	260,663
Total expenses	2,638,460	-	2,638,460	2,483,015	-	2,483,015
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>						
Satisfaction of purpose restrictions	711,290	(711,290)	-	342,491	(342,491)	-
Change in net assets before other changes	51,325	(587,828)	(536,503)	880,542	(342,491)	538,051
<b>OTHER CHANGES</b>						
Investment return, net	34,651	(31,701)	2,950	79,574	405,698	485,272
Change in value of beneficial interests in trusts held by third parties	-	(4,831)	(4,831)	-	17,116	17,116
Total other changes	34,651	(36,532)	(1,881)	79,574	422,814	502,388
<b>Change in net assets</b>	85,976	(624,360)	(538,384)	960,116	80,323	1,040,439
Net assets at beginning of year	2,042,135	7,730,141	9,772,276	1,082,019	7,649,818	8,731,837
<b>Net assets at end of year</b>	<u>\$ 2,128,111</u>	<u>\$ 7,105,781</u>	<u>\$ 9,233,892</u>	<u>\$ 2,042,135</u>	<u>\$ 7,730,141</u>	<u>\$ 9,772,276</u>

See accompanying notes.

**UNITED CEREBRAL PALSY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended September 30, 2019

	Program Services			Supporting Activities			Total Expenses	
	Bellows Grants	Public Policy Analysis and Advocacy	Support of Affiliates	Total Program Services	Management and General	Fundraising		Total Supporting Activities
Salaries	\$ -	\$ -	\$ 193,228	\$ 193,228	\$ 236,900	\$ 76,857	\$ 313,757	\$ 506,985
Employee benefits and taxes	-	-	25,350	25,350	31,077	10,082	41,159	66,509
Occupancy	-	-	-	-	590,355	-	590,355	590,355
Professional fees	-	-	-	-	154,176	41,649	195,825	195,825
Awards and grants	711,290	-	46,810	758,100	-	-	-	758,100
Direct mail	-	-	-	-	-	31,641	31,641	31,641
Interest expense	-	-	-	-	7,309	-	7,309	7,309
Conference and meetings	-	-	23,158	23,158	21,347	19	21,366	44,524
Travel	-	-	5,024	5,024	21,588	265	21,853	26,877
Membership dues and support	-	82,049	-	82,049	-	-	-	82,049
Postage and shipping	-	-	-	-	2,218	-	2,218	2,218
Supplies	-	-	2,434	2,434	2,605	-	2,605	5,039
Telephone	-	-	-	-	10,331	-	10,331	10,331
Miscellaneous	-	-	206	206	175	7,268	7,443	7,649
Depreciation	-	-	-	-	86,572	-	86,572	86,572
In-kind legal services	-	-	-	-	206,477	-	206,477	206,477
Bad debt expense	-	-	-	-	10,000	-	10,000	10,000
<b>Total expenses</b>	<b>\$ 711,290</b>	<b>\$ 82,049</b>	<b>\$ 296,210</b>	<b>\$ 1,089,549</b>	<b>\$ 1,381,130</b>	<b>\$ 167,781</b>	<b>\$ 1,548,911</b>	<b>\$ 2,638,460</b>

See accompanying notes.

**UNITED CEREBRAL PALSY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended September 30, 2018

	Program Services			Supporting Activities			Total Expenses	
	Bellows Grants	Public Policy Analysis and Advocacy	Support of Affiliates	Total Program Services	Management and General	Fundraising		Total Supporting Activities
Salaries	\$ -	\$ -	\$ 177,906	\$ 177,906	\$ 303,836	\$ 101,093	\$ 404,929	\$ 582,835
Employee benefits and taxes	-	-	27,520	27,520	46,999	15,638	62,637	90,157
Occupancy	-	28,214	185,530	213,744	421,369	82,713	504,082	717,826
Professional fees	-	-	43,771	43,771	137,540	13,814	151,354	195,125
Awards and grants	322,922	-	67,043	389,965	-	-	-	389,965
Direct mail	-	-	-	-	-	32,785	32,785	32,785
Interest expense	-	-	-	-	35,679	-	35,679	35,679
Conference and meetings	-	-	20,446	20,446	1,673	2,669	4,342	24,788
Travel	-	-	7,822	7,822	24,219	161	24,380	32,202
Membership dues and support	-	56,667	13,381	70,048	19,810	-	19,810	89,858
Postage and shipping	-	-	-	-	3,402	-	3,402	3,402
Outside printing and artwork	-	-	276	276	-	-	-	276
Supplies	-	-	-	-	793	-	793	793
Telephone	-	-	2,539	2,539	1,720	-	1,720	4,259
Miscellaneous	-	-	-	-	1,939	-	1,939	1,939
Depreciation	-	4,022	26,446	30,468	60,063	11,790	71,853	102,321
In-kind legal services	-	-	-	-	167,948	-	167,948	167,948
Bad debt expense	-	-	-	-	10,857	-	10,857	10,857
<b>Total expenses</b>	<b>\$ 322,922</b>	<b>\$ 88,903</b>	<b>\$ 572,680</b>	<b>\$ 984,505</b>	<b>\$ 1,237,847</b>	<b>\$ 260,663</b>	<b>\$ 1,498,510</b>	<b>\$ 2,483,015</b>

See accompanying notes.



**UNITED CEREBRAL PALSY, INC.**  
**STATEMENT OF CASH FLOWS**  
Years Ended September 30, 2019 and 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (538,384)	\$ 1,040,439
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	86,572	102,321
Bad debt expense	10,000	10,857
Net realized and unrealized gains (losses) on investments	302,551	(370,602)
Change in value of beneficial interest in trusts held by third parties	4,831	(17,116)
(Increase) decrease in assets		
Accounts receivable	26,140	63,184
Unconditional promise to give	(89,354)	-
Prepaid expenses	(7,609)	31,337
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(18,404)	(266,665)
Accrued payroll	34,909	62,502
Due to affiliates	-	(5,957)
Deferred revenue	8,909	5,015
Deferred rent	(139,743)	(21,610)
Security deposit	7,083	-
Net cash flows from operating activities	(312,499)	633,705
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments and interest and dividends reinvested	(305,483)	(843,805)
Proceeds from sales of investments	586,585	745,792
Purchases of property and equipment	(1,194)	(2,256)
Net cash flows from investing activities	279,908	(100,269)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on line of credit	-	(799,521)
<b>Change in cash</b>	(32,591)	(266,085)
Cash at beginning of year	318,574	584,659
<b>Cash at end of year</b>	<u>\$ 285,983</u>	<u>\$ 318,574</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid for interest	\$ -	\$ 24,817

See accompanying notes.

**UNITED CEREBRAL PALSY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2019 and 2018

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NOTE 1—NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Activities**

United Cerebral Palsy, Inc. (UCP) is a not-for-profit organization that has 64 state and local affiliates that provide advocacy and direct services to people with disabilities and their families. UCP was founded 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.

**Adoption of New Accounting Pronouncement**

UCP adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended September 30, 2019. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. A key change required by the update relates to the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

**Accounts Receivable**

Accounts receivable are stated at unpaid balances, less an estimate made for doubtful accounts 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. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. At September 30, 2019, the allowance for doubtful accounts was \$10,000. At September 30, 2018, management determined that all amounts were fully collectible and no allowance for doubtful accounts was necessary.

**Promises to Give**

Unconditional promises to give are recognized as revenues in the period received and as assets or decreases of liabilities depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

**Property and Equipment**

Purchases of property and equipment in excess of \$1,000 or more are capitalized and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 11 years.

**UNITED CEREBRAL PALSY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2019 and 2018

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NOTE 1—NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)

**Investments**

All investments in debt and equity instruments are carried at readily determinable fair value in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term and that such change could materially affect the amounts reported in the statements of financial position and activities.

**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 expenses. In addition, a landlord improvement allowance was provided for leasehold improvements. The benefits are 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 statements of financial position.

**Contributions**

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**In-Kind Services**

Contributions of donated services that create or enhance non-financial assets that require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received. For the years ending September 30, 2019 and 2018, UCP received \$206,477 and \$167,948, respectively, of in-kind legal services. The revenue related to these services is included with contributions and bequests on the statements of activities. The expense related to these services is included with management and general expenses on the statements of functional expenses.

**UNITED CEREBRAL PALSY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2019 and 2018

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NOTE 1—NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)

**Revenue Recognition**

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

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

Rental revenue is recognized ratably over the life of the agreement.

**Expense Allocation**

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on the basis of estimates of time and effort. The following program services and supporting activities are included in the accompanying financial statements:

*Bellows Grants* – Assistive technology often plays a vital role in the lives of people with disabilities. Assistive technology is any technology related item, piece of equipment, or product that is used to increase, maintain, or improve the functional capabilities of individuals with disabilities. UCP, through the Bellows grant, offers local affiliates financial assistance from our non-federal grant program, which helps provide assistive technology equipment to individuals with disabilities. These funds are distributed to UCP affiliate members only.

*Public Policy Analysis and 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. In addition, UCP addresses legislative and policy issues affecting its member affiliates through resources and partnerships, including a partnership with American Network of Community Options and Resources (ANCOR).

*Support of Affiliates* – UCP supports a national and international network of various UCP nonprofit organizations providing programs and services for persons with disabilities and their families. UCP continues to preserve the integrity and broaden the awareness of the brand name that supports 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.

*Management and General* – Includes accounting and production of financial reports, oversight of the annual budget, management of UCP, maintaining the databases of UCP, and any other administrative and office service necessary for UCP.

*Fundraising* – Includes the solicitation of contributed support from the general public.

**UNITED CEREBRAL PALSY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2019 and 2018

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NOTE 1—NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)

**Income Tax Status**

UCP is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to UCP's tax-exempt purpose is subject to taxation as unrelated business income. In addition, UCP qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). Income, which is not related to exempt purposes, is subject to federal and state income taxes. UCP had no significant unrelated business income for the years ended September 30, 2019 and 2018.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Date of Management's Review**

Management has evaluated subsequent events through March 9, 2020, the date which the financial statements were available to be issued.

**Reclassifications**

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

NOTE 2—LINE OF CREDIT

The daily maximum available amount is based on the value of the funds held in UCP's investment accounts. At September 30, 2019, the maximum amount available was \$1,143,468. The line of credit is secured by UCP's collateral in its investment accounts and will remain open as long as the collateral is held by its investment broker. Interest varies between 2.25% and 5% based on the amount drawn. As of September 30, 2019 and 2018, there was no outstanding balance on the line of credit.

**UNITED CEREBRAL PALSY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2019 and 2018

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**NOTE 3—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% of the employee's annual salary, and an additional safe harbor contribution of 3% of the employee's annual salary. Full-time employees who have at least six months of service with UCP are eligible for the 2% employer match. Full-time employees who are enrolled in the 401(k) plan are eligible for 3% safe harbor contribution immediately. Contributions to the 401(k) plan for the years ended September 30, 2019 and 2018, were approximately \$14,000 and \$30,500, respectively.

**NOTE 4—CONCENTRATIONS OF CREDIT RISK**

UCP maintains cash balances at two financial institutions located in Washington, D.C. and Milwaukee, Wisconsin. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At September 30, 2019, UCP's uninsured cash balances total approximately \$30,000. At September 30, 2018, UCP's cash balances were fully insured with federal depository insurance.

**NOTE 5—NET ASSETS**

At September 30, 2019 and 2018, the Board of Trustees has designated \$1,705,029 and \$1,676,581, respectively, of net assets for quasi-endowment funds.

Net assets with donor restrictions are restricted for the following purposes or periods:

	2019	2018
Subject to the passage of time:		
Beneficial interests in charitable remainder trusts	\$ 45,960	\$ 47,073
Subject to expenditure for specified purpose:		
Medical research	123,462	-
Subject to UCP's endowment spending policy and appropriation:		
Accumulated Bellows earnings	2,230,147	2,973,138
Bellows endowment fund	4,480,859	4,480,859
Not subject to spending policy or appropriation		
Beneficial interest in perpetual trusts held by third parties	225,353	229,071
Net assets with donor restrictions	\$ 7,105,781	\$ 7,730,141

**UNITED CEREBRAL PALSY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2019 and 2018

NOTE 6—INVESTMENTS

Investments are comprised of the following:

	2019	2018
Money market funds	\$ 110,996	\$ 82,089
Equity mutual funds	2,417,487	3,108,359
Fixed income mutual funds	3,418,025	3,555,210
Stocks	2,966,467	2,750,970
Investments	\$ 8,912,975	\$ 9,496,628

Investment return consists of the following:

	2019	2018
Interest and dividends	\$ 353,853	\$ 168,056
Net realized and unrealized gain (loss)	(302,551)	370,602
Investment fees	(48,352)	(53,386)
Investment return, net	\$ 2,950	\$ 485,272

NOTE 7—SPLIT-INTEREST AGREEMENTS

**Beneficial Interests in Perpetual Trusts Held by Third Parties**

UCP is the beneficiary of the income of two perpetual 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 value within net assets with donor restrictions based on the stipulated percentage of assets by the donor. The gain (loss) on these perpetual trusts for the years ending September 30, 2019 and 2018 was (\$3,718) and \$13,480, respectively, and is classified as changes in net assets with donor restrictions in the accompanying statements of activities. Income earned on these trusts, which is paid quarterly, is classified as increases in net assets without donor restrictions in the accompanying statements of activities. Income from these trusts for the year ended September 30, 2019 and 2018, was \$4,562 and \$3,633, respectively.

**Beneficial Interests in Charitable Remainder Trusts**

UCP has three charitable remainder trust interests, valued at \$45,960, 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 10 charities, including UCP, in equal shares. UCP records its interest in these trusts at fair value within net assets with donor restrictions. The gain (loss) on these trusts for the years ended September 30, 2019 and 2018 was (\$1,113) and \$3,636, respectively, and is classified as changes in net assets with donor restrictions in the accompanying statements of activities.

**UNITED CEREBRAL PALSY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2019 and 2018

NOTE 8—FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis are as follows:

Assets at Fair Value at September 30, 2019				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity mutual funds	\$ 2,417,487	\$ 2,417,487	\$ -	\$ -
Fixed income mutual funds	3,418,025	3,418,025	-	-
Stocks	2,966,467	2,966,467	-	-
Beneficial interests in trusts held by third parties	271,313	-	-	271,313
	<u>\$ 9,073,292</u>	<u>\$ 8,801,979</u>	<u>\$ -</u>	<u>\$ 271,313</u>
Assets at Fair Value at September 30, 2018				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity mutual funds	\$ 3,108,359	\$ 3,108,359	\$ -	\$ -
Fixed income mutual funds	3,555,210	3,555,210	-	-
Stocks	2,750,970	2,750,970	-	-
Beneficial interests in trusts held by third parties	276,144	-	-	276,144
	<u>\$ 9,690,683</u>	<u>\$ 9,414,539</u>	<u>\$ -</u>	<u>\$ 276,144</u>

Fair values of equity mutual funds, fixed income mutual funds, and stocks are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values for beneficial interests in trusts held by third parties are measured using an income approach based on calculating the present value of the future distributions expected to be received. This approach takes into account UCP's determination of an appropriate risk-adjusted discount rate, expected appreciation of trust investments, and life expectancy information. UCP remeasures the fair value of its beneficial interests in trusts held by third parties annually and adjusts the measurement inputs based on statements received from the trustee, market conditions, and other relevant data.



**UNITED CEREBRAL PALSY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2019 and 2018

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NOTE 8—FAIR VALUE MEASUREMENTS (continued)

The table below presents a reconciliation from the beginning balance to the ending balance of the beneficial interests in trusts held by third parties measured at fair value on a recurring basis using significant unobservable inputs for the years ended September 30, 2019 and 2018:

	2019	2018
Beginning balance	\$ 276,144	\$ 259,028
Change in value of beneficial interests in trusts held by third parties	(4,831)	17,116
Ending balance	\$ 271,313	\$ 276,144

NOTE 9—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, which is a component of occupancy expense, relating to operating leases for the years ended September 30, 2019 and 2018 was \$570,919 and \$669,148, respectively.

Future minimum payments required under the lease agreements for the years ending September 30 are as follows:

2020	\$ 694,452
2021	711,876
2022	729,696

UCP has entered into various subleases through the year ended September 30, 2022, however all leases can be terminated with 90 days' notice. For the years ended September 30, 2019 and 2018, UCP earned \$195,644 and \$234,778, respectively, of revenue from subleases.

NOTE 10—AFFILIATED ORGANIZATIONS

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

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 \$27,183 and \$45,474 for the years ending September 30, 2019 and 2018, respectively. During the years ended September 30, 2019 and 2018, \$17,473 and \$23,407, respectively, was allocated to the local affiliates and included as awards and grants within Support of Affiliates Program Services on the Statements of Functional Expenses. 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. Support of Affiliates are program services provided to and for the benefit of local affiliates. Public Policy Analysis and Advocacy are services provided to and for the benefit of the general public and local affiliates.

**UNITED CEREBRAL PALSY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2019 and 2018

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NOTE 11—ENDOWMENT

UCP's endowment includes funds restricted by donors for Bellows grants. In addition, the Board of Trustees has designated net assets without donor restrictions as a quasi-endowment fund to support the mission of UCP. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

UCP is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted by the District of Columbia and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Trustees appropriates such amounts for expenditure. Those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Trustees of UCP has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary.

As a result of this interpretation, when reviewing its donor-restricted endowment funds, UCP considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the discretion of the applicable donor gift instrument. UCP has interpreted UPMIFA to not permit spending from underwater funds.

In accordance with UPMIFA, UCP considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of UCP and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of UCP, and (7) UCP's investment policies.

*Investment Return Objectives, Risk Parameters, and Strategies.* 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 Finance Committee is specifically charged with conducting regular reviews of the performance and mix of the investments that make up the portfolio.

*Spending Policy.* UCP has a policy of allowing for appropriation for distribution up to 5% of the quasi-endowment fund balance annually. This amount is approved by the Board of Trustees through its budgeting process. During the years ended September 30, 2019 and 2018, there were no quasi-endowment appropriations. Annually, the UCP Board of Trustees determines an amount of the donor-restricted endowments to be distributed to affiliates based upon the requested purpose, filing of an application and a predetermined formula applied to the affiliate's financial reports.

**UNITED CEREBRAL PALSY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2019 and 2018

NOTE 11—ENDOWMENT (continued)

Endowment net asset composition by type of fund as of September 30, 2019 and 2018 is as follows:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Bellows endowment fund	\$ -	\$ 4,480,859	\$ 4,480,859
Accumulated Bellows earnings	-	2,230,147	2,230,147
Quasi-endowment (Board Designated) funds	1,705,029	-	1,705,029
Total endowment funds	<u>\$ 1,705,029</u>	<u>\$ 6,711,006</u>	<u>\$ 8,416,035</u>
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Bellows endowment fund	\$ -	\$ 4,480,859	\$ 4,480,859
Accumulated Bellows earnings	-	2,973,138	2,973,138
Quasi-endowment (Board Designated) funds	1,676,581	-	1,676,581
Total endowment funds	<u>\$ 1,676,581</u>	<u>\$ 7,453,997</u>	<u>\$ 9,130,578</u>

Changes in endowment net assets for the years ended September 30, 2019 and 2018 are as follows:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ 1,676,581	\$ 7,453,997	\$ 9,130,578
Investment return, net	28,448	(31,701)	(3,253)
Amounts appropriated for expenditure	-	(711,290)	(711,290)
Endowment net assets at end of year	<u>\$ 1,705,029</u>	<u>\$ 6,711,006</u>	<u>\$ 8,416,035</u>

**UNITED CEREBRAL PALSY, INC.**  
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NOTE 11—ENDOWMENT (continued)

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ 1,640,712	\$ 7,371,221	\$ 9,011,933
Investment return, net	35,869	405,698	441,567
Amounts appropriated for expenditure	-	(322,922)	(322,922)
Endowment net assets at end of year	\$ 1,676,581	\$ 7,453,997	\$ 9,130,578

NOTE 12—LIQUIDITY AND AVAILABILITY

The following table reflects UCP's financial assets as of September 30, 2019 reduced by amounts not available to meet cash needs for general expenditures within one year of the date of the statement of financial position:

Financial assets at year-end:	
Cash	\$ 285,983
Accounts receivable	41,173
Unconditional promise to give	89,354
Investments	8,912,975
Beneficial interests in trusts held by third-parties	271,313
Total financial assets at year-end	9,600,798
Less financial assets unavailable for general expenditures within one year:	
Designated by board of trustees as a quasi-endowment	(1,705,029)
Restricted by donors with time and purpose restrictions	(2,399,569)
Donor-restricted to maintain as an endowment	(4,480,859)
Beneficial interests in perpetual trusts held by third parties	(225,353)
Financial assets available to meet cash needs for general expenditures within one year	\$ 789,988

Amounts unavailable for general expenditures include \$1,705,029 set aside as a quasi-endowment by the Board of Trustees. However, this amount, or a portion thereof, could be made available if necessary. UCP's liquidity management policy provides a structure that allows financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, UCP has a line of credit that it can draw upon to support short-term cash obligations as needed.