

United Cerebral Palsy, Inc.

Financial Report
September 30, 2012

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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 statement of financial position of United Cerebral Palsy, Inc. (UCP) as of September 30, 2012, 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. The prior year's summarized comparative information has been derived from the 2011 financial statements and, in our report dated March 8, 2012, we expressed an unqualified opinion on those financial statements.

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 2012 financial statements referred to above present fairly, in all material respects, the financial position of United Cerebral Palsy, Inc., as of September 30, 2012, 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.

McGladrey LLP

Gaithersburg, Maryland
February 15, 2013

United Cerebral Palsy, Inc.

Statement Of Financial Position
September 30, 2012
(With Comparative Totals For 2011)

Assets	2012	2011
Cash And Cash Equivalents		
Cash available for operations	\$ 320,659	\$ 62,531
Temporary cash investments	486,174	172,363
Total cash and cash equivalents	806,833	234,894
Investments	8,659,521	8,086,772
Receivables And Other Assets, net	499,822	863,894
Beneficial Interests In Trusts Held By Third Parties	181,729	157,474
Property And Equipment, net	1,006,011	1,048,164
	\$ 11,153,916	\$ 10,391,198
Liabilities And Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 762,043	\$ 433,103
Line of credit	531,581	400,000
Due to affiliates	82,858	376,446
Deferred revenue	28,451	40,202
Deferred rent	1,030,199	700,286
Total liabilities	2,435,132	1,950,037
Commitments (Notes 5, 6, and 8)		
Net Assets		
Unrestricted		
Undesignated (deficit)	(774,412)	(62,770)
Board-designated	3,237,382	2,992,358
Total unrestricted	2,462,970	2,929,588
Temporarily restricted	1,616,440	890,827
Permanently restricted	4,639,374	4,620,746
	8,718,784	8,441,161
	\$ 11,153,916	\$ 10,391,198

See Notes To Financial Statements.

United Cerebral Palsy, Inc.

Statement Of Activities
Year Ended September 30, 2012
(With Comparative Totals For 2011)

	2012			Total	2011
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Operating revenue and support:					
Affiliates' membership fees	\$ 2,332,805	\$ -	\$ -	\$ 2,332,805	\$ 2,423,617
Contributions	1,500,299	293,366	-	1,793,665	2,457,757
Consulting revenue	245,100	-	-	245,100	-
Event revenue	218,800	-	-	218,800	194,451
Other revenue	100,179	-	-	100,179	157,900
Net assets released from restrictions	439,700	(439,700)	-	-	-
Total operating revenue and support	4,836,883	(146,334)	-	4,690,549	5,233,725
Operating expenses:					
Program services:					
Support to affiliates	1,142,051	-	-	1,142,051	1,369,696
Public policy analysis/advocacy	822,449	-	-	822,449	540,128
Public education	588,559	-	-	588,559	398,352
Non-federal grants	173,720	-	-	173,720	156,923
Total program services	2,726,779	-	-	2,726,779	2,465,099
Supporting services:					
Management and general	2,072,092	-	-	2,072,092	2,151,090
Fundraising	1,021,832	-	-	1,021,832	733,763
Total supporting services	3,093,924	-	-	3,093,924	2,884,853
Total operating expenses	5,820,703	-	-	5,820,703	5,349,952
Change in net assets from operations	(983,820)	(146,334)	-	(1,130,154)	(116,227)
Non-operating revenue, gains and (losses):					
Investment return	517,202	866,320	-	1,383,522	(84,129)
Change in beneficial interests in trusts held by third parties	-	5,627	18,628	24,255	(11,188)
Total non-operating revenue, gains and (losses)	517,202	871,947	18,628	1,407,777	(95,317)
Change in net assets	(466,618)	725,613	18,628	277,623	(211,544)
Net assets:					
Beginning	2,929,588	890,827	4,620,746	8,441,161	8,652,705
Ending	\$ 2,462,970	\$ 1,616,440	\$ 4,639,374	\$ 8,718,784	\$ 8,441,161

See Notes To Financial Statements.

United Cerebral Palsy, Inc.

Statement Of Functional Expenses
Year Ended September 30, 2012
(With Comparative Totals For 2011)

	2012										2011 Total
	Program Services					Support Services					
	Support To Affiliates	Public Policy Analysis/ Advocacy	Public Education	Non-Federal Grants	Total Program Services	Management And General	Fundraising	Total Support Services	Total		
Salaries	\$ 398,516	\$ 576,985	\$ 438,417	\$ -	\$ 1,413,918	\$ 734,752	\$ 315,532	\$ 1,050,284	\$ 2,464,202	\$ 2,050,164	
Employee benefits and taxes	47,685	77,239	38,941	-	163,865	179,717	44,213	223,930	387,795	343,213	
Total salaries and benefits	446,201	654,224	477,358	-	1,577,783	914,469	359,745	1,274,214	2,851,997	2,393,377	
Program and professional and contract services	8,500	159,081	87,600	-	255,181	248,446	167,568	416,014	671,195	623,713	
Awards and grants	475,937	-	-	173,720	649,657	-	-	-	649,657	982,721	
Occupancy	-	-	-	-	-	574,407	-	574,407	574,407	510,583	
Direct mail	-	-	-	-	-	-	278,716	278,716	278,716	298,321	
Events	-	-	-	-	-	-	190,765	190,765	190,765	9,553	
Conferences, conventions and meetings	131,938	-	-	-	131,938	7,964	-	7,964	139,902	130,467	
Interest expense and investment fees	-	-	-	-	-	111,893	-	111,893	111,893	77,028	
Travel and related costs	51,203	5,762	3,411	-	60,376	26,205	8,241	34,446	94,822	123,137	
Membership dues and support and subscriptions	720	500	6,597	-	7,817	44,517	5,576	50,093	57,910	64,344	
Outside printing and artwork	316	753	12,534	-	13,603	3,771	7,392	11,163	24,766	48,254	
Supplies	191	129	561	-	881	8,527	759	9,286	10,167	8,164	
Postage and shipping	-	77	21	-	98	6,003	2,663	8,666	8,764	5,112	
Telephone and teleconference	864	813	428	-	2,105	1,662	19	1,681	3,786	2,820	
Miscellaneous	30	1,110	49	-	1,189	2,564	388	2,952	4,141	12,764	
Total expense before depreciation, uncollectible dues, and loss on disposal	1,115,900	822,449	588,559	173,720	2,700,628	1,950,428	1,021,832	2,972,260	5,672,888	5,290,358	
Depreciation	-	-	-	-	-	121,664	-	121,664	121,664	44,770	
Uncollectable dues	26,151	-	-	-	26,151	-	-	-	26,151	-	
Loss on disposal of property and equipment	-	-	-	-	-	-	-	-	-	14,824	
Total expenses	\$ 1,142,051	\$ 822,449	\$ 588,559	\$ 173,720	\$ 2,726,779	\$ 2,072,092	\$ 1,021,832	\$ 3,093,924	\$ 5,820,703	\$ 5,349,952	

See Notes To Financial Statements.

United Cerebral Palsy, Inc.

Statement Of Cash Flows
Year Ended September 30, 2012
(With Comparative Totals For 2011)

	2012	2011
Cash Flows From Operating Activities		
Change in net assets	\$ 277,623	\$ (211,544)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	121,664	44,770
Realized and unrealized (gain) loss on investments	(1,185,843)	276,582
Change in beneficial interests in trusts held by third parties	(24,255)	11,188
Change in deferred rent	329,913	(62,010)
Loss in disposal	-	14,824
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables and other assets	354,029	(225,233)
Beneficial interests in trusts held by third parties	-	174,138
Increase (decrease) in:		
Accounts payable and accrued expenses	328,940	71,063
Due to affiliates	(293,588)	(279,086)
Deferred revenue	(11,751)	1,555
Net cash used in operating activities	(103,268)	(183,753)
Cash Flows From Investing Activities		
Purchases of investments	(4,186,059)	(1,815,548)
Proceeds from sales of investments	4,799,152	1,912,488
Purchases of property and equipment	(79,510)	(345,513)
Issuance of notes receivable	(100,000)	(100,000)
Collections on notes receivable	110,043	55,766
Net cash provided by (used in) investing activities	543,626	(292,807)
Cash Flows From Financing Activities		
Principle payments on line of credit	(18,419)	(444,186)
Proceeds from line of credit	150,000	400,000
Net cash provided by (used in) financing activities	131,581	(44,186)
Net increase (decrease) in cash and cash equivalents	571,939	(520,746)
Cash And Cash Equivalents:		
Beginning	234,894	755,640
Ending	\$ 806,833	\$ 234,894
Supplemental Disclosure Of Cash Flow Information		
Cash payments for interest	\$ 16,521	\$ 5,631

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 policy analysis and advocacy
- 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

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 policy, public education, 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.

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 and support 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 (FASB) 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.

Temporary cash investments: UCP considers cash held within the endowment to be separate and distinct from cash available for operations.

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 professionally managed portfolios that contain equities, mutual funds, and corporate 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 in the 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 \$30,000 at September 30, 2012.

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 gain on these trusts for the year ended September 30, 2012, was \$18,628, 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, 2012, this amount was \$4,028.

UCP has two charitable remainder trust interests, valued at \$23,214, 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. The gain on these trusts for the year ended September 30, 2012, was \$5,627, and is classified as temporarily restricted support in the accompanying statement of activities.

As of September 30, 2012, UCP had beneficial interests in four trust agreements totaling \$181,729.

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 eleven years.

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, 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 there from.

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 months, 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.

Consulting revenue is recognized when earned.

Event revenue is recognized when earned. Revenue received for events, which relates to subsequent periods, is reflected as deferred revenue.

Income taxes: UCP is a non-profit 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, 2012.

UCP follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, UCP may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated UCP's tax positions and concluded that UCP had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Generally, UCP is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before September 30, 2009.

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 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. 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, 2011, from which the summarized information was derived.

Subsequent events: UCP evaluated subsequent events through February 15, 2013, 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, 2012, consist of the following:

Equities	\$ 3,962,719
Mutual funds	2,431,698
Corporate bonds	2,265,104
	<u>\$ 8,659,521</u>

Investment return for the year ended September 30, 2012, consists of the following:

Realized and unrealized gain	\$ 1,185,843
Interest and dividend income	197,679
	<u>\$ 1,383,522</u>

Note 3. Notes Receivable

In August 2011, UCP entered into a note receivable with an affiliate totaling \$100,000. Under the terms of this note, the interest rate is 1% per year, and the balance of the note is due at the earlier of July 2014, or the date in which the affiliate receives permanent and long-term financing for its residential property. The balance on this note at September 30, 2012, was \$62,857, and is included in receivables and other assets on the accompanying statement of financial position.

In March 2012, UCP entered into a note receivable with an affiliate totaling \$100,000. Under the terms of this note, the interest rate is 1% per year, and the balance of the note is due at the earlier of March 2015, or the date in which the affiliate receives permanent and long-term financing for its residential property. The balance on this note at September 30, 2012, was \$83,334, and is 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, 2012, are as follows:

Leasehold improvements	\$ 700,286
Furniture and fixtures	336,841
Office equipment	149,315
	<u>1,186,442</u>
Less accumulated depreciation	180,431
	<u>\$ 1,006,011</u>

United Cerebral Palsy, Inc.

Notes To Financial Statements

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, 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, 2012, was \$556,345.

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

Years Ending September 30,	
2013	\$ 516,087
2014	601,079
2015	615,599
2016	611,952
2017	644,952
2018 to 2022	3,474,637
	<u>\$ 6,464,306</u>

During the year ended September 30, 2012, UCP earned approximately \$55,000 of revenue from subleases. Future minimum sublease payments required under the lease agreements are approximately \$70,000 for the year ending September 30, 2013.

Note 6. Line Of Credit

UCP has a \$1,500,000 line of credit. The line of credit is secured by a collateral agreement pledging of \$1,500,000 of unrestricted funds with the Board Restricted Endowment Fund Account. The line expires on April 15, 2013. Interest on the line of credit is payable monthly at a variable rate based on the bank's prime rate, which was 3.25% as of September 30, 2012. As of September 30, 2012, UCP had \$531,581 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% 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. Pension expense for the year ended September 30, 2012, was approximately \$31,000, 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 April 30, 2014, which includes a severance package for early termination.

United Cerebral Palsy, Inc.

Notes To Financial Statements

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 revenue from affiliates in the amount of \$2,332,805 during the year ended September 30, 2012.

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 \$691,451 for the year ended September 30, 2012. During the year ended September 30, 2012, \$470,147 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 policy analysis/advocacy and public education are program services provided to and for the benefit of the general public and local affiliates.

Note 10. Unrestricted Net Assets Available For Operations Deficit

Unrestricted net assets available for operations as of September 30, 2012, had a deficit of \$774,412. The deficit was principally caused by a significant decrease in bequests and corporate sponsorships during the year ended September 30, 2012.

Note 11. Fair Value Measurements

UCP follows the Codification topic, *Fair Value Measurements*. The Codification applies to all assets and liabilities that are being measured and reported on a fair value basis. The Codification requires disclosure that establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosure about fair value measurements. The Codification 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 Codification 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 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 the Codification topic, *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.

United Cerebral Palsy, Inc.

Notes To Financial Statements

Note 11. 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, 2012:

Description	Level 1	Level 2	Level 3	Total
Investments:				
Equities:				
Financials	\$ 766,339	\$ -	\$ -	\$ 766,339
Healthcare	525,109	-	-	525,109
Information technology	518,094	-	-	518,094
Consumer staples	502,550	-	-	502,550
Industrials	469,254	-	-	469,254
Energy	369,959	-	-	369,959
Consumer discretionary	334,471	-	-	334,471
Materials	279,167	-	-	279,167
Others	107,577	-	-	107,577
Utilities	66,956	-	-	66,956
Telecommunications	23,243	-	-	23,243
	<u>3,962,719</u>	<u>-</u>	<u>-</u>	<u>3,962,719</u>
Equity mutual funds:				
U.S. multi strategy	1,435,805	-	-	1,435,805
International multi strategy	758,856	-	-	758,856
Fixed income mutual funds:				
Multi strategy	237,037	-	-	237,037
	<u>2,431,698</u>	<u>-</u>	<u>-</u>	<u>2,431,698</u>
Fixed income – corporate bonds				
Pharmaceuticals	-	487,355	-	487,355
Software	-	394,726	-	394,726
Household products	-	372,334	-	372,334
Industrials/Oil & gas	-	321,086	-	321,086
IT Services	-	273,370	-	273,370
Beverages	-	262,418	-	262,418
Financial services	-	153,815	-	153,815
	<u>-</u>	<u>2,265,104</u>	<u>-</u>	<u>2,265,104</u>
Total investments at fair value	6,394,417	2,265,104	-	8,659,521
Beneficial interest in trusts held by third parties				
	<u>-</u>	<u>-</u>	<u>181,729</u>	<u>181,729</u>
Total assets at fair value	\$ 6,394,417	\$ 2,265,104	\$ 181,729	\$ 8,841,250

Equities and mutual 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 classified as Level 2 instruments are corporate bonds which do not have 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. Quoted market prices exist in active markets for similar assets. Quoted market prices exist in inactive markets for identical assets.

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. Those investments are not UCP's assets, and UCP will never receive 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 Measurements*, 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	\$ 157,474
Total change in value recorded in revenue	24,255
Ending balance of assets	<u>\$ 181,729</u>

Note 12. Board Designated And Permanently Restricted Net Assets

UCP follows 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, 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

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 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, on a quarterly basis, funds are transferred from the board designated funds to operations for utilization.

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

UCP's endowment funds consist of the following at September 30, 2012:

	Board- Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 1,424,117	\$ 4,639,374	\$ 6,063,491
Board designated endowment funds	3,237,382	-	-	3,237,382
	<u>\$ 3,237,382</u>	<u>\$ 1,424,117</u>	<u>\$ 4,639,374</u>	<u>\$ 9,300,873</u>

Endowment fund activity for the year ended September 30, 2012, consists of the following:

	Board- Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 2,992,358	\$ 785,917	\$ 4,620,746	\$ 8,399,021
Investment return	517,202	866,320	-	1,383,522
Change in beneficial interests in trusts	-	-	18,628	18,628
Investment fees	(24,178)	(51,025)	-	(75,203)
Amounts appropriated for expenditure	(248,000)	(177,095)	-	(425,095)
Endowment net assets, end of year	<u>\$ 3,237,382</u>	<u>\$ 1,424,117</u>	<u>\$ 4,639,374</u>	<u>\$ 9,300,873</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, 2012, 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 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, 2012, due to the purpose of the restriction being accomplished.

Temporarily restricted net assets at September 30, 2012, are available for the following:

	Balance September 30, 2011	Additions	Investment (Losses)/ Change In Value	Investment Fees	Releases	Balance September 30, 2012
Purpose restrictions:						
Bellows endowment funds	\$ 785,917	\$ -	\$ 866,320	\$ (51,025)	\$ (177,095)	\$ 1,424,117
Public education & outreach	-	161,252	-	-	(71,304)	89,948
Life Without Limits	-	51,889	-	-	-	51,889
My Child Without Limits	87,323	80,225	-	-	(140,276)	27,272
	873,240	293,366	866,320	(51,025)	(388,675)	1,593,226
Time restriction – Trust assets	17,587	-	5,627	-	-	23,214
	<u>\$ 890,827</u>	<u>\$ 293,366</u>	<u>\$ 871,947</u>	<u>\$ (51,025)</u>	<u>\$ (388,675)</u>	<u>\$ 1,616,440</u>