

Financial Statements and Report of  
Independent Certified Public Accountants  
**United Cerebral Palsy Associations, Inc.**  
September 30, 2005 and 2004

# United Cerebral Palsy Associations, Inc.

## Contents

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## Report of Independent Certified Public Accountants

Board of Trustees  
United Cerebral Palsy Associations, Inc.

We have audited the accompanying statements of financial position of United Cerebral Palsy Associations, Inc. (UCPA) as of September 30, 2005 and 2004, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of UCPA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UCPA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UCPA as of September 30, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Grant Thornton LLP*

Vienna, Virginia  
December 16, 2005

**United Cerebral Palsy Associations, Inc.**

Statements of Financial Position

<i>September 30, 2005</i>	2005	2004
<b>Assets</b>		
Cash and cash equivalents		
Cash available for operations	\$ 249,603	\$ 212,518
Temporary cash investments	228,070	406,649
<b>Total cash and cash equivalents</b>	<b>477,673</b>	<b>619,167</b>
Investments	2,208,986	1,700,767
Board-designated investments	6,596,044	6,669,936
Permanently restricted investments	4,480,859	4,480,859
<b>Total investments</b>	<b>13,285,889</b>	<b>12,851,562</b>
Contributions receivable	157,115	128,162
Due from affiliates, net	225,126	240,860
Receivables and other assets	351,123	351,673
Beneficial interest in trusts held by third parties	167,213	160,413
Furniture and equipment, net	237,893	64,450
<b>Total Assets</b>	<b>\$ 14,902,032</b>	<b>\$ 14,416,287</b>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 934,903	\$ 1,304,875
Deferred revenue	86,782	9,731
Due to affiliates	141,761	450,043
Note payable	1,000,000	100,000
<b>Total liabilities</b>	<b>2,163,446</b>	<b>1,864,649</b>
<b>Commitments</b>		
Net Assets		
Unrestricted:		
Available for operations	(1,762,698)	(1,480,848)
Board-designated	6,626,848	6,680,597
<b>Total unrestricted</b>	<b>4,864,150</b>	<b>5,199,749</b>
Temporarily restricted	3,226,364	2,710,617
Permanently restricted	4,648,072	4,641,272
<b>Total net assets</b>	<b>12,738,586</b>	<b>12,551,638</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 14,902,032</b>	<b>\$ 14,416,287</b>

*The accompanying notes are an integral part of these statements.*

United Cerebral Palsy Associations, Inc.

Statements of Activities

	2005			2004				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Operating Revenues:</b>								
Affiliates membership fees	\$ 2,177,307	\$ —	\$ —	2,177,307	\$ 2,184,863	\$ —	\$ —	2,184,863
Contributions	3,010,900	157,115	—	3,168,015	1,813,066	128,162	—	1,941,228
U.S. government grants	—	—	—	—	300,103	—	—	300,103
Grants from United Cerebral Palsy Research and Educational Foundation, Inc.	400,754	—	—	400,754	379,728	—	—	379,728
Other revenue	875,555	—	—	875,555	68,628	—	—	68,628
Net assets released from restrictions	157,934	(157,934)	—	—	163,506	(163,506)	—	—
<b>Total Operating Revenues</b>	<b>6,622,450</b>	<b>(819)</b>	<b>—</b>	<b>6,621,631</b>	<b>4,909,894</b>	<b>(35,344)</b>	<b>—</b>	<b>4,874,550</b>
<b>Operating Expenses</b>								
Program services:								
Medical research and education	962,003	—	—	962,003	861,448	—	—	861,448
Non-federal grants	268,811	—	—	268,811	245,295	—	—	245,295
Public policy analysis/advocacy	965,816	—	—	965,816	889,099	—	—	889,099
Public education	2,017,114	—	—	2,017,114	1,396,295	—	—	1,396,295
Support to affiliates	1,054,924	—	—	1,054,924	935,693	—	—	935,693
Federal grants	—	—	—	—	463,132	—	—	463,132
Total program services	5,268,668	—	—	5,268,668	4,790,962	—	—	4,790,962
Supporting services:								
Management and general	590,096	—	—	590,096	625,540	—	—	625,540
Fund-raising	1,695,119	—	—	1,695,119	1,009,053	—	—	1,009,053
Total supporting services	2,285,215	—	—	2,285,215	1,634,593	—	—	1,634,593
<b>Total operating expenses</b>	<b>7,553,883</b>	<b>—</b>	<b>—</b>	<b>7,553,883</b>	<b>6,425,555</b>	<b>—</b>	<b>—</b>	<b>6,425,555</b>
Change in net assets from operations	(931,433)	(819)	—	(932,252)	(1,515,661)	(35,344)	—	(1,551,005)
<b>Non-operating Revenues, Gains, and Support</b>								
Investment return	595,834	516,566	—	1,112,400	536,797	476,879	—	1,013,676
Change in beneficial interest in trusts held by third parties	—	—	6,800	6,800	—	—	2,465	2,465
Total non-operating revenues, gains, and support	595,834	516,566	6,800	1,119,200	536,797	476,879	2,465	1,016,141
<b>Change in Net Assets</b>	<b>(335,599)</b>	<b>515,747</b>	<b>6,800</b>	<b>186,948</b>	<b>(978,864)</b>	<b>441,535</b>	<b>2,465</b>	<b>(534,864)</b>
Net Assets, beginning of year	5,199,749	2,710,617	4,641,272	12,551,638	6,178,613	2,269,082	4,638,807	13,086,502
Net assets, end of year	\$ 4,864,150	\$ 3,226,364	\$ 4,648,072	\$ 12,738,586	\$ 5,199,749	\$ 2,710,617	\$ 4,641,272	\$ 12,551,638

The accompanying notes are an integral part of these statements.

United Cerebral Palsy Associations, Inc.

Statement of Functional Expenses

	September 30, 2005					Supporting Services			Total	
	Medical Research and Education	Non-Federal Grants	Public Policy Analysis/Advocacy	Public Education	Support to Affiliates	Management and General	Fund-raising	Total		
Salaries	\$ 382,080	\$ 47,752	\$ 321,986	\$ 531,599	\$ 406,595	\$ 283,066	\$ 397,708	\$ 680,774	\$ 2,370,786	\$ 2,067,824
Employee benefits and taxes	65,478	6,481	69,982	112,023	80,144	44,534	75,939	120,473	454,581	420,272
Total	447,558	54,233	391,968	643,622	486,739	327,600	473,647	801,247	2,825,367	2,488,096
Program, professional, and contract services	76,661	10,974	386,221	914,990	103,243	71,859	687,072	758,931	2,251,020	1,408,337
Supplies	7,945	789	1,565	5,838	3,431	2,675	2,952	5,627	25,195	27,454
Telephone and teleconference	5,201	1,711	10,711	12,841	10,458	4,938	6,840	11,778	52,700	43,835
Postage and shipping	12,420	447	19,969	120,213	24,488	4,528	226,058	230,586	408,123	199,147
Occupancy	74,632	24,024	62,702	178,158	111,790	58,222	99,833	158,055	609,361	506,293
Outside printing and artwork	5,979	493	7,252	40,827	8,573	4,380	68,943	73,323	136,447	378,802
Travel and related costs	39,172	1,129	13,293	17,001	30,994	55,079	24,609	79,688	181,277	240,602
Conferences, conventions, and meetings	80	14	19,955	189	202,076	248	104	352	222,666	265,807
Membership dues and support and subscriptions	5,184	2,359	29,651	11,824	7,569	10,402	8,815	19,217	75,804	59,693
Interest expense	22,183	11,744	6,824	15,658	26,097	32,622	15,658	48,280	130,486	50,984
Awards and grants	284	157,934	1,759	4,256	6,513	—	8,227	8,227	178,973	372,582
Miscellaneous	7,143	719	7,922	33,830	8,654	11,581	62,582	74,163	132,431	21,019
Employee recruitment	1,282	217	1,066	3,006	1,927	1,056	1,659	2,715	10,213	10,863
Grant to UCP Foundation	250,000	—	—	—	—	—	—	—	250,000	250,000
Total expense before depreciation and uncollectible dues	955,724	266,787	960,558	2,002,253	1,032,552	585,190	1,686,999	2,272,189	7,490,063	6,323,514
Depreciation	6,279	2,024	5,258	14,861	9,395	4,906	8,120	13,026	50,843	15,371
Uncollectible dues	—	—	—	—	12,977	—	—	—	12,977	86,670
Total expenses	\$ 962,003	\$ 268,811	\$ 965,816	\$ 2,017,114	\$ 1,054,924	\$ 590,096	\$ 1,695,119	\$ 2,285,215	\$ 7,551,883	\$ 6,425,555

United Cerebral Palsy Associations, Inc.

Statements of Cash Flows

<i>September 30,</i>	2005	2004
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 186,948	\$ (534,864)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	50,843	15,371
Realized and unrealized gains and losses on investments, net	(620,690)	(605,710)
Change in beneficial interest in third party trusts	(6,800)	(2,465)
Changes in operating assets:		
Contributions receivable	(28,953)	322,698
Due from affiliates, net	15,734	(45,309)
Amounts due from U.S. government agencies	—	152,999
Receivables and other assets	550	(112,666)
Changes in operating liabilities:		
Accounts payable and accrued expenses	(369,972)	210,420
Deferred revenue	77,051	9,731
Due to affiliates	(308,282)	(180,424)
<b>Net Cash Used in Operating Activities</b>	<b>(1,003,571)</b>	<b>(770,219)</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of furniture and equipment	(224,286)	(50,233)
Purchases of investments	(953,110)	(8,683,450)
Proceeds from sales of investments	1,139,473	8,358,839
<b>Net Cash Used in Investing Activities</b>	<b>(37,923)</b>	<b>(374,844)</b>
<b>Cash Flows from Financing Activities</b>		
Line of credit draw	900,000	100,000
<b>Net Cash Provided by Financing Activities</b>	<b>900,000</b>	<b>100,000</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(141,494)</b>	<b>(1,045,063)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>619,167</b>	<b>1,664,230</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>477,673</b>	<b>619,167</b>
<b>Supplemental Cash Flow Information:</b>		
Interest paid	\$ 70,139	\$ 575

The accompanying notes are an integral part of these statements.

# United Cerebral Palsy Associations, Inc.

## Notes to Financial Statements

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*September 30, 2005 and 2004*

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### NOTE A—ORGANIZATION

#### *Description of Business and Basis of Presentation*

United Cerebral Palsy Associations, Inc. (UCPA) conducts four major program services for the benefit of persons with cerebral palsy and other disabilities, as follows:

- Medical research and education;
- Public policy analysis and advocacy;
- Public education designed to increase the public's awareness of cerebral palsy, its causes and prevention, as well as the needs and rights of persons with disabilities; and
- Support to affiliates through the above programs as well as through public and private grants.

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

#### *Tax Status*

UCPA 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 deductions allowable to donors.

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### NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, using the accrual basis of accounting.

#### *Cash and Cash Equivalents*

UCPA considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

# United Cerebral Palsy Associations, Inc.

## Notes to Financial Statements—Continued

*September 30, 2005 and 2004*

### NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

#### *Investments*

Investments are recorded at fair value. Investment income that is restricted by a donor is reported as temporarily restricted. All other investment income is reported as unrestricted.

#### *Allowance for Doubtful Accounts*

An allowance is provided for unpaid amounts due from affiliates that may be uncollectible. As of September 30, 2005 and 2004, this allowance was approximately \$137,000 and \$168,000, respectively.

#### *Furniture and Equipment, Net*

Furniture and equipment, net, are stated at cost, less accumulated depreciation. Depreciation is provided on the straight-line basis over the estimated useful life of the assets, which is 5 years for furniture, 3 years for office equipment, and the lesser of the life of the lease or the life of the assets for leasehold improvements.

#### *Temporarily and Permanently Restricted Net Assets*

UCPA's permanently restricted net assets include donations that were restricted by the donor such that income is temporarily restricted until disbursed for the purpose of providing assistive devices to increase, maintain, or improve the functional capabilities of individuals who are both physically handicapped and financially needy, by contributions to other charitable organizations. The principal of \$4,480,859 is to be held in perpetuity by UCPA, with only the income being distributed for the purposes described above. Such permanently restricted net assets also include beneficial interests in trusts held by third parties. In addition, temporarily restricted net assets include contributions promised but not yet received as of September 30, 2005 and 2004.

#### *Net Asset Classification*

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of UCPA 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 UCPA.

*Board Designated net assets*—Net assets not subject to donor-imposed restrictions (unrestricted), but designated as to use by the Board of Trustees. The Board designated net assets consisted of the following funds: the Board Restricted Endowment Fund, which is a quasi-endowment fund used to support operations and the Board Designated Employee Fund, which is used to cover employee pension costs.

# United Cerebral Palsy Associations, Inc.

Notes to Financial Statements—Continued

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September 30, 2005 and 2004

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## NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

*Temporarily restricted net assets*—Net assets subject to donor-imposed restrictions that will be met either by actions of UCPA 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 statements 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 UCPA, but permit UCPA to expend part or all of the income and gains derived therefrom.

### *Beneficial Interest in Trusts Held by Third Parties*

UCPA 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 UCPA, and distributions are made to UCPA in accordance with the trust agreement for each trust. These trusts are invested in cash and cash equivalents, fixed income funds, mutual funds, convertible securities and equities. UCPA records its interest in these trusts at fair market value within permanently restricted net assets. Income earned on these trusts, representing appreciation, for the years ended September 30, 2005 and 2004, was approximately \$6,800 and \$2,500, respectively, and is classified as permanently restricted support in the accompanying statements of activities. Income earned on these trusts and paid quarterly is classified as unrestricted support in the accompanying statements of activities. For the years ended September 30, 2005 and 2004, these amounts were approximately \$1,700 and \$3,700, respectively.

### *Revenue Recognition*

Contributions and other revenue are recognized monthly when received or earned. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence of donor-imposed restrictions. Membership fees paid by affiliates are recognized when due. Temporarily restricted revenue, whose restriction is satisfied within the same fiscal year as the receipt of funds, is recorded as unrestricted.

Grants from non-federal sources are recognized as revenue to the extent that expenses are incurred for purposes specified by the grants. Grant funds expended but not reimbursed by the grantor at year-end are accrued as grants revenue and as receivables. Grants from non-federal sources received from the grantor but not expended at year-end are recorded as deferred revenue. There was no federal grant revenue for the year ended September 30, 2005.

### *Expense Allocation*

Expenses by function have been allocated among programs and supporting service classifications by UCPA's management on the basis of specific identification of costs or other reasonable allocation methods.

# United Cerebral Palsy Associations, Inc.

Notes to Financial Statements—Continued

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September 30, 2005 and 2004

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## NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

### *Presentation of Certain Prior Year Information*

The accompanying statement of functional expenses includes prior year summarized information in total but not by functional classification. 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 UCPA's financial statements as of and for the year ended September 30, 2004, from which the summarized information was derived.

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

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## NOTE C—TEMPORARILY RESTRICTED NET ASSETS

The following table summarizes temporarily restricted net assets as of September 30:

	2005	2004
Restricted for specific programs	\$ 3,069,249	\$ 2,582,455
Time restricted	157,115	128,162
Total temporarily restricted net assets	\$ 3,226,364	\$ 2,710,617

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## NOTE D—INVESTMENTS

Investments, at fair value, consisted of the following as of September 30:

	2005	2004
Mutual funds—equity securities	\$ 6,367,887	\$ 6,262,034
Mutual funds—fixed-income securities	6,918,002	6,589,528
Total	\$ 13,285,889	\$ 12,851,562

# United Cerebral Palsy Associations, Inc.

## Notes to Financial Statements—Continued

*September 30, 2005 and 2004*

### NOTE D—INVESTMENTS—Continued

The following schedule summarizes investment return and its classification in the accompanying statements of activities for the years ended September 30:

	2005	2004
Interest	\$ 13,709	\$ 8,875
Dividends	478,001	399,091
Realized losses, net	26,736	(97,995)
Unrealized gains, net	593,954	703,705
Total	\$ 1,112,400	\$ 1,013,676

### NOTE E—FURNITURE AND EQUIPMENT, NET

Furniture and equipment, net, consisted of the following as of September 30:

	2005	2004
Office equipment	\$ 738,867	\$ 674,948
Leasehold improvements	178,105	17,744
	916,972	692,692
Less: accumulated depreciation	(679,079)	(628,242)
Total	\$ 237,893	\$ 64,450

# United Cerebral Palsy Associations, Inc.

Notes to Financial Statements—Continued

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*September 30, 2005 and 2004*

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## NOTE F—COMMITMENTS

UCPA entered into several contracts, which expire through fiscal 2010. UCPA also maintains a lease for office space located in Washington, DC under a non-cancelable operating lease. This lease provides for periodic rent adjustments based on the Consumer Price Index which are being amortized straight-line over the life of the lease creating a deferred rent balance. These amounts total \$195,871 and \$176,509 for the years ended September 30, 2005 and 2004, respectively, and are included in Accounts payable and accrued expenses in the accompanying statements of financial position. Future minimum payments under these contracts as of September 30, 2005, are as follows:

2006	\$	461,575
2007		462,404
2008		473,961
2009		485,754
2010		497,900
		<hr/>
Total	\$	2,381,594

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## NOTE G—LINE-OF-CREDIT

UCPA has entered into a revolving line-of-credit with Branch Banking and Trust Company (BB&T) not to exceed \$1,200,000 and \$1,100,000 as of September 30, 2005 and 2004, respectively. The line-of-credit is secured by a collateral agreement pledging \$1,000,000 of unrestricted funds within the Board Restricted Endowment Fund Account held at Wachovia. Interest on the line-of-credit is payable monthly at a variable rate based on BB&T's prime rate (6.75 percent and 4.95 percent as of September 30, 2005 and 2004, respectively). The line-of-credit expires February 15, 2006.

As of September 30, 2005 and 2004, UCPA had \$1,000,000 and \$100,000 outstanding on the line-of-credit, respectively.

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## NOTE H—RETIREMENT PLANS

UCPA sponsors a 401(k) plan for its employees, whereby UCPA 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 employee's annual salary. Full time employees who have at least six months of service with UCPA are eligible for the 2 percent employer match and 3 percent Safe Harbor Contribution. Pension expense for the years ended September 30, 2005 and 2004, was approximately \$63,000 and \$52,000, respectively, and is included in employee benefits and taxes in the accompanying statement of functional expenses.

