

Financial Statements and Report of
Independent Certified Public Accountants

United Cerebral Palsy Associations, Inc.

September 30, 2007 and 2006

United Cerebral Palsy Associations, Inc.

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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, 2007 and 2006, 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 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, 2007 and 2006, 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.

McLean, Virginia
April 2, 2008

A handwritten signature in cursive script that reads "Grant Thornton LLP".

United Cerebral Palsy Associations, Inc.

Statements of Financial Position

<i>September 30,</i>	2007	2006
Assets		
Cash and cash equivalents		
Cash available for operations	\$ 346,150	\$ 181,396
Temporary cash investments	401,959	685,187
Total cash and cash equivalents	748,109	866,583
Investments	2,933,670	2,470,342
Board-designated investments	4,859,275	6,147,717
Permanently restricted investments	4,480,859	4,480,859
Total investments	12,273,804	13,098,918
Contributions receivable	2,770	35,047
Due from affiliates, net	192,195	195,914
Receivables and other assets	1,988,632	527,505
Beneficial interest in trusts held by third parties	190,785	172,503
Furniture and equipment, net	163,368	186,670
Total Assets	\$ 15,559,663	\$ 15,083,140
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 1,229,916	\$ 1,013,969
Deferred revenue	338,870	193,741
Due to affiliates	144,451	192,347
Line-of-credit	688,740	330,000
Total liabilities	2,401,977	1,730,057
Commitments		
Net Assets		
Unrestricted:		
Available for operations	(747,767)	(1,457,082)
Board-designated	5,198,051	6,659,046
Total unrestricted	4,450,284	5,201,964
Temporarily restricted	4,035,758	3,497,757
Permanently restricted	4,671,644	4,653,362
Total net assets	13,157,686	13,353,083
Total Liabilities and Net Assets	\$ 15,559,663	\$ 15,083,140

The accompanying notes are an integral part of these statements.

United Cerebral Palsy Associations, Inc.

Statements of Activities

	2007			2006				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues:								
Affiliates membership fees	\$ 2,254,796	\$ —	\$ —	2,254,796	\$ 2,200,941	\$ —	\$ —	2,200,941
Contributions	4,076,271	2,770	—	4,079,041	3,222,519	35,047	—	3,257,566
Grants from United Cerebral Palsy Research and Educational Foundation, Inc.	—	—	—	—	475,459	—	—	475,459
Other grant revenue	664,809	—	—	664,809	374,991	—	—	374,991
Other revenue	474,578	—	—	474,578	609,028	—	—	609,028
Net assets released from restrictions	181,838	(181,838)	—	—	189,226	(189,226)	—	—
Total Operating Revenues	7,652,292	(179,068)	—	7,473,224	7,072,164	(154,179)	—	6,917,985
Operating Expenses								
Program services:								
Medical research and education	10,690	—	—	10,690	1,043,848	—	—	1,043,848
Public and private grants	287,056	—	—	287,056	983,825	—	—	983,825
Public policy analysis/advocacy	1,100,059	—	—	1,100,059	892,345	—	—	892,345
Public education	2,031,213	—	—	2,031,213	1,193,684	—	—	1,193,684
Other grants	1,015,054	—	—	1,015,054	531,218	—	—	531,218
Support to affiliates	1,118,418	—	—	1,118,418	804,150	—	—	804,150
Total program services	5,562,490	—	—	5,562,490	5,449,070	—	—	5,449,070
Supporting services:								
Management and general	800,517	—	—	800,517	504,134	—	—	504,134
Fund-raising	2,677,049	—	—	2,677,049	1,151,827	—	—	1,151,827
Total supporting services	3,477,566	—	—	3,477,566	1,655,961	—	—	1,655,961
Total operating expenses	9,040,056	—	—	9,040,056	7,105,031	—	—	7,105,031
Change in net assets from operations	(1,387,764)	(179,068)	—	(1,566,832)	(32,867)	(154,179)	—	(187,046)
Non-operating Revenues, Gains, and Support								
Investment return	636,084	717,069	—	1,353,153	370,681	425,572	—	796,253
Change in beneficial interest in trusts held by third parties	—	—	18,282	18,282	—	—	5,290	5,290
Total non-operating revenues, gains, and support	636,084	717,069	18,282	1,371,435	370,681	425,572	5,290	801,543
Change in Net Assets	(751,680)	538,001	18,282	(195,397)	337,814	271,393	5,290	614,497
Net Assets, beginning of year	5,201,964	3,497,757	4,653,362	13,353,083	4,864,150	3,226,364	4,648,072	12,738,586
Net assets, end of year	\$ 4,450,284	\$ 4,035,758	\$ 4,671,644	\$ 13,157,686	\$ 5,201,964	\$ 3,497,757	\$ 4,653,362	\$ 13,353,083

United Cerebral Palsy Associations, Inc.

Statement of Functional Expenses

Years ended September 30, 2007 and 2006

	Program Services							Supporting Services			Total
	Medical Research and Education	Public and Private Grants	Public Policy Analysis/Advocacy	Public Education	Other Grants	Support to Affiliates	Total	Management and General	Fundraising	Total	
Salaries	\$ —	\$ 20,903	\$ 320,709	\$ 387,976	\$ 286,735	\$ 333,478	\$ 1,349,801	\$ 228,544	\$ 154,242	\$ 382,786	\$ 2,174,310
Employee benefits and taxes	10,654	4,096	67,776	92,458	53,400	69,124	297,508	41,774	36,679	78,453	465,226
Total	10,654	24,999	388,485	480,434	340,135	402,602	1,647,309	270,318	190,921	461,239	2,639,536
Program, professional, and contract services	—	35,438	322,579	180,281	403,834	105,107	1,047,239	181,860	203,784	385,644	1,315,242
Supplies	—	636	2,984	5,065	1,934	2,793	13,412	2,821	2,768	5,589	18,830
Telephone and teleconference	—	1,685	12,637	9,912	3,694	9,604	37,472	6,693	7,319	14,012	46,997
Postage and shipping	36	537	1,264	3,513	1,682	3,223	10,255	5,560	3,669	9,229	19,911
Occupancy	—	25,673	107,125	137,084	52,514	116,667	439,063	75,723	107,229	182,952	576,808
Outside printing and artwork	—	209	52,926	318,009	52,495	53,095	476,734	7,618	573,695	581,313	297,195
Travel and related costs	—	773	11,040	6,456	4,350	23,745	46,364	31,617	5,247	36,864	208,099
Conferences, conventions, and meetings	—	(663)	7	4,232	7	210,305	213,888	(914)	3,241	2,327	138,911
Membership dues, support and subscriptions	—	1,174	40,658	14,534	1,672	5,898	63,936	7,512	10,179	17,691	79,200
Interest expense/trustee fees	—	9,427	5,237	12,569	5,237	20,948	53,418	38,754	12,569	51,323	69,228
Awards and grants	—	181,838	72,390	434,339	72,390	79,561	840,518	—	796,289	796,289	219,267
Miscellaneous	—	1,487	68,990	401,988	67,430	70,373	610,268	158,088	733,826	891,914	971,992
Employee recruitment	—	1,070	2,184	8,092	2,085	5,887	19,318	6,689	14,915	21,604	696
Grant to UCP Foundation	—	—	—	—	—	—	—	—	—	—	250,000
Total expense before depreciation and uncollectible dues	10,690	284,283	1,088,506	2,016,508	1,009,399	1,109,808	5,519,194	792,339	2,665,651	3,457,990	7,030,912
Depreciation	—	2,773	11,553	14,705	5,655	12,584	47,270	8,178	11,398	19,576	65,945
Uncollectible dues adjustment	—	—	—	—	—	(27,704)	(27,704)	—	—	—	(27,704)
In-kind professional and contracted services	—	—	—	—	—	23,730	23,730	—	—	—	8,174
Total expenses	\$ 10,690	\$ 287,056	\$ 1,100,059	\$ 2,031,213	\$ 1,015,054	\$ 1,118,418	\$ 5,562,490	\$ 800,517	\$ 2,677,049	\$ 3,477,566	\$ 7,105,031

United Cerebral Palsy Associations, Inc.

Statements of Cash Flows

<i>Year ended September 30,</i>	2007	2006
Cash Flows from Operating Activities		
Change in net assets	\$ (195,397)	\$ 614,497
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	66,846	65,945
Realized and unrealized gains and losses on investments, net	763,697	(242,366)
Change in beneficial interest in third party trusts	(18,282)	(5,290)
Changes in assets and liabilities:		
Contributions receivable	32,277	122,068
Due from affiliates, net	3,719	29,212
Receivables and other assets	(1,461,127)	(176,382)
Accounts payable and accrued expenses	215,947	79,066
Deferred revenue	145,129	106,959
Due to affiliates	(47,896)	50,586
Net Cash (Used in) Provided by Operating Activities	(495,087)	644,295
Cash Flows from Investing Activities		
Purchases of furniture and equipment	(43,544)	(14,722)
Purchases of investments	(2,065,085)	(941,163)
Proceeds from sales of investments	2,126,502	1,370,500
Net Cash Provided by Investing Activities	17,873	414,615
Cash Flows from Financing Activities		
Line of credit draw (repayments)	358,740	(670,000)
Net Cash Provided by (Used in) Financing Activities	358,740	(670,000)
Net Change in Cash and Cash Equivalents	(118,474)	388,910
Cash and Cash Equivalents, beginning of year	866,583	477,673
Cash and Cash Equivalents, end of year	748,109	866,583
Supplemental Cash Flow Information:		
Interest paid	\$ 44,990	\$ 15,209

The accompanying notes are an integral part of these statements.

United Cerebral Palsy Associations, Inc.

Notes to Financial Statements

September 30, 2007 and 2006

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 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.

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, 2007 and 2006

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, 2007 and 2006, this allowance was \$64,876 and \$92,580, 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. UCPA also has permanently restricted net assets in the form of beneficial interests in trusts held by third parties. The market value of these trusts was \$190,785 and \$172,503 as of September 30, 2007 and 2006. In addition, temporarily restricted net assets include contributions promised but not yet received as of September 30, 2007 and 2006.

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

September 30, 2007 and 2006

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, 2007 and 2006, was approximately \$18,282 and \$5,300, 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, 2007 and 2006, these amounts were approximately \$1,400 and \$1,300, 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 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 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, 2007.

UCPA record contributions from corporate sponsors, with a portion to be allocated to certain affiliates, at gross.

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.

Contributed Services

Contributed Services are reported as contributions at their fair value if such services create or enhance non-financial assets, would have been purchased if not provided by contributions, require specialized skills and are provided by individuals possessing such specialized skills. In 2007, donations in-kind represented a contribution of audio visual equipment worth approximately \$24,000 for the annual conference.

United Cerebral Palsy Associations, Inc.

Notes to Financial Statements—Continued

September 30, 2007 and 2006

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Concentration of Credit Risk

UCPA maintains a significant amount of its cash balance at one financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. Uninsured balances aggregate to approximately \$626,000 at September 30, 2007. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and investments.

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, 2006, 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.

Reclassification

Certain amounts in the 2006 financial statements have been reclassified to conform to 2007 presentation.

NOTE C—TEMPORARILY RESTRICTED NET ASSETS

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

	2007	2006
Restricted for specific programs	\$ 4,032,988	\$ 3,462,710
Time restricted	2,770	35,047
Total temporarily restricted net assets	\$ 4,035,758	\$ 3,497,757

United Cerebral Palsy Associations, Inc.

Notes to Financial Statements—Continued

September 30, 2007 and 2006

NOTE D—INVESTMENTS

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

	2007	2006
Mutual funds—equity securities	\$ 5,988,992	\$ 6,232,618
Mutual funds—fixed-income securities	6,284,812	6,866,300
Total	\$ 12,273,804	\$ 13,098,918

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

	2007	2006
Interest	\$ 23,533	\$ 14,801
Dividends	565,923	539,086
Realized gains (losses), net	18,971	(45,142)
Unrealized gains	744,726	287,508
Total	\$ 1,353,153	\$ 796,253

NOTE E—FURNITURE AND EQUIPMENT, NET

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

	2007	2006
Office equipment	\$ 785,335	\$ 741,791
Leasehold improvements	189,903	189,903
	975,238	931,694
Less: accumulated depreciation	(811,870)	(745,024)
Total	\$ 163,368	\$ 186,670

United Cerebral Palsy Associations, Inc.

Notes to Financial Statements—Continued

September 30, 2007 and 2006

NOTE F—NOTES RECEIVABLE

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

NOTE G—COMMITMENTS

UCPA entered into several contracts, which expire through fiscal 2012. 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 \$176,455 and \$191,647 for the years ended September 30, 2007 and 2006, respectively, and are included in Accounts payable and accrued expenses in the accompanying statements of financial position. Future minimum payments under these contracts, net of future sublease receipts as of September 30, 2007, are as follows:

	Payments	Sublease Receipts	Net Commitment
2008	\$ 493,292	\$ (110,249)	\$ 383,043
2009	504,674	(14,640)	490,034
2010	508,878	—	508,678
2011	515,649	—	515,649
2012	3,951	—	3,951
Total	\$ 2,026,444	\$ 124,889	\$ 1,901,355

NOTE H—LINE-OF-CREDIT

UCPA has entered into a revolving line-of-credit with Branch Banking and Trust Company (BB&T) not to exceed \$1,500,000 as of September 30, 2007 and 2006, respectively. The line-of-credit is secured by a collateral agreement pledging \$1,500,000 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 7.75 percent and 8.25 percent as of September 30, 2007 and 2006, respectively). The line-of-credit expired February 15, 2008, and an extension was obtained through April 15, 2008.

As of September 30, 2007 and 2006, UCPA had \$688,740 and \$330,000 outstanding on the line-of-credit, respectively.