

**United Cerebral Palsy Associations, Inc.**

**Financial statements  
As of September 30, 2000 and 1999  
Together with auditors' report**

## **Report of independent public accountants**

To the Board of Directors of 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, 2000 and 1999, 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. 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 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, 2000 and 1999, 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.

Vienna, Virginia  
December 8, 2000

# United Cerebral Palsy Associations, Inc.

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## United Cerebral Palsy Associations, Inc.

### Statements of financial position As of September 30, 2000 and 1999

	2000	1999
<b>Assets</b>		
Cash and cash equivalents	\$ 421,659	\$ 877,965
Investments (including permanently restricted investments of \$4,480,859)	9,837,671	8,045,418
Contributions receivable, all current	485,074	374,266
Due from affiliates, net of allowance	310,201	154,362
Due from U.S. government agencies	412,109	772,328
Prepaid expenses and deposits	25,874	10,238
Prepaid pension expense	1,808,971	662,442
Receivables and other assets	18,405	120,355
Furniture and equipment, less accumulated depreciation of \$440,487 and \$335,091, respectively	164,419	270,238
Total assets	\$ 13,484,383	\$ 11,287,612
<b>Liabilities and net assets</b>		
Accounts payable and accrued expenses	\$ 909,593	\$ 1,692,121
Note payable	494,159	400,000
Due to affiliates	731,113	567,611
Deferred revenue	53,094	164,779
Total liabilities	2,187,959	2,824,511
<b>Net assets:</b>		
Unrestricted	3,506,162	1,822,051
Temporarily restricted	3,309,403	2,160,191
Permanently restricted	4,480,859	4,480,859
Total net assets	11,296,424	8,463,101
Total liabilities and net assets	\$ 13,484,383	\$ 11,287,612

The accompanying notes are an integral part of these statements.

**United Cerebral Palsy Associations, Inc.**

**Statements of activities  
For the years ended September 30, 2000 and 1999**

	2000				1999			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
<b>Revenues:</b>								
Affiliates' membership fees	\$ 2,673,406	\$ —	\$ —	\$ 2,673,406	\$ 2,656,057	\$ —	\$ —	\$ 2,656,057
Contributions	1,551,113	139,467	—	1,690,580	978,786	311,040	—	1,289,826
U.S. government grants	3,380,803	—	—	3,380,803	3,898,173	—	—	3,898,173
Grant from United Cerebral Palsy Research and Education Foundation, Inc.	250,000	—	—	250,000	250,000	—	—	250,000
Other grants`	65,737	—	—	65,737	117,334	—	—	117,334
Investment income	451,193	1,649,710	—	2,100,903	341,618	765,723	—	1,107,341
Other revenue	206,116	—	—	206,116	159,031	—	—	159,031
In-kind contributions	2,184,680	—	—	2,184,680	—	—	—	—
Net assets released from satisfaction of program restrictions	639,965	(639,965)	—	—	606,663	(606,663)	—	—
<b>Total revenues</b>	<b>11,403,013</b>	<b>1,149,212</b>	<b>—</b>	<b>12,552,225</b>	<b>9,007,662</b>	<b>470,100</b>	<b>—</b>	<b>9,477,762</b>
<b>Expenses:</b>								
Program services—								
Research activities	486,671	—	—	486,671	556,949	—	—	556,949
Federal grants	3,666,863	—	—	3,666,863	3,898,173	—	—	3,898,173
Non-Federal grants	466,871	—	—	466,871	158,553	—	—	158,553
Public policy	273,412	—	—	273,412	605,997	—	—	605,997
Public education and information	2,658,436	—	—	2,658,436	1,441,013	—	—	1,441,013
Affiliate services	647,574	—	—	647,574	968,341	—	—	968,341
<b>Total program services</b>	<b>8,199,827</b>	<b>—</b>	<b>—</b>	<b>8,199,827</b>	<b>7,629,026</b>	<b>—</b>	<b>—</b>	<b>7,629,026</b>
Supporting services—								
Management and general	1,675,437	—	—	1,675,437	1,521,502	—	—	1,521,502
Fund-raising	415,652	—	—	415,652	788,340	—	—	788,340
<b>Total supporting services</b>	<b>2,091,089</b>	<b>—</b>	<b>—</b>	<b>2,091,089</b>	<b>2,309,842</b>	<b>—</b>	<b>—</b>	<b>2,309,842</b>
<b>Total expenses</b>	<b>10,290,916</b>	<b>—</b>	<b>—</b>	<b>10,290,916</b>	<b>9,938,868</b>	<b>—</b>	<b>—</b>	<b>9,938,868</b>
<b>Change in net assets before curtailment gain</b>	<b>1,112,097</b>	<b>1,149,212</b>	<b>—</b>	<b>2,261,309</b>	<b>(931,206)</b>	<b>470,100</b>	<b>—</b>	<b>(461,106)</b>
<b>Curtailment gain</b>	<b>572,014</b>	<b>—</b>	<b>—</b>	<b>572,014</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Change in net assets</b>	<b>1,684,111</b>	<b>1,149,212</b>	<b>—</b>	<b>2,833,323</b>	<b>(931,206)</b>	<b>470,100</b>	<b>—</b>	<b>(461,106)</b>
<b>Net assets at beginning of year</b>	<b>1,822,051</b>	<b>2,160,191</b>	<b>4,480,859</b>	<b>8,463,101</b>	<b>2,753,257</b>	<b>1,690,091</b>	<b>4,480,859</b>	<b>8,924,207</b>
<b>Net assets at end of year</b>	<b>\$ 3,506,162</b>	<b>\$ 3,309,403</b>	<b>\$ 4,480,859</b>	<b>\$ 11,296,424</b>	<b>\$ 1,822,051</b>	<b>\$ 2,160,191</b>	<b>\$ 4,480,859</b>	<b>\$ 8,463,101</b>

The accompanying notes are an integral part of these statements.

**United Cerebral Palsy Associations, Inc.**

**Statement of functional expenses  
For the year ended September 30, 2000, with comparative totals for 1999**

Expenditures by department	Program services							Supporting services			Total	
	Research activities	Grants and Awards		Public policy	Public education and information	Affiliate services	Total	Management and general	Fundraising	Total	2000	1999
		Federal	Non-federal									
<b>Salaries</b>	\$ 185,073	\$ 789,165	\$ 16,604	\$ 224,420	\$ 216,633	\$ 234,500	\$ 1,666,395	\$ 556,226	\$ 176,643	\$ 732,869	\$ 2,399,264	\$ 3,083,116
<b>Employee benefits and taxes</b>	(13,874)	205,016	3,052	(12,995)	(16,066)	(11,305)	153,828	(294)	(10,970)	(11,264)	142,564	471,504
	171,199	994,181	19,656	211,425	200,567	223,195	1,820,223	555,932	165,673	721,605	2,541,828	3,554,620
<b>Program and professional and contract services</b>	32,702	13,014	—	2,007	544,907	10,598	603,228	525,630	110,693	636,323	1,239,551	1,269,198
<b>Supplies</b>	510	22,408	—	1,439	4,685	4,962	34,004	38,486	1,789	40,275	74,279	318,682
<b>Telephone and teleconference</b>	1,120	33,167	—	4,412	1,507	10,581	50,787	55,084	2,939	58,023	108,810	175,798
<b>Postage and shipping</b>	3,356	39,064	—	4,383	5,751	11,315	63,869	24,245	10,576	34,821	98,690	160,754
<b>Occupancy</b>	—	39,122	—	—	23,400	—	62,522	368,962	—	368,962	431,484	357,471
<b>Outside printing and artwork</b>	3,228	90,432	—	8,150	29,339	74,830	205,979	976	20,070	21,046	227,025	204,721
<b>Travel and related costs</b>	11,715	388,923	—	15,330	9,783	68,101	493,852	125,008	57,441	182,449	676,301	591,719
<b>Conferences, conventions and meetings</b>	10,089	196,443	—	1,591	74,380	230,321	512,824	32,044	42,023	74,067	586,891	474,456
<b>Membership dues and support and subscriptions</b>	2,557	3,625	—	17,064	505	570	24,321	21,539	1,537	23,076	47,397	53,501
<b>Interest expense</b>	—	—	—	—	—	—	—	45,423	—	45,423	45,423	118,941
<b>Awards and grants</b>	—	1,286,273	272,441	—	13,579	7,792	1,580,085	—	—	—	1,580,085	2,212,891
<b>Miscellaneous</b>	195	18,019	—	5,965	1,774	4,947	30,900	55,685	2,023	57,708	88,608	68,612
<b>Executive employee recruitment</b>	—	—	—	1,646	515	362	2,523	1,057	888	1,945	4,468	25,679
<b>Grant to UCP Foundation</b>	250,000	—	—	—	—	—	250,000	—	—	—	250,000	250,000
<b>Indirect/overhead costs</b>	—	280,030	—	—	—	—	280,030	(280,030)	—	(280,030)	—	—
Total expenses before depreciation and in-kind professional and contract services	486,671	3,404,701	292,097	273,412	910,692	647,574	6,015,147	1,570,041	415,652	1,985,693	8,000,840	9,837,043
<b>Depreciation</b>	—	—	—	—	—	—	—	105,396	—	105,396	105,396	101,825
<b>In-kind professional and contract services</b>	—	262,162	174,774	—	1,747,744	—	2,184,680	—	—	—	2,184,680	—
<b>Total expenses</b>	<u>\$ 486,671</u>	<u>\$ 3,666,863</u>	<u>\$ 466,871</u>	<u>\$ 273,412</u>	<u>\$ 2,658,436</u>	<u>\$ 647,574</u>	<u>\$ 8,199,827</u>	<u>\$ 1,675,437</u>	<u>\$ 415,652</u>	<u>\$ 2,091,089</u>	<u>\$ 10,290,916</u>	<u>\$ 9,938,868</u>

The accompanying notes are an integral part of these statements.

## United Cerebral Palsy Associations, Inc.

### Statements of cash flows For the years ended September 30, 2000 and 1999

	2000	1999
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 2,833,323	\$ (461,106)
Adjustments to reconcile change in net assets to net cash used in operating activities—		
Depreciation expense	105,396	101,825
Unrealized and realized (gains) losses	(1,659,430)	(545,248)
Curtailment gain	(572,014)	—
Decrease (increase) in contributions receivable	(110,808)	(141,600)
Decrease (increase) in due from affiliates	(155,839)	(74,268)
Decrease (increase) in amounts due from U.S. government agencies	360,219	73,517
Decrease (increase) in prepaid expenses and deposits	(15,612)	5,409
Decrease (increase) in prepaid pension	(574,539)	(153,865)
Decrease (increase) in receivables and other assets	101,950	(33,772)
(Decrease) increase in accounts payable and accrued expenses	(782,528)	(690,821)
(Decrease) increase in due to affiliates	163,502	522,103
(Decrease) increase in deferred revenue	(111,685)	(10,083)
Net cash provided by (used) in operating activities	(418,065)	(1,407,909)
<b>Cash flows from investing activities:</b>		
Purchase of equipment	—	(194,257)
Purchase of investments	(132,400)	7,765
Net cash used in investing activities	(132,400)	(186,492)
<b>Cash flows from financing activities:</b>		
Proceeds from line of credit	694,159	400,000
Payments on line of credit	(600,000)	—
Net cash provided by financing activities	94,159	400,000
<b>Net decrease in cash and cash equivalents</b>	(456,306)	(1,194,401)
<b>Cash and cash equivalents at beginning of year</b>	877,965	2,072,366
<b>Cash and cash equivalents at end of year</b>	\$ 421,659	\$ 877,965
 <b>Supplemental data:</b>		
Cash paid for interest during the year	\$ 154,025	\$ 689

The accompanying notes are an integral part of these statements.

# **United Cerebral Palsy Associations, Inc.**

## **Notes to financial statements September 30, 2000 and 1999**

### **1. Organization:**

#### **Description of business and basis of presentation**

United Cerebral Palsy Associations, Inc. (the National Association), has approximately 130 state and local affiliates that provide advocacy and direct services to people with cerebral palsy and other disabilities and their families. The National Association was founded in 1948 to fulfill the important role of advancing the independence of people with disabilities. The National Association supports affiliates in many facets of operations such as public education, public policy, advocacy, program services, and fund-raising. The National Association also conducts a nationwide program designed to increase the public's awareness of cerebral palsy – its causes, prevention, and the needs and rights of persons with cerebral palsy and other disabilities. The program enhances the public's awareness of the services provided to people with cerebral palsy and other disabilities and their families by the National Association, its affiliates, and other agencies. The National Association's support comes primarily from affiliate member fees, contributions, and government grants.

The National Association is a nonprofit voluntary health 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.

#### **Relationship with affiliates**

The United Cerebral Palsy Research and Educational Foundation, Inc. (the Foundation), and local affiliates are related to, but not controlled by, the National Association. Therefore, they are not consolidated in the accompanying financial statements.

A portion of the national corporate sponsors' contributions received directly by the National Association is allocated to the local affiliates pursuant to sharing agreements with national corporate sponsors.

Support from the public reflected in the accompanying financial statements excludes collections retained by the local affiliates and contributions allocated by the National Association to the local affiliates.

Expenses incurred by the local affiliates are borne by them and are not included in the accompanying financial statements.

The National Association awarded grants to the Foundation aggregating \$250,000 in 2000 and 1999 to further the Foundation's efforts for research and education to the public about cerebral palsy.

## **Reclassification**

Certain prior year amounts have been reclassified to conform to the current year presentation.

## **2. Summary of significant accounting policies:**

The accompanying financial statements are prepared on the accrual basis of accounting.

### **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.

Federal and nonfederal grants are recognized as revenue to the extent that expenses are incurred for purposes specified by the grants. Federal and nonfederal grant funds expended but not reimbursed by the grantor at year-end are accrued as grants revenue and as receivables. Federal and nonfederal grants received from the grantor but not expended at year-end are recorded as deferred revenue.

At September 30, 2000, amounts unspent and payable to the federal government at the conclusion of grants totaled \$32,187, including \$8,289 of interest, and are reflected in accounts payable and accrued expenses in the accompanying financial statements. In fiscal year 2000, the National Association remitted approximately \$484,000 to the federal government to settle the liability from fiscal year 1999 related to the Choice Access Grant. The payable as of September 30, 1999, recorded in the accompanying financial statements, related to this liability was approximately \$597,000. During 2000, the National Association reversed the difference of approximately \$113,000, due to a change in estimate, which is reflected as other revenue in the accompanying financial statements.

### **Allowance for doubtful accounts**

An allowance is provided for unpaid amounts due from affiliates that may be uncollectible. At September 30, 2000 and 1999, the allowance was approximately \$450,000.

### **Furniture and equipment**

Furniture and equipment are stated at cost, less accumulated depreciation. Depreciation is provided on the straight-line basis over the estimated useful life of the assets (furniture ten years; office equipment five years).

### **Expense allocation**

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

### **Donated services**

The National Association received contributed services related to the creation and design of advertising ads for an advertising campaign used across the country. In accordance with accounting principles generally accepted in the United States, the National Association has recorded an equal expense and revenue in the amount equivalent to the fair market value of the services provided. Services provided totaled approximately \$2,184,680 for the year ending September 30, 2000. These services include amounts related to advertising spots on radio and television, which have been recorded at their estimated fair market value of approximately \$1,993,320. A substantial number of volunteers have donated significant amounts of their time in a nonprofessional capacity in serving the National Association. The value of such services has not been recorded in the financial statements as these contributed services are not required to be recorded by accounting principles generally accepted in the United States.

### **Cash and cash equivalents**

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

### **Investments**

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

### **Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

### **3. Temporarily and permanently restricted net assets:**

The National Association's permanently restricted net assets were restricted by the donor such that income is temporarily restricted until disbursed for the purpose of providing assistance devices to increase, maintain, or improve the functional capabilities of individuals who are both physically handicapped and financially needy, either directly to that person or by contributions to other charitable organizations. The principal is to be held in perpetuity by the National Association, with only the income being distributed for the purposes described above. In addition, temporarily restricted net assets include contributions promised but not yet received as of September 30, 2000 and 1999.

The following table summarizes the temporarily and permanently restricted net assets at September 30, 2000 and 1999:

	<u>2000</u>	<u>1999</u>
Restricted for specific programs (see above)	\$ 3,190,272	\$ 1,849,151
Time restricted	<u>119,131</u>	<u>311,040</u>
Total temporarily restricted net assets	<u>\$ 3,309,403</u>	<u>\$ 2,160,191</u>
Total permanently restricted net assets	<u>\$ 4,480,859</u>	<u>\$ 4,480,859</u>

#### 4. Investments:

Investments consisted of the following investments, at fair value, at September 30, 2000 and 1999:

	<u>2000</u>	<u>1999</u>
U.S. Treasury notes and government-backed securities	\$ 1,619,415	\$ 2,943,872
Corporate bonds	1,597,444	1,602,716
Other fixed-income securities	1,346,874	262,305
Common stocks	463,922	355,123
Mutual funds	<u>4,810,016</u>	<u>2,881,402</u>
	<u>\$ 9,837,671</u>	<u>\$ 8,045,418</u>

The following schedule summarizes investment income and its classification in the statements of activities for the year ended September 30, 2000 and 1999:

	<u>2000</u>	<u>1999</u>
Interest	\$ 318,198	\$ 340,671
Dividends	123,275	221,422
Realized gain, net	554,423	83,513
Unrealized gain, net	<u>1,105,007</u>	<u>461,735</u>
	<u>\$ 2,100,903</u>	<u>\$ 1,107,341</u>

#### 5. Grant from United Cerebral Palsy Research and Educational Foundation, Inc.:

The Foundation paid fees aggregating \$250,000 in the years ended September 30, 2000 and 1999, to the National Association for the furtherance of its efforts to educate the public about cerebral palsy.

#### 6. Leases:

The National Association entered into a new lease agreement for its facilities, which commenced on October 1, 2000, and expires on October 11, 2011. This lease contains a renewal option of one, five-year term. In addition to lease payments, the National Association is obligated to pay its proportionate share of real estate taxes and building costs. Rent expense was \$310,490 and \$275,660 for the years ended September 30, 2000 and 1999.

Future minimum lease payments under such noncancelable operating lease as of September 30, 2000 and 1999, are as follows:

<u>Year ending September 30</u>	
2001	\$ 396,728
2002	420,525
2003	400,075
2004	403,910
2005 and beyond	<u>3,329,341</u>
	<u>\$4,950,579</u>

**7. Line of credit/term loan:**

The National Association had an unsecured \$750,000 bank line of credit, expiring July 30, 2000, with interest payable at the lender's prime rate. As of September 30, 1999, the National Association had borrowings of \$400,000 outstanding on the line of credit. The National Association drew down an additional \$200,000 on the line of credit in November 1999 that was used, in part, to fund certain web site development costs. The principal balance of \$600,000 and all related interest were paid in fiscal year 2000.

The National Association entered into a revolving line of credit (the LOC), not to exceed \$1,100,000, on February 10, 2000 with Branch Banking and Trust Company (BB&T). The LOC is secured by a lien on the investments accounts held at BB&T. Interest on the LOC is payable monthly at a variable rate of BB&T's prime rate. The LOC will mature on April 2, 2001, upon which time all outstanding principal is due along with all accrued interest. The LOC is utilized as short-term working capital of the National Association; however, these funds will be repaid as funds become available throughout the year. As of September 30, 2000, the National Association had borrowings of \$274,378 outstanding on the LOC.

The National Association entered into a loan agreement (the Term Loan) of \$250,000 on December 20, 1999 with BB&T. The purpose of the Term Loan was for the National Association to develop its new web site, [www.ucpa.org](http://www.ucpa.org). The Term Loan is secured by a lien on the investments accounts held at BB&T. Principal and interest are payable monthly in forty-seven equal installments of \$6,233, with interest accruing at a fixed rate of 9.0 percent per annum. The Term Loan will mature on December 20, 2003, upon which time all outstanding principal is due along with all accrued interest. As of September 30, 2000, the National Association had borrowings of \$219,781 outstanding on the Term Loan.

**8. Pension plan:**

The National Association had a noncontributory defined benefit retirement plan (the Plan) covering all employees who have been employed for more than one year. The Plan was contributory prior to October 1, 1991. The National Association terminated the Plan effective January 31, 2000, and replaced it with a new defined contribution plan effective October 1, 2000. The termination of the Plan has been accounted for in accordance with Statement of Financial Accounting Standards No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits." The National Association recognized a curtailment gain of \$572,014 in 2000 as future service under the Plan was eliminated by termination of the Plan. The National Association expects to recognize a settlement gain of approximately \$2,500,000 in fiscal

year 2001 as the related annuities were not purchased until fiscal year 2001. The net assets of the Plan, after settlement of all obligations, totals approximately \$4,500,000 and will revert to the National Association in fiscal year 2001.

The following table sets forth the Plan's funded status and the amount recognized in the National Association's statements of financial position at September 30, 2000 and 1999:

	<u>2000</u>	<u>1999</u>
Benefit obligation	\$ 2,784,287	\$ 3,082,607
Fair value of plan assets	8,998,812	6,446,075
Funded status	<u>\$ 6,214,525</u>	<u>\$ 3,363,468</u>
Prepaid benefit cost recognized in the statements of financial position	\$ 1,808,971	\$ 662,442
Weighted-average assumptions as of September 30:		
Discount rate	7.0%	7.0%
Expected return on plan assets	8.0%	8.0%
Rate of compensation increase—		
Age range	20 – 60	20 – 60
Salary at age 65 as a percent of salary at current age (ranges from age 25 to 60)	2,200% – 130%	2,200% – 130%
Net periodic benefit cost (income)	\$ (574,469)	\$ (153,865)
Curtailment gain	572,014	—
Employer contribution	—	—
Benefits paid	\$ 297,845	\$ 230,831

#### **9. Commitments:**

The National Association has committed to contribute \$200,000 a year through fiscal year 2003 to the UCP Foundation, subject to annual Board approval.