

FINANCIAL STATEMENTS TOGETHER WITH
REPORT OF INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANTS

UNITED CEREBRAL PALSY ASSOCIATIONS, INC.

As of September 30, 2002 and 2001

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
United Cerebral Palsy Associations, Inc.:

We have audited the accompanying statement of financial position of United Cerebral Palsy Associations, Inc. ("UCPA") as of September 30, 2002, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. The financial statements of UCPA as of September 30, 2001, and for the year then ended were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated January 11, 2002.

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 financial statements referred to above present fairly, in all material respects, the financial position of UCPA as of September 30, 2002, 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.

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United Cerebral Palsy Associations, Inc.

STATEMENTS OF FINANCIAL POSITION

As of September 30, 2002 and 2001

<u>ASSETS</u>	<u>2002</u>	<u>2001</u>
Cash and cash equivalents (Note B):		
Cash available for operations	\$ 594,510	\$ 267,009
Temporary cash investments	<u>1,197,389</u>	<u>564,187</u>
Total cash and cash equivalents	<u>1,791,899</u>	<u>831,196</u>
Investments (Note D)	994,539	1,434,230
Board designated investments (Note D)	4,750,287	5,429,448
Permanently restricted investments (Note D)	<u>4,480,859</u>	<u>4,480,859</u>
Total investments	<u>10,225,685</u>	<u>11,344,537</u>
Contributions receivable	1,017,164	389,549
Due from affiliates, net of allowance (Note B)	273,621	336,511
Due from U.S. government agencies	141,444	667,247
Receivables and other assets	84,845	108,378
Beneficial interest in trusts held by third parties (Note B)	148,537	-
Furniture and equipment, less accumulated depreciation of \$605,919 and \$511,024, respectively (Note E)	<u>2,027</u>	<u>93,882</u>
Total assets	<u>\$13,685,222</u>	<u>\$13,771,300</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and accrued expenses	\$ 582,849	\$ 1,167,408
Due to affiliates (Note K)	700,509	605,655
Deferred revenue	<u>11,819</u>	<u>30,370</u>
Total liabilities	<u>1,295,177</u>	<u>1,803,433</u>
Commitments (Notes F and G)		
Net assets (Notes B and C):		
Unrestricted:		
Available for operations	775,146	761,844
Board designated	<u>5,500,143</u>	<u>5,550,810</u>
Total unrestricted	6,275,289	6,312,654
Temporarily restricted	1,485,360	1,174,354
Permanently restricted	<u>4,629,396</u>	<u>4,480,859</u>
Total net assets	<u>12,390,045</u>	<u>11,967,867</u>
Total liabilities and net assets	<u>\$13,685,222</u>	<u>\$13,771,300</u>

The accompanying notes are an integral part of these statements.

United Cerebral Palsy Associations, Inc.

STATEMENTS OF ACTIVITIES

For the years ended September 30, 2002 and 2001

	2002			2001				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues:								
Affiliates' membership fees	\$ 2,315,998	\$ -	\$ -	\$ 2,315,998	\$ 2,465,154	\$ -	\$ -	\$ 2,465,154
Contributions	1,894,366	546,381	-	2,440,747	1,780,429	-	-	1,780,429
U.S. government grants	689,406	-	-	689,406	2,679,113	-	-	2,679,113
Grant from United Cerebral Palsy Research and Educational Foundation, Inc. (Note K)	250,000	-	-	250,000	250,000	-	-	250,000
Donated services (Note B)	148,726	-	-	148,726	2,654,902	-	-	2,654,902
Annual conference and other revenue	56,814	-	-	56,814	75,521	-	-	75,521
Net assets released from restrictions	125,967	(125,967)	-	-	613,286	(613,286)	-	-
Total operating revenues	5,481,277	420,414	-	5,901,691	10,518,405	(613,286)	-	9,905,119
Operating expenses:								
Program services (Note A)-								
Medical research and education	715,338	-	-	715,338	681,049	-	-	681,049
Public policy analysis/advocacy	629,515	-	-	629,515	487,666	-	-	487,666
Public education	632,350	-	-	632,350	3,000,551	-	-	3,000,551
Support to affiliates	905,795	-	-	905,795	895,588	-	-	895,588
Federal grants (Note J)	622,336	-	-	622,336	2,428,039	-	-	2,428,039
Non-Federal grants	374,034	-	-	374,034	1,339,931	-	-	1,339,931
Total program services	3,879,368	-	-	3,879,368	8,832,824	-	-	8,832,824
Supporting services-								
Management and general (Note J)	764,399	-	-	764,399	675,754	-	-	675,754
Fund-raising	694,379	-	-	694,379	800,405	-	-	800,405
Total supporting services	1,458,778	-	-	1,458,778	1,476,159	-	-	1,476,159
Total operating expenses	5,338,146	-	-	5,338,146	10,308,983	-	-	10,308,983
Changes in net assets from operations	143,131	420,414	-	563,545	209,422	(613,286)	-	(403,864)
Non-operating revenues, gains (losses) and support:								
Investment loss (Note D)	(180,496)	(109,408)	-	(289,904)	(39,731)	(1,521,763)	-	(1,561,494)
Pension termination gain (Note I)	-	-	148,537	148,537	2,636,801	-	-	2,636,801
Beneficial interest in trusts held by third parties (Note B)	-	-	148,537	148,537	-	-	-	-
Total non-operating revenues, gains (losses) and support	(180,496)	(109,408)	148,537	(141,367)	2,597,070	(1,521,763)	-	1,075,307
Changes in net assets	(37,365)	311,006	148,537	422,178	2,806,492	(2,135,049)	-	671,443
Net assets at beginning of year	6,312,654	1,174,354	4,480,859	11,967,867	3,506,162	3,309,403	4,480,859	11,296,424
Net assets at end of year	6,275,289	1,485,360	4,629,396	12,390,045	6,312,654	1,174,354	4,480,859	11,967,867

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, 2002, with comparative totals for the year ended September 30, 2001

	Program Services						Grants and Contracts			Supporting Services			Total
	Medical Research and Education	Public Policy Analysis	Public Education	Support to Affiliates	Federal	Non-Federal	Total	Management and General	Fundraising	Total	2002	2001	
Salaries	\$ 253,975	\$ 362,447	\$ 247,331	\$ 331,655	\$ 142,287	\$ 89,210	\$ 1,426,905	\$ 213,671	\$ 319,117	\$ 532,788	\$ 1,959,693	\$ 2,139,858	
Employee benefits and taxes	50,979	72,873	49,713	66,593	28,621	17,838	286,617	42,715	64,142	106,857	393,474	430,387	
	304,954	435,320	297,044	398,248	170,908	107,048	1,713,522	256,386	383,259	639,645	2,353,167	2,570,245	
Program, professional and contract services	59,473	32,456	51,207	91,247	4,574	90,692	329,649	287,350	96,549	383,899	713,548	966,927	
Supplies	3,025	3,019	4,685	10,258	8,670	1,747	31,404	3,660	2,994	6,654	38,058	99,218	
Telephone and teleconference	4,280	8,023	5,212	9,163	12,597	4,442	43,717	10,507	7,738	18,245	61,962	69,645	
Postage and shipping	3,370	1,707	3,346	7,788	3,036	1,502	20,749	7,149	10,005	17,154	37,903	63,073	
Occupancy	48,820	88,252	60,512	65,720	470	46,191	309,965	51,449	73,231	124,680	434,645	504,116	
Outside printing and artwork	1,441	-	2,149	54,956	1,887	-	60,433	8,496	5,061	13,557	73,990	123,382	
Travel and related costs	18,679	12,771	16,455	47,273	37,310	1,329	133,817	94,946	57,566	152,512	286,329	390,942	
Conferences, conventions and meetings	6,324	16,231	18,166	40,273	91,447	502	172,943	15,513	26,387	41,900	214,843	445,338	
Membership dues and support and subscriptions	3,779	11,663	2,769	5,075	-	2,161	25,447	9,275	7,024	16,299	41,746	48,007	
Interest expense	20	-	-	20	-	26	66	67	-	67	133	19,113	
Awards and grants	47	85	58	2,793	291,262	105,720	399,965	49	2,820	2,869	402,834	1,856,099	
Miscellaneous	402	602	8,822	8,285	175	2,467	20,753	8,251	5,660	13,911	34,664	97,334	
Executive employee recruitment	43	78	53	74	-	101	349	45	65	110	459	7,623	
Grant to UCP Foundation	250,000	-	-	-	-	-	250,000	-	-	-	250,000	250,000	
Total expenses before depreciation, uncollectable dues and donated	704,657	610,207	470,478	741,173	622,336	363,928	3,512,779	753,143	678,359	1,431,502	4,944,281	7,511,062	
Depreciation	10,681	19,308	13,146	14,378	-	10,106	67,619	11,256	16,020	27,276	94,895	70,537	
Uncollectable dues	-	-	-	150,244	-	-	150,244	-	-	-	150,244	72,482	
Donated professional and contract services	-	-	148,726	-	-	-	148,726	-	-	-	148,726	2,654,902	
Total expenses	\$ 715,338	\$ 629,515	\$ 632,350	\$ 905,795	\$ 622,336	\$ 374,034	\$ 3,879,368	\$ 764,399	\$ 694,379	\$ 1,458,778	\$ 5,338,146	\$ 10,308,983	

The accompanying notes are an integral part of this statement.

United Cerebral Palsy Associations, Inc.

STATEMENTS OF CASH FLOWS

For the years ended September 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Cash flows from operating activities:		
Changes in net assets	\$ 422,178	\$ 671,443
Adjustments to reconcile changes in net assets to net cash provided by operating activities-		
Depreciation expense	94,895	70,537
Unrealized and realized losses	748,719	2,150,318
Prepaid pension	-	1,808,971
Beneficial interest in third party trusts	<u>(148,537)</u>	<u>-</u>
Subtotal	<u>1,117,255</u>	<u>4,701,269</u>
Changes in operating assets and liabilities-		
(Increase) decrease in contributions receivable	(627,615)	95,525
Decrease (increase) in due from affiliates	62,890	(26,310)
Decrease (increase) in amounts due from U.S. government agencies	525,803	(255,138)
Decrease (increase) in receivables and other assets	23,533	(64,099)
(Decrease) increase in accounts payable and accrued expenses	(584,559)	257,815
Increase (decrease) in due to affiliates	94,854	(125,458)
Decrease in deferred revenue	<u>(18,551)</u>	<u>(22,724)</u>
Net cash provided by operating activities	<u>593,610</u>	<u>4,560,880</u>
Cash flows from investing activities:		
Purchases of furniture and equipment	(3,040)	-
Purchases of investments	(3,026,402)	(18,342,096)
Proceeds from sales of investments	<u>3,396,535</u>	<u>14,684,912</u>
Net cash provided by (used in) investing activities	<u>367,093</u>	<u>(3,657,184)</u>
Cash flows from financing activities:		
Proceeds from line of credit	-	1,339,120
Payments on line of credit	<u>-</u>	<u>(1,833,279)</u>
Net cash used in financing activities	<u>-</u>	<u>(494,159)</u>
Net increase in cash and cash equivalents	960,703	409,537
Cash and cash equivalents, at beginning of year	<u>831,196</u>	<u>421,659</u>
Cash and cash equivalents, at end of year	<u>\$ 1,791,899</u>	<u>\$ 831,196</u>
Supplemental data:		
Cash paid for interest during the year	<u>\$ 135</u>	<u>\$ 19,133</u>

The accompanying notes are an integral part of these statements.

United Cerebral Palsy Associations, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2002 and 2001

NOTE A - ORGANIZATION

1. 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 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Cash and Cash Equivalents

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

2. 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.

United Cerebral Palsy Associations, Inc.

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2002 and 2001

NOTE B (continued)

3. *Allowance for Doubtful Accounts*

An allowance is provided for unpaid amounts due from affiliates that may be uncollectible. At September 30, 2002 and 2001, the allowance was approximately \$231,000 and \$440,000, respectively.

4. *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, which for furniture is 5 years and office equipment is 3 years.

5. *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 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 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 (See Note B-7). In addition, temporarily restricted net assets include contributions promised but not yet received as of September 30, 2002 and 2001.

6. *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 stipulations and may be expended for any purpose in performing the primary objectives of UCPA.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of UCPA and/or the passage of time. As the 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 that they be maintained permanently by UCPA, and as explained in Note B-7.

United Cerebral Palsy Associations, Inc.

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2002 and 2001

NOTE B (continued)

7. 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 and UCPA records its interest in these trusts at fair market value, and are reported as permanently restricted net assets. Income earned on these trusts for the year ended September 30, 2002, was approximately \$3,000 and is classified as unrestricted support in the statement of activities.

8. 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.

9. Donated Services

UCPA received contributed services related to the creation and design of advertising ads for a public education campaign used across the country. In accordance with accounting principles generally accepted in the United States, UCPA has recorded an equal expense and revenue in the amount equivalent to the fair market value of the services provided. Services provided totaled approximately \$149,000 and \$2,655,000 for the years ended September 30, 2002 and 2001, respectively. These services include amounts related to advertising spots on radio and television, which have been recorded at their estimated fair market value of approximately \$68,000 and \$1,725,000 for the years ended September 30, 2002 and 2001, respectively. A substantial number of volunteers have donated significant amounts of their time in a nonprofessional capacity in serving UCPA. 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 of America.

United Cerebral Palsy Associations, Inc.

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2002 and 2001

NOTE B (continued)

10. 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.

11. 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 the Association's financial statements as of and for the year ended September 30, 2001, from which the summarized information was derived.

12. 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 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.

13. Reclassifications

Certain prior year balances have been reclassified in order to conform to the current year presentation.

NOTE C - TEMPORARILY RESTRICTED NET ASSETS

The following table summarizes the temporarily restricted net assets at September 30, 2002 and 2001:

	<u>2002</u>	<u>2001</u>
Restricted for specific programs	\$ 938,979	\$ 1,174,354
Time restricted	<u>546,381</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 1,485,360</u>	<u>\$ 1,174,354</u>

United Cerebral Palsy Associations, Inc.

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2002 and 2001

NOTE D - INVESTMENTS

Investments consisted of the following investments, at fair value, at September 30, 2002 and 2001:

	<u>2002</u>	<u>2001</u>
Mutual Funds and other fixed-income securities	\$ 10,225,611	\$ 10,581,541
Corporate bonds	74	483,634
U.S. Treasury notes and government-backed securities	<u>-</u>	<u>279,362</u>
Total	<u>\$ 10,225,685</u>	<u>\$ 11,344,537</u>

The following schedule summarizes investment income and its classification in the statements of activities for the years ended September 30, 2002 and 2001:

	<u>2002</u>	<u>2001</u>
Interest	\$ 57,012	\$ 406,212
Dividends	401,803	182,612
Realized gain, net	55,112	399,971
Unrealized (loss), net	<u>(803,831)</u>	<u>(2,550,289)</u>
Total	<u>\$ (289,904)</u>	<u>\$ (1,561,494)</u>

NOTE E - FURNITURE AND EQUIPMENT, NET

Furniture and equipment, net as of September 30, 2002 and 2001 consisted of the following:

	<u>2002</u>	<u>2001</u>
Office equipment	\$ 607,946	\$ 604,906
Less- Accumulated depreciation	<u>605,919</u>	<u>511,024</u>
	<u>\$ 2,027</u>	<u>\$ 93,882</u>

NOTE F - COMMITMENTS

UCPA entered into a 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, UCPA is obligated to pay its proportionate share of real estate taxes and building costs. Rent expense was approximately \$434,000 for both of the years ended September 30, 2002 and 2001.

United Cerebral Palsy Associations, Inc.

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2002 and 2001

NOTE F (continued)

Future minimum lease payments under this noncancelable operating lease as of September 30, 2002 are as follows:

<u>Year Ending September 30</u>	
2003	\$ 396,481
2004	406,387
2005	416,529
2006	440,115
2007	451,082
Thereafter	<u>1,920,020</u>
	<u>\$ 4,030,614</u>

NOTE G - LINE OF CREDIT/TERM LOAN

UCPA 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 matured on April 2, 2001. On March 27, 2002, the LOC was reduced to \$750,000 and the LOC's term was extended through March 2, 2003. The LOC is secured by a compensating balance. Interest on the LOC is payable monthly at a variable rate of BB&T's prime rate (4.75% at September 30, 2002). The LOC was repaid as funds became available throughout the year. As of September 30, 2002 and 2001, UCPA had no borrowings outstanding on the LOC.

UCPA 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 UCPA to develop its new web site, www.ucpa.org. The Term Loan was secured by a compensating balance held at BB&T. Principal and interest were originally payable monthly in forty-seven equal installments of \$6,233, with interest accruing at a fixed rate of 9.0% per annum. The Term Loan balance was paid in full in June 2001.

NOTE H - TAX STATUS

UCPA 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.

United Cerebral Palsy Associations, Inc.

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2002 and 2001

NOTE I - RETIREMENT PLANS

UCPA 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. UCPA 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." UCPA recognized a curtailment gain of approximately \$572,000 in 2000 as future service under the Plan was eliminated by termination of the Plan. The net assets of the Plan, after settlement of all obligations, totalled approximately \$2,637,000 and reverted to UCPA in fiscal year 2001. UCPA recognized this amount as a pension termination gain in fiscal year 2001 as the related annuities were not purchased until fiscal year 2001.

The following table sets forth the Plan's funded status and the amount recognized in UCPA's statement of financial position at September 30, 2001:

	<u>2001</u>
Net periodic benefit cost	\$ (121,598)
Pension termination gain	2,636,801
Benefits paid	3,448,904

During the fiscal year ended September 30, 2001, UCPA adopted a 401(k) plan for its employees, whereby UCPA deposits an amount equal to a maximum of 5% of employees' annual salaries if employees agree to deposit up to 15% of their salary. Contribution expense for the years ended September 30, 2002 and 2001 was approximately \$83,000 and \$69,000, respectively, and is included in employee benefits and taxes in the accompanying statements of functional expenses.

NOTE J - INDIRECT COST ALLOCATION

The accompanying statements of activities and functional expenses do not reflect an allocation of indirect cost to the Federal grants. UCPA charges an indirect cost to the Federal grants in accordance with the grant agreements. The allocation of indirect costs for the years ended September 30, 2002 and 2001 are as follows:

	<u>2002</u>		<u>2001</u>	
	<u>Federal Grants</u>	<u>Management and General</u>	<u>Federal Grants</u>	<u>Management and General</u>
Total expenses	\$ 622,336	\$ 764,399	\$ 2,428,039	\$ 675,754
Indirect cost allocation	<u>67,043</u>	<u>(67,043)</u>	<u>239,164</u>	<u>(239,164)</u>
	<u>\$ 689,379</u>	<u>\$ 697,356</u>	<u>\$ 2,667,203</u>	<u>\$ 436,590</u>

United Cerebral Palsy Associations, Inc.

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2002 and 2001

NOTE K – RELATED PARTIES

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

UCPA awarded grants to the Foundation in the amounts of \$200,000 to further the Foundation’s research grant program and \$50,000 to support the Ethel Hausman award program for both of the years ended August 31, 2002 and 2001.

In order to support the Foundation’s programs, which totaled approximately \$700,000 and \$900,000 in grants for the years ended September 30, 2002 and 2001, respectively, UCPA contributed services to the Foundation in the form of program management and administration. These services amounted to approximately \$275,000 and \$240,000, respectively during the fiscal years ended September 30, 2002 and 2001 and are reflected as part of payroll expense in the accompanying statements of activities.

The Foundation made grants in the amount of \$250,000 in both of the years ended September 30, 2002 and 2001 to UCPA for the furtherance of its efforts to educate the public about cerebral palsy.

A portion of the national corporate sponsors’ contributions received directly by UCPA is allocated to the local affiliates pursuant to sharing agreements with national corporate sponsors. These contributions amounted to approximately \$1,695,000 and \$1,800,000 for the years ended September 30, 2002 and 2001, respectively. Support from the public reflected in the accompanying financial statements excludes collections retained by the local affiliates and contributions allocated by UCPA to the local affiliates. Expenses incurred by the local affiliates are borne by them and are not included in the accompanying financial statements.

Research activities, public policy, and public education and information are program services provided to and for the benefit of the general public and local affiliates. Affiliate services are program services provided to and for the benefit of local affiliates.