

Financial Statements Together with
Report of Independent Certified Public Accountants

CEREBRAL PALSY INTERNATIONAL RESEARCH FOUNDATION, INC.

September 30, 2010 and 2009

CEREBRAL PALSY INTERNATIONAL RESEARCH FOUNDATION, INC.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of the
Cerebral Palsy International Research Foundation, Inc.:

We have audited the accompanying statements of financial position of the Cerebral Palsy International Research Foundation, Inc. (the “Foundation”), as of September 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation’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 the Foundation’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 the Cerebral Palsy International Research Foundation, Inc. as of September 30, 2010 and 2009, 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.



Edison, New Jersey
March 15, 2011

CEREBRAL PALSY INTERNATIONAL RESEARCH FOUNDATION, INC.
Statements of Financial Position
As of September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 2,091,417	\$ 2,810,185
Permanently restricted cash	1,179,400	1,179,400
Contribution receivables	450,000	-
Beneficial interest in trusts held by third parties	526,744	505,759
Deposit	<u>1,853</u>	<u>-</u>
Total assets	<u>\$ 4,249,414</u>	<u>\$ 4,495,344</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 32,217	\$ 38,853
Research and training grant payable	50,000	25,000
Deferred revenue	<u>-</u>	<u>26,443</u>
Total liabilities	<u>82,217</u>	<u>90,296</u>
COMMITMENTS		
NET ASSETS		
Undesignated	717,146	1,220,071
Board-designated	<u>525,000</u>	<u>525,000</u>
Total unrestricted	1,242,146	1,745,071
Temporarily restricted	1,218,907	974,818
Permanently restricted	<u>1,706,144</u>	<u>1,685,159</u>
Total net assets	<u>4,167,197</u>	<u>4,405,048</u>
Total liabilities and net assets	<u>\$ 4,249,414</u>	<u>\$ 4,495,344</u>

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

CEREBRAL PALSY INTERNATIONAL RESEARCH FOUNDATION, INC.

Statements of Activities

For the years ended September 30, 2010 and 2009

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT								
Contributions	\$ 793,434	\$ 504,646	\$ -	\$ 1,298,080	\$ 2,092,092	\$ 1,556,387	\$ -	\$ 3,648,479
Contributed services	-	-	-	-	42,687	-	-	42,687
Interest income	31,079	13,231	-	44,310	50,370	-	-	50,370
Net assets released from restrictions	273,788	(273,788)	-	-	1,736,134	(1,736,134)	-	-
Total revenues and other support	1,098,301	244,089	-	1,342,390	3,921,283	(179,747)	-	3,741,536
EXPENSES								
Program services:								
Grants	811,573	-	-	811,573	2,195,123	-	-	2,195,123
Other program expenses	335,244	-	-	335,244	555,555	-	-	555,555
Total program services	1,146,817	-	-	1,146,817	2,750,678	-	-	2,750,678
Management and general	365,306	-	-	365,306	306,158	-	-	306,158
Fundraising	89,103	-	-	89,103	136,726	-	-	136,726
Total expenses	1,601,226	-	-	1,601,226	3,193,562	-	-	3,193,562
Change in net assets before change in beneficial interest in trusts held by third parties	(502,925)	244,089	-	(258,836)	727,721	(179,747)	-	547,974
Change in beneficial interest in trusts held by third parties	-	-	20,985	20,985	-	-	(4,603)	(4,603)
Changes in net assets	(502,925)	244,089	20,985	(237,851)	727,721	(179,747)	(4,603)	543,371
Net assets, beginning of year	1,745,071	974,818	1,685,159	4,405,048	1,017,350	1,154,565	1,689,762	3,861,677
Net assets, end of year	\$ 1,242,146	\$ 1,218,907	\$ 1,706,144	\$ 4,167,197	\$ 1,745,071	\$ 974,818	\$ 1,685,159	\$ 4,405,048

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

CEREBRAL PALSY INTERNATIONAL RESEARCH FOUNDATION, INC.
Statements of Cash Flows
For the years ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (237,851)	\$ 543,371
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Change in beneficial interest in trusts held by third parties	(20,985)	4,603
Changes in operating assets and liabilities:		
Contribution receivables	(450,000)	20,323
Accounts payable and accrued expenses	(6,636)	(82,400)
Research and training grant payable	25,000	(25,000)
Deferred revenue	(26,443)	(99,057)
Deposit	<u>(1,853)</u>	<u>25,000</u>
Net cash (used in) provided by operating activities	<u>(718,768)</u>	<u>386,840</u>
Net (decrease) increase in cash and cash equivalents	(718,768)	386,840
Cash and cash equivalents, beginning of year	<u>2,810,185</u>	<u>2,423,345</u>
Cash and cash equivalents, end of year	<u>\$ 2,091,417</u>	<u>\$ 2,810,185</u>

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

CEREBRAL PALSY INTERNATIONAL RESEARCH FOUNDATION, INC.

Notes to Financial Statements

September 30, 2010 and 2009

1. ORGANIZATION

Established in 1955, the Cerebral Palsy International Research Foundation, Inc. (the "Foundation"), formerly known as the United Cerebral Palsy Research and Educational Foundation, Inc., supports a broad program of research on the causes and prevention of cerebral palsy and other disabilities, and on improving the quality of life of persons with cerebral palsy and other disabilities. The Foundation also makes training awards to augment the pool of scientific and clinical personnel (i.e., investigators, physicians, dentists, and bioengineers) in areas relevant to cerebral palsy and other disabilities. This research and training support is the sole program of the Foundation.

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Foundation is also classified as a publicly supported charitable organization under Section 509(a)(1) of the IRC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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.

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 the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets—include funds that are not subject to donor-imposed restrictions, and may be expended for any purpose in performing the primary objectives of the Foundation. Unrestricted net assets include those net assets which have been designated by the Board of Directors for specific purposes.

Temporarily restricted net assets—include funds subject to donor-imposed restrictions that will be met either by actions of the Foundation 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 statement of activities as net assets released from restrictions.

Permanently restricted net assets—include funds subject to donor-imposed restrictions, which stipulate that the corpus be maintained in perpetuity by the Foundation, but permit the Foundation to expend part or all of the income and gains derived therefrom. Earnings on permanently restricted net assets are used to support the Foundation's general operations.

Contributions with donor stipulations that limit the use of the donated assets are reported as either temporarily or permanently restricted net assets. Unconditional promises to give, with payments due in future years, are reported as either temporarily restricted or permanently restricted net assets. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions on the statement of activities.

CEREBRAL PALSY INTERNATIONAL RESEARCH FOUNDATION, INC.

Notes to Financial Statements

September 30, 2010 and 2009

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. At September 30, 2010 and 2009, cash equivalents consist of money market funds.

Permanently Restricted Cash

Permanently restricted cash consists of cash donated to the Foundation's endowment.

Contributions

Contributions, including unconditional promises to give, are reported as revenues in the period received or pledged. Contributions to be received after one year are discounted using an appropriate rate which articulates with the collection period of the respective pledge. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. An allowance is recorded for estimated uncollectible contributions based on management's judgment when necessary. Contributions of assets other than cash, including goods and services, are recorded at their estimated fair value at the date of contribution. At September 30, 2010, the Foundation had contribution receivables due within one year.

Beneficial Interest in Trusts Held by Third Parties

The Foundation is the beneficiary of the income of two charitable annuity trusts that it does not administer. A trustee, who is independent of the Foundation, administers the investments of each trust and distributions are made to the Foundation in accordance with the respective trust agreement. These trusts are invested in cash and cash equivalents, fixed income funds, mutual funds, convertible securities and equities which are exchange traded. The Foundation records its interest in these trusts at fair market value. Unrealized gains and (losses) on these trusts for the years ended September 30, 2010 and 2009, total \$20,985 and \$(4,600), respectively, and are classified as permanently restricted support in the accompanying statements of activities. Income earned on these trusts, is paid quarterly, and is classified as unrestricted interest income in the accompanying statements of activities. The Foundation received income distributions respectively of approximately \$20,000 and \$14,000 for the years ended September 30, 2010 and 2009.

Research and Training Grants

The Foundation records appropriations for grants as an expense and liability, after unconditional approval by the Foundation's Board, on an annual basis, based upon recommendation of the Foundation's subcommittees and the availability of funds. The Foundation had unconditional research and training grant payable of \$50,000 and \$25,000 at September 30, 2010 and 2009, respectively, in the accompanying statements of financial position. All grants are expected to be paid within one year. In 2010, a grant in the amount of approximately \$41,000 was refunded and netted with grants expense in the 2010 statement of activities. At September 30, 2010 and 2009, the Foundation's Board of Directors conditionally approved certain priority grants totaling approximately \$375,000 and \$530,000, respectively, to be paid in future years. Accordingly, the Foundation will assess the availability of its funds and the respective grantee's achievement of stipulated research goals before making these grants unconditional and before consideration of other grants. These conditional grants have not been reflected on the 2010 and 2009 accompanying financial statements due to their conditional nature.

CEREBRAL PALSY INTERNATIONAL RESEARCH FOUNDATION, INC.
Notes to Financial Statements
September 30, 2010 and 2009

Concentration of Credit Risks

Financial instruments that potentially subject the Foundation to significant concentrations of credit risk consist principally of cash, cash equivalents and contributions. Substantially all of the Foundation's cash and cash equivalents are maintained at two financial institutions. The Foundation has exposure to credit risk to the extent that its cash and cash equivalents exceed amounts covered by the Federal Deposit Insurance Corporation. Uninsured balances aggregate to approximately \$2,790,000 and \$3,424,000 at September 30, 2010 and 2009, respectively. The Foundation receives the majority of its contributions from its Board members. The Foundation believes that its credit risks are not significant.

Income Taxes

In July 2006, new guidance was issued in the area of "Accounting for Uncertainty in Income Taxes." The new standard clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This standard provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The standard also provides guidance on measurement, classification, interest and penalties, and disclosure. It was effective for the Foundation on October 1, 2009, and had no material impact on the accompanying 2010 financial statements. The tax years ended 2007, 2008, and 2009 are still open to audit for both federal and state purposes. The Foundation has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions.

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, disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Foundation evaluated its subsequent events through March 15, 2011, the date these financial statements were available to be issued.

3. FAIR VALUE MEASUREMENTS

Effective October 1, 2008, the Foundation adopted guidance which defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

CEREBRAL PALSY INTERNATIONAL RESEARCH FOUNDATION, INC.
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This guidance establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed from sources independent of the reporting entity; and unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on inputs as follows:

- Level 1 - Quoted market prices for identical assets or liabilities to which an entity has access to at the measurement date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- Level 2 - Inputs and information other than quoted market indices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - a. Quoted prices for similar assets or liabilities in active markets;
 - b. Quoted prices for identical or similar assets in markets that are not active;
 - c. Observable inputs other than quoted prices for the asset or liability; or,
 - d. Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- Level 3 - Inputs that are unobservable and require significant management judgment or estimation to the overall fair value measurement of the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The Foundation has segregated financial assets that are measured at fair value into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at September 30, 2010 and 2009:

	2010			
	Level 1	Level 2	Level 3	Total
Beneficial interest in trusts held by third parties	\$ -	\$ -	\$ 526,744	\$ 526,744
Total fair value measurements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 526,744</u>	<u>\$ 526,744</u>
	2009			
	Level 1	Level 2	Level 3	Total
Beneficial interest in trusts held by third parties	\$ -	\$ -	\$ 505,759	\$ 505,759
Total fair value measurements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 505,759</u>	<u>\$ 505,759</u>

CEREBRAL PALSY INTERNATIONAL RESEARCH FOUNDATION, INC.
Notes to Financial Statements
September 30, 2010 and 2009

The following is a reconciliation of Level 3 assets for the year ended September 30, 2010 and 2009:

	Beneficial Interest in Trusts Held by Third Parties 2010	Beneficial Interest in Trusts Held by Third Parties 2009
	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 505,759	\$ 510,362
Unrealized gains (losses)	20,985	(4,603)
Balance, end of year	<u>\$ 526,744</u>	<u>\$ 505,759</u>

4. TEMPORARILY RESTRICTED NET ASSETS

At September 30, 2010 and 2009, temporarily restricted net assets were restricted for the following special programs:

	<u>2010</u>	<u>2009</u>
Middle East Stepping Forward and Other	\$ 863,200	\$ 765,085
Hausman Award & Pilot Study	250,000	50,000
Robotics Equipment	42,707	80,707
Electro Stimulation	63,000	63,000
Racial Disparity	<u>-</u>	<u>16,026</u>
Total temporarily restricted net assets	<u>\$ 1,218,907</u>	<u>\$ 974,818</u>

During the years ended September 30, 2010 and 2009, temporarily restricted net assets in the amount of \$273,788 and \$1,736,134 were released from donor restrictions, respectively.

5. ENDOWMENT FUNDS

For the year ended September 30, 2009, the Foundation only adopted the disclosure provisions of “Endowments of Not-for-Profit Organizations,” as the state of New York had not yet enacted a version of the 2006 Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). Among other things, this guidance addressed the net asset classification of donor-restricted endowment funds for organizations subjected to an enacted version of UPMIFA. In September 2010, New York State passed its own version of UPMIFA (“NYPMIFA”) which applies to the Foundation’s fiscal 2010 financial statements.

CEREBRAL PALSY INTERNATIONAL RESEARCH FOUNDATION, INC.
Notes to Financial Statements
September 30, 2010 and 2009

Effective October 1, 2009, the Foundation adopted the provisions of the new accounting guidance related to the implementation of NYPMIFA. The Board of Directors of the Foundation has interpreted the NYPMIFA as requiring the Foundation, absent explicit donor stipulations to the contrary, to preserve the fair value of the original gift, as of the gift date of the donor-restricted endowment fund. As a result of this interpretation, the Foundation classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. In making a determination to appropriate or accumulate, the Foundation considers the following factors: (1) the duration and preservation of the endowment fund; (2) the purposes of the Foundation and the endowment fund; (3) general economic conditions; (4) the possible effect of inflation or deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the Foundation; and (7) the investment policy of the Foundation.

A key component of this guidance is a requirement to classify the remaining accumulations related to donor-restricted endowment funds that are not classified in permanently restricted net assets as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by NYPMIFA. The Foundation assessed its endowment fund to determine that all cumulative earnings pertaining to its endowment have been appropriated for expenditure in previous fiscal years and accordingly, there are no amounts that are required to be reclassified to temporarily restricted net assets.

The fair value of assets associated with donor-restricted endowment funds may fall below the level that NYPMIFA requires to retain as a fund of perpetual duration. There are no deficiencies in the Foundation's Endowment funds as of September 30, 2010 and 2009.

The Foundation has adopted an investment policy and spending policies for the endowment fund that attempt to provide financial stability for the endowment in perpetuity. The Foundation's ability to tolerate risk and volatility is consistent with that of a conservative portfolio, with investments made in certificates of deposit with well respected financial institutions. Asset allocations are developed in accordance with this long-term, conservative strategy.

The following illustrates endowment net asset composition by type of fund as of September 30, 2010 and 2009:

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 1,179,400	\$ 1,179,400
Total endowment funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,179,400</u>	<u>\$ 1,179,400</u>

CEREBRAL PALSY INTERNATIONAL RESEARCH FOUNDATION, INC.
Notes to Financial Statements
September 30, 2010 and 2009

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ -	\$ -	\$ 1,179,400	\$ 1,179,400
Total endowment funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,179,400</u>	<u>\$ 1,179,400</u>

The following illustrates the changes in endowment net assets for the years ended September 30:

	2010	2009
Endowment net assets, beginning of year	\$ 1,179,400	\$ 1,179,400
Investment return:		
Interest income	13,231	9,360
Total investment return	13,231	9,360
Amounts appropriated for expenditure	(13,231)	(9,360)
Endowment net assets, end of year	<u>\$ 1,179,400</u>	<u>\$ 1,179,400</u>

6. COMMITMENTS

The Foundation maintains an employment agreement for the Chief Executive Officer expiring on April 13, 2012.

Operating Leases

The Foundation has operating leases for its office space in Princeton, New Jersey, renewable annually, and its copier equipment. Total rent expense for the years ended September 30, 2010 and 2009 totaled \$15,320 and \$13,360, respectively.

7. RETIREMENT PLANS

The Foundation sponsors a 401(k) plan for its employees, whereby the Foundation deposits to each eligible employee's 401(k) account an amount equal to the employee's 401(k) contribution up to a maximum of 2 percent of the employee's annual salary, and an additional Safe Harbor Contribution of 3 percent of the employee's annual salary. Full time employees who have at least six months of service with the Foundation are eligible for the 2 percent employer match and 3 percent Safe Harbor Contribution. As a result of turnover in the Foundation, there were no eligible employees as of September 30, 2010. Therefore, retirement plan expenses for the years ended September 30, 2010 and 2009 totaled approximately \$0 and \$20,000, respectively.