

PUBLIC CITIZENS FOR CHILDREN AND YOUTH

FINANCIAL STATEMENTS

MAY 31, 2019 AND 2018

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
TABLE OF CONTENTS
MAY 31, 2019 AND 2018**

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities and Change in Net Assets	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7



Robert B. Simpson, CPA, MST
Matthew F. Minge, CPA, CFE
Michael W. Simpson, CPA, CVA
Anthony J. Mitchell, CPA
Linda A. Scafiro, CPA
Cathy N. Seiler, CPA

940 West Sproul Road, Suite 101
Springfield, PA 19064

Phone: (610) 544-5900 ■ Fax: (610) 544-7455
E-mail: info@brinkersimpson.com

www.brinkersimpson.com

Robert J. Pomante, CPA
Linda R. Chicano, CPA
Frank J. Baldino, JD, CPA
Michael H. Trager, CPA, MST
David A. Price, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Public Citizens for Children and Youth

We have audited the accompanying financial statements of Public Citizens for Children and Youth (a nonprofit organization), which comprise the statement of financial position as of May 31, 2019, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public Citizens for Children and Youth as of May 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Public Citizens For Children and Youth as of May 31, 2018, were audited by other auditors whose report dated November 6, 2018, expressed an unmodified opinion on those statements.

A handwritten signature in black ink that reads "Brinker Simpson & Company, LLC". The signature is written in a cursive, flowing style.

Brinker Simpson & Company, LLC
Springfield, Pennsylvania
December 4, 2019

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2019 AND 2018**

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 422,747	\$ 125,952
Marketable securities	1,205,984	1,440,145
Pledges receivable, current portion	246,250	613,828
Contracts and other receivables	20,540	36,146
Prepaid expenses	6,516	13,491
Total Current Assets	1,902,037	2,229,562
Leasehold Improvements and Equipment, Net	24,190	7,323
Other Assets		
Pledges receivable, net of current portion	409,041	396,040
Deposits	13,712	2,846
	422,753	398,886
Total Assets	\$ 2,348,980	\$ 2,635,771
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 94,607	\$ 39,327
Custodial funds	-	699
Accrued salaries and vacation	46,183	41,361
Total Liabilities	140,790	81,387
Net Assets		
Without donor restrictions	1,104,900	867,487
With donor restrictions	1,103,290	1,686,897
Total Net Assets	2,208,190	2,554,384
Total Liabilities and Net Assets	\$ 2,348,980	\$ 2,635,771

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

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED MAY 31, 2019 AND 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue						
Public Support:						
Foundations and corporations	\$ 502,575	\$ 419,750	\$ 922,325	\$ 281,849	\$ 1,204,068	\$ 1,485,917
Individuals	168,013	-	168,013	312,465	425,000	737,465
Contracts	21,568	-	21,568	75,933	-	75,933
United Way and Federated Organizations	107,055	-	107,055	35,683	-	35,683
Special Events	264,096	-	264,096	271,337	-	271,337
Total Public Support and Revenue	1,063,307	419,750	1,483,057	977,267	1,629,068	2,606,335
Net Assets Released From Restrictions:						
Restrictions satisfied by payments	1,003,357	(1,003,357)	-	841,859	(841,859)	-
Total Public Support, Revenue and Net Assets Released from Restrictions	2,066,664	(583,607)	1,483,057	1,819,126	787,209	2,606,335
Expenses						
Program services	1,259,945	-	1,259,945	1,509,615	-	1,509,615
Support services:						
Management and general	333,578	-	333,578	150,236	-	150,236
Fundraising	286,474	-	286,474	150,110	-	150,110
Total Expenses	1,879,997	-	1,879,997	1,809,961	-	1,809,961
Increase (Decrease) in Net Assets From Public Support and Revenue	186,667	(583,607)	(396,940)	9,165	787,209	796,374
Other Revenue						
Net realized and unrealized gain on investments	16,491	-	16,491	31,903	-	31,903
Interest and dividend income	34,255	-	34,255	28,394	-	28,394
Total Other Revenue	50,746	-	50,746	60,297	-	60,297
Change in Net Assets	237,413	(583,607)	(346,194)	69,462	787,209	856,671
Net Assets - Beginning	867,487	1,686,897	2,554,384	798,025	899,688	1,697,713
Net Assets - Ending	\$ 1,104,900	\$ 1,103,290	\$ 2,208,190	\$ 867,487	\$ 1,686,897	\$ 2,554,384

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

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED MAY 31, 2019 AND 2018**

	2019				2018			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	712,172	\$ 107,732	\$ 185,039	\$ 1,004,943	\$ 876,674	\$ 87,842	\$ 71,147	\$ 1,035,663
Employee health and retirement benefits	180,730	17,958	23,817	222,505	207,925	20,834	16,874	245,633
Outside services	66,885	176,664	2,664	246,213	161,767	7,469	6,049	175,285
Audit	-	13,000	-	13,000	10,484	1,114	902	12,500
Supplies	13,159	847	2,066	16,072	13,231	1,431	1,158	15,820
Telephone	22,935	1,757	2,330	27,022	17,734	1,884	1,526	21,144
Postage	6,424	537	735	7,696	4,367	464	376	5,207
Rent	84,663	8,413	11,157	104,233	72,028	7,654	6,199	85,881
Equipment	21,307	2,096	2,780	26,183	22,738	2,416	1,957	27,111
Printing and copier	45,503	2,037	2,702	50,242	21,450	2,279	1,846	25,575
Travel	9,823	432	573	10,828	13,532	8,374	-	21,906
Meetings and conferences	8,229	323	688	9,240	4,332	2,681	-	7,013
Insurance	5,120	509	975	6,604	4,514	480	388	5,382
Special projects	70,187	-	9,882	80,069	75,000	-	-	75,000
Event expenses	-	-	39,378	39,378	-	4,906	41,358	46,264
Moving expenses	8,623	857	1,136	10,616	-	-	-	-
Depreciation	4,185	416	552	5,153	3,839	408	330	4,577
Total Functional Expenses	\$ 1,259,945	\$ 333,578	\$ 286,474	\$ 1,879,997	\$ 1,509,615	\$ 150,236	\$ 150,110	\$ 1,809,961

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

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2019 AND 2018**

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ (346,194)	\$ 856,671
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,153	4,577
Realized and unrealized (gain) on investments	(16,491)	(31,903)
Decrease (increase) in:		
Pledges receivable	354,577	(718,433)
Contracts and other receivables	15,606	(19,589)
Prepaid expenses and other	6,975	(1,160)
Deposits	(10,866)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	55,280	12,882
Custodial funds	(699)	51
Accrued payroll	4,822	10,753
	68,163	113,849
Cash Flows from Investing Activities		
Proceeds from sale of investments	553,602	355,913
Purchase of equipment	(22,019)	(8,241)
Purchase of investments	(302,951)	(897,832)
	228,632	(550,160)
Net Cash Provided by (Used in) Investing Activities		
	296,795	(436,311)
Net Increase (Decrease) in Cash and Cash Equivalents		
Cash and Cash Equivalents, Beginning of Year	125,952	562,263
Cash and Cash Equivalents, End of Year	\$ 422,747	\$ 125,952

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

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2019 AND 2018**

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Public Citizens for Children and Youth is presented to assist in understanding its financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity.

Purpose of the Organization

The Public Citizens for Children and Youth ("PCCY") builds public awareness and public support behind measures that meet the needs of children, with a focus on early care and learning/education, the needs of school age children and the public education system, gaps in child health care policy, and the challenges faced by children suffering from abuse and neglect or engagement with the juvenile justice system. Awareness is built by publishing reports and disseminating them via public events, briefings and earned media. In addition, citizens learn about the needs of children by engaging as volunteers in direct service efforts that improve the health status of children and arts programs in public schools. Our efforts have resulted in significant growth of public support for increased investment of public funds to meet the needs of children.

PCCY improved the health status of approximately 3300 children by making free eye and dental care available and providing free health care navigation services for parents. Thousands more children will be healthier due to the policies advanced by PCCY to protect children from lead poisoning and expand eligibility for health insurance coverage.

An additional 5,800 children are enrolled in high-quality early childhood programs due to PCCY's efforts to educate the public and lawmakers of the benefits of these programs. Now, due to the leadership of PCCY, more than 70,000 young children gain the benefit of high-quality pre-K before starting school. PCCY's leadership to boost student outcomes also helped increase the number of children reading on grade level by 4th grade by 560 students in Philadelphia.

Similarly, nearly 900,000 public school students benefited from increases in school funding as a result of PCCY's work to connect lawmakers with their schools. PCCY is dedicated to increasing the role that arts play in education and as a result 2,670 children were given hands-on arts instruction in school via PCCY's Picasso Project.

PCCY improves the lives and life chances of children by persuading citizens and their elected representatives in Pennsylvania to prioritize and support the needs of children, especially those who face the greatest obstacles in life.

PCCY is among an elite group of organizations in the country that focus on the needs of the whole child, advocating for a full spectrum of policy solutions that are proven to improve the health, early learning, education, recreation, career and college outcomes for children.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2019 AND 2018**

**NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Where government policies have failed to ensure our children are healthy, PCCY steps in and recruits professionals who volunteer to deliver free eye and dental exams and free eye-glasses. For every child given this free care, PCCY assists the parents to tap subsidized or free health care. Annually, more than 3,000 children benefit from our highly targeted and efficient approach to meeting these health care needs of children in our region.

Where government policies are blind to the needs of the most vulnerable children, we publish compelling reports and data to spur change.

For instance, PCCY shined a spotlight on weak housing regulation that put more than 10,000 children at risk of lead poisoning and convened lawmakers and stakeholders to craft workable solutions at scale. Similarly, PCCY has made the underfunding of public education a widely known fact by publishing data that shows that minority and low-income children face discrimination from Pennsylvania's antiquated method of funding public education. To solve this problem, PCCY gathered allies and supporters to press for reforms that have successfully directed \$500 million in critically needed funds to the schools educating these children. And, the compelling research on a child's brain caused PCCY to build a statewide campaign to boost funding for high quality child-care and pre-K programs. Now 70,000 children in the Commonwealth are enrolled in high quality child-care and pre-K programs and that number grows every year.

Where government policies lag the research, PCCY prods decision-makers to modernize so that children can excel and thrive. Arts education is one example. PCCY's Picasso Project shows teachers how to connect traditional learning to arts in a way that motivates students to learn and increases what students remember from each lesson. PCCY's exciting work to transform classrooms and schools not only inspires teachers, it changes how students approach learning in ways that can help them far into adulthood. So too is services to our most vulnerable youth, those who have been abused and neglected. PCCY's focus on delinquent and dependent youth demands that the government adopt proven strategies that are based on a healing paradigm that treats the wounds of an abusive or hard childhood in a way that causes each child served to thrive.

PCCY builds a consensus to meet the needs of children across party lines enlisting lawmakers to work together in the interest of children. At the same time, PCCY does not accept government funds so that it can be an independent voice for children. PCCY is supported by foundations, corporations and individuals who take pride in our work and our track record of putting at least 70 cents of every dollar donated directly to work for children.

The way PCCY works is simple. It changes the lives of children by documenting what they need and mobilizing citizens and volunteers to meet those needs. The work that PCCY does is hard. It does the hard work needed to create a better future for every child and for all of society.

Basis of Accounting

The financial statements of PCCY have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2019 AND 2018**

**NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Basis of Presentation

PCCY has adopted ASU 2016-14. Not-for-Profit Entities (Topic 958): *Presentation of Financial Statement of Not-for-Profit Entities*. Accordingly, net assets previously presented as unrestricted net assets, temporarily restricted net assets and permanently restricted net assets have been reclassified as described below.

PCCY classifies its resources in accordance with activities or objective specified by grantors. For financial reporting purposes, resources are classified based on the existence or absence of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and types of transactions affecting each category follow:

Without donor restrictions – Net assets that are not subject donor-imposed restrictions and may be expended for any purpose in performing PCCY’s objectives.

With donor restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of PCCY or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been made in the year of receipt. Expirations of restrictions on net assets with donor restrictions, including reclassification of the restricted gifts and grants for equipment when the associated long-lived asset is placed in service, are reported as net assets released from restrictions.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities and Change in Net Assets.

Use of Estimates

The preparation of the 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 disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Promises to Give

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as with donor restrictions or without donor restrictions depending on the existence of any donor restrictions. PCCY records promises to give as grants receivable.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2019 AND 2018**

**NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Contracts Receivable and Other Receivables

PCCY expects contracts receivable to be fully collectible within one year. Accordingly, no allowance for doubtful accounts is required. Balances that are still outstanding after PCCY has used reasonable efforts are written off through a charge to operations.

Leasehold Improvements, Equipment, and Depreciation

PCCY capitalizes all expenditures in excess of \$1,000. Expenditures are capitalized at cost, including the cost necessary to get the assets ready for its intended use. Depreciation is computed on a straight-line basis using estimated useful lives of the respective assets.

Donated Assets

Donated marketable securities and other non-cash donations are recorded as contributions at their fair market values at the date of donation.

Donated Services and Materials

PCCY recognizes contributed professional services if the services received: (1) create or enhance non-financial assets or (2) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of contributed services meeting these requirements for recognition in the financial statements amounted to \$25,273 for legal services for the year ended May 31, 2019, and \$-0- for the year ended May 31, 2018. A substantial number of volunteers have made a significant contribution of their time to PCCY's programs and supporting services; however, these services do not meet the criteria for recognition as contributed services.

Allocation of Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the Statements of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among certain functions.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2019 AND 2018**

**NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

The expenses that are allocated include the following:

<u>Expense</u>	<u>Allocation</u>
Salaries	Time and effort
Employee health and retirement benefits	Time and effort
Outside services	Full time equivalent
Supplies	Square footage
Telephone	Square footage
Postage	Square footage
Rent	Square footage
Equipment	Square footage
Printing and copier	Square footage
Travel	Time and effort
Meetings and conferences	Time and effort
Insurance	Square footage
Moving	Full time equivalent
Depreciation	Square footage

Advertising

Advertising costs are expensed as incurred. PCCY has no advertising cost during the years ended May 31, 2019 and 2018.

Tax Status

PCCY is exempt from Federal income taxes under Internal Revenue Code Section 501 (c)(3) and applicable state law.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. If PCCY were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense, and penalties on any income tax would be reported as income taxes. There are no unrecognized tax benefits identified or recorded as liabilities as of and for the years ended May 31, 2019 and 2018.

PCCY's forms 990 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2019 AND 2018**

**NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

New Accounting Pronouncements

On August 18, 2016, FASB issued ASU 2016-14 (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* ("Update"). The Update reduces the number of net asset classes from three to two, those with donor restrictions and those without, requires all nonprofit organizations to report expenses by nature and function and improves information presented in financial statements and notes that is useful in assessing a not for-profit's liquidity, financial performance, and cash flows. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. In the year ended May 31, 2019, PCCY has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

On June 21, 2018, FASB issued ASU 2018-08, Not-For-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Amendments in this Update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2019, for transactions in which the entity serves as the resource recipient. Early application of the amendments in this Update is permitted. PCCY is currently in the process of determining the impact of the new standard and has not elected to early implement the amendments.

Reclassifications

Certain reclassifications have been made to the May 31, 2018 financial statements to conform to the May 31, 2019 presentation.

NOTE 2: AVAILABILITY AND LIQUIDITY

The following represents PCCY's financial assets at May 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 422,747	\$ 125,952
Marketable securities	1,205,984	1,440,145
Pledges receivable, current portion	246,250	613,828
Contracts and other receivables	20,540	36,146
Total Financial Assets	<u>\$ 1,895,521</u>	<u>\$ 2,216,071</u>

PCCY's goal is generally to maintain financial assets to meet 6 months of salaries and benefits. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2019 AND 2018**

NOTE 3: CONCENTRATION OF CREDIT RISK

PCCY maintains cash balances at two financial institutions. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation of Securities Investor Protection Corporation. In the normal course of business, PCCY may have deposits that exceed the insured balance.

NOTE 4: FAIR VALUE MEASUREMENTS AND INVESTMENTS

PCCY's investments are reported at fair value. Fair value is defined as the price that would be received for an asset or paid to transfer a liability in PCCY's principal or most advantageous market in an orderly transaction between market participants on the measurement date.

The fair value measurement accounting literature established a fair value hierarchy which requires PCCY to maximize the use of observable inputs when measuring fair value. The accounting standard describes three levels of inputs that may be used to measure fair value:

Level 1: Inputs are unadjusted quoted prices for identical assets or liabilities in active markets that PCCY has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted market prices for identical or similar assets and liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of an input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2019 AND 2018**

NOTE 4: FAIR VALUE MEASUREMENTS AND INVESTMENTS (continued)

The following tables set forth by level, within the fair value hierarchy, PCCY's investments at fair value as of May 31, 2019 and 2018:

	Year Ended May 31, 2019			Total
	Level 1	Level 2	Level 3	
Fixed Income:				
Intermediate-Term Bonds	\$ 420,302	\$ -	\$ -	\$ 420,302
Short-Term Bonds	171,453	-	-	171,453
World Bonds	146,509	-	-	146,509
Domestic Stock:				
Large Blend	374,915	-	-	374,915
International Stock:				
Foreign Large Blend	92,805	-	-	92,805
Total	<u>\$ 1,205,984</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,205,984</u>
	Year Ended May 31, 2018			Total
	Level 1	Level 2	Level 3	
Fixed Income:				
Intermediate-Term Bonds	\$ 490,547	\$ -	\$ -	\$ 490,547
Short-Term Bonds	200,356	-	-	200,356
World Bonds	173,635	-	-	173,635
Domestic Stock:				
Large Blend	463,515	-	-	463,515
International Stock:				
Foreign Large Blend	112,092	-	-	112,092
Total	<u>\$ 1,440,145</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,440,145</u>

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2019 AND 2018**

NOTE 4: FAIR VALUE MEASUREMENTS AND INVESTMENTS (continued)

The cost or other basis, unrealized appreciation (depreciation), and market values of investments at May 31, 2019 and 2018 are summarized as follows:

	Year Ended May 31, 2019		
	Cost or Other Basis	Unrealized Appreciation (Depreciation)	Market Value
Fixed Income:			
Intermediate-Term Bonds	\$ 417,750	\$ 2,552	\$ 420,302
Short-Term Bonds	171,562	(110)	171,452
World Bonds	138,305	8,204	146,509
Domestic Stock:			
Large Blend	314,029	60,886	374,915
International Stock:			
Foreign Large Blend	97,942	(5,136)	92,806
Total	<u>\$ 1,139,588</u>	<u>\$ 66,396</u>	<u>\$ 1,205,984</u>
	Year Ended May 31, 2018		
	Cost or Other Basis	Unrealized Appreciation (Depreciation)	Market Value
Fixed Income:			
Intermediate-Term Bonds	\$ 676,013	\$ (11,831)	\$ 664,182
Short-Term Bonds	203,908	(3,552)	200,356
Domestic Stock:			
Large Blend	387,601	75,914	463,515
International Stock:			
Foreign Large Blend	107,053	5,039	112,092
Total	<u>\$ 1,374,575</u>	<u>\$ 65,570</u>	<u>\$ 1,440,145</u>

Investment income included realized gains of \$15,663 and unrealized gains of \$66,396 for the year ended May 31, 2019. Investment income included realized gains of \$15,451 and unrealized gains of \$5,452 for the year ended May 31, 2018. Interest and dividend income was \$34,255 and \$28,394 for the years ended May 31, 2019 and 2018, respectively.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2019 AND 2018**

NOTE 5: PLEDGES RECEIVABLE

As of May 31, 2019 and 2018, pledges receivable are as follows:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 246,250	\$ 613,828
Receivable in one to five years	413,789	416,289
Total Pledges Receivable	<u>660,039</u>	<u>1,030,117</u>
Less: Present value discount for grants to be received in more than one year (2.0% effective rate used)	<u>(4,748)</u>	<u>(20,249)</u>
Pledges Receivable, Net of Discount	<u>\$ 655,291</u>	<u>\$ 1,009,868</u>

Subsequent to May 31, 2019, PCCY received two multi-year pledges totaling \$1,061,929.

NOTE 6: LEASEHOLD IMPROVEMENTS AND EQUIPMENT, NET

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ -	\$ 24,155
Furniture and equipment	58,171	36,151
	<u>58,171</u>	<u>60,306</u>
Less: Accumulated depreciation	<u>(33,981)</u>	<u>(52,983)</u>
	<u>\$ 24,190</u>	<u>\$ 7,323</u>

Depreciation expense was \$5,153 and \$4,577 for the years ended May 31, 2019 and 2018, respectively.

NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Child Education and Pre-K	\$ 533,790	\$ 1,128,564
Child Health	269,500	150,333
Dream Care	-	8,000
Fund for Growth/Strategic Plan	300,000	400,000
Total Net Assets With Donor Restrictions	<u>\$ 1,103,290</u>	<u>\$ 1,686,897</u>

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2019 AND 2018**

NOTE 8: NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors:

	<u>2019</u>	<u>2018</u>
Child Education and Pre-K	\$ 757,024	\$ 595,055
Picasso Project	-	20,000
Child Health	138,333	131,667
Dream Care	8,000	27,137
Fund for Growth/Strategic Plan	100,000	55,000
Restricted for Future Periods	-	13,000
Total Net Assets With Donor Restrictions	<u>\$ 1,003,357</u>	<u>\$ 841,859</u>

NOTE 9: BOARD DESIGNATED FUNDS

The Board of Directors had designated \$730,631 and \$725,948 of net assets without restrictions as of May 31, 2019 and 2018, respectively, for future periods to support the mission of PCCY. Those amounts are considered an internal designation and, accordingly, are not considered net assets with donor restrictions.

The overall financial objective of the designated funds is to invest them to maximize total return consistent with an acceptable level of risk to provide a relatively predictable, stable, and constant stream of earnings. Designated funds are invested in a diverse asset mix which includes approximately 60% fixed income funds and 40% equity funds. At any given time, the funds are to be able to fund three months of operating costs with the ultimate goal to fund six months of operating costs.

The primary investment objective of the designated funds is to attain an average annual real total return of at least 3.5% a year, net of management fees, over the long term. All realized interest and dividends from the funds will be distributed into the operating account on a quarterly basis.

Composition of the changes in board designated net assets for the years ended May 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Board Designated Net Assets, Beginning of Year	\$ 725,948	\$ 747,928
Investment income	4,683	5,452
Amounts appropriated for expenditure	(20,000)	(27,432)
Board Designated Net Assets, End of Year	<u>\$ 710,631</u>	<u>\$ 725,948</u>

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2019 AND 2018**

NOTE 10: EMPLOYEE RETIREMENT PLAN

PCCY has a contributory retirement plan in accordance with Section 403(b) of the Internal Revenue Code. Employees may contribute up to the limits allowable by the Internal Revenue Code. All eligible employees with one year of service receive a contribution of 2% of their eligible salary. Total contributions made to the Plan for the years ended May 31, 2019 and 2018 were \$16,812 and \$17,410, respectively.

NOTE 11: LEASE COMMITMENTS

PCCY leases office equipment under various operating leases expiring through 2020. Equipment rental expenses were \$25,561 and \$27,111 for the years ended May 31, 2019 and 2018, respectively.

PCCY conducts its operations using leased office space. Effective July 19, 2019, PCCY entered into a ninety-month lease with monthly payments ranging from \$3,428 to \$8,119 per month.

Occupancy expenses charged to operations for the years ended May 31, 2019 and 2018 were \$97,055 and \$85,881 respectively.

Future minimum annual lease payments are as follows:

<u>For the Years Ending May 31,</u>	
2020	\$ 90,764
2021	85,494
2022	87,683
2023	89,847
2024	92,013
Thereafter	158,045
	<u>\$ 603,846</u>

NOTE 12: SUBSEQUENT EVENTS

PCCY has evaluated subsequent events and transactions for potential recognition through December 4, 2019, the date on which the financial statements were available to be issued. See Note 5 related to the pledges received subsequent to May 31, 2019.