

**PRELIMINARY DRAFT**

**PUBLIC CITIZENS FOR  
CHILDREN AND YOUTH**

**Financial Statement**

**May 31, 2009**

***O'Hara, Ward and Associates***  
***Certified Public Accountants***

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH**

**MAY 31, 2009**

**PRELIMINARY DRAFT**

**CONTENTS**

	<b>PAGE</b>
<b>REPORT OF INDEPENDENT AUDITOR</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position, May 31, 2009 and 2008	2
Statement of Activities for the years ended May 31, 2009 and 2008	3
Statement of Functional Expenses for the year ended May 31, 2009	4
Statement of Cash Flows for the years ended May 31, 2009 and 2008	5
Notes to Financial Statements	6-12

**REPORT OF INDEPENDENT AUDITOR**

PRELIMINARY DRAFT

Board of Directors  
Public Citizens for  
Children and Youth  
Philadelphia, Pennsylvania

We have audited the accompanying statement of financial position of Public Citizens for Children and Youth, as of May 31, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. 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 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 Public Citizens for Children and Youth, as of May 31, 2009, the results of operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Information for the year ended May 31, 2008, is presented for comparative purposes only and was extracted from the financial statements presented by fund for that year, on which an unqualified opinion dated August 12, 2008, was expressed.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH  
STATEMENTS OF FINANCIAL POSITION  
MAY 31, 2009 AND 2008**

**PRELIMINARY DRAFT**

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 147,932	\$ 1,241,631
Certificates of Deposit	375,000	-0-
Marketable Securities	508,631	174,989
Grants Receivable	<u>5,121</u>	<u>-0-</u>
<b>TOTAL CURRENT ASSETS</b>	<b>1,036,684</b>	<b>1,416,620</b>
Property and Equipment, net of accumulated depreciation	13,948	14,211
Security Deposits	<u>2,846</u>	<u>2,846</u>
<b>TOTAL OTHER ASSETS</b>	<u>16,794</u>	<u>17,057</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,053,478</u></b>	<b><u>\$ 1,433,677</u></b>
<b>LIABILITIES</b>		
Accounts Payable	\$ 18,498	\$ 29,769
Custodial Funds	1,000	2,422
Accrued Salaries and Vacation	<u>17,716</u>	<u>12,341</u>
<b>TOTAL LIABILITIES</b>	<b>37,214</b>	<b>44,532</b>
<b>NET ASSETS</b>		
Unrestricted	517,657	866,305
Temporarily Restricted	<u>498,607</u>	<u>522,840</u>
<b>TOTAL NET ASSETS</b>	<u>1,016,264</u>	<u>1,389,145</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,053,478</u></b>	<b><u>\$ 1,433,677</u></b>

See Accompanying Notes to Financial Statements

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED MAY 31, 2009 AND 2008**

**PRELIMINARY DRAFT**

	<u>2009</u>	<u>2008</u>
<b>UNRESTRICTED NET ASSETS</b>		
Support		
Foundations and Corporations	\$ 682,350	\$ 351,194
Individuals	128,618	114,093
Contracts	144,142	114,605
United Way & Federated Organizations	71,016	55,261
Special Events	55,618	38,442
Investment Return	(36,712)	54,312
Other	<u>210</u>	<u>149</u>
<b>TOTAL UNRESTRICTED SUPPORT</b>	1,045,242	728,056
Net Assets Released from Restrictions		
Restrictions Satisfied by Payments	<u>158,650</u>	<u>509,506</u>
<b>TOTAL UNRESTRICTED SUPPORT AND RECLASSIFICATIONS</b>	1,203,892	1,237,562
<b>EXPENSES</b>		
Program Services	1,311,887	1,209,435
Management and General	<u>240,653</u>	<u>210,735</u>
<b>TOTAL EXPENSES</b>	<u>1,552,540</u>	<u>1,420,170</u>
<b>DECREASE IN UNRESTRICTED NET ASSETS</b>	(348,648)	(182,608)
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Support Designated for Future Period	113,975	158,650
Support for Term Endowment	5,250	13,825
Investment Income	15,192	24,119
Net Assets Released from Restrictions		
Restrictions Satisfied by Payments	<u>(158,650)</u>	<u>(509,506)</u>
<b>DECREASE IN TEMPORARILY RESTRICTED NET ASSETS</b>	<u>(24,233)</u>	<u>(312,912)</u>
<b>DECREASE IN NET ASSETS</b>	(372,881)	(495,520)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>1,389,145</u>	<u>1,884,665</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,016,264</u>	<u>\$ 1,389,145</u>

See Accompanying Notes to Financial Statements

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED MAY 31, 2009**

**PRELIMINARY DRAFT**

	Public Awareness/ Outreach	Child Health/ Child Care	Campaign/ Public Education	TOTAL PROGRAM	Management & Fundraising	2009 TOTAL	Memorandum
							Only 2008 TOTAL
Salaries and Wages	\$287,002	\$296,542	\$218,502	\$802,046	\$141,537	\$943,583	\$773,074
Taxes and Fringes	55,560	48,689	43,092	147,341	26,000	173,341	167,378
Outside Services	7,905	25,388	23,483	56,776	7,906	64,682	63,639
Audit	1,228	1,228	1,228	3,684	1,816	5,500	5,000
Advertising			5,000	5,000	0	5,000	0
Supplies	6,275	531	113	6,919	1,730	8,649	10,366
Telephone	12,144	1,616	68	13,828	3,457	17,285	22,794
Postage	22,120		1,614	23,734	5,934	29,668	28,919
Rent	60,365			60,365	15,092	75,457	68,224
Equipment	23,408			23,408	5,852	29,260	30,290
Printing and Copier	2,392			76,431	13,488	89,919	134,514
Travel			11,207	3,950	0	3,950	5,512
Meetings and Conferences			666	5,821	6,561	12,382	14,325
Insurance	7,948	4,267	1,554	7,948	1,987	9,935	9,861
Special Projects			45,540	45,540	0	45,540	60,393
Miscellaneous	24,956	860	130	25,946	6,149	32,095	19,433
Depreciation	1,050	1,050	1,050	3,150	3,144	6,294	6,448
	<u>\$512,353</u>	<u>\$446,287</u>	<u>\$353,247</u>	<u>\$1,311,887</u>	<u>\$240,653</u>	<u>\$1,552,540</u>	<u>\$1,420,170</u>

See Accompanying Notes

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED MAY 31, 2009 AND 2008**

**PRELIMINARY DRAFT**

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Decrease in Net Assets	\$ (372,881)	\$ (495,520)
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	6,294	6,448
Unrealized Loss on Marketable Securities	51,651	346
(Increase) Decrease in Operating Assets		
Accounts Receivable	(5,121)	404,118
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(11,271)	(3,113)
Custodial Funds	(1,422)	(104)
Accrued Salaries and Vacations	<u>5,375</u>	<u>1,114</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(327,375)</b>	<b>(86,711)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Certificates of Deposit, Net	(375,000)	600,000
Purchase of Marketable Securities	(385,293)	(175,335)
Capital Expenditures	<u>(6,031)</u>	<u>(9,012)</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(766,324)</b>	<b>415,653</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<u>-0-</u>	<u>-0-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,093,699)</b>	<b>328,942</b>
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<u>1,241,631</u>	<u>912,689</u>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<u>\$ 147,932</u>	<u>\$1,241,631</u>

See Accompanying Notes to Financial Statements

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED MAY 31, 2009 AND 2008**

PRELIMINARY DRAFT

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Purpose of the Organization**

The mission of Public Citizens for Children and Youth (the Organization) is to improve the quality and efficiency of the service delivery systems for children and youth in Pennsylvania. The Organization seeks to carry out its mission by: a) Educating governmental leaders, professional workers, members of the Organization's Board and Network and citizens at large, on the needs of children and youth in the city and surrounding suburbs; b) Developing strategies for achieving improved services and providing city-wide leadership in carrying out those strategies. The primary source of support is contributions.

**Financial Statement Presentation**

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

**Unrestricted Net Assets** – Net assets that are not subject to donor-imposed stipulations.

**Temporarily Restricted Net Assets** – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time.

**Permanently Restricted Net Assets** – Net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED MAY 31, 2009 AND 2008**

PRELIMINARY DRAFT

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**Fair Values of Financial Instruments**

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents and certificates of deposit: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

**Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage or time or by use) in the reporting period in which the income and gains are recognized.

**Grants Receivable**

Grants receivable amounted to \$5,121 and \$-0- for the years ended May 31, 2009 and 2008, respectively. A provision for doubtful accounts has not been established as management considers all accounts to be collectible based upon a favorable history over a substantial period of time.

**Property, Equipment and Depreciation**

It is the Organization's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Property and equipment are recorded at acquisition cost, including costs necessary to get the asset ready for its intended use. Depreciation expense is provided on a straight-line basis over the estimated useful lives of the respective assets.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED MAY 31, 2009 AND 2008**

PRELIMINARY DRAFT

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**Promises To Give**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Donated Services and Materials**

During the years ended May 31, 2009 and 2008, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. A substantial number of volunteers have made significant contributions of their time to the Organization's program and supporting services, however, but these services do not meet the criteria for recognition as contributed services.

**Advertising**

Advertising costs are expenses as incurred. Advertising costs totaled \$5,000 and \$-0- for the years ended May 31, 2009 and 2008, respectively.

**Income Taxes**

The Corporation is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501 (c) (3), and is exempt from state income taxes under the provisions of the Pennsylvania Nonprofit Corporation Law.

As currently allowed, Management has elected to defer the application of Accounting for Uncertainty in Income Taxes until May 31, 2010. Management will continue to record income taxes as contingencies, and record interest and penalties as current income tax expense.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED MAY 31, 2009 AND 2008**

**PRELIMINARY DRAFT**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Subsequent Events

The Center's policy is to review and evaluate subsequent events for disclosure or recognition during the period after its year-end until the date the financial statements are available to be issued, the report date of

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**NOTE 2. CERTIFICATES OF DEPOSIT**

Certificates of deposits totaling \$375,000 and \$-0- are included in the assets of the Organization as of May 31, 2009 and 2008. The certificates bear interest ranging from .3% to 1.1% and have maturities ranging from three to twelve months with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

**NOTE 3. MARKETABLE SECURITIES**

Marketable securities are stated at market value and consist of the following at May 31, 2009 and 2008:

	<u>2009</u>		<u>Unrealized</u>
	<u>Fair</u>	<u>Cost</u>	<u>Appreciation</u>
	<u>Value</u>		<u>(Depreciation)</u>
Mutual Funds	\$211,246	\$254,008	\$ (42,762)
Bonds	<u>297,385</u>	<u>299,313</u>	<u>(1,928)</u>
	<u>\$508,631</u>	<u>\$553,321</u>	<u>\$ (44,690)</u>

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED**

**PRELIMINARY DRAFT**

**NOTE 3. MARKETABLE SECURITIES (Continued)**

2008

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>
Mutual Funds	<u>\$174,989</u>	<u>\$175,335</u>	<u>\$(346)</u>

Investment return includes \$61,471 and \$346 of unrealized loss, and \$24,759 and \$54,658 of interest income for the years ended May 31, 2009 and 2008, respectively.

**NOTE 4. PROPERTY AND EQUIPMENT**

Property and Equipment consist of the following:

	<u>2009</u>	<u>2008</u>
Furniture and Equipment	\$126,817	\$120,786
Less: Accumulated Depreciation	<u>(112,869)</u>	<u>(106,575)</u>
	<u>\$ 13,948</u>	<u>\$ 14,211</u>

Depreciation charged to earnings for the years ended May 31, 2009 and 2008 amounted to \$6,294. and \$6,448., respectively.

**NOTE 5. LEASE COMMITMENTS**

PCCY has an operating lease for office space that expires in May 2010. Occupancy expenses charged to operations for May 31, 2009 and 2008 amounted to \$75,457. and \$68,224., respectively. Future minimum lease payments under this operating lease are as follows:

May 31, 2010	<u>\$75,089</u>
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**NOTE 6. CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject PCCY to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions. Cash and cash equivalents exceeding federally insured limits totaled \$-0-. and \$1,064,250. at May 31, 2009 and 2008, respectively.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED MAY 31, 2009 AND 2008**

PRELIMINARY DRAFT

**NOTE 7. FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of public support and revenue, expenses, and fund balance. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The statement of functional expenses includes summarized information for the year ended May 31, 2008 to facilitate comparability to the current year. Such information does not include sufficient detail to constitute a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in accordance with the Organization's financial statements for the year ended May 31, 2008, from which the summarized information was derived.

**NOTE 8. RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets consist of the following:

	<u>2009</u>	<u>2008</u>
Designated for Future Periods	\$ 56,000	\$ 35,100
Term Endowment	384,632	364,190
Child Health	55,000	102,000
Special Projects	2,975	21,550
	<u>\$498,607</u>	<u>\$522,840</u>

**NOTE 9. UNRESTRICTED NET ASSETS**

PCCY's Board of Directors has designated a portion of its unrestricted net assets in an effort to assure the long-term stability of the Organization. The remainder of unrestricted net assets is available for general operations.

During the years ended May 31, 2009 and 2008, management began investing unrestricted net assets into infrastructure and capacity building projects to improve services provided to youth. The costs associated with these projects were funded with unrestricted surpluses generated in prior years. It is the intention of Management and the Board of Directors to continue this policy in the coming years.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED MAY 31, 2009 AND 2008**

PRELIMINARY DRAFT

**NOTE 10. FUNDRAISING EXPENSES**

Total fundraising expenses for the years ended May 31, 2009 and 2008 were approximately \$ \_\_\_\_\_ and \$59,433., respectively, representing \_\_\_% and 7% of total support revenue. The ratio of expenses to amounts raised is computed using actual expenses and related support on an accrual basis.

**NOTE 11. FAIR VALUE MEASUREMENTS**

FAS ASC 820 establishes a fair value market hierarchy that prioritizes the valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 inputs consist of unadjusted quote prices in active markets for identical assets and have the highest priority.

Level 2 inputs consist of quoted prices in markets that are not active and have the second highest priority.

Level 3 inputs consist of unobservable inputs that have little or no market activity, and are the lowest priority.

When available, the Organization measures fair value using Level 1 valuation techniques because they generally provide the most reliable evidence of fair value.

As of May 31, 2009 and 2008, marketable securities were valued using a level one technique.