

**PUBLIC CITIZENS FOR
CHILDREN AND YOUTH**

Financial Statement

May 31, 2010

O'Hara, Ward and Associates
Certified Public Accountants

PUBLIC CITIZENS FOR CHILDREN AND YOUTH

MAY 31, 2010

C O N T E N T S

	PAGE
REPORT OF INDEPENDENT AUDITOR	1
FINANCIAL STATEMENTS	
Statement of Financial Position, May 31, 2010 and 2009	2
Statement of Activities for the years ended May 31, 2010 and 2009	3
Statement of Functional Expenses for the year ended May 31, 2010	4
Statement of Cash Flows for the years ended May 31, 2010 and 2009	5
Notes to Financial Statements	6-13

O'HARA, WARD & ASSOCIATES

Certified Public Accountants

1036 Mill Creek Drive

Feasterville, PA 19053

TEL (215) 322-5558

FAX (215) 322-5624

REPORT OF INDEPENDENT AUDITOR

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, 2010, 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, 2010, 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, 2009, 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 January 28, 2009, was expressed.

O'Hara, Ward & Associates

October 9, 2010

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and Cash Equivalents (includes restricted cash of \$320,263 in 2010 and \$17,653 in 2009)	\$ 731,052	\$ 147,932
Certificates of Deposit (includes restricted certificates of deposit of \$-0- in 2010 and \$300,000 in 2009)	-0-	375,000
Marketable Securities (includes restricted marketable securities of \$95,855 in 2010 and \$85,043 in 2009)	383,361	508,631
Grants Receivable	5,000	5,121
Prepaid Expenses	<u>6,892</u>	<u>-0-</u>
TOTAL CURRENT ASSETS	1,126,305	1,036,684
Property and Equipment, net of accumulated depreciation	10,067	13,948
Security Deposits	<u>2,846</u>	<u>2,846</u>
TOTAL OTHER ASSETS	<u>12,913</u>	<u>16,794</u>
TOTAL ASSETS	<u>\$ 1,139,218</u>	<u>\$ 1,053,478</u>
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 16,296	\$ 18,498
Custodial Funds	688	1,000
Accrued Salaries and Vacation	<u>36,770</u>	<u>17,716</u>
TOTAL LIABILITIES	53,754	37,214
NET ASSETS		
Unrestricted	452,697	517,657
Temporarily Restricted	<u>632,767</u>	<u>498,607</u>
TOTAL NET ASSETS	<u>1,085,464</u>	<u>1,016,264</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,139,218</u>	<u>\$ 1,053,478</u>

See Accompanying Notes to Financial Statements

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MAY 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
UNRESTRICTED NET ASSETS		
Support		
Foundations and Corporations	\$ 673,913	\$ 682,350
Individuals	128,211	128,618
Contracts	215,566	144,142
United Way & Federated Organizations	63,915	71,016
Special Events	74,322	55,618
Investment Return	41,811	(36,712)
Other	<u>161</u>	<u>210</u>
TOTAL UNRESTRICTED SUPPORT	1,197,899	1,045,242
Net Assets Released from Restrictions		
Restrictions Satisfied by Payments	<u>95,911</u>	<u>158,650</u>
TOTAL UNRESTRICTED SUPPORT AND RECLASSIFICATIONS	1,293,810	1,203,892
EXPENSES		
Program Services	1,152,376	1,311,887
Management and General	<u>206,394</u>	<u>240,653</u>
TOTAL EXPENSES	<u>1,358,770</u>	<u>1,552,540</u>
DECREASE IN UNRESTRICTED NET ASSETS	(64,960)	(348,648)
TEMPORARILY RESTRICTED NET ASSETS		
Support Designated for Future Period	216,649	113,975
Support for Term Endowment	250	5,250
Investment Income	13,172	15,192
Net Assets Released from Restrictions		
Restrictions Satisfied by Payments	<u>(95,911)</u>	<u>(158,650)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>134,160</u>	<u>(24,233)</u>
INCREASE (DECREASE) IN NET ASSETS	69,200	(372,881)
NET ASSETS AT BEGINNING OF YEAR	<u>1,016,264</u>	<u>1,389,145</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,085,464</u>	<u>\$ 1,016,264</u>

See Accompanying Notes to Financial Statements

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2010**

	Public Awareness/ Outreach	Child Health/ Child Care	Campaign/ Public Education	TOTAL PROGRAM	Management & Fundraising	2010 TOTAL	Memorandum Only 2009 TOTAL
Salaries and Wages	\$255,676	\$226,110	\$179,386	\$661,172	\$120,389	\$781,561	\$943,583
Taxes and Fringes	61,945	54,202	48,394	164,541	29,038	193,579	173,341
Outside Services	6,583	21,944	19,749	48,276	6,585	54,861	64,682
Audit	1,210	1,210	1,210	3,630	1,870	5,500	5,500
Advertising	0	0	11,981	11,981	0	11,981	5,000
Supplies	4,374	375	61	4,810	1,266	6,076	8,649
Telephone	16,841	2,203	72	19,116	4,571	23,687	17,285
Postage	12,171	0	938	13,109	3,339	16,448	29,668
Rent	59,777	0	0	59,777	14,944	74,721	75,457
Equipment	23,138	0	0	23,138	5,784	28,922	29,260
Printing and Copier	2,924	42,909	9,020	54,853	9,303	64,156	89,919
Travel	0	4,280	980	5,260	500	5,760	3,950
Meetings and Conferences	0	1,094	398	1,492	1,822	3,314	12,382
Insurance	3,174	0	0	3,174	794	3,968	9,935
Special Projects	0	0	60,219	60,219	0	60,219	45,540
Miscellaneous	15,303	503	81	15,887	4,249	20,136	32,095
Depreciation	647	647	647	1,941	1,940	3,881	6,294
	<u>\$463,763</u>	<u>\$355,477</u>	<u>\$333,136</u>	<u>\$1,152,376</u>	<u>\$206,394</u>	<u>\$1,358,770</u>	<u>\$1,552,540</u>

See Accompanying Notes

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 69,200	\$ (372,881)
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	3,881	6,294
Unrealized Loss (Gain) on Marketable Securities	(37,815)	51,651
(Increase) Decrease in Operating Assets		
Accounts Receivable	121	(5,121)
Increase in Prepaid Expenses	(6,892)	-0-
Increase (Decrease) in Operating Liabilities		
Accounts Payable and Accrued Expenses	(2,202)	(11,271)
Custodial Funds	(312)	(1,422)
Accrued Salaries and Vacations	<u>19,054</u>	<u>5,375</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	45,035	(327,375)
CASH FLOWS FROM INVESTING ACTIVITIES		
Certificates of Deposit, Net	375,000	(375,000)
Sales of Marketable Securities, Net	163,085	(385,293)
Capital Expenditures	<u>-0-</u>	<u>(6,031)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	538,085	(766,324)
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-0-</u>	<u>-0-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	583,120	(1,093,699)
BEGINNING CASH AND CASH EQUIVALENTS	<u>147,932</u>	<u>1,241,631</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 731,052</u>	<u>\$ 147,932</u>

See Accompanying Notes to Financial Statements

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2010 AND 2009**

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, 2010 AND 2009**

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 \$5,000 and \$5,121 for the years ended May 31, 2010 and 2009, 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, 2010 AND 2009**

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, 2010 and 2009, 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 \$11,981 and \$5,000 for the years ended May 31, 2010 and 2009, respectively.

Income Taxes

The Organization 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.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2010 AND 2009**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Income Taxes (Continued)

Effective June 1, 2009, the Organization adopted Accounting for Uncertainty in Income Taxes. As of June 1, 2010 and 2009, the Organization had no material unrecognized tax benefits, accrued interest or penalties. The Organization's policy is to account for interest and penalties as a component of income taxes. Federal tax years 2006 through 2008 were open for examination as of May 31, 2010.

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 October 9, 2010.

NOTE 2. CERTIFICATES OF DEPOSIT

Certificates of deposits totaling \$-0- and \$375,000 are included in the assets of the Organization as of May 31, 2010 and 2009. The certificates bore interest ranging from .3% to 1.1% and had 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.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2010 AND 2009**

NOTE 3. MARKETABLE SECURITIES

Marketable securities are stated at market value and consist of the following at May 31, 2010 and 2009:

	<u>2010</u>		
	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>
Mutual Funds	\$239,364	\$261,382	\$ (22,018)
Stock and Bonds	<u>143,997</u>	<u>137,896</u>	<u>6,101</u>
	<u>\$383,361</u>	<u>\$399,278</u>	<u>\$ 15,917</u>
	 <u>2009</u>		
	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>
Mutual Funds	\$211,246	\$254,008	\$ (42,762)
Stock and 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>

Investment return includes \$37,815 of unrealized gain and \$(61,471) of unrealized loss, and \$17,168 and \$24,759 of interest income for the years ended May 31, 2010 and 2009, respectively.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2010 AND 2009**

NOTE 4. PROPERTY AND EQUIPMENT

Property and Equipment consist of the following:

	<u>2010</u>	<u>2009</u>
Furniture and Equipment	\$126,817	\$126,817
Less: Accumulated Depreciation	<u>(116,750)</u>	<u>(112,869)</u>
	<u>\$ 10,067</u>	<u>\$ 13,948</u>

Depreciation charged to earnings for the years ended May 31, 2010 and 2009 amounted to \$3,881 and \$6,294, respectively.

NOTE 5. LEASE COMMITMENTS

PCCY has an operating lease for office space that expires in May 2011. Occupancy expenses charged to operations for May 31, 2010 and 2009 amounted to \$74,721 and \$75,457, respectively. Future minimum lease payments under this operating lease are as follows:

May 31, 2011	<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 \$38,147 and \$-0- at May 31, 2010 and 2009, respectively. Management feels there are no significant risks as of the date of these financial statements.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2010 AND 2009**

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, 2009 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, 2009, from which the summarized information was derived.

NOTE 8. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following:

	<u>2010</u>	<u>2009</u>
Designated for Future Periods	\$216,649	\$ 56,000
Term Endowment	416,118	384,632
Child Health	-0-	55,000
Special Projects	<u>-0-</u>	<u>2,975</u>
	<u>\$632,767</u>	<u>\$498,607</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, 2010 and 2009, 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.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2010 AND 2009**

NOTE 10. FUNDRAISING EXPENSES

Total fundraising expenses for the years ended May 31, 2010 and 2009 were approximately \$88,000 and \$101,000, respectively, representing 6% and 9% 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, 2010 and 2009, marketable securities were valued using a level one technique.