

PUBLIC CITIZENS FOR CHILDREN AND YOUTH

MAY 31, 2012

C O N T E N T S

	PAGE
REPORT OF INDEPENDENT AUDITOR	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-12

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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, 2012, 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, 2012, 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, 2011, 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 16, 2011, was expressed.

O'Hara, Ward & Associates

September 21, 2012

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and Cash Equivalents (includes restricted cash of \$47,973 in 2012 and \$ 66,478 in 2011)	\$ 398,999	\$ 371,949
Marketable Securities (includes restricted marketable securities of \$415,954 in 2012 and \$403,377 in 2011)	690,716	723,891
Contracts Receivable	26,165	21,746
Grants Receivable	8,076	5,000
Prepaid Expenses	<u>7,200</u>	<u>7,112</u>
TOTAL CURRENT ASSETS	1,131,156	1,129,698
Property and Equipment, net of accumulated depreciation	3,314	6,322
Security Deposits	<u>2,846</u>	<u>2,846</u>
TOTAL OTHER ASSETS	<u>6,160</u>	<u>9,168</u>
TOTAL ASSETS	<u>\$1,137,316</u>	<u>\$ 1,138,866</u>
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 38,774	\$ 10,217
Custodial Funds	564	503
Accrued Salaries and Vacation	<u>17,234</u>	<u>16,719</u>
TOTAL LIABILITIES	56,572	27,439
NET ASSETS		
Unrestricted	436,301	486,930
Temporarily Restricted	<u>644,443</u>	<u>624,497</u>
TOTAL NET ASSETS	<u>1,080,744</u>	<u>1,111,427</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,137,316</u>	<u>\$ 1,138,866</u>

See Accompanying Notes to Financial Statements

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MAY 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
UNRESTRICTED NET ASSETS		
Support and Revenue		
Foundations and Corporations	\$ 814,370	\$ 622,442
Individuals	208,333	163,306
Contracts	234,370	249,515
United Way & Federated Organizations	31,825	56,244
Special Events	80,416	97,336
Investment Return	(5,230)	41,127
Other	<u>-0-</u>	<u>820</u>
TOTAL UNRESTRICTED SUPPORT AND REVENUE	1,364,084	1,230,790
Net Assets Released from Restrictions		
Restrictions Satisfied by Payments	<u>154,642</u>	<u>216,649</u>
TOTAL UNRESTRICTED SUPPORT AND REVENUE AND RECLASSIFICATIONS	1,518,726	1,447,439
EXPENSES		
Program Services	1,243,696	1,181,929
Management and General	<u>325,659</u>	<u>231,277</u>
TOTAL EXPENSES	<u>1,569,355</u>	<u>1,413,206</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(50,629)	34,233
TEMPORARILY RESTRICTED NET ASSETS		
Support Designated for Future Period	180,617	154,642
Support for Term Endowment	-0-	10,100
Investment Income	(6,029)	43,637
Net Assets Released from Restrictions		
Restrictions Satisfied by Payments	<u>(154,642)</u>	<u>(216,649)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>19,946</u>	<u>(8,270)</u>
INCREASE (DECREASE) IN NET ASSETS	(30,683)	25,963
NET ASSETS AT BEGINNING OF YEAR	<u>1,111,427</u>	<u>1,085,464</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,080,744</u>	<u>\$ 1,111,427</u>

See Accompanying Notes to Financial Statements

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2012**

	Public Awareness/ Outreach	Child Health/ Child Care	Campaign/ Public Education	TOTAL PROGRAM	Management & Fundraising	2012 TOTAL	Memorandum Only 2011 TOTAL
Salaries and Wages	\$256,827	\$255,657	\$208,297	\$720,781	\$132,322	\$853,103	\$774,026
Taxes and Fringes	64,977	64,681	52,699	182,357	33,910	216,267	184,066
Outside Services	9,742	24,944	28,190	62,876	8,274	71,150	73,309
Audit	1,250	1,250	1,250	3,750	2,250	6,000	5,750
Advertising				0		0	450
Supplies	1,574	4,956	845	7,375	1,488	8,863	8,451
Telephone	3,265	5,563	2,896	11,724	4,706	16,430	22,307
Postage	9,492		447	9,939	3,392	13,331	13,331
Rent	12,895	26,680	18,623	58,198	13,440	71,638	74,006
Equipment	5,250	10,050	4,825	20,125	19,647	39,772	30,206
Printing and Copier	2,825	29,836	3,898	36,559	17,476	54,035	31,781
Travel	543	2,680	1,418	4,641	2,203	6,844	7,351
Meetings and Conferences		3,634	738	4,372	2,699	7,071	5,310
Insurance	625	875	725	2,225	2,202	4,427	5,245
Special Projects			62,828	62,828		62,828	70,452
Miscellaneous	1,375	387	124	1,886	63,198	65,084	18,088
In Kind Consultant Fees	17,376	17,376	17,376	52,128	17,376	69,504	85,332
Depreciation	644	644	644	1,932	1,076	3,008	3,745
	<u>\$388,660</u>	<u>\$449,213</u>	<u>\$405,823</u>	<u>\$1,243,696</u>	<u>\$325,659</u>	<u>\$1,569,355</u>	<u>\$1,413,206</u>

See Accompanying Notes

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ (30,683)	\$ 25,963
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided		
By Operating Activities:		
Depreciation	3,008	3,745
Realized Losses on Sales of Marketable Securities	7,999	-0-
Unrealized Loss (Gain) on Marketable Securities	25,877	(57,086)
(Increase) Decrease in Operating Assets		
Contracts Receivable	(4,419)	(21,746)
Grants Receivable	(3,076)	0
Increase in Prepaid Expenses	(88)	(220)
Increase (Decrease) in Operating Liabilities		
Accounts Payable and Accrued Expenses	28,557	(6,079)
Custodial Funds	61	(185)
Accrued Salaries and Vacations	<u>515</u>	<u>(20,051)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	27,751	(75,659)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales (purchases) of Marketable Securities, Net	<u>(701)</u>	<u>(283,444)</u>
NET CASH USED BY INVESTING ACTIVITIES	(701)	(283,444)
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-0-</u>	<u>-0-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	27,050	(359,103)
BEGINNING CASH AND CASH EQUIVALENTS	<u>371,949</u>	<u>731,052</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 398,999</u>	<u>\$ 371,949</u>

See Accompanying Notes to Financial Statements

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2012 AND 2011**

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, 2012 AND 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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 temporarily restricted net assets or unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Grants and Contracts Receivable

Grants receivable amounted to \$8,076 and \$5,000 for the years ended May 31, 2012 and 2011, respectively.

Contracts receivable amounted to \$26,165 and \$21,746 for the years ended May 31, 2012 and 2011, respectively. Contract receivables are recorded at the un-discounted amount of earned contract revenue.

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. Also, all receivables are expected to be collected in less than one year.

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.

Promises To Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2012 AND 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Promises To Give (continued)

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

The value of contributed services meeting the requirements for recognition in the financial statements during the years ended May 31, 2012 and May 31, 2011 were \$69,503 and \$85,332, respectively. 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 \$ -0- and \$450 for the years ended May 31, 2012 and 2011, respectively.

Income Taxes

The Organization is a non-profit organization that is exempt from income taxes under the provisions of Internal Revenue Code Section 501 (c) (3), and is exempt from state income taxes under the provision of Pennsylvania Corporation Law.

The Organization has adopted current accounting principals for uncertain income tax provisions that require evaluation of tax positions taken on its income tax returns and recognizing a tax asset or liability if the position would not be sustained under audit. The Organization's policy is to record interest and penalties from tax examinations as income taxes. For federal income tax purposes, the returns remain open for possible examination three years after they are filed.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2012 AND 2011**

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 Organization'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 September 21, 2012.

NOTE 2. MARKETABLE SECURITIES

Marketable securities are stated at market value and consist of the following at May 31, 2012 and 2011:

	<u>2012</u>		
	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>
Mutual Funds	\$366,473	352,144	\$ 14,329
Stock and Bonds	<u>324,243</u>	<u>323,117</u>	<u>1,126</u>
	<u>\$690,716</u>	<u>\$675,261</u>	<u>\$ 15,455</u>
	 <u>2011</u>		
	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>
Mutual Funds	\$381,988	\$342,053	\$ 39,935
Stock and Bonds	<u>341,903</u>	<u>339,435</u>	<u>2,468</u>
	<u>\$723,891</u>	<u>\$681,488</u>	<u>\$ 42,403</u>

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2012 AND 2011**

NOTE 2. MARKETABLE SECURITIES (Continued)

Investment return includes \$(25,877) of unrealized loss and \$57,086 of unrealized gain, realized loss of \$7,999 and \$-0-, and \$22,617 and \$27,678 of interest and dividend income for the years ended May 31, 2012 and 2011, respectively.

Investment Income	<u>2012</u>	<u>2011</u>
Unrestricted	\$ (5,230)	\$41,127
Temporarily Restricted	<u>(6,029)</u>	<u>43,637</u>
Total	<u>\$(11,259)</u>	<u>\$84,764</u>

NOTE 3. PROPERTY AND EQUIPMENT

Property and Equipment consist of the following:

	<u>2012</u>	<u>2011</u>
Furniture and Equipment	\$126,817	\$126,817
Less: Accumulated Depreciation	<u>(123,503)</u>	<u>(120,495)</u>
	<u>\$ 3,314</u>	<u>\$ 6,322</u>

Depreciation charged to earnings for the years ended May 31, 2012 and 2011 amounted to \$3,008 and \$3,745, respectively.

NOTE 4. LEASE COMMITMENTS

PCCY has an operating lease for office space that expires in May 2014. Occupancy expenses charged to operations for May 31, 2012 and 2011 amounted to \$ 71,638 and \$74,006, respectively. Future minimum lease payments under this operating lease are as follows:

May 31, 2013	\$77,000
May 31, 2014	<u>\$80,000</u>
Total	<u>\$157,000</u>

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2012 AND 2011**

NOTE 5. CONCENTRATIONS

From time to time, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation. The organization deposits its Cash with credit worthy institutions and has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash.

During the year's ended May 31, 2012 and May 31, 2011 the Organization received approximately 28 % and 27 % respectively in support and revenue from one contributor

NOTE 6. 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, 2011 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, 2011, from which the summarized information was derived.

NOTE 7. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following:

	<u>2012</u>	<u>2011</u>
Designated for Future Periods	\$180,617	\$154,642
Term Endowment	<u>463,826</u>	<u>469,855</u>
	<u>\$644,443</u>	<u>\$624,497</u>

\$154,642 and \$216,649 of temporarily restricted net assets Designated for Future Periods were released during the years ended May 31, 2012 and 2011, respectively.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2012 AND 2011**

NOTE 8. 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.

NOTE 9. FUNDRAISING EXPENSES

Total fundraising expenses for the years ended May 31, 2012 and 2011 were approximately \$98,000 and \$113,000, respectively, representing 6% and 8% of total support revenue. The ratio of expenses to amounts raised is computed using actual expenses and related support on an accrual basis.

NOTE 10. 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, 2012 and 2011, marketable securities were valued using a level one technique.

NOTE 11. RETIREMENT PLAN

All employees with at least one year of service are covered under the Organization's 403(b) Plan. The Organization can make contributions to the Plan each fiscal year. Total contributions made to the Plan for the years ended May 31, 2012 and May 31, 2011 were \$22,078 and \$22,935, respectively.