

**PUBLIC CITIZENS FOR
CHILDREN AND YOUTH**

Financial Statement

May 31, 2013

O'Hara, Ward and Associates
Certified Public Accountants

PUBLIC CITIZENS FOR CHILDREN AND YOUTH

MAY 31, 2013

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Public Citizens for Children and Youth, which comprise the statement of financial position as of May 31, 2013, and the related statements of activities, 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 of 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, 2013, 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.

Report on Summarized Comparative Information

We have previously audited Public Citizens for Children and Youth's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 21, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

O'Hara, Ward & Associates

September 13, 2013

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and Cash Equivalents (includes restricted cash of \$94,476 in 2013 and \$ 47,973 in 2012)	\$ 418,843	\$ 398,999
Marketable Securities (includes restricted marketable securities of \$425,393 in 2013 and \$415,954 in 2012)	702,458	690,716
Contracts and Other Receivables	43,511	34,241
Prepaid Expenses	<u>8,000</u>	<u>7,200</u>
TOTAL CURRENT ASSETS	1,172,812	1,131,156
Property and Equipment, net of accumulated depreciation	1,205	3,314
Security Deposits	<u>2,846</u>	<u>2,846</u>
TOTAL OTHER ASSETS	<u>4,051</u>	<u>6,160</u>
TOTAL ASSETS	<u>\$1,176,863</u>	<u>\$ 1,137,316</u>
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 8,044	\$ 38,774
Custodial Funds	906	564
Accrued Salaries and Vacation	<u>22,468</u>	<u>17,234</u>
TOTAL CURRENT LIABILITIES	<u>31,418</u>	<u>56,572</u>
NET ASSETS		
Unrestricted	327,576	436,301
Temporarily Restricted	<u>817,869</u>	<u>644,443</u>
TOTAL NET ASSETS	<u>1,145,445</u>	<u>1,080,744</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,176,863</u>	<u>\$ 1,137,316</u>

See Accompanying Notes to Financial Statements

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MAY 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
UNRESTRICTED NET ASSETS		
Support and Revenue		
Foundations and Corporations	\$ 584,151	\$ 814,370
Individuals	224,975	208,333
Contracts	233,318	234,370
United Way & Federated Organizations	31,825	31,825
Special Events	4,248	80,416
Investment Income	<u>45,345</u>	<u>(5,230)</u>
TOTAL UNRESTRICTED SUPPORT AND REVENUE	1,123,862	1,364,084
Net Assets Released from Restrictions		
Restrictions Satisfied by Payments	<u>180,617</u>	<u>154,642</u>
TOTAL UNRESTRICTED SUPPORT AND REVENUE AND RECLASSIFICATIONS	1,304,479	1,518,726
EXPENSES		
Program Services	1,137,363	1,243,696
Management and General	<u>275,841</u>	<u>325,659</u>
TOTAL EXPENSES	<u>1,413,204</u>	<u>1,569,355</u>
CHANGE IN UNRESTRICTED NET ASSETS	(108,725)	(50,629)
TEMPORARILY RESTRICTED NET ASSETS		
Support Designated for Future Period	298,000	180,617
Investment Income	56,043	(6,029)
Net Assets Released from Restrictions		
Restrictions Satisfied by Payments	<u>(180,617)</u>	<u>(154,642)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>173,426</u>	<u>19,946</u>
CHANGE IN NET ASSETS	64,701	(30,683)
NET ASSETS AT BEGINNING OF YEAR	<u>1,080,744</u>	<u>1,111,427</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,145,445</u>	<u>\$ 1,080,744</u>

See Accompanying Notes to Financial Statements

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2013**

	Public Awareness/ Outreach	Child Health/ Child Care	Campaign/ Public Education	TOTAL PROGRAM	Management & Fundraising	2013 TOTAL	Memorandum Only 2012 TOTAL
Salaries and Wages	\$202,438	\$298,384	\$212,433	\$713,255	\$135,250	\$848,505	\$853,103
Taxes and Fringes	53,849	79,370	56,507	189,726	36,236	225,962	216,267
Outside Services	3,308	12,595	22,642	38,545	27,717	66,262	71,150
Audit	1,275	1,275	1,275	3,825	2,425	6,250	6,000
Supplies	4,093	6,033	4,295	14,421	2,734	17,155	8,863
Telephone	6,412	9,451	6,729	22,592	4,284	26,876	16,430
Postage	2,439	2,439	2,439	7,317	2,439	9,756	13,331
Rent	17,566	25,891	18,433	61,890	11,736	73,626	71,638
Equipment	5,702	8,405	5,983	20,090	6,052	26,142	39,772
Printing and Copier	2,345	1,634	1,032	5,011	10,927	15,938	54,035
Travel	815	890	1,128	2,833	0	2,833	6,844
Meetings and Conferences	627	1,767	941	3,335	25,848	29,183	7,071
Insurance	0	0	400	400	3,829	4,229	4,427
Special Projects	0	0	50,781	50,781	0	50,781	62,828
Miscellaneous	1,045	526	193	1,764	5,833	7,597	65,084
In Kind Consultant Fees	0	0	0	0	0	0	69,504
Depreciation	526	526	526	1,578	531	2,109	3,008
	<u>\$302,440</u>	<u>\$449,186</u>	<u>\$385,737</u>	<u>\$1,137,363</u>	<u>\$275,841</u>	<u>\$1,413,204</u>	<u>\$1,569,355</u>

See Accompanying Notes to Financial Statements

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 64,701	\$ (30,683)
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided (Used)		
By Operating Activities:		
Depreciation	2,109	3,008
Realized Losses on Sales of Marketable Securities	-0-	7,999
Unrealized Loss (Gain) on Marketable Securities	(79,182)	25,877
(Increase) Decrease in Operating Assets		
Contracts and Other Receivables	(9,270)	(7,495)
Increase in Prepaid Expenses	(800)	(88)
Increase (Decrease) in Operating Liabilities		
Accounts Payable and Accrued Expenses	(30,730)	28,557
Custodial Funds	342	61
Accrued Salaries and Vacations	<u>5,234</u>	<u>515</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(47,596)	27,751
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales (Purchases) of Marketable Securities, Net	<u>67,440</u>	<u>(701)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	67,440	(701)
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-0-</u>	<u>-0-</u>
CHANGE IN CASH AND CASH EQUIVALENTS	19,844	27,050
BEGINNING CASH AND CASH EQUIVALENTS	<u>398,999</u>	<u>371,949</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 418,843</u>	<u>\$ 398,999</u>

See Accompanying Notes to Financial Statements

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2013 AND 2012**

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 or Board 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

Cash and Cash Equivalents are Checking and Money Market accounts.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2013 AND 2012**

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 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 and Contracts Receivable

Grants receivable amounted to \$8,077 and \$8,076 for the years ended May 31, 2013 and 2012, respectively. Also, receivable is due in less than one year.

Contracts receivable amounted to \$35,434 and \$26,165 for the years ended May 31, 2013 and 2012, respectively. Contracts receivable are recorded at the un-discounted amounts of earned contract revenues.

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.

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

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2013 AND 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Promises to Give (continued)

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, 2013 and May 31, 2012 were \$-0- and \$69,503, respectively. A substantial number of volunteers have made significant contributions of their time to the Organization's program and supporting services, however, these services do not meet the criteria for recognition as contributed services.

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, 2013 AND 2012**

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 13, 2013.

NOTE 2. MARKETABLE SECURITIES

Marketable securities are stated at market value and consist of the following at May 31, 2013 and 2012:

	<u>2013</u>		
	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>
Mutual Funds	\$452,466	364,697	\$ 87,769
Stock and Bonds	<u>249,992</u>	<u>243,124</u>	<u>6,868</u>
	<u>\$702,458</u>	<u>\$607,821</u>	<u>\$ 94,637</u>
	<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>

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2013 AND 2012**

NOTE 2. MARKETABLE SECURITIES (Continued)

Investment return includes \$79,182 of unrealized gain and \$25,877 of unrealized loss, realized loss of \$-0- and \$7,999, and \$22,206 and \$22,617 of interest and dividend income for the years ended May 31, 2013 and 2012, respectively.

Investment Income	<u>2013</u>	<u>2012</u>
Unrestricted	\$ 45,345	\$ (5,230)
Temporarily Restricted	<u>56,043</u>	<u>(6,029)</u>
Total	<u>\$101,388</u>	<u>\$(11,259)</u>

NOTE 3. PROPERTY AND EQUIPMENT

Property and Equipment consist of the following:

	<u>2013</u>	<u>2012</u>
Furniture and Equipment	\$126,817	\$126,817
Less: Accumulated Depreciation	<u>(125,612)</u>	<u>(123,503)</u>
	<u>\$ 1,205</u>	<u>\$ 3,314</u>

Depreciation charged to earnings for the years ended May 31, 2013 and 2012 amounted to \$2,109 and \$3,008, 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, 2013 and 2012 amounted to \$ 73,626 and \$71,638, respectively. Future minimum lease payments under this operating lease are as follows:

May 31, 2014	<u>\$80,000</u>
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**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2013 AND 2012**

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 years ended May 31, 2013 and May 31, 2012 the Organization earned approximately 24% and 28% 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, 2012 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, 2012, from which the summarized information was derived.

NOTE 7. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following:

	<u>2013</u>	<u>2012</u>
Designated for Future Periods	\$298,000	\$180,617
Term Endowment	<u>519,869</u>	<u>463,826</u>
	<u>\$817,869</u>	<u>\$644,443</u>

\$180,617 and \$154,642 of temporarily restricted net assets Designated for Future Periods were released during the years ended May 31, 2013 and 2012, respectively.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2013 AND 2012**

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, 2013 and 2012 were approximately \$87,000 and \$98,000, respectively, representing 6% and 6% of total support and revenue. The ratio of expenses to amounts raised is computed using actual expenses and total support and revenue 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, 2013 and 2012, 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, 2013 and May 31, 2012 were \$27,388 and \$22,078, respectively.