

Financial Statements

Public Citizens for Children and Youth

May 31, 2016 and 2015

*Rainer
& Company*

A Professional Corporation
Certified Public Accountants

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A Professional Corporation
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Public Citizens for Children and Youth
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of Public Citizens for Children and Youth (a nonprofit organization), which comprise the statements of financial position as of May 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Rainer & Company
Rainer & Company

Newtown Square, PA
October 24, 2016

PUBLIC CITIZENS FOR CHILDREN AND YOUTH
Statements of Financial Position
May 31, 2016 and 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Current:		
Cash and Cash Equivalents	\$ 72,704	\$ 86,617
Marketable Securities	798,365	864,221
Grants Receivable, Current Portion	676,534	209,518
Contracts and Other Receivables	20,593	52,665
Prepaid Expenses	9,390	3,319
TOTAL CURRENT ASSETS	<u>1,577,586</u>	<u>1,216,340</u>
Other:		
Grant Receivable, Net of Current Portion	252,435	0
Deposits	2,846	2,846
TOTAL OTHER ASSETS	<u>255,281</u>	<u>2,846</u>
TOTAL ASSETS	<u>\$ 1,832,867</u>	<u>\$ 1,219,186</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current:		
Accounts Payable and Accrued Expenses	\$ 6,914	\$ 15,097
Deferred Revenue	0	11,066
Custodial Funds	0	328
Accrued Salaries and Vacation	38,283	22,783
TOTAL CURRENT LIABILITIES	<u>45,197</u>	<u>49,274</u>
Net Assets:		
Unrestricted:		
Board Designated Funds	727,145	670,180
Undesignated	11,713	61,071
Total Unrestricted	738,858	731,251
Temporarily Restricted	1,048,812	438,661
TOTAL NET ASSETS	<u>1,787,670</u>	<u>1,169,912</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,832,867</u>	<u>\$ 1,219,186</u>

The accompanying notes are an integral part of these statements.

PUBLIC CITIZENS FOR CHILDREN AND YOUTH
Statements of Activities
For the Years Ended May 31, 2016 and 2015

	2016		2015	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Public Support and Revenue:				
Public Support:				
Foundations and Corporations	\$ 547,237	\$ 1,034,812	\$ 449,909	\$ 106,333
Individuals	155,675	14,000	251,929	0
Contracts	33,333	0	40,642	0
United Way & Federated Organizations	40,726	0	29,169	0
Special Events	292,103	0	189,566	0
Interest and Dividend Income	17,599	0	21,316	0
Net Realized and Unrealized	(6,914)	0	22,659	0
Gain (Loss) on Investments	1,079,759	1,048,812	1,005,190	106,333
TOTAL PUBLIC SUPPORT AND REVENUE	438,661	(438,661)	667,297	(667,297)
Net Assets Released from Restrictions:				
Restrictions Satisfied by Payments	0	0	0	0
TOTAL PUBLIC SUPPORT, REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS	1,518,420	610,151	1,672,487	(560,964)
Expenses:				
Program Services	1,218,016	0	1,260,599	0
Supporting Services:				
Management and General	131,630	0	175,568	0
Fundraising	161,167	0	199,913	0
TOTAL EXPENSES	1,510,813	0	1,636,080	0
CHANGE IN NET ASSETS	7,607	610,151	36,407	(560,964)
Net Assets - Beginning	731,251	438,661	694,844	999,625
NET ASSETS - ENDING	\$ 738,858	\$ 1,048,812	\$ 731,251	\$ 438,661
				\$ 1,169,912

The accompanying notes are an integral part of these statements.

PUBLIC CITIZENS FOR CHILDREN AND YOUTH
 Statements of Functional Expenses
 For the Years Ended May 31, 2016 and 2015

	2016				2015			
	Program Services	Management	Fundraising	Total	Program Services	Management	Fundraising	Total
Salaries	\$ 627,772	\$ 82,090	\$ 70,120	\$ 779,982	\$ 704,465	\$ 72,213	\$ 95,428	\$ 872,106
Employee Health and Retirement Benefits	152,848	19,987	17,073	189,908	164,850	16,898	22,331	204,079
TOTAL SALARIES AND RELATED EXPENSES	780,620	102,077	87,193	969,890	869,315	89,111	117,759	1,076,185
Outside Services	136,930	9,097	7,770	153,797	61,485	63,234	27,746	152,465
Audit	7,646	1,000	854	9,500	5,251	538	711	6,500
Supplies	9,320	695	592	10,607	5,973	414	3,111	9,498
Telephone	18,904	2,471	2,112	23,487	20,288	2,080	2,748	25,116
Postage	10,270	1,343	1,147	12,760	11,778	1,207	1,596	14,581
Rent	63,505	8,305	7,093	78,903	61,649	6,319	8,351	76,319
Equipment	22,349	2,922	2,496	27,767	19,976	2,048	2,705	24,729
Printing and Copier	21,024	2,750	2,348	26,122	24,252	2,486	3,285	30,023
Travel	12,017	285	1,535	13,837	22,822	5,039	0	27,861
Meetings and Conferences	4,984	0	528	5,512	16,847	2,754	0	19,601
Insurance	5,244	685	586	6,515	3,297	338	446	4,081
Special Projects	125,203	0	0	125,203	137,666	0	0	137,666
Event Expenses	0	0	46,913	46,913	0	0	31,455	31,455
TOTAL FUNCTIONAL EXPENSES	\$ 1,218,016	\$ 131,630	\$ 161,167	\$ 1,510,813	\$ 1,260,599	\$ 175,568	\$ 199,913	\$ 1,636,080

The accompanying notes are an integral part of these statements.

PUBLIC CITIZENS FOR CHILDREN AND YOUTH
Statements of Cash Flows
For the Years Ended May 31, 2016 and 2015

	2016		2015	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Cash Flows From Operating Activities:				
Change in Net Assets	\$ 7,607	\$ 610,151	\$ 36,407	\$ (560,964)
Adjustments to Reconcile Change in Net Assets to Cash Provided (Used) by Operating Activities:				
Realized and Unrealized Loss (Gain) on Investments	6,914	0	(22,659)	0
Decrease (Increase) in:				
Grants Receivable	(109,300)	(610,151)	356,696	0
Contracts and Other Receivables	32,072	0	(43,773)	0
Prepaid Expenses and Other Expenses	(6,071)	0	(3,319)	0
Increase (Decrease) in:				
Accounts Payable and Accrued Expenses	(8,183)	0	(110,197)	0
Deferred revenue	(11,066)	0	11,066	0
Custodial Funds	(328)	0	(406)	0
Accrued Payroll	15,500	15,500	703	0
		Total		Total
	\$ 7,607	\$ 617,758	\$ 36,407	\$ (524,557)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(72,855)	0	224,518	(560,964)
Cash Flows From Investing Activities:				
Proceeds from Sale of Investments	230,220	0	496,848	1,057,812
Purchase of Investments	(171,278)	0	(1,218,567)	0
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	58,942	0	(721,719)	(160,755)
DECREASE IN CASH AND CASH EQUIVALENTS	(13,913)	0	(497,201)	0
Cash and Cash Equivalents - Beginning	86,617	0	583,818	0
CASH AND CASH EQUIVALENTS - ENDING	\$ 72,704	\$ 0	\$ 86,617	\$ 86,617

The accompanying notes are an integral part of these statements.

PUBLIC CITIZENS FOR CHILDREN AND YOUTH
Notes to Financial Statements
May 31, 2016 and 2015

NOTE 1 - Nature of Operations

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.

NOTE 2 - Summary of Significant Accounting Policies

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred. Revenue received for future dues and services is deferred until the applicable year.

Financial Statement Presentation - The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets depending on the existence or nature of any donor restrictions.

Unrestricted - Net assets not subject to donor-imposed restrictions. Such net assets are available for any purpose consistent with the Organization's mission.

Temporarily Restricted - Net assets subject to specific, donor-imposed restrictions that must be met by actions of the Organization and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as releases from restriction. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase to unrestricted support.

Permanently Restricted - Net assets subject to donor-imposed restrictions requiring that they be maintained permanently by the Organization. Such net assets are normally restricted long-term investment, with income earned and appreciation available for specific or general Organization purposes. The Organization does not have any permanently restricted assets as of May 31, 2016.

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

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 unrestricted, temporarily, or permanently restricted support depending on the existence or nature of any donor restrictions. The Organization records promises to give as grants receivable.

PUBLIC CITIZENS FOR CHILDREN AND YOUTH
Notes to Financial Statements
May 31, 2016 and 2015

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Contracts Receivable and Other Receivables - The Organization expects contracts receivable to be fully collectible within one year. Accordingly, no allowance for doubtful accounts is required. Balances that are still outstanding after the Organization has used reasonable collection efforts are written off through a charge to operations.

Leasehold Improvements, Equipment, and Depreciation - The Organization capitalizes all expenditures for equipment in excess of \$1,000. Leasehold improvements and furniture are capitalized at cost, including the cost necessary to get the asset ready for its intended use. Depreciation is computed on a straight-line basis using estimated useful lives of 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 - A substantial number of volunteers have made a significant contribution of their time to the Organization's programs and supporting services; however, these services do not meet the criteria for recognition as contributed services.

Functional Expenses - The costs of providing various programs and supporting services have been summarized on a functional basis in the statements of activities. Direct expenses are charged directly to the various programs and supporting services benefited. The indirect expenses of occupancy, maintenance, and utilities have been allocated to programs and supporting services based on the total direct costs.

Advertising - Advertising costs are expensed as incurred. The Organization has no advertising cost during the years ended May 31, 2016 and 2015.

Tax Status - The Organization 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 the Organization 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, 2016 and 2015.

The Organization's forms 990 are subject to examination by the IRS, generally for three years after they are filed.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events - The Organization has evaluated subsequent events through October 24, 2016, which represents the date the financial statements were available to be issued.

PUBLIC CITIZENS FOR CHILDREN AND YOUTH
Notes to Financial Statements
May 31, 2016 and 2015

NOTE 3 - Concentration of Credit Risk

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

NOTE 4 - Fair Value Measurements

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

The fair value measurement accounting literature establishes a fair value hierarchy which requires the Organization to maximize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value: Level 1 inputs consist of unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access as of the measurement date, Level 2 consists of significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data, and Level 3 are significant unobservable inputs that reflect the Organization's own assumptions about the assumptions that market participants would use in pricing an asset or liability. In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The following table discloses the Organization's investments at fair value as of May 31, 2016 and 2015:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Unobservable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>May 31, 2016</u>				
<u>Fixed Income:</u>				
Intermediate-Term Bonds	\$ 367,697	\$ 367,697	\$ 0	\$ 0
Short-Term Bonds	110,953	110,953	0	0
Total Fixed Income	478,650	478,650	0	0
<u>Domestic Stock:</u>				
Large Blend	256,149	256,149	0	0
<u>International Stock:</u>				
Foreign Large Blend	63,566	63,566	0	0
TOTAL	\$ 798,365	\$ 798,365	\$ 0	\$ 0

PUBLIC CITIZENS FOR CHILDREN AND YOUTH
Notes to Financial Statements
May 31, 2016 and 2015

NOTE 4 - Fair Value Measurements (Continued)

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Unobservable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>May 31, 2015</u>				
<u>Fixed Income:</u>				
Intermediate-Term Bonds	\$ 393,712	\$ 393,712	\$ 0	\$ 0
Short-Term Bonds	120,325	120,325	0	0
Total Fixed Income	514,037	514,037	0	0
<u>Domestic Stock:</u>				
Large Blend	281,507	281,507	0	0
<u>International Stock:</u>				
Foreign Large Blend	68,677	68,677	0	0
TOTAL	\$ 864,221	\$ 864,221	\$ 0	\$ 0

NOTE 5 - Investments

The cost or other basis, unrealized appreciation (depreciation), and market values of investments at May 31, 2016 and 2015 are summarized as follows:

	Cost or Other Basis	Unrealized Appreciation (Depreciation)	Market Value
<u>May 31, 2016</u>			
<u>Fixed Income:</u>			
Intermediate-Term Bonds	\$ 361,117	\$ 6,581	\$ 367,698
Short-Term Bonds	111,154	(202)	110,952
Total Fixed Income	472,271	6,379	478,650
<u>Domestic Stock:</u>			
Large Blend	241,276	14,873	256,149
<u>International Stock:</u>			
Foreign Large Blend	71,263	(7,697)	63,566
TOTAL	\$ 784,810	\$ 13,555	\$ 798,365

PUBLIC CITIZENS FOR CHILDREN AND YOUTH
Notes to Financial Statements
May 31, 2016 and 2015

NOTE 5 - Investments (Continued)

<u>May 31, 2015</u>	<u>Cost or Other Basis</u>	<u>Unrealized Appreciation (Depreciation)</u>	<u>Market Value</u>
<u>Fixed Income:</u>			
Intermediate-Term Bonds	\$ 90,477	\$ 3,235	\$ 393,712
Short-Term Bonds	120,763	(438)	120,325
Total Fixed Income	<u>511,240</u>	<u>2,797</u>	<u>514,037</u>
<u>Domestic Stock:</u>			
Large Blend	263,410	18,097	281,507
<u>International Stock:</u>			
Foreign Large Blend	<u>71,197</u>	<u>(2,520)</u>	<u>68,677</u>
TOTAL	<u>\$ 845,847</u>	<u>\$ 18,374</u>	<u>\$ 864,221</u>

Investment income included realized and unrealized losses of \$2,095 and \$4,819, respectively, for the year ended May 31, 2016. Investment income included realized gains of \$160,047 and unrealized losses of \$137,388 for the year ended May 31, 2015. Interest and dividend income was \$17,559 and \$21,316 for the years ended May 31, 2016 and 2015, respectively.

NOTE 6 - Grants Receivable

As of May 31, 2016 and 2015, grants receivable amounted to \$928,969 and \$209,518, respectively.

Future receipts of Grants Receivable are as follows:

2017	\$ 676,534
2018	<u>252,435</u>
TOTAL	<u>\$ 928,969</u>

NOTE 7 - Leasehold Improvements and Equipment, Net

	<u>2016</u>	<u>2015</u>
Leasehold Improvements	\$ 24,155	\$ 24,155
Furniture & Equipment	22,421	22,421
Less: Accumulated Depreciation	<u>(46,576)</u>	<u>(46,576)</u>
EQUIPMENT, NET	<u>\$ 0</u>	<u>\$ 0</u>

All leasehold improvements and equipment are fully depreciated. There was no depreciation expense for the years ended May 31, 2016 and 2015.

PUBLIC CITIZENS FOR CHILDREN AND YOUTH.
Notes to Financial Statements
May 31, 2016 and 2015

NOTE 8 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Child Education and Pre-K	\$ 709,812	\$ 257,328
Picasso Project	0	24,333
School Play	0	40,000
Child Health	290,000	112,000
Special Projects	24,000	0
Restricted for Future Periods	<u>25,000</u>	<u>5,000</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 1,048,812</u>	<u>\$ 438,661</u>

NOTE 9 - Net Assets Released From Restrictions

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

	<u>2016</u>	<u>2015</u>
Child Education and Pre-K	\$ 257,328	\$ 487,464
Picasso Project	24,333	0
School Play	40,000	0
Restricted for Future Periods	5,000	0
Child Health	<u>112,000</u>	<u>179,833</u>
TOTAL RESTRICTIONS RELEASED	<u>\$ 438,661</u>	<u>\$ 667,297</u>

NOTE 10 - Board Restricted Funds

The Board of Directors had \$727,145 and \$670,180 of unrestricted net assets designated for future periods to support the mission of the Organization as of May 31, 2016 and 2015, respectively. Since that amount resulted from an internal designation and is not donor restricted, it is classified and reported as unrestricted net assets.

The overall financial objective of the designated funds is 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 diversified 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.

PUBLIC CITIZENS FOR CHILDREN AND YOUTH
Notes to Financial Statements
May 31, 2016 and 2015

NOTE 10 - Board Restricted Funds (Continued)

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 and changes in board designated net assets for the years ended May 31, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Board Designated Net Assets, Beginning of Year	\$ 670,180	\$ 546,147
Investment Income	13,071	122,249
Net Depreciation	(4,063)	(82,021)
Amounts Appropriated for Expenditure	0	(20,000)
Additional Funds Designated	<u>47,957</u>	<u>103,805</u>
BOARD DESIGNATED NET ASSETS, END OF YEAR	<u>\$ 727,145</u>	<u>\$ 670,180</u>

NOTE 11 - Employee Retirement Plan

The Organization 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, 2016 and May 31, 2015 were \$17,151 and \$17,077, respectively.

NOTE 12 - Lease Commitments

The Public Citizens for Children and Youth leases office equipment under various operating leases expiring through 2020. Equipment rental expenses were \$27,767 and \$23,536 for the years ended May 31, 2016 and 2015. Future minimum annual lease payments are as follows:

2017	\$ 21,987
2018	21,987
2019	21,294
2020	<u>7,437</u>
TOTAL	<u>\$ 72,705</u>

The Organization conducts its operations using leased office space. Rent is payable on a month-to-month basis. Occupancy expenses charged to operations for the years ended May 31, 2016 and 2015 were \$78,903 and \$76,319, respectively.