

PUBLIC CITIZENS FOR CHILDREN AND YOUTH

FINANCIAL STATEMENTS

MAY 31, 2020 AND 2019

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
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MAY 31, 2020 AND 2019**

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940 West Sproul Road, Suite 101, Springfield, PA 19064 | PHONE: 610.544.5900 | FAX: 610.544.7455

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Public Citizens for Children and Youth

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, 2020 and 2019, and the related statements of activities and change in net assets, 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.

Auditor's 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 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, 2020 and 2019, 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.

Brinker Simpson & Company, LLC

Brinker Simpson & Company, LLC
Springfield, Pennsylvania
November 9, 2020

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2020 AND 2019**

	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,556,169	\$ 422,747
Marketable securities	1,325,936	1,205,984
Pledges receivable, current portion	1,096,244	246,250
Contracts and other receivables	12,705	20,540
Prepaid expenses	25,497	6,516
Total Current Assets	4,016,551	1,902,037
Furniture and Equipment, Net	18,085	24,190
Other Assets		
Pledges receivable, net of current portion	284,466	409,041
Deposits	13,712	13,712
	298,178	422,753
Total Assets	\$ 4,332,814	\$ 2,348,980
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 73,497	\$ 52,854
Accrued salaries and vacation	58,971	46,183
Deferred rent	62,824	41,753
Deferred revenue	96,230	-
Current portion of Paycheck Protection Program loan	65,680	-
Total Current Liabilities	357,202	140,790
Long-Term Liabilities		
Paycheck Protection Program loan, net of current portion	134,320	-
Net Assets		
Without donor restrictions	1,242,873	1,104,900
With donor restrictions	2,598,419	1,103,290
Total Net Assets	3,841,292	2,208,190
Total Liabilities and Net Assets	\$ 4,332,814	\$ 2,348,980

The accompanying notes are an integral part of these financial statements.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED MAY 31, 2020 AND 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue						
Public Support:						
Foundations and corporations	\$ 736,499	\$ 1,472,358	\$ 2,208,857	\$ 502,575	\$ 419,750	\$ 922,325
Individuals	322,038	720,300	1,042,338	168,013	-	168,013
Contracts	18,405	-	18,405	21,568	-	21,568
United Way and Federated Organizations	105,000	-	105,000	107,055	-	107,055
Special events	62,369	-	62,369	264,096	-	264,096
Interest and dividends	36,337	-	36,337	34,255	-	34,255
Total Public Support and Revenue	1,280,648	2,192,658	3,473,306	1,097,562	419,750	1,517,312
Net Assets Released From Restrictions:						
Restrictions satisfied by payments	697,529	(697,529)	-	1,003,357	(1,003,357)	-
Total Public Support, Revenue and Net Assets Released from Restrictions	1,978,177	1,495,129	3,473,306	2,100,919	(583,607)	1,517,312
Expenses						
Program services	1,494,559	-	1,494,559	1,259,945	-	1,259,945
Support services:						
Management and general	228,032	-	228,032	333,578	-	333,578
Fundraising	188,095	-	188,095	286,474	-	286,474
Total Expenses	1,910,686	-	1,910,686	1,879,997	-	1,879,997
Increase (Decrease) in Net Assets From Public Support and Revenue	67,491	1,495,129	1,562,620	220,922	(583,607)	(362,685)
Other Revenue						
Net realized and unrealized gain on investments	70,482	-	70,482	16,491	-	16,491
Total Other Revenue	70,482	-	70,482	16,491	-	16,491
Change in Net Assets	137,973	1,495,129	1,633,102	237,413	(583,607)	(346,194)
Net Assets - Beginning	1,104,900	1,103,290	2,208,190	867,487	1,686,897	2,554,384
Net Assets - Ending	\$ 1,242,873	\$ 2,598,419	\$ 3,841,292	\$ 1,104,900	\$ 1,103,290	\$ 2,208,190

The accompanying notes are an integral part of these financial statements.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED MAY 31, 2020 AND 2019**

	2020				2019			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	863,268	61,662	102,770	1,027,700	\$ 712,172	\$ 107,732	\$ 185,039	\$ 1,004,943
Employee health and retirement benefits	184,983	13,213	22,022	220,218	180,730	17,958	23,817	222,505
Outside services	131,649	109,610	30,048	271,307	66,885	176,664	2,664	246,213
Audit	10,500	750	1,250	12,500	-	13,000	-	13,000
Advertising	-	1,161	-	1,161	-	-	-	-
Supplies	18,826	2,054	3,424	24,304	13,159	847	2,066	16,072
Telephone	15,910	1,136	1,894	18,940	22,935	1,757	2,330	27,022
Postage	5,339	381	636	6,356	6,424	537	735	7,696
Rent	67,028	4,788	7,980	79,796	84,663	8,413	11,157	104,233
Equipment	24,815	1,773	2,954	29,542	21,307	2,096	2,780	26,183
Printing and copier	28,224	23,905	6,839	58,968	45,503	2,037	2,702	50,242
Travel	3,089	2,964	-	6,053	9,823	432	573	10,828
Meetings and conferences	2,790	3,887	393	7,070	8,229	323	688	9,240
Insurance	5,345	382	636	6,363	5,120	509	975	6,604
Special projects	127,664	-	-	127,664	70,187	-	9,882	80,069
Event expenses	-	-	6,639	6,639	-	-	39,378	39,378
Moving expenses	-	-	-	-	8,623	857	1,136	10,616
Depreciation	5,129	366	610	6,105	4,185	416	552	5,153
Total Functional Expenses	<u>\$ 1,494,559</u>	<u>\$ 228,032</u>	<u>\$ 188,095</u>	<u>1,910,686</u>	<u>\$ 1,259,945</u>	<u>\$ 333,578</u>	<u>\$ 286,474</u>	<u>\$ 1,879,997</u>

The accompanying notes are an integral part of these financial statements.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2020 AND 2019**

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 1,633,102	\$ (346,194)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,105	5,153
Realized and unrealized gain on investments	(70,482)	(16,491)
Change in:		
Pledges receivable	(725,419)	354,577
Contracts and other receivables	7,835	15,606
Prepaid expenses	(18,981)	6,975
Deposits	-	(10,866)
Accounts payable and accrued expenses	20,643	55,280
Custodial funds	-	(699)
Accrued salaries and vacation	12,788	4,822
Deferred rent	21,071	-
Deferred revenue	96,230	-
	982,892	68,163
Net Cash Provided by Operating Activities		
Cash Flows from Investing Activities		
Proceeds from sale of investments	7,897	553,602
Purchase of equipment	-	(22,019)
Purchase of investments	(57,367)	(302,951)
	(49,470)	228,632
Net Cash Provided by (Used in) Investing Activities		
Cash Flows from Financing Activities		
Proceeds from Paycheck Protection Program loan	200,000	-
	1,133,422	296,795
Net Increase in Cash and Cash Equivalents		
Cash and Cash Equivalents, Beginning of Year	422,747	125,952
Cash and Cash Equivalents, End of Year	\$ 1,556,169	\$ 422,747

The accompanying notes are an integral part of these financial statements.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2020 AND 2019**

NOTE 1: ORGANIZATION

Purpose of the Organization

Public Citizens for Children and Youth (“PCCY”) builds public awareness and public support behind evidenced-based measures that can increase access to opportunity for Black, Brown and low-income children in the greater Philadelphia region and across the Commonwealth of Pennsylvania. On their behalf, and with their parents and dedicated stakeholders, PCCY works to expand access to high quality early care and learning/education, addresses the needs of school age children by improving the resources for, and innovation in, public schools, addresses structural gaps in access and quality of child health services/systems, and stopping the harm and starting the healing of children who have suffered from abuse and neglect or are sentenced in the juvenile justice system.

PCCY builds the case for change to improve the lives of children by building awareness by publishing critically needed reports, fact sheets, and briefing documents and implementing detailed dissemination strategies that include public events, public briefings and earned media so that key policy makers and the public support the changes needed to improve the lives of children. In addition, citizens learn about the needs of children by engaging as volunteers in direct service efforts that improve the health status of children and arts programs in public schools. Our efforts have resulted in significant growth in the public’s support for increased investment of public funds to meet the needs of children.

PCCY improved the health status of more than 2,500 children by making free eye care available, training teens on sexual health and providing free health care navigation services for parents to ensure their children have health insurance. Thousands more children will be healthier due to the policies advanced by PCCY to protect children from lead poisoning, improve teen access to sexual health information and birth control and expand eligibility for health insurance coverage.

COVID-19’s impact on parents of young children and child care was multi-faceted and included the potential threat of wiping out access to high quality early learning for 91,000 children across Pennsylvania. PCCY led efforts to increase federal, state and local spending for child care and pre-K programs protecting the programs from bankruptcy. As a result, when the economy rebounds, the high-quality early learning infrastructure to support the most formative years of learning, when a child is under five years old, will still be in place ready to prepare children for school and adulthood success.

Similarly, nearly 900,000 public school students benefited from our leadership to protect schools from state budget cuts as well as a devastating reduction in state revenues due to COVID. PCCY’s work to connect lawmakers with their schools and build strong parent and teen engagement with lawmakers created a united front to hold school funding harmless from COVID-induced budget cuts. Meanwhile, we continued to work to increase the role that arts play in education and, as a result, over 5,000 children were given hands-on arts instruction in school via PCCY’s Picasso Project.

PCCY improves the lives and life chances of children by persuading citizens and their elected representatives in Pennsylvania to prioritize and support the needs of children, especially those who face the greatest obstacles in life. Because Black and Brown children face the added obstacles that racism and institutionalized bias play in their lives, PCCY increased our focus and work to closing the equity gap that children of color face in the criminal justice, child welfare, early learning and public education systems in Pennsylvania and in the greater Philadelphia region.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2020 AND 2019**

NOTE 1: ORGANIZATION (continued)

PCCY is among an elite group of organizations in the country that focus on the needs of the whole child, advocating for a full spectrum of policy solutions that are proven to improve the health, early learning, education, recreation, career and college outcomes for children.

Where government policies have failed to ensure our children are healthy, PCCY steps in and recruits professionals who volunteer to deliver free eye and dental exams and free eye-glasses. For every child given this free care, PCCY assists the parents to tap subsidized or free health care. Annually, more than 3,000 children benefit from our highly targeted and efficient approach to meeting these healthcare needs of children in our region.

Where government policies are blind to the needs of the most vulnerable children, we publish compelling reports and data to spur change.

For instance, PCCY shined a spotlight on weak housing regulation that put more than 10,000 children at risk of lead poisoning and convened lawmakers and stakeholders to craft workable solutions at scale. Similarly, PCCY has made the underfunding of public education a widely known fact by publishing data that shows that minority and low-income children face discrimination from Pennsylvania's antiquated method of funding public education. To solve this problem, PCCY gathered allies and supporters to press for reforms that have successfully directed \$500 million in critically needed funds to the schools educating these children. And, the compelling research on a child's brain caused PCCY to build a statewide campaign to boost funding for high quality child-care and pre-K programs. Now 70,000 children in the Commonwealth are enrolled in high quality child-care and pre-K programs and that number grows every year.

Where government policies lag the research, PCCY prods decision-makers to modernize so that children can excel and thrive. Arts education is one example. PCCY's Picasso Project shows teachers how to connect traditional learning to arts in a way that motivates students to learn and increases what students remember from each lesson. PCCY's exciting work to transform classrooms and schools not only inspires teachers, it changes how students approach learning in ways that can help them far into adulthood. So too is services to our most vulnerable youth, those who have been abused and neglected. PCCY's focus on delinquent and dependent youth demands that the government adopt proven strategies that are based on a healing paradigm that treats the wounds of an abusive or hard childhood in a way that causes each child served to thrive.

And where government resources fail to address the needs of children, we work to close that gap by directly deploying resources to meet the needs of children. When COVID-19 struck, PCCY created a COVID Toolkit for parents in 18 languages so that immigrants' parents who lost their jobs in droves could rapidly find help getting themselves or their children health insurance, keeping their roof over their head with critical eviction protection information and putting food on the table with sources of free food and unemployment compensation resources. With school not operating, we offered teachers and parents alike creative ways to use household items for hands-on arts projects for children and offered parents a respite with an online archive of great children's books read aloud by PCCY volunteers. Finally, our partners in the child care sector received business operation technical assistance enabling them to access over \$4 million in federal emergency relief.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2020 AND 2019**

NOTE 1: ORGANIZATION (continued)

PCCY builds a consensus to meet the needs of children across party lines enlisting lawmakers to work together in the interest of children. At the same time, PCCY does not accept government funds so that it can be an independent voice for children. PCCY is supported by foundations, corporations and individuals who take pride in our work and our track record of putting at least 75 cents of every dollar donated directly to work for children.

The way PCCY works is simple. It changes the lives of children by documenting what they need and mobilizing citizens and volunteers to meet those needs. The work that PCCY does is hard. It does the hard work needed to create a better future for every child and for all of society.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of PCCY have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

Basis of Presentation

PCCY has adopted ASU 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statement of Not-for-Profit Entities*. Accordingly, net assets previously presented as unrestricted net assets, temporarily restricted net assets and permanently restricted net assets have been reclassified as described below.

PCCY classifies its resources in accordance with activities or objectives specified by grantors. For financial reporting purposes, resources are classified based on the existence or absence of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and types of transactions affecting each category follow:

Without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing PCCY's objectives.

With donor restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of PCCY or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been made in the year of receipt. Expirations of restrictions on net assets with donor restrictions, including reclassification of the restricted gifts and grants for equipment when the associated long-lived asset is placed in service, are reported as net assets released from restrictions.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities and Change in Net Assets.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2020 AND 2019**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Unconditional Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are expected to be received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Contracts Receivable and Other Receivables

PCCY expects contracts receivable to be fully collectible within one year. Accordingly, no allowance for doubtful accounts is required. Balances that are still outstanding after PCCY has used reasonable efforts are written off through a charge to operations.

Furniture, Equipment, and Depreciation

PCCY capitalizes all expenditures in excess of \$1,000. Expenditures are capitalized at cost, including the cost necessary to get the assets ready for its intended use. Depreciation is computed on a straight-line basis using estimated useful lives of the 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.

Deferred Revenue

Deferred revenue consists of special events revenue received during the year ended May 31, 2020 for an event that was postponed due to COVID-19. Deferred revenue will be recognized once the event is held.

Donated Services and Materials

PCCY recognizes contributed professional services if the services received: (1) create or enhance non-financial assets or (2) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of contributed services meeting these requirements for recognition in the financial statements amounted to \$0 for the year ended May 31, 2020, and \$25,273 for the year ended May 31, 2019.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2020 AND 2019**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A substantial number of volunteers have made a significant contribution of their time to PCCY's programs and supporting services; however, these services do not meet the criteria for recognition as contributed services.

Allocation of Functional Expenses and Statements of Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the Statements of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among certain functions.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Allocation</u>
Salaries	Time and effort
Employee health and retirement benefits	Time and effort
Outside services	Full time equivalent
Audit	Time and effort
Supplies	Time and effort
Telephone	Time and effort
Postage	Time and effort
Rent	Time and effort
Equipment	Time and effort
Printing and copier	Time and effort
Travel	Full time equivalent
Meetings and conferences	Full time equivalent
Insurance	Time and effort
Special projects	Full time equivalent
Moving	Full time equivalent
Depreciation	Time and effort

Advertising

Advertising costs are expensed as incurred. PCCY has advertising cost of \$1,161 during the year ended May 31, 2020 and \$ 0 advertising cost during the year ended May 31, 2019.

Deferred Rent

PCCY records rent expense on leases which contain rent escalators on a straight-line basis over the lease term. Amounts expensed in excess of the actual payments are recorded as a deferred rent liability on the accompanying Statements of Financial Position.

Tax Status

PCCY is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3) and applicable state law.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2020 AND 2019**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 PCCY 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, 2020 and 2019.

PCCY's Forms 990 are subject to examination by the Internal Revenue Service generally for three years after they are filed.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, *Revenue Recognition*, and most industry-specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic entities for annual periods beginning after December 15, 2021. PCCY is currently evaluating the impact of the provisions of ASC 606.

During the year ended May 31, 2020, PCCY adopted ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Amendments in this Update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The adoption of this standard did not have a material impact on the financial statements and had no impact on PCCY's operations.

NOTE 3: AVAILABILITY AND LIQUIDITY

The following represents PCCY's financial assets at May 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 1,556,169	\$ 422,747
Marketable securities	1,325,936	1,205,984
Pledges receivable, current portion	1,096,244	246,250
Contracts and other receivables	12,705	20,540
Total Financial Assets	<u>\$ 3,991,054</u>	<u>\$ 1,895,521</u>

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2020 AND 2019**

NOTE 3: AVAILABILITY AND LIQUIDITY (continued)

PCCY's goal is generally to maintain financial assets to meet six months of salaries and benefits. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts.

NOTE 4: CONCENTRATION OF CREDIT RISK

PCCY maintains cash balances at three 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, PCCY may have deposits that exceed the insured balance. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

NOTE 5: FAIR VALUE MEASUREMENTS AND INVESTMENTS

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

The fair value measurement accounting literature established a fair value hierarchy which requires PCCY to maximize the use of observable inputs when measuring fair value. The accounting standard describes three levels of inputs that may be used to measure fair value:

Level 1: Inputs are unadjusted quoted prices for identical assets or liabilities in active markets that PCCY has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted market prices for identical or similar assets and liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of an input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2020 AND 2019**

NOTE 5: FAIR VALUE MEASUREMENTS AND INVESTMENTS (continued)

The following tables set forth by level, within the fair value hierarchy, PCCY's investments at fair value as of May 31, 2020 and 2019:

	Year Ended May 31, 2020			
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 1,325,936	\$ -	\$ -	\$ 1,325,936
	Year Ended May 31, 2019			
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 1,205,984	\$ -	\$ -	\$ 1,205,984

The cost or other basis, unrealized appreciation (depreciation), and market values of investments at May 31, 2020 and 2019 are summarized as follows:

	Year Ended May 31, 2020		
	Cost or Other Basis	Unrealized Appreciation	Market Value
Mutual Funds	\$ 1,255,499	\$ 70,437	\$ 1,325,936
	Year Ended May 31, 2019		
	Cost or Other Basis	Unrealized Appreciation	Market Value
Mutual Funds	\$ 1,139,588	\$ 66,396	\$ 1,205,984

Investment income included realized gains of \$45 and unrealized gains of \$70,437 for the year ended May 31, 2020. Investment income included realized gains of \$15,663 and unrealized gains of \$66,396 for the year ended May 31, 2019. Interest and dividend income was \$36,337 and \$34,255 for the years ended May 31, 2020 and 2019, respectively.

**PUBLIC CITIZENS FOR CHILDREN AND YOUTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2020 AND 2019**

NOTE 6: PLEDGES RECEIVABLE

As of May 31, 2020 and 2019, pledges receivable are as follows:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 1,096,244	\$ 246,250
Receivable in one to five years	<u>289,496</u>	<u>413,789</u>
Total Pledges Receivable	<u>1,385,740</u>	<u>660,039</u>
Less: Present value discount for grants to be received in more than one year (1.8% effective rate used)	<u>(5,030)</u>	<u>(4,748)</u>
Pledges Receivable, Net of Discount	<u>\$ 1,380,710</u>	<u>\$ 655,291</u>

NOTE 7: FURNITURE AND EQUIPMENT, NET

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 58,171	\$ 58,171
Less: Accumulated depreciation	<u>(40,086)</u>	<u>(33,981)</u>
	<u>\$ 18,085</u>	<u>\$ 24,190</u>

Depreciation expense was \$6,105 and \$5,153 for the years ended May 31, 2020 and 2019, respectively.

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

	<u>2020</u>	<u>2019</u>
Child Education and Pre-K	\$ 1,509,341	\$ 533,790
Child Health	310,838	269,500
Child Welfare	437,500	-
Fund for Growth/Strategic Plan	222,940	300,000
Picasso Project	<u>117,800</u>	<u>-</u>
Total Net Assets With Donor Restrictions	<u>\$ 2,598,419</u>	<u>\$ 1,103,290</u>

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NOTE 9: NET ASSETS RELEASED FROM RESTRICTIONS

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

	2020	2019
Child Education and Pre-K	\$ 548,789	\$ 757,024
Child Health	98,740	138,333
Dream Care	-	8,000
Fund for Growth/Strategic Plan	50,000	100,000
Total Net Assets Released from Restrictions	\$ 697,529	\$ 1,003,357

NOTE 10: BOARD DESIGNATED FUNDS

The Board of Directors had designated \$1,325,936 and \$710,631 of net assets without restrictions as of May 31, 2020 and 2019, respectively, for future periods to support the mission of PCCY. Those amounts are considered an internal designation and, accordingly, are not considered net assets with donor restrictions.

The overall financial objective of the designated funds is to invest them 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 diverse asset mix which includes approximately 60% equity funds and 40% fixed income 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.

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.

NOTE 11: EMPLOYEE RETIREMENT PLAN

PCCY 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 receive a contribution of 2% of their eligible salary beginning on the first day of their employment. Total contributions made to the Plan for the years ended May 31, 2020 and 2019 were \$17,531 and \$16,812, respectively.

NOTE 12: LEASE COMMITMENTS

PCCY leases office equipment and software under various operating leases expiring through 2020. Equipment rental expenses were \$25,282 and \$25,561 for the years ended May 31, 2020 and 2019, respectively.

PCCY conducts its operations using leased office space. Effective July 19, 2018, PCCY entered into a ninety-month lease with monthly payments ranging from \$3,428 to \$8,119 per month.

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NOTE 12: LEASE COMMITMENTS (continued)

Occupancy expenses charged to operations for the years ended May 31, 2020 and 2019 were \$79,795 and \$104,233 respectively.

Future minimum annual lease payments are as follows:

<u>For the Years Ending May 31,</u>	
2021	\$ 120,078
2022	118,685
2023	102,340
2024	79,795
2025	79,795
Thereafter	6,650
	<u>\$ 507,343</u>

NOTE 13: PAYCHECK PROTECTION PROGRAM LOAN

In May 2020, PCCY obtained a Paycheck Protection Program loan totaling \$200,000. The loan accrues interest at 1% and matures in May 2022. The loan is eligible for either full or partial forgiveness. The portion of the loan that is used to cover certain qualified expenses as directed by the Small Business Administration rules under the CARES Act over the 24-week period directly following loan disbursement is eligible to be forgiven. PCCY intends to apply for and receive full forgiveness of the loan.

Paycheck Protection Program loan consists of the following at June 30:

Paycheck Protection Program loan, \$200,000, dated May 12, 2020, subject to forgiveness over a 24-month period, maturing May 2022.	\$ 200,000
Less: Current portion	<u>65,680</u>
	<u>\$ 134,320</u>

Scheduled future minimum payments as of June 30, 2020 are as follows:

<u>For the Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 65,680
2022	134,320
	<u>\$ 200,000</u>

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NOTE 14: RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. This coronavirus outbreak has severely restricted the level of economic activity around the world. In response to this coronavirus outbreak, the governments of many countries, states, cities and other geographic regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside of their homes. Temporary closures of businesses have been ordered and numerous other businesses have temporarily closed voluntarily. These actions have expanded significantly in the past several weeks and are expected to continue to expand. Given the uncertainty regarding the spread of this coronavirus, the related financial impact on PCCY cannot be reasonably estimated at this time.

NOTE 15: SUBSEQUENT EVENTS

PCCY has evaluated subsequent events and transactions for potential recognition through November 9, 2020, the date on which the financial statements were available to be issued.

As stated in Note 14, Risks and Uncertainties, the financial impact of the COVID-19 pandemic on PCCY cannot be reasonably estimated at this time.