

PORT CHESTER CARVER CENTER, INC.

**Financial Statements
for the year ended
June 30, 2011
(with summarized comparative
information for year ended
June 30, 2010)**

Independent Auditors' Report

To the Board of Directors
Port Chester Carver Center, Inc.

We have audited the accompanying statement of financial position of the Port Chester Carver Center, Inc. (the "Center") as of June 30, 2011 and June 30, 2010 and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the Center's 2010 financial statements and in our report, dated March 31, 2011, we expressed an unqualified opinion on those financial statements.

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 the Port Chester Carver Center, Inc. at June 30, 2011 and the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Condon O'Meara McGinty & Donnelly LLP

PORT CHESTER CARVER CENTER, INC.

Statement of Financial Position

Assets

	June 30	
	2011	2010
Current assets		
Cash and cash equivalents	\$ 211,790	\$ 635,854
Investments	1,557,136	1,509,278
Pledges and contracts receivable	82,185	65,746
Current maturities of mortgage receivable	-	278,978
Prepaid expenses and other	8,017	6,874
Total current assets	1,859,128	2,496,730
Property and equipment, net of accumulated depreciation of \$1,213,265 and \$1,036,552 as of 2011 and 2010, respectively	3,158,271	2,979,199
Investments – permanently restricted	1,404,000	800,000
Security deposits	12,850	12,850
Total assets	\$6,434,249	\$6,288,779

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 67,399	\$ 191,645
Deferred revenue	50,922	-
Current portion of capital leases payable	9,735	-
Total current liabilities	128,056	191,645
Capital leases payable, net of current portion	47,818	-
Total liabilities	175,874	191,645
Net assets		
Unrestricted	3,877,335	4,466,438
Temporarily restricted	977,040	830,696
Permanently restricted	1,404,000	800,000
Total net assets	6,258,375	6,097,134
Total liabilities and net assets	\$6,434,249	\$6,288,779

See notes to financial statements.

PORT CHESTER CARVER CENTER, INC.

Statement of Activities

For the year ended June 30, 2011

(with Summarized Comparative Totals for the Year Ended June 30, 2010)

	<u>2011</u>			<u>2010</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
Support and revenue					
Contributions	\$ 1,198,004	\$ 126,300	\$ 604,000	\$ 1,928,304	\$ 2,617,683
Membership	11,120	-	-	11,120	-
Fundraising	223,910	-	-	223,910	324,693
Government grants	-	285,846	-	285,846	237,646
Contract revenue	-	49,000	-	49,000	50,000
Program fees	121,182	-	-	121,182	197,631
Interest and dividends	24,453	-	-	24,453	144,449
Net realized and unrealized gain (loss) on investments	175,259	-	-	175,259	(29,439)
Other	5,097	-	-	5,097	12,847
Rental revenue	212,752	-	-	212,752	149,631
Net assets released from restrictions	<u>314,802</u>	<u>(314,802)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,286,579</u>	<u>146,344</u>	<u>604,000</u>	<u>3,036,923</u>	<u>3,705,141</u>
Expenses					
Program services	2,259,707	-	-	2,259,707	1,533,035
Management and general	283,967	-	-	283,967	548,161
Fundraising	332,008	-	-	332,008	329,899
Total expenses	<u>2,875,682</u>	<u>-</u>	<u>-</u>	<u>2,875,682</u>	<u>2,411,095</u>
Increase (decrease) in net assets	(589,103)	146,344	604,000	161,241	1,294,046
Net assets, beginning of year	<u>4,466,438</u>	<u>830,696</u>	<u>800,000</u>	<u>6,097,134</u>	<u>4,803,088</u>
Net assets, end of year	<u>\$ 3,877,335</u>	<u>\$ 977,040</u>	<u>\$ 1,404,000</u>	<u>\$ 6,258,375</u>	<u>\$ 6,097,134</u>

See notes to financial statements.

PORT CHESTER CARVER CENTER, INC.

**Statement of Functional Expenses
Year Ended June 30, 2011**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Expenses				
Salaries, benefits and taxes	\$1,388,636	\$ 113,952	\$ 195,955	\$1,698,543
Occupancy, building and grounds	255,684	55,773	34,365	345,822
Professional fees	136,643	41,709	22,595	200,947
Supplies	80,192	17,160	14,682	112,034
Program expense	209,901	14,745	-	224,646
Fundraising	-	-	59,126	59,126
Insurance	<u>47,281</u>	<u>5,285</u>	<u>5,285</u>	<u>57,851</u>
Total expenses before depreciation	2,118,337	248,624	332,008	2,698,969
Depreciation	<u>141,370</u>	<u>35,343</u>	<u>-</u>	<u>176,713</u>
Total expenses	<u>\$2,259,707</u>	<u>\$ 283,967</u>	<u>\$ 332,008</u>	<u>\$2,875,682</u>

See notes to financial statements.

PORT CHESTER CARVER CENTER, INC.

Statement of Cash Flows

	Year Ended	
	June 30	
	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Increase in net assets	\$ 161,241	\$1,294,046
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation	176,713	109,387
(Increase) decrease in pledges and contracts receivable	(16,439)	27,888
(Increase) decrease in prepaid expenses and other	(1,143)	5,795
Increase (decrease) in accounts payable and accrued expenses	(124,246)	52,101
Increase in deferred revenue	50,922	-
Permanently restricted net assets	<u>(604,000)</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>(356,952)</u>	<u>1,489,217</u>
Cash flows from investing activities		
(Increase) in investments – net	(651,858)	(890,791)
Acquisition of property and equipment	(297,216)	(524,043)
Principal payments on mortgage receivable	263,043	16,850
(Increase) decrease in mortgage receivable	<u>15,935</u>	<u>(1,841)</u>
Net cash (used in) investing activities	<u>(670,096)</u>	<u>(1,399,825)</u>
Cash flows provided by financing activities		
Payments on capital leases payable	(1,016)	-
Permanently restricted net assets	<u>604,000</u>	<u>-</u>
Net cash provided by financing activities	<u>602,984</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(424,064)	89,392
Cash and cash equivalents, beginning of year	<u>635,854</u>	<u>546,462</u>
Cash and cash equivalents, end of year	<u>\$ 211,790</u>	<u>\$ 635,854</u>
Supplemental disclosure of cash flows information		
Assets acquired under capital leases	<u>\$ 58,569</u>	<u>\$ -</u>

See notes to financial statements.

PORT CHESTER CARVER CENTER, INC.**Notes to Financial Statements****June 30, 2011****Note 1 – Nature of organization**

Port Chester Carver Center, Inc. (the “Center”) was incorporated in 1949 to provide education programs and services which help children and youth maximize their potential for growth and self-sufficiency as well as to build support and resources for families and individuals in need. The Center has become a full community center; serving children, youth and their families by offering various education, head start/day care, sports and employment training programs.

Note 2 – Significant accounting policies**Basis of presentation**

The financial statements are presented in accordance with accounting principles generally accepted in the United States of America. In accordance with these standards, the Center is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted net assets

These are net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations. These net assets represent resources that are available for the support of the Center’s operations.

Temporarily restricted net assets

These net assets contain donor-imposed stipulations that will be met by actions of the Center or the passage of time. The activity in the temporarily restricted net assets is reflected on page 3 of this report.

Permanently restricted net assets

These net assets contain donor-imposed stipulations that the principal of the net assets be permanently restricted by the Center. Generally, the donors of these assets permit the Center to use all or part of the income earned on related investments for general or specific purposes.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence of any donor-imposed restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

PORT CHESTER CARVER CENTER, INC.**Notes to Financial Statements (continued)****June 30, 2011****Note 2 – Significant accounting policies (continued)**Tax status

The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code"). In addition, the Center has been classified by the Internal Revenue Service as an organization, which is not a private foundation within the meaning of Section 509(a)(1) of the Code. The Center qualifies for the maximum charitable contribution deduction by donors. As of June 30, 2011, no amounts have been recognized for any uncertain income tax positions. The Center's tax returns for the 2008 fiscal year and forward are subject to the usual review by the appropriate authorities.

Use of estimates

The preparation of financial statements in accordance 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash equivalents

The Center considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Concentration of credit risk

The Center's financial instruments that are potentially exposed to concentration of credit risk consist of cash, cash equivalents, investments, pledges and contracts receivable. The Center places its cash and cash equivalents with what it believes to be quality financial institutions and the Center has not incurred any losses in such accounts to date. The Center's investments consist of money market funds, certificates of deposit, an exchange traded fund, a mutual fund, real estate investment trusts, common stocks, United States government and agency obligations, municipal bonds and corporate bonds. Investments are exposed to various risks such as interest rate, market volatility, liquidity and credit. Due to the level of uncertainty related to the foregoing risks, it is reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the statement of financial position at June 30, 2011. The Center routinely assesses the financial strength of its cash, cash equivalents and investment portfolio. Management of the Center monitors the collectibility of its receivables. As a consequence, concentrations of credit risk are limited.

PORT CHESTER CARVER CENTER, INC.**Notes to Financial Statements (continued)****June 30, 2011****Note 2 – Significant accounting policies (continued)**Investments

The Center accounts for its investments in accordance with accounting principles generally accepted in the United States of America. Accordingly, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Realized and unrealized gains and losses are included in the statements of activities.

Fair value measurements

Fair value refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3). Fair value measurements are required to be separately disclosed by level within the fair value hierarchy. At June 30, 2011, all of the Center's investments are deemed to be Level 1, their fair value are measured using quoted prices in active markets.

Allowance for doubtful accounts

The Center has determined that an allowance for doubtful accounts is not required for any potentially uncollectible accounts receivable. Such estimate is based on management's experience, the aging of the receivables, subsequent receipts and current economic conditions.

Property and equipment

Property and equipment are recorded at cost. Donations of property and equipment are recorded at fair value on the date of receipt. Depreciation is computed on the straight-line method over the estimated useful lives of the depreciable assets, which range from 5 to 39 years.

Functional allocation of expenses

The Center allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting activity are allocated directly to that activity. Other expenses that are common to several functions are allocated among the program and supporting services benefitted based upon management's estimates.

Volunteer time

A substantial number of volunteers made significant contributions of their time to the Center's programs. The value of this contributed time is not reflected in those statements since it is not susceptible to objective measurements or valuation.

PORT CHESTER CARVER CENTER, INC.

Notes to Financial Statements (continued)
June 30, 2011

Note 2 – Significant accounting policies (continued)

Comparative financial information

The statements of activities and functional expenses in the accompanying financial statements include certain prior-year summarized comparative information, in total but not by net asset class or by functional classification, respectively. Therefore, to compare 2011 to 2010 at the net asset class and functional level, the June 30, 2010 financial statements should be read in conjunction with the 2011 statements of activities and functional expenses.

Subsequent events

The Center has evaluated events and transactions for potential recognition or disclosure through November 9, 2011, which is the date the financial statements were available to be issued.

Note 3 – Mortgage receivable

In connection with the sale of a building, the Center had executed a mortgage loan with an original amount of \$375,000 which required monthly payments of \$3,584, including interest at 8%. The original loan maturity date of January 1, 2008 was extended to January 1, 2010 with all other terms of the mortgage loan remaining unchanged. During the 2010 fiscal year, the borrower, due to financial distress, ceased making payments to the Center. On October 6, 2010, the Center gave notice to the borrower that it expected payment in full by December 31, 2010 or the Center will have no other recourse than to regain full possession of the property. On May 10, 2011, the borrower repaid the outstanding balance of \$273,380 in full.

Note 4 – Investments

The Center's investments, including those classified as permanently restricted, at June 30, 2011, are as follows:

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 1,184,759	\$ 1,184,759	\$ 1,262,067	\$ 1,262,067
Certificates of deposit	283,022	283,022	382,318	382,318
Precious metal exchange traded fund	57,007	65,700	38,711	39,546
Equity mutual fund	55,621	67,274	35,000	34,498
Real estate investment trusts	27,592	29,435	12,376	11,564
Common stocks	707,561	814,223	481,191	452,985
U.S. Government and agency	114,958	116,333	44,507	44,384
Municipal bonds	20,007	20,191	-	-
Corporate bonds	378,607	380,199	82,490	81,916
Totals	\$ 2,829,134	\$ 2,961,136	\$ 2,338,660	\$ 2,309,278

PORT CHESTER CARVER CENTER, INC.

**Notes to Financial Statements (continued)
June 30, 2011**

Note 5 – Property and equipment

At June 30, 2011, and 2010 property and equipment consisted of the following:

	<u>2011</u>	<u>2010</u>
Building	\$ 705,000	\$ 705,000
Building improvements	3,178,150	2,911,130
Furniture and equipment	<u>488,386</u>	<u>399,621</u>
Sub-total	4,371,536	4,015,751
Less: accumulated depreciation	<u>1,213,265</u>	<u>1,036,552</u>
Property and equipment, net	<u>\$ 3,158,271</u>	<u>\$ 2,979,199</u>

Note 6 – Rental revenue

The Center leased a portion of its facility to various not-for-profit organizations on a month-to-month basis. Additionally, the Center leased portions of its facility on a temporary basis for specific events and for short-term individual occupancy.

Rental revenue received in connection with these agreements totaled \$212,752 and \$149,631 for the fiscal years ended June 30, 2011 and June 30, 2010, respectively.

Note 7 – Equipment lease

During the 2011 fiscal year, the Center entered into two capital lease agreements for gym equipment and telephone equipment which commenced May 15, 2011 and expire May 15, 2016. The lease requires monthly payments of \$794 and \$677 including interest at 10.3% and 7.7%, respectively.

The following is a summary of the future required minimum annual lease principle payments:

<u>Fiscal Year</u>	<u>Amount</u>
2012	\$ 9,735
2013	10,683
2014	11,724
2015	12,869
2016	<u>12,542</u>
Total	<u>\$ 57,553</u>

PORT CHESTER CARVER CENTER, INC.

Notes to Financial Statements (continued)
June 30, 2011

Note 8 – Permanently restricted net assets

Effective September 17, 2010, the State of New York enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA), the provisions of which apply to endowment funds existing on or established after that date. The Center's endowment consists of various funds established for specific purposes. The Center is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor restricted endowment funds. The Center classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as unrestricted and temporarily restricted net assets based on donor stipulations.

Permanently restricted net assets as of June 30, 2011 are restricted to investments in perpetuity, with investment return on the Program Endowment Fund to support programs of the Center at the direction of the Executive Director and the Board of Directors, including the Board's Program Committee. Investment return on the balance of \$654,000 in the Endowment Fund is to be used to support any activities of the Center.

Program Endowment Fund	\$ 750,000
Endowment Fund	<u>654,000</u>
Total	<u>\$1,404,000</u>

Note 9 – Benefit plans

The Center has a retirement plan that covers all eligible full-time employees who elect to participate in the plan. The plan provides for a matching provision under which the Center will match up to 4% of the employees' gross compensation, if the employee agrees to contribute at least 2% of gross compensation. For the 2011 and 2010 fiscal years, the Center's contribution to the plan was \$24,755 and \$10,506, respectively. In addition, during the 2011 fiscal year, the Center incurred additional expenses related to the plan, totaling \$22,244, including lost investment earnings and penalties, for employees who became eligible to participate in the plan but were not notified of their eligibility.

Note 10 – Funding source audits

Pursuant to the Center's contractual relationships with certain funding sources, outside agencies have the right to examine the books and records of the Center involving transactions relating to these contracts. The accompanying financial statements have made no provisions for possible disallowances. Although such possible disallowances could be substantial in amount, in the opinion of management, any actual disallowances would be immaterial.