

PORT CHESTER CARVER CENTER, INC.

FINANCIAL STATEMENTS

June 30, 2009

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Independent Auditors' Report

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

We have audited the accompanying statement of financial position of Port Chester Carver Center, Inc. (a not-for-profit organization) as of June 30, 2009 and the related statements of activities and changes in net assets, functional expenses, and cash flows, for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Port Chester Carver Center, Inc.'s June 30, 2008 financial statements and, in our report dated January 8, 2009, 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 Port Chester Carver Center, Inc. as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Mount Kisco, New York
January 7, 2009

PORT CHESTER CARVER CENTER, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2009

(With Comparative Totals as of June 30, 2008)

ASSETS

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 497,364	\$ 586,842
Investments (Note 5)	667,585	967,318
Contracts receivable	58,634	97,874
Pledges receivable (Note 4)	35,000	-
Mortgage receivable – short term (Note 3)	23,745	23,920
Interest receivable	3,519	4,148
Prepaid expenses	<u>9,150</u>	<u>14,674</u>
Total Current Assets	1,294,997	1,694,776
Mortgage receivable – long term (Note 3)	270,242	292,384
Property and equipment, net of accumulated depreciation of \$927,165 and \$708,962 as of June 30, 2009 and 2008, respectively (Note 6)	2,564,543	2,628,075
Cash and cash equivalents – permanently restricted	49,098	-
Investments – permanently restricted (Note 5 and 9)	750,902	800,000
Security deposits	<u>12,850</u>	<u>12,850</u>
Total Assets	\$ <u>4,942,632</u>	\$ <u>5,428,085</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ <u>139,544</u>	\$ <u>137,527</u>
Total Current Liabilities	<u>139,544</u>	<u>137,527</u>
Net Assets:		
Unrestricted	3,768,311	4,223,281
Temporarily restricted (Note 8)	234,777	267,277
Permanently restricted (Note 9)	<u>800,000</u>	<u>800,000</u>
Total Net Assets	<u>4,803,088</u>	<u>5,290,558</u>
Total Liabilities & Net Assets	\$ <u>4,942,632</u>	\$ <u>5,428,085</u>

The accompanying notes and independent auditors' report are an integral part of the financial statements.

PORT CHESTER CARVER CENTER, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2009

(With Comparative Totals for the Year Ended June 30, 2008)

	2009			2008 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and Revenue:				
Contributions (includes \$29,425 of in-kind in 2009 and \$0 in 2008)	\$ 936,444	\$ 345,161	\$ -	\$ 1,281,605
Fundraising	169,073			169,073
Government grant income (Note 13)		183,713		183,713
Contract income		49,000		49,000
Program fees	187,860			187,860
United Way				-
Interest and dividend income	31,851		15,679	47,530
Unrealized/realized gain (loss) on investments	(15,797)		(174,773)	(190,570)
Other	1,788			1,788
Rental income (Note 7)	165,864			165,864
Net Assets released from restriction:				
Satisfaction of program restrictions	<u>451,280</u>	<u>(610,374)</u>	<u>159,094</u>	<u>-</u>
Total Support and Revenue	<u>1,928,363</u>	<u>(32,500)</u>	<u>-</u>	<u>1,895,863</u>
Expenses:				
Program services	1,721,256			1,721,256
Management and General	372,640			372,640
Fundraising	<u>289,437</u>			<u>289,437</u>
Total Expenses	<u>2,383,333</u>	<u>-</u>	<u>-</u>	<u>2,383,333</u>
Increase (decrease) in Net Assets	<u>(454,970)</u>	<u>(32,500)</u>	<u>-</u>	<u>(487,470)</u>
Net Assets, beginning of fiscal period	<u>4,223,281</u>	<u>267,277</u>	<u>800,000</u>	<u>5,290,558</u>
Net Assets, end of fiscal year	<u>\$ 3,768,311</u>	<u>\$ 234,777</u>	<u>\$ 800,000</u>	<u>\$ 4,803,088</u>
				<u>\$ 5,290,558</u>

The accompanying notes and independent auditors' report are an integral part of the financial statements.

PORT CHESTER CARVER CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2009
 (With Comparative Totals for the Year Ended June 30, 2008)

	2009				2008 Total
	Program Expenses	Management and General	Fundraising	Total	
Expenses:					
Wages	\$ 942,998	\$ 155,054	\$ 199,400	\$ 1,297,452	\$ 1,310,523
Payroll taxes and benefits	137,605	54,605	26,211	218,421	217,157
Occupancy	200,654	50,163		250,817	225,806
Professional fees	103,452	25,917	10,520	139,889	139,251
ADP payroll expenses		10,233		10,233	8,391
Advertising	336	1,346		1,682	2,401
Annual benefit			22,452	22,452	27,655
Automobile	6,031	823		6,854	9,170
Bank charges	4,120			4,120	8,028
Carver scholarships	2,401			2,401	1,450
Emergency assistance - CAP	520			520	1,020
Equipment				-	652
Equipment rental	4,709	2,355	2,354	9,418	9,902
Field trips	28,276			28,276	40,086
Food	38,547	1,650		40,197	50,320
Fundraising expenses			19,621	19,621	25,529
Insurance	28,900	12,386		41,286	41,582
Internet expenses	1,069	267		1,336	2,730
Licenses and fees	2,105	902		3,007	1,415
Other expenses	2,654	1,261		3,915	17,453
Postage	1,414	707	707	2,828	2,840
Special events	3,631	1,894		5,525	5,484
Staff development and training	2,965	539	1,886	5,390	6,456
Supplies	22,986	4,430	3,092	30,508	28,573
Telephone	8,980	2,993	2,994	14,967	12,217
Travel and entertaining	604	1,040	200	1,844	641
Water and sewer tax	1,737	434		2,171	2,057
Total Expenses Before Depreciation	1,546,694	328,999	289,437	2,165,130	2,198,789
Depreciation	174,562	43,641		218,203	98,723
Total Expenses	\$ 1,721,256	\$ 372,640	\$ 289,437	\$ 2,383,333	\$ 2,297,512

The accompanying notes and independent auditors' report are an integral part of the financial statements.

PORT CHESTER CARVER CENTER, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2009
(With Comparative Totals for the Year Ended June 30, 2008)
(Increase (decrease) in Cash and Cash Equivalents)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Increase (decrease) in Net Assets	\$ (487,470)	\$ 309,387
Adjustments to reconcile increase (decrease) in Net Assets to net cash provided (used) by operating activities:		
Depreciation	218,203	98,723
(Increase) decrease in contracts receivable	39,240	(25,699)
(Increase) decrease in pledges receivable	(35,000)	5,000
(Increase) decrease in interest receivable	629	(4,148)
(Increase) decrease in prepaid expenses	5,524	(4,585)
Increase (decrease) in accounts payable and accrued expenses	<u>2,017</u>	<u>(27,533)</u>
Net cash provided (used) by operating activities	<u>(256,857)</u>	<u>351,145</u>
Cash flows from investing activities:		
(Increase) decrease in investments	348,831	(39,999)
Acquisition of property and equipment	(154,671)	(110,555)
Principal payments on mortgage receivable	<u>22,317</u>	<u>10,610</u>
Net cash provided (used) by investing activities	<u>216,477</u>	<u>(139,944)</u>
Net increase (decrease) in cash and cash equivalents	<u>(40,380)</u>	<u>211,201</u>
Cash and cash equivalents, beginning of fiscal year	<u>586,842</u>	<u>375,641</u>
Cash and cash equivalents, end of fiscal period	\$ <u>546,462</u>	\$ <u>586,842</u>
Supplemental disclosure of cash flows information:		
Cash paid during the year for:		
Interest	\$ -0-	\$ -0-
Income taxes	\$ -0-	\$ -0-

The accompanying notes and independent auditors' report are an integral part of the financial statements.

PORT CHESTER CARVER CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1 – Description of Organization:

Port Chester Carver Center, Inc. (the "Center") was incorporated in 1949 to provide educational 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, youths, 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 Financial Accounting Standards Board's Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements for Not-for-Profit Organizations. Under SFAS No. 117, the Center is required to report information regarding its financial position and activities according to three classes of Net Assets: unrestricted, temporarily restricted, and permanently restricted.

Net Assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, Net Assets and changes therein are classified as follows:

Unrestricted Net Assets

Net Assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Net Assets subject to donor-imposed stipulations that may or will be met by actions of the Center and/or passage of time. Temporarily restricted Net Assets also include investment income and appreciation from the permanently restricted fund unspent as of June 30, 2009.

Permanently Restricted Net Assets

Net Assets subject to donor-imposed stipulations are maintained permanently 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. All investment income and appreciation is transferred to temporarily restricted net assets until spent in accordance with the donors wishes.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor 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

June 30, 2009

Note 2 – Significant Accounting Policies (continued):

Income Taxes

The Center qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, no provision has been made for federal income taxes.

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 and Cash Equivalents

For purposes of the statement of cash flows, the Center considers all highly liquid investments with an original maturity of three months or less to be equivalents.

Concentration of Credit Risk

Financial instruments which potentially subject the Center to concentrations of credit risk consist principally of temporary cash investments. The Center places its temporary cash investments in high credit financial institutions. However, a portion of temporary cash investments may exceed FDIC and SIPC insured levels from time to time.

Investments

The Center accounts for its investments in accordance with Statement of Financial Accounting Standards No. 124, "Accounting for Certain Investment Held by Not-for-Profit Organizations." Accordingly, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair market values in the statement of financial position. Gains and losses are included in the statement of activities. When the donor imposed restrictions on investment income and gains are met (either by the passage of time or use) in the reporting period in which the income and gains are recognized, such income and gains are reported as increases in unrestricted net assets.

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 over the estimated useful lives of the depreciable asset, which for building depreciation is 39 years and 5-7 years for other assets, using the straight-line method.

PORT CHESTER CARVER CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 2 – Significant Accounting Policies (continued):

Functional Allocation of Expenses

The Center allocates its expenses on a functional basis among its various program and supporting services. Expenses which 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 benefited based upon management estimates.

Reclassification of Prior Year

Certain reclassifications have been made to some prior year account balances in order to conform to current year presentation.

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 these statements since it is not susceptible to objective measurements or valuation.

Note 3 – Mortgage Receivable:

In connection with the sale of a building located at 35 Traverse Avenue, Port Chester, NY, the Center has executed a mortgage loan with an original amount \$375,000. As of June 30, 2009, \$293,987 was outstanding, \$23,745 of which is the current portion. The monthly payment is \$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. The Center is in discussions with the mortgagee to possibly refinance and/or extend this loan.

Note 4 – Pledges Receivable:

As of June 30, 2009, the Organization has \$35,000 in pledges receivable. The pledges were received in July 2009.

Note 5 – Investments:

The Center's investments, including those classified as permanently restricted, at June 30, 2009 are as follows:

	<u>Cost</u>	<u>Fair Market Value</u>
Money Market Funds	\$ 519,176	\$ 519,176
Stock Mutual Funds	535,472	524,200
Certificates of Deposit	<u>375,111</u>	<u>375,111</u>
	\$ <u>1,429,759</u>	\$ <u>1,418,487</u>

PORT CHESTER CARVER CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 5 – Investments (continued):

The Center adopted the provisions of FASB Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*. FAS 157 establishes a fair value hierarchy for the inputs used to measure fair value based on the nature of the data input, which generally range from quoted prices for identical instruments in a principal trading market (Level 1) to estimates determined using related market data (Level 3). Multiple inputs may be used to measure fair value; however, the level of fair value of each financial asset or liability presented below is based on the lower significant input level within this fair value hierarchy. The following table provides the fair value hierarchy of the Center's financial assets as of June 30, 2009:

<u>Financial Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market funds	\$ 519,176	\$	\$	\$ 519,176
Stock mutual funds	524,200			524,200
Certificates of deposit	<u>375,111</u>	<u> </u>	<u> </u>	<u>375,111</u>
Total	\$ <u>1,418,487</u>	\$ <u> </u>	\$ <u> </u>	\$ <u>1,418,487</u>

Details on the methods and assumptions used to determine the fair values of the financial assets and liabilities are as follows:

Fair value measurements based on Level 1 inputs: Measurements that are most observable are based on quoted prices of identical instruments obtained from the principal markets in which they are traded. Closing prices are both readily available and representative of fair value. Market transactions occur with sufficient frequency and volume to ensure liquidity.

Fair value measurement based on Level 2 inputs: Measurements derived indirectly from observable inputs or from quoted prices from markets that are less liquid are considered Level 2. Measurements may consider inputs that other market participants would use in valuing a portfolio, quoted market prices for similar securities, interest rates, credit risks, and others.

Fair value measurements based on Level 3 inputs: Measurements that are least observable are estimated from related market data, determined from sources with little or no market activity for comparable contracts, or are positions with longer durations.

PORT CHESTER CARVER CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 5 – Investments (continued):

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurements at the reporting date.

Note 6 – Property and Equipment:

At June 30, property and equipment consists of:

	<u>2009</u>	<u>2008</u>
Building	\$ 705,000	\$ 705,000
Building improvements	2,426,382	2,356,112
Furniture and equipment	<u>360,326</u>	<u>275,925</u>
Subtotal	3,491,708	3,337,037
Less accumulated depreciation	<u>(927,165)</u>	<u>(708,962)</u>
Property and equipment (net)	<u>\$ 2,564,543</u>	<u>\$ 2,628,075</u>

Note 7 – Rental Income:

The Center leased a portion of its facility to various not-for-profit organizations on a month to month basis. Rental revenue for this use totaled \$81,972 for the fiscal year ended June 30, 2009.

Additionally, the Center leased portions of its facility on a temporary basis for specific events and for short term individual occupancy. Rent payments received throughout the year for such temporary rentals totaled \$83,892 for the fiscal year ended June 30, 2009.

Note 8 – Temporarily Restricted Net Assets:

Temporarily restricted Net Assets were available at June 30, 2009 and 2008 for the following purposes:

	<u>June 30, 2008</u>	<u>Investment Income and Change in Market Value</u>	<u>Net Assets Released from Restrictions</u>	<u>June 30, 2009</u>
Program Endowment Fund	\$ 267,277	-	\$ (32,500)	\$ 234,777

PORT CHESTER CARVER CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 9 – Permanently Restricted Net Assets:

Permanently restricted Net Assets as of June 30, 2009 are restricted to investment 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 \$50,000 in the Endowment Fund is to be used to support any activities of the Center.

Program Endowment Fund	\$ 750,000
Endowment Fund	<u>50,000</u>
Total	<u>\$ 800,000</u>

Interpretation of Relevant Law

The Center has interpreted the State of New York Uniform Management of Institutional Funds Act ("UMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the chapter classifies as permanently restricted Net Assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted Net Assets is characterized as temporarily restricted Net Assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard for expenditure prescribed by UMIFA. In accordance with UMIFA, the Center considers the following factors in making a determination to appropriate or calculate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The general purposes of the Center and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of the Center
7. The investment policies of the Center

PORT CHESTER CARVER CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 9 – Permanently Restricted Net Assets (continued):

The changes in Endowment Assets for the year ended June 30, 2009, follow:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Assets, beginning of year	\$	\$ 135,806	\$ 800,000	\$ 935,806
Investment return:				
Investment income			15,679	15,679
Net realized and unrealized (loss)			(174,773)	(174,773)
Contributions			-	-
Appropriation of endowment assets for expenditure	(49,098)	(135,806)	159,094	(25,810)
Endowment Assets, end of year	\$ (49,098)	\$ _____	\$ 800,000	\$ 750,902

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Center to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted Net Assets were \$49,098 as of June 30, 2009. These deficiencies resulted from unfavorable market fluctuations.

Return Objectives and Risk Parameters

The Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Center must hold in perpetuity or for donor specified periods. Under this policy, as provided by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk.

PORT CHESTER CARVER CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 9 – Permanently Restricted Net Assets (continued):

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Center targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The endowments are to be thought of as a permanent fund. As such, the investment objectives require disciplined and consistent management philosophies that accommodate all those events which are relevant, reasonable, and probable. Therefore, periodic review of total rate of return and spending rate objectives is required.

Note 10–Benefit Plans:

The Center has a retirement plan which covers all full-time employees who elect to participate, and who are over the age of twenty-one with one year of service. 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 2009, the Center's contribution to the plan was \$21,465.

Note 11–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 make 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.

Note 12–Lease Commitments:

The Center is obligated under several leases for office equipment. The minimum future lease payments are as follows:

Year ended June 2010	\$ 6,600
Year ended June 2011	6,600
Year ended June 2012	<u>6,600</u>
Total	\$ <u>19,800</u>

PORT CHESTER CARVER CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 13 – Government Grants:

The Center receives support from government agencies to provide support for various programs the Center administers. Revenues recognized by the Center under this support for the year ended June 30, 2009 by program were as follows:

Youth Employment Program	\$ 86,238
Teen Outreach Program	37,534
Gateway	14,079
Food Reimbursement	25,862
Diabetes Program	<u>20,000</u>
Total Government Grants	\$ <u>183,713</u>

Note 14 – Comparative Totals:

The amounts shown for the year ended June 30, 2008 in the accompanying financial statements are included to provide a basis for comparison with June 30, 2009 and present summarized totals only. Accordingly, the June 30, 2008 amounts are not intended to present all information necessary for a fair presentation in conformity with generally accepted accounting principles.