

PHILADELPHIA FUTURES FOR YOUTH

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2011

**(WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED JUNE 30, 2010)**

Together with Independent Auditors' Report

PHILADELPHIA FUTURES FOR YOUTH

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INDEPENDENT AUDITORS' REPORT

To: Board of Directors
Philadelphia Futures for Youth
Philadelphia, PA

We have audited the accompanying statement of financial position of Philadelphia Futures for Youth as of June 30, 2011 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Philadelphia Futures for Youth'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 the Philadelphia Futures for Youth June 30, 2010 financial statements and in our report dated October 18, 2010, 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 Philadelphia Futures for Youth as of June 30, 2011, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

October 11, 2011

(1)

PHILADELPHIA FUTURES FOR YOUTH

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011

(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2010)

ASSETS

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 913,643	\$ 975,869
Investments	2,470,688	2,498,375
Unconditional promises to give:		
Grants receivable – net	352,500	232,995
Sponsor-A-Scholar pledges – net	105,530	107,869
Contracts receivable	18,927	24,349
Contributions receivable	23,356	18,663
Other receivables	9,978	-
Prepaid expenses	8,397	17,173
Furniture and equipment – net	<u>34,786</u>	<u>20,510</u>
Total assets	<u>\$3,937,805</u>	<u>\$3,895,803</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 44,511	\$ 23,706
Retirement plan payable	9,598	10,429
Accrued payroll and related taxes	41,487	73,318
Deferred rent payable	<u>12,820</u>	<u>18,380</u>
Total liabilities	<u>108,416</u>	<u>125,833</u>

NET ASSETS

Unrestricted	747,122	697,388
Temporarily restricted	2,932,267	2,932,582
Permanently restricted	<u>150,000</u>	<u>140,000</u>
Total net assets	<u>3,829,389</u>	<u>3,769,970</u>
Total liabilities and net assets	<u>\$3,937,805</u>	<u>\$3,895,803</u>

See accompanying notes which are an integral part of these financial statements.

PHILADELPHIA FUTURES FOR YOUTH

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2011</u>	<u>Total 2010</u>
<u>REVENUE AND SUPPORT</u>					
Government contracts	\$ 130,083	\$ -	\$ -	\$ 130,083	\$ 269,413
College Guide	-	30,750	-	30,750	97,713
Contributions					
Corporate	52,009	184,800	-	236,809	281,287
Foundation	73,287	629,700	10,000	712,987	625,275
Individual	278,129	232,691	-	510,820	308,919
Sponsorship contributions	-	102,000	-	102,000	163,668
Event income (net of direct benefit to donors)	44,309	100,000	-	144,309	118,313
Investment income	41,761	-	-	41,761	73,237
Net assets released from restrictions:					
Satisfaction of program restrictions	<u>1,280,256</u>	<u>(1,280,256)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>1,899,834</u>	<u>(315)</u>	<u>10,000</u>	<u>1,909,519</u>	<u>1,937,825</u>
<u>EXPENSES</u>					
<u>Program services</u>					
Sponsor-A-Scholar Program™ (SAS)	1,123,656	-	-	1,123,656	1,059,871
SAS Sponsorships	216,738	-	-	216,738	247,923
Other programs	<u>212,121</u>	<u>-</u>	<u>-</u>	<u>212,121</u>	<u>276,696</u>
Total program services	<u>1,552,515</u>	<u>-</u>	<u>-</u>	<u>1,552,515</u>	<u>1,584,490</u>
<u>Support services</u>					
Administrative	149,702	-	-	149,702	144,434
Fundraising	<u>183,431</u>	<u>-</u>	<u>-</u>	<u>183,431</u>	<u>173,600</u>
Total support services	<u>333,133</u>	<u>-</u>	<u>-</u>	<u>333,133</u>	<u>318,034</u>
Total expenses	<u>1,885,648</u>	<u>-</u>	<u>-</u>	<u>1,885,648</u>	<u>1,902,524</u>
Change in net assets before non-operating activities	14,186	(315)	10,000	23,871	35,301
Unrealized gain (loss) on investments	112,081	-	-	112,081	58,796
Realized gain (loss) on investments	-	-	-	-	1,868
Merger expenses (Note 13)	<u>(76,533)</u>	<u>-</u>	<u>-</u>	<u>(76,533)</u>	<u>-</u>
Change in net assets (Note 9)	49,734	(315)	10,000	59,419	95,965
Net assets, beginning of year	<u>697,388</u>	<u>2,932,582</u>	<u>140,000</u>	<u>3,769,970</u>	<u>3,674,005</u>
Net assets, end of year	<u>\$ 747,122</u>	<u>\$2,932,267</u>	<u>\$150,000</u>	<u>\$3,829,389</u>	<u>\$3,769,970</u>

See accompanying notes which are an integral part of these financial statements.

PHILADELPHIA FUTURES FOR YOUTH
STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2011

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

	Program Services				Supporting Services			2010 Total Expenses
	Sponsor- A-Scholar Program™ (SAS)	SAS Sponsorships	Other Programs	Total Program Services	Admin	Fund- raising	Total Support Services	
Salaries	\$ 569,890	\$ -	\$ 56,834	\$ 626,724	\$ 98,630	\$ 98,175	\$196,805	\$ 788,202
Payroll taxes	45,117	-	4,499	49,616	7,808	7,773	15,581	59,717
Employee benefits	62,127	-	6,196	68,323	10,754	10,703	21,457	89,780
Accounting	7,855	-	783	8,638	1,359	1,353	2,712	9,250
Consultants	27,031	-	1,949	28,980	6,328	3,368	9,696	36,765
Equipment - maintenance	13,422	-	1,338	14,760	2,323	2,312	4,635	18,154
Investment fees	-	586	-	586	-	-	-	1,973
Meetings and events	52,610	-	181	52,791	314	33,858	34,172	80,979
Occupancy	51,084	-	5,095	56,179	8,841	8,800	17,641	79,940
Overhead expenses	55,053	-	5,385	60,438	9,229	10,690	19,919	77,751
Printing & publications	17,750	-	1,643	19,393	2,853	5,142	7,995	29,001
Academic programming	99,409	-	-	99,409	-	-	-	176,146
Other programming	13,220	-	127,491	140,711	-	-	-	134,487
SAS sponsorship payments to students	-	216,152	-	216,152	-	-	-	235,950
Student Opportunity Funds	58,326	-	-	58,326	-	-	-	18,642
Student transportation	43,465	-	-	43,465	-	-	-	37,672
Summer school tuition payments for Collegians	-	-	-	-	-	-	-	12,000
Depreciation	7,297	-	727	8,024	1,263	1,257	2,520	11,474
Total expenses	\$1,123,656	\$216,738	\$212,121	\$1,552,515	\$149,702	\$183,431	\$333,133	\$1,902,524

See accompanying notes which are an integral part of these financial statements.

PHILADELPHIA FUTURES FOR YOUTH

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2011</u>	<u>2010</u>
Change in net assets	\$ 59,419	\$ 95,965
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	10,544	11,474
Unrealized (gain) loss on investments	(112,081)	(58,796)
Amortized discount	(1,304)	(2,541)
(Increase) decrease in assets:		
Grants receivable	(118,200)	169,700
Sponsor-A-Scholar pledges	2,338	(21,173)
Contracts receivable	5,422	42,042
Contributions receivable	(4,693)	(548)
Other receivables	(9,978)	-
Prepaid expenses	8,776	5,494
Increase (decrease) in liabilities:		
Accounts payable	20,805	(6,257)
Retirement plan payable	(831)	6,411
Accrued payroll and related taxes	(31,831)	9,777
Deferred rent payable	<u>(5,560)</u>	<u>18,380</u>
Net cash provided (used) by operating activities	<u>(177,174)</u>	<u>269,928</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	238,216	309,947
Purchase of investments	(98,448)	(1,006,928)
Purchase of furniture and equipment	<u>(24,820)</u>	<u>(1,831)</u>
Net cash provided (used) by investing activities	<u>114,948</u>	<u>(698,812)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(62,226)	(428,884)
Cash and cash equivalents, beginning of year	<u>975,869</u>	<u>1,404,753</u>
Cash and cash equivalents, end of year	<u>\$913,643</u>	<u>\$ 975,869</u>

See accompanying notes which are an integral part of these financial statements.

PHILADELPHIA FUTURES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

1) ORGANIZATION

Philadelphia Futures for Youth (the Organization), a Pennsylvania non-profit organization, founded in 1989 and incorporated January 1, 1999, is dedicated to improving life opportunities for low income, first-generation-to-college students through the power of education. Philadelphia Futures' key programs encourage students to stay in high school, excel in their studies and prepare for and succeed in college. In order to accomplish these objectives, the Organization is engaged in the following programs and activities:

Sponsor-A-Scholar ProgramTM (SAS) is Philadelphia Futures' centerpiece program. SAS provides students attending Philadelphia's comprehensive high schools with long-term mentoring, academic support and enrichment activities, college guidance, funds for college-related expenses and ongoing staff support during high school and through college. Each SAS student is matched with a sponsor who contributes \$7,500 on behalf of that student. Of the \$7,500 contributed for each student, \$6,000 goes directly to the student for college-related expenses and the balance is retained by Philadelphia Futures to help cover the student's SAS high school program activities. The sponsorship funds are distributed to the student on a semester-by-semester basis once the student enrolls in college or other approved institution of higher education.

"Step Up to College: Philadelphia's Guide to the College Preparation, Application, Admissions and Financial Aid Processes" is published annually by Philadelphia Futures and distributed to every high school student in Philadelphia. The *Guide* focuses on the importance of earning a college degree and contains information and resources to help students navigate the college admissions and financial aid processes. Over 50,000 copies of the *Guide* are distributed each year without cost to remove any barriers to access.

Scholarship and Major Awards programs are designed and managed by the Organization on behalf of individuals, businesses and other organizations to recognize and reward college-bound students for academic performance.

Effective July 1, 2011 the Organization merged with The White-Williams Foundation (WW), a Pennsylvania nonprofit corporation with a similar mission which was founded in 1802 and incorporated as a 501(c)(3) corporation in 1949. WW had total net assets of approximately \$6,600,000 as of June 30, 2011. WW became the surviving corporate entity and Philadelphia Futures for Youth's corporate entity was merged into WW. All assets, liabilities and net assets of the Philadelphia Futures for Youth were merged into WW and the name of the corporation was changed to Philadelphia Futures.

PHILADELPHIA FUTURES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of 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.

Cash and Cash Equivalents

The Organization considers all temporary investments purchased with original maturities of three months or less to be cash equivalents.

Investments

The Organization carries investments in marketable securities with readily determinable fair market values and all investments in debt securities at their fair market values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Furniture and Equipment

All acquisitions of furniture and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Furniture and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

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 a risk free interest rate of 1.5%. Amortization of the discounts is included in revenue, as applicable.

PHILADELPHIA FUTURES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Rent Payable

The Organization has an operating lease with scheduled changes in rent and received the first four months of rent free of charge. As such, rent is required to be expensed on a straight-line basis over its life, with a deferred liability reported on the balance sheet for the difference between expense and cash outlay.

Restricted and Unrestricted Revenue

Donor-restricted contributions are reported as increases in temporarily restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with mentoring and tutoring high school students in the Sponsor-A-Scholar program. The Organization receives more than 8,000 volunteer hours per year.

Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Subsequent Events

FASB ASC 855-10 establishes general standards of accounting and disclosure of events that occur after the statement of financial position date but before the date the financial statements are available to be issued. Subsequent events have been evaluated through October 11, 2011 the date that the financial statements were available to be issued.

PHILADELPHIA FUTURES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, if the Organization had income from certain activities not directly related to the Organization's tax-exempt purpose it would be subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Foundation follows FASB Accounting Standards Update No. 2009-06, Income Taxes (Topic 740): Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities Taxes. FASB ASC 740 prescribes guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions. Tax positions must meet a more-likely-than-not recognition threshold. There were no tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next year. Tax years from 2007 through 2010 remain subject to examination by major tax jurisdictions.

Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

3) **INVESTMENTS**

The Organization carries investments at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investments consisted of the following at June 30, 2011:

	<u>Cost</u>	<u>Market</u>	<u>Accumulated Unrealized Gain (Loss)</u>
Mutual Funds	<u>\$2,314,516</u>	<u>\$2,470,688</u>	<u>\$156,172</u>

PHILADELPHIA FUTURES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

3) INVESTMENTS (CONTINUED)

Investment return is summarized as follows:

Investment income	\$ 41,761
Unrealized gain (loss) on investments	<u>112,081</u>
Total investment income	<u>\$153,842</u>

4) UNCONDITIONAL PROMISES TO GIVE

Grants Receivable

Grants receivable amounted to the following at June 30, 2011:

Less than one year	<u>\$352,500</u>
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Sponsor-A-Scholar Pledges

Pledges to contribute for college related expenses for students enrolled in the Sponsor-A-Scholar program are recorded as unconditional promises to give. Sponsor-A-Scholar pledges amounted to the following at June 30, 2011:

Restricted to Sponsor-A-Scholar program:	
Less than one year	\$ 34,113
One to five years	<u>80,368</u>
Total uncollected pledges at June 30, 2011	114,481
Less: Unamortized discount	(1,778)
Allowance for uncollectible pledges	<u>(7,173)</u>
Net unconditional promises to give	<u>\$105,530</u>

5) FURNITURE AND EQUIPMENT

Furniture and equipment consists of the following at June 30, 2011:

Office furniture and equipment	\$67,323
Computer equipment	<u>64,188</u>
	131,511
Less: Accumulated depreciation	<u>(96,725)</u>
	<u>\$34,786</u>

PHILADELPHIA FUTURES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

6) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Sponsor-A-Scholar Program (SAS)	\$ 640,481
Other programs	135,729
SAS sponsorships	1,971,057
Subsequent years' operations	<u>185,000</u>
	<u>\$2,932,267</u>

7) PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets as of June 30, 2011 are restricted to:

Investment in perpetuity, the income from which is expendable to support:

Sponsor-A-Scholar Program Sponsorships	<u>\$150,000</u>
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8) NET ASSETS RELEASED FROM RESTRICTIONS

Net assets of \$1,280,256 were released from donor restrictions for the year ended June 30, 2011, by incurring expenses satisfying the restricted purposes specified by the donors.

Purpose restrictions accomplished were:

Sponsor-A-Scholar Program (SAS)	\$ 734,111
Other programs	167,765
Technology	13,750
SAS sponsorships	216,738
General operations	<u>147,892</u>
	<u>\$1,280,256</u>

PHILADELPHIA FUTURES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

9) CHANGE IN NET ASSETS

The components of the change in net assets as of June 30, 2011 and 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
June 30, 2011	\$ 49,734	\$ (315)	\$10,000	\$59,419
June 30, 2010	\$124,361	\$(28,396)	\$ -	\$95,965

10) CASH FLOW INFORMATION

The amount the Organization paid for interest and income taxes were as follows:

Interest paid	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>

11) SPONSOR-A-SCHOLAR FUND

In addition to the financial activity presented herein, the Organization had raised and deposited into a Donor Advised Fund maintained at a foundation, contributions that are reserved for college-related expenses of students enrolled in the Sponsor-A-Scholar program and SAS program expenses. On June 30, 2011 the balance of the Fund was approximately \$120,000 of which \$104,000 is for operations and \$16,000 is restricted for student expenses.

12) RETIREMENT PLAN

The Organization has established a retirement plan (the Plan) effective January 1, 2009, covering all employees with at least one year of full-time service who agree to make contributions to the Plan. The Organization can elect to make a discretionary contribution to the Plan each year after eligible, participating employees have attained two years of service. The employer matching contributions to the plan for the period ended June 30, 2011 was \$9,566.

PHILADELPHIA FUTURES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

13) MERGER EXPENSES

Included in merger expense for the year ended June 30, 2011 are legal and consulting expenses related to the merger with The White-Williams Foundation that was effective July 1, 2011.

14) COMMITMENTS

As of June 30, 2011, the Organization leased office space under a non-cancelable lease agreement that expires March 31, 2016. In addition, the lease agreement requires the Organization to pay its proportionate share of real estate taxes and other occupancy expenses.

Rent expense, including real estate taxes and other occupancy expenses, for the year ended June 30, 2011 was \$73,820. Minimum future rentals under the operating lease as of June 30, 2011 are as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 81,749
2013	84,044
2014	86,339
2015	88,634
2016	<u>67,766</u>
Total	<u>\$408,532</u>

15) RECLASSIFICATION

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements. Net assets and changes in net assets are unchanged due to these reclassifications.