

PHOENIXVILLE COMMUNITY EDUCATION FOUNDATION

FINANCIAL STATEMENTS

Year Ended June 30, 2012

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Independent Auditors' Report

To the Board of Directors
Phoenixville Community Education Foundation
Phoenixville, Pennsylvania

We have audited the accompanying statement of assets, liabilities and net assets--cash basis of the Phoenixville Community Education Foundation (a nonprofit organization) as of June 30, 2012, and the related statements of revenues, expenses and changes in net assets--cash basis and functional expenses--cash basis for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

As described in Note B, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of the Phoenixville Community Education Foundation as of June 30, 2012, and its revenues, expenses and changes in net assets for the year then ended, on the basis of accounting described in Note B.

Maillie, Falconiero & Company, LLP

Oaks, Pennsylvania
November 5, 2012

PHOENIXVILLE COMMUNITY EDUCATION FOUNDATION
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS--CASH BASIS
June 30, 2012

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 141,697
Investments	332,709
Other investments	<u>166,035</u>

TOTAL ASSETS \$ 640,441

LIABILITIES AND NET ASSETS

LIABILITIES

Accrued payroll taxes	\$ <u>14</u>
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NET ASSETS

Unrestricted	307,718
Temporarily restricted	<u>332,709</u>
TOTAL NET ASSETS	<u>640,427</u>

TOTAL LIABILITIES AND NET ASSETS \$ 640,441

See accompanying notes.

PHOENIXVILLE COMMUNITY EDUCATION FOUNDATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN

NET ASSETS--CASH BASIS

Year Ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
REVENUES AND SUPPORT			
Phoenixville Community Health Foundation grants	\$ 16,500	\$ -	\$ 16,500
Special events	85,705	-	85,705
Other grants and donations	182,503	-	182,503
In-kind contribution	14,400	-	14,400
Investment income (loss)	6,463	(932)	5,531
	<u>305,571</u>	<u>(932)</u>	<u>304,639</u>
Net assets released from restriction	<u>4,941</u>	<u>(4,941)</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	<u>310,512</u>	<u>(5,873)</u>	<u>304,639</u>
EXPENSES			
Program services	189,362	-	189,362
Management and general	6,574	-	6,574
Fund-raising	29,016	-	29,016
TOTAL EXPENSES	<u>224,952</u>	<u>-</u>	<u>224,952</u>
CHANGE IN NET ASSETS	85,560	(5,873)	79,687
NET ASSETS AT BEGINNING OF YEAR	<u>222,158</u>	<u>338,582</u>	<u>560,740</u>
NET ASSETS AT END OF YEAR	<u>\$ 307,718</u>	<u>\$ 332,709</u>	<u>\$ 640,427</u>

See accompanying notes.

PHOENIXVILLE COMMUNITY EDUCATION FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES--CASH BASIS

Year Ended June 30, 2012

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund-Raising</u>	<u>Totals</u>
FUNCTIONAL EXPENSES				
Other grants and donations	\$ 118,636	-	-	\$ 118,636
High school philanthropy grant	8,200	-	-	8,200
Middle school philanthropy grant	7,500	-	-	7,500
Donation to School District, television studio equipment and staff	1,500	-	-	1,500
Special events	-	-	23,392	23,392
Payroll	14,634	1,829	1,829	18,292
Payroll tax and employee benefits	1,592	199	199	1,990
Rent	11,520	1,440	1,440	14,400
Supplies	3,486	436	436	4,358
Telephone	2,214	277	277	2,768
Advertising	1,997	250	249	2,496
Professional fees	16,105	1,896	946	18,947
Insurance	1,978	247	248	2,473
TOTAL FUNCTIONAL EXPENSES	<u>\$ 189,362</u>	<u>\$ 6,574</u>	<u>\$ 29,016</u>	<u>\$ 224,952</u>

PHOENIXVILLE COMMUNITY EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A NATURE OF ACTIVITIES

The Phoenixville Community Education Foundation (the "Foundation") is a nonprofit organization which provides support for educational activities within the Phoenixville Area School District and the Phoenixville area community.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The Foundation uses the cash basis of accounting for both financial statements and tax purposes; consequently, certain revenues are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

Investments

Investments are recorded at market value.

Other Investments

Other investments consist of highly liquid securities purchased with an original maturity of three months or more.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers cash in operating bank accounts, cash on hand and all highly liquid securities purchased with an original maturity of three months or less to be cash and cash equivalents.

Tax-Exempt Status

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The information returns of the Foundation are subject to examination by the Internal Revenue Service and state taxing authorities for a period of three years from the date the tax returns are filed. As of June 30, 2012, the years ended June 30, 2009, 2010 and 2011, are subject to examination.

PHOENIXVILLE COMMUNITY EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Date of Management's Review

Management has evaluated subsequent events through November 5, 2012, the date which the financial statements were available to be issued.

NOTE C INVESTMENTS - BENEFICIARY INTEREST

The Foundation transferred funds to the Chester County Community Foundation, a not-for-profit organization, which collects and distributes funds to assist a wide range of community needs, including education, health and human services, the arts and sciences, community revitalization, recreation, housing, issues affecting women and girls and the environment. The agreement between the Foundation and the Chester County Community Foundation states the transfer is irrevocable and that the Foundation can withdraw 5% of the value of the investment at June 30 during the following year. The value of the investment was \$332,709 at June 30, 2012.

Investment income consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Interest and dividends	\$ 6,463	\$ 10,868
Realized gains	-	1,047
Unrealized losses	-	(12,847)
	<u>\$ 6,463</u>	<u>\$ (932)</u>

NOTE D FAIR VALUE MEASUREMENTS

Financial accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels.

Level 1 inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access. *Level 2* inputs are other than quoted prices that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. *Level 3* inputs are unobservable inputs based on the Foundation's assumptions used to measure assets and liabilities at fair value. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

PHOENIXVILLE COMMUNITY EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Assets of the Foundation for which fair values are determined on a recurring basis are summarized as follows:

	<u>Level 3</u>
Beneficial interest in perpetual trust	\$ <u>332,709</u>

There are no Level 1 or Level 2 assets included in the total investment assets at June 30, 2012.

The beneficial interest in perpetual trust is valued at the fair value of the assets in the trust at year-end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation 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 measurement at the reporting date.

Changes in the Foundation's Level 3 investment assets measured at fair value on a recurring basis are as follows:

	<u>Beneficial Interest in Perpetual Trust</u>
BALANCE, BEGINNING OF YEAR	\$ 339,723
Interest and dividends	10,868
Realized gains	1,047
Unrealized losses relating to instruments still held at the reporting date	(12,847)
Distributions	(1,141)
Fees	<u>(4,941)</u>
BALANCE, END OF YEAR	\$ <u>332,709</u>

NOTE E IN-KIND CONTRIBUTION

The Foundation receives the use of donated facilities. These amounts are recorded as both revenue and expense on the statement of revenues, expenses and changes in net assets--cash basis at estimated fair value. The estimated amount of revenue and expense for the year ended June 30, 2012, was \$14,400.