

**CHILDREN'S SCHOLARSHIP FUND
PHILADELPHIA**

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008**

**CHILDREN'S SCHOLARSHIP FUND PHILADELPHIA
TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Statements of Functional Expenses	5
Notes to Financial Statements	6 – 11

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Children's Scholarship Fund Philadelphia
Philadelphia, Pennsylvania

We have audited the accompanying statements of financial position of the Children's Scholarship Fund Philadelphia (a Pennsylvania nonprofit organization) as of December 31, 2009 and 2008, and the related statements of activities, cash flows and statements of functional expenses for the years 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Children's Scholarship Fund Philadelphia as of December 31, 2009 and 2008, 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.

MEMBER

• American
Institute
of Certified
Public
Accountants

• Pennsylvania
Institute
of Certified
Public
Accountants

Limor Goodman, PC

Certified Public Accountants
February 4, 2010

**CHILDREN'S SCHOLARSHIP FUND PHILADELPHIA
STATEMENTS OF FINANCIAL POSITION**

	December 31,	
ASSETS	2009	2008
Cash and cash equivalents	\$ 4,591,991	\$ 4,701,334
Investments	11,287	8,805
Property and equipment, net	5,573	5,198
Security deposits	1,800	1,500
Total Assets	\$ 4,610,651	\$ 4,716,837
LIABILITIES AND NET ASSETS		
Liabilities:		
Accrued expenses	\$ 6,800	\$ -
Total Liabilities	6,800	-
Net Assets:		
Unrestricted	324,721	453,357
Temporarily restricted	4,279,130	4,263,480
Total Net Assets	4,603,851	4,716,837
Total Liabilities and Net Assets	\$ 4,610,651	\$ 4,716,837

See Notes to Financial Statements

**CHILDREN'S SCHOLARSHIP FUND PHILADELPHIA
STATEMENTS OF ACTIVITIES**

For The Years Ended December 31,

	2009		2008		
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted	Total
Operating revenues and support:					
Individual contributions	\$ 31,000	\$ 55,627	\$ 86,627	\$ 188,700	\$ 154,032
Foundation and corporate contributions	49,000	1,401,654	1,450,654	240,050	996,157
Children's Scholarship Fund National contributions	110,983	1,566,547	1,677,530	89,924	1,641,175
BLOCS contributions	50,000	405,000	455,000	-	770,000
Investment income	87,705	-	87,705	88,618	-
Total operating revenues and support	328,688	3,428,828	3,757,516	607,292	3,561,364
Net assets released from restrictions	3,413,178	(3,413,178)	-	2,796,790	(2,796,790)
Total operating revenues, support and net assets released from restrictions	3,741,866	15,650	3,757,516	3,404,082	764,574
Operating expenses:					
Program services	3,413,178	-	3,413,178	2,796,790	-
Scholarships and grants	219,863	-	219,863	240,887	-
Program expenses					
Total program services	3,633,041	-	3,633,041	3,037,677	-
Support services:					
Management and general expenses	237,461	-	237,461	241,236	-
Fundraising	-	-	-	60,928	-
Total support services	237,461	-	237,461	302,164	-
Total operating expenses	3,870,502	-	3,870,502	3,339,841	-
(Decrease) increase in Net Assets	(128,636)	15,650	(112,986)	64,241	764,574
Net Assets - Beginning of Year	453,357	4,263,480	4,716,837	389,116	3,498,906
Net Assets - End of Year	\$ 324,721	\$ 4,279,130	\$ 4,603,851	\$ 453,357	\$ 4,263,480
					\$ 4,716,837

See Notes to Financial Statements

**CHILDREN'S SCHOLARSHIP FUND PHILADELPHIA
STATEMENTS OF CASH FLOWS**

	For The Years Ended December 31,	
	2009	2008
Cash Flows From Operating Activities:		
(Decrease) increase in net assets	\$ (112,986)	\$ 828,815
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,396	1,179
Unrealized (gain) loss in investments	(1,489)	7,806
(Increase) Decrease in assets		
Security deposit	(300)	-
Interest income receivable	-	25,587
Increase (decrease) in liabilities		
Accrued expenses	6,800	(10,750)
Net Cash (Used By) Provided By Operating Activities	(106,579)	852,637
Cash Flows From Investing Activities		
Reinvested dividends	(993)	(1,463)
Proceeds from sales of investments	-	2,673
Purchases of fixed assets	(1,771)	(3,797)
Net Cash (Used By) Investing Activities	(2,764)	(2,587)
Net (Decrease) Increase in cash	(109,343)	850,050
Cash and Cash Equivalents - Beginning of Year	4,701,334	3,851,284
Cash and Cash Equivalents - End of Year	\$ 4,591,991	\$ 4,701,334

See Notes to Financial Statements

**CHILDREN'S SCHOLARSHIP FUND PHILADELPHIA
STATEMENTS OF FUNCTIONAL EXPENSES**

	For The Years Ended December 31,			
	2009		2008	
	Management and General Expenses	Program Expenses	Management and General Expenses	Program Expenses
	Totals	Totals	Totals	Totals
Compensation expenses				
Payroll	\$ 145,135	\$ 115,988	\$ 261,123	\$ 144,721
Payroll taxes	11,391	9,104	20,495	11,482
Employee benefits	12,864	8,576	21,440	9,210
	<u>169,390</u>	<u>133,668</u>	<u>303,058</u>	<u>165,413</u>
Advertising	-	10,700	-	-
Computer expense	5,251	-	5,467	5,467
Depreciation	1,396	-	1,179	1,179
Dues and subscriptions	875	-	895	895
Insurance expense	5,200	-	3,893	3,893
Licenses	250	-	250	250
Office expense	2,384	2,384	3,740	3,740
Outside services	9,806	12,915	13,607	-
Postage and delivery	7,161	7,161	9,298	9,298
Printing and reproduction	17,092	9,203	20,524	11,051
Program evaluation	-	5,850	-	18,254
Rent	9,418	9,418	13,380	13,379
Scholarship program expenses	-	20,500	-	15,322
Staff development	770	-	230	230
Telephone	3,037	3,037	1,518	1,518
Travel and entertainment	4,727	4,726	2,305	2,306
Utilities	704	301	1,414	606
Total Expenses	<u>\$ 237,461</u>	<u>\$ 219,863</u>	<u>\$ 457,324</u>	<u>\$ 240,887</u>
			<u>\$ 241,236</u>	<u>\$ 482,123</u>

See Notes to Financial Statements

**CHILDREN'S SCHOLARSHIP FUND PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008**

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

The Children's Scholarship Fund Philadelphia (the Organization) is a not-for-profit charitable organization whose mission is to provide educational opportunities to children of low-income Philadelphia families by awarding four-year scholarships to these children (kindergarten through eighth grade).

The Organization receives one dollar for every two dollars expended on new scholarship awards from Children's Scholarship Fund National. The program also receives unrestricted program and administrative support from Children's Scholarship Fund National.

Since the Organization's first scholarships were awarded in 2001, more than 7,000 children from low-income families have been awarded new 4-year scholarships.

Basis of Accounting

In order to ensure observance of restrictions placed on the use of resources available to the Organization, the Organization's accounts are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Accordingly, the Organization's financial statements distinguish between unrestricted, temporarily restricted and permanently restricted net assets and changes in net assets as follows:

Unrestricted Net Assets – consists of all funds which are expendable, at the discretion of the Organization's management and Board of Directors for carrying on daily operations. These funds have neither been restricted by donors nor set aside for any specific purpose.

Temporarily Restricted Net Assets – net assets that have been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by the actions of the Organization pursuant to those stipulations. 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 statements of activities as net assets released from restrictions.

The Organization did not have any permanently restricted net assets as of December 31, 2009 and 2008.

**CHILDREN'S SCHOLARSHIP FUND PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008**

**NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING
POLICIES (Continued)**

Cash and Cash Equivalents

Cash and cash equivalents include cash in the bank and certificates of deposit. The Organization maintains accounts at several financial institutions. Accounts at each institution are insured by the FDIC up to \$ 250,000 in 2009 and 2008. Cash balances on deposit with the various financial institutions exceeded the insurance limits at December 31, 2009 and 2008 by \$1,380,577 and \$780,087, respectively.

Investments

Investments are comprised of marketable equity securities with readily determinable fair values. All investments in securities are carried at fair value in the statement of financial position at December 31, 2009 and 2008. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Fixed Assets

Fixed assets acquired by the Organization are stated at cost. The Organization follows the practice of capitalizing all expenditures for equipment in excess of \$1,000. Depreciation is provided using the straight-line and accelerated methods over the estimated useful lives of the related assets ranging from 5 to 10 years.

Restricted and Unrestricted Support

The Organization follows SFAS No. 116, Accounting for Contributions Received and Contributions Made in recording contributions received. Contributions received are recorded as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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. There are no permanently restricted net assets.

**CHILDREN'S SCHOLARSHIP FUND PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008**

**NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING
POLICIES (Continued)**

Scholarship Awards

The Organization awards partial scholarships so that children from low income families can attend the private or parochial school of their choice. These scholarships are recorded as an expense at the time they become unconditional, which is usually when they are awarded.

Estimates

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

Concentration of Credit Risk

During the year the Organization had balances with major financial institutions, which exceeded Federal Depository Insurance limits. These financial institutions have strong credit ratings, and management believes the credit risk related to these deposits is minimal.

Donated Services

A substantial number of volunteers have contributed significant amounts of time to the Organization. The value of these donated services has not been included in the financial statements since no objective basis is available to measure the value of such services.

Taxes

The Organization was incorporated as a not-for-profit corporation under the laws of the State of Pennsylvania and is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code. Therefore, there is no provision for income taxes.

NOTE 2 – RESTRICTIONS ON NET ASSETS

The restrictions on net assets are related to funds raised by the Organization for the purpose of funding scholarship awards to children of low-income families in Philadelphia. Each student selected will receive on average \$1,256 per year for four years.

**CHILDREN'S SCHOLARSHIP FUND PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008**

NOTE 2 – RESTRICTIONS ON NET ASSETS (continued)

For the years ended December 31, 2009 and 2008, Children's Scholarship Fund National (CSF) contributed funding for scholarships of \$1,566,547 and \$1,641,175, respectively, to the Organization. The contributions were allocated as follows:

	<u>2009</u>	<u>2008</u>
Prior commitments	\$ 78,225	\$ 210,901
New commitments	<u>1,488,322</u>	<u>1,430,274</u>
Total CSF contribution	<u>\$1,566,547</u>	<u>\$1,641,175</u>

Prior commitments represent reimbursement of scholarship award payments to families participating in the CSF 1999 scholarship awards program. The new commitments represent the matching grant from CSF towards the funding of new scholarship awards made by the Organization for the academic years 2005-2006 through 2012-2013.

In October 2007, the Organization entered into a scholarship funding partnership agreement with the Business Leaders Organized for Catholic Schools (BLOCS). Under this agreement, BLOCS has agreed to expand four-year scholarship opportunities and provide funding to the Organization for BLOCS/CSFP designated awards starting in the fall 2008 and continuing through the fall 2010.

Additionally, BLOCS is providing administrative support to the Organization to cover expenses related to these newly issued scholarships. BLOCS funding for the years ending December 31, 2009 and 2008 was \$455,000 and \$770,000, respectively.

NOTE 3 – INVESTMENTS

Investments in securities are summarized as follows at December 31, 2009 and 2008:

	<u>2009</u>		<u>2008</u>	
	Cost	Fair Value	Cost	Fair Value
Common Stock	<u>\$ 20,390</u>	<u>\$ 11,287</u>	<u>\$ 17,568</u>	<u>\$ 8,805</u>

**CHILDREN'S SCHOLARSHIP FUND PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008**

NOTE 3 – INVESTMENTS (continued)

Investment income included in unrestricted net assets from cash equivalents and investments, net of investment expenses is comprised of the following for the years ended December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Dividend and interest income	\$ 86,216	\$ 96,424
Change in fair value	1,489	(7,806)
	<u>\$ 87,705</u>	<u>\$ 88,618</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2009 and 2008 consist of the following:

	<u>2009</u>	<u>2008</u>
Computer Equipment	\$ 9,066	\$ 9,066
Furniture	1,771	-
	10,837	9,066
Less: Accumulated Depreciation	(5,264)	(3,868)
Property and Equipment, net	<u>\$ 5,573</u>	<u>\$ 5,198</u>

Depreciation expense for the years ended December 31, 2009 and 2008 was \$1,396 and \$1,179, respectively.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Scholarship grant programs	\$4,279,130	\$4,263,480
Total temporarily restricted net assets	<u>\$4,279,130</u>	<u>\$4,263,480</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose of restrictions specified by donors as follows:

	<u>2009</u>	<u>2008</u>
Scholarship grant programs	\$3,413,178	\$2,796,790
Total restrictions released	<u>\$3,413,178</u>	<u>\$2,796,790</u>

**CHILDREN'S SCHOLARSHIP FUND PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008**

NOTE 6 – PENSION PLAN

The Organization sponsors a defined contribution pension plan in the form of a Simple Individual Retirement Account (Simple IRA). The organization matches up to 3% of the employee contribution. Pension expense was \$6,005 and \$5,931, respectively, for the years ended December 31, 2009 and 2008, which is reflected within employee benefits in the statements of functional expenses.

NOTE 7– COMMITMENTS

The Organization leases its offices under an operating lease expiring September 30, 2014. Minimum future rental payments under this non-cancelable operating lease having remaining terms in excess of one year as of December 31, 2009 is as follows:

Year Ending December 31,	Amount
2010	\$ 21,015
2011	21,570
2012	22,185
2013	22,860
2014	17,550
Total minimum future rental payments	\$ 105,180

The Organization sublet office space from January to October 2009 for \$2,800 per month, which is netted against rent expense. Net rent expense for the years ending December 31, 2009 and 2008, respectively is \$18,836 and \$26,759.

During October 2009, the Organization renegotiated their office space lease. The rent starts at \$1,740 per month, with annual increases over the next 5 years.