

The Playtime Art Center
Financial Statements
For the Year Ended August 31, 2004
With Comparative Totals for the Year Ended August 31, 2003

The Playtime Art Center

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

The Playtime Art Center

I have audited the accompanying statement of financial position of The Playtime Art Center (a nonprofit organization) as of August 31, 2004, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statement based on my audit. The prior year summarized comparative information has been derived from the Organization's 2003 financial statements and, in my report dated December 7, 2003, I expressed an unqualified opinion on those statements.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Playtime Art Center as of August 31, 2004 and the changes in its net assets and its cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Playtime Art Center
 Statements of Financial Position
 For the Year Ended August 31, 2004
 With Comparative Totals for the Year Ended August 31, 2003

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL 2004</u>	<u>TOTAL 2003</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 18,409	\$ 519,552	\$ 537,961	\$ 858,766
Prepaid expenses	12,755		12,755	2,099
Revenue receivable	75,525	103,600	179,125	310,740
Other receivables/advances	290		290	2,571
Total Current Assets	106,979	623,152	730,131	1,174,176
Long-Term Assets				
Construction in progress	48,748		48,748	41,919
Land	1,600		1,600	1,600
Property and equipment, net of accumulated depreciation	147,919		147,919	163,491
Total Long-Term Assets	198,267	0	198,267	207,010
Total Assets	\$ 305,246	\$ 623,152	\$ 928,398	\$ 1,381,186
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 16,689		\$ 16,689	\$ 13,506
Accrued expenses	18,811		18,811	11,650
Deferred contract revenue				5,000
Total Current Liabilities	35,500	\$ 0	35,500	30,156
Net Assets	269,746	623,152	892,898	1,351,030
Total Liabilities and Net Assets	\$ 305,246	\$ 623,152	\$ 928,398	\$ 1,381,186

The accompanying notes are an integral part of the financial statements.

The Playtime Art Center
 Statements of Activities
 For the Year Ended August 31, 2004
 With Comparative Totals for the Year Ended August 31, 2003

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL 2004</u>	<u>TOTAL 2003</u>
Revenue, gains, and other support:				
Contracts - Government funding	\$ 182,134		\$ 182,134	\$ 164,631
Contributions	61,941		61,941	62,864
Grants	197,450	\$ 136,148	333,598	511,165
Program income	112,168		112,168	66,092
Interest and dividend income	5,341		5,341	11,750
Net assets released from restrictions:				
Satisfaction of program restrictions	329,229	(329,229)		
Satisfaction of time restrictions	58,623	(58,623)		
Total revenues, gains, and other support	<u>946,886</u>	<u>(251,704)</u>	<u>695,182</u>	<u>816,502</u>
Expenses				
Program services:				
Community and economic development	134,677		134,677	74,967
Education	425,057		425,057	367,550
Performance and events	122,818		122,818	132,241
Parks and gardens	260,578		260,578	262,262
Total Program Services	943,130	0	943,130	837,020
Supporting Services:				
Management and general	171,403		171,403	294,047
Fundraising	38,781		38,781	74,354
Total supporting services	<u>210,184</u>	<u>0</u>	<u>210,184</u>	<u>368,401</u>
Total expenses	<u>1,153,314</u>	<u>0</u>	<u>1,153,314</u>	<u>1,205,421</u>
Increase, (decrease) in net assets	(206,428)	(251,704)	(458,132)	(388,919)
Net Assets at beginning of year	<u>476,174</u>	<u>874,856</u>	<u>1,351,030</u>	<u>1,739,949</u>
Net Assets at end of year	<u>\$ 269,746</u>	<u>\$ 623,152</u>	<u>\$ 892,898</u>	<u>\$ 1,351,030</u>

The accompanying notes are an integral part of the financial statements.

The Playtime Art Center
Schedule of Functional Expenses
For the Year ended August 31, 2004
With Comparative Totals for the Year Ended August 31, 2003

	PROGRAM SERVICES					SUPPORTING SERVICES			TOTAL EXPENSES	
	EDUCATION	PERFORMANCE AND EVENTS	PARK AND GARDENS	COMMUNITY & ECONOMIC DEVELOPMENT	TOTAL	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL	2004	2003
Staff salaries	\$ 268,934	\$ 66,216	\$ 147,914	\$ 66,886	\$ 549,950	\$ 67,208	\$ 33,089	\$ 100,297	\$ 650,247	\$ 698,445
Artists, teachers, etc.	17,370	8,167	793	2,035	28,365			0	28,365	33,916
Consultants			13,258	19,055	32,313		1,080	1,080	33,393	34,084
Depreciation						23,015		23,015	23,015	20,030
Documentation	575	2,723	432	134	3,864	29	377	406	4,270	5,782
Equipment rental								0	0	8,207
Food	574	1,346	50	1,345	3,315	1,369	1,754	3,123	6,438	6,000
General and administrative	59,377	18,289	40,841	11,343	129,850	(124,016)	(5,834)	(129,850)		
Insurance						11,882		11,882	11,882	10,053
Interest								0	0	156
Miscellaneous	1,857		510	1,013	3,380	5,934	87	6,021	9,401	17,415
Office supplies		371	2,079	3,829	6,279	11,561	230	11,791	18,070	13,525
Other	2,460			2,000	4,460	5,355		5,355	9,815	0
Payroll service								0	0	5,028
Payroll taxes/employee benefits	56,963	16,237	34,025	12,860	120,085	17,087		17,087	137,172	147,861
Postage		465	11	313	789	2,555	3,165	5,720	6,509	4,553
Printing	2,399	1,657	54	302	4,412	418	1,398	1,816	6,228	7,457
Professional fees	300				300	95,624	3,237	98,861	99,161	81,187
Repairs and maintenance	15	30	1,432		1,477	5,797		5,797	7,274	7,475
Staff Development	417		208	166	791		130	130	921	2,639
Supplies	10,329	5,961	18,497	13,318	48,105	3,371		3,371	51,476	63,796
Telephone						9,392		9,392	9,392	12,005
Travel and transportation	3,487	1,356	474	78	5,395	4,770	68	4,838	10,233	14,540
Utilities						30,052		30,052	30,052	11,267
Total Expenses	\$ 425,057	\$ 122,818	\$ 260,578	\$ 134,677	\$ 943,130	\$ 171,403	\$ 38,781	\$ 210,184	\$ 1,153,314	\$ 1,205,421

The accompanying notes are an integral part of the financial statements.

The Playtime Art Center
 Statements of Cash Flow
 For the Year Ended August 31, 2004
 With Comparative Totals for the Year Ended August 31, 2003

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL 2004</u>	<u>TOTAL 2003</u>
Cash Flows from Operating Activities				
Change in net assets	\$ (206,428)	\$ (251,704)	\$ (458,132)	\$ (388,919)
Adjustment to reconcile change in net assets to cash used by operations				
Depreciation	23,015		23,015	20,030
(Increase), Decrease in assets:				
Revenue receivable	(37,635)	169,250	131,615	(79,755)
Prepaid expenses	(10,656)		(10,656)	(274)
Other receivables	2,281		2,281	10,196
Increase, (Decrease) in liabilities:				
Accounts payable	3,183		3,183	(1,781)
Accrued expenses	7,161		7,161	(10,711)
Deferred contracts	(5,000)		(5,000)	5,000
Grants restricted to debt reduction	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash Used By Operations	<u>(224,079)</u>	<u>(82,454)</u>	<u>(306,533)</u>	<u>(446,214)</u>
Cash Flows from Investing Activities				
Construction in progress	(6,830)		(6,830)	(2,901)
Completion and sale of assets				
Acquisition of assets	<u>(7,442)</u>	<u> </u>	<u>(7,442)</u>	<u>(10,189)</u>
Cash Provided From (Used For) Investing	<u>(14,272)</u>	<u>0</u>	<u>(14,272)</u>	<u>(13,090)</u>
Decrease in Cash	(238,351)	(82,454)	(320,805)	(459,304)
Cash and cash equivalents - Beginning	<u>256,760</u>	<u>602,006</u>	<u>858,766</u>	<u>1,318,070</u>
Cash and cash equivalents - Ending	<u>\$ 18,409</u>	<u>\$ 519,552</u>	<u>\$ 537,961</u>	<u>\$ 858,766</u>

The accompanying notes are an integral part of the financial statements.

The Playtime Art Center
Notes to Financial Statements
August 31, 2004 and 2003

NOTE 1 - Summary of Significant Accounting Policies

Nature of Organization

The Playtime Art Center was founded in 1989 as a not-for-profit organization to provide artistic, educational and social programs for children and adult neighborhood residents.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with United States generally accepted accounting principles.

Financial Statement Presentation

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, 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. Accordingly, the Organization has classified its financial statements to present the three classes of net assets required. There are no permanently restricted net assets as of August 31, 2004.

Contributions

The Organization has also adopted Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made". Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence 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.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other 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.

Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Tax Status

The Organization, a non profit corporation, is exempt from Federal income taxes under Section 501 (c)(3) of the Internal Revenue Code and from Pennsylvania State Corporate taxes. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509 (a) of that Code.

The Playtime Art Center
Notes to Financial Statements
August 31, 2004 and 2003

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Comparative Financial Information

The financial information shown for 2003 in the accompanying financial statements is included to provide a basis for comparison with 2004 and provide summarized totals only.

Functional Allocation of Expenses

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

Property and Equipment

Purchased property and equipment is recorded at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are recorded as unrestricted contributions unless the donor has restricted the asset to a specific purpose. It is the organization's policy to capitalize property and equipment expenditures in excess of \$ 500. Depreciation is provided on the straight-line method over the estimated useful lives of the assets as follows:

	YEARS	AUGUST 31	
		2004	2003
Land		\$ 1,600	\$ 1,600
Buildings and Improvements	10	237,454	237,454
Construction in Progress		48,748	41,919
Office Furnishings and Equipment	7	71,845	64,402
Subtotal		359,647	345,375
Accumulated depreciation		(161,380)	(138,365)
Total		\$ 198,267	\$ 207,010
Depreciation expense		\$ 23,015	\$ 20,030

Construction in progress represents various rehabilitation and development costs incurred and recorded as assets pending completion of the various projects.

Concentration of Credit Risk

Financial instruments that potentially subject the organization to credit risk include cash on deposit with an investment firm in a money market account totaling \$518,404 and \$847,953 as of August 31, 2004 and 2003 respectively.

The Playtime Art Center
Notes to Financial Statements
August 31, 2004 and 2003

NOTE 2 - Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments which are readily convertible into cash within ninety (90) days of purchase.

Cash and cash equivalents are summarized as follows:

	UNRESTRICTED	TEMPORARILY RESTRICTED	AUGUST 31	
			2004	2003
Petty Cash	\$ 200	\$	\$ 200	\$ 200
Checking Accounts	18,209	1,148	19,357	10,613
Money Market Accounts	<u>-</u>	<u>518,404</u>	<u>518,404</u>	<u>847,953</u>
Totals	<u>\$ 18,409</u>	<u>\$ 519,552</u>	<u>\$ 537,961</u>	<u>\$ 858,766</u>

NOTE 3 - Revenue Receivable

Contracts, grants and program service revenues included in revenues receivable are as follows:

	AUGUST 31	
	2004	2003
Unrestricted		
Contracts - Government	\$ 54,016	\$ 37,740
Program services	6,509	150
Grants and contributions	<u>15,000</u>	<u>0</u>
Subtotal unrestricted	75,525	37,890
Temporarily restricted		
Grants	<u>103,600</u>	<u>272,850</u>
Totals	<u>\$ 179,125</u>	<u>\$ 310,740</u>

NOTE 4- Restriction on Net Assets

Temporarily restricted net assets are available for the following purposes:

	AUGUST 31	
	2004	2003
Program service		
Education	\$ 166,529	\$ 385,450
Special projects	31,500	
Parks and gardens		5,000
Community and economic development	90,317	149,600
Property rehabilitation	<u>334,806</u>	<u>334,806</u>
Totals	<u>\$ 623,152</u>	<u>\$ 874,856</u>

Temporarily restricted net assets consist of the following:

Cash and cash equivalents	\$ 519,552	\$ 602,006
Receivable - Promises to give	<u>103,600</u>	<u>272,850</u>
	<u>\$ 623,152</u>	<u>\$ 874,856</u>

The Playtime Art Center
Notes to Financial Statements
August 31, 2004 and 2003

NOTE 5 - Donated Property/Services

For the years ended August 31, 2004 and 2003, the financial statements reflect the contribution of donated services of \$2,100 and \$2,614 respectively.

The financial statements do not reflect the value of other donated services in as much as there was no objective basis available to measure the value of such services.