

**MARY AND ALEXANDER LAUGHLIN
CHILDREN'S CENTER**

SEWICKLEY, PENNSYLVANIA

AUGUST 31, 2011

AUDIT REPORT

MARY AND ALEXANDER LAUGHLIN CHILDREN'S CENTER

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 13
Supplementary Schedule	14
Schedule of Functional Expenses	15

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees and the Board of Directors
Mary and Alexander Laughlin Children's Center
424 Frederick Avenue
Sewickley, Pennsylvania 15143

We have audited the accompanying statement of financial position of Mary and Alexander Laughlin Children's Center (a nonprofit organization) as of August 31, 2011, and the related statements of activities 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.

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 Mary and Alexander Laughlin Children's Center as of August 31, 2011, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

COTTRILL, ARBUTINA & ASSOCIATES, P.C.

Certified Public Accountants

Cottrill Arbutina & Associates, P.C.

Beaver, PA 15009

December 16, 2011

MARY AND ALEXANDER LAUGHLIN CHILDREN'S CENTER
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2011

	<u>Board of Trustees</u>	<u>Board of Directors</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 671,825	\$ 94,959	\$ 766,784
Cash Restricted for Building Renovations	213,144	0	213,144
Accounts Receivable	0	34,876	34,876
Investment Income Receivable	47,927	0	47,927
Prepaid Expense	0	21,597	21,597
Interfund Receivable (Payable)	<u>2,258</u>	<u>(2,258)</u>	<u>0</u>
Total Current Assets	\$ 935,154	\$ 149,174	\$ 1,084,328
Investments	10,594,181	0	10,594,181
Property and Equipment, Net of Accumulated Depreciation	<u>361,670</u>	<u>37,265</u>	<u>398,935</u>
Total Assets	<u>\$ 11,891,005</u>	<u>\$ 186,439</u>	<u>\$ 12,077,444</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts Payable	\$ 81,042	\$ 7,623	\$ 88,665
Accrued Payroll	0	42,018	42,018
Accrued Payroll Taxes	<u>0</u>	<u>4,611</u>	<u>4,611</u>
Total Current Liabilities	\$ 81,042	\$ 54,252	\$ 135,294
Net Assets			
Unrestricted Net Assets	\$ 11,596,819	\$ 132,187	\$ 11,729,006
Temporarily Restricted Net Assets	<u>213,144</u>	<u>0</u>	<u>213,144</u>
Total Net Assets	\$ 11,809,963	\$ 132,187	\$ 11,942,150
Total Liabilities and Net Assets	<u>\$ 11,891,005</u>	<u>\$ 186,439</u>	<u>\$ 12,077,444</u>

See Accompanying Notes to Financial Statements

MARY AND ALEXANDER LAUGHLIN CHILDREN'S CENTER
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED AUGUST 31, 2011

	Board of Trustees		Board of Directors	Total
	Unrestricted	Temporarily Restricted	Unrestricted	
PUBLIC SUPPORT AND REVENUE				
Public Support:				
Contributions & Grants	\$ 0	\$ 317,432	\$ 85,092	\$ 402,524
Special Events	0	0	31,465	31,465
Total Public Support	<u>\$ 0</u>	<u>\$ 317,432</u>	<u>\$ 116,557</u>	<u>\$ 433,989</u>
Revenue:				
Program Service Fees	\$ 0	\$ 0	\$ 351,239	\$ 351,239
Investment Return (Note 3)	1,700,521	0	34	1,700,555
Others	1,360	0	428	1,788
Net Assets Released From Restrictions				
Restrictions Satisfied by Payments	140,822	(140,822)	0	0
Total Revenue	<u>\$ 1,842,703</u>	<u>\$ (140,822)</u>	<u>\$ 351,701</u>	<u>\$ 2,053,582</u>
Total Public Support and Revenue	<u>\$ 1,842,703</u>	<u>\$ 176,610</u>	<u>\$ 468,258</u>	<u>\$ 2,487,571</u>
EXPENSES				
Program Services	\$ 19,836	\$ 0	\$ 728,032	\$ 747,868
Supporting Services	23,106	0	276,308	299,414
Fund Raising	1,288	0	60,277	61,565
Total Expenses	<u>\$ 44,230</u>	<u>\$ 0</u>	<u>\$ 1,064,617</u>	<u>\$ 1,108,847</u>
Transfers Between Trustees and Directors	\$ (656,520)	\$ 0	\$ 656,520	\$ 0
CHANGE IN NET ASSETS	<u>\$ 1,141,953</u>	<u>\$ 176,610</u>	<u>\$ 60,161</u>	<u>\$ 1,378,724</u>
NET ASSETS, BEGINNING OF YEAR	<u>10,454,866</u>	<u>36,534</u>	<u>72,026</u>	<u>10,563,426</u>
NET ASSETS, END OF YEAR	<u>\$ 11,596,819</u>	<u>\$ 213,144</u>	<u>\$ 132,187</u>	<u>\$ 11,942,150</u>

See Accompanying Notes to Financial Statements

MARY AND ALEXANDER LAUGHLIN CHILDREN'S CENTER
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 1,378,724
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	24,371
Net Realized and Unrealized Gain on Investments	(1,381,896)
Increase in Operating Assets and Liabilities:	
(Increase) Decrease in Assets:	
Accounts Receivable	(4,794)
Investment Income Receivable	(4,580)
Prepaid Expense	(15,376)
Increase (Decrease) in Liabilities:	
Accounts Payable	86,013
Accrued Payroll	(3,078)
Accrued Payroll Taxes	763
Net Cash Provided by Operating Activities	<u>\$ 80,147</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from the Sale of Investments	\$ 654,736
Purchase of Property and Equipment	(270,291)
Purchases of Investments	(494,536)
Net Cash Used in Investing Activities	<u>\$ (110,091)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (29,944)
Cash and Cash Equivalents, Beginning of Year	<u>1,009,872</u>
Cash and Cash Equivalents, End of Year	<u>\$ 979,928</u>
SUPPLEMENTAL DISCLOSURES:	
Interest Paid	<u>\$ 0</u>
Income Taxes Paid	<u>\$ 0</u>

See Accompanying Notes to Financial Statements

MARY AND ALEXANDER LAUGHLIN CHILDREN'S CENTER

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Mary and Alexander Laughlin Children's Center (Laughlin Center) is a nonprofit agency located in Sewickley, Pennsylvania, and incorporated under the laws of the Commonwealth of Pennsylvania, providing learning support services for children from preschool through middle school. Laughlin Center serves more than 1,200 children each year from many areas of Allegheny and Beaver Counties, offering a variety of programs in the fields of early childhood development, academics, psychology and speech-language. Laughlin Center serves children and families regardless of their race, religion, or ability to pay, with financial aid available for families who otherwise could not afford needed services.

Basis of Accounting

Laughlin Center prepared its financial statements on the accrual basis of accounting and accordingly reflects all significant receivables, payables and other liabilities.

Financial Statement Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board's (FASB's) Accounting Standards Codification (ASC) 958.205, *Not-for-Profit Entities – Presentation of Financial Statements* (formerly known as SFAS No. 117). Under ASC 958.205, Laughlin Center is required to report information regarding its financial position and activities according to three classes of net assets. These classifications of net assets are defined as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations and may be utilized at the discretion of the Boards of Trustees and Directors to support Laughlin Center's purposes and operations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that will be met either by actions of Laughlin Center satisfying the stated purpose or by the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends or a stated 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.

Permanently Restricted Net Assets – Net assets for which the donor has stipulated that the principal be maintained in perpetuity and that only the income from the investment thereof may be expended either for the general purposes of Laughlin Center or for the purposes specified by the donor.

MARY AND ALEXANDER LAUGHLIN CHILDREN'S CENTER

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents

Laughlin Center considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Financial Instruments

Accounting standards codification (ASC) 825.10 (formerly SFAS No. 107) requires disclosure of an estimate of the fair value of certain financial instruments. The Laughlin Center's significant financial instruments are cash, accounts receivable and marketable equity securities. For these financial instruments, carrying values approximate fair value.

Investments and Investment Return

Investments in equity and debt securities are carried at fair market value. Investment return includes dividend, interest and other investment income and other realized and unrealized gains and losses on investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Property and Equipment

Property and equipment are recorded at cost or fair value at the time of the gift in the case of donated items. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets. The cost of maintenance and repairs is charged to expense as incurred. Significant renewals and betterments are capitalized.

Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. For absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

MARY AND ALEXANDER LAUGHLIN CHILDREN'S CENTER

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accounts Receivable

Accounts receivable are stated at the amount of unpaid balances that are expected to be received. The Organization records a contractual adjustment to reduce the balance of accounts receivable from its standard charges to the amounts due from third-party payors under contractual agreements. The contractual adjustment is an estimate based on management's anticipated collections using past historical trends and contractual agreements in place. The adjustment represents approximately 33% of accounts receivable.

Contributions and Grants

Laughlin Center accounts for contributions in accordance with Accounting Standards Codification (ASC) 958.605.25, *Not-for-Profit Entities – Revenue Recognition*. In accordance with ASC 958.605.25, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Contributions are recorded at fair value. All donor restricted support is reported as an increase in temporarily restricted net assets. When a stipulated time restriction ends or a 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. Temporarily restricted contributions that are received and expended within the same fiscal year are reported as unrestricted resources.

Donated Services

Laughlin Center generally pays for services requiring specific expertise. However, many individuals volunteer their time and skills to perform a variety of tasks that assist Laughlin Center in carrying out their mission. No amounts have been recognized in the accompanying statement of activities because the criterion for recognition of such volunteer effort under ASC 958.605.25, *Not-for-Profit Entities – Revenue Recognition*, has not been satisfied.

Income Taxes

Laughlin Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. In addition, the Organization qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Functional Allocation of Expenses

Expenses are summarized and categorized based on their functional classification as either program services or supporting services. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. However, many expenses relate to more than one function and must be allocated based on the estimates of management using a reasonable methodology on the basis of time records and the usage of space.

MARY AND ALEXANDER LAUGHLIN CHILDREN'S CENTER

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Use of 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 the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising

Laughlin Center uses advertising to promote its programs among the audience it serves. Advertising costs are expensed as incurred. Advertising expense for the year ended August 31, 2011 was \$35,799.

NOTE 2 – CONCENTRATION OF CREDIT RISK

Financial instruments that are exposed to concentrations of credit risk consist of cash and investments. The cash and investments in common trust investments are in high quality institutions and companies with high credit ratings. Cash and investment values are based on quoted market prices.

The Organization has concentrated its credit risk for cash by maintaining deposits in one high credit quality financial institution. The maximum loss that would have resulted from that risk totaled \$592,027 at August 31, 2011 for the excess of the deposit liabilities reported by the banks over the amounts that would have been covered by federal insurance. However, the Organization has not experienced any losses in such accounts and believes that it is not exposed to any significant custodial credit risk.

NOTE 3 – INVESTMENTS

The Organization's investments consist of a portfolio of marketable securities that are to be used at the discretion of the Board of Trustees to support the general operations and capital needs of the Organization. As of August 31, 2011, the investment funds do not include any donor-restricted funds. All investments are designated by the Board of Trustees to function as endowments (board-designated endowment funds). The net assets associated with these board-designated funds are classified as unrestricted net assets due to the lack of donor-imposed restrictions in accordance with generally accepted accounting principles.

The Commonwealth of Pennsylvania has not adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which is used by most other states but, rather, is subject to Pennsylvania Act 141 ("PA Act 141"). PA Act 141 governs the spending of endowment funds and income from such funds. This Act permits an organization's trustees to define income as a stipulated percentage of endowment assets (between 2% and 7% of the fair value of the assets

MARY AND ALEXANDER LAUGHLIN CHILDREN'S CENTER

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

NOTE 3 – INVESTMENTS - CONTINUED

averaged over a period of at least the three preceding years) without regard to actual interest, dividend or realized and unrealized gains.

The Organization has interpreted PA Act 141 to permit the Organization to spend the earnings of its endowment based on a "total return" approach, without regard to the fair value of the original donation to the endowment. As long as the amounts are not permanently restricted by the donor, any donor-restricted endowment fund would be classified as temporarily restricted net assets until those amounts would be appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by PA Act 141. Due to the lack of external donor restrictions, all funds functioning as endowments are classified as unrestricted net assets.

Unrestricted assets considered to be endowment funds by the Board of Trustee's as of August 31, 2011 consist of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Cash Equivalents	\$ 587,108	\$ 587,108	\$ 587,108
Fixed Income - Corporate and Government Securities	\$ 1,391,961	\$ 1,564,421	\$ 1,564,421
Equities Securities	3,629,081	6,497,968	6,497,968
Mutual Funds - Equity	146,840	185,880	185,880
Other	<u>777,069</u>	<u>2,345,912</u>	<u>2,345,912</u>
Total Investments	\$ 5,944,951	\$ 10,594,181	\$ 10,594,181
Total Cash Equivalents & Investments	\$ 6,532,059	\$ 11,181,289	\$ 11,181,289

Total investment return is comprised of the following:

	<u>Unrestricted</u>
Interest and Dividends	\$ 318,659
Realized Gain (Loss), net	113,613
Unrealized Gain (Loss), net	<u>1,268,283</u>
Total Investment Return	\$ 1,700,555

Changes in endowment investments as of August 31, 2011 are as follows:

Balance at August 31, 2010	\$ 9,372,485
Sale of Investments	(654,736)
Purchase of Investments	494,536
Net Realized Gain (Loss), net	113,613
Net Unrealized Gain (Loss), net	<u>1,268,283</u>
Balance at August 31, 2011	\$ 10,594,181

MARY AND ALEXANDER LAUGHLIN CHILDREN'S CENTER

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

NOTE 3 – INVESTMENTS – CONTINUED

Funds with Deficiencies

From time-to-time, due to unfavorable market fluctuations, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature would be reported in unrestricted net assets. There were no donor restricted funds and no such deficiencies as of August 31, 2011.

Return Objectives and Risk Parameters

The Organization has adopted an investment policy for endowment assets that attempts 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 board-designated funds. Under this policy, as approved by the Board of Trustees, the primary objective of the endowment assets is the long-term growth of principal with generation of income without an undue exposure to risk. Assets are invested in a manner that is intended to produce results that meet or exceed appropriate market indices, which are monitored by the Board of Trustees. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization 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 Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Disbursements from Endowment Fund

The amount to be distributed from the endowment accounts, if any, is determined and approved by the Board of Trustees. In establishing the amounts to appropriate for expenditure, the board considers the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current distributions to allow its endowment to grow annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 4 – FAIR VALUE MEASUREMENTS

ASC 820.10 (formerly SFAS No. 157) defines fair value as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820.10 establishes a fair market hierarchy that distinguishes between

MARY AND ALEXANDER LAUGHLIN CHILDREN'S CENTER

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

NOTE 4 – FAIR VALUE MEASUREMENTS - CONTINUED

(1) market participant assumptions developed based on market data obtained from independent sources (i.e. "observable inputs") and (2) an entity's own estimates about market participant assumptions developed based on the best information available in the circumstances (i.e. "unobservable inputs").

The three levels of the fair value hierarchy under ASC 820.10 are:

Level 1 – Observable inputs such as quoted prices in active markets.

Level 2 – Inputs (other than quoted market prices in active markets) that are observable either directly or indirectly.

Level 3 – Unobservable inputs in which there is little or no market data and which require the reporting entity to develop its own assumptions.

The fair value of an asset or liability is measured based on the lowest level of input that is appropriate. In other words, Level 1 inputs are given the highest priority and Level 3 inputs are given the lowest priority in order to maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value of the Organization's investments is discussed in Note 3. The Organization's other financial instruments consist primarily of cash and cash equivalents which are reported at cost, which approximates fair value.

NOTE 5 – BENEFICIAL INTEREST IN TRUST

Laughlin Center is a beneficiary under a perpetual trust administered by an outside party. Under terms of the trust, Laughlin Center has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the assets held in trust. The income from this trust as of August 31, 2011 was \$1,671.

NOTE 6 – OPERATING LEASES

Laughlin Center leases a parking lot on a month-to-month basis from St. James Church for \$200 per month. In January 2010, Laughlin Center signed a lease for office equipment under a sixty month operating lease at \$392 per month. Rental expense for the year ended August 31, 2011 was \$7,104. Future annual minimum lease payments for future fiscal years are as follows:

MARY AND ALEXANDER LAUGHLIN CHILDREN'S CENTER

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

NOTE 6 – OPERATING LEASES - CONTINUED

<u>Year</u>	<u>Amount</u>
2012	\$ 7,104
2013	7,104
2014	7,104
2015	4,360
2016	<u>2,400</u>
Total	<u>\$ 28,072</u>

NOTE 7 – PROPERTY AND EQUIPMENT

Changes in Property and Equipment for the year ended August 31, 2011 consisted of the following:

	<u>Balance at</u> <u>08/31/10</u>	<u>Net</u> <u>Change</u>	<u>Balance at</u> <u>08/31/11</u>
Land	\$ 9,715	\$ 0	\$ 9,715
Building and Improvements	774,573	0	774,573
Construction-In-Progress	7,030	264,620	271,650
Furniture and Equipment	<u>225,354</u>	<u>5,671</u>	<u>231,025</u>
	\$1,016,672	\$270,291	\$ 1,286,963
Accumulated Depreciation	<u>(863,657)</u>	<u>(24,371)</u>	<u>(888,028)</u>
Net Property and Equipment	<u>\$ 153,015</u>	<u>\$ 245,920</u>	<u>\$ 398,935</u>

The additions to Construction-In-Progress noted in the table above are related to the renovation of various buildings on the campus of the Laughlin Center that began in December 2010. The renovations are scheduled to be completed in June 2012 and are expected to total approximately \$700,000. A capital campaign is underway to provide funding for this project. As of August 31, 2011, the capital campaign has raised approximately \$404,000.

NOTE 8 – RETIREMENT PLAN

Laughlin Center maintains a defined contribution retirement plan in accordance with Section 401(k) of the Internal Revenue Code for eligible employees who meet certain age and length of service requirements. In each year since the plan was established, the Organization has made a discretionary matching contribution to the Plan on behalf of eligible participants. During the year ended August 31, 2011, Laughlin Center recognized an expense of \$59,918 representing 10% of each participating employee's regular annual compensation earned during the 2010 calendar year. No accrual is recorded as of August 31, 2011 for contributions that may be made related to employee compensation earned between January 1 and August 31, 2011 because employer contributions are considered to be discretionary according to the Summary Plan Description and were not made as of August 31, 2011.

MARY AND ALEXANDER LAUGHLIN CHILDREN'S CENTER

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Certain grants require the fulfillment of conditions, as set forth in the instrument of the grant, and failure to fulfill the conditions could result in the return of the funds to the grantor. The grant terms generally coincide with the objectives of Laughlin Center, and therefore, do not place any unusual restrictions on its operations. Laughlin Center, by accepting the grants and their terms, intends to fulfill the required terms and provisions of the grants.

NOTE 10 – SUBSEQUENT EVENTS

The Organization evaluated its August 31, 2011 financial statements for subsequent events through December 19, 2011, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets have been designated by the original donors for building renovations. As of August 31, 2011, there was \$213,144 of temporarily restricted net assets relating to the building renovations.

SUPPLEMENTARY SCHEDULE

MARY AND ALEXANDER LAUGHLIN CHILDREN'S CENTER
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED AUGUST 31, 2011

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
Salaries and Related Expenses				
Salaries and Wages	\$ 546,730	\$ 112,589	\$ 27,095	\$ 686,414
Employee Benefits	125,635	44,607	8,695	178,937
Travel and Training	4,428	399	191	5,018
Total Salaries and Related Expenses	<u>\$ 676,793</u>	<u>\$ 157,595</u>	<u>\$ 35,981</u>	<u>\$ 870,369</u>
 Other Functional Expenses				
Program Activities	\$ 6,916	\$ 0	\$ 0	\$ 6,916
Professional Services	0	22,084	0	22,084
Investment Fees	0	18,469	0	18,469
Supplies	15,157	3,543	985	19,685
Repairs and Maintenance	30,044	7,022	1,950	39,016
Insurance	22,765	5,322	1,478	29,565
Advertising and Promotion	33,446	0	2,353	35,799
Utilities	20,600	4,815	1,338	26,753
Fundraising and Special Events	0	0	660	660
Development	0	0	14,641	14,641
Other Expense	0	519	0	519
Depreciation	18,765	4,387	1,219	24,371
Total Other Functional Expenses	<u>\$ 147,693</u>	<u>\$ 66,161</u>	<u>\$ 24,624</u>	<u>\$ 238,478</u>
 Total Functional Expenses	<u>\$ 824,486</u>	<u>\$ 223,756</u>	<u>\$ 60,605</u>	<u>\$ 1,108,847</u>

See Accompanying Notes to Financial Statements