# WESLEY FOUNDATION

# OF THE CITY OF PHILADELPHIA

# FINANCIAL STATEMENTS

# DECEMBER 31, 2011

WESLEY FOUNDATION OF THE CITY OF PHILADELPHIA
FINANCIAL STATEMENTS
DECEMBER 31, 2011

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C|H|M
CUPITT, HOLMES & McGILL, PC
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

**Board of Directors**
**Wesley Foundation**
**of the City of Philadelphia**
**Valley Forge, Pennsylvania**

**We have audited the accompanying statement of financial position of Wesley Foundation of the City of Philadelphia (a Not-For-Profit Corporation) as of December 31, 2011 and the related statements of activities and cash flows 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. The prior period summarized comparative information has been derived from the December 31, 2010 financial statements which were audited by other auditors, whose report dated October 7, 2011 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 Wesley Foundation of the City of Philadelphia as of December 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.**

***Cupitt, Holmes & McGill, PC***

**April 16, 2012**



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WESLEY FOUNDATION OF THE CITY OF PHILADELPHIA
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2011
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF DECEMBER 31, 2010

| | 2011 | 2010 |
|---|---|---|
| ASSETS: | | |
| Cash and cash equivalents (note 2) | $ 17,961 | $ 144,892 |
| Investments (note 3) | 381,279 | 480,300 |
| Interest receivable | 473 | 1,489 |
| TOTAL ASSETS | $ 399,713 | $ 626,681 |
| LIABILITIES AND NET ASSETS: | | |
| Accounts payable | $ 2,230 | $ 1,232 |
| Due to Eastern Pennsylvania Conference | 37,570 | 157,433 |
| TOTAL LIABLITIES | 39,800 | 158,665 |
| NET ASSETS (PAGE 4): | | |
| Unrestricted | 359,913 | 468,016 |
| TOTAL NET ASSETS | 359,913 | 468,016 |
| TOTAL LIABILITIES AND NET ASSETS | $ 399,713 | $ 626,681 |

See Notes to Financial Statements

WESLEY FOUNDATION OF THE CITY OF PHILADELPHIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2010

| | Unrestricted | Temporarily Restricted | 2011 Totals | 2010 Totals |
|---|---|---|---|---|
| SUPPORT AND REVENUE: | | | | |
| Investment income (note 3) | $ 8,570 | $ - | $ 8,570 | $ 10,373 |
| Gains (losses) on investments (note 3) | (14,419) | - | (14,419) | 37,898 |
| Fundraising-gifts | 9,161 | - | 9,161 | 2,290 |
| TOTAL SUPPORT AND REVENUE | 3,312 | - | 3,312 | 50,561 |
| EXPENSES: | | | | |
| Program and staff support | 107,377 | - | 107,377 | 98,725 |
| Trustee fees | 4,038 | - | 4,038 | 4,305 |
| TOTAL EXPENSES | 111,415 | - | 111,415 | 103,030 |
| CHANGE IN NET ASSETS | (108,103) | - | (108,103) | (52,469) |
| NET ASSETS: | | | | |
| Beginning of the year | 468,016 | - | 468,016 | 520,485 |
| End of the year | $ 359,913 | $ - | $ 359,913 | $ 468,016 |

See Notes to Financial Statements

WESLEY FOUNDATION OF THE CITY OF PHILADELPHIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2010

| | 2011 | 2010 |
|---|---|---|
| CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Change in Net Assets | $ (108,103) | $ (52,469) |
| Adjustments to reconcile the change in net assets to net cash provided by operating activities: | | |
| Realized (gains) losses from sales of investments | | |
| Unrealized (gains) losses on investments | 14,419 | (37,898) |
| (Increase) decrease in interest receivable | 1,016 | (688) |
| Increase (decrease) in amount due to Eastern Pennsylvania Conference | (119,863) | 79,723 |
| Increase (decrease) in accounts payable | 998 | 1,232 |
| Total adjustments | (103,430) | 42,369 |
| TOTAL CASH PROVIDED (USED) BY OPERATING ACTIVITIES | (211,533) | (10,100) |
| CASH PROVIDED (USED) BY INVESTING ACTIVITIES: | | |
| Proceeds from sales of investments | 232,501 | 229,852 |
| Purchases of investments | (147,899) | (146,059) |
| TOTAL CASH PROVIDED (USED) BY INVESTING ACTIVITIES | 84,602 | 83,793 |
| NET INCREASE (DECREASE) IN CASH | (126,931) | 73,693 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 144,892 | 71,199 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | $ 17,961 | $ 144,892 |

See Notes to Financial Statements

WESLEY FOUNDATION OF THE CITY OF PHILADELPHIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

## 1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:*

*Basis of Accounting*
**The Financial statements of Wesley Foundation of the City of Philadelphia have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.**

*Basis of Presentation*
**Financial presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Statements Codification (ASC) No. 958, Financial Statements of Not-for-Profit Organizations ("ASC 958"). Under ASC 958, the foundation 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*
**For purposes of the Statement of Cash Flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.**

*Comparative Financial 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2010, from which the summarized information was derived.**

*Donated Materials and Services*
**Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.**

*Expense Allocation*
**Expenses are charged to program and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.**

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:*

*Fair Value Measurements*
FASB ASC No. 820 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This Standard applies to other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Standard does not require any new fair value measurements. The Foundation adopted ASC No. 820, for financial assets and liabilities. ASC No. 820 did not have any impact on the Foundation's financial statements.

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

ASC No. 740 Income Taxes (ASC 740) clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements, and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

There were no uncertain income tax positions identified that would have a material effect on the financial statements for the period ended December 31, 2011.

*Investments*
The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in net assets in the accompanying statement of activities.

*Nature of Activities*
Wesley Foundation of the City of Philadelphia is a not-for-profit corporation organized under the laws of Pennsylvania. Wesley Foundation of the City of Philadelphia operates for the purpose of providing for the intellectual, social and religious welfare of the students of Drexel University and Temple University.

## 1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:*

*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 when the conditions on which they depend are substantially met.

*Property and Equipment*
Property and Equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method. The Foundation's capitalization policy is to capitalize property and equipment when the cost exceeds $1,000.

*Restricted and Unrestricted Revenue and Support*
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. During the current fiscal year, there were no donor restricted assets or transactions.

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

## 2. *CASH AND CASH EQUIVALENTS*

At December 31, 2011, cash and cash equivalents consisted of:

| | |
|---|---|
| Demand Deposits | $ 17,611 |
| Petty Cash | 350 |
| Total | $ 17,961 |

## 3. *INVESTMENTS*

**At December 31, 2011, Investment values consisted of:**

| | Cost | Market |
|---|---|---|
| Certificates of Deposit | $ 25,000 | $ 25,000 |
| Treasury Obligations - Money Market Funds | 11,073 | 11,073 |
| Mutual Funds – Income | 95,160 | 92,115 |
| Mutual Funds – Equity | 228,993 | 253,091 |
| Totals | $ 360,226 | $ 381,279 |

**The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2011:**

| | | |
|---|---|---|
| *Investment Income:* | | |
| Dividend Income | $ 7,889 | |
| Interest Income | 681 | |
| Total Investment Income | | $ 8,570 |
| Gains (losses) on Investments: | | |
| Realized gains (losses) | $ 14,569 | |
| Unrealized gains (losses) | (28,988) | |
| Total Gains (losses) on Investments | | (14,419) |
| Trustee Fees | | (4,038) |
| Net Investment Return | | $ (9,887) |

## 4. *PENSION COSTS*

**Employees are provided with a pension benefit. The cost is calculated as follows:**

**Clergy – 14% of annual salary and housing compensation.**
**Lay Employees -- 11% of annual salary.**

**The benefits are funded through the General Board of Pensions of The United Methodist Church. The amount expended for this benefit in 2011 was $ 6,660.**

5. *Related Party Transactions*

Certain services are provided by and the related expense paid to The Eastern Pennsylvania Conference of The United Methodist Church. These services include accounting and administrative services as well as reimbursement for insurance and office expenses. The amounts of these services for the year ended December 31, 2011 were $9,028.

6. *Fair Value Measurements*

The Foundation adopted FASB ASC No. 820 as discussed in Note 1. This standard defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC No. 820 establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs 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 upon assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level of input that is significant to the fair value measurement.

The following table presents information as of December 31, 2011, about the financial assets and liabilities that are measured at fair value on a recurring basis, according to the valuation techniques used to determine their fair values.

| | Quoted Prices In Active Markets (Level 1) | Other Observable Inputs (Level 2) | Other Unobservable Inputs (Level 3) | Total Fair Value |
|---|---|---|---|---|
| Assets | | | | |
| Cash and Cash Equivalents | $ 17,961 | $ 0 | $ 0 | $ 17,961 |
| Investments | 381,279 | 0 | 0 | 381,279 |
| Total Assets at Fair Value | $ 399,240 | $ 0 | $ 0 | $ 399,240 |

7. *Evaluation of Subsequent Events*

Subsequent events have been evaluated through April 16, 2012. This date is the date these financial statements were available to be issued.