

THE CAMPAGNA CENTER, INC.
(a not-for-profit organization)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

for the year ended August 31, 2011

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Campagna Center, Inc.
Alexandria, Virginia

We have audited the accompanying statement of financial position of The Campagna Center, Inc. (the Center) (a nonprofit organization) as of August 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Center's 2010 financial statements and, in our report dated January 14, 2011, we 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 the 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2012 on our consideration on the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Renner and Company, CPA, P.C.

January 13, 2012

THE CAMPAGNA CENTER, INC.

STATEMENTS OF FINANCIAL POSITION
August 31, 2011 and 2010 (Summarized)

ASSETS

	<u>2011</u>	<u>2010</u> (summarized)
<u>CURRENT ASSETS</u>		
Cash	\$ 2,252	\$ 2,586
Receivables	319,705	336,703
Prepaid expense	51,464	65,532
<u>TOTAL CURRENT ASSETS</u>	<u>\$ 373,421</u>	<u>\$ 404,821</u>
<u>PROPERTY AND EQUIPMENT</u> , at cost, net of accumulated depreciation	<u>\$ 1,038,144</u>	<u>\$ 1,096,323</u>
<u>OTHER ASSETS</u>		
Investments	\$ 1,045,041	\$ 952,137
Security deposits	1,000	1,000
<u>TOTAL OTHER ASSETS</u>	<u>\$ 1,046,041</u>	<u>\$ 953,137</u>
<u>TOTAL ASSETS</u>	<u>\$ 2,457,606</u>	<u>\$ 2,454,281</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Overdraft of cash	\$ 258,026	\$ 347,833
Accounts payable and accrued expenses	463,500	450,089
Refundable advances	161,155	137,758
Deferred revenue	39,999	75,862
Line of credit	255,221	300,436
<u>TOTAL LIABILITIES</u>	<u>\$ 1,177,901</u>	<u>\$ 1,311,978</u>
<u>COMMITMENT AND CONTINGENCIES</u>		
<u>NET ASSETS</u>		
Unrestricted	\$ 1,217,678	\$ 1,081,350
Temporarily restricted	12,027	10,953
Permanently restricted	50,000	50,000
<u>TOTAL NET ASSETS</u>	<u>\$ 1,279,705</u>	<u>\$ 1,142,303</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 2,457,606</u>	<u>\$ 2,454,281</u>

See accompanying Independent Auditors' Report and Notes.

THE CAMPAGNA CENTER, INC.

STATEMENTS OF ACTIVITIES
for the years ended August 31, 2011 and 2010 (Summarized)

	2011			2010	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total (Summarized)
<u>REVENUE AND SUPPORT</u>					
Program funds from					
government grants	\$ 6,737,493	\$ -	\$ -	\$ 6,737,493	\$ 6,556,205
Supplemental education fees	1,762,761	-	-	1,762,761	1,553,246
Contributions and grants	511,652	-	-	511,652	554,969
In-kind contributions	2,224,025	-	-	2,224,025	2,267,393
Special events and projects	186,174	-	-	186,174	111,619
Membership activities	14,400	-	-	14,400	12,635
Investment income (loss)	87,865	5,040	-	92,905	61,645
Other	13,252	-	-	13,252	12,841
Net assets released from restrictions satisfaction of program restrictions	3,966	(3,966)	-	-	-
<u>TOTAL REVENUE AND SUPPORT</u>	<u>\$ 11,541,588</u>	<u>\$ 1,074</u>	<u>\$ -</u>	<u>\$ 11,542,662</u>	<u>\$ 11,130,553</u>
<u>EXPENSES</u>					
Program	\$ 11,031,504	\$ -	\$ -	\$ 11,031,504	\$ 10,708,103
Management and general	99,223	-	-	99,223	126,518
Fundraising	274,533	-	-	274,533	261,735
<u>TOTAL EXPENSES</u>	<u>\$ 11,405,260</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,405,260</u>	<u>\$ 11,096,356</u>
<u>CHANGE IN NET ASSETS</u>	<u>\$ 136,328</u>	<u>\$ 1,074</u>	<u>\$ -</u>	<u>\$ 137,402</u>	<u>\$ 34,197</u>
<u>NET ASSETS</u> , beginning of year	<u>1,081,350</u>	<u>10,953</u>	<u>50,000</u>	<u>1,142,303</u>	<u>1,108,106</u>
<u>NET ASSETS</u> , end of year	<u>\$ 1,217,678</u>	<u>\$ 12,027</u>	<u>\$ 50,000</u>	<u>\$ 1,279,705</u>	<u>\$ 1,142,303</u>

See accompanying Independent Auditors' Report and Notes.

THE CAMPAGNA CENTER, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
for the years ended August 31, 2011 and 2010 (Summarized)

	2011			2010	
	Program	Management and General	Fund- Raising	Total	Total (Summarized)
Salaries, taxes, and benefits	\$ 6,325,857	\$ 717,817	\$ 47,879	\$ 7,091,553	\$ 6,604,143
Professional services	421,527	89,635	65,962	577,124	516,652
In-kind					
Occupancy	2,032,335	-	-	2,032,335	2,074,050
Professional services	169,070	-	22,620	191,690	193,293
Food expense	470,638	466	-	471,104	408,069
Supplies	81,560	3,391	10,368	95,319	193,732
Special activities and events	1,889	-	66,960	68,849	75,361
Telephone and technology	140,571	25,079	9,144	174,794	227,992
Training and development	15,026	120	50	15,196	18,881
Insurance	10,519	42,048	1,447	54,014	80,938
Depreciation	-	58,178	-	58,178	64,352
Program activities	304,528	225	-	304,753	234,186
Travel	12,993	243	203	13,439	10,391
Equipment, repairs and maintenance	30,309	32,628	24	62,961	165,508
Advertising and publications	470	-	3,845	4,315	25,120
Postage	7,792	615	4,319	12,726	16,529
Printing	5,737	180	19,883	25,800	39,894
Licensing and permits	21,856	1,574	279	23,709	16,071
Interest	-	15,405	-	15,405	26,480
Contributions	-	938	-	938	1,815
Occupancy	19	33,570	8,280	41,869	40,706
Recognition	1,087	134	-	1,221	979
Other	53,562	10,571	3,835	67,968	61,214
	<u>\$ 10,107,345</u>	<u>\$ 1,032,817</u>	<u>\$ 265,098</u>	<u>\$ 11,405,260</u>	<u>\$ 11,096,356</u>
Allocated overhead costs	924,159	(933,594)	9,435	-	-
TOTAL EXPENSES	<u><u>\$ 11,031,504</u></u>	<u><u>\$ 99,223</u></u>	<u><u>\$ 274,533</u></u>	<u><u>\$ 11,405,260</u></u>	<u><u>\$ 11,096,356</u></u>

See accompanying Independent Auditors' Report and Notes.

THE CAMPAGNA CENTER, INC.

STATEMENTS OF CASH FLOWS
for the years ended August 31, 2011 and 2010 (Summarized)

	<u>2011</u>	<u>2010</u> (Summarized)
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from operations		
Government grants, fees, contributions received	\$ 9,223,882	\$ 8,599,468
Investment income	29,213	21,967
Total cash received from operations	<u>\$ 9,253,095</u>	<u>\$ 8,621,435</u>
Cash disbursed by operations		
Payments to employees and suppliers	\$ 9,169,979	\$ 8,426,322
Interest paid	15,405	26,480
Total cash paid by operations	<u>\$ 9,185,384</u>	<u>\$ 8,452,802</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>\$ 67,711</u>	<u>\$ 168,633</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of investments	\$ (39,786)	\$ (1,174,226)
Proceeds from sale of investments	16,956	1,254,273
Proceeds from business combination	-	32,677
<u>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</u>	<u>\$ (22,830)</u>	<u>\$ 112,724</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Borrowing from line of credit	\$ 5,873,739	\$ 2,798,726
Repayment on line of credit	<u>(5,918,954)</u>	<u>(3,173,290)</u>
<u>NET CASH USED BY FINANCING ACTIVITIES</u>	<u>\$ (45,215)</u>	<u>\$ (374,564)</u>
<u>NET DECREASE IN CASH</u>	<u>\$ (334)</u>	<u>\$ (93,207)</u>
<u>CASH</u> , beginning of year	<u>2,586</u>	<u>95,793</u>
<u>CASH</u> , end of year	<u>\$ 2,252</u>	<u>\$ 2,586</u>
<u>NON-CASH INVESTING ACTIVITIES</u>		
Purchase of investments	\$ (6,382)	\$ (1,050)
Contributed securities	6,382	1,050
Decrease in fair value of investments	(63,692)	(108,361)
Unrealized gain on investments	63,692	108,361
	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditors' Report and Notes.

THE CAMPAGNA CENTER, INC.

STATEMENTS OF CASH FLOWS
for the years ended August 31, 2011 and 2010 (Summarized)

	<u>2011</u>	<u>2010</u> (Summarized)
<u>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
<u>CHANGE IN NET ASSETS</u>	\$ 137,402	\$ 34,197
<u>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>		
Depreciation	\$ 58,179	\$ 64,352
Realized and unrealized gain on investments	(63,692)	(39,678)
Contributed securities	(6,382)	(1,050)
Proceeds from business combination	-	(32,677)
	<u>\$ (11,895)</u>	<u>\$ (9,053)</u>
<u>CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING (USING) CASH</u>		
<u>ASSETS</u>		
Receivables	\$ 16,998	\$ 3,644
Prepaid expenses	14,068	(2,511)
	<u>\$ 31,066</u>	<u>\$ 1,133</u>
<u>LIABILITIES</u>		
Overdraft of cash	\$ (89,807)	\$ 347,833
Accounts payable and accrued expenses	13,411	(33,513)
Refundable advances	23,397	(90,559)
Deferred revenue	(35,863)	(81,405)
	<u>\$ (88,862)</u>	<u>\$ 142,356</u>
<u>NET CHANGES IN ASSETS AND LIABILITIES</u>	<u>\$ (57,796)</u>	<u>\$ 143,489</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>\$ 67,711</u>	<u>\$ 168,633</u>

See accompanying Independent Auditors' Report and Notes.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2011 and 2010

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION, AND PURPOSE

Nature of Activities

The Campagna Center, Inc. (TCC, the Center), is a community-based not-for-profit organization in Alexandria, VA. The Center operates a variety of programs to address the needs of children, youth and families. TCC provides early childhood education programs to children under five years-of-age, after school programs to children in attending local elementary schools, youth development programs to address the needs of high school students, and a family literacy program that includes a child development component for infants, toddlers and preschoolers.

A brief description of major programs include:

Early Childhood Programs

Early Head Start provides care for low-income infants and toddlers (birth - three years old) and expectant families. Early Head Start offers comprehensive services—educational, social, physical health, mental health, and nutrition—to ensure that children are getting off to the very best possible start in life. TCC's Early Head Start program delivers services through various settings including center-based, home visiting, and family child care. Our centers have earned accreditation through the National Association for the Education of Young Children (NAEYC).

Alexandria Head Start promotes school readiness for preschool children (ages 3 to 5) from low-income families living in the city of Alexandria. The program intentionally focuses on helping children develop skills in the areas of cognitive and language development, early reading, and mathematics, social emotional and physical development necessary for school readiness. Families collaborate with staff to foster these outcomes and work toward their own self-sufficiency goals. All but one recently funded Head Start classroom has been accredited through NAEYC; the newest classroom is targeted for accreditation in the coming school year.

Campagna Early Learning Center is a full day pre-school program created to provide more families with access to quality preschool programs, especially those “aging out” of the Early Head Start programs or those who no longer qualify for Head Start Services. Like the Early Head Start and Head Start classrooms, this center is NAEYC accredited.

School-Age Programs

Campagna Kids provides recreational, social, and academic enrichment to nearly 1,000 children through its after school and summer camp program. Operated in partnership with the City of Alexandria and the ACPS, it offers parents access to high quality enrichment programs for their children.

See Independent Auditors' Report.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2011 and 2010

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION, AND PURPOSE (Continued)

Building Better Futures provides tutoring, mentoring, leadership and life skills development to diverse youth (many of whom are immigrants) attending T.C. Williams High School, the only public high school in the City of Alexandria. The program has received numerous awards for its exemplary results.

Family Development Programs

New Neighbors Family Literacy Program provides educational programs and related services to assist 250 immigrant and refugee families in living in our community. Specific services provided include research based literacy instruction, child care and child development services, and family literacy. The program is designed to increase self-sufficiency and support community integration.

Basis of Presentation

The Center reports 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.

Basis of Accounting

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Cash and Cash Equivalents

As of August 31, 2011 and 2010, cash consisted of checking accounts and petty cash. There were no cash equivalents as of August 31, 2011 and 2010. Cash and money market funds held by investment custodians are considered investments.

Accounts Receivable

Supplemental education fees receivable from parents are billed two weeks prior to the month of service and are due by the first of each month. If the payments are not made by the seventh of the month of service, the Center shall have the right to notify parents and guardians that services will be terminated by the fifteenth of the month and a late charge will be incurred after the fifteenth of the month. The Center currently charges a flat fee of \$10 on the past due invoices. The provision for doubtful accounts is based on management's evaluation of the collectability of existing receivables.

See Independent Auditors' Report.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2011 and 2010

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION, AND PURPOSE (Continued)

Property and Equipment

The Center capitalizes all property and equipment with a cost of \$5,000 or more. Property and equipment are stated at cost, and are depreciated on the straight line basis over the estimated useful lives of 3 to 30 years. Betterments and improvements that extend the life of the asset are capitalized.

Fair Value Measurements

The Center applies generally accepted accounting principles (GAAP) for fair value measurements of financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis.

Investments

Investments are stated at fair value based on quoted market prices. Unrealized gains and losses are included in investment income in the statement of activities.

The Center invests in a professionally managed portfolio that contains stocks, bonds, and mutual funds. Such investments are exposed to various risks such as market and credit risk. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Restricted and Unrestricted Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted revenue, depending on the existence and/or nature of any donor restrictions.

All donor-restricted revenue is reported as an increase in temporarily restricted 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 restriction.

Revenue related to third-party reimbursement arrangements is recognized in the period in which the reimbursable costs are incurred.

Deferred revenue represents fees collected in advance for future services.

See Independent Auditors' Report.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2011 and 2010

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION, AND PURPOSE (Continued)

In-kind Contributions

In-kind contributions of rent and professional volunteer services have been reflected for the Campagna Kids and Head Start programs based on estimated fair value. In-kind items donated for various special events are recorded based on estimated fair value.

Advertising

Advertising costs are expensed as incurred.

Income Taxes

The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. In addition, the Center qualifies for the charitable contributions deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The Center had no taxable unrelated business income for the years ended August 31, 2011, and 2010.

The Center's Federal Exempt Organization Business Income Tax Returns (Form 990) for the fiscal years 2009, 2010, and 2011 are subject to examination by the IRS, generally for three years after they are filed.

Allocated Expenses

Direct costs associated with specific programs are recorded as program expenses. Administrative staff and staff working on multiple programs use time sheets to capture actual hours devoted to project areas.

The Center's policy is to allocate allocable general operating expenses and reallocated management expense to certain programs based on the direct costs of the Center's functions. Allocated management and general expenses not reimbursed by grant programs are borne by the Center.

Estimates

Management uses estimates and assumptions in preparing the financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

See Independent Auditors' Report.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
August 31, 2011 and 2010

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION, AND PURPOSE (Continued)

The significant estimates affecting the financial statements include the estimated fair value of the in-kind support of donated facilities and the estimate that there are no significant unallowable costs as discussed in Notes 11 and 15, respectively.

Reclassification

Certain 2010 amounts have been reclassified to conform with the 2011 presentation.

2. CASH

Cash at August 31, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Petty cash	\$ 1,200	\$ 1,200
Checking	1,052	1,386
	<u>\$ 2,252</u>	<u>\$ 2,586</u>

As of August 31, 2011 and 2010, all cash was covered by the Federal Deposit Insurance Corporation.

The Center experienced a temporary book overdraft of cash in the amount of \$259,020 and \$347,833 as of August 31, 2011 and 2010, respectively.

3. RECEIVABLES

Receivables at August 31, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Program funds from governments		
Campagna Kids	\$ 49,897	\$ 23,391
Head Start	181,161	127,011
Early Head Start	71,030	117,777
21st Century	23,670	30,840
	<u>\$ 325,758</u>	<u>\$ 299,019</u>
Grants		
Ivavota Association	-	10,000
Supplemental education fees	1,701	41,729
Other	18,634	22,026
	<u>\$ 346,093</u>	<u>\$ 372,774</u>
Less: Provision for doubtful accounts	<u>(26,388)</u>	<u>(36,071)</u>
	<u>\$ 319,705</u>	<u>\$ 336,703</u>

See Independent Auditors' Report.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2011 and 2010

4. PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation at August 31, 2011 and 2010, and depreciation expense for the years then ended is as follows:

	August 31, 2011			
	Estimated Lives	Cost	Accumulated Depreciation	Depreciation Expense
Land	-	\$ 364,217	\$ -	\$ -
Building	25 to 30 years	149,923	149,923	-
Building improvements	5 to 25 years	1,244,288	594,755	48,611
Furniture and equipment	3 to 10 years	144,787	120,393	9,567
Automobiles	5 years	73,794	73,794	-
		<u>\$ 1,977,009</u>	<u>\$ 938,865</u>	<u>\$ 58,178</u>

	August 31, 2010			
	Estimated Lives	Cost	Accumulated Depreciation	Depreciation Expense
Land	-	\$ 364,217	\$ -	\$ -
Building	25 to 30 years	149,923	149,923	-
Building improvements	5 to 25 years	1,244,288	546,144	48,611
Furniture and equipment	3 to 10 years	144,787	110,825	9,568
Automobiles	5 years	73,794	73,794	6,173
		<u>\$ 1,977,009</u>	<u>\$ 880,686</u>	<u>\$ 64,352</u>

The Center's property is recorded at historical cost in accordance with generally accepted accounting principles. The assessed market value of the Center's land and building based on the City of Alexandria's Department of Real Estate Assessments at August 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Land	\$ 2,473,969	\$ 2,473,969
Building	1,454,440	1,385,181
	<u>\$ 3,928,409</u>	<u>\$ 3,859,150</u>

See Independent Auditors' Report.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2011 and 2010

5. INVESTMENTS

The Center had the following investments as of August 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Mutual funds		
Foreign Large Value	\$ 43,702	\$ 39,361
Intermediate-Term Bond	233,991	226,381
Large Blend	144,612	126,837
Large Growth	312,581	265,064
Large Value/World Alloc.	56,748	50,978
Large/Mid Growth	24,980	21,147
Short-Term Bond	94,427	92,220
Small Growth	35,333	28,765
Other	10,660	7,312
Corporate bonds	14,948	15,104
Money funds	73,059	78,968
	<u>\$ 1,045,041</u>	<u>\$ 952,137</u>

Investments are allocated to the following classes of net assets:

	<u>2011</u>	<u>2010</u>
Permanently restricted	\$ 50,000	\$ 50,000
Temporarily restricted	12,027	10,953
Unrestricted	983,014	891,184
	<u>\$ 1,045,041</u>	<u>\$ 952,137</u>

Investment income (loss) for the years ended August 31, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Dividend and interest income	\$ 29,213	\$ 21,967
Capital gain (loss), realized	-	(68,683)
Unrealized gain (loss) in market value	63,692	108,361
	<u>\$ 92,905</u>	<u>\$ 61,645</u>

See Independent Auditors' Report.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2011 and 2010

6. FAIR VALUE MEASUREMENTS

The Center records investments based on fair value on a recurring basis. Financial accounting and reporting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. The new standard emphasizes that fair value is a market-based measurement, not an entity specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the new standards established a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent from the reporting entity (observable inputs that are classified within level 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within level 3 of the hierarchy).

Level 1 inputs utilize unadjusted quoted prices in active markets for identical assets or liabilities that the Society has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets or liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Center's assessment of the significance of the particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the assets and liabilities.

The following summarizes investments, measured at fair value on a recurring basis, aggregated by the level in the fair value hierarchy within which those measurements fall, as of August 31, 2011 and 2010:

See Independent Auditors' Report.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2011 and 2010

6. FAIR VALUE MEASUREMENTS (Continued)

Investments are categorized as follows:

	August 31, 2011			
	Total	Level 1	Level 2	Level 3
Mutual funds				
Foreign Large Value	\$ 43,702	\$ 43,702	\$ -	\$ -
Intermediate-Term Bond	233,991	233,991	-	-
Large Blend	144,612	144,612	-	-
Large Growth	312,581	312,581	-	-
Large Value/World Alloc.	56,748	56,748	-	-
Large/Mid Growth	24,980	24,980	-	-
Short-Term Bond	94,427	94,427	-	-
Small Growth	35,333	35,333	-	-
Other	10,660	10,660	-	-
Corporate bonds	14,948	-	14,948	-
Money funds	73,059	73,059	-	-
	\$ 1,045,041	\$ 1,030,093	\$ 14,948	\$ -

	August 31, 2010			
	Total	Level 1	Level 2	Level 3
Mutual funds				
Foreign Large Value	\$ 39,361	\$ 39,361	\$ -	\$ -
Intermediate-Term Bond	226,381	226,381	-	-
Large Blend	126,837	126,837	-	-
Large Growth	265,064	265,064	-	-
Large Value/World Alloc.	50,978	50,978	-	-
Large/Mid Growth	21,147	21,147	-	-
Short-Term Bond	92,220	92,220	-	-
Small Growth	28,765	28,765	-	-
Other	7,312	7,312	-	-
Corporate bonds	15,104	-	15,104	-
Money funds	78,968	78,968	-	-
	\$ 952,137	\$ 937,033	\$ 15,104	\$ -

See Independent Auditors' Report.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2011 and 2010

10. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets relate to the Sonosky Fund, to be held indefinitely, the income from which is expendable to support programs specified by the donor or to be reinvested in the Fund to maintain corpus at \$50,000.

Permanently restricted net assets are held in the investment portfolio.

11. RENT FREE SPACE

The Center occupies designated space for its Head Start and Campagna Kids programs that is provided without charge by the City of Alexandria and the Alexandria City Public School System. The Center estimates the value of this rent-free space based on prevailing market conditions in the area of its operations and has recognized this as support and occupancy expense in the statement of activities.

12. RETIREMENT PLAN

The Center has a 403(b) defined contribution plan. The Plan has been amended and restated as of July 1, 2011. With respect to elective deferrals, the Plan covers all employees working at least 20 hours per week. With respect to employer contributions, the employee must work at least 1,000 hours during the year. Both the employer and employee deferral contributions are limited by the tax laws. The Center can make annual discretionary contributions to the Plan. There was no employer contributions to the Plan for the years ended August 31, 2011 and 2010.

13. MAJOR GRANTORS

Program funds from government grants totaled \$6,737,493 for the year ended August 31, 2011 and \$6,556,205 for the year ended August 31, 2010 which is approximately 58% and 59% of total revenue and support of the Center, respectively. These grants consist of funds from the Federal Government, the Commonwealth of Virginia, the City of Alexandria, Virginia, and the Alexandria City Public Schools. A significant reduction in the level of this revenue and support, if this were to occur, might have a significant effect on the Center's programs and activities.

As of August 31, 2011 and 2010 the amount outstanding from the above government grants was \$325,758 and \$299,019, respectively, which approximates 87% and 90% of total receivables, respectively.

14. CONDITIONAL GRANTS

The Center has been conditionally awarded the following grants for the year ending August 31, 2012:

Head Start	\$ 2,181,561
Early Head Start	<u>1,353,133</u>
	<u>\$ 3,534,694</u>

See Independent Auditors' Report.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2011 and 2010

15. COMMITMENT AND CONTINGENCIES

Equipment Lease

The Center leases copiers under a long-term lease agreement classified as operating lease. Minimum lease payments are as follows:

For the year ended August 31,

2012	\$ 15,981
2013	15,981
2014	13,318
	<u>\$ 45,280</u>

Total rental expense for the copiers was \$18,134 and \$13,694 for the year ended August 31, 2011 and 2010, respectively.

Government Contracts and Grants

The Center participates in a number of federally assisted programs which are subject to financial and compliance audits by the federal agencies or their representatives. As such, there is a possibility that questioned costs might result from such an audit. Management does not anticipate any significant adjustments as a result of such an audit for the current year costs.

16. SUBSEQUENT EVENTS

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through January 13, 2012 the date the financial statements were available to be issued.

See Independent Auditors' Report.

ADDITIONAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

The Board of Directors
The Campagna Center, Inc.
Alexandria, Virginia

We have audited the financial statements of The Campagna Center (the Center) as of and for the year ended August 31, 2011, and have issued our report thereon dated January 13, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying additional information 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. This information has been subjected to the auditing procedures applied in the audit of the basic 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.

Renner and Company, CPA, P.C.

January 13, 2012

THE CAMPAGNA CENTER, INC.

SCHEDULES OF FUNCTIONAL EXPENSES BY PROGRAM
for the years ended August 31, 2011 and 2010 (Summarized)

	2011						2010		
	Program Services			Support Services			Total	Total	Total
	Campagna Kids	Head Start	Building Better Futures	Other	Total Program	Management and General			
Salaries, taxes, and benefits	\$ 2,719,620	\$ 3,221,227	\$ 173,227	\$ 211,783	\$ 6,325,857	\$ 717,817	\$ 47,879	\$ 7,091,553	\$ 6,604,143
Professional services	180,463	131,372	46,012	63,680	421,527	89,635	65,962	577,124	516,652
In-kind									
Occupancy	1,089,935	942,400	-	-	2,032,335	-	-	2,032,335	2,074,050
Professional services	500	168,570	-	-	169,070	-	22,620	191,690	193,293
Food expense	123,954	324,630	3,381	18,673	470,638	466	-	471,104	408,069
Supplies	43,502	23,799	-	14,259	81,560	3,391	10,368	95,319	193,732
Special activities and events	-	124	-	1,765	1,889	-	66,960	68,849	75,361
Telephone and technology	62,523	69,040	5,882	3,126	140,571	25,079	9,144	174,794	227,992
Training and development	75	14,676	-	275	15,026	120	50	15,196	18,881
Insurance	3,517	6,677	-	325	10,519	42,048	1,447	54,014	80,938
Depreciation	-	-	-	-	-	58,178	-	58,178	64,352
Program activities	221,275	55,821	8,398	19,034	304,528	225	-	304,753	234,186
Travel	1,542	6,596	2,930	1,925	12,993	243	203	13,439	10,391
Equipment, repairs and maintenance	5,440	24,764	105	-	30,309	32,628	24	62,961	165,508
Advertising and publications	470	-	-	-	470	-	3,845	4,315	25,120
Postage	4,185	2,155	680	772	7,792	615	4,319	12,726	16,529
Printing	2,624	1,193	79	1,841	5,737	180	19,883	25,800	39,894
Licensing and permits	6,944	11,864	2,720	328	21,856	1,574	279	23,709	16,071
Interest	-	-	-	-	-	15,405	-	15,405	26,480
Contributions	-	-	-	-	-	938	-	938	1,815
Occupancy	-	-	-	19	19	33,570	8,280	41,869	40,706
Recognition	-	-	-	1,087	1,087	134	-	1,221	979
Other	48,430	2,499	2,603	30	53,562	10,571	3,835	67,968	61,214
	\$ 4,514,999	\$ 5,007,407	\$ 246,017	\$ 338,922	\$ 10,107,345	\$ 1,032,817	\$ 265,098	\$ 11,405,260	\$ 11,096,356
Allocated overhead costs	394,574	485,110	20,593	23,882	924,159	(933,594)	9,435	-	-
<u>TOTAL EXPENSES</u>	<u>\$ 4,909,573</u>	<u>\$ 5,492,517</u>	<u>\$ 266,610</u>	<u>\$ 362,804</u>	<u>\$ 11,031,504</u>	<u>\$ 99,223</u>	<u>\$ 274,533</u>	<u>\$ 11,405,260</u>	<u>\$ 11,096,356</u>

See Independent Auditor's Report on Additional Information.