

PLAN INTERNATIONAL USA, INC.
D/B/A PLAN USA

FINANCIAL STATEMENTS

JUNE 30, 2011 and 2010



Report of Independent Auditors

To the Board of Directors of
Plan International USA, Inc. d/b/a Plan USA

In our opinion, the accompanying statements of financial position and the related statements of activities and changes in net assets, functional expenses, and cash flows present fairly, in all material respects, the financial position of Plan International USA, Inc. d/b/a Plan USA ("Plan USA") as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Plan USA's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

November 14, 2011

PLAN INTERNATIONAL USA, INC. d/b/a Plan USA
Statements of Financial Position
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 5,014,790	\$ 3,641,483
Grants receivable (Note 2)	3,714,792	5,125,659
Prepaid expenses and other assets	818,770	353,122
Bequests and pledges receivable	47,030	160,610
Investments (Notes 3, 4 and 5)	15,243,421	13,320,844
Due from Plan International, Inc. (Note 13)	22,666,657	-
Contributions receivable from charitable remainder trusts (Notes 4 and 5)	982,964	785,438
Beneficial interest in perpetual trusts (Notes 4 and 5)	456,723	398,463
Land, building and equipment, net (Note 6)	<u>2,016,958</u>	<u>2,187,410</u>
Total assets	<u>\$ 50,962,105</u>	<u>\$ 25,973,029</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and other liabilities	\$ 1,305,790	\$ 858,605
Deferred Revenue	597,460	-
Due to Plan International, Inc. (Note 13)	-	945,976
Obligation under split-interest agreements (Notes 4 and 5)	<u>182,835</u>	<u>193,354</u>
Total liabilities	2,086,085	1,997,935
Commitments and contingencies (Notes 7 and 8)		
Net Assets:		
Unrestricted (Note 9)	4,321,086	4,766,383
Temporarily restricted (Note 10)	36,007,050	11,136,342
Permanently restricted (Note 11)	<u>8,547,884</u>	<u>8,072,369</u>
Total net assets	<u>48,876,020</u>	<u>23,975,094</u>
Total liabilities and net assets	<u>\$ 50,962,105</u>	<u>\$ 25,973,029</u>

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

PLAN INTERNATIONAL USA, INC. d/b/a Plan USA
Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>				<u>2010</u>			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:								
Sponsorship contributions	\$ 23,867,892	\$ 2,106,244	\$ -	\$ 25,974,136	\$ 23,858,194	\$ 2,122,375	\$ -	\$ 25,980,569
Private and Federal grants	27,284,000	27,966,578	-	55,250,578	25,540,937	4,534,041	-	30,074,978
Contributions for community projects	2,290,291	2,160,699	-	4,450,990	2,180,600	2,880,799	-	5,061,399
Children's Fund	431,904	-	-	431,904	614,834	-	-	614,834
Contributions from estates, trusts and annuities	470,969	-	-	470,969	618,585	-	-	618,585
Contributions to permanently restricted endowments	-	-	417,255	417,255	-	-	102,481	102,481
Gift program revenue	120,386	-	-	120,386	279,197	-	-	279,197
Net assets released from restrictions (Note 10)	9,651,191	(9,651,191)	-	-	5,015,121	(5,015,121)	-	-
Total public support and revenue	<u>64,116,633</u>	<u>22,582,330</u>	<u>417,255</u>	<u>87,116,218</u>	<u>58,107,468</u>	<u>4,522,094</u>	<u>102,481</u>	<u>62,732,043</u>
Investment income (Note 3)	1,239,017	-	-	1,239,017	780,598	-	-	780,598
Total operating revenue	<u>65,355,650</u>	<u>22,582,330</u>	<u>417,255</u>	<u>88,355,235</u>	<u>58,888,066</u>	<u>4,522,094</u>	<u>102,481</u>	<u>63,512,641</u>
Expenses:								
Program expenses:								
Program and technical support (Note 13)	48,104,327	-	-	48,104,327	43,722,423	-	-	43,722,423
Building relationships (Note 14)	810,146	-	-	810,146	924,930	-	-	924,930
Development education & advocacy programs (Note 14)	821,584	-	-	821,584	893,764	-	-	893,764
Total program expenses	<u>49,736,057</u>	<u>-</u>	<u>-</u>	<u>49,736,057</u>	<u>45,541,117</u>	<u>-</u>	<u>-</u>	<u>45,541,117</u>
Operating expenses:								
Services to sponsors & donors	1,893,100	-	-	1,893,100	1,867,560	-	-	1,867,560
Fundraising	7,547,308	-	-	7,547,308	6,605,894	-	-	6,605,894
Management and general	5,177,084	-	-	5,177,084	4,818,392	-	-	4,818,392
Total operating expenses	<u>14,617,492</u>	<u>-</u>	<u>-</u>	<u>14,617,492</u>	<u>13,291,846</u>	<u>-</u>	<u>-</u>	<u>13,291,846</u>
Total expenses	<u>64,353,549</u>	<u>-</u>	<u>-</u>	<u>64,353,549</u>	<u>58,832,963</u>	<u>-</u>	<u>-</u>	<u>58,832,963</u>
Nonoperating results:								
Cumulative effect of change in accounting principle (Note 12)	(2,006,169)	2,006,169	-	-	-	-	-	-
Change in unrealized appreciation	590,504	-	-	590,504	526,657	-	-	526,657
Change in value of perpetual trusts	-	-	58,260	58,260	-	-	29,536	29,536
Change in value of split-interest agreements	(31,733)	282,209	-	250,476	(41,835)	(9,704)	-	(51,539)
Total nonoperating results	<u>(1,447,398)</u>	<u>2,288,378</u>	<u>58,260</u>	<u>899,240</u>	<u>484,822</u>	<u>(9,704)</u>	<u>29,536</u>	<u>504,654</u>
Total change in net assets	(445,297)	24,870,708	475,515	24,900,926	539,925	4,512,390	132,017	5,184,332
Net assets at beginning of year	4,766,383	11,136,342	8,072,369	23,975,094	4,226,458	6,623,952	7,940,352	18,790,762
Net assets at end of year	<u>\$ 4,321,086</u>	<u>\$ 36,007,050</u>	<u>\$ 8,547,884</u>	<u>\$ 48,876,020</u>	<u>\$ 4,766,383</u>	<u>\$ 11,136,342</u>	<u>\$ 8,072,369</u>	<u>\$ 23,975,094</u>

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

PLAN INTERNATIONAL USA, INC. d/b/a Plan USA
Statement of Functional Expenses

For the Year Ended June 30, 2011
With Summarized Financial Information for the Year Ended June 30, 2010

Natural Expense Classifications	Program Expenses				Operating Expenses				Total Expenses	
	Program and Technical Support	Building Relationships	Development Education & Advocacy	Total Program Expenses	Services to Sponsors & Donors	Fundraising	Management and General	Total Operating Expenses	2011	2010
Program support to Plan International, Inc. (Note 13)	\$ 45,550,627	\$ -	\$ -	\$ 45,550,627	\$ -	\$ -	\$ -	\$ -	\$ 45,550,627	\$ 41,750,031
Salary and Salary Related	1,737,462	240,638	436,689	2,414,789	1,115,192	1,635,785	3,039,612	5,790,589	8,205,378	7,555,658
Marketing and Media	-	-	-	-	-	4,117,723	-	4,117,723	4,117,723	3,949,158
Postage	1,795	226,197	30,823	258,815	134,707	319,196	23,388	477,291	736,106	689,244
Supplies and Printing	9,298	98,942	45,796	154,036	53,994	37,081	146,729	237,804	391,840	323,601
Cost of gift items sold	-	81,934	-	81,934	-	-	-	-	81,934	106,168
Professional & Consulting Fees	196,708	62,733	99,809	359,250	600	969,323	807,628	1,777,551	2,136,801	1,396,781
Repairs/Maintenance/Service	-	7,848	85	7,933	11,265	8,270	243,176	262,711	270,644	257,685
Occupancy	225,368	9,149	-	234,517	56,751	139,172	308,613	504,536	739,053	710,277
Travel	258,692	52,363	142,398	453,453	8,367	161,161	199,387	368,915	822,368	811,932
Other	69,779	30,342	65,984	166,105	393,102	70,255	289,429	752,786	918,891	934,943
Depreciation of Equipment & Building	54,598	-	-	54,598	119,122	89,342	119,122	327,586	382,184	347,485
Total Expenses	\$ 48,104,327	\$ 810,146	\$ 821,584	\$ 49,736,057	\$ 1,893,100	\$ 7,547,308	\$ 5,177,084	\$ 14,617,492	\$ 64,353,549	\$ 58,832,963
Total 2010	\$ 43,722,423	\$ 924,930	\$ 893,764	\$ 45,541,117	\$ 1,867,560	\$ 6,605,894	\$ 4,818,392	\$ 13,291,846		

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

PLAN INTERNATIONAL USA, INC. d/b/a Plan USA
Statements of Cash Flows
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Cash flows from operating activities:</u>		
Increase in net assets	\$ 24,900,926	\$ 5,184,332
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	382,184	347,485
Receipt of contributed securities	(135,116)	(104,545)
Receipt of permanently restricted funds	(417,255)	(102,481)
Net (gain) loss on sales of investments	(914,419)	(767,546)
Net impairment loss on investments	25,072	212,160
Increase in unrealized appreciation on investments	(590,504)	(526,657)
(Increase) decrease in:		
Grants receivable	1,410,867	185,504
Prepaid expenses and other assets	(465,648)	231,776
Bequests and pledges receivable	113,580	(51,500)
Due from Plan International, Inc.	(22,666,657)	-
Contributions receivable from charitable remainder trusts	(197,526)	27,056
Beneficial interest in perpetual trusts	(58,260)	(29,536)
Increase (decrease) in:		
Accounts payable and other liabilities	447,185	398,635
Deferred revenue	597,460	-
Due to Plan International, Inc.	(945,976)	(2,218,061)
Obligation under split-interest agreements	(10,519)	(14,220)
Net cash provided by operating activities	<u>1,475,394</u>	<u>2,772,402</u>
<u>Cash flows from investing activities:</u>		
Purchases of investments	(8,723,927)	(7,714,660)
Proceeds from sales of investments	8,416,317	7,353,172
Purchases of fixed assets	(211,732)	(367,321)
Net cash used in investing activities	<u>(519,342)</u>	<u>(728,809)</u>
<u>Cash flows from financing activities:</u>		
Receipt of permanently restricted funds	<u>417,255</u>	<u>102,481</u>
Net cash provided by financing activities	<u>417,255</u>	<u>102,481</u>
Net increase in cash and cash equivalents	1,373,307	2,146,074
Cash and cash equivalents, beginning of year	<u>3,641,483</u>	<u>1,495,409</u>
Cash and cash equivalents, end of year	<u>\$ 5,014,790</u>	<u>\$ 3,641,483</u>

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

PLAN INTERNATIONAL USA, INC. d/b/a Plan USA
Notes to Financial Statements
June 30, 2011 and 2010

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Organization and purpose:

Plan USA is an independent, non-profit organization incorporated in the State of New York. It was founded in 1937 as Foster Parents' Plan for Spanish Children, Inc. for the purpose of seeking sponsors and other contributors to provide material aid and services to sponsored children, their families, and communities; assist sponsors in developing meaningful relationships with their sponsored children and families; and conduct educational programs in the United States about the needs of the poor in developing countries. Plan USA is the United States member organization of Plan International, Inc. ("PII"). Other member organizations of PII are located in Australia, Belgium, Canada, Colombia, Denmark, Finland, France, Germany, Hong Kong, India, Ireland, Japan, the Republic of Korea, the Netherlands, Norway, Spain, Sweden, Switzerland and the United Kingdom. Plan USA and the other member organizations participate with PII in the planning, design and decisions about the implementation of overseas programs that are currently administered in forty-eight countries. Plan USA remits to PII the excess of its revenues received over current year operating expenses adjusted for the impact of various donor and Board designations (Note 13).

Basis of presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting. All program and operating expenses are recognized as incurred.

Revenue recognition:

Contributions received by Plan USA are recorded as unrestricted, temporarily restricted or permanently restricted public support, depending on the existence and/or nature of any donor-imposed restrictions. All donor-restricted support is recorded as an increase to either temporarily restricted or permanently restricted net assets based on the nature of the restriction.

In accordance with the guidance provided in the New York Prudent Management of Institutional Funds Act (NYPMIFA), Plan USA, preserves the historical dollar value of donor-restricted (true) endowment funds, absent explicit donor direction to the contrary. As a result, Plan USA classifies as permanently restricted net assets the original gift value of true endowments, plus any subsequent gifts and accumulations made in accordance with the directions of the applicable gift instruments. The portion of the true endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets in accordance with accounting standards.

Unrestricted net assets are those which are free of donor-imposed restrictions, but may be designated for specific purposes by action of the Board of Directors.

Temporarily restricted net assets arise from contributions and other inflows of assets whose use is limited by purpose-specific program restrictions and/or time restrictions imposed by the donor. When a temporary restriction expires through the accomplishment of the specific purpose and/or the expiration of the time restrictions, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Temporarily restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted revenues.

Permanently restricted net assets result from contributions in which the donor requires that the principal of the contribution be maintained in perpetuity. Such net assets primarily include permanent endowment funds and perpetual trusts.

Grant revenue recognition:

Plan USA receives grants from the United States Government and various other grantors for direct and indirect program costs associated with specific programs and projects. The grants received from the United States Government are subject to certain restrictions which are met by incurring qualifying expenses for the particular program or project that is funded by the grant. Revenue from such grants is recognized when the funds have been expended on activities stipulated in the grant agreement. For unconditional grants, revenue is recognized as temporarily restricted contribution revenue at the time the grant is received or pledged, and the funds are released from restriction when the qualifying expenses have been incurred.

Pledges:

Unconditional promises to give are recorded as temporarily restricted or permanently restricted public support at the time the donor's commitment is received. Unconditional promises to give that are expected to be fulfilled within one year are recorded at their estimated fair value, less an appropriate reserve, if required. Multiyear unconditional promises to give are recognized at the estimated present value of the future cash flows, net of any necessary reserve. Conditional promises to give are not included as public support until such time as the conditions are substantially met. Plan USA had pledges receivable of \$10,000 and \$75,000 as of June 30, 2011 and 2010, respectively.

Cash and cash equivalents:

For purposes of the statements of financial position and the statements of cash flows, cash and cash equivalents are defined as cash on deposit, cash in overnight repurchase agreements, interest-bearing money market accounts, and commercial paper or certificates of deposit with original maturities of 90 days or less. The carrying amount approximates fair value due to the short-term nature of these instruments.

Contributed securities:

For the purpose of measuring the value of donations and the cost basis of contributed securities, the securities are stated at fair market value on the date the gift was received.

Investments:

Plan USA reports all investments in mutual funds with readily determinable fair values and all investments in debt securities at fair value in the statements of financial position. Additionally, realized gains/losses and changes in unrealized appreciation/depreciation and investment income are recorded in the statements of activities as changes in unrestricted net assets, unless their use is restricted by explicit donor-imposed stipulations or law, in which case they are reported in the appropriate restricted class of net assets. Investments as of June 30, 2011 and 2010, respectively, are stated at fair market value based on quoted prices in the active market, when available (Notes 3, 4 and 5).

Fair Value of Financial Instruments:

The fair value of Plan USA's financial instruments approximates the carrying amount reported in the statements of financial position for cash and cash equivalents, receivables, bequests and pledges receivable, investments, split-interest agreements and payables (Note 5).

Federal income taxes:

A favorable determination letter has been obtained from the Internal Revenue Service exempting the organization from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for taxes on the change in net assets has been recorded.

Land, building and equipment:

Land, building and equipment are stated at cost less accumulated depreciation (Note 6).

Depreciation is provided under the straight-line method over the estimated useful lives of the assets as follows:

Building and building improvements	5-50 years
Computer software	3-10 years
Equipment	3-7 years

When capital assets are disposed of, the asset and the associated accumulated depreciation are eliminated and any resulting gain or loss is reflected in the statements of activities.

Software costs are accounted for in accordance with guidance for internal-use software, which requires that certain costs related to developing or obtaining internal-use software should be capitalized. Additionally, costs incurred to develop and maintain the organization's web site are accounted for in accordance with guidance for accounting for web site development costs.

Use of estimates:

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

Subsequent Events:

Plan USA has evaluated subsequent events through November 14, 2011, the date the report was available for issuance.

New Accounting Standards:

On September 17, 2010, New York enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA), its version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). As a result, Plan USA expanded its disclosures for fiscal year ended June 30, 2011 under the provisions of ASC 958, Not-for-Profit Entities (formerly FASB Staff Position No. 117-1). In addition, Plan USA reclassified unrestricted net assets related to accumulated earnings on endowment funds to temporarily restricted net assets in the amount of \$2,006,169, reflected in the consolidated statement of activities as a cumulative effect of change in accounting principle.

NOTE 2 - GRANTS RECEIVABLE:

During the fiscal years ended June 30, 2011 and 2010, respectively, Plan USA incurred \$18,601,861 and \$20,465,109 of reimbursable Federal grant expenses relating to awards from the United States Agency for International Development ("USAID"), the United States Department of Labor or as a subrecipient from other organizations that received Federal funds. For the same periods, Plan USA recorded additional grant revenue of \$36,648,717 and \$9,609,869 respectively, from other funders. Unreimbursed, but eligible expenses of \$3,714,792 and \$5,125,659 at June 30, 2011 and 2010, respectively, are recorded as grants receivable in the accompanying statements of financial position.

Federal grants awarded and obligated by the grantor, but not yet spent by Plan USA totaled approximately \$11,018,308 and \$25,680,881 at June 30, 2011 and 2010, respectively.

NOTE 3 - INVESTMENTS:

Investments are composed of the following as of:

	<u>June 30, 2011</u>		<u>June 30, 2010</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Mutual Funds	\$ 13,582,566	\$ 15,035,521	\$ 12,213,457	\$ 13,040,670
Government sponsored securities	124,675	126,730	117,229	121,024
Stocks/other	69,504	81,170	113,986	159,150
Totals	<u>\$ 13,776,745</u>	<u>\$ 15,243,421</u>	<u>\$ 12,444,672</u>	<u>\$ 13,320,844</u>

Investment income, net of investment management fees of approximately \$103,000 and \$115,000 for the fiscal years ended June 30, 2011 and 2010, respectively, is included in total public support and revenue on the accompanying statements of activities and is composed of the following for the years ended:

	June 30,	
	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 270,715	\$ 164,782
Net gain (loss) on sales of investments	914,419	767,546
Net impairment loss on investments	(25,072)	(212,160)
Allocation of interest income from Plan International, Inc.	<u>78,955</u>	<u>60,430</u>
Total investment income	<u>\$ 1,239,017</u>	<u>\$ 780,598</u>

NOTE 4 - SPLIT-INTEREST AGREEMENTS:

Plan USA is a party to various types of split-interest agreements. Charitable gift annuities (“CGAs”) are arrangements whereby a donor contributes assets in exchange for a promise from Plan USA to pay the donor a fixed amount for a specified period of time. Assets received are recognized at fair value, and an annuity payment liability is recognized at the present value of the future cash flows expected to be paid. Unrestricted contribution revenue is recognized as the difference between these two amounts. To calculate the present value of the CGAs, the 1994 Group Annuity Mortality Tables and the actual rates in each annuity agreement were used. The value of CGAs of \$586,099 and \$521,910 at June 30, 2011 and 2010, respectively, are included in investments on the accompanying statements of financial position. The related liabilities of \$173,812 and \$180,679 at June 30, 2011 and 2010, respectively, are included in obligation under split-interest agreements on the accompanying statements of financial position.

Pooled income funds (“PIFs”) are arrangements whereby several donors’ life income gifts are invested and pooled together, and each donor is assigned a relative number of units in the fund. Contribution revenue has been recorded at the fair value of the assets to be received, discounted at 6.00% over the estimated life expectancy of the donor. The difference between the fair value of the assets received and the revenue recognized is recorded as deferred revenue, representing the amount of discount for future interest. Until the donor’s death, the donor is paid the actual income earned on the donor’s units of the fund. Upon the donor’s death, the value of the assigned units reverts to Plan USA. The value of PIFs of \$36,987 and \$51,977 at June 30, 2011 and 2010, respectively, are included in investments on the accompanying statements of financial position. The related liabilities of \$9,023 and \$12,675 at June 30, 2011 and 2010, respectively, are included in obligation under split-interest agreements on the accompanying statements of financial position.

A beneficial interest in a perpetual trust is an arrangement in which a donor establishes and funds a perpetual trust for the benefit of one or more non-profit beneficiaries. The assets are administered and managed by an independent third party. Under the terms of these arrangements, Plan USA has the irrevocable right to receive the investment income earned on the trust assets in perpetuity. The value of these perpetual trusts of \$456,723 and \$398,463 at June 30, 2011 and 2010, respectively, are included in beneficial interest in perpetual trusts on the accompanying statements of financial position.

Additionally, there are arrangements known as charitable remainder trusts that have several different varieties and terms. With regard to the charitable remainder trusts under which Plan USA is a beneficiary, the assets are administered and managed by an independent third party. The value of charitable remainder trusts of \$982,964 and \$785,438 at June 30, 2011 and 2010, respectively, are included in contributions receivable from charitable remainder trusts on the accompanying statements of financial position.

NOTE 5 - FAIR VALUE MEASUREMENTS

Effective July 1, 2008, Plan USA adopted the guidance on fair value measurements issued by the FASB. Under this guidance, fair value is defined 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 guidance principally affects investments (unrestricted and restricted); however, other applicable fair value measurements include discounting multi-year pledges on the initial date of recognition, assets, and applicable liabilities of pooled income funds and charitable gift annuities.

The standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest level of priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this standard are as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement; however, the determination of what constitutes "observable" requires significant judgment by Plan USA.

Plan USA considers observable data to be that market data which is readily available; regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to Plan USA's perceived risk of that instrument.

The availability of observable inputs can vary from product to product and is affected by many factors, including for example, the type of product, whether the product is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment.

Accordingly, the degree of judgment exercised by Plan USA in determining fair value is greatest for instruments categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

In determining an instrument's placement within the hierarchy, Plan USA separates the investment portfolio into the following categories: mutual funds, corporate bonds, government sponsored securities, stocks, split-interest agreements and cash and cash equivalents.

Mutual funds: Mutual funds include investments in common stock. Plan USA's actively traded mutual funds are listed on a national exchange. Therefore, they are valued at the last price quoted by the exchange and are categorized as Level 1.

Government sponsored securities: Government sponsored securities include investments in various U.S. Treasury instruments (such as mortgage-backed securities and asset-backed securities, and bank debt). Government sponsored securities are based upon market price quotations and are categorized as Level 1.

Cash equivalents: Cash equivalents principally include shares owned in money market funds and are categorized as Level 1.

Stocks: The fair values of publicly traded fixed income and equity securities are based on quoted market prices and are generally categorized as Level 1. Investments that are listed on an exchange are valued, in general, at the last reported sale price (or, if there is no sales price, at the last reported bid price, or, in the absence of reported bid prices, at the mean between the last reported bid and asked prices thereof).

Split-interest agreements: Investments for split-interest agreements primarily consist of Charitable Gift Annuities, Irrevocable Charitable Remainder Unitrusts (CRUTs), Pooled Income Funds, and Perpetual Trusts. Investments are fair valued using the present value of future commitments. These amounts include equities and fixed income investments. Associated liabilities are recorded, and fair valued, each reporting period. The liabilities are fair valued using a discounted cash approach, which is consistent with the exit value Plan USA would pay to relieve its liability at June 30, 2011 and 2010.

The following table presents the financial instruments carried on the statement of financial position as of June 30, 2011:

Assets and Liabilities at Fair Value as of June 30, 2011

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>Quoted</u>	<u>Other</u>	<u>Significant</u>	
	<u>Prices</u>	<u>Significant</u>	<u>Unobservable</u>	
		<u>Observable</u>	<u>Inputs</u>	
		<u>Inputs</u>	<u>Inputs</u>	
<u>Cash equivalents</u>				
Money Market Funds	\$ 444,998	\$ -	\$ -	\$ 444,998
Total Cash Equivalents	<u>\$ 444,998</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 444,998</u>
<u>Investments</u>				
Mutual Funds	\$ 14,476,871	\$ -	\$ -	\$ 14,476,871
Government sponsored securities	62,293	-	-	62,293
Stocks/other	81,170	-	-	81,170
Total Investments	<u>\$ 14,620,334</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,620,334</u>
<u>Organizational interest in trusts</u>				
Contributions receivable from charitable remainder trusts	\$ 982,964	\$ -	\$ -	\$ 982,964
Beneficial interest in perpetual trusts	-	-	456,723	456,723
	<u>\$ 982,964</u>	<u>\$ -</u>	<u>\$ 456,723</u>	<u>\$ 1,439,687</u>
<u>Assets of charitable gift annuities and pooled income fund</u>				
Mutual Funds	\$ 558,650	\$ -	\$ -	\$ 558,650
Government sponsored securities	64,437	-	-	64,437
Total Assets of CGA and PIF	<u>\$ 623,087</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 623,087</u>
<u>Liabilities of charitable gift annuities and pooled income fund</u>				
Mutual Funds	\$ -	\$ -	163,927	\$ 163,927
Government sponsored securities	-	-	18,908	18,908
Total Liabilities of CGA and PIF	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 182,835</u>	<u>\$ 182,835</u>

The following table presents the financial instruments carried on the statement of financial position as of June 30, 2010:

Assets and Liabilities at Fair Value as of June 30, 2010

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>Quoted</u>	<u>Other</u>	<u>Significant</u>	
	<u>Prices</u>	<u>Significant</u>	<u>Unobservable</u>	
	<u>Inputs</u>	<u>Inputs</u>	<u>Inputs</u>	
<u>Cash equivalents</u>				
Money Market Funds	\$ 115,769	\$ -	\$ -	\$ 115,769
Total Cash Equivalents	<u>\$ 115,769</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,769</u>
<u>Investments</u>				
Mutual Funds	\$ 12,521,215	\$ -	\$ -	\$ 12,521,215
Government sponsored securities	66,592	-	-	66,592
Stocks/other	159,150	-	-	159,150
Total Investments	<u>\$ 12,746,957</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,746,957</u>
<u>Organizational interest in trusts</u>				
Contributions receivable from charitable remainder trusts	\$ 557,953	\$ 55,111	\$ 172,374	\$ 785,438
Beneficial interest in perpetual trusts	-	-	398,463	398,463
	<u>\$ 557,953</u>	<u>\$ 55,111</u>	<u>\$ 570,837</u>	<u>\$ 1,183,901</u>
<u>Assets of charitable gift annuities and pooled income fund</u>				
Mutual Funds	\$ 519,455	\$ -	\$ -	\$ 519,455
Government sponsored securities	54,432	-	-	54,432
Total Assets of CGA and PIF	<u>\$ 573,887</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 573,887</u>
<u>Liabilities of charitable gift annuities and pooled income fund</u>				
Mutual Funds	\$ -	\$ -	\$ 175,015	\$ 175,015
Government sponsored securities	-	-	18,339	18,339
Total Liabilities of CGA and PIF	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 193,354</u>	<u>\$ 193,354</u>

The following tables include a roll forward of the amounts for the twelve months ended June 30, 2011 and 2010, respectively, for financial instruments classified within Level 3:

Level 3 Assets at Fair Value as of June 30, 2011 and 2010

	Beneficial interest in perpetual trusts	Contributions receivable from charitable remainder trusts	Total
Balance as of June 30, 2009	\$ 368,927	\$ 208,047	\$ 576,974
Net unrealized gains (losses)	29,536	(35,673)	(6,137)
Balance as of June 30, 2010	398,463	172,374	570,837
Net unrealized gains (losses)	58,260	-	58,260
Transfers out of Level 3	-	(172,374)	(172,374)
Balance as of June 30, 2011	<u>\$ 456,723</u>	<u>\$ -</u>	<u>\$ 456,723</u>

Level 3 Liabilities at Fair Value as of June 30, 2011 and 2010

	Total Liabilities of CGAs and PIFs
Balance as of June 30, 2009	\$ 207,574
Net change in actuarial valuation	(14,220)
Balance as of June 30, 2010	193,354
Net change in actuarial valuation	(10,519)
Balance as of June 30, 2011	<u>\$ 182,835</u>

Plan USA uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs, including those obtained from external pricing sources, may be reduced for many instruments.

NOTE 6 - LAND, BUILDING AND EQUIPMENT:

Land, building and equipment is composed of the following:

	June 30,	
	<u>2011</u>	<u>2010</u>
Land	\$ 184,588	\$ 184,588
Building and building improvements	3,164,009	3,139,008
Computer software	2,592,410	2,557,678
Equipment	751,490	599,491
	<u>6,692,497</u>	<u>6,480,765</u>
Less: accumulated depreciation	<u>(4,675,539)</u>	<u>(4,293,355)</u>
	<u>\$2,016,958</u>	<u>\$2,187,410</u>

Depreciation expense of \$382,184 and \$347,485 for the years ended June 30, 2011 and 2010, respectively, is included in the accompanying statements of activities.

NOTE 7 – OBLIGATIONS UNDER OPERATING LEASES:

Plan USA has entered into various operating lease agreements for certain office space and office equipment. Rent expense under such agreements was \$438,801 and \$410,088 for the years ended June 30, 2011 and 2010, respectively. At June 30, 2011, the future minimum rental commitments under such operating lease agreements are as follows:

Year Ending <u>June 30,</u>	
2012	440,272
2013	459,546
2014	478,483
2015	497,622
Thereafter	<u>1,191,618</u>
Total Minimum Payments	<u>\$ 3,067,541</u>

NOTE 8 – LINE OF CREDIT:

On April 28, 2009, Plan USA entered into a revolving line of credit agreement that provides for maximum borrowings of \$2,000,000 to be used for working capital. Under the terms of the agreement, as amended on January 28, 2011, interest on the outstanding balance is payable monthly at the bank's prime rate of interest plus 1.00%. The principal balance can be prepaid in full or in part at any time without incurring a prepayment fee or premium, and is payable in full on the expiration date. The facility is secured by all personal property owned by Plan USA and contains certain restrictive covenants, including annual maintenance of a debt service coverage ratio of at least 1.0 to 1.0 to the extent Plan USA has any outstanding debt balance at fiscal year end. As of June 30, 2011, Plan USA had not drawn any funds on the line of credit.

NOTE 9 - UNRESTRICTED NET ASSETS:

Unrestricted net assets are composed of the following:

	June 30,	
	<u>2011</u>	<u>2010</u>
Undesignated represented by land, building and equipment net of accumulated depreciation	\$ 2,016,958	\$ 2,187,410
Charitable gift annuities and Board designated funds	1,718,694	1,702,801
Unrealized appreciation on investments	<u>585,434</u>	<u>876,172</u>
	<u>\$ 4,321,086</u>	<u>\$ 4,766,383</u>

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are composed of the following:

	June 30,	
	<u>2011</u>	<u>2010</u>
Time restricted for sponsorship	\$ 2,106,244	\$ 2,122,375
Purpose restricted for grants & community projects	30,902,955	8,205,680
Cumulative effect of change in accounting principle	355,402	-
Endowment Income	1,650,767	-
Contributions receivable from charitable remainder trusts and pledges	982,964	785,438
Pooled income fund agreements	8,718	22,849
	<u>\$ 36,007,050</u>	<u>\$ 11,136,342</u>

Net assets released from restrictions on the accompanying statements of activities are composed of the following for the years ended:

	June 30,	
	<u>2011</u>	<u>2010</u>
Designated project funds disbursed on specified project or purpose	\$ 7,430,002	\$ 2,659,162
Release of sponsorship funds previously paid in advance	2,122,375	2,310,896
Net change in value of split interest agreements	98,814	45,063
	<u>\$ 9,651,191</u>	<u>\$ 5,015,121</u>

In conjunction with several PII country offices, Plan was awarded several grants by "The Global Fund to Fight AIDS, Tuberculosis and Malaria" relating to multi-year projects focused on health related interventions such as malaria control and HIV/AIDS during the year ended June 30, 2011. In connection with these awards, significant amounts of funds were advanced by the grantor to the applicable field offices to cover several months of program implementation expenses. These funds are recorded upon receipt as temporarily restricted Private and Federal Grants revenue on the accompanying Statements of Activities and Changes in Net Assets. Due to the fact that several of these advances were received later in the fiscal year and the programs are scheduled to continue during the fiscal year ended June 30, 2012, the advanced funding of approximately \$28,000,000 relating to these programs remains in the balance of temporarily restricted net assets as of June 30, 2011 and is available for spending on continued program related activities in the new fiscal year.

NOTE 11 - PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets are composed of the following:

	June 30,	
	<u>2011</u>	<u>2010</u>
Endowment funds	\$ 8,073,186	\$ 7,655,931
Perpetual trusts	456,723	398,463
Pooled income fund agreements	<u>17,975</u>	<u>17,975</u>
	<u>\$ 8,547,884</u>	<u>\$ 8,072,369</u>

These amounts represent the investment of contributed principal that has been restricted by the donor in perpetuity as well as the beneficial interest that Plan USA has in certain third-party perpetual trusts. Unless there are specific donor stipulations or Board of Directors designations, the related investment income is used to support program and operating expenses.

NOTE 12 - ENDOWMENTS:

Plan USA's endowment consists of approximately 220 individual funds established primarily for unrestricted purposes. The endowment includes both donor restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by Generally Accepted Accounting Principles ("GAAP"), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Plan USA's management has interpreted the State of New York's enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the historic dollar value of donor-restricted endowment funds (absent explicit donor stipulations to the contrary). The term historic dollar value is defined as the aggregate fair value in dollars of (i) an endowment fund at the time it became an endowment, (ii) each subsequent donation to the fund at the time it is made, and (iii) each accumulation made pursuant to a direction in the applicable gift instrument at the time the accumulation is added to the fund. As a result of this interpretation, Plan USA classifies as permanently restricted net assets (a) the original value of gifts donated to permanently restricted net assets, (b) the original value of subsequent gifts to the permanent endowment, and (c) appreciation (depreciation), gains (losses) and income earned on the fund when the donor states that such increases or decreases are to be treated as changes in permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets or unrestricted net assets in accordance with the terms of the donor's wishes. As of June 30, 2011, there were \$2,006,169 of temporarily restricted net assets related to Plan USA's endowment funds.

Management further understands that expenditure from a donor-restricted fund are limited to the uses and purposes for which the endowment fund is established and the use of net appreciation, realized gains (with respect to all assets) and unrealized gains (with respect only to readily marketable assets) is limited to the extent that the fair value of a donor-restricted fund exceeds the historic dollar value of the fund (unless the applicable gift instrument indicates that net appreciation shall not be expended), to the extent that such expenditure is prudent, considering the long and short term needs of Plan USA in carrying out its purposes, its present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions.

With the exception of board-designated endowment funds, only current investment income (and not appreciation) earned on donor-restricted endowment funds are expended, and such earnings are used in accordance with donor stipulations, if any. During fiscal year 2009, Plan USA's Board of Directors established a spending rate of up to 60% of each year's realized investment income on donor-restricted endowments and board-designated funds. Due to losses incurred during fiscal year 2009, no funds were expended. During 2010 and 2011, no funds were expended due to prior year losses that had not yet been fully recovered. This spending policy is consistent with Plan USA's objectives to maintain the purchasing power of the assets through long-term returns which provide for future growth of the endowment while also generating current income to support mission critical programs or operating expenses.

Plan USA, in compliance with NYPMIFA, notified available donors who had established endowments prior to June 30, 2011 of the new law, and offered these donors the option of requiring Plan USA to maintain historical dollar value for their endowment funds. For those donors who request this option, Plan USA has designed procedures to ensure that the historical dollar value is maintained by not expending the payout on any fund whose fair value is less than its historical dollar value (i.e., "underwater").

The activities relating to endowment net assets are displayed in the following table:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets at beginning of year	\$ 3,343,327	\$ -	\$ 7,655,931	\$ 10,999,258
Net asset reclassification based on change in accounting principle	<u>\$ (355,402)</u>	<u>\$ 355,402</u>	<u>\$ -</u>	<u>-</u>
Investment return:				
Investment income	-	1,124,927	-	1,124,927
Net change in unrealized appreciation (depreciation)	<u>-</u>	<u>525,840</u>	<u>-</u>	<u>525,840</u>
Total investment income (loss)	-	1,650,767	-	1,650,767
Contributions	-	-	417,255	417,255
Appropriation of endowment assets for expenditures	<u>(777,903)</u>	<u>-</u>	<u>-</u>	<u>(777,903)</u>
Net assets at end of year	<u>\$ 2,210,022</u>	<u>\$2,006,169</u>	<u>\$ 8,073,186</u>	<u>\$ 12,289,377</u>

Donor-restricted endowment funds that can be used to support operations are invested in income-generating investment vehicles or, to the extent that historic dollar value is sustained, in investment vehicles that may generate appreciation while ensuring the preservation of capital. Funds that are restricted for a specific use by the donor or by law, or those that are board designated, are invested in investment vehicles that afford opportunities for appreciation. In general, the endowment funds are invested for growth in funds that all have net asset values that are available daily and which meet certain quality criteria.

Plan USA's endowments consisted of the following net asset composition by type of fund as of June 30, 2011 and 2010 respectively:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals as of 6/30/11</u>
Donor-restricted endowment funds	\$ -	\$ 2,006,169	\$ 8,073,186	\$ 10,079,355
Board designated endowment funds	2,210,022	-	-	2,210,022
Total endowment funds	<u>\$ 2,210,022</u>	<u>\$ 2,006,169</u>	<u>\$ 8,073,186</u>	<u>\$ 12,289,377</u>

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals as of 6/30/10</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 7,655,931	\$ 7,655,931
Board designated endowment funds	3,343,327	-	-	3,343,327
Total endowment funds	<u>\$ 3,343,327</u>	<u>\$ -</u>	<u>\$ 7,655,931</u>	<u>\$ 10,999,258</u>

NOTE 13 - RELATED PARTY TRANSACTIONS:

For each fiscal year, Plan USA transmits to Plan International, Inc. ("PII") the net of total revenue recorded for the year plus amounts of revenue received in prior years that were temporarily restricted by the donors, but have become unrestricted in the current year minus the sum of (a) total operating expenses for the year, (b) amounts of revenue for the year that have been permanently restricted by donors, (c) amounts of revenue for the year that have been temporarily restricted by donors and remain restricted at year-end and (d) amounts otherwise designated by the Board of Directors. These net amounts for the years ended June 30, 2011 and 2010 were \$45,550,627 and \$41,750,031, respectively, and are included in program and technical support expense on the accompanying statements of activities. These amounts, when combined with the amounts sent to PII by the other National Organizations, are the resources that are used by PII to fund the programmatic and other operating costs of its field operations and international headquarters. Due to certain timing differences, the amount of cash actually transmitted through the end of each fiscal year is not equal to the net amount discussed above, but prior to the year-end Plan USA provides PII with an unconditional promise to adjust the remittances to reflect the net amount discussed above. The accompanying statements of financial position include a receivable of \$22,666,657 at June 30, 2011 and a payable of \$945,976 at June 30, 2010, respectively, in relation to this unconditional promise.

In certain instances, grant providers require that their funds must be paid directly to the PII field office(s) where the related program(s) will be implemented rather than being paid through a National Organization. In those cases where a National Organization works directly with the relevant field office(s) and the grantor to (a) help with technical program design in the grant application process, (b) provide technical specialists to train field staff and assist with the implementation of the program, (c) provide specialized technical expertise and (d) assist with the management and reporting over the life of the grant, the revenue and program expenses associated with the grant are allocated by PII to that National Organization. For the years ended June 30, 2011 and 2010, Plan USA recorded grant revenue of \$36,370,566 and \$8,818,592, respectively, and program and technical support expense of \$8,414,724 and \$4,298,479, respectively, in the accompanying statements of activities relating to these types of grants.

Further, PII allocates back to the National Organizations the interest it earns on the funds transmitted to it by the National Organizations. This allocation is based on the timing and size of the remittances from each National Organization during the fiscal year in which the interest is earned. The accompanying statements of activities include allocated interest income of \$78,955 and \$60,430 for the years ended June 30, 2011 and 2010, respectively.

NOTE 14 - BUILDING RELATIONSHIPS AND DEVELOPMENT EDUCATION/ADVOCACY:

Two integral components of the Plan USA mission are Building Relationships and Development Education and Advocacy. In connection with the child sponsorship program, Plan USA provides a link between individuals in the United States and the children and families in Plan's program countries which facilitates two-way communications between sponsors and their sponsored children. Through correspondence and the exchange of small non-monetary gifts, meaningful relationships can be developed and the understanding between different cultures can be enhanced. Additionally, sponsors are able to build enhanced relationships and understanding through the periodic receipt of newsletters; updated family profiles for their sponsored families; and field program reports relating to some of the programs which have been implemented in specific communities to help improve lives. Building relationships expense of \$810,146 and \$924,930 for the years ended June 30, 2011 and 2010, respectively, is included in the accompanying statements of activities.

Within the United States, Development Education and Advocacy programs strive to enhance the public's understanding of the causes and conditions of poverty in developing countries and the role that PII can have in the development process. Additionally, Plan USA facilitates engagement through group meetings, development of school curriculum and through advocacy which reinforces the communications around poverty and community development in the developing world. Further, our domestic youth programs include educational outreach, organized retreats and other special events and activities for youth participation which are designed to help young people in the United States develop a better understanding of the challenges faced by youth in the developing world. Development Education and Advocacy expenses of \$821,584 and \$893,764 for the years ended June 30, 2011 and 2010, respectively, are included in the accompanying statements of activities.

NOTE 15 - RETIREMENT PLAN:

Plan USA offers a contributory, defined contribution retirement plan (the "plan") for the benefit of all qualified employees. In order to be qualified, an employee must have completed one year of service, must have worked at least 1,000 hours per year and be at least 21 years of age. Plan USA makes contributions at designated percentages of earnings in accordance with the plan provisions. Employer contributions totaled \$368,037 and \$384,977 for the years ended June 30, 2011 and 2010, respectively.