JOHNSON LAMBERT & CO. LLP
CPAs AND CONSULTANTS

Prevent Child Abuse America

Audited Financial Statements and Other Financial and Supplemental Information

Years ended December 31, 2009 and 2008
with Report of Independent Auditors

Prevent Child Abuse America

Audited Financial Statements and Other Financial and Supplemental Information

Years ended December 31, 2009 and 2008

Contents

Report of Independent Auditors

To the Board of Directors
Prevent Child Abuse America

We have audited the accompanying statement of financial position of Prevent Child Abuse America as of December 31, 2009 and the related statements of activities and of cash flows for the year then ended. These financial statements are the responsibility of Prevent Child Abuse America's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements as of December 31, 2008 were audited by other auditors whose opinion dated November 11, 2009 expressed a qualified opinion on those 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Prevent Child Abuse America's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, 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 Prevent Child Abuse America at December 31, 2009, 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 November 18, 2010 on our consideration of Prevent Child Abuse America's internal control over financial reporting and on our tests of its compliance with certain provision 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* This schedule is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Johnson Lambert & Co LLP

Arlington Heights, Illinois
November 18, 2010

Prevent Child Abuse America

Statements of Financial Position

	December 31, 2009	December 31, 2008
Assets		
Cash and cash equivalents	$ 193,180	$ 1,705
Federal grants and pledges receivable, net	360,413	167,033
Accounts receivables, net	125,422	156,361
Other assets	36,889	49,456
Investments	2,638,151	2,211,480
Furniture and equipment, net	71,840	217,224
Total assets	$ 3,425,895	$ 2,803,259
Liabilities and net assets		
Liabilities:		
Accounts payable	$ 861,607	$ 774,690
Sublease rent settlement/deficit	250,000	346,021
Deferred rent liability	-	211,590
Deferred revenue	297,933	228,532
Line of credit	38,124	125,000
Capital lease obligation	62,427	88,784
Total liabilities	1,510,091	1,774,617
Net (deficit) assets		
Unrestricted deficit	(1,723,746)	(2,128,328)
Temporarily restricted net assets	639,550	156,970
Permanently restricted net assets	3,000,000	3,000,000
Total net assets	1,915,804	1,028,642
Total liabilities and net assets	$ 3,425,895	$ 2,803,259

See accompanying notes to the financial statements.

Prevent Child Abuse America

Statements of Activities

Years ended December 31, 2009 and 2008

	Unrestricted		Temporarily Restricted		Permanently Restricted		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Public support and other revenue								
Public support - contributions								
Individuals - workplace campaign	$ 31,229	$ 84,658	$ -	$ -	$ -	$ -	$ 31,229	$ 84,658
Individuals - other and family foundation	328,046	268,104	-	-	-	-	328,046	268,104
Corporations, foundations, associations	376,951	573,963	546,935	234,000	-	-	923,886	807,963
Conferences and program revenue	883,711	872,972	-	-	-	-	883,711	872,972
Special events, net of direct benefit to donors of $0 in 2009 and $125,703 in 2008	237,587	500,488	-	-	-	-	237,587	500,488
Total public support	1,857,524	2,300,185	546,935	234,000	-	-	2,404,459	2,534,185
Other revenue:								
Royalty income	157,457	135,181	-	-	-	-	157,457	135,181
Grants from government agencies	571,387	345,654	-	-	-	-	571,387	345,654
Investment return designated for current operations	-	99,818	86,513	-	-	-	86,513	99,818
Other	38,409	205,417	-	-	-	-	38,409	205,417
Total other revenue and support	767,253	786,070	86,513	-	-	-	853,766	786,070
Net assets released from restrictions	577,539	633,916	(577,539)	(633,916)	-	-	-	-
Total public support and other revenue	3,202,316	3,720,171	55,909	(399,916)	-	-	3,258,225	3,320,255
Expenses								
Program services	2,349,273	3,115,393	-	-	-	-	2,349,273	3,115,393
Supporting services	551,533	1,065,649	-	-	-	-	551,533	1,065,649
Total expenses	2,900,806	4,181,042	-	-	-	-	2,900,806	4,181,042
Change in net assets from operations	301,510	(460,871)	55,909	(399,916)	-	-	357,419	(860,787)
Other changes:								
Investment return in excess of amounts designated for current operations	-	(933,712)	426,671	(54,957)	-	-	426,671	(988,669)
Gain on vacated space, net	103,072	-	-	-	-	-	103,072	-
Change in net assets	404,582	(1,394,583)	482,580	(454,873)	-	-	887,162	(1,849,456)
Net assets, beginning of period	(2,128,328)	(733,745)	156,970	611,843	3,000,000	3,000,000	1,028,642	2,878,098
Net assets, end of period	$ (1,723,746)	$ (2,128,328)	$ 639,550	$ 156,970	$ 3,000,000	$ 3,000,000	$ 1,915,804	$ 1,028,642

See accompanying notes to the financial statements.

Prevent Child Abuse America

Statement of Functional Expenses

Year ended December 31, 2009

	Program Services						Supporting Services			
	Prevention Education	Prevention Research	Prevention Programs	Prevention Advocacy	Chapter Activities	Total	Management and General	Advancement	Total	Total Expenses
Employee expenses										
Salaries	$ 134,612	$ 191,447	$ 381,962	$ 75,756	$ 203,295	$ 987,072	$ 9,632	$ 226,770	$ 236,402	$ 1,223,474
Benefits	11,147	25,061	35,364	9,047	20,319	100,938	757	23,686	24,443	125,381
Payroll taxes	9,996	14,984	29,200	6,009	15,345	75,534	660	17,690	18,350	93,884
Other	125	477	419	166	253	1,440	53	415	468	1,908
Accounting, auditing and computer consulting	28,083	53,286	69,158	14,462	33,267	198,256	5,429	39,569	44,998	243,254
Other professional and other services	25,347	(9,742)	7,389	44,096	6,826	73,916	2,921	21,567	24,488	98,404
Occupancy	20,029	49,833	66,537	18,247	39,464	194,110	2,419	45,617	48,036	242,146
Telephone	2,889	6,492	11,397	2,096	6,391	29,265	953	5,462	6,415	35,680
Postage	663	1,528	2,163	569	1,246	6,169	140	2,889	3,029	9,198
Office equipment expense and supplies	126	683	569	(258)	1,850	2,970	338	8,708	9,046	12,016
Printing and material development	29,979	193	562	95	221	31,050	16	81,100	81,116	112,166
Travel and board expense	7,792	13,479	58,612	7,184	26,390	113,457	2,597	8,610	11,207	124,664
Special events	-	-	-	-	9,544	9,544	-	29,553	29,553	39,097
Uncollectable debts	(102)	(76)	40,024	(38)	(89)	39,719	(6)	9,905	9,899	49,618
Payments to affiliates	-	(15,000)	32,445	31,815	375	49,635	-	-	-	49,635
Federal award sub grants	-	419,767	-	-	-	419,767	-	-	-	419,767
Interest	1,807	4,060	5,747	1,518	3,299	16,431	287	3,796	4,083	20,514
Total expenses	$ 272,493	$ 756,472	$ 741,548	$ 210,764	$ 367,996	$ 2,349,273	$ 26,196	$ 525,337	$ 551,533	$ 2,900,806

See accompanying notes to the financial statements.

Prevent Child Abuse America

Statement of Functional Expenses

Year ended December 31, 2008

	Program Services						Supporting Services			
	Prevention Education	Prevention Research	Prevention Programs	Prevention Advocacy	Chapter Activities	Total	Management and General	Advancement	Total	Total Expenses
Employee expenses										
Salaries	$ 146,389	$ 255,606	$ 470,372	$ 79,218	$ 182,412	$ 1,133,997	$ 82,989	$ 276,802	$ 359,791	$ 1,493,788
Benefits	6,104	26,624	28,045	9,345	29,806	99,924	13,096	22,223	35,319	135,243
Payroll taxes	11,551	19,935	35,692	6,349	14,364	87,891	7,495	22,563	30,058	117,949
Other	254	495	698	172	466	2,085	21	598	619	2,704
Accounting, auditing and computer consulting	11,435	44,862	48,471	15,246	32,397	152,411	(3,430)	43,254	39,824	192,235
Other professional and other services	93,307	15,263	96,806	87,186	42,718	335,280	5,501	51,196	56,697	391,977
Occupancy	12,902	49,458	76,906	17,203	53,260	209,729	2,150	43,008	45,158	254,887
Telephone	2,061	8,552	9,515	2,423	6,954	29,505	531	5,950	6,481	35,986
Postage	578	2,115	3,547	809	1,619	8,668	518	3,593	4,111	12,779
Office equipment expense and supplies	1,247	5,999	8,302	6,635	5,417	27,600	352	18,545	18,897	46,497
Printing and material development	50,322	9	924	3	1,197	52,455	-	4,538	4,538	56,993
Travel and board expense	2,742	11,099	178,551	5,314	35,244	232,950	1,314	9,476	10,790	243,740
Special events	-	-	194,711	9,336	-	204,047	-	191,017	191,017	395,064
Loss on sublease	-	-	-	-	-	-	239,900	-	239,900	239,900
Payments to affiliates	-	-	154,296	10,500	1,672	166,468	-	-	-	166,468
Federal award sub grants	-	287,930	-	-	-	287,930	-	-	-	287,930
Interest	1,284	4,922	5,350	1,712	3,638	16,906	214	4,280	4,494	21,400
Depreciation	5,130	19,666	21,376	6,840	14,535	67,547	855	17,100	17,955	85,502
Total expenses	$ 345,306	$ 752,535	$ 1,333,562	$ 258,291	$ 425,699	$ 3,115,393	$ 351,506	$ 714,143	$ 1,065,649	$ 4,181,042

See accompanying notes to the financial statements.

Prevent Child Abuse America

Statements of Cash Flows

	Years ended December 31, 2009	2008
Cash flow from operating activities		
Change in net assets	$ 887,162	$ (1,849,456)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	145,384	85,502
Change in market value of investments	(452,528)	944,183
Changes in assets and liabilities:		
Accounts receivable	(162,441)	41,666
Other assets	12,567	(1,491)
Accounts payable	86,917	445,595
Sublease rent deficit	(96,021)	248,852
Deferred rent liability	(211,590)	245
Deferred revenue	69,401	(176,221)
Sublease tenant security deposit	-	(51,027)
Net cash provided by (used in) operating activities	278,851	(312,152)
Cash flows from investing activities		
Acquisition of equipment	-	(5,859)
Proceeds from sales of investments	447,657	2,163,346
Purchase of investments	(421,800)	(2,067,639)
Net cash provided by investing activities	25,857	89,848
Cash flows from financing activities		
Repayments on line of credit	(86,876)	-
Principal payments on lease obligations	(26,357)	(22,831)
Net cash used in financing activities	(113,233)	(22,831)
Net change in cash and cash equivalents	191,475	(245,135)
Cash and cash equivalents, beginning of year	1,705	246,840
Cash and cash equivalents, end of year	$ 193,180	$ 1,705
Supplemental disclosures of cash flow information		
Interest paid	$ 20,514	$ 21,400

See accompanying notes to the financial statements.

Prevent Child Abuse America

Notes to Financial Statements

Years ended December 31, 2009 and 2008

Note A - Nature of Activities

Prevent Child Abuse America is an organization established for the purpose of building a nationwide commitment to prevent child abuse in all its forms. Prevent Child Abuse America is supported primarily by contributions and grants from corporations and foundations.

Note B - Summary of Significant Accounting Policies

Basis of Presentation
The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, net assets of Prevent Child Abuse America and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Prevent Child Abuse America and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by Prevent Child Abuse America. Generally, the donors of these assets permit Prevent Child Abuse America to use all or part of the income earned on these investments for general operations.

Subsequent Events
Prevent Child Abuse America has performed an evaluation of subsequent events through November 18, 2010, which is the date the financial statements were available to be issued and has considered any relevant matters in the preparation of the financial statements and footnotes.

Contributions
Contributions, including unconditional promises to give, are recorded when received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value which approximates fair value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using adjusted risk-free interest rates applicable to the years in which the promises were received.

Note B - Summary of Signficant Accounting Policies (Continued)

Contributions (continued)
Prevent Child Abuse America uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Cash and Cash Equivalents
Prevent Child Abuse America considers cash on hand, cash deposited in banks and money market fund investments to be cash equivalents, with the exception of the cash that is included in the investment portfolio. That cash is designated for long-term investment purposes.

Federal Grant Receivable
Federal grants receivable represent amounts expended and not yet reimbursed under a Federal grand awarded to Prevent Child Abuse America. Federal grant revenue is recognized in the statement of activities as expenditures are incurred.

Accounts Receivable
Accounts receivable include amounts related to training fees, publications and other services. Prevent Child Abuse America does not maintain an allowance for doubtful accounts for these receivables, however management does monitor and estimate the amount of any uncollectible balances throughout the year. Management will record adjustments as necessary, which are reflected in the statement of activities. At December 31, 2009 and 2008 Prevent Child Abuse America recorded $50,253 and $0, respectively as bad debt expense.

Furniture and Equipment
Furniture and equipment is recorded at cost or at estimated fair value at the date of gift. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire furniture, fixtures and office equipment are reported as temporarily restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Prevent Child Abuse America reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Prevent Child Abuse America reclassifies temporarily restricted net assets to unrestricted net asset at that time.

Prevent Child Abuse America depreciates its furniture, fixtures and office equipment over their estimated useful lives, typically 5 years, using the straight-line method.

Note B - Summary of Signficant Accounting Policies (Continued)

Contributed Services and Materials
Donated services and materials are reported as contribution revenue and as assets and expenses only if the services and materials create or enhance a nonfinancial asset, require specialized skills and are provided by individuals possessing those skills, are measurable, and would have been purchased if they had not been contributed. Donated services and materials are measured at their fair value.

Functional Allocation of Expenses
Prevent Child Abuse America allocates its expenses to the separate functional categories of program services and supporting services based on the number of employees associated with the conduct of each function. The costs that have been allocated include rent, utilities, payroll, payroll related costs, printing, computer service, office supplies, telephone, accounting, auditing, equipment rental, postage and insurance.

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

Investments
Prevent Child Abuse America carries its investments at fair value and reports gains and losses in the statement of activities. The fair value of investments are based on quoted market prices at the reporting date.

The board of directors designates a portion of Prevent Child Abuse America's total investment return for support of current operations; the remainder is retained to support operations of future years. The amount designated for operations under this policy and all investment income earned by investing cash in excess of daily requirements are used to support current operations.

Government Agency Revenue
Grants from government agencies revenue represents reimbursement from the Department of Justice for expenses incurred; accordingly, grant revenues are equal to grant expenses.

Deferred Revenue
Deferred revenue consists of credentialing fees and the pinwheel campaign amounts paid in advance. Credentialing fees are recognized as revenue 1/3 when paid, 1/3 when the site visit has been completed and 1/3 when the credential is granted. Revenue related to the pinwheel campaign is recognized in the year of the campaign.

Note B - Summary of Signficant Accounting Policies (Continued)

Concentration of Credit Risk
Throughout the year, Prevent Child Abuse America may have cash and cash equivalents held by financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) coverage limit of $250,000 through December 31, 2013. Management does not consider the cash balances above the FDIC insured limit to be a significant credit risk.

Income Taxes
Prevent Child Abuse America is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and that it has been classified as an organization that is not a private foundation under Section 509(a)(2). Management has concluded that Prevent Child Abuse America has properly maintained its exempt status. Tax years 2006-2008 are subject to examination by federal authorities, there are currently no examinations being conducted.

Note C - Grants and Pledges Receivable

Unconditional grants and pledges receivable at December 31, 2009 and 2008 are as follows:

	2009	2008
Grants and pledges receivable expected to be collected in less than one year	$ 360,413	$ 167,033

Note D - Permanently Restricted Net Assets

The permanently restricted net assets are endowments consisting of:

- A $1,000,000 grant from the Pesch Family Foundation (and the related $1,000,000 matching funds) which contains a donor stipulation that the principal be maintained intact in perpetuity and that only the income from investment thereof be expended for general purposes.

- A $500,000 grant from the W. Clement Stone 1990 Revocable Trust which contains a donor stipulation that the principal be maintained intact in perpetuity and that only the income from investment thereof be expended for general purposes.

- A $500,000 grant from the Independent Order of Foresters which contains a donor stipulation that the principal be maintained intact in perpetuity and that only the income from investment thereof be expended to support Healthy Families America, prevention packets and the Chapter network. Until designated for operations by the board of directors, investment income from this grant is classified as temporarily restricted for these purposes.

Note E - Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2009 and 2008 are available for the following purposes:

	2009	2008
Public education campaign	$ 494,032	$ -
Public Awareness Campaign for Chicago Child Abuse Prevention Initiative Project	18,615	18,615
Doris Duke-Crisis Grant	36,000	-
Prevention Planning	69,975	69,975
Publications	4,025	31,500
Healthy Families America	16,903	26,000
Early Childhood Coalition for Home Visitation Services	-	3,880
Public Perception and Communication Strategies About Child Abuse Prevention	-	7,000
Endowment earnings (Note L)	-	-
Total	$ 639,550	$ 156,970

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during 2009 and 2008 were:

	2009	2008
Project to develop and strengthen a network of mutual support/self help programs	$ -	$ 174,655
Healthy Families America	26,000	75,000
Prevention Planning	-	14,025
Training for Healthy Families America	-	35,000
Children of Incarcerated Parents	-	69,866
Publications	27,475	127,500
Early Childhood Coalition for Home Visitation Services	3,880	2,870
Chapters	-	25,000
Bullying Prevention	-	15,000
Public Perception and Communication Strategies About Child Abuse Prevention	7,000	43,000
Endowment earnings (Note L)	513,184	52,000
Total	$ 577,539	$ 633,916

Note F - Investments and Fair Value Measurement

The components of Prevent Child Abuse America's investments as of December 31, 2009 and 2008 are as follows:

	2009	2008
Money market	$ 253,783	$ 379,990
Mutual funds - equities	132,850	103,208
Equities - domestic	1,098,738	805,944
Mutual funds - international	265,459	176,965
Fixed income - corporate	837,581	485,208
Fixed income -government	49,740	260,165
	$ 2,638,151	$ 2,211,480

The following schedule summarizes the investment return and its classification in the statement of activities:

	2009	2008
Dividends and interest, net of fees of $20,861 in 2009 and $26,691 in 2008	$ 39,795	$ 54,514
Change in market value	452,528	(944,183)
Total return on investments	492,323	(889,669)
Investment return designated for current operations	(86,513)	(99,000)
Investment return in excess of amounts designated for current operations	$ 405,810	$ (988,669)

In accordance with GAAP, Prevent Child Abuse America prioritizes the inputs to valuation techniques used to measure fair value. The levels of the hierarchy and those investments included in each are as follows:

Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.

Level 3: Inputs to valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

Note F - Investments and Fair Value Measurement (Continued)

At December 31, 2009 and 2008, Prevent Child Abuse America's investments in mutual funds and equities are measured at fair value based on quoted market prices for actively traded securities (Level 1). Fair value of fixed income securities are based on estimates using current market inputs for similar financial instruments with comparable terms and credit quality (Level 2).

Note G - Furniture and Equipment

Furniture and equipment consists of:

	2009	2008
Leasehold improvements	$ 158,616	$ 158,616
Furniture and other furnishings	87,867	87,867
Equipment	719,393	719,393
Leased equipment	304,361	304,361
	1,270,237	1,270,237
Less accumulated depreciation	1,198,397	1,053,013
	$ 71,840	$ 217,224

Depreciation expense was $145,384 and $85,502 for the years ended December 31, 2009 and 2008.

Prevent Child Abuse America leases certain equipment under terms of capital leases. The economic substance of the leases is that Prevent Child Abuse America is financing the acquisition of the assets through the lease, and, accordingly, the related assets and liabilities have been recorded in the statement of financial position.

The following is a schedule of future minimum lease payments required under the leases together with their present value as of December 31, 2009:

Years ended December 31, 2010	$ 37,482
Years ended December 31, 2011	34,358
	71,840
Less amount representing interest	9,413
Present value of minimum lease payments	$ 62,427

Note H - In-Kind Contributions

Prevent Child Abuse America receives in-kind legal services. The donated services had an approximate fair value of $102,880 and $94,484 in 2009 and 2008, respectively and is recorded as corporations, foundation and association revenue in the statement of activities.

Note I - Related Party Transactions

Prevent Child Abuse America received approximately $537,422 in 2009 and $508,594 in 2008 of support from Prevent Child Abuse America's Board of Directors and corporations that employ members of Prevent Child Abuse America's Board of Directors.

Note J - Pension Plan

Prevent Child Abuse America has a defined contribution pension plan that covers substantially all employees. Prevent Child Abuse America funds the plan through annual contributions based upon a fixed percentage of eligible employees' salaries. The contribution for 2009 and 2008 was suspended.

Note K - Office Lease Commitment

At December 31, 2009, Prevent Child Abuse America was obligated under terms of a lease which expires February 2012 for office space located in Chicago, Illinois. Under terms of the lease agreement, Prevent Child Abuse America pays monthly base rent of $5,175. The base rent escalates by $.50 per rentable square footage per annum. Future minimum base lease payments are as follows:

2010	$	64,400
2011		66,700
2012		11,500
	$	142,600

At December 31, 2008, Prevent Child Abuse America was obligated under two lease agreements for which the spaces had been vacated. During 2008, Management entered into negotiations with each respective landlord in an effort to be relieved of its obligations under the leases. Subsequent to December 31, 2009, Management reached a settlement with both parties. As consideration for the termination of both lease agreements and in full satisfaction of any and all obligations under each lease, Prevent Child Abuse America paid each landlord the sum of $125,000 (total of $250,000). The financial statements have been adjusted to reflect these settlements.

Note L - Endowments

Prevent Child Abuse America's 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, 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. The Board of Directors of Prevent Child Abuse America has interpreted the Illinois Uniform Management of Institutional Funds Act (UMIFA) as requiring the preservation of the fair value or the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Prevent Child Abuse America classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted, if so restricted by the donor or unrestricted net assets. In accordance with UMIFA, Prevent Child Abuse America considers the following factors in making a determination of the amount to appropriate for current operations:

(1) The duration and preservation of the fund
(2) The purposes of the organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the organization
(7) The investment policies of the organization.

Endowment funds net asset composition by type of fund as of December 31, 2009 and 2008 are;

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ (361,849)	$ -	$ 3,000,000	$ 2,638,151
Board designated	-	-	-	-
Total funds	$ (361,849)	$ -	$ 3,000,000	$ 2,638,151

	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ (862,162)	$ -	$ 3,000,000	$ 2,137,838
Board designated	73,642	-	-	73,642
Total funds	$ (788,520)	$ -	$ 3,000,000	$ 2,211,480

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Prevent Child Abuse America

We have audited the financial statements of Prevent Child Abuse America the year ended December 31, 2009, and have issued our report thereon dated November 18, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Prevent Child Abuse America's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Prevent Child Abuse America's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Prevent Child Abuse America's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, that adversely affects an entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of an entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2009-04 to be a significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2009-01, 2009-02 and 2009-03 to be material weaknesses in internal control over financial reporting.

<u>Compliance and Other Matters</u>

As part of obtaining reasonable assurance about whether Prevent Child Abuse America's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Prevent Child Abuse America's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Prevent Child Abuse America's responses and accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of, Prevent Child Abuse America's Board of Directors, management, and the federal awarding agency and is not intended to be and should not be used by anyone other than these specified parties.

Johnson Lambert + Co LLP

Arlington Heights, Illinois
November 18, 2010

Prevent Child Abuse America

Notes to Financial Statements (Continued)

Note L - Endowments (Continued)

Changes in endowment net assets for the year ended December 31, 2009 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (788,520)	$ -	$ 3,000,000	$ 2,211,480
Investment return:				
Investment income	-	60,656	-	60,656
Net appreciation (realized and unrealized)	-	452,528	-	452,528
Total investment return	-	513,184	-	513,184
Replenishment of unrestricted borrowings	513,184	(513,184)	-	-
Appropriation of endowment assets for 2009 expenditure	-	(86,513)	-	(86,513)
Loss in excess of earnings	(86,513)	86,513	-	-
Endowment net assets, end of year	$ (361,849)	$ (86,513)	$ 3,000,000	$ 2,638,151

Changes in endowment net assets for the year ended December 31, 2008 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 144,413	$ 106,957	$ 3,000,000	$ 3,251,370
Investment return:				
Investment income	42,994	12,298	-	55,292
Net depreciation (realized and unrealized)	(766,241)	(177,941)	-	(944,182)
Total investment return	(723,247)	(165,643)	-	(888,890)
Appropriation of endowment assets for 2008 expenditure	(99,000)	(52,000)	-	(151,000)
Loss in excess of earnings	(110,686)	110,686	-	-
Endowment net assets, end of year	$ (788,520)	$ -	$ 3,000,000	$ 2,211,480

All permanently restricted net assets are required to be retained permanently either by explicit donor stipulation or by UMIFA at December 31, 2009 and 2008.

Note L - Endowments (Continued)

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UMIFA requires Prevent Child Abuse America to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and were $361,849 and $862,162 as of December 31, 2009 and 2008, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred in 2008.

Return Objectives and Risk Parameters
Prevent Child Abuse America has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the historic dollar value of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or until as used per donor specifications as well as board designated funds. Under this policy the endowment assets are invested in a manner that is intended to produce results that exceed the rolling three year return of a weighted benchmark including the Lehman Brothers Intermediate Government and Corporate Index for fixed income and cash equivalent securities, the Standard & Poor's SOD index for domestic equity securities and the Morgan Stanley Capital International Non-U.S. index for international equity investments while assuming a moderate level of investment risk. Prevent Child Abuse America expects its endowment funds, over time, to provide an average rate of return that exceeds the rate of inflation as measured in the CPI by 5% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, Prevent Child Abuse America relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Prevent Child Abuse America targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy
The board of directors annually appropriates a portion of the total return on its investments to current operations. Under Prevent Child Abuse America's policy, $86,513 and $151,000 of endowment earnings in 2009 and 2008, respectively, were appropriated to support current operations. In determining the amount to appropriate, the Directors consider the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the preservation of the fair value of the original gift held in perpetuity or for a specified term as well as to provide predictable amount of funds for current operations.

Note M - Line of Credit

At December 31, 2009, $38,124 was outstanding on a line or credit. The line of credit expired on December 31, 2009 and was not renewed.

Note N - Risk and Uncertainties

Prevent Child Abuse America invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those such changes could materially affect the amounts reported in the statement of financial position.

Prevent Child Abuse America

Schedule of Expenditures of Federal Awards

Year ended December 31, 2009

Federal Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of the Justice		
Office of Juvenile Justice and Delinquency Prevention Tribal Youth Program	16.731	$571,387
Total Expenditures of Federal Awards		$571,387

The accompanying notes are an integral part of this schedule.

Prevent Child Abuse America

Notes to the Schedule of Expenditures of Federal Awards

Year ended December 31, 2009

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Prevent Child Abuse America and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

Note B – Subrecipients

Of the federal expenditures presented in the schedule, Prevent Child Abuse America provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Office of Juvenile Justice and Delinquency Prevention Tribal Youth Program	16.731	$419,767