

CRISIS PREGNANCY CENTERS of SANTA CLARA COUNTY

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2008

## TABLE OF CONTENTS

### FINANCIAL SECTION

Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flow	5
Notes to the Financial Statements	6

**Deborah Daly CPA**

1592 Ramblewood Way  
Pleasanton, CA 94566

www.dalycpa.com  
Office (925) 426-1996  
Fax (925) 426-1196

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Community Pregnancy Centers of Santa Clara County:

We have audited the accompanying statement of financial position of Community Pregnancy Centers of Santa Clara County (a nonprofit organization) as of December 31, 2008, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2007 financial statements and, in our report dated July 9, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Pregnancy Centers of Santa Clara County as of December 31, 2008, 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.



Pleasanton, California  
June 18, 2009

Crisis Pregnancy Centers of Santa Clara County  
Statement of Financial Position  
December 31, 2008

	Unrestricted	Temporarily Restricted	Total 2008	Summarized 2007
<b>ASSETS</b>				
Cash and cash equivalents	\$127,116	\$18,793	\$145,909	\$208,683
Current receivables	13,220		13,220	30,266
Prepaid expenses	14,314		14,314	19,335
<b>TOTAL CURRENT ASSETS</b>	<b>154,650</b>	<b>18,793</b>	<b>173,443</b>	<b>258,284</b>
Deposits	6,345		6,345	6,818
Loan origination fees	5,480		5,480	6,165
Property and equipment, net	677,089		677,089	695,796
<b>TOTAL ASSETS</b>	<b>\$843,564</b>	<b>\$18,793</b>	<b>\$862,357</b>	<b>\$967,063</b>
<b>LIABILITIES</b>				
Accounts payable	\$7,778		\$7,778	\$4,988
Accrued compensation	2,046		2,046	536
Current portion of long term debt	13,962		13,962	13,327
<b>TOTAL CURRENT LIABILITIES</b>	<b>23,786</b>		<b>23,786</b>	<b>18,851</b>
Mortgages	647,450		647,450	661,390
<b>TOTAL LIABILITIES</b>	<b>671,236</b>		<b>671,236</b>	<b>680,241</b>
<b>NET ASSETS</b>				
Unrestricted	172,328		172,328	268,893
Temporarily restricted		\$18,793	18,793	17,929
<b>TOTAL NET ASSETS</b>	<b>172,328</b>	<b>18,793</b>	<b>191,121</b>	<b>286,822</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$843,564</b>	<b>\$18,793</b>	<b>\$862,357</b>	<b>\$967,063</b>

The accompanying notes are an integral part of this financial statement.

Crisis Pregnancy Centers of Santa Clara County  
Statement of Activities  
For the year ended December 31, 2008

	Unrestricted	Temporarily Restricted	Total 2008	Summarized 2007
Revenue and Support				
Donations	\$394,689	\$22,861	\$417,550	\$561,696
In-kind donations	31,053		31,053	36,862
Special events, net	100,064		100,064	78,203
Other revenue	14,401		14,401	
Gain on sale of equipment	2,000		2,000	
Interest income	1,628		1,628	1,774
	<u>543,835</u>	<u>22,861</u>	<u>566,696</u>	<u>678,535</u>
Net assets released from restrictions				
Expiration of donor restrictions	21,997	(21,997)		
	<u>565,832</u>	<u>864</u>	<u>566,696</u>	<u>678,535</u>
Total revenue and support				
Expenses				
Program services				
Prenatal services	500,809		500,809	452,025
Supporting services				
Management and general	70,054		70,054	68,617
Fund-raising	91,534		91,534	124,099
	<u>662,397</u>		<u>662,397</u>	<u>644,741</u>
Total expenses				
Changes in net assets	(96,565)	864	(95,701)	33,794
Net assets at beginning of year	268,893	17,929	286,822	253,028
Net assets at end of year	<u>\$172,328</u>	<u>\$18,793</u>	<u>\$191,121</u>	<u>\$286,822</u>

The accompanying notes are an integral part of this financial statement.

Crisis Pregnancy Centers of Santa Clara County  
Statement of Functional Expenses  
For the year ended December 31, 2008

	Program	Supporting Services		2008	2007
	Prenatal Services	Management & General	Fund - Raising	Total	Summarized
Salaries & wages	\$213,316	\$37,098	\$58,739	\$309,153	\$280,700
Payroll taxes	17,512	3,046	4,822	25,379	23,375
Employee benefits	17,435	1,496	2,398	21,329	13,884
Total salaries and benefits	248,263	41,640	65,959	355,861	317,959
Advertising	1,963			1,963	5,583
Bad debts		2,055		2,055	
Client literature	7,310			7,310	4,191
Donations		250		250	
Dues, fees, & other charges	1,840	3,721		5,561	6,811
Equipment purchase / lease	6,105			6,105	11,784
Insurance	4,896	160	266	5,321	12,185
Interest expense	42,060			42,060	47,557
Maintenance & repairs	9,777	1,987	403	12,167	15,756
Meetings & conferences	15,256	1,186		16,442	11,814
Physical support	11,208			11,208	11,718
Postage & delivery	820	1,564	879	3,263	6,838
Printing	6,978	2,957	2,579	12,514	37,866
Professional fees	30,064	6,364		36,429	30,890
Property taxes	826			826	4,516
Rent	61,290	1,999	3,331	66,620	55,300
Supplies	9,228	4,551	16,146	29,924	24,868
Telephone & internet	13,569	442	737	14,748	14,817
Utilities	4,936	159	265	5,360	4,838
Volunteer/staff appreciation	6,580	437		7,017	4,661
Subtotal before depreciation	482,968	69,472	90,565	643,005	629,952
Depreciation & amortization	17,841	582	970	19,392	14,789
Total expenses	\$500,809	\$70,054	\$91,534	\$662,397	\$644,741

The accompanying notes are an integral part of this financial statement.

Crisis Pregnancy Centers of Santa Clara County  
Statement of Cash Flows  
For the year ended December 31, 2008

	<u>Total 2008</u>	<u>Summarized 2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	(\$95,701)	\$33,794
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation & amortization	19,392	14,789
 (Increase) decrease in operating assets		
Receivables	17,046	48,427
Deposits	473	
Prepays	5,021	(8,519)
Increase (decrease) in operating liabilities		
Accounts payable	2,790	3,685
Accrued compensation	1,510	43
 <b>NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES</b>	 <u>(49,469)</u>	 <u>92,219</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Equipment additions		<u>(51,366)</u>
 <b>NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES</b>		 <u>(51,366)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principle payments on mortgages	<u>(13,305)</u>	<u>(10,283)</u>
 <b>NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES</b>	 <u>(13,305)</u>	 <u>(10,283)</u>
 <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 <u>(62,774)</u>	 <u>30,570</u>
 <b>BEGINNING CASH AND CASH EQUIVALENTS</b>	 <u>208,683</u>	 <u>178,113</u>
 <b>ENDING CASH AND CASH EQUIVALENTS</b>	 <u><u>\$145,909</u></u>	 <u><u>\$208,683</u></u>

The accompanying notes are an integral part of this financial statement.

CRISIS PREGNANCY CENTERS OF SANTA CLARA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008

NOTE A - Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Crisis Pregnancy Centers of Santa Clara County is doing business as Community Pregnancy Center (CPC). Crisis Pregnancy Center is a pro-life counseling ministry and medical clinic, with three sites in Silicon Valley. Community Pregnancy Center was incorporated in 1981 in the State of California.

Program Services

CPC serves approximately 2,400 women each year, providing pregnancy testing, information on abortion, carry-to-term support, adoption information, and sexually transmitted disease testing. CPC is committed to meeting women's physical, emotional and spiritual needs. To that end, CPC provides physical support in the form of maternity and baby clothing, baby furniture, counseling as needed, childbirth classes, and first and second trimester prenatal care, post abortion recovery groups, and Bible study services in small groups and individually. In addition, CPC has an active youth education program presenting abstinence education in public and private schools and youth groups.

Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of Crisis Pregnancy Centers of Santa Clara County have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles accepted in the United States of America.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. The Organization has elected to report as an increase in restricted net assets any restricted revenue received in the current period for which the restrictions have been met in the current period. Temporary restricted net assets include those, which are subject to a donor restriction and for which the applicable restriction was not met as of the end of the current reporting period. Permanently restricted net assets include those assets which are subject to non-expiring donor restriction, such as endowments. The Organization currently has no permanently restricted net assets.

Contributions

Crisis Pregnancy Centers of Santa Clara County accounts for contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence of, or nature of any donor restrictions. Restricted contributions are reported as an increase in temporarily or permanently restricted net assets. When the restriction is met the amount is shown as a reclassification of restricted net assets to unrestricted net assets.

In-kind Contributions

Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at their estimated fair market value at the time the services are rendered. In-kind donated goods are recorded as contributions at their estimated fair values at the time the goods are used in the Organization's programs.



CRISIS PREGNANCY CENTERS OF SANTA CLARA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all cash accounts with an initial maturity of less than three months to be cash.

#### Estimates

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

#### Income Taxes

The Organization is exempt from Federal and State Income Taxes under Section 501(c)3 of the Internal Revenue Code and similar state provisions. Accordingly, Income Taxes are not provided for in the financial statements. The Organization is not classified as a private foundation.

#### Property and Equipment

Property and equipment is capitalized at estimated fair value when donated or at cost when purchased. Property and equipment donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Property and equipment is depreciated using the straight-line method. The Organization's threshold for capitalizing its equipment is \$500.

#### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited on the basis of periodic time studies and square footage percentages. Directly identifiable expenses are charged direct to programs or supporting services.

#### Revenue Recognition

The Organization recognizes revenue on the accrual basis of accounting. Donations are recognized as unrestricted revenue in the period in which the donation is awarded. The Organization's programs are supported by donations received from corporations, churches and individuals.

#### Allowance for Doubtful Accounts

The Organization has not established an allowance for doubtful accounts, as the Organization's anticipated source of accounts receivable is donations received in the subsequent month following year end. Amounts not collected at December 31, 2008, from the Walk for Life event, were immaterial to the financial statements as a whole and are reported as bad debts expense.

#### Advertising

The Organization advertises its services on billboards, the yellow pages, and in local newspapers. All advertising costs are expensed as incurred.

#### Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with Generally Accepted Accounting Principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2007, from which the summarized information was obtained.

CRISIS PREGNANCY CENTERS OF SANTA CLARA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008

Fair Value of Financial Instruments

The carrying amounts of current assets and current liabilities approximate fair value because of the short maturity of these instruments.

NOTE B – RECEIVABLES

At December 31, 2008 receivables, \$13,220 are scheduled to be received within one year.

NOTE C – LOAN ORIGINATION FEES

Loan origination fees, \$5,480, were incurred on the Mt View facility mortgage loan. Amortization of loan origination fees is \$685 for the year ended December 31, 2008.

NOTE D - PROPERTY AND EQUIPMENT

At December 31, 2008 fixed assets and accumulated depreciation consist of the following:

Software	\$1,767
Equipment & Furniture	\$129,757
Building	\$620,000
Building Improvements	<u>\$81,337</u>
Total Property & Equipment	\$832,861
Accumulated Depreciation	<u>(\$155,772)</u>
Property & Equipment, net	<u><u>\$677,089</u></u>

NOTE E – LEASES

The organization occupies space at two different locations; East San Jose and South San Jose under separate operating lease agreements. The lease terms are as follows: East San Jose is operating on a month to month basis and South San Jose is through June 2009. Future minimum payments on lease agreements is \$20,400 for the year ended December 31, 2009.

In addition, the Organization leases two photocopiers; for \$194 and \$332 per month, that expire in September 2009 and June 2014, respectively. Future minimum lease payments required under these leases are as follows: \$3,136 for the year ended December 31, 2009, \$4,184 for the year ended December 31, 2010, December 31, 2012, December 31, 2013, and \$2,092 for the year ended December 31, 2014.

NOTE F – CREDIT LINE

Management has secured a \$25,000 line of credit with a local financial institution. The credit line is secured by real property owned by the Organization and is due March 2009. Advances bear interest at prime plus one percent. The outstanding balance at December 31, 2008 is \$0.

NOTE G – MORTGAGES

Mortgage loan due at December 31, 2008 is \$661,412, and is secured by real property located at 836 W. El Camino Real, Mt View, CA. Mortgage note bears interest at 6.95% APR. Monthly payment is amortized over twenty-five years. A balloon payment is required on December 31, 2016 of \$526,390.

CRISIS PREGNANCY CENTERS OF SANTA CLARA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008

NOTE G – MORTGAGES DUE (continued)

Future principle payments are as follows:

December 31, 2009	\$13,962
December 31, 2010	\$14,817
December 31, 2011	\$16,687
December 31, 2012	\$17,709
December 31, 2013	\$18,793
Thereafter	<u>\$579,444</u>
Total	<u>\$661,412</u>

NOTE H – RESTRICTIONS ON NET ASSETS

At December 31, 2008 the Organization's temporary restricted net assets consist of the following:

	<u>Beginning</u>	<u>Additions</u>	<u>Released</u>	<u>Ending</u>
Car Seats, Cribs, & Clothing	\$7,170	\$8,327	\$3,479	\$12,018
ESJ Program		\$881	\$881	
Computer Server		\$1,500		\$1,500
Microphone		\$479		\$479
Dinners of Vision	\$1,715		\$1,715	
Mt View Facility		\$996	\$996	
SSJ Expansion	\$3,191	\$715	\$3,906	
Medical Testing & Care	\$306	\$7,122	\$6,229	\$1,199
Youth Education		\$706	\$706	
HOPE	\$5,547	\$2,135	\$4,085	\$3,597
Total	<u>\$17,929</u>	<u>\$22,861</u>	<u>\$21,997</u>	<u>\$18,793</u>

NOTE I – IN-KIND DONATIONS

For the year ended December 31, 2008 the Organization received and recorded the following in-kind donations:

Practical Support	\$7,650
Medical Professionals	<u>\$23,403</u>
Total	<u>\$31,053</u>

NOTE J – JOINT COST ALLOCATION

For the year ended December 31, 2008, the Organization allocated joint costs, for its newsletter which includes information about programs, supporting services, and makes requests for donations. The portion allocated to program, 31.25%, is that component of information pertaining to the Organization's programs, the portion allocated to management & general, 31.25%, is that component pertaining to information about the Organization's management and board of directors, and the portion allocated to fund-raising, 37.5%, is that component associated with requesting donations. Costs allocated are as follows:

	<u>Program</u>	<u>Admin</u>	<u>Fund raising</u>	<u>Total</u>
Printing	\$989	\$989	\$1,187	\$3,165
Postage	\$316	\$316	\$379	\$1,011
Total	<u>\$1,305</u>	<u>\$1,305</u>	<u>\$1,566</u>	<u>\$4,176</u>

CRISIS PREGNANCY CENTERS OF SANTA CLARA COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2008

NOTE K – SPECIAL EVENTS

During the year ended December 31, 2008 the Organization participated in the following special events:

	<u>Dinners of Vision</u>	<u>Walk for Life</u>	<u>Total</u>
Donations received	\$23,135	\$99,691	\$122,826
Direct expense of event	(\$11,606)	(\$11,156)	(\$22,762)
Net proceeds	\$11,529	\$88,535	\$100,064

NOTE L – SUBSEQUENT EVENTS

On December 23, 2008 the Organization received a pledge from a donor for a used Beech-Craft Baron 58 Airplane through a third party, Donate for Charity, in exchange for \$155,000. The Airplane's fair market value is estimated at \$300,000. On January 17, 2009 the Board President secured a loan in his name for \$155,000. The Organization has been making interest payments on this loan, which have accumulated to \$2,309 by May 31, 2009. On June 8, 2009 the Beech-Craft Baron 58 Airplane sold for \$280,000. Net proceeds realized are expected to approximate \$63,390.