

CRISIS PREGNANCY CENTERS of SANTA CLARA COUNTY

COMPILED FINANCIAL STATEMENTS

DECEMBER 31, 2013

## TABLE OF CONTENTS

### FINANCIAL SECTION

|                                   |   |
|-----------------------------------|---|
| Accountant's Compilation 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**

PO Box 39  
Pleasanton, CA 94566

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

**Accountant's Compilation Report**

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

I have compiled the accompanying statement of financial position of Crisis Pregnancy Centers of Santa Clara County doing business as Real Options as of December 31, 2013, and the related statements of activity, functional expenses and cash flows for the year then ended. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with U.S. generally accepted accounting principles.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.



Deborah Daly, CPA  
March 25, 2014

Crisis Pregnancy Centers of Santa Clara County  
Statement of Financial Position  
December 31, 2013

|   | Unrestricted       | Temporarily<br>Restricted | Permanently<br>Restricted | Total<br>2013      | Summarized<br>2012 |
|---|--------------------|---------------------------|---------------------------|--------------------|--------------------|
| <b>ASSETS</b>                             |                    |                           |                           |                    |                    |
| Cash and cash equivalents                 | \$855,614          | \$151,971                 |                           | \$1,007,585        | \$1,142,680        |
| Endowment savings                         | 1,000              |                           | \$5,000                   | 6,000              |                    |
| Pledges receivable, net                   |                    | 52,234                    |                           | 52,234             | 41,611             |
| Prepaid expenses                          | 6,209              |                           |                           | 6,209              | 15,725             |
| <b>TOTAL CURRENT ASSETS</b>               | <b>862,823</b>     | <b>204,205</b>            | <b>5,000</b>              | <b>1,072,028</b>   | <b>1,200,016</b>   |
| Deposits                                  | 17,444             |                           |                           | 17,444             | 9,350              |
| Loan origination fees                     |                    |                           |                           |                    | 2,740              |
| Property and equipment, net               | 430,149            |                           |                           | 430,149            | 750,456            |
| <b>TOTAL ASSETS</b>                       | <b>\$1,310,416</b> | <b>\$204,205</b>          | <b>\$5,000</b>            | <b>\$1,519,621</b> | <b>\$1,962,562</b> |
| <b>LIABILITIES</b>                        |                    |                           |                           |                    |                    |
| Accounts payable                          | \$36,477           |                           |                           | \$36,477           | \$24,165           |
| Accrued compensation                      | 31,372             |                           |                           | 31,372             | 9,696              |
| Current portion of long term debt         |                    |                           |                           |                    | 18,531             |
| <b>TOTAL CURRENT LIABILITIES</b>          | <b>67,849</b>      |                           |                           | <b>67,849</b>      | <b>52,392</b>      |
| Mortgages                                 |                    |                           |                           |                    | 594,234            |
| <b>TOTAL LIABILITIES</b>                  | <b>67,849</b>      |                           |                           | <b>67,849</b>      | <b>646,626</b>     |
| <b>NET ASSETS</b>                         |                    |                           |                           |                    |                    |
| Unrestricted                              | 1,241,566          |                           |                           | 1,241,566          | 1,253,716          |
| Board designated quasi endowment          | 1,000              |                           |                           | 1,000              |                    |
| Temporarily restricted                    |                    | \$204,205                 |                           | 204,205            |                    |
| Permanently restricted                    |                    |                           | \$5,000                   | 5,000              | 62,219             |
| <b>TOTAL NET ASSETS</b>                   | <b>1,242,566</b>   | <b>204,205</b>            | <b>5,000</b>              | <b>1,451,771</b>   | <b>1,315,936</b>   |
| <b>TOTAL LIABILITIES &amp; NET ASSETS</b> | <b>\$1,310,415</b> | <b>\$204,205</b>          | <b>\$5,000</b>            | <b>\$1,519,620</b> | <b>\$1,962,562</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, 2013

|  | Unrestricted       | Temporarily<br>Restricted | Permanently<br>Restricted | Total<br>2013      | Summarized<br>2012 |
|--|--------------------|---------------------------|---------------------------|--------------------|--------------------|
| <b>Revenue and Support</b>                   |                    |                           |                           |                    |                    |
| Donations                                    | \$476,748          | \$241,039                 | \$5,000                   | \$722,787          | \$488,227          |
| In-kind donations                            | 132,547            |                           |                           | 132,547            | 220,546            |
| Special events, net                          | 200,216            |                           |                           | 200,216            | 513,480            |
| Gain on sale of building                     | 460,073            |                           |                           | 460,073            |                    |
| Room rental                                  | 585                |                           |                           | 585                |                    |
| Other revenue, licensing fees                | 1,250              |                           |                           | 1,250              |                    |
| Other revenue, refunds                       | 1,775              |                           |                           | 1,775              |                    |
| Interest income                              | 6,071              |                           |                           | 6,071              | 2,623              |
|  | <u>1,279,265</u>   | <u>241,039</u>            | <u>5,000</u>              | <u>1,525,304</u>   | <u>1,224,876</u>   |
| <b>Net assets released from restrictions</b> |                    |                           |                           |                    |                    |
| Expiration of donor restrictions             | 349,165            | (349,165)                 |                           |                    |                    |
| Total revenue and support                    | <u>1,628,429</u>   | <u>(108,125)</u>          | <u>5,000</u>              | <u>1,525,304</u>   | <u>1,224,876</u>   |
| <b>Expenses</b>                              |                    |                           |                           |                    |                    |
| Program services                             |                    |                           |                           |                    |                    |
| Prenatal services                            | 938,250            |                           |                           | 938,250            | 806,406            |
| Supporting services                          |                    |                           |                           |                    |                    |
| Management and general                       | 217,093            |                           |                           | 217,093            | 150,892            |
| Fund-raising                                 | 234,124            |                           |                           | 234,124            | 171,182            |
| Total expenses                               | <u>1,389,467</u>   |                           |                           | <u>1,389,467</u>   | <u>1,128,479</u>   |
| Changes in net assets                        | <u>238,962</u>     | <u>(108,125)</u>          | <u>5,000</u>              | <u>135,837</u>     | <u>96,397</u>      |
| <b>Net assets at beginning of year</b>       |                    |                           |                           |                    |                    |
| As previously reported                       | 1,253,716          | 62,219                    |                           | 1,315,935          | 1,219,539          |
| Reclassification of restricted donations     | (250,112)          | 250,111                   |                           |                    |                    |
| Net assets at beginning of year, restated    | <u>1,003,604</u>   | <u>312,330</u>            |                           | <u>1,315,935</u>   | <u>1,219,539</u>   |
| Net assets at end of year                    | <u>\$1,242,566</u> | <u>\$204,205</u>          | <u>\$5,000</u>            | <u>\$1,451,772</u> | <u>\$1,315,936</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, 2013

|                               | Program              | Supporting Services     |                   | 2013        | 2012        |
|-------------------------------|----------------------|-------------------------|-------------------|-------------|-------------|
|                               | Prenatal<br>Services | Management<br>& General | Fund -<br>Raising | Total       | Summarized  |
| Salaries & wages              | \$381,906            | \$99,628                | \$71,953          | \$553,487   | \$390,698   |
| Payroll taxes                 | 35,500               | 9,261                   | 6,688             | 51,449      | 38,413      |
| Employee benefits             | 25,829               | 6,738                   | 4,866             | 37,433      | 28,974      |
| Total salaries and benefits   | 443,235              | 115,627                 | 83,507            | 642,369     | 458,085     |
| Client outreach / advertising | 74,835               |                         | 81,039            | 155,874     | 133,895     |
| Conferences & meetings        | 19,579               |                         |                   | 19,579      | 16,808      |
| Donor cultivation             |                      |                         | 8,305             | 8,305       | 9,923       |
| Dues, fees, & other charges   | 6,665                | 15,553                  |                   | 22,218      | 19,657      |
| Equipment purchase / lease    | 7,809                | 2,037                   | 1,471             | 11,317      | 8,247       |
| In-kind donations             | 85,030               |                         |                   | 85,030      | 126,269     |
| Insurance                     | 13,423               | 577                     | 433               | 14,433      | 10,853      |
| Interest expense              |                      | 46,520                  |                   | 46,520      | 43,505      |
| Maintenance & repairs         | 2,935                | 126                     | 95                | 3,156       | 14,822      |
| Outside services              | 30,425               | 20,757                  |                   | 51,182      | 30,147      |
| Postage & delivery            | 2,012                | 525                     | 379               | 2,916       | 3,675       |
| Practical support             | 941                  |                         |                   | 941         | 565         |
| Printing                      | 6,249                | 1,630                   | 18,576            | 26,455      | 13,147      |
| Rent                          | 143,843              | 6,187                   | 4,640             | 154,670     | 100,065     |
| Special events expense        |                      |                         | 31,013            | 31,013      | 43,384      |
| Supplies                      | 15,985               | 1,979                   | 1,858             | 19,822      | 21,186      |
| Telephone & internet          | 8,189                | 2,136                   | 1,543             | 11,868      | 13,409      |
| Travel                        | 36,737               |                         |                   | 36,737      | 9,110       |
| Utilities                     | 6,137                | 264                     | 198               | 6,599       | 6,524       |
| Volunteer/staff appreciation  | 1,148                | 1,753                   |                   | 2,901       | 4,796       |
| Subtotal before depreciation  | 905,177              | 215,671                 | 233,057           | 1,353,905   | 1,088,069   |
| Depreciation & amortization   | 33,073               | 1,422                   | 1,067             | 35,562      | 40,410      |
| Total expenses                | \$938,250            | \$217,093               | \$234,124         | \$1,389,467 | \$1,128,479 |

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, 2013

|   | Total<br>2013      | Summarized<br>2012 |
|---|--------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                    |                    |
| Increase (decrease) in net assets   | \$135,837          | \$96,397           |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: |                    |                    |
| Depreciation & amortization   | 35,562             | 40,410             |
| (Increase) decrease in operating assets   |                    |                    |
| Donations receivable  |                    | 6,694              |
| Pledges receivable, net   | (10,623)           | 637,923            |
| Deposits  | (8,094)            |                    |
| Prepays   | 9,516              | (2,568)            |
| Increase (decrease) in operating liabilities  |                    |                    |
| Accounts payable  | 12,312             | 8,345              |
| Accrued compensation  | 21,676             | (855)              |
| <b>NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES</b>                                       | <b>196,186</b>     | <b>786,346</b>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                    |                    |
| Equipment additions   | 287,485            | (113,131)          |
| <b>NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES</b>                                       | <b>287,485</b>     | <b>(113,131)</b>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                    |                    |
| Purchases of endowment investments  | (6,000)            |                    |
| Principle payments on mortgages   | (612,765)          | (14,336)           |
| <b>NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES</b>                                       | <b>(618,765)</b>   | <b>(14,336)</b>    |
| <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                   | <b>(135,094)</b>   | <b>658,879</b>     |
| <b>BEGINNING CASH AND CASH EQUIVALENTS</b>  | <b>1,142,679</b>   | <b>483,800</b>     |
| <b>ENDING CASH AND CASH EQUIVALENTS</b>   | <b>\$1,007,585</b> | <b>\$1,142,679</b> |
| Supplemental Information:   |                    |                    |
| Cash paid for interest expense  | \$46,520           | \$43,505           |

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

CRISIS PREGNANCY CENTERS OF SANTA CLARA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

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

Nature of Activities

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

Program Services

The Organization serves nearly 1,500 women each year, providing pregnancy testing, information on abortion, carry-to-term support, adoption information and sexually transmitted disease testing. Real Options is committed to meeting women's physical, emotional and spiritual needs. To that end, Real Options 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, the Organization has an active youth education program - abstinence education in public and private schools and youth groups.

Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization 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. Temporary restricted net assets include those, which are subject to a donor restriction and for which the restriction was not met at the end of the current reporting period. Permanently restricted net assets include those assets which are subject to a non-expiring donor restriction, such as an endowment.

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, 2012, from which the summarized information was obtained. In addition, certain information has been reclassified to conform to the current year presentation.

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all cash accounts regardless of maturity to be cash. Included in cash are certificates of deposits with interest ranging from .11% to 1.04% and maturities of four and fourteen months, respectively.



CRISIS PREGNANCY CENTERS OF SANTA CLARA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

#### Pledges Receivable

Pledges receivable, less an allowance for doubtful amounts, are recorded at net realizable value and are current. Allowances are based on specific identification including management's experience with the donor and the amount of the pledge in relation to past pledges received.

#### 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.

#### Revenue Recognition

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

#### Contributions

Contributions are recognized when a donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted or permanently restricted depending on the nature of any donor restrictions. Temporarily restricted contributions are reported as increases in restricted net assets and reclassified to unrestricted net assets when donor restrictions are met.

#### In-kind Contributions

Contributions in-kind are recognized as follows: donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation, contributed services - which require a specialized skill and which the Organization would have paid for if not donated, are recorded at estimated fair value at the time the services are rendered. The Organization also receives donated services that do not require specific expertise but which are nonetheless central to the Organization's operations and are disclosed in the footnotes.

#### 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 based on employee work assignments and facility square footage percentages.

#### Income Taxes

The Organization is not classified as a private foundation and is exempt from federal and state income taxes under section 501(c)3 of the Internal Revenue Code and Section 23701(d) of the California Code. The Organization is considered a publicly supported organization. The Financial Accounting Standards Boards prescribes a recognition threshold and a measurement attribute for financial statement recognition of tax positions taken or expected to be taken on a tax return. Management has evaluated its uncertain tax positions and related income tax contingencies and does not believe any material tax positions exist.

#### Fair Value of Financial Instruments

The Organization adopted the provisions of ASC 820 which establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about market participants that would be used in pricing an asset or a liability developed on the best information available in the circumstances.

CRISIS PREGNANCY CENTERS OF SANTA CLARA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

Fair Value of Financial Instruments (continued)

The fair value hierarchy is categorized into three levels as follows: Level 1 - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date. Level 2 - Inputs include quoted prices for similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Level 3 - Inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The financial assets and liabilities measured at fair value on a recurring basis are as follows: Endowment Savings, \$6,000 and are valued at level 1 inputs.

Advertising

The Organization advertises its services on billboards, in the yellow pages, on television, in local newspapers and other media outlets. Advertising expenses for the year end December 31, 2013 are \$161,351 and are expensed as incurred.

NOTE B – QUASI ENDOWMENT

In August 2008, the Financial Accounting Standards Board issued FASB Staff Position 117-1, "Endowments of Not for Profit organizations; Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, (UPMIFA) and Enhanced Disclosures for All Endowment funds." This standard provides guidance on the net asset classification of donor restricted endowment funds and enhanced disclosures required for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The State of California enacted UPMIFA effective June 23, 2008, the provisions of which apply to endowment funds existing on or established after that date. UPMIFA also requires additional disclosures about an organization's endowment funds, both donor-restricted and board-designated whether or not the organization is subject to UPMIFA.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent any explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization 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 portion of the endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with SPMIFA. The portion of the investments designated by the Board of Directors is classified as unrestricted net assets.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation or deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Return Objective and Risk Parameters

The Organization has adopted an investment policy with the primary investment objective to maximize total return, while assuming an appropriate level of risk given the nature of the funds under management. The goal is to produce a growing level of income and principal to ensure that the funding for the activities supported by the endowment can be maintained in the face of inflation.

CRISIS PREGNANCY CENTERS OF SANTA CLARA COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2013

NOTE B – QUASI ENDOWMENT (continued)

Strategies Employed for Achieving Objectives

Endowment assets are invested in cash funds. Occasionally, the fair value of the assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Organization to retain in perpetual duration. These deficiencies result from unfavorable market fluctuations during the year. In accordance with the generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. No such deficiencies were noted during the year ending December 31, 2013.

Spending Policy and How Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year a flexible amount that ensures preservation of the fund. The board reviews its spending policy each year in comparison to the relative growth of endowment savings. For the year ending December 31, 2013 the board did not approved any spending and did not appropriate its endowment.

Endowment Investment donations for the year ending December 31, 2013 are as follows:

|                      | Designated<br>Unrestricted | Permanently<br>Restricted | Total   |
|----------------------|----------------------------|---------------------------|---------|
| Cash Funds - Savings | \$1,000                    | \$5,000                   | \$6,000 |

NOTE C – PLEDGES RECEIVABLE

At December 31, 2013 unconditional pledges receivable, \$54,689, are reported net of an allowance for doubtful collection of \$2,455 in the statement of financial position. Pledges are not discounted to present value as they are all due within one year.

NOTE D - PROPERTY AND EQUIPMENT

At December 31, 2013 fixed assets and accumulated depreciation consist of the following:

|                            |                         |
|----------------------------|-------------------------|
| Equipment & Furniture      | \$216,142               |
| Building Improvements      | <u>\$340,275</u>        |
| Total Property & Equipment | \$556,417               |
| Accumulated Depreciation   | <u>(\$126,268)</u>      |
| Property & Equipment, net  | <u><u>\$430,149</u></u> |

Depreciation expense for the year ending December 31, 2013 is \$35,562.

NOTE E – FINANCIAL INSTRUMENTS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments. The Organization maintains a majority of their cash in bank deposit accounts that, at times, may exceed federally insured limits of \$250,000. The organization has not experienced any losses in such accounts. Management believes the organization is not exposed to any significant credit risk related to cash. At December 31, 2013, the Organization's uninsured cash balance is \$305,375.

NOTE F – RELATED PARTIES

The Organization's Chairman of the Board is married to the Organization's Prayer Chairman.

CRISIS PREGNANCY CENTERS OF SANTA CLARA COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2013

NOTE G – LEASES

The organization has three non-cancelable operating facility lease agreements: East San Jose, South San Jose and Mt. View. The lease terms are as follows: East San Jose's term ends January 2018, South San Jose's term ends November 2014 and Mt View's term ends August 2020. In addition, the Organization leases a photocopier at \$332 per month that expires in June 2014. Future minimum lease payments, under these lease agreements, are as follows:

|                               | <u>Photocopier</u> | <u>Facility SSJ</u> | <u>Facility ESJ</u> | <u>Mt View</u>   |
|-------------------------------|--------------------|---------------------|---------------------|------------------|
| December 31, 2014             | \$2,176            | \$50,434            | \$54,243            | \$98,832         |
| December 31, 2015             |                    |                     | \$54,459            | \$103,262        |
| December 31, 2016             |                    |                     | \$56,955            | \$106,360        |
| December 31, 2017             |                    |                     | \$57,182            | \$109,551        |
| December 31, 2018             |                    |                     | \$4,765             | \$112,838        |
| December 31, 2019             |                    |                     |                     | \$116,223        |
| December 31, 2020             |                    |                     |                     | \$79,016         |
| Total Future Minimum Payments | <u>\$2,176</u>     | <u>\$50,434</u>     | <u>\$227,604</u>    | <u>\$726,082</u> |

For the year ended December 31, 2013 rent expense is \$154,670.

NOTE H – RESTRICTIONS ON NET ASSETS

At December 31, 2013 the Organization's temporary restricted net assets activity consisted of the following:

| <u>Description</u>     | <u>Beginning</u> | <u>Adjusted</u>  | <u>Restated</u>  | <u>Additions</u> | <u>Released</u>    | <u>Ending</u>    |
|------------------------|------------------|------------------|------------------|------------------|--------------------|------------------|
| Practical Support      | \$11,986         | \$36             | \$12,022         | \$2,643          | (\$941)            | \$13,724         |
| Medical                |                  |                  |                  | \$6,600          | (\$6,600)          |                  |
| HOPE/Rachel's Vineyard |                  |                  |                  | \$1,925          | (\$1,925)          |                  |
| Youth Ed.              |                  |                  |                  | \$560            |                    | \$560            |
| Ultrasound Training    | \$8,596          |                  | \$8,596          |                  | (\$8,596)          |                  |
| Banquet                |                  | \$75             | \$75             | \$58,188         | (\$37,833)         | \$20,431         |
| Mountain View Facility |                  | \$250,000        | \$250,000        | \$80,000         | (\$293,270)        | \$36,730         |
| Buildings / Facility   | \$26             |                  |                  | \$40,000         |                    | \$40,026         |
| Alameda Facility       |                  |                  |                  | \$40,500         |                    | \$40,500         |
| Pledges Receivable     | \$41,611         |                  |                  | \$10,623         |                    | \$52,234         |
| TOTAL                  | <u>\$62,219</u>  | <u>\$250,111</u> | <u>\$270,693</u> | <u>\$241,039</u> | <u>(\$349,165)</u> | <u>\$204,205</u> |

NOTE I - SPECIAL EVENTS

During the year ended December 31, 2013 the Organization participated in the following special events:

|                      | <u>Dinners</u>   | <u>Walk</u>     | <u>Total</u>     |
|----------------------|------------------|-----------------|------------------|
|                      | <u>of Vision</u> | <u>for Life</u> |                  |
| Revenue              | \$140,121        | \$85,933        | \$226,054        |
| Donor Direct Benefit | (\$21,519)       | (\$4,319)       | (\$25,838)       |
| Net proceeds         | <u>\$118,602</u> | <u>\$81,614</u> | <u>\$200,216</u> |

CRISIS PREGNANCY CENTERS OF SANTA CLARA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

NOTE J – GAIN ON SALE OF BUILDING

During the year ended December 31, 2013 management sold their Mt View facility for \$1,140,000 and reported a net gain on sale of \$460,073.

NOTE K – IN-KIND DONATIONS

For the year ended December 31, 2013 the Organization received and recorded the following in-kind donations:

|                         |                         |
|-------------------------|-------------------------|
| HP Computers            | \$17,292                |
| Supplies                | \$1,755                 |
| Construction Management | \$30,225                |
| Practical Support       | \$13,131                |
| Medical Professionals   | <u>\$70,144</u>         |
| Total                   | <u><u>\$132,547</u></u> |

In addition, the Organization has volunteers that have donated significant amounts of time for both program services and supporting services. No amount for this time has been recognized in the accompanying financial statements as this volunteer time does not meet the criteria required by generally accepted accounting principles.

NOTE L – COMMERCIAL LICENSING

During the year ended December 31, 2013 the Organization developed a television commercial and sold the licensing rights of that commercial to other community pregnancy centers. Total revenue earned is \$1,250.

NOTE M – RENTAL INCOME

Management leases office space in their Mt View facility to Bethany Christian Services who provides onsite adoption consultation services to any Real Options client wishing to know more about adoption. Office rental rate is \$585 per month. Total rental income reported for the year ended December 31, 2013 is \$585.

NOTE N – PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2013 the Organization became aware of an adjustment that was necessary to restate beginning net assets, in order to present current year financial information accurately. This adjustment was to reclassify restricted donations from unrestricted donations received in the prior year. The net effect of this adjustment is a decrease in unrestricted net assets and an increase in temporarily restricted net assets, \$250,112.

NOTE O – SUBSEQUENT EVENTS

Management of the Organization has reviewed the results of operations for the period of time from its year end, December 31, 2013, through March 25, 2014, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.