

CRISIS PREGNANCY CENTERS of SANTA CLARA COUNTY

REVIEWED FINANCIAL STATEMENTS

DECEMBER 31, 2011

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ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying combined statements of financial position of Crisis Pregnancy Centers of Santa Clara County (a California Nonprofit Corporation) as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended.

A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The prior year summarized comparative information has been derived from the December 31, 2010 financial statements which were compiled by us, and our report thereon, dated March 1, 2011, stated that we were not aware of any material modifications that should be made to those statements in order for them to be in conformity with generally accepted accounting principles generally accepted in the United States of America.



Deborah K. Daly, CPA
Pleasanton, California
April 20, 2012

Crisis Pregnancy Centers of Santa Clara County
Statement of Financial Position
December 31, 2011

	Unrestricted	Temporarily Restricted	Total 2011	Summarized 2010
ASSETS				
Cash and cash equivalents	\$467,528	\$16,272	\$483,800	\$31,683
Donations receivable	6,694		6,694	45,447
Pledges receivable, net		679,534	679,534	
Prepaid expenses	13,157		13,157	2,569
TOTAL CURRENT ASSETS	487,379	695,806	1,183,185	79,699
Deposits	9,350		9,350	6,345
Loan origination fees	3,425		3,425	4,110
Property and equipment, net	677,051		677,051	672,289
TOTAL ASSETS	\$1,177,205	\$695,806	\$1,873,011	\$762,443
LIABILITIES				
Accounts payable	\$15,820		\$15,820	\$12,157
Accrued compensation	10,551		10,551	346
Current portion of long term debt	17,572		17,572	15,318
TOTAL CURRENT LIABILITIES	43,943		43,943	27,821
Mortgages	609,529		609,529	624,937
TOTAL LIABILITIES	653,472		653,472	652,758
NET ASSETS				
Unrestricted	523,733		523,733	88,361
Temporarily restricted		\$695,806	695,806	21,324
TOTAL NET ASSETS	523,733	695,806	1,219,539	109,685
TOTAL LIABILITIES & NET ASSETS	\$1,177,205	\$695,806	\$1,873,011	\$762,443

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, 2011

	Unrestricted	Temporarily Restricted	Total 2011	Summarized 2010
Revenue and Support				
Donations	\$444,233	\$69,557	\$513,790	\$394,463
In-kind donations	35,671		35,671	42,207
Pledges, net		679,534	679,534	
Special events, net	637,716		637,716	225,090
Other revenue	1,060		1,060	31,560
Interest income	16		16	153
	<u>1,118,696</u>	<u>749,091</u>	<u>1,867,787</u>	<u>693,473</u>
Net assets released from restrictions				
Expiration of donor restrictions	<u>74,609</u>	<u>(74,609)</u>		
Total revenue and support	<u>1,193,305</u>	<u>674,482</u>	<u>1,867,787</u>	<u>693,473</u>
Expenses				
Program services				
Prenatal services	552,838		552,838	524,037
Supporting services				
Management and general	90,253		90,253	138,699
Fund-raising	<u>114,842</u>		<u>114,842</u>	<u>60,124</u>
Total expenses	<u>757,933</u>		<u>757,933</u>	<u>722,860</u>
Changes in net assets	<u>435,372</u>	<u>674,482</u>	<u>1,109,854</u>	<u>(29,387)</u>
Net assets at beginning of year	<u>88,361</u>	<u>21,324</u>	<u>109,685</u>	<u>139,073</u>
Net assets at end of year	<u>\$523,733</u>	<u>\$695,806</u>	<u>\$1,219,539</u>	<u>\$109,685</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, 2011

	Program	Supporting Services		2011	2010
	<u>Prenatal Services</u>	<u>Management & General</u>	<u>Fund - Raising</u>	<u>Total</u>	<u>Summarized</u>
Salaries & wages	\$209,698	\$60,880	\$67,644	\$338,222	\$306,927
Payroll taxes	19,524	5,668	6,298	31,490	28,371
Employee benefits	8,126	2,359	2,621	13,106	15,516
Total salaries and benefits	<u>237,347</u>	<u>68,907</u>	<u>76,564</u>	<u>382,818</u>	<u>350,814</u>
Advertising	118		2,386	2,504	26,258
Client outreach	35,802			35,802	20,265
Conferences & meetings	9,618			9,618	5,255
Donor cultivation			5,324	5,324	5,224
Dues, fees, & other charges	9,357	3,674	4,314	17,345	13,645
Equipment purchase / lease	8,422	1,486	1,651	11,559	8,980
In-kind donations	35,671			35,671	42,207
Insurance	9,195	2,670	2,966	14,831	14,965
Interest expense	44,685			44,685	54,735
Maintenance & repairs	12,282	396	528	13,206	9,999
Outside services	19,862	5,144	324	25,329	6,919
Postage & delivery	1,306	379	1,399	3,085	3,730
Practical support	1,300			1,300	1,810
Printing	2,942	854	10,009	13,805	13,215
Rent	66,590	2,148	2,864	71,602	77,296
Supplies	7,908	1,134	1,691	10,733	9,118
Telephone & internet	10,843	350	736	11,929	12,157
Travel	7,363	2,138	2,790	12,291	9,526
Utilities	3,708	120	159	3,987	4,333
Volunteer/staff appreciation	2,092			2,092	9,046
Subtotal before depreciation	<u>526,411</u>	<u>89,400</u>	<u>113,705</u>	<u>729,517</u>	<u>699,497</u>
Depreciation & amortization	26,427	852	1,137	28,416	23,363
Total expenses	<u>\$552,838</u>	<u>\$90,253</u>	<u>\$114,842</u>	<u>\$757,933</u>	<u>\$722,860</u>

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, 2011

	<u>Total 2011</u>	<u>Summarized 2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$1,109,854	(\$29,387)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation & amortization	28,416	23,363
(Increase) decrease in operating assets		
Donations receivable	38,753	(45,427)
Pledges receivable, net	(679,534)	
Deposits	(3,005)	
Prepays	(10,588)	
Increase (decrease) in operating liabilities		
Accounts payable	3,663	9,042
Accrued compensation	10,205	(4,653)
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	<u>497,764</u>	<u>(47,062)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment additions	<u>(32,494)</u>	<u>(12,435)</u>
NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES	<u>(32,494)</u>	<u>(12,435)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principle payments on mortgages	<u>(13,154)</u>	<u>(3,105)</u>
NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES	<u>(13,154)</u>	<u>(3,105)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>452,116</u>	<u>(62,602)</u>
BEGINNING CASH AND CASH EQUIVALENTS	<u>31,683</u>	<u>94,286</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$483,800</u></u>	<u><u>\$31,683</u></u>
Supplemental Information:		
Cash paid for interest expense	\$44,685	\$54,735

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

CRISIS PREGNANCY CENTERS OF SANTA CLARA COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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

Nature of Activities

Crisis Pregnancy Centers of Santa Clara County (the Organization) is doing business as Real Options. 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 over 3,000 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 presenting 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. 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.

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, 2010, from which the summarized information was obtained. In addition, certain information has been reclassified to conform to the current year standards.

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.

CRISIS PREGNANCY CENTERS OF SANTA CLARA COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Donations Receivable

Donations receivable, less an allowance for uncollectible amounts, are recognized as support and revenue in the period earned and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. The Organization considers all donations receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

Pledges Receivable

Pledges receivable, less an allowance for doubtful amounts, are recorded at their net realizable value and are considered current. Allowances are based on management's specific identification including their experience with the donor and the amount of the total 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.

Accrued Vacation

Accrued vacation represents vacation earned, but not taken as of December 31, 2011, and is included in the statement of financial position. The accrued vacation balance as of December 31, 2011 is \$9,575.

Revenue Recognition

The Organization recognizes support and revenue on the accrual basis of accounting. Revenue from grants which have been classified as "exchange transactions" and program fees are recognized as revenue in the period in which the service is provided.

Contributions

Contributions are reported in accordance with ASC 958 (formerly SFAS No. 116, *Accounting for Contributions Received and Contributions Made*). 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 donor restrictions and depending on whether the restrictions are met in the current fiscal period. Temporarily restricted contributions are reported as increases in restricted net assets and reclassified to unrestricted net assets when the restriction is met.

In-kind Contributions

Contributions in-kind are recognized in accordance with the provisions of ASC 958 (formerly SFAS No. 116). 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 the 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.

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.

CRISIS PREGNANCY CENTERS OF SANTA CLARA COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Advertising

The Organization advertises its services on billboards, the yellow pages, television and in local newspapers. All advertising costs are expensed as incurred. Advertising expense for the year end December 31, 2011 is \$38,306.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under Section 23701(d) of the California Revenue Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code. The Organization is considered a publicly supported organization. The Financial Accounting Standards Boards (FASB) interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, subsequently included in the FASB codification as ASC 740 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.

NOTE B – PLEDGES RECEIVABLE

At December 31, 2011 unconditional pledges receivable are as follows: Gross \$719,758 and are reported net of an allowance for doubtful collection of \$40,224 at \$679,534 in the Statement of Financial Position. Pledges are not discounted to present value as they are all due within one year.

NOTE C – LOAN ORIGATION FEES

Loan origination fees, \$3,425, were incurred on the Mt View facility mortgage loan. Amortization of loan origination fees is being recognized on a straight line basis over the term of the loan, which is 10 years. Amortization expense for the year ended December 31, 2010 is \$685.

NOTE D - PROPERTY AND EQUIPMENT

At December 31, 2011 fixed assets and accumulated depreciation consist of the following:

Software	\$1,767
Equipment & Furniture	\$168,907
Building	\$620,000
Building Improvements	<u>\$111,712</u>
Total Property & Equipment	\$902,386
Accumulated Depreciation	<u>(\$225,335)</u>
Property & Equipment, net	<u><u>\$677,051</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 is expected to move into a new facility during the year ending December 31, 2012 and operating on a non-cancelable lease through February 2018 and South San Jose is operating on a non-cancelable lease through November 2014. In addition, the Organization leases a photocopier for \$332 per month expiring June 2014.

CRISIS PREGNANCY CENTERS OF SANTA CLARA COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE E – LEASES (continued)

Future minimum lease payments required, due each year, under these lease agreements are as follows:

	<u>Photocopier</u>	<u>Facility SSJ</u>	<u>Facility ESJ</u>
December 31, 2012	\$4,353	\$51,990	\$47,543
December 31, 2012	\$4,353	\$53,550	\$51,865
December 31, 2014	\$2,176	\$50,434	\$54,243
December 31, 2015			\$54,459
December 31, 2016			\$56,955
December 31, 2017			\$57,182
December 31, 2018			\$4,765
Total Future Minimum Payments	<u>\$10,881</u>	<u>\$155,974</u>	<u>\$327,012</u>

NOTE F – MORTGAGES

Mortgage loan due at December 31, 2011, \$627,101, 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. Future principle payments due, are as follows:

December 31, 2012	\$16,687
December 31, 2013	\$17,709
December 31, 2014	\$18,793
December 31, 2015	\$19,428
December 31, 2016	<u>\$554,484</u>
Total	<u>\$627,101</u>

NOTE G – RESTRICTIONS ON NET ASSETS

At December 31, 2011 the Organization's temporary restricted net assets activity consisted of the following:

	<u>Beginning</u>	<u>Additions</u>	<u>Released</u>	<u>Ending</u>
Carpeting Mt View Office	\$0	\$3,500	\$3,500	\$0
Supplies	\$479		\$479	\$0
Practical Support	\$3,637	\$7,631	\$3,592	\$7,676
Medical Testing & Care	\$0	\$6,004	\$6,004	\$0
Ultrasound Training	\$6,512	\$23,401	\$21,317	\$8,596
Youth Education	\$0	\$725	\$725	\$0
Ultrasound Machine	\$0	\$27,296	\$27,296	\$0
Marketing / Outreach	\$10,696	\$1,000	\$11,696	\$0
Pledges receivable, net		\$679,534		\$679,534
Total	<u>\$21,324</u>	<u>\$749,091</u>	<u>\$74,609</u>	<u>\$695,806</u>

CRISIS PREGNANCY CENTERS OF SANTA CLARA COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE H – IN-KIND DONATIONS

For the year ended December 31, 2011 the Organization received and recorded the following in-kind donations:

Practical Support	\$13,151
Medical Professionals	<u>\$22,520</u>
Total	<u><u>\$35,671</u></u>

In addition, the Organization has volunteers that have donated significant amounts of time for both program services and supporting services. Management estimates 4,818 hours were donated by 181 volunteers to the Organization during the year ended December 31, 2011. No amount for this time has been recognized in the accompanying financial statements as this volunteer time does not meet the criteria required.

NOTE I - SPECIAL EVENTS

During the year ended December 31, 2011 the Organization participated in the following special events:

	Vision <u>Dinners</u>	Walk <u>for Life</u>	<u>Total</u>
Donations received	\$583,739	\$106,275	\$690,014
Direct expense of event	<u>(\$43,146)</u>	<u>(\$9,152)</u>	<u>(\$52,298)</u>
Net proceeds	<u>\$540,593</u>	<u>\$97,123</u>	<u>\$637,716</u>

NOTE J – SUBSEQUENT EVENTS

Management of the Organization has reviewed the results of operations for the period of time from its year end, December 31, 2011, through April 20, 2012, 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.