

CRISIS PREGNANCY CENTERS of SANTA CLARA COUNTY

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2007

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**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, 2007, 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 2006 financial statements and, in our report dated May 3, 2007, 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, 2007, 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  
July 9, 2008

Crisis Pregnancy Centers of Santa Clara County  
Statement of Financial Position  
December 31, 2007

	Unrestricted	Temporarily Restricted	Total 2007	Memo 2006
<b>ASSETS</b>				
Cash and cash equivalents	\$190,754	\$17,929	\$208,683	\$178,113
Current receivables	30,266		30,266	78,693
Prepaid expenses	19,335		19,335	10,816
<b>TOTAL CURRENT ASSETS</b>	<b>240,355</b>	<b>17,929</b>	<b>258,284</b>	<b>267,622</b>
Deposits	6,818		6,818	6,818
Loan origination fees	6,165		6,165	6,850
Property and equipment, net	695,796		695,796	658,534
<b>TOTAL ASSETS</b>	<b>\$949,134</b>	<b>\$17,929</b>	<b>\$967,063</b>	<b>\$939,824</b>
<b>LIABILITIES</b>				
Accounts payable	\$4,988		\$4,988	\$1,303
Accrued compensation	536		536	493
Current portion of long term debt	13,327		13,327	12,559
<b>TOTAL CURRENT LIABILITIES</b>	<b>18,851</b>		<b>18,851</b>	<b>14,355</b>
Mortgages	661,390		661,390	672,441
<b>TOTAL LIABILITIES</b>	<b>680,241</b>		<b>680,241</b>	<b>686,796</b>
<b>NET ASSETS</b>				
Unrestricted	268,893		268,893	199,431
Temporarily restricted		\$17,929	17,929	53,597
<b>TOTAL NET ASSETS</b>	<b>268,893</b>	<b>17,929</b>	<b>286,822</b>	<b>253,028</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$949,134</b>	<b>\$17,929</b>	<b>\$967,063</b>	<b>\$939,824</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, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2007</u>	<u>Memo 2006</u>
<b>Revenue and Support</b>				
Donations	\$544,956	\$16,740	\$561,696	\$433,809
In-kind donations	36,862		36,862	52,415
Special events, includes donations	87,632		87,632	125,809
Less: direct benefits to donors	(9,429)		(9,429)	(42,163)
Other income				
Interest income	1,774		1,774	3,556
	<u>661,795</u>	<u>16,740</u>	<u>678,535</u>	<u>573,426</u>
<b>Net assets released from restrictions</b>				
Expiration of donor restrictions	<u>52,408</u>	<u>(52,408)</u>		
	<u>714,203</u>	<u>(35,668)</u>	<u>678,535</u>	<u>573,426</u>
<b>Expenses</b>				
Program services				
Prenatal services	452,025		452,025	437,467
Supporting services				
Management and general	68,617		68,617	73,776
Fund-raising	124,099		124,099	100,145
	<u>644,741</u>		<u>644,741</u>	<u>611,388</u>
Changes in net assets	<u>69,462</u>	<u>(35,668)</u>	<u>33,794</u>	<u>(37,962)</u>
Net assets at beginning of year	<u>199,431</u>	<u>53,597</u>	<u>253,028</u>	<u>290,990</u>
Net assets at end of year	<u>\$268,893</u>	<u>\$17,929</u>	<u>\$286,822</u>	<u>\$253,028</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, 2007

	Program	Supporting Services		2007	2006
	Prenatal Services	Management & General	Fund - Raising	Total	Memo
Salaries & wages	\$190,876	\$33,684	\$56,140	\$280,700	\$262,985
Payroll taxes	15,895	2,805	4,675	23,375	23,669
Employee benefits	9,441	1,666	2,777	13,884	12,308
Total salaries and benefits	216,212	38,155	63,592	317,959	298,962
Advertising	5,458		125	5,583	11,340
Client Literature	3,854		337	4,191	3,810
Dues, fees, & other charges	1,994	2,555	2,262	6,811	9,043
Equipment purchase / lease	8,013	1,414	2,357	11,784	7,081
Insurance	8,286	1,462	2,437	12,185	14,750
Interest expense	47,557			47,557	
Maintenance & repairs	10,714	1,891	3,151	15,756	17,290
Meetings & conferences	4,150	139	4,565	8,854	8,089
Physical support	11,618		100	11,718	15,395
Postage & delivery	410	3,786	2,642	6,838	6,363
Printing	16,906	3,901	17,059	37,866	32,296
Professional fees	26,265	4,200	425	30,890	45,545
Property taxes	4,516			4,516	10
Rent	50,876	1,659	2,765	55,300	89,775
Supplies	8,704	4,488	11,676	24,868	12,078
Telephone	10,076	1,778	2,963	14,817	13,576
Travel	48	250	2,662	2,960	2,765
Utilities	4,450	146	242	4,838	4,439
Volunteer/staff appreciation	1,862	1,018	1,781	4,661	6,544
Subtotal before depreciation	441,969	66,842	121,141	629,952	599,151
Depreciation & amortization	10,056	1,775	2,958	14,789	12,237
Total expenses	\$452,025	\$68,617	\$124,099	\$644,741	\$611,388

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, 2007

	Total 2007	Memo 2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$33,794	(\$37,962)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation & amortization	14,789	12,237
(Increase) decrease in operating assets		
Receivables	48,427	(78,093)
Deposits		482
Prepays	(8,519)	3,845
Increase (decrease) in operating liabilities		
Accounts payable	3,685	836
Accrued compensation	43	(5,973)
<b>NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES</b>	<b>92,219</b>	<b>(104,628)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loan origination fees		(6,850)
Equipment additions & property improvements	(51,366)	(634,048)
<b>NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES</b>	<b>(51,366)</b>	<b>(640,898)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principle payments on mortgages	(10,283)	
Mortgage loan obtained		685,000
<b>NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES</b>	<b>(10,283)</b>	<b>685,000</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>30,570</b>	<b>(60,526)</b>
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<b>178,113</b>	<b>238,639</b>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<b>\$208,683</b>	<b>\$178,113</b>

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

CRISIS PREGNANCY CENTERS OF SANTA CLARA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007

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). CPC is a pro-life counseling ministry and medical clinic, with four sites in Silicon Valley. CPC is a nonprofit corporation affiliated with Care Net. 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.

Management and General

Includes the functions necessary to ensure coordination and articulation of the Organization's program strategy through the Executive Management, maintain program administration and manage the financial responsibilities of the Organization.

Fund-raising

Provides the structure necessary to encourage and secure private financial support from individuals, foundations and corporations.

Summary of Significant Accounting Policies

Financial Statement Presentation

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, in which 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.

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.



CRISIS PREGNANCY CENTERS OF SANTA CLARA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007

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.

Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of less than three months to be cash equivalents.

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 received unless specifically restricted by the donor. 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 collectable at December 31, 2007, from the Walk for Life event, were immaterial to the financial statements as a whole and not considered necessary to record.

Advertising

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

CRISIS PREGNANCY CENTERS OF SANTA CLARA COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2007

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, 2006, from which the summarized information was obtained.

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 - CONCENTRATION OF CREDIT RISK

The Organization maintains a majority of their cash in bank deposit accounts that, at times, may exceed federally insured limits of \$100,000. 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, 2007, the Organization's uninsured cash balance is \$78,781.

NOTE C - PROPERTY AND EQUIPMENT

At December 31, 2007 fixed assets and accumulated depreciation consist of the following:

Software	\$1,767
Equipment & Furniture	155,446
Building	620,000
Building Improvements	<u>81,337</u>
Total Property & Equipment	\$858,550
Accumulated Depreciation	<u>(162,754)</u>
Property & Equipment, net	<u><u>\$695,796</u></u>

NOTE D – 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 through December 2008. In addition, the Organization leases two photocopiers; for \$194 and \$116 per month through December 2008 and September 2009, respectively. Future minimum lease payments required under the above operating leases are as follows:

For the year ended:	
December 31, 2008	\$44,520
December 31, 2009	<u>1,044</u>
Total	<u><u>\$45,564</u></u>

NOTE E – LOAN ORIGINATION FEES

Loan origination fees of \$6,850 were incurred as a result of obtaining the mortgage mentioned in Footnote F. Amortization of the loan origination fees is \$685 for the year ended December 31, 2007.

CRISIS PREGNANCY CENTERS OF SANTA CLARA COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2006

NOTE F – MORTGAGES DUE

Mortgages due at December 31, 2007 to financial institution \$674,717, secured by real property located at 836 W. El Camino Real, Mt View, CA, bearing interest at 6.95% APR, fixed payment for 25 years, with a balloon payment for the balance due on December 31, 2016. Future principle payments are as follows:

December 31, 2008	\$13,327
December 31, 2009	14,143
December 31, 2010	15,009
December 31, 2011	15,928
December 31, 2012	16,903
Thereafter	<u>599,407</u>
Total	<u><u>\$674,717</u></u>

NOTE G – 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 before March 2009. Advances bear interest at prime plus one percent. The outstanding balance at December 31, 2007 is \$0.

NOTE H – RESTRICTIONS ON NET ASSETS

At December 31, 2007 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	\$8,121	\$1,815	\$2,766	\$7,170
ESJ Program		5,000	5,000	
Dinners of Vision		6,000	4,285	1,715
SSJ Facility	38,591		35,400	3,191
STD Testing		1,050	744	306
Prenatal Vitamins	110		110	
HOPE	6,775	2,875	4,103	5,547
Total	<u>\$53,597</u>	<u>\$16,740</u>	<u>\$52,408</u>	<u>\$17,929</u>

NOTE I – IN-KIND DONATIONS

For the year ended December 31, 2007 the Organization received and recorded the following in-kind donations:

Practical Support	\$8,952
Medical Professionals	24,410
Furniture	<u>3,500</u>
Total	<u><u>\$36,862</u></u>

## MANAGEMENT LETTER COMMENTS

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

In planning and performing our audit of the financial statements of Community Pregnancy Centers of Santa Clara County for the year ended December 31, 2007, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. This letter does not affect our report dated July 9, 2008, on the financial statements of Community Pregnancy Centers of Santa Clara County.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestions with various Organization personnel, and we will be pleased to discuss this comment in further detail at your convenience, to perform any additional study of this matter, or to assist in implementing the recommendation. Our comment is summarized as follows:

### Walk Database Reconciliation to General Ledger

While testing Walk Donations recorded we noted that the amounts recorded in the general ledger do not tie to the Walk Database. Since this information is available from the information maintained, reconciliations should be prepared and reviewed at the end of each month to ensure all prospective Walk Pledges are accurately tracked and received.

### Cash Disbursements

Based on our tests of internal controls over cash disbursements we noted the following: checks are passed to authorized signors without corresponding backup and some payments were based on copies of the vendor invoice. In order to ensure expenses are in line with managements expectations we recommend all checks be submitted to an authorized signor for review and we recommend all vendor invoices be approved for payment prior to processing. In order to prevent duplicate payment of the same invoice we recommend all disbursements be made on original invoices only.

### Payroll Processing

During our testing of payroll processing we noted a few timesheets not signed by the employee's respective manager, and we also noted payroll processing does not allow for a review step or an approval step which effectively allows the processor to cut a check in error. In order to ensure payroll processing is in line with managements expectations we recommend all timesheets be signed by the employee's supervisor and we recommend an approval step be implemented that would allow for review of payroll checks prior to their distribution. In addition, we believe it is a good audit trail to have everyone's current rate of pay documented in each employee's personnel file.

### Budget

During our analytical review procedures we noted the Organization is operating without a current budget. In order to make effective management decisions and project cash flow operations we recommend a budget be developed and used as a tool to measure against actual performance on a monthly basis.

This report is intended solely for the information and use of the Board of Directors, management, others within the Organization, is not intended to be and should not be used by anyone other than these specified parties. We wish to thank the Executive Director and the Administrative Manager for their support and assistance during our audit.

Deborah Daly, CPA  
Pleasanton, California  
July 9, 2008