

FINANCIAL REPORT

**ANY BABY CAN
CHILD & FAMILY RESOURCE CENTER**

JUNE 30, 2005

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Carneiro, Chumney & Co., L.C.

CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
Any Baby Can Child & Family Resource Center
San Antonio, Texas

We have audited the accompanying statements of financial position of Any Baby Can Child & Family Resource Center as of June 30, 2005 and 2004, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the management of Any Baby Can Child & Family Resource Center. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Any Baby Can Child & Family Resource Center as of June 30, 2005 and 2004, and the results of the changes in its net assets and its cash flows for the years then ended, in conformity with United States generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2005, on our consideration of Any Baby Can Child & Family Resource Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Carneiro Chumney & Co. L.C.

October 12, 2005

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ANY BABY CAN CHILD & FAMILY RESOURCE CENTER

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2005 AND 2004

| | 2005 | 2004 |
|---|------------------|------------------|
| ASSETS | | |
| Cash and cash equivalents | 293,820 | 207,352 |
| Accounts Receivable: | | |
| Grants | 251,763 | 250,008 |
| Other | 101,867 | 1,205 |
| Pledges | 13,945 | 236,611 |
| United Way | 43,803 | 59,792 |
| Prepaid expenses and other | 34,261 | 36,028 |
| Investments | 129,832 | 146,351 |
| Property and equipment, net | 1,594,909 | 1,702,600 |
| | <u>2,464,200</u> | <u>2,639,947</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable | 236,559 | 100,129 |
| Accrued expenses | 117,718 | 104,256 |
| Lease payable | 31,171 | 14,529 |
| Due to affiliate | -- | 1,616 |
| Mortgage payable | 548,426 | 989,137 |
| Total Liabilities | <u>933,874</u> | <u>1,209,667</u> |
| Net Assets: | | |
| Unrestricted: | | |
| Operating | 174,481 | 130,230 |
| Property and equipment | 1,046,483 | 713,463 |
| Total Unrestricted | <u>1,220,964</u> | <u>843,693</u> |
| Temporarily restricted | 152,058 | 429,283 |
| Permanently restricted | 157,304 | 157,304 |
| Total Net Assets | <u>1,530,326</u> | <u>1,430,280</u> |
| | <u>2,464,200</u> | <u>2,639,947</u> |
| TOTAL LIABILITIES AND NET ASSETS | | |

The accompanying notes are an integral part of these financial statements.

ANY BABY CAN CHILD & FAMILY RESOURCE CENTER

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2005 AND 2004

| | 2005 | 2004 |
|--|-------------------------|-------------------------|
| Changes in Unrestricted Net Assets: | | |
| Revenues, Gains, and Other Support: | | |
| Contributions | 893,280 | 1,000,830 |
| In-kind contributions | 190,769 | 138,987 |
| Special events, net of direct expenses of \$105,296 for 2005 and \$138,254 for 2004 | 147,125 | 193,009 |
| Government grants | 1,885,687 | 1,583,291 |
| Medicaid, insurance, and fees | 233,130 | 141,187 |
| Investment (loss) income | (3,556) | 10,685 |
| Miscellaneous income | 6,388 | 2,966 |
| Total Revenues, Gains, and Other Support | <u>3,352,823</u> | <u>3,070,955</u> |
| Net assets released from restrictions | 648,261 | 380,759 |
| Total Unrestricted Revenues, Gains, and Other Support | <u>4,001,084</u> | <u>3,451,714</u> |
| Expenses: | | |
| Program services | 3,095,865 | 3,068,671 |
| Management and general | 226,279 | 214,096 |
| Development | 224,595 | 146,672 |
| Capital Campaign | -- | 92,067 |
| Total Expenses | <u>3,546,739</u> | <u>3,521,506</u> |
| Change in Unrestricted Net Assets Before Retirement of Equipment | 454,345 | (69,792) |
| Retirement of equipment | <u>(77,074)</u> | <u>--</u> |
| Change in Unrestricted Net Assets | 377,271 | (69,792) |
| Changes in Temporarily Restricted Net Assets: | | |
| Contributions: | | |
| Capital Campaign | -- | 126,266 |
| Programs | 327,233 | 35,000 |
| United Way | 43,803 | 59,792 |
| Net assets released from restrictions | <u>(648,261)</u> | <u>(380,759)</u> |
| Change in Temporarily Restricted Net Assets | <u>(277,225)</u> | <u>(159,701)</u> |
| Change in Net Assets | 100,046 | (229,493) |
| Net assets at the beginning of the year | <u>1,430,280</u> | <u>1,659,773</u> |
| NET ASSETS AT END OF YEAR | <u><u>1,530,326</u></u> | <u><u>1,430,280</u></u> |

The accompanying notes are an integral part of these financial statements.

ANY BABY CAN CHILD & FAMILY RESOURCE CENTER

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2005 AND 2004

| | 2005 | 2004 |
|--|------------------|------------------|
| Cash Flows from Operating Activities: | | |
| Change in net assets | 100,046 | (229,493) |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation | 94,921 | 108,537 |
| Bad debt allowance | -- | (23,076) |
| Donated vehicle included in contributions | (30,456) | -- |
| Realized and unrealized (loss) on investments | 4,986 | -- |
| Loss on retirement of equipment | 77,074 | -- |
| Decrease (Increase): | | |
| Accounts receivable | 136,238 | 372,566 |
| Prepaid expenses and other | 1,767 | (15,404) |
| Increase (Decrease): | | |
| Accounts payable | 136,430 | 11,203 |
| Accrued expenses | 13,462 | 13,895 |
| Affiliate payable | (1,616) | -- |
| Deferred support | -- | (76,678) |
| Total Adjustments | <u>432,806</u> | <u>391,043</u> |
| Net Cash Provided by Operating Activities | 532,852 | 161,550 |
| Cash Flows from Investing Activities: | | |
| Purchase of property and equipment | (33,848) | (16,901) |
| Purchase of investments | (699) | -- |
| Distributions from investments | 12,232 | 1,675 |
| Net Cash (Used in) Investing Activities | <u>(22,315)</u> | <u>(15,226)</u> |
| Cash Flows from Financing Activities: | | |
| Purchase of copier leases | 24,508 | -- |
| Payments long-term lease | (7,866) | (2,460) |
| Principal payments | (440,711) | (104,640) |
| Payment on line of credit | -- | (75,000) |
| Net Cash (Used in) Financing Activities | <u>(424,069)</u> | <u>(182,100)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 86,468 | (35,776) |
| Cash and cash equivalents at beginning of year | <u>207,352</u> | <u>243,128</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>293,820</u> | <u>207,352</u> |
| Cash Paid for: | | |
| Interest | 48,829 | 82,803 |

The accompanying notes are an integral part of these financial statements.

ANY BABY CAN CHILD & FAMILY RESOURCE CENTER

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2005 AND 2004

| | 2005 | | | | 2004 | | | |
|------------------------------------|------------------|------------------------|----------------|------------------|------------------|------------------------|----------------|------------------|
| | Program Services | Management and General | Development | Total | Program Services | Management and General | Development | Total |
| Salaries and Related Expenses: | | | | | | | | |
| Salaries | 1,882,477 | 114,769 | 146,420 | 2,143,666 | 1,791,847 | 40,467 | 88,453 | 2,001,761 |
| Payroll taxes | 156,853 | 9,075 | 11,116 | 177,044 | 156,334 | (1,351) | 7,213 | 167,846 |
| Benefits | 203,558 | 15,400 | 13,339 | 232,297 | 209,270 | 6,412 | 9,171 | 229,610 |
| Advertising | 6,973 | 210 | 256 | 7,439 | -- | -- | -- | -- |
| Audit fees | 20,993 | 2,316 | 821 | 24,130 | 5,189 | 150 | -- | 5,339 |
| Auto and van expenses | 5,114 | 556 | 334 | 6,004 | 3,999 | 434 | 154 | 4,587 |
| Conferences and meetings | 17,600 | 6,012 | 2,606 | 26,218 | 10,544 | 4,538 | 1,097 | 16,179 |
| Crisis assistance | 110,894 | 19,749 | 365 | 131,008 | 113,083 | (354) | -- | 112,729 |
| Dues and membership fees | 238 | 171 | 4,915 | 5,324 | 3,207 | 1,366 | 1,723 | 6,296 |
| Equipment repairs and rents | 69,509 | 5,690 | 2,265 | 77,464 | 50,081 | 6,093 | 10,122 | 66,299 |
| In-kind | 159,965 | 257 | 91 | 160,313 | 138,987 | -- | -- | 138,987 |
| Insurance | 28,646 | 3,037 | 1,074 | 32,757 | 18,604 | 1,555 | 551 | 20,710 |
| Interest expense | 49,847 | 8,226 | 5,148 | 63,221 | 45,255 | 30,532 | 6,961 | 82,803 |
| Merger - Candlelighters | -- | -- | -- | -- | 90,630 | -- | -- | 90,630 |
| Miscellaneous fees/expenses | 640 | 4,114 | 1,370 | 6,124 | 42 | 1,495 | 62 | 1,599 |
| Occupancy | 61,367 | 6,690 | 2,374 | 70,431 | 93,184 | 2,356 | 3,707 | 99,275 |
| Office supplies | 21,658 | 1,822 | 4,577 | 28,057 | 31,371 | 3,801 | 6,532 | 41,706 |
| Postage and shipping | 4,179 | 472 | 755 | 5,406 | 5,307 | 955 | 3,316 | 9,578 |
| Printing and promotions | 5,434 | 159 | 10,206 | 15,799 | 11,208 | 271 | 1,564 | 13,043 |
| Professional fees | 125,864 | 13,089 | 6,561 | 145,514 | 205,446 | 4,602 | 3,025 | 213,651 |
| Program materials | 17,764 | 240 | 649 | 18,653 | 13,025 | 4 | 1 | 13,030 |
| Telephone | 32,094 | 2,039 | 2,463 | 36,596 | 33,913 | 2,090 | 2,170 | 38,173 |
| Travel and mileage | 37,312 | 321 | 720 | 38,353 | 38,145 | 143 | 850 | 39,138 |
| Total Expenses Before Depreciation | 3,018,979 | 214,414 | 218,425 | 3,451,818 | 3,068,671 | 105,559 | 146,672 | 3,412,969 |
| Depreciation expense | 76,886 | 11,865 | 6,170 | 94,921 | -- | 108,537 | -- | 108,537 |
| TOTAL FUNCTIONAL EXPENSES | 3,095,865 | 226,279 | 224,595 | 3,546,739 | 3,068,671 | 214,096 | 146,672 | 3,521,506 |

The accompanying notes are an integral part of these financial statements.

ANY BABY CAN CHILD & FAMILY RESOURCE CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2005 AND 2004

Note 1: Nature of Activities and Summary of Significant Accounting Policies

Any Baby Can, Inc. (Any Baby Can) and its affiliates, Any Baby Can of San Antonio, Inc. (ABC San Antonio) and Any Baby Can Child & Family Resource Center (ABC Austin), are not-for-profit corporations that provide support services for families of disabled, high risk, and chronically ill children in the Austin, San Antonio, and Kerrville, Texas communities. The organizations link over 200 medical, educational, and social service agencies, serve as a central clearing house that provides case management for young children until help is received, and provide a bilingual (English and Spanish) Baby Help Line staffed with specialists. Any Baby Can and its affiliates provide only those direct services that are not adequately addressed by other agencies in the community.

Organization

Any Baby Can was incorporated on January 24, 1990 and commenced operations in San Antonio as a separate entity on April 1, 1991. Prior to such date, the activities of Any Baby Can were conducted under the auspices of The Santa Rosa Health Care Corporation. ABC Austin was incorporated on April 27, 1993.

On March 31, 2000 CEDEN Family Resource Center, Inc. (CEDEN), another local not-for-profit corporation, merged into Any Baby Can of Austin, Inc. to form a single not-for-profit corporation, that of Any Baby Can of Austin, Inc. Also on March 31, 2000, Any Baby Can of Austin, Inc. established the dba Any Baby Can Child & Family Resource Center. The merger expanded services to the same client base.

On January 1, 2004 The Candlelighters Childhood Cancer Foundation was acquired by ABC Austin. This merger shares the common goals of assisting children with childhood cancer, the survivors of this disease, their families and friends, and the health professionals who care for them.

Any Baby Can exercises control over each affiliate under the terms of an affiliation agreement requiring compliance with Any Baby Can's policies and procedures within the geographic area specified in such agreement.

Basis of Presentation

The financial statements of ABC Austin have been prepared on the accrual basis in accordance with United States generally accepted accounting principles. The accompanying financial statements include only the accounts of ABC Austin.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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.

Cash Equivalents

For purposes of the statements of cash flows, ABC Austin considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

(Continued)

ANY BABY CAN CHILD & FAMILY RESOURCE CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2005 AND 2004

(Continuation)

Note 1: Nature of Activities and Summary of Significant Accounting Policies (Continued)

Receivables

Governmental grants that are included in receivables are individually analyzed for purposes of determining collectibility at year end and an allowance was not considered necessary. Pledge receivables are also individually analyzed for purposes of determining collectibility. At June 30, 2005 and 2004, an allowance of \$0 and \$4,000, respectively, was recorded related to pledges.

Investments

Investments are carried at market, and realized and unrealized gains and losses are reflected in the statements of activities. Investments acquired by gift are valued at amounts representing estimated fair market value at the date of gift.

Property and Equipment

ABC Austin follows the practice of capitalizing all purchases of property and equipment in excess of \$5,000. Property and equipment are depreciated over their estimated useful lives (ranging from 3 to 10 years) using the straight-line method. Donations of property and equipment are recorded at their estimated fair value.

Contributions

ABC Austin reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Donated Goods and Services

Donated goods and services that can be measured and meet certain other requirements are recorded in the financial statements as in-kind contributions and expenses of a like amount. In-kind contributions are measured and recorded at their fair values.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Expenses that are specifically identifiable to a function are allocated entirely to that function. Expenses that are not specifically identifiable to a function are allocated based upon management's estimate of time and resources devoted to the function.

Economic Dependency

The highest source of revenues earned by ABC Austin depends on the availability of funds generated by federal, state, and local governments. Contracts with funding agencies are renegotiated on an annual basis. Although ABC Austin's grant programs are regularly audited by grantor, expenses charged to these programs are subject to audit and adjustment by the grantors. No adjustments have been made to this funding to date.

The second highest source of revenue is received from various private sources. These contributions not only provide matches towards grants, but also fund needed programs and other expenses not provided by federal awards revenue.

(Continued)

ANY BABY CAN CHILD & FAMILY RESOURCE CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2005 AND 2004

(Continuation)

Note 1: Nature of Activities and Summary of Significant Accounting Policies (Continued)

Tax Status

ABC Austin is exempt from federal income taxes within the "Group Exemption" of Any Baby Can, Inc. pursuant to provisions of Section 501(c)(3) of the Internal Revenue Code.

Estimates

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

Note 2: Cash Concentration Risk

Cash balances in excess of FDIC insurance of \$100,000 per bank are maintained at one financial institution; at June 30, 2005, amounts at risk were \$192,976.

Note 3: Investments

Included in investments are the following:

| | 2005 | | 2004 | |
|--|-------------|---------------|-------------|---------------|
| | <u>Cost</u> | <u>Market</u> | <u>Cost</u> | <u>Market</u> |
| Mary Sams Memorial Fund (investments held in trust) | \$ 134,819 | \$ 129,832 | \$ 146,351 | \$ 146,351 |

The Mary Sams Memorial Fund (Fund) represents a gift of bonds given in perpetuity to ABC Austin to memorialize Mary Sams. Therefore, it is reported as permanently restricted net assets. The amount to be distributed to ABC Austin is calculated annually based on the market value of the Fund as of January 31 (the valuation date). The distribution for the respective year is to be equal to 8% of the fair market value as of the valuation date and is distributed on a monthly basis. Any return on investment in excess of the distribution amount is to be added to the original gift and is recorded as an increase in permanently restricted net assets. The Fund's broker will select the investments to be made for any monies in excess of the calculated distribution amount that is added to the original gift. The donor must approve any changes to the provisions of the Fund.

Note 4: Grants Receivable

Grants receivable are due within one year and are comprised of amounts due to ABC Austin from the following grantors at June 30, 2005 and 2004:

| | <u>2005</u> | <u>2004</u> |
|--|-------------------|-------------------|
| Austin/Travis County Health & Human Services Department | \$ 34,687 | \$ 54,575 |
| Texas Department of Early Childhood Intervention | 75,379 | 60,854 |
| Texas Department of Health | 36,752 | 55,832 |
| Texas Department of Protective and Regulatory Services | 51,271 | 49,671 |
| Other | <u>53,674</u> | <u>29,076</u> |
| Totals | \$ <u>251,763</u> | \$ <u>250,008</u> |

(Continued)

ANY BABY CAN CHILD & FAMILY RESOURCE CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2005 AND 2004

(Continuation)

Note 5: Property and Equipment

Property and equipment consisted of the following at June 30, 2005 and 2004:

| | <u>2005</u> | <u>2004</u> |
|--------------------------------|---------------------|---------------------|
| Land | \$ 233,198 | \$ 233,198 |
| Building and improvements | 1,566,950 | 1,566,950 |
| Furniture and equipment | 137,597 | 407,278 |
| Vehicles | <u>111,635</u> | <u>57,669</u> |
| | 2,049,380 | 2,265,095 |
| Less: Accumulated depreciation | <u>454,471</u> | <u>562,495</u> |
| | <u>\$ 1,594,909</u> | <u>\$ 1,702,600</u> |

Depreciation expense for the years ended June 30, 2005 and 2004 was \$94,921 and \$108,537, respectively.

Note 6: Employee Benefits

ABC Austin maintains group life, medical, long-term and short-term disability, and dental plan for its full time employees. Employees are eligible to enroll for coverage after 90 days as a full time employee.

ABC Austin pays the total cost of this life, long-term and short-term disability, and medical plan for each eligible employee. A Section 125 Cafeteria Plan is also available for eligible employees which includes:

| | |
|--|--------------------------------|
| Supplemental life insurance | Specific disease benefit |
| Dependent health insurance | Dependent/child care plan |
| Dental insurance | 403(b) retirement savings plan |
| Supplemental medical indemnity insurance | |

At March 31, 2000 ABC Austin adopted a defined contribution pension plan for the benefit of its employees. The plan was established under Internal Revenue Code Section 403(b) for the exclusive benefit of eligible employees. An employee must work at least 1,000 hours per year and have performed one full year of service to be eligible for employer contributions and six months of service to be eligible for employee contributions. All contributions made by the employee and the employer and any earnings thereon are 100% vested at all times. For the years ended June 30, 2005 and 2004, employer's pension expense was \$0 and \$10,723, respectively.

Note 7: Conditional Pledge

For the year ended June 30, 2002, ABC Austin has received a matching grant for \$250,000 dependent upon completion of a successful Capital Campaign; this amount is not included in contribution revenue. During the years ended June 30, 2005 and 2004, \$57,303 and \$97,114 of the \$250,000 original conditional pledge were received and recorded as Capital Campaign contribution revenue.

(Continued)

ANY BABY CAN CHILD & FAMILY RESOURCE CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2005 AND 2004

(Continuation)

Note 8: In-Kind Contributions

In-kind contributions and related expenses consisted of the following for the years ended June 30, 2005 and 2004:

| | <u>2005</u> | <u>2004</u> |
|--------------------------------------|-------------------|-------------------|
| Advertising - Education and outreach | \$ 57,933 | \$ 20,249 |
| Building and office equipment | 347 | 16,232 |
| Crisis assistance | 54,493 | 80,332 |
| Family Support | 47,540 | 5,528 |
| Vehicles | <u>30,456</u> | <u>16,646</u> |
| Total | <u>\$ 190,769</u> | <u>\$ 138,987</u> |

Note 9: Special Events

Special events revenue, net of fundraising expenses, consisted of the following for the years ended June 30, 2005 and 2004:

| | <u>2005</u> | <u>2004</u> |
|-------------------------------|-------------------|-------------------|
| Adopt A Doll (Corporate Doll) | \$ -- | \$ 26,696 |
| Angel Society | 44,180 | -- |
| Candlelighters | -- | 44,937 |
| Havana on the Lake | 69,646 | 46,896 |
| Rockin' Roundup | 103,820 | 124,783 |
| Other | <u>34,775</u> | <u>87,951</u> |
| Total Special Events Revenue | 252,421 | 331,263 |
| Fundraising expenses | <u>(105,296)</u> | <u>(138,254)</u> |
| Net | <u>\$ 147,125</u> | <u>\$ 193,009</u> |

Note 10: Net Assets

Temporarily restricted net assets consisted of assets restricted for the following purposes at June 30, 2005 and 2004:

| | <u>2005</u> | <u>2004</u> |
|-----------------------------------|-------------------|-------------------|
| Capital Campaign | \$ -- | \$ 344,491 |
| Programs (including education) | 108,255 | 25,000 |
| United Way | <u>43,803</u> | <u>59,792</u> |
| Temporarily Restricted Net Assets | <u>\$ 152,058</u> | <u>\$ 429,283</u> |

Permanently restricted net assets are invested in perpetuity, the income from which is expendable to support unrestricted operations.

(Continued)

ANY BABY CAN CHILD & FAMILY RESOURCE CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2005 AND 2004

(Continuation)

Note 10: Net Assets (Continued)

Net assets released from temporarily restricted net assets as restrictions are satisfied are as follows for June 30, 2005 and 2004:

| | <u>2005</u> | <u>2004</u> |
|------------------|-------------------|-------------------|
| Programs: | | |
| United Way | \$ 59,792 | \$ 112,061 |
| Programs | 243,978 | 10,000 |
| Capital Campaign | <u>344,491</u> | <u>258,698</u> |
| | <u>\$ 648,261</u> | <u>\$ 380,759</u> |

Note 11: Capital Lease

ABC Austin is the lessee of a Canon copier, Pitney Bowes postage meter, and Pitney Bowes mailing system under capital leases expiring various years through 2008. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over the lower of their related lease terms or their estimated productive lives. Amortization of assets under capital leases is included in depreciation expense for 2005 and 2004.

Minimum future lease payments under capital leases as of June 30, 2005, for each of the next two years are:

| | |
|---------------------|-----------|
| Year ended June 30, | |
| 2006 | \$ 20,161 |
| 2007 | 9,375 |
| 2008 | 1,635 |

Note 12: Line of Credit and Subsequent Extension

ABC Austin obtained a \$200,000 line of credit during the year ended June 30, 2005. The line of credit is secured by a second lien on the building, has an outstanding balance at June 30, 2005 of \$0, and is effective until September 22, 2005 with a non-pre-computed variable rate.

Note 13: Mortgage Payable and Subsequent Event

| | <u>2005</u> | <u>2004</u> |
|---|-------------------|-------------------|
| ABC Austin purchased an office building and land for \$1,517,725. The property is security for a 5.5% mortgage maturing November 20, 2006, with principal and interest payments of \$9,179 monthly. The final payment, due December 20, 2006, includes all principal and all accrued interest not paid. | <u>\$ 548,426</u> | <u>\$ 989,137</u> |

(Continued)

ANY BABY CAN CHILD & FAMILY RESOURCE CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2005 AND 2004

(Continuation)

Note 13: Mortgage Payable and Subsequent Event (Continued)

Effective September 29, 2005 Bank of America, N.A. refinanced the note payable on the land and building to a 6.93% fixed interest rate with monthly payments of interest and principal of \$3,850. The first payment under the refinanced agreement is due November 1, 2005. The balance of the mortgage loan payable is \$495,200 as of September 29, 2005.

Maturities on this mortgage are estimated as follows:

| | <u>Payments</u> |
|------|-----------------|
| 2006 | \$ 30,799 |
| 2007 | 46,199 |
| 2008 | 46,199 |
| 2009 | 46,199 |
| 2010 | 46,199 |

Note 14: Retirement of Equipment

Over the past five years many changes have taken place in the life of ABC Austin. CEDEN and Candlelighters, previously independent nonprofit organizations, have been merged into ABC Austin, as well as the purchase of ABC Austin's first building. During fiscal year 2005 management reviewed the inventory of the equipment that was incorporated into the total, and the write-off for the year ended June 30, 2005 is shown as retirement of equipment.