

FINANCIAL REPORT

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

JUNE 30, 2006

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying statements of financial position of Any Baby Can Child and Family Resource Center (ABC - Austin) as of June 30, 2006 and 2005, 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 (ABC - Austin). Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits 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 also 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 ABC - Austin as of June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2006, on our consideration of ABC - Austin's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Carneiro, Chumney & Co., L.C.

October 13, 2006

ANY BABY CAN CHILD AND FAMILY RESOURCE CENTER

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2006 AND 2005

	2006	2005
ASSETS		
Cash and cash equivalents	255,738	293,820
Accounts Receivable:		
Grants	297,370	251,763
Other	134,963	101,867
Pledges, net	8,839	13,945
United Way	49,935	43,803
Prepaid expenses and other	2,546	34,261
Investments	140,304	129,832
Property and equipment, net	1,512,103	1,594,909
	<u>2,401,798</u>	<u>2,464,200</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	258,754	236,559
Accrued expenses	107,321	117,718
Leases payable	2,955	31,171
Mortgage payable	487,607	548,426
Total Liabilities	<u>856,637</u>	<u>933,874</u>
Commitments - Note 7		
Net Assets:		
Unrestricted:		
Operating	141,255	205,652
Property and equipment	1,021,541	1,015,318
Total Unrestricted	<u>1,162,796</u>	<u>1,220,964</u>
Temporarily restricted	225,061	152,058
Permanently restricted	157,304	157,304
Total Net Assets	<u>1,545,161</u>	<u>1,530,326</u>
	<u>2,401,798</u>	<u>2,464,200</u>
TOTAL LIABILITIES AND NET ASSETS		

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

ANY BABY CAN CHILD AND FAMILY RESOURCE CENTER

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
Changes in Unrestricted Net Assets:		
Revenues, Gains, and Other Support:		
Contributions	658,483	893,280
In-kind contributions	150,644	190,769
Special events, net of direct expenses of \$98,009 for 2006 and \$105,296 for 2005	180,364	147,125
Government grants	1,881,412	1,885,687
Medicaid, insurance, and fees	204,861	233,130
Investment income (loss)	17,754	(3,556)
Gain on disposal of equipment	4,051	-
Miscellaneous income	29,554	6,388
Total Unrestricted Revenues and Gains	<u>3,127,123</u>	<u>3,352,823</u>
Net assets released from restrictions	227,613	648,261
Total Unrestricted Revenues, Gains, and Other Support	<u>3,354,736</u>	<u>4,001,084</u>
Expenses:		
Program services	3,020,459	3,095,865
Management and general	114,863	226,279
Development	277,582	224,595
Total Expenses	<u>3,412,904</u>	<u>3,546,739</u>
Change in Unrestricted Net Assets Before Retirement of Equipment	(58,168)	454,345
Retirement of equipment	--	(77,074)
Change in Unrestricted Net Assets	(58,168)	377,271
Changes in Temporarily Restricted Net Assets:		
Contributions:		
Programs	250,681	327,233
United Way	49,935	43,803
Net assets released from restrictions	(227,613)	(648,261)
Change in Temporarily Restricted Net Assets	<u>73,003</u>	<u>(277,225)</u>
Change in Net Assets	14,835	100,046
Net assets at the beginning of the year	<u>1,530,326</u>	<u>1,430,280</u>
NET ASSETS AT END OF YEAR	<u><u>1,545,161</u></u>	<u><u>1,530,326</u></u>

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

ANY BABY CAN CHILD AND FAMILY RESOURCE CENTER

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
Cash Flows from Operating Activities:		
Change in net assets	14,835	100,046
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	78,116	94,921
Donated vehicle included in contributions	--	(30,456)
Realized and unrealized (loss) or gain on investments	(14,586)	4,986
(Gain) loss on retirement of equipment	(4,051)	77,074
Decrease (Increase):		
Accounts receivable		
Grants	(45,607)	(1,755)
Other	(33,096)	(100,662)
Pledges	5,106	222,666
United Way	(6,132)	15,989
Prepaid expenses and other	31,715	1,767
Increase (Decrease):		
Accounts payable	22,195	136,430
Accrued expenses	(10,397)	13,462
Affiliate payable	--	(1,616)
Total Adjustments	<u>23,263</u>	<u>432,806</u>
Net Cash Provided by Operating Activities	38,098	532,852
Cash Flows from Investing Activities:		
Purchase of property and equipment	--	(33,848)
Purchase of investments	(1,886)	(699)
Distributions from investments	6,000	12,232
Net Cash Provided by (Used in) Investing Activities	<u>4,114</u>	<u>(22,315)</u>
Cash Flows from Financing Activities:		
Purchase of copier leases	--	24,508
Payments long-term lease	(19,475)	(7,866)
Principal payments	(60,819)	(440,711)
Net Cash (Used in) Financing Activities	<u>(80,294)</u>	<u>(424,069)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(38,082)	86,468
Cash and cash equivalents at beginning of year	<u>293,820</u>	<u>207,352</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>255,738</u>	<u>293,820</u>
Cash Paid for:		
Interest	32,358	48,829

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

ANY BABY CAN CHILD AND FAMILY RESOURCE CENTER

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2006 AND 2005

	2006			2005			
	Program Services	Management and General	Development	Program Services	Management and General	Development	Total
Salaries and Related Expenses:							
Salaries	1,960,038	39,490	154,996	1,882,477	114,769	146,420	2,143,666
Payroll taxes	160,774	3,340	12,312	156,853	9,075	11,116	177,044
Benefits	201,804	9,188	14,452	203,558	15,400	13,339	232,297
Total Salaries and Related Expenses	2,322,616	52,018	181,760	2,242,888	139,244	170,875	2,553,007
Advertising	5,502	801	870	6,973	210	256	7,439
Audit fees	13,430	1,912	1,258	20,993	2,316	821	24,130
Auto and van	3,665	507	296	5,114	556	334	6,004
Bad debt	--	4,170	--	--	--	--	--
Conferences and meetings	11,759	2,605	1,373	17,600	6,012	2,606	26,218
Crisis assistance	96,643	14,455	2,472	110,894	19,749	365	131,008
Dues and membership fees	281	18	3,584	238	171	4,915	5,324
Equipment repairs and rents	41,053	4,120	4,856	69,509	5,690	2,265	77,464
In-kind	133,020	75	12,476	159,965	257	91	160,313
Insurance	26,799	3,668	1,937	28,646	3,037	1,074	32,757
Interest expense	29,110	2,535	5,546	49,847	8,226	5,148	63,221
Miscellaneous fees	1,075	211	3,787	640	4,114	1,370	6,124
Occupancy	52,879	7,742	3,556	61,367	6,690	2,374	70,431
Office supplies	18,796	1,696	2,983	21,658	1,822	4,577	28,057
Postage and shipping	4,646	639	2,668	4,179	472	755	5,406
Printing and promotions	1,667	131	4,708	5,434	159	10,206	15,799
Professional fees	90,270	8,684	34,117	125,864	13,089	6,561	145,514
Program materials	17,091	145	2,189	17,764	240	649	18,653
Telephone	30,224	1,640	1,766	32,094	2,039	2,463	36,596
Travel and mileage	53,439	15	834	37,312	321	720	38,353
Total Expenses Before Depreciation	2,953,965	107,787	273,036	3,018,979	214,414	218,425	3,451,818
Depreciation expense	66,494	7,076	4,546	76,886	11,865	6,170	94,921
TOTAL FUNCTIONAL EXPENSES	3,020,459	114,863	277,582	3,095,865	226,279	224,595	3,546,739

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

ANY BABY CAN CHILD AND FAMILY RESOURCE CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2006 AND 2005

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

Any Baby Child and Family Resource Center (ABC - Austin), is a not-for-profit corporation that provides support for families caring for a child with special health care needs, therapies and support for children with, or at-risk for developmental delays, prenatal education to at-risk pregnant women, and childbirth, parenting, and literacy programs for the community, with all services and materials provided in both English and Spanish.

ABC - Austin is an affiliate of Any Baby Can, Inc. (Any Baby Can). Any Baby Can exercises control over affiliates under the terms of an affiliation agreement requiring compliance with Any Baby Can's policies and procedures within its Texas geographic area specified in each agreement. Any Baby Can and its affiliates provide only those direct services that are not adequately addressed by other agencies in the community.

Basis of Presentation

The financial statements of ABC - Austin have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. 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 Center 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

ABC - Austin considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

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. Pledges receivable are also individually analyzed for purposes of determining collectibility. At June 30, 2006 and 2005, an allowance of \$3,800 and \$0, respectively, was recorded related to pledges.

GAAP for nonprofit organizations requires that long-term pledges receivable be presented at present value. The discount for present value is not considered to be material to these financial statements.

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 (see Note 4).

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 37 years) using the straight-line method. Donations of property and equipment are recorded at their estimated fair value (see Note 5).

(Continued)

ANY BABY CAN CHILD AND FAMILY RESOURCE CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2006 AND 2005

(Continuation)

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

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 on the date of donation.

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. ABC - Austin's grant programs are regularly audited by grantors and expenses charged to these programs are subject to audit adjustments 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.

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 accounting principles generally accepted in the United States of America 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, amounts in excess of the insurance limit were \$155,610 in 2006, and \$192,976 in 2005.

(Continued)

ANY BABY CAN CHILD AND FAMILY RESOURCE CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2006 AND 2005

(Continuation)

Note 3: 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:

	<u>2006</u>	<u>2005</u>
Austin/Travis County Health & Human Services Department	\$ 47,220	\$ 34,687
Texas Department of Early Childhood Intervention	70,735	75,379
Texas Department of Health	46,796	36,752
Texas Department of Protective and Regulatory Services	90,365	51,271
Other	<u>42,254</u>	<u>53,674</u>
Totals	<u>\$ 297,370</u>	<u>\$ 251,763</u>

Note 4: Investments

Included in investments are the following:

	<u>2006</u>		<u>2005</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Mary Sams Memorial Fund (investments held in trust)	\$130,706	\$ 140,304	\$ 134,819	\$ 129,832

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 5: Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2006</u>	<u>2005</u>
Land	\$ 233,198	\$ 233,198
Building and improvements	1,566,950	1,566,950
Furniture and equipment	97,457	137,597
Vehicles	<u>111,635</u>	<u>111,635</u>
	2,009,240	2,049,380
Less: Accumulated depreciation	<u>497,137</u>	<u>454,471</u>
	<u>\$ 1,512,103</u>	<u>\$ 1,594,909</u>

(Continued)

ANY BABY CAN CHILD AND FAMILY RESOURCE CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2006 AND 2005

(Continuation)

Note 5: Property and Equipment (Continued)

Depreciation expense for the years ended June 30, 2006 and 2005 was \$78,116 and \$94,921, respectively.

Note 6: Capital Leases

ABC - Austin is the lessee of a 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 2006 and 2005.

Minimum future lease payments under capital leases as of June 30, 2006, for each of the next two years are:

Year ended June 30	
2007	\$ 1,644
2008	<u>1,311</u>
	\$ <u>2,955</u>

Note 7: Operating Lease

ABC - Austin entered into an operating lease agreement for copiers and printers in 2006. The estimate of the minimum payments outlined below is based on the present monthly rate:

2007	\$ 21,528
2008	21,528
2009	21,528
2010	<u>17,940</u>
	\$ <u>82,524</u>

Note 8: Mortgage Payable

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 through October 2020. The first payment under the refinanced agreement was 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:

2007	\$ 12,830
2008	13,748
2009	14,732
2010	15,786
2011	16,915
Thereafter	<u>413,596</u>
	\$ <u>487,607</u>

(Continued)

ANY BABY CAN CHILD AND FAMILY RESOURCE CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2006 AND 2005

(Continuation)

Note 8: Mortgage Payable (Continued)

	<u>2006</u>	<u>2005</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> --</u>	\$ <u>548,426</u>

Note 9: Line of Credit

ABC - Austin obtained a \$200,000 line of credit during the year ended June 30, 2006. The line of credit is effective until September 22, 2025 with a non-pre-computed variable rate. There is no outstanding balance as of June 30, 2006.

Note 10: Net Assets

Temporarily restricted net assets consisted of assets restricted for the following purposes at June 30:

	<u>2006</u>	<u>2005</u>
Programs (including education)	\$ 175,126	\$ 108,255
United Way	<u>49,935</u>	<u>43,803</u>
Temporarily Restricted Net Assets	<u>\$ 225,061</u>	<u>\$ 152,058</u>

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

	<u>2006</u>	<u>2005</u>
Programs:		
United Way	\$ 43,803	\$ 59,792
Programs	183,810	243,978
Capital Campaign	<u> --</u>	<u>344,491</u>
	<u>\$ 227,613</u>	<u>\$ 648,261</u>

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

Note 11: 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 matching amount was included in contribution revenue as designated contributions were received. The Campaign was completed in 2005 as ABC - Austin received \$57,303 in final designated contributions of the \$250,000 original conditional pledge.

(Continued)

ANY BABY CAN CHILD AND FAMILY RESOURCE CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2006 AND 2005

(Continuation)

Note 12: In-Kind Contributions

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

	<u>2006</u>	<u>2005</u>
Advertising - Education and outreach	\$ 9,930	\$ 57,933
Building and office equipment	7,529	347
Crisis assistance	35,247	54,493
Family support	97,938	47,540
Vehicles	<u>—</u>	<u>30,456</u>
Total	<u>\$ 150,644</u>	<u>\$ 190,769</u>

Note 13: Special Events

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

	<u>2006</u>	<u>2005</u>
Angel Society	\$ --	\$ 44,180
Havana on the Lake	86,000	69,646
Live	38,952	--
Rockin' Roundup	116,246	103,820
Other	<u>37,175</u>	<u>34,775</u>
Total Special Events Revenue	278,373	252,421
Direct expenses	<u>(98,009)</u>	<u>(105,296)</u>
Net	<u>\$ 180,364</u>	<u>\$ 147,125</u>

Note 14: 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:

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

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. No employer contribution was made to the plan for 2006 or 2005.

(Continued)

ANY BABY CAN CHILD AND FAMILY RESOURCE CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2006 AND 2005

(Continuation)

Note 15: 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 and determined that \$77,074 should be written down for the year ended June 30, 2005. This is shown as retirement of equipment on the statements of activities.

Note 16: Reclassifications

Certain accounts in the 2005 financial statements have been reclassified for comparative purposes to conform with the presentation in the 2006 financial statements.