

FINANCIAL REPORT

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

JUNE 30, 2007

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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 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, 2007 and 2006, 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 ABC - Austin'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, 2007 and 2006, 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 December 11, 2007, on our consideration of ABC - Austin's internal control over financial reporting on 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.



December 11, 2007

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ANY BABY CAN CHILD AND FAMILY RESOURCE CENTER

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2007 AND 2006

	2007	2006
ASSETS		
Cash and cash equivalents	349,275	255,738
Accounts Receivable:		
Grants	296,816	297,370
Other	85,477	134,963
Pledges, net	235,909	8,839
United Way	45,000	49,935
Prepaid expenses and other	77	2,546
Investments	153,601	140,304
Property and equipment, net	1,511,985	1,512,103
	<u>2,678,140</u>	<u>2,401,798</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	233,305	258,754
Accrued expenses	95,189	107,321
Leases payable	2,473	2,955
Mortgage payable	475,279	487,607
Total Liabilities	<u>806,246</u>	<u>856,637</u>
Commitments - Note 7		
Net Assets:		
Unrestricted:		
Operating	205,039	141,255
Property and equipment	1,034,233	1,021,541
Total Unrestricted	<u>1,239,272</u>	<u>1,162,796</u>
Temporarily restricted	475,318	225,061
Permanently restricted	157,304	157,304
Total Net Assets	<u>1,871,894</u>	<u>1,545,161</u>
	<u>2,678,140</u>	<u>2,401,798</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, 2007 AND 2006

	2007	Restated 2006
Changes in Unrestricted Net Assets:		
Revenues, Gains, and Other Support:		
Contributions	831,039	599,846
In-kind contributions	142,824	150,644
Special events, net of direct expenses of \$65,087 for 2007 and \$98,009 for 2006	118,097	239,001
Government grants	1,926,192	1,881,412
Medicaid, insurance, and fees	141,326	204,861
Investment income	16,344	17,754
Gain on disposal of equipment	--	4,051
Miscellaneous income	1,462	29,554
Total Unrestricted Revenues and Gains	<u>3,177,284</u>	<u>3,127,123</u>
Net assets released from restrictions	372,424	227,613
Total Unrestricted Revenues, Gains, and Other Support	<u>3,549,708</u>	<u>3,354,736</u>
Expenses:		
Program services	3,065,140	3,020,459
Management and general	111,955	114,863
Development	296,137	277,582
Total Expenses	<u>3,473,232</u>	<u>3,412,904</u>
Change in Unrestricted Net Assets	76,476	(58,168)
Changes in Temporarily Restricted Net Assets:		
Contributions:		
Programs	296,547	250,681
Pledges	281,134	--
United Way	45,000	49,935
Net assets released from restrictions	(372,424)	(227,613)
Change in Temporarily Restricted Net Assets	<u>250,257</u>	<u>73,003</u>
Change in Net Assets	326,733	14,835
Net assets at the beginning of the year	<u>1,545,161</u>	<u>1,530,326</u>
NET ASSETS AT END OF YEAR	<u><u>1,871,894</u></u>	<u><u>1,545,161</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, 2007 AND 2006

	2007	2006
Cash Flows from Operating Activities:		
Change in net assets	326,733	14,835
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	65,545	78,116
Realized and unrealized (loss) on investments (Gain) on retirement of equipment	(2,843)	(14,586)
--	--	(4,051)
Decrease (Increase):		
Accounts Receivable:		
Grants	554	(45,607)
Other	49,486	(33,096)
Pledges	(227,070)	5,106
United Way	4,935	(6,132)
Prepaid expenses and other	2,469	31,715
Increase (Decrease):		
Accounts payable	(25,449)	22,195
Accrued expenses	(12,132)	(10,397)
Total Adjustments	<u>(144,505)</u>	<u>23,263</u>
Net Cash Provided by Operating Activities	182,228	38,098
Cash Flows from Investing Activities:		
Purchase of property and equipment	(65,427)	--
Purchase of investments	(51,477)	(1,886)
Proceeds from investments	41,023	6,000
Net Cash (Used in) Provided by Investing Activities	<u>(75,881)</u>	<u>4,114</u>
Cash Flows from Financing Activities:		
Payments on capital lease	(482)	(19,475)
Principal payments	(12,328)	(60,819)
Net Cash (Used in) Financing Activities	<u>(12,810)</u>	<u>(80,294)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	93,537	(38,082)
Cash and cash equivalents at beginning of year	<u>255,738</u>	<u>293,820</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>349,275</u></u>	<u><u>255,738</u></u>
Cash Paid for:		
Interest	33,871	32,358

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, 2007 AND 2006

	2007			2006			
	Program Services	Management and General	Development	Program Services	Management and General	Development	Total
Salaries and Related Expenses:							
Salaries	1,991,803	27,909	162,683	1,960,038	39,490	154,996	2,154,524
Payroll taxes	144,175	4,972	16,572	160,774	3,340	12,312	176,426
Benefits	217,515	7,501	25,002	201,804	9,188	14,452	225,444
Total Salaries and Related Expenses	2,353,493	40,382	204,257	2,322,616	52,018	181,760	2,556,394
Advertising	3,309	227	3,948	5,502	801	870	7,173
Audit fees	14,636	2,350	1,289	13,430	1,912	1,258	16,600
Auto and van	7,217	1,990	732	3,665	507	296	4,468
Bad debt	--	8,728	--	--	4,170	--	4,170
Conferences and meetings	14,663	723	4,776	11,759	2,605	1,373	15,737
Crisis assistance	108,918	4,258	2,924	96,643	14,455	2,472	113,570
Dues and membership fees	1,417	1,184	3,541	281	18	3,584	3,883
Equipment repairs and rents	59,701	4,361	14,345	41,053	4,120	4,856	50,029
In-kind	138,763	2,735	1,327	133,020	75	12,476	145,571
Insurance	31,803	4,636	3,355	26,799	3,668	1,937	32,404
Interest expense	27,612	5,823	8,364	29,110	2,535	5,546	37,191
Miscellaneous expense	1,828	4,779	4,210	1,075	211	3,787	5,073
Occupancy	55,638	7,793	5,115	52,879	7,742	3,556	64,177
Office supplies	14,553	2,704	1,772	18,796	1,696	2,983	23,475
Postage and shipping	5,411	703	2,903	4,646	639	2,668	7,953
Printing and promotions	6,442	333	13,682	1,667	131	4,708	6,506
Professional fees	63,202	2,650	10,540	90,270	8,684	34,117	133,071
Program materials	20,965	173	2,357	17,091	145	2,189	19,425
Telephone	31,793	2,033	2,040	30,224	1,640	1,766	33,630
Travel and mileage	55,956	23	302	53,439	15	834	54,288
Total Expenses Before Depreciation	3,017,320	98,588	291,779	2,953,965	107,787	273,036	3,334,788
Depreciation expense	47,820	13,367	4,358	66,494	7,076	4,546	78,116
TOTAL FUNCTIONAL EXPENSES	3,065,140	111,955	296,137	3,020,459	114,863	277,582	3,412,904

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, 2007 AND 2006

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.

Angel Society members help Any Baby Can to sustain and increase its ability to serve our community's youngest, sickest, and poorest children and their families. Members include those caring and generous individuals who have committed major gifts for a three year period, understanding that such support forms the strong and solid foundation upon which Any Baby Can is able to meet the growing needs of our children and families.

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, 2007 and 2006, an allowance of \$12,528 and \$3,800, 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).

(Continued)

ANY BABY CAN CHILD AND FAMILY RESOURCE CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2007 AND 2006

(Continuation)

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

Property and Equipment

ABC - Austin follows the practice of capitalizing all purchases of property and equipment in excess of \$5,000. Purchased property and equipment are carried at cost. 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.

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.

(Continued)

ANY BABY CAN CHILD AND FAMILY RESOURCE CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2007 AND 2006

(Continuation)

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 on the bank statements in excess of the insurance limit were \$373,116 in 2007, and \$155,610 in 2006.

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>2007</u>	<u>2006</u>
Austin/Travis County Health & Human Services Department	\$ 50,744	\$ 47,220
Texas Department of Early Childhood Intervention	72,816	70,735
Department of State Health Services	111,975	46,796
Texas Department of Protective and Regulatory Services	--	90,365
Other	<u>61,281</u>	<u>42,254</u>
Totals	<u>\$ 296,816</u>	<u>\$ 297,370</u>

Note 4: Investments

Included in investments are the following:

	<u>2007</u>		<u>2006</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Mary Sams Memorial Fund (investments held in trust)	<u>\$155,831</u>	<u>\$ 153,601</u>	<u>\$ 130,706</u>	<u>\$ 140,304</u>

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>2007</u>	<u>2006</u>
Land	\$ 233,198	\$ 233,198
Building and improvements	1,566,950	1,566,950
Furniture and equipment	162,883	97,457
Vehicles	<u>111,635</u>	<u>111,635</u>
	2,074,666	2,009,240
Less: Accumulated depreciation	<u>562,681</u>	<u>497,137</u>
	<u>\$ 1,511,985</u>	<u>\$ 1,512,103</u>

(Continued)

ANY BABY CAN CHILD AND FAMILY RESOURCE CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2007 AND 2006

(Continuation)

Note 5: Property and Equipment (Continued)

Depreciation expense for the years ended June 30, 2007 and 2006 was \$65,544 and \$78,116, 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 2007 and 2006.

Minimum future lease payments under capital leases as of June 30, 2007, for the next year is:

Year ended June 30	
2008	\$ <u>2,473</u>

Note 7: Operating Lease

ABC - Austin entered into an operating lease agreement for copiers and printers in 2006 and a mailing system in 2007. The estimate of the minimum payments outlined below is based on the present monthly rate:

2008	\$ 23,000
2009	23,000
2010	19,412
2011	1,472
2012	<u>736</u>
	\$ <u>67,620</u>

Note 8: Mortgage Payable

Effective September 29, 2005, JP Morgan Chase, 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.

Maturities on this mortgage are estimated as follows:

2008	\$ 14,773
2009	14,750
2010	15,805
2011	16,936
2012	18,147
Thereafter	<u>394,868</u>
	\$ <u>475,279</u>

(Continued)

ANY BABY CAN CHILD AND FAMILY RESOURCE CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2007 AND 2006

(Continuation)

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, 2007.

Note 10: Net Assets

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

	<u>2007</u>	<u>2006</u>
Programs (including education)	\$ 149,184	\$ 175,126
Time restricted	281,134	--
United Way	<u>45,000</u>	<u>49,935</u>
Temporarily Restricted Net Assets	<u>\$ 475,318</u>	<u>\$ 225,061</u>

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

	<u>2007</u>	<u>2006</u>
Programs:		
United Way	\$ 49,935	\$ 43,803
Programs	<u>322,489</u>	<u>183,810</u>
	<u>\$ 372,424</u>	<u>\$ 227,613</u>

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

Note 11: In-Kind Contributions

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

	<u>2007</u>	<u>2006</u>
Advertising – Education and outreach	\$ --	\$ 9,930
Building and office equipment	19,133	7,529
Crisis assistance	4,266	35,247
Family support	<u>119,425</u>	<u>97,938</u>
Total	<u>\$ 142,824</u>	<u>\$ 150,644</u>

(Continued)

ANY BABY CAN CHILD AND FAMILY RESOURCE CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2007 AND 2006

(Continuation)

Note 12: Special Events

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

	<u>2007</u>	<u>2006</u>
Havana on the Lake	\$ --	\$ 89,000
Live	--	35,952
Rockin' Roundup	108,933	116,246
Dennis Quaid	45,555	58,637
Other	<u>28,696</u>	<u>37,175</u>
Total Special Events Revenue	183,184	334,010
Direct expenses	<u>(65,087)</u>	<u>(98,009)</u>
Net	<u>\$ 118,097</u>	<u>\$ 239,001</u>

Note 13: 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 2007 or 2006.

Note 14: Restatement of 2006 Financial Statement

Amount for contributions on the 2006 statement of activity have been reclassified to Special events to conform with the presentation in the 2007 financial statements.