

**FINANCIAL REPORT**

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

**JUNE 30, 2008**

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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  
Austin, 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, 2008 and 2007, 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, 2008 and 2007, 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 4, 2008 on our consideration of ABC - Austin's internal control over financial reporting and 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.

*Carneiro, Chumney & Co., L.C.*

December 4, 2008

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ANY BABY CAN CHILD AND FAMILY RESOURCE CENTER

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2008 AND 2007

	2008	2007
ASSETS		
Cash and cash equivalents	458,369	349,275
Accounts Receivable:		
Grants	242,891	296,816
Other	11,931	85,477
Pledges, net	188,911	235,909
United Way	48,828	45,000
Prepaid expenses and other	298	77
Investments	136,805	153,601
Property and equipment, net	<u>1,453,483</u>	<u>1,511,985</u>
<b>TOTAL ASSETS</b>	<b><u>2,541,516</u></b>	<b><u>2,678,140</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	56,634	233,305
Accrued expenses	99,238	95,189
Leases payable	--	2,473
Mortgage payable	462,149	475,279
Total Liabilities	<u>618,021</u>	<u>806,246</u>
Commitments - Note 6		
Net Assets:		
Unrestricted:		
Operating	215,879	205,039
Property and equipment	991,334	1,034,233
Total Unrestricted	<u>1,207,213</u>	<u>1,239,272</u>
Temporarily restricted	558,978	475,318
Permanently restricted	157,304	157,304
Total Net Assets	<u>1,923,495</u>	<u>1,871,894</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>2,541,516</u></b>	<b><u>2,678,140</u></b>

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, 2008 AND 2007

	2008	2007
Changes in Unrestricted Net Assets:		
Revenues, Gains, and Other Support:		
Contributions	647,781	831,039
In-kind contributions	156,920	142,824
Special events, net of direct expenses of \$45,148 for 2008 and \$65,087 for 2007	311,610	118,097
Government grants	1,979,114	1,926,192
Medicaid, insurance, and fees	143,199	141,326
Investment (loss) income	(13,351)	16,344
Miscellaneous income	3,130	1,462
Total Unrestricted Revenues and Gains	<u>3,228,403</u>	<u>3,177,284</u>
Net assets released from restrictions	534,435	372,424
Total Unrestricted Revenues, Gains, and Other Support	<u>3,762,838</u>	<u>3,549,708</u>
Expenses:		
Program services	3,286,648	3,065,140
Management and general	96,335	111,955
Development	411,914	296,137
Total Expenses	<u>3,794,897</u>	<u>3,473,232</u>
Change in Unrestricted Net Assets	(32,059)	76,476
Changes in Temporarily Restricted Net Assets:		
Contributions:		
Programs	499,461	296,547
Pledges	73,634	281,134
United Way	45,000	45,000
Net assets released from restrictions	(534,435)	(372,424)
Change in Temporarily Restricted Net Assets	<u>83,660</u>	<u>250,257</u>
Change in Net Assets	51,601	326,733
Net assets at the beginning of the year	<u>1,871,894</u>	<u>1,545,161</u>
NET ASSETS AT END OF YEAR	<u><u>1,923,495</u></u>	<u><u>1,871,894</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, 2008 AND 2007

	2008	2007
Cash Flows from Operating Activities:		
Change in net assets	51,601	326,733
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	71,489	65,545
Realized and unrealized loss (gain) on investments	20,495	(2,843)
Decrease (Increase):		
Accounts Receivable:		
Grants	53,925	554
Other	73,546	49,486
Pledges	46,998	(227,070)
United Way	(3,828)	4,935
Prepaid expenses and other	(221)	2,469
Increase (Decrease):		
Accounts payable	(176,671)	(25,449)
Accrued expenses	4,049	(12,132)
Total Adjustments	<u>89,782</u>	<u>(144,505)</u>
Net Cash Provided by Operating Activities	141,383	182,228
Cash Flows from Investing Activities:		
Purchase of property and equipment	(12,987)	(65,427)
Purchase of investments	(3,699)	(51,477)
Proceeds from sale of investments	--	41,023
Net Cash (Used in) Provided by Investing Activities	<u>(16,686)</u>	<u>(75,881)</u>
Cash Flows from Financing Activities:		
Payment on capital lease	(2,473)	(482)
Principal payments	(13,130)	(12,328)
Net Cash (Used in) Financing Activities	<u>(15,603)</u>	<u>(12,810)</u>
Net Increase in Cash and Cash Equivalents	109,094	93,537
Cash and cash equivalents at beginning of year	<u>349,275</u>	<u>255,738</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>458,369</u></u>	<u><u>349,275</u></u>
Cash Paid for:		
Interest	33,068	33,871

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, 2008 AND 2007

	2008			2007				
	Program Services	Management and General	Development	Total	Program Services	Management and General	Development	Total
Salaries and Related Expenses:								
Salaries	2,124,832	55,030	230,477	2,410,339	1,991,803	27,909	162,683	2,182,395
Payroll taxes	158,426	3,992	17,359	179,777	144,175	4,972	16,572	165,719
Benefits	229,047	5,097	22,548	256,692	217,515	7,501	25,002	250,018
Total Salaries and Related Expenses	2,512,305	64,119	270,384	2,846,808	2,353,493	40,382	204,257	2,598,132
Advertising	7,232	1,692	30,593	39,517	3,309	227	3,948	7,484
Audit fees	17,503	226	1,321	19,050	14,636	2,350	1,289	18,275
Auto and van	5,654	2,329	314	8,297	7,217	1,990	732	9,939
Bad debt	--	315	--	315	--	8,728	--	8,728
Conferences and meetings	28,373	4,490	2,849	35,712	14,663	723	4,776	20,162
Crisis assistance	120,018	519	3,381	123,918	108,918	4,258	2,924	116,100
Dues and membership fees	270	391	113	774	1,417	1,184	3,541	6,142
Equipment repairs and rents	35,879	3,058	11,018	49,955	59,701	4,361	14,345	78,407
In-kind	150,365	--	6,555	156,920	138,763	2,735	1,327	142,825
Insurance	27,113	670	3,525	31,308	31,803	4,636	3,355	39,794
Interest expense	27,668	2,225	4,523	34,416	27,612	5,823	8,364	41,799
Miscellaneous expense	229	3,199	10,523	13,951	1,828	4,779	4,210	10,817
Occupancy	50,922	5,803	8,173	64,898	55,638	7,793	5,115	68,546
Office supplies	16,242	1,893	3,589	21,724	14,553	2,704	1,772	19,029
Postage and shipping	3,254	449	10,350	14,053	5,411	703	2,903	9,017
Printing and promotions	4,868	108	26,384	31,360	6,442	333	13,682	20,457
Professional fees	98,551	2,818	7,088	108,457	63,202	2,650	10,540	76,392
Program materials	16,775	--	--	16,775	20,965	173	2,357	23,495
Telephone	30,118	372	2,607	33,097	31,793	2,033	2,040	35,866
Travel and mileage	71,944	8	151	72,103	55,956	23	302	56,281
Total Expenses Before Depreciation	3,225,283	94,684	403,441	3,723,408	3,017,320	98,588	291,779	3,407,687
Depreciation expense	61,365	1,651	8,473	71,489	47,820	13,367	4,358	65,545
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>3,286,648</b>	<b>96,335</b>	<b>411,914</b>	<b>3,794,897</b>	<b>3,065,140</b>	<b>111,955</b>	<b>296,137</b>	<b>3,473,232</b>

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, 2008 AND 2007

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 collectability at year end and an allowance was not considered necessary. Pledges receivable are also individually analyzed for purposes of determining collectability. At June 30, 2008 and 2007, an allowance of \$12,766 and \$12,528, respectively, was recorded related to pledges.

United States Generally Accepted Accounting Principles 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, 2008 AND 2007

(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, 2008 AND 2007

(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 \$262,363 in 2008, and \$373,116 in 2007. Subsequent to year end, the federal government increased the FDIC insurance to \$250,000 through December 2009.

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>2008</u>	<u>2007</u>
Austin/Travis County Health & Human Services Department	50,037	50,744
Texas Department of Early Childhood Intervention	76,664	72,816
Department of State Health Services	56,303	111,975
Dell Foundation	50,000	--
Other	<u>9,887</u>	<u>61,281</u>
Totals	<u>242,891</u>	<u>296,816</u>

Note 4: Investments

Included in the Mary Sams Memorial Fund held in trust are as follows:

	<u>2008</u>		<u>2007</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash	123,829	123,829	121,306	121,306
Mutual funds	14,576	12,976	13,400	14,045
Limited Partnership	<u>--</u>	<u>--</u>	<u>21,125</u>	<u>18,250</u>
	<u>138,405</u>	<u>136,805</u>	<u>155,831</u>	<u>153,601</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.

(Continued)

ANY BABY CAN CHILD AND FAMILY RESOURCE CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

(Continuation)

Note 5: Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2008</u>	<u>2007</u>
Land	233,198	233,198
Building and improvements	1,566,950	1,566,950
Furniture and equipment	180,870	162,883
Vehicles	<u>111,635</u>	<u>111,635</u>
	2,092,653	2,074,666
Less: Accumulated depreciation	<u>634,170</u>	<u>562,681</u>
	<u>1,453,483</u>	<u>1,511,985</u>

Note 5: Property and Equipment (Continued)

Depreciation expense for the years ended June 30, 2008 and 2007 was \$71,489 and \$65,545, respectively.

Note 6: 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:

2009	23,000
2010	19,412
2011	1,472
2012	<u>736</u>
	<u>44,620</u>

Note 7: 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:

2009	14,750
2010	15,805
2011	16,936
2012	18,147
2013	19,446
Thereafter	<u>377,065</u>
	<u>462,149</u>

(Continued)

ANY BABY CAN CHILD AND FAMILY RESOURCE CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

(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, 2008.

Note 10: Net Assets

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

	<u>2008</u>	<u>2007</u>
Programs (including education)	258,816	149,184
Time restricted	<u>300,162</u>	<u>326,134</u>
Temporarily Restricted Net Assets	<u>558,978</u>	<u>475,318</u>

Note 10: Net Assets (Continued)

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

	<u>2008</u>	<u>2007</u>
Programs:		
United Way	45,000	49,935
Time restricted	99,606	--
Programs	<u>389,829</u>	<u>322,489</u>
	<u>534,435</u>	<u>372,424</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>2008</u>	<u>2007</u>
Building and office equipment	--	19,133
Crisis assistance	10,876	4,266
Family support	<u>146,044</u>	<u>119,425</u>
Total	<u>156,920</u>	<u>142,824</u>

(Continued)

ANY BABY CAN CHILD AND FAMILY RESOURCE CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

(Continuation)

Note 12: Special Events

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

	<u>2008</u>	<u>2007</u>
Rockin' Roundup	144,240	108,933
Dennis Quaid	23,230	45,555
Season for Caring	53,431	--
Harvest Classic	33,011	--
Niesha Griffin	26,120	--
Development	30,000	--
Jeff Bailey	22,414	--
Other	<u>24,312</u>	<u>28,696</u>
Total Special Events Revenue	356,758	183,184
Direct expenses	<u>(45,148)</u>	<u>(65,087)</u>
Net	<u>311,610</u>	<u>118,097</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. The employer contribution made to the plan was \$3,191 and 3,197 for 2008 and 2007, respectively.