

**BIRTH CHOICE PREGNANCY CENTERS, INC.  
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL  
STATEMENTS  
Year Ended September 30, 2013**

**PREPARED BY**  
**HO & ASSOCIATES CPA, INC.**  
*CERTIFIED PUBLIC ACCOUNTANT*  
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- CONFIDENTIAL -

**BIRTH CHOICE PREGNANCY CENTERS, INC.  
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL  
STATEMENTS  
Year Ended September 30, 2013**

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## Independent Auditor's Report

To the Board of Directors  
**Birth Choice Pregnancy Centers, Inc.**

We have audited the accompanying statement of financial position of **Birth Choice Pregnancy Centers, Inc.** (a non-profit organization), as of **September 30, 2013** and the related statement of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Birth Choice Pregnancy Centers, Inc.** as of **September 30, 2013** and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "Ho &amp; Associates", is written over a light blue horizontal line.

**Ho & Associates CPA, Inc.**  
March 12, 2014

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**BIRTH CHOICE PREGNANCY CENTERS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF SEPTEMBER 30, 2013**

**ASSETS**

Current Assets

Cash and Cash Equivalents	\$	843,143	
Promises to Give-Net (Note 2)		<u>83,578</u>	
Total Current Assets			\$ 926,721

Property and Equipment (Note 3)

Property and Equipment		803,488	
Accumulated Depreciation		<u>(447,336)</u>	
Net Property and Equipment			356,152

Other Assets

Intangible Asset (Note 4)		<u>7,669</u>	
Total Other Assets			<u>7,669</u>

<b>Total Assets</b>			<b><u><u>\$ 1,290,541</u></u></b>
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**LIABILITIES AND NET ASSETS**

Current Liabilities

Accounts Payable	\$	20,262	
Deferred Revenue (Note 5)		<u>304,910</u>	
Total Current Liabilities/Total Liabilities			\$ 325,172

Net Assets

Unrestricted			
Operating		(107,497)	
Property and Equipment		356,152	
Temporarily Restricted (Note 6)		216,715	
Permanently Restricted (Note 7)		<u>500,000</u>	

Total Net Assets			<u>965,369</u>
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<b>Total Liabilities and Net Assets</b>			<b><u><u>\$ 1,290,541</u></u></b>
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**BIRTH CHOICE PREGNANCY CENTERS, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and Revenues</b>				
Contributions	\$ 1,572,536	\$ -	\$ -	\$ 1,572,536
Grants	193,204			193,204
Fundraising Income	113,991			113,991
Restricted Income	-	511,990	250,000	761,990
Donated Goods and Services	227,717			227,717
Other Income	74,009			74,009
Net Assets Released from Restrictions In Satisfaction of Program Restrictions	432,325	(432,325)		-
<b>Total Support and Revenues</b>	<b>2,613,782</b>	<b>79,665</b>	<b>250,000</b>	<b>2,943,447</b>
<b>Expenses</b>				
Program Services				
Medical & Counseling	1,779,286			1,779,286
Supporting Services				-
Management & Administration	530,557			530,557
Development & Fundraising	296,465			296,465
<b>Total Expenses</b>	<b>2,606,308</b>			<b>2,606,308</b>
<b>CHANGE IN NET ASSETS</b>	<b>7,475</b>	<b>79,665</b>	<b>250,000</b>	<b>337,139</b>
<b>NET ASSETS, BEGINNING</b>	<b>241,180</b>	<b>137,050</b>	<b>250,000</b>	<b>628,230</b>
<b>NET ASSETS, ENDING</b>	<b>\$ 248,654</b>	<b>\$ 216,715</b>	<b>\$ 500,000</b>	<b>\$ 965,369</b>

**BIRTH CHOICE PREGNANCY CENTERS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Medical &amp; Counseling</u>	<u>Development &amp; Fundraising</u>	<u>Management &amp; Administration</u>	<u>Management &amp; Administration</u>	
Compensation & Related Expense					
Salaries & Wages	\$ 793,402	\$ 91,718	\$ 54,421	\$ 939,541	
Benefits	85,285	500	3,001	88,786	
Payroll Taxes	107,417			107,417	
	<u>986,103</u>	<u>92,218</u>	<u>57,422</u>	<u>1,135,743</u>	
Rent	156,803		39,497	196,301	
Advertising & Marketing	142,513	9,550	13,958	166,021	
Event Facilities & Supplies	3,258	144,524	1,709	149,491	
Volunteer Labor			127,717	127,717	
Depreciation Expense	123,582			123,582	
Google Grant			100,000	100,000	
Cost of Services - Medical Cost	81,244	35	643	81,922	
Insurance	46,057		22,447	68,504	
Legal & Professional Services	47,346	7,475	1,614	56,435	
Accounting & Audit			52,782	52,782	
Workers Compensation	32,820		16,137	48,957	
Communication & Internet	28,099	491	14,637	43,227	
Accreditation Expense	34,046		4,000	38,046	
Tech Services	30,963		3,755	34,718	
Appeal (Printing & Postage)	146	18,943	1,621	20,711	
Mileage, Parking & Tolls	7,754	2,264	9,789	19,808	
Utility & Alarm	12,364		3,521	15,885	
Office Supplies	11,918	932	2,716	15,566	
Merchant Account Fees			13,821	13,821	
Promotional Expense	1,992	10,786		12,778	
Building Repair & Maintenance	11,502		353	11,855	
Payroll Service Fees			8,588	8,588	
Dues & Subscriptions	4,818	2,091	1,545	8,455	
Printing	2,777		4,933	7,710	
Equipment Leases	2,716		4,344	7,060	
Employee & Volunteer Training	3,648	455	2,834	6,937	
Donor Database Hosting			6,309	6,309	
Postage & Delivery	1,028	1,395	2,923	5,346	
Uncollectible Pledges			5,099	5,099	
Meals & Entertainment	1,240	575	2,449	4,263	
Travel Expense	480	3,728		4,208	
Client Database Fees	2,650		321	2,971	
Bank Charges			1,823	1,823	
Miscellaneous Expense	675		818	1,493	
Donation Refund		1,000	110	1,110	
Moving Expense	743			743	
Board / Committee Meetings			322	322	
	<u>\$ 1,779,286</u>	<u>\$ 296,465</u>	<u>\$ 530,557</u>	<u>\$ 2,606,308</u>	

**BIRTH CHOICE PREGNANCY CENTERS, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30 2013**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Increase in Net Assets	\$	337,139
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	\$	123,582
(Increase) Decrease in Operating Assets		
Promises to Give-Net		6,689
Other Receivables		62,018
Prepaid Expenses		59,632
Deposits		19,690
Increase (Decrease) in Operating Liabilities		
Accounts Payable		14,791
Accrued Expenses		(4,205)
Other Current Liabilities		(36,161)
Deferred Revenues		202,310
		202,310
Total Adjustments to Increase in Net Assets		448,346
Net Cash Provided by Operating Activities		785,486

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of Property & Equipment	(78,025)	
	(78,025)	
Net Cash used in Investing Activities		(78,025)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Decrease in Line of Credit	(61,275)	
	(61,275)	
Net Cash used in Financing Activities		(61,275)

<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		646,186
<b>CASH &amp; CASH EQUIVALENTS, Beginning of Year</b>		196,956
<b>CASH &amp; CASH EQUIVALENTS, End of Year</b>	\$	843,143

**Birth Choice Pregnancy Centers, Inc.**  
**Notes To Financial Statements**  
**September 30, 2013**

**Note 1. Summary of Significant Accounting Policies**

**Nature of the Organization**

Birth Choice Pregnancy Centers, Inc.,(the Center) incorporated in 1985 as a California non-profit corporation, which operates licensed community clinics to provide medical services, counseling, education and support to the community regarding unplanned pregnancy, marriage and sexual and reproductive health.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Under this basis, revenues are recognized when earned and expenditures are recognized when incurred.

**Estimates**

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

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Center considers all highly liquid investments available for current use with initial maturity of three months or less to be cash equivalents.

**Property and Equipments**

Property and equipments are stated at cost. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets as follows:

Medical Equipment	7 years
Leasehold Improvements	7 years
Signage	7 years
Computer Equipment	5 years
Office Equipment	5 years
Motor Vehicles	5 years

Expenditures for maintenance and repairs are charged to expenses; betterment and major renewals greater than \$ 1,000 are capitalized.



**Birth Choice Pregnancy Centers, Inc.**  
**Notes To Financial Statements**  
**September 30, 2013**

**Note 1. Summary of Significant Accounting Policies (continued)**

**Contributions and Support**

Grants and other contributions of cash are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated amount. 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 statement of activities as net assets released from restrictions. However, temporarily restricted contributions whose restrictions are met in the same year are reported as unrestricted support.

**Functional Allocation of Expenses**

The cost of the Center's program services (Medical & Counseling) and supporting activities (Management & Administration and Development & Fundraising) have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Donated Goods & Services**

Only those goods and services for which objective basis exist for measurement and valuation are reflected in the accompanying financial statements.

**Advertising Costs**

The Center follows the practice of expensing advertising costs as they are incurred.

**Note 2. Promises to Give**

Unconditional promises to give as of September 30, 2013 are as follows:

Unconditional Promises to Give	\$ 87,977
Less: Allowance for Uncollectible Promises	4,399
Net Unconditional Promises to Give	<u>\$ 83,578</u>

**Birth Choice Pregnancy Centers, Inc.**  
**Notes To Financial Statements**  
**September 30, 2013**

**Note 3. Property and Equipment**

Property and equipment consist of the following:

Medical Equipment	\$ 393,174
Leasehold Improvements	239,944
Mobile Unit	75,450
Signage	26,814
Computer Equipment	37,995
Software	15,006
Office Equipment	15,105
 Total	 803,488
 Less: Accumulated Depreciation	 (447,336)
 Property and Equipment Net of Accumulated Depreciation	 \$ 356,152

Depreciation expense charged to income was \$ 123,582.

**Note 4. Intangible Asset**

Intangible Asset consists of a "Domain Name" with a value of \$7,669 as of September, 30, 2013

**Note 5. Deferred Revenue**

The Center has recorded amounts collected for the "GALA 2013" as "Deferred-Revenue". "Deferred Revenue" is not to be recognized as income until November 2013:

Deferred Revenue-GALA 2013	\$ 304,910
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**Note 6. Temporarily Restricted Net Assets**

The Center has recorded the amount of \$216,715 as Temporarily Restricted Net Assets as of September 30, 2013. This is based on the balance of restricted grants received net of amounts released from restrictions during current fiscal year.

**Birth Choice Pregnancy Centers, Inc.**  
**Notes To Financial Statements**  
**September 30, 2013**

**Note 6. Temporarily Restricted Net Assets (Continued)**

<u>Grantor</u>	<u>Temporarily Restricted Amount As of September 30, 2013</u>
California Community Foundation	\$ 45,000
Mission Viejo Build Out	9,735
Sisters of St. Joseph	7,870
Toby's House Maternity Program	5,604
USCCB Grant	148,506
	\$ 216,715

**Note 7. Permanently Restricted Net Assets**

The Center has recorded the amount of \$500,000 as Permanently Restricted Net Assets as of September 30, 2013, based on the Memorandum of Agreement made between Birth Choice Pregnancy Centers, Inc. and Grantors Dennis and Linda Jilot on March 22, 2012

**Note 8. Income Taxes**

The Center is a not-for-profit entity that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Center is exempt from state income taxes.

**Note 9. Interest and taxes**

For purpose of the Statement of Cash flows, the Center paid \$ 0 in income taxes and \$ 0 in interest expense.

**Note 10. Lease Commitments**

The Center is under the obligation of the following operating leases:

Facility	Term	Monthly Base Rent
Long Beach, California	For a period of seven years commencing from April 2009	\$ 4762.77
Placentia, California	Month to month	\$ 2,756
Mission Viejo, California	From August 1, 2012 to July 31, 2017	\$ 4,383.30
Aliso Viejo, California	Through 06/30/2015	\$ 3,052

**Birth Choice Pregnancy Centers, Inc.**  
**Notes To Financial Statements**  
**September 30, 2013**

**Note 10. Lease Commitments (Continued)**

Orange, California	From January 1, 2012 to December 31, 2016	\$ 1,200
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Leases may be subjected to annual increases on the anniversary date of the lease.

**Note 11. Evaluation of Subsequent Events**

The Center has evaluated subsequent events through March 12, 2014 the date in which the financial statements were available to be issued.