

PENINSULA FAMILY CONNECTIONS

(A California Nonprofit Public Benefit Corporation)

Financial Statements

*For the years ended
June 30, 2009 and 2008*

TABLE OF CONTENTS

	<u>Page</u>
Independent auditor's report	1
Statements of assets, liabilities and net assets – cash basis	2
Statements of revenues, expenses, and changes in net assets – cash basis	3
Statements of functional expenses – cash basis	4
Statements of cash flows – cash basis	5
Notes to financial statements	6 – 9

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INDEPENDENT AUDITOR'S REPORT

**The Board of Directors
Peninsula Family Connections
San Carlos, California**

We have audited the accompanying statements of assets, liabilities and net assets - cash basis of Peninsula Family Connections (a California nonprofit public benefit corporation) as of June 30, 2009 and 2008, and the related statements of revenues, expenses, and changes in net assets – cash basis, functional expenses – cash basis, and cash flows – cash basis for the years then ended. These financial statements are the responsibility of Peninsula Family Connection's management. 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. 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 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 audits provide a reasonable basis for our opinion.

As described in Note 2 to the financial statements, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Peninsula Family Connections at June 30, 2009 and 2008, and its revenues, expenses, and changes in net assets for the years then ended on the basis of accounting described in Note 2.

Sweeney Kovar LLP

*Danville, California
January 5, 2010*

PENINSULA FAMILY CONNECTIONS

(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS

June 30, 2009 and 2008

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 281,374	\$ 207,688
Bank certificates of deposit, at fair value	106,005	221,691
Other assets	-	4,300
Property and equipment, net	17,727	13,579
Security deposit	2,000	2,000
Total assets	<u>\$ 407,106</u>	<u>\$ 449,258</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities	\$ -	\$ -
Net Assets:		
Unrestricted	262,132	371,794
Temporarily restricted	144,974	77,464
Total net assets	<u>407,106</u>	<u>449,258</u>
Total liabilities and net assets	<u>\$ 407,106</u>	<u>\$ 449,258</u>

See accompanying notes to financial statements.

PENINSULA FAMILY CONNECTIONS

(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - CASH BASIS

For the years ended June 30, 2009 and 2008

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues						
Contributions	\$ 191,598	\$ 169,682	\$ 361,280	\$ 206,446	\$ 241,121	\$ 447,567
Government grants	80,541	-	80,541	64,173	-	64,173
Interest and dividend income	4,531	-	4,531	10,733	-	10,733
Fundraising events, net of \$8,265 costs (\$10,184-2008)	29,879	-	29,879	37,730	-	37,730
Net assets released from restrictions	102,172	(102,172)	-	183,868	(183,868)	-
	408,721	67,510	476,231	502,950	57,253	560,203
Total revenue						
Expenses						
Program services	263,922	-	263,922	209,597	-	209,597
Management and general	134,466	-	134,466	119,695	-	119,695
Fundraising	119,994	-	119,994	100,554	-	100,554
	518,383	-	518,383	429,846	-	429,846
Total expenses						
Increase (Decrease) in Net Assets	(109,662)	67,510	(42,152)	73,104	57,253	130,357
Net Assets, beginning of year	371,794	77,464	449,258	298,690	20,211	318,901
Net Assets, end of year	\$ 262,132	\$ 144,974	\$ 407,106	\$ 371,794	\$ 77,464	\$ 449,258

See accompanying notes to financial statements.

PENINSULA FAMILY CONNECTIONS

(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF FUNCTIONAL EXPENSES - CASH BASIS

For the years ended June 30, 2009 and 2008

	2009				2008			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 155,226	\$ 96,585	\$ 93,136	\$ 344,947	\$ 131,033	\$ 81,532	\$ 78,620	\$ 291,185
Payroll Taxes	13,400	8,338	8,040	29,778	11,326	7,047	6,796	25,169
Classroom Materials	16,661	-	-	16,661	8,229	-	-	8,229
Printed Materials	-	-	13,589	13,589	-	-	8,786	8,786
Insurance	4,381	2,727	2,629	9,738	4,492	2,795	2,696	9,983
Office Supplies	-	8,054	-	8,054	-	9,378	-	9,378
Postage and Delivery	-	1,774	760	2,534	-	1,050	450	1,500
Janitorial Services	1,575	-	-	1,575	2,075	-	-	2,075
Volunteer and Staff	1,810	-	-	1,810	625	-	-	625
Sequoia Adult School Fees	1,200	-	-	1,200	1,200	-	-	1,200
Accounting and Legal	-	6,308	-	6,308	-	5,830	-	5,830
Miscellaneous	3,649	-	-	3,649	791	-	-	791
Depreciation Expense	1,412	4,018	-	5,430	1,299	3,697	-	4,996
Contract Services	14,996	-	-	14,996	13,270	-	-	13,270
Travel	2,928	-	-	2,928	2,256	-	-	2,256
Maintenance and Repair	1,563	-	-	1,563	5,075	-	-	5,075
Telephone	2,528	316	316	3,160	2,162	270	270	2,702
Rent Expense	23,500	-	-	23,500	7,500	-	-	7,500
Facility Usage Fees	10,968	-	-	10,968	3,657	-	-	3,657
Marketing	-	-	1,126	1,126	-	-	1,127	1,127
Parent Involvement	1,824	-	-	1,824	2,182	-	-	2,182
Professional Development	2,031	-	-	2,031	2,044	-	-	2,044
Computer Maintenance	3,873	-	-	3,873	8,570	-	-	8,570
Bank & Payroll Charges	-	3,617	-	3,617	-	3,457	-	3,457
Recruiting	-	299	-	299	-	156	-	156
Consultant	397	795	397	1,589	1,809	3,618	1,809	7,235
Staff Recognition	-	1,636	-	1,636	-	864	-	864
	\$ 263,922	\$ 134,466	\$ 119,994	\$ 518,383	\$ 209,597	\$ 119,695	\$ 100,554	\$ 429,846

See accompanying notes to financial statements,

PENINSULA FAMILY CONNECTIONS

(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF CASH FLOWS - CASH BASIS

For the years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (42,152)	\$ 130,357
Adjustments to reconcile change in net assets to net cash flows provided by (used in) operating activities:		
Depreciation	5,430	4,996
Unrealized gain on certificates of deposit	(5)	(54)
Changes in operating assets and liabilities:		
Other assets	4,300	(4,300)
Security deposit	-	(2,000)
	<u>(32,427)</u>	<u>128,999</u>
Cash Flows From Investing Activities		
Proceeds (purchases) of bank certificates of deposit	115,691	(9,000)
Acquisition of property and equipment	(9,578)	(7,155)
	<u>106,113</u>	<u>(16,155)</u>
Cash Flows From Financing Activities	<u>-</u>	<u>-</u>
Increase in Cash and Cash Equivalents	73,686	112,844
Cash and Cash Equivalents, beginning of year	<u>207,688</u>	<u>94,844</u>
Cash and Cash Equivalents, end of year	<u>\$ 281,374</u>	<u>\$ 207,688</u>

See accompanying notes to financial statements.

PENINSULA FAMILY CONNECTIONS

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

For the years ended June 30, 2009 and 2008

1. Organization and Nature of Activities

Peninsula Family Connections (the Organization), located in San Carlos, California, is a California nonprofit public benefit corporation formed in 1998 for educational purposes, specifically to enhance and strengthen family life in the community and to educate preschool age children and their parents for family living. The Organization operates three parent participation preschools.

2. Summary of Significant Accounting Policies

Method of Accounting

The Organization's policy is to prepare its financial statements on the cash basis of accounting which includes the recording of depreciation. Consequently, revenues are recognized when received rather than when earned, and expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred. This method of accounting is a comprehensive basis of accounting other than generally accepted accounting principles.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to up to three classes of net assets, as applicable; unrestricted, temporarily restricted, and permanently restricted.

Cash and Cash Equivalents

Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity date that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with maturity dates of three months or less.

Bank Certificates of Deposit

Investments in bank certificates of deposit, held by Morgan Stanley, are recorded at fair value, using valuation techniques based on significant observable inputs. Changes in unrealized gain or loss are included in interest income. These investments are generally held to maturity. At June 30, 2009, the Organization held \$106,005 in certificates of deposit maturing in August 2009 and earning 1.24%-1.34%.

PENINSULA FAMILY CONNECTIONS

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

For the years ended June 30, 2009 and 2008

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are carried at cost. Depreciation is computed using the straight-line method over estimated useful lives of three to seven years. Expenditures for maintenance, repairs, and minor equipment purchases are charged to expense as incurred.

Income Taxes

The Organization is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Codes, and as such, files annual exempt organization information returns with the Internal Revenue Service and the California Franchise Tax Board. Management believes that there is no unrelated business income and there are no uncertain tax positions.

Restricted and Unrestricted Revenue Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor restrictions.

Volunteer Services

The Organization receives many hours of donated services which are not recorded as revenue or expense herein. The value of such services has not been estimated.

Estimates

The accompanying financial statements have been prepared in accordance with United States generally accepted accounting principles ("GAAP"). The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Functional Expenses

The cost of providing the Organization's programs has been summarized by natural classification in these financial statements. Based on management estimates, costs have been allocated between programs, management and general, and fundraising as they relate to those functions.

PENINSULA FAMILY CONNECTIONS
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

For the years ended June 30, 2009 and 2008

3. Property and Equipment

Property and equipment at June 30, 2009 and 2008 were as follows:

	2009	2008
Computer equipment and software	\$ 22,910	\$ 14,123
Furniture and fixtures	24,974	24,183
	47,884	38,306
Less: Accumulated depreciation	(30,157)	(24,727)
	\$ 17,727	\$ 13,579

Depreciation expense totaled \$5,430 in 2009 and \$4,996 in 2008.

4. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2009 and 2008 are available for the following purposes:

	2009	2008
Kickoff to Kindergarten	\$ 79,492	\$ 34,897
Capacity Building Activities	65,482	25,067
Preschool Program in East Palo Alto	-	17,500
	\$ 144,974	\$ 77,464

5. Facility Obligations

The Organization signed a lease agreement for a new location in East Palo Alto, California. The term of the lease is for 3 years beginning March 1, 2008 and ending June 30, 2011 in which the Organization has two (2) one-year options to extend the lease. The monthly rent for the first 6 months of the lease term is \$1,500. Commencing September 1, 2008, the monthly rent increases to \$2,000 and beginning on March 1, 2009 and on each subsequent March 1 (including any term extensions granted under the options) thereafter until the expiration of the lease, the monthly rent shall be increased to an amount that is 104% of the rent paid in the month immediately preceding the anniversary date. Effective March 1, 2008, the Organization sub-leased part of its new office space at \$500 per month starting September 1, 2008. The sub-lease term follows the same terms as that of the master lease.

PENINSULA FAMILY CONNECTIONS
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NOTES TO FINANCIAL STATEMENTS

For the years ended June 30, 2009 and 2008

5. Facility Obligations (continued)

The future lease commitments as of June 30, 2009 are as follows:

	Gross Obligation	Future Sublease Income	Net Obligation
2010	\$ 25,293	\$ (6,323)	\$ 18,970
2011	26,305	(6,576)	19,729
Total	<u>\$ 51,598</u>	<u>\$ (12,899)</u>	<u>\$ 38,699</u>

Rent expense totaled \$23,500 in 2009 and \$7,500 in 2008.

6. Concentrations of Credit Risk

The Organization maintains checking and savings accounts at a major national bank insured by the FDIC up to \$250,000. At June 30, 2009 and 2008, the balances on deposit, per institution, were below the FDIC limit. Each of the bank certificates of deposit is covered by FDIC insurance at June 30, 2009 and 2008.

7. Subsequent Events

The Organization's management determined that there are no material events that occurred subsequent to the statement of financial position date and through the date of this report that would require disclosure in the financial statements.