PMB Helin Donovan

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

TEXAS PREGNANCY CARE NETWORK

Financial Statements
August 31, 2008 and 2007

(With Independent Auditors' Report Thereon)

PMB Helin Donovan

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS
www.pmbhd.com

Independent Auditors' Report

To the Board of Directors
Texas Pregnancy Care Network:

We have audited the accompanying statements of financial position of Texas Pregnancy Care Network (a nonprofit organization) as of August 31, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Texas Pregnancy Care Network'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 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Texas Pregnancy Care Network as of August 31, 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 February 9, 2009, on our consideration of Texas Pregnancy Care Network'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 audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental Schedule - Reconciliation of Cash Received by Texas Pregnancy Care Network to Statement of Functional Expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements of Texas Pregnancy Care Network. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Texas Pregnancy Care Network. The two schedules identified above have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

PMB HELIN DONOVAN, LLP

PMB Helin Donovan, LLP

Austin, Texas
February 9, 2009

5918 W. Courtyard Dr., Suite 400 • Austin, TX 78730
tel (512) 258-9670 • fax (512) 258-5895
PMB HELIN DONOVAN, LLP • A MEMBER OF RUSSELL BEDFORD INTERNATIONAL

AUSTIN · BOSTON · CHICAGO · DALLAS · HOUSTON
ORANGE COUNTY · SAN FRANCISCO · SEATTLE · SPOKANE

TEXAS PREGNANCY CARE NETWORK
Statements of Financial Position
As of August 31, 2008 and 2007

Assets	**2008**	**2007**
Cash and cash equivalents	$ 68,997	$ 775,332
Accounts receivable, net	189,193	-
Inventory	39,594	23,678
Prepaid expenses	14,878	9,081
Property and equipment, net	29,286	46,835
Totals assets	$ 341,948	$ 854,926
Liabilities and Net Assets		
Accounts payable	$ 199,995	$ 156,279
Accrued expenses	24,750	46,620
Deferred revenue	18,028	552,265
Total liabilities	242,773	755,164
Net assets:		
Unrestricted net assets	99,175	99,205
Temporarily restricted net assets	-	557
Permanently restricted net assets	-	-
Total net assets	99,175	99,762
Total liabilities and net assets	$ 341,948	$ 854,926

See accompanying notes to financial statements.

TEXAS PREGNANCY CARE NETWORK
Statement of Activities
For the Year Ended August 31, 2008

	Unrestricted Funds	Temporarily Restricted	Permanently Restricted	Total
Revenues and support:				
HHSC contract revenue	$ 2,494,479	-	-	$ 2,494,479
Other income and support	42,115	-	-	42,115
Net assets released from restrictions:				
Satisfaction of restrictions	557	(557)	-	-
Total revenues and support	2,537,151	(557)	-	2,536,594
Expenses:				
Program services:				
Client services	1,704,620	-	-	1,704,620
Information outreach and referral	450,041	-	-	450,041
Total program services	2,154,661	-	-	2,154,661
Supporting services:				
Project administration	341,001	-	-	341,001
Management and general	41,519	-	-	41,519
Total supporting services	382,520	-	-	382,520
Total expenses	2,537,181	-	-	2,537,181
Changes in net assets	(30)	(557)	-	(587)
Net assets, beginning of period	99,205	557	-	99,762
Net assets, end of period	$ 99,175	-	-	$ 99,175

See accompanying notes to financial statements.

TEXAS PREGNANCY CARE NETWORK
Statement of Activities
For the Year Ended August 31, 2007

	Unrestricted Funds	Temporarily Restricted	Permanently Restricted	Total
Revenues and support:				
HHSC contract revenue	$ 1,947,735	-	-	$ 1,947,735
Contributions	2,250	1,000	-	3,250
Other income and support	30,120	-	-	30,120
Net assets released from restrictions:				
Satisfaction of restrictions	443	(443)	-	-
Total revenues and support	1,980,548	557	-	1,981,105
Expenses:				
Program services:				
Client services	1,040,028	-	-	1,040,028
Information outreach and referral	536,076	-	-	536,076
Total program services	1,576,104	-	-	1,576,104
Supporting services:				
Project administration	376,747	-	-	376,747
Management and general	5,812	-	-	5,812
Total supporting services	382,559	-	-	382,559
Total expenses	1,958,663	-	-	1,958,663
Changes in net assets	21,885	557	-	22,442
Net assets, beginning of period	77,320	-	-	77,320
Net assets, end of period	$ 99,205	557	-	$ 99,762

See accompanying notes to financial statements.

TEXAS PREGNANCY CARE NETWORK
Statement of Functional Expenses
For the Year Ended August 31, 2008

	Client Services	Information, Outreach and Referral	Project Administration	Management and General	Total
Compensation and benefits	$ -	153,255	226,348	10,979	$ 390,582
Consulting	-	6,277	20,270	-	26,547
Supplies	-	-	6,321	1,877	8,198
Professional fees	-	-	12,800	-	12,800
Training and education	13,459	32,752	-	16,350	62,561
Client reimbursement	1,691,161	-	-	-	1,691,161
Rent	-	-	33,242	-	33,242
Insurance	-	-	4,430	-	4,430
Utilities	-	6,884	4,445	1,193	12,522
Depreciation	-	-	19,054	312	19,366
Travel and entertainment	-	21,071	822	1,026	22,919
Advertising	-	229,802	-	-	229,802
Other	-	-	13,269	9,782	23,051
	$ 1,704,620	450,041	341,001	41,519	$2,537,181

See accompanying notes to financial statements.

TEXAS PREGNANCY CARE NETWORK
Statement of Functional Expenses
For the Year Ended August 31, 2007

	Client Services	Information, Outreach and Referral	Project Administration	Management and General	Total
Compensation and benefits	$ -	140,629	215,587	2,183	$ 358,399
Consulting	-	2,744	70,918	-	73,662
Supplies	-	-	933	560	1,493
Professional fees	-	-	11,524	-	11,524
Training and education	9,652	23,011	-	-	32,663
Client reimbursement	1,029,776	-	-	-	1,029,776
Rent	-	-	32,984	-	32,984
Insurance	-	-	4,109	-	4,109
Utilities	-	6,635	6,549	381	13,565
Depreciation	-	-	19,014	63	19,077
Travel and entertainment	-	12,272	1,192	2,583	16,047
Advertising	-	350,785	-	-	350,785
Other	600	-	13,937	42	14,579
	$ 1,040,028	536,076	376,747	5,812	$1,958,663

See accompanying notes to financial statements.

TEXAS PREGNANCY CARE NETWORK
Statements of Cash Flows
For the Years Ended August 31, 2008 and 2007

	2008	2007
Cash Flow from Operating Activities		
Changes in net assets	$ (587)	$ 22,442
Adjustments to reconcile changes in net assets to cash (used in) provided by operations:		
Depreciation expense	19,366	19,077
Changes in assets and liabilities:		
Accounts receivable	(189,193)	20,801
Inventory	(15,916)	(23,678)
Prepaid expenses	(5,797)	(1,946)
Accounts payable and accrued expenses	21,846	150,139
Unearned revenue and other liabilities	(534,237)	330,026
Cash (used in) provided by operating activities	(704,518)	516,861
Cash Flow from Investing Activities		
Purchase of property and equipment	(1,817)	(1,150)
Cash used in investing activities	(1,817)	(1,150)
Cash Flow from Financing Activities	-	-
Net (decrease) increase in cash and cash equivalents	(706,335)	515,711
Cash and cash equivalents balance, beginning of year	775,332	259,621
Cash and cash equivalent balance, end of year	$ 68,997	$ 775,332
Supplemental disclosure:		
Cash paid for interest expense	$ -	$ -
Cash paid for income taxes	$ -	$ -

See accompanying notes to financial statements.

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

Texas Pregnancy Care Network (TPCN) was organized in August 2005 as a Texas not for profit corporation. TPCN is an autonomous non-profit institution exempt from federal income taxes under Internal Revenue Code 501(c)(3) and qualifies as a public charity under 170(b)(1). TPCN assists women facing unplanned pregnancies with realistic alternatives to abortion services by administering funding to pro-life social service agencies, pregnancy centers, maternity homes, and adoption agencies in Texas.

Summary of Significant Accounting Policies

Financial Statements - Texas Pregnancy Care Network has adopted Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, Texas Pregnancy Care Network 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. Temporarily restricted net assets exist if the donor states the principal must be used for a specific purpose, or must not be used until a specific time. Texas Pregnancy Care Network reports all temporarily restricted gifts as increases in temporarily restricted net assets, even those in which Texas Pregnancy Care Network meets restrictions in the same reporting period. Permanently restricted net assets exist if the donor states the principal must never be used, but must be maintained, as in an endowment.

Basis of Accounting - Texas Pregnancy Care Network prepares its financial statements on the accrual basis of accounting. Texas Pregnancy Care Network recognizes contributions as revenue when pledged or received, whichever comes first and recognizes all other revenue when earned. Texas Pregnancy Care Network recognizes expenses when incurred, even if not yet paid. Expenses paid before being incurred are classified as prepaid. Expenses incurred, but not paid at year end, are classified as accounts payable.

Cash and cash equivalents - Texas Pregnancy Care Network considers all highly liquid investments with an original maturity of three months or less, purchased for use primarily in operations, to be cash equivalents.

Property and Equipment - Texas Pregnancy Care Network records property and equipment at cost (or estimated market value if donated). Property and equipment is depreciated over estimated useful lives (ranging from five to forty years) using the straight-line method. Upon retirement or disposition of the assets, Texas Pregnancy Care Network reports related gains or losses in the statement of activities.

Contributions – In accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

During the current year ended August 31, 2008, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Contributions are recognized when the donor makes a promise to give to Texas Pregnancy Care Network that is, in substance, unconditional. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Texas Pregnancy Care Network uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Contracts - Texas Pregnancy Care Network entered into an agreement with the Texas Health and Human Services Commission (HHSC) for program and administrative services using Temporary Assistance for Needy Families (TANF) federal funding to promote childbirth rather than abortion. During the year ended August 31, 2008, the Texas Pregnancy Care Network received $2,500,000 from HHSC. As of August 31, 2008, approximately $5,521 was recorded as deferred grant revenue. The Texas Pregnancy Care Network defers the recognition of revenue when received in advance of when the amounts are earned. The deferred revenues are included in the statement of financial position.

Compensated Absences – Texas Pregnancy Care Network accrues for compensated absences. As of August 31, 2008 and 2007, accrued compensated absences amounted to $0 and $5,929, respectively.

Advertising Costs - Advertising costs are expensed as incurred. Advertising expenses for the years ended August 31, 2008 and 2007 were $229,802 and $350,785, respectively, and are included in program services.

Functional Expenses - Texas Pregnancy Care Network reports its expenses on its statement of activities by function rather than by type. Texas Pregnancy Care Network allocates certain indirect operational expenses (insurance, maintenance, utilities, depreciation) between program and supporting services. Program services include client services and information, outreach and referral.

Income Taxes - Texas Pregnancy Care Network is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except with respect to any unrelated business income.

In June 2006, FASB issued Interpretation No. 28, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109* (FIN 48). FIN 48 addresses the accounting for uncertainties in income taxes recognized in an enterprise's financial statements and prescribes a threshold of more-likely-than-not for recognition of tax positions taken or expected to be taken in a tax return. FIN 48 also provides related guidance on measurement, classification, interest and penalties, and disclosure. There was no material impact to Texas Pregnancy Care Network's financial statements as a result of its adoption of FIN 48. No provision has been made for Federal income taxes in the accompanying financial statements.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Examples of management's use of estimates and assumptions include, but are not limited to, the allowance for doubtful accounts, fixed asset depreciation and useful life estimates.

Note 2 - Cash and Cash Equivalents

The composition of Texas Pregnancy Care Network's cash and cash equivalents as of August 31, 2008 and 2007 is as follows:

	2008	2007
Cash and demand deposits	$ 32,664	$ 306,830
Money market accounts	36,333	468,502
Total cash and cash equivalents	$ 68,997	$ 775,332

Texas Pregnancy Care Network had approximately $49,000 and $293,000 in deposits in excess of the Federal Deposit Insurance Corporation limit as of August 31, 2008 and 2007, respectively. The deposit in excess amounts are calculated based on TPCN's bank balances.

Note 3 - Property and Equipment

As of August 31, 2008, property and equipment are as follows:

	August 31, 2007	Additions	Disposals	August 31, 2008
Equipment	$ 56,613	-	-	$ 56,613
Furniture	12,455	1,817	-	14,272
Total	69,068	1,817	-	70,885
Less: accumulated depreciation	(22,233)	(19,366)	-	(41,599)
Net property and equipment	$ 46,835	(17,549)	-	$ 29,286

As of August 31, 2007, property and equipment are as follows:

	August 31, 2006	Additions	Disposals	August 31, 2007
Equipment	$ 55,918	695	-	$ 56,613
Furniture	12,000	455	-	12,455
Total	67,918	1,150	-	69,068
Less: accumulated depreciation	(3,156)	(19,077)	-	(22,233)
Net property and equipment	$ 64,762	(17,927)	-	$ 46,835

Depreciation expense was $19,366 and $19,077 for the years ended August 31, 2008 and 2007, respectively.

Note 4 - Operating Lease Commitment

On May 31, 2006, Texas Pregnancy Care Network entered into a thirty-nine month operating lease for its office facility requiring rent of approximately $36,000 annually. The future minimum rental payments due under this lease, which ends on August 31, 2009, are $37,410.

Rent expense for the years ended August 31, 2008 and 2007 was $33,242 and $32,984, respectively.

Note 5 – Related Parties and Concentrations

Texas Pregnancy Care Network entered into a two-year agreement with the Texas Health and Human Services Commission on March 16, 2006, for program and administrative services to implement a statewide program for females focused on pregnancy support services that promote childbirth. Approximately 98% of Texas Pregnancy Care Network's revenues were a result of this agreement for the years ended August 31, 2008 and 2007.

Note 6 - Commitments and Contingencies

At August 31, 2008, there were no significant outstanding legal actions or claims against Texas Pregnancy Care Network. Texas Pregnancy Care Network is subject to various claims and liabilities in the ordinary course of business. Texas Pregnancy Care Network maintains various forms of insurance that Texas Pregnancy Care Network's management believes are adequate to reduce the exposure to such risks to an acceptable level.

TEXAS PREGNANCY CARE NETWORK
Supplemental Schedule - Reconciliation of Cash Received by
Texas Pregnancy Care Network to Statement of Functional Expenses
For the Year Ended August 31, 2008

Cash received from Texas Health and Human Services Commission		$ 2,500,000
Amount classified as deferred revenue		(5,521)
Revenue recognized from the Texas Health and Human Services Commission		$ 2,494,479
Report of federal expenses to the Texas Health and Human Services Commission		$ 2,494,479
Current year audit adjustments		-
Total expenditures of federal awards		2,494,479
Reconciling items:		
Depreciation	$ 19,366	
Property and equipment	(969)	
Increase in inventory	(15,900)	
Prior year audit adjustments	(5,343)	
Interest expense	4,341	
Management and general expenses	41,207	
Total adjustments		42,702
Total functional expenses		$ 2,537,181

PMB Helin Donovan

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS
www.pmbhd.com

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Texas Pregnancy Care Network:

We have audited the financial statements of Texas Pregnancy Care Network as of and for the year ended August 31, 2008, and have issued our report thereon dated February 9, 2009. We conducted our audit 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.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered Texas Pregnancy Care Network's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Texas Pregnancy Care Network's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Texas Pregnancy Care Network's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Texas Pregnancy Care Network's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of Texas Pregnancy Care Network's financial statements that is more than inconsequential will not be prevented or detected by Texas Pregnancy Care Network's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether Texas Pregnancy Care Network's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

5918 W. Courtyard Dr., Suite 400 • Austin, TX 78730
tel (512) 258-9670 • fax (512) 258-5895
PMB HELIN DONOVAN, LLP • A MEMBER OF RUSSELL BEDFORD INTERNATIONAL

AUSTIN • BOSTON • CHICAGO • DALLAS • HOUSTON
ORANGE COUNTY • SAN FRANCISCO • SEATTLE • SPOKANE

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and Board of Directors of Texas Pregnancy Care Network and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

PMB HELIN DONOVAN, LLP

PMB Helin Donovan, LLP

February 9, 2009

PMB Helin Donovan

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS
www.pmbhd.com

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Texas Pregnancy Care Network:

Compliance

We have audited the compliance of Texas Pregnancy Care Network with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended August 31, 2008. Texas Pregnancy Care Network's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Texas Pregnancy Care Network's management. Our responsibility is to express an opinion on Texas Pregnancy Care Network's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Texas Pregnancy Care Network's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Texas Pregnancy Care Network's compliance with those requirements.

In our opinion, Texas Pregnancy Care Network complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended August 31, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2008-01.

Internal Control Over Compliance

The management of Texas Pregnancy Care Network is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Texas Pregnancy Care Network's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Texas Pregnancy Care Network's internal control over compliance.

5918 W. Courtyard Dr., Suite 400 · Austin, TX 78730
tel (512) 258-9670 · fax (512) 258-5895
PMB HELIN DONOVAN, LLP · A MEMBER OF RUSSELL BEDFORD INTERNATIONAL

AUSTIN · BOSTON · CHICAGO · DALLAS · HOUSTON
ORANGE COUNTY · SAN FRANCISCO · SEATTLE · SPOKANE

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Texas Pregnancy Care Network's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Texas Pregnancy Care Network's response and, accordingly, we express no opinion on it

This report is intended solely for the information and use of management and Board of Directors of Texas Pregnancy Care Network and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

PMB HELIN DONOVAN, LLP

PMB Helin Donovan, LLP

February 9, 2009

TEXAS PREGNANCY CARE NETWORK
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2008

Cluster Name / Federal Grantor / Program Name / Pass-Through Entity	CFDA	Federal / Pass-Through Entity Identifing No./ State	Grant Period	Grant Award	Federal Expenditures
U.S. Department of Health and Human Services					
Temporary Assistance for Needy Families					
Pass through from Texas Health and Human Services Commission	93.558	N/A	9/1/2007 - 8/31/2009	$ 5,312,500	$ 2,494,479
Total Federal expenditures					$ 2,494,479

See accompanying notes to the schedule of expenditures of federal awards.

TEXAS PREGNANCY CARE NETWORK
Notes to Schedule of Expenditures of Federal Awards
Year Ended August 31, 2008

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The Schedule of Expenditures of Federal Awards (the "Schedule") includes the activity of all programs administered by the Texas Pregnancy Care Network. The Texas Pregnancy Care Network's organization is defined in Note 1 of Texas Pregnancy Care Network's basic financial statements.

(b) Basis of Presentation

The Schedule presents total awards expended for each individual program in accordance with the OMB A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

(c) Basis of Accounting

The expenditures for the federal financial assistance programs are presented on the accrual basis of accounting, which is defined in Note 1 of Texas Pregnancy Care Network's basic financial statements.

(2) Relationship to Financial Reports

The amounts reported in the financial reports agree with the amounts reported in the accompanying Schedule which is prepared on the basis explained in Note 1 of Texas Pregnancy Care Network's financial statements.

TEXAS PREGNANCY CARE NETWORK
Schedule of Findings and Questioned Costs
Year Ended August 31, 2008

Section 1 - Summary of Auditors' Results

A. Financial Statements

Type of auditors' report issued:	**Unqualified opinion**
Internal control over financial reporting:	
• Material weakness(es) identified?	**No**
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	**None reported**
Noncompliance material to financial statements noted?	**No**

B. Federal Awards

Internal control over compliance:	
• Material weakness(es) identified?	**No**
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	**None reported**
Type of auditors' report issued on compliance for major programs:	**Unqualified opinion**
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	**Yes**

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
93.558	Temporary Assistance for Needy Families

Dollar threshold used to distinguish programs:	**$300,000**
Auditee qualified as low-risk auditee:	**No**

Section II - Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

This section identifies significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, as required by the Office of Management and Budget Circular A-133, Section .510(a).

Reference 2008-01

Cash Management
(Prior Year Finding 2007-01)

Temporary Assistance for Needy Families
CFDA 93.558
Type of Finding – Compliance

Questioned Cost: $4,341

Texas Health and Human Services Commission

Texas Pregnancy Care Network received 12 monthly advance payments totaling $2.5 million of federal awards in fiscal year 2008. When federal funds are advanced, recipients must follow procedures to minimize the time elapsing between the receipt of funds and disbursement. In addition, Federal guidelines require that interest earned on advances be submitted promptly, but at least quarterly. In contrast, the Texas Department of Health and Human Services Commission's contract with Texas Pregnancy Care Network requires remittance of excess advance payments and interest after the fiscal year as the contract does not allow for roll-over of advance payments to the next fiscal year.

Recommendation:

We recommend Texas Pregnancy Care Network coordinate the remittance of excess cash advances and interest with the Texas Department of Health and Human Services Commission. In addition, we recommend Texas Pregnancy Care Network explore possible modifications of its contract with the Texas Department of Health and Human Services Commission to achieve greater consistency with federal cash management regulations and guidelines.

Management Response and Corrective Action Plan:

Texas Pregnancy Care Network has coordinated the issue of excess cash advances plus interest with the Texas Department of Health and Human Services (HHSC). In addition, following the recommendation of PMB Helin Donovan in 2007, TPCN explored a contract modification with HHSC to achieve consistency between the contracted remittance schedule and the federal guidelines. HHSC has communicated to TPCN that a modification will not be made at this time.

Responsible Party:

Vincent E. Friedewald III, Esq.
Executive Director
Texas Pregnancy Care Network
12885 Research Blvd., Suite 207
Austin, Texas 78750

Section IV – Summary Schedule of Prior Audit Findings

Reference 2007-01
Cash Management

Temporary Assistance for Needy Families
CFDA 93.558
Type of Finding – Compliance

Questioned Cost: $9,000

Texas Health and Human Services Commission

Texas Pregnancy Care Network received 12 monthly advance payments totaling $2.5 million of federal awards in fiscal year 2007. When federal funds are advanced, recipients must follow procedures to minimize the time elapsing between the receipt of funds and disbursement. In addition, Federal guidelines require that interest earned on advances be submitted promptly, but at least quarterly. In contrast, the Texas Department of Health and Human Services Commission's contract with Texas Pregnancy Care Network requires remittance of excess advance payments and interest after the fiscal year as the contract does not allow for roll-over of advance payments to the next fiscal year.

Current status:

Texas Pregnancy Care Network coordinated the remittance of excess cash advances and interest relating to fiscal year 2007 with the Texas Department of Health and Human Services Commission. This remittance occurred in December, 2007, subsequent to the receipt of the audited 2007 financial statements. TPCN has been in discussions with HHSC with regards to the contractual modifications that were recommended as part of the fiscal year 2007 audit.

This finding is repeated for the fiscal year 2008 audit.