



Financial Statements

For the Year Ended December 31, 2010

(With Summarized Financial Information for the Year Ended December 31, 2009)



and

Report Thereon



**Reports Required in Accordance with Office of
Management and Budget Circular A-133**

For the Year Ended December 31, 2010



**THE NATIONAL CAMPAIGN TO PREVENT
TEEN AND UNPLANNED PREGNANCY**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The National Campaign to Prevent
Teen and Unplanned Pregnancy

CONSULTING
ACCOUNTING
TECHNOLOGY

Certified Public
Accountants

We have audited the accompanying statement of financial position of The National Campaign to Prevent Teen and Unplanned Pregnancy (the Campaign) as of December 31, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Campaign's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized information has been derived from the Campaign's December 31, 2009, financial statements and, in our report dated May 10, 2010, we expressed an unqualified opinion on those financial statements.

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. 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 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 the Campaign as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of determination of fringe benefits and indirect cost rates, fringe benefits and indirect costs on pages 19 through 21 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2011, on our consideration of the Campaign'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.

Continued

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Raffa, P.C.

RAFFA, P.C.

Washington, DC
May 3, 2011

**THE NATIONAL CAMPAIGN TO PREVENT
TEEN AND UNPLANNED PREGNANCY**

STATEMENT OF FINANCIAL POSITION

December 31, 2010

(With Summarized Financial Information as of December 31, 2009)

	2010	2009
ASSETS		
Cash and cash equivalents	\$ 312,813	\$ 252,295
Grants and contracts receivable	664,229	484,237
Contributions receivable	32,160	16,853
Accounts receivable	5,391	15,543
Prepaid expenses and deposits	147,180	128,195
Inventory	19,636	54,727
Investments	29,622,481	25,701,723
Property and equipment, net	1,615,152	1,098,021
	<u>\$ 32,419,042</u>	<u>\$ 27,751,594</u>
TOTAL ASSETS		
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 457,856	\$ 487,823
Accrued National Campaign Fund expenses	297,375	1,002,645
Accrued payroll and other liabilities	173,588	316,106
Obligations under capital leases	67,632	87,509
Deferred rent and other liabilities	219,988	199,397
	<u>1,216,439</u>	<u>2,093,480</u>
TOTAL LIABILITIES		
Net Assets		
Unrestricted		
Operating	26,383,186	18,820,419
Board-designated reserve fund	1,735,473	1,639,211
	<u>28,118,659</u>	<u>20,459,630</u>
Total Unrestricted Net Assets		
Temporarily restricted	3,083,944	5,198,484
	<u>31,202,603</u>	<u>25,658,114</u>
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS		
	<u>\$ 32,419,042</u>	<u>\$ 27,751,594</u>

The accompanying notes are an integral part of these financial statements.

**THE NATIONAL CAMPAIGN TO PREVENT
TEEN AND UNPLANNED PREGNANCY**

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2010

(With Summarized Financial Information for the Year Ended December 31, 2009)

	Unrestricted	Temporarily Restricted	2010 Total	2009 Total
REVENUE AND SUPPORT				
Grants and contracts	\$ 10,623,430	\$ 1,102,811	\$ 11,726,241	\$ 12,816,622
Investment income	1,963,515	-	1,963,515	206,925
Donated goods and services	461,444	-	461,444	298,288
Contributions	324,709	50,650	375,359	109,331
Other	144,960	-	144,960	682,691
Publications	79,897	-	79,897	252,421
Honoraria	2,800	-	2,800	3,000
Net assets released from restrictions:				
Satisfaction of program restrictions	3,059,668	(3,059,668)	-	-
Satisfaction of time restrictions	208,333	(208,333)	-	-
TOTAL REVENUE AND SUPPORT	16,868,756	(2,114,540)	14,754,216	14,369,278
EXPENSES				
Program Services:				
Media	3,012,157	-	3,012,157	2,923,169
The National Campaign Fund	1,408,249	-	1,408,249	2,515,223
Communications and publications	786,332	-	786,332	732,230
Research	678,681	-	678,681	833,443
Partnerships and special initiatives	464,040	-	464,040	495,869
Public policy	453,762	-	453,762	463,236
State and local action	437,629	-	437,629	305,057
Latino Initiative	419,551	-	419,551	345,293
Leadership and planning	335,451	-	335,451	308,379
Total Program Services	7,995,852	-	7,995,852	8,921,899
Supporting Services:				
General and administrative	1,084,620	-	1,084,620	903,590
Fundraising	129,255	-	129,255	97,407
TOTAL EXPENSES	9,209,727	-	9,209,727	9,922,896
CHANGE IN NET ASSETS	7,659,029	(2,114,540)	5,544,489	4,446,382
NET ASSETS, BEGINNING OF YEAR	20,459,630	5,198,484	25,658,114	21,211,732
NET ASSETS, END OF YEAR	\$ 28,118,659	\$ 3,083,944	\$ 31,202,603	\$ 25,658,114

The accompanying notes are an integral part of these financial statements.

**THE NATIONAL CAMPAIGN TO PREVENT
TEEN AND UNPLANNED PREGNANCY**
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2010
(With Summarized Financial Information for the Year Ended December 31, 2009)

	Media	National Campaign Fund	Communications and Publications	Research	Partnerships and Special Initiatives	Public Policy	State and Local Action	Latino Initiative	Leadership and Planning	Total Program Services	General and Administrative	Fundraising	2010 Total	2009 Total
Consultants and contract services	\$ 895,160	\$ 730,290	\$ 152,006	\$ 142,013	\$ 87,350	\$ 7,581	\$ 10,879	\$ 58,002	\$ 1,887	\$ 2,085,168	\$ -	\$ -	\$ 2,085,168	\$ 3,204,681
Salaries and wages	482,817	80,576	173,971	251,996	162,346	239,769	171,097	189,516	175,215	1,927,303	549,380	69,438	2,546,121	2,252,897
Fringe benefits	192,543	31,873	68,841	95,388	64,536	96,720	67,413	75,260	69,534	762,108	232,984	27,398	1,022,490	947,080
Website maintenance	504,365	-	110,407	-	-	-	-	-	-	614,772	3,301	-	618,073	142,359
Grants	-	498,087	-	-	-	-	58,027	-	-	556,114	-	-	556,114	1,279,708
Rent and storage	90,833	19,085	34,801	29,258	38,452	56,790	29,708	29,198	41,500	369,625	157,768	16,447	543,840	557,950
Depreciation and amortization	317,568	40,662	13,997	9,895	11,492	15,739	7,845	8,486	9,704	435,388	38,074	4,059	477,521	202,636
Advertising and marketing	393,140	-	11,900	1,102	3,005	13,382	1,999	343	1,345	426,216	1,536	-	427,752	335,739
Conference and meeting expenses	17,984	12	50,196	10,407	5,702	4,155	35,763	14,138	3,159	141,516	4,416	5,838	151,770	245,586
Publications and copying	9,104	991	96,271	20,224	2,260	3,056	12,909	1,828	2,224	148,867	8,747	1,256	158,870	179,408
Staff travel	53,161	673	18,232	19,231	15,006	2,223	8,435	10,519	7,790	135,270	3,618	499	139,387	65,989
Accounting, audit and legal services	-	-	-	1,000	-	-	-	-	-	1,000	137,102	-	138,102	167,003
Board and task force meetings	19,389	-	-	10,216	12,189	1,879	10,118	9,676	11,455	74,922	-	-	74,922	35,954
Investment management fees	-	-	-	-	-	-	-	-	-	-	71,920	-	71,920	19,935
Computer supplies and maintenance	15,863	1,807	4,348	4,885	3,947	5,424	2,710	2,916	3,322	45,222	15,378	2,845	63,445	67,162
Office supplies and miscellaneous	6,336	2,428	4,784	795	1,512	1,549	568	1,904	2,200	22,076	15,827	231	38,134	83,610
Telephone and fax	8,426	1,329	3,244	5,918	3,322	4,190	3,212	2,812	4,028	36,481	9,701	982	47,164	73,311
Insurance	-	-	9,960	-	-	-	-	-	-	9,960	10,729	-	20,689	26,532
Postage and shipping	5,468	436	6,957	2,650	2,921	1,305	1,923	1,506	2,088	25,254	2,729	262	28,245	35,356
Indirect cost recovery	-	-	26,417	73,703	50,000	-	15,023	13,447	-	178,590	(178,590)	-	-	-
TOTAL EXPENSES	\$ 3,012,157	\$ 1,408,249	\$ 786,332	\$ 678,681	\$ 464,040	\$ 453,762	\$ 437,629	\$ 419,551	\$ 335,451	\$ 7,995,852	\$ 1,084,620	\$ 129,255	\$ 9,209,727	\$ 9,922,896

The accompanying notes are an integral part of these financial statements.

**THE NATIONAL CAMPAIGN TO PREVENT
TEEN AND UNPLANNED PREGNANCY**

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2010
(With Summarized Financial Information for the Year Ended December 31, 2009)
Increase (Decrease) in Cash and Cash Equivalents

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,544,489	\$ 4,446,382
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	477,521	202,636
Net realized and unrealized losses (gains) on investments	389,676	(138,482)
Loss on disposal of property and equipment	827	40,001
Change in discount of grants receivable to present value	(5,285)	(66,702)
Donated stock	(523,533)	(488,151)
Changes in assets and liabilities:		
Grants and contracts receivable	(179,992)	13,744,108
Contributions receivable	(15,307)	101,347
Accounts receivable	10,152	32,840
Prepaid expenses and deposits	(18,985)	(42,571)
Inventory	35,091	(22,175)
Accounts payable	(29,967)	(102,673)
Accrued National Campaign Fund expenses	(705,270)	(295,903)
Accrued payroll and other liabilities	(142,518)	144,505
Deferred rent and other liabilities	20,591	57,897
	<u>4,857,490</u>	<u>17,613,059</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	17,837,162	64,194,857
Purchases of investments	(21,618,786)	(81,352,983)
Purchases of property and equipment	(995,471)	(688,121)
	<u>(4,777,095)</u>	<u>(17,846,247)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligations	(19,877)	(39,181)
	<u>(19,877)</u>	<u>(39,181)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	60,518	(272,369)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>252,295</u>	<u>524,664</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 312,813</u>	<u>\$ 252,295</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	<u>\$ 3,944</u>	<u>\$ 4,238</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Donated stock	<u>\$ 523,533</u>	<u>\$ 488,151</u>
Equipment acquired under a capital lease	\$ -	\$ (62,529)
Obligation incurred under a capital lease	-	62,529
	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**THE NATIONAL CAMPAIGN TO PREVENT
TEEN AND UNPLANNED PREGNANCY**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

1. Organization and Summary of Significant Accounting Policies

Organization

The National Campaign to Prevent Teen and Unplanned Pregnancy (the Campaign), founded in February 1996, is a nonprofit, nonpartisan organization. Its mission is to improve the well-being of children, youth and families by reducing teen and unplanned pregnancies. The Campaign's initial goal was to reduce the teen pregnancy rate by one-third between 1996 and 2005. In 2005, the Campaign set a new challenge to reduce teen pregnancy by an additional one-third by 2015.

High rates of teen and unplanned pregnancy burden not only teens and young adults, but also their children, families and communities, while imposing large costs on taxpayers. To reduce both teen pregnancy and unplanned pregnancy (especially among single, young adults), the Campaign provides a national presence and leadership to raise awareness of the issue and to attract new voices and resources to the cause. It provides concrete assistance to those already working in the field. The Campaign also tries to ease the many disagreements that have plagued both national and local efforts to address these problems.

Basis of Presentation

The financial statements of the Campaign have been prepared on the accrual basis of accounting. Under accounting standards generally accepted in the United States of America, the Campaign is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. There were no permanently restricted net assets as of December 31, 2010.

Cash and Cash Equivalents

The Campaign considers all short-term, highly liquid investments with purchased maturities of three months or less to be cash equivalents. However, money market accounts included in the investment portfolio are excluded from cash and cash equivalents.

Investments

Investments consist of certificates of deposit, funds on deposit in money market accounts, exchange-traded funds and mutual funds. These investments are recorded in the accompanying financial statements at fair value based on quoted market prices, as defined at Note 7. Fair value is the price that would be received to sell an asset or liability through an orderly transaction between market participants at the measurement date. Unrealized gains or losses on investments are determined by the change in fair value at the beginning and end of the reporting period.

Continued

**THE NATIONAL CAMPAIGN TO PREVENT
TEEN AND UNPLANNED PREGNANCY**

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2010**

1. Organization and Summary of Significant Accounting Policies (continued)

Inventory

Inventory consists of published reports, monographs, paraphernalia to promote teen pregnancy prevention projects and other products. Inventory is stated at the lower of cost or market value and is calculated using the first-in, first-out (FIFO) method of accounting.

Property and Equipment and Accumulated Depreciation and Amortization

Property and equipment are stated at cost and are depreciated using the straight-line method over their estimated useful lives of five to ten years, with no salvage value. Capital leased assets are stated at the net present value of future minimum lease payments and are amortized using the straight-line method over the life of the lease. Leasehold improvements are stated at cost and are amortized using the straight-line method over the remaining life of the lease. The Campaign recognizes costs incurred in the development of its website, in accordance with the provisions of the accounting standards for website development costs. Accordingly, costs incurred during the application stage of development are capitalized and are amortized on a straight-line basis over the estimated useful life of three years. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred. The Campaign expenses all equipment purchased with direct federal funds in the year purchased. Upon the retirement or disposal of assets, the cost and accumulated depreciation and amortization are eliminated from the respective accounts and the resulting gain or loss is included in revenue or expenses. For purposes of calculating the indirect cost rate, any gains resulting from the disposal of assets are recorded as a reduction to total indirect expenses.

Classification of Net Assets

The net assets of the Campaign are reported as follows:

- Unrestricted operating net assets represent the portion of expendable funds that are available for support of the Campaign's operations.
- Unrestricted board-designated net assets represent a reserve fund funded by publications revenue, interest income, dividend income and unrestricted contributions, and contributions and income from the Campaign's Tenth Anniversary event. Use of board-designated reserve funds must be authorized by the Finance and Development Committee of the Board of Directors.
- Temporarily restricted net assets represent amounts specifically restricted by donors or grantors for various programs or future periods.

**THE NATIONAL CAMPAIGN TO PREVENT
TEEN AND UNPLANNED PREGNANCY**

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2010**

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition

Contributions and grants are reported as revenue in the year in which payments are received and/or unconditional promises are made. The Campaign reports gifts of cash and other assets as temporarily restricted if they are received with donor stipulations that limit the use of the donated asset. 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 accompanying statement of activities as net assets released from restrictions.

The Campaign receives cooperative grant awards from federal government agencies in exchange for services. Revenue from the grants and contracts is recognized as costs are incurred on the basis of direct costs plus allowable indirect costs. Revenue recognized on grants and contracts for which payments have not been received is reflected as grants and contracts receivable in the accompanying statement of financial position.

Donated Goods and Services

Donated goods and services consist of media support, pro bono legal assistance and board meeting travel expenses. Donations of goods and services are recorded based on their fair value at the date of donation and are included in the media and leadership and planning programs and in general and administrative expenses in the accompanying statement of activities.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Direct costs associated with specific programs are recorded as program services. Certain unallocated general and administrative expenses are allocated to specific programs based on a percentage of salaries.

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 these estimates.

**THE NATIONAL CAMPAIGN TO PREVENT
TEEN AND UNPLANNED PREGNANCY**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

2. Grants and Contracts Receivable

As of December 31, 2010, foundations, government agencies and corporate contributors to the Campaign have unconditionally promised to give \$664,229 to be used for particular programs and general support in the coming years. All contributions are considered fully collectible within less than a year.

3. Investments

As of December 31, 2010, the Campaign's investments consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>
Mutual funds – fixed income	\$ 25,634,481	\$ 25,910,619
Exchange-traded funds – fixed income	2,544,240	2,583,896
Money market funds	1,025,119	1,025,119
Certificates of deposit	<u>100,000</u>	<u>102,847</u>
Total	<u>\$ 29,303,840</u>	<u>\$ 29,622,481</u>

Investment returns are summarized as follows for the year ended December 31, 2010:

Interest and dividend income	\$ 1,573,839
Unrealized gains on investments	182,009
Realized gains on investments	<u>207,667</u>
Total	<u>\$ 1,963,515</u>

Included in the statement of activities for the year ended December 31, 2010, are \$71,920 in investment management fees and interest earned on cash and cash equivalents of \$2,766.

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**THE NATIONAL CAMPAIGN TO PREVENT
TEEN AND UNPLANNED PREGNANCY**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

4. Property and Equipment

The Campaign held the following property and equipment as of December 31, 2010:

Website development costs	\$ 1,775,442
Leasehold improvements	384,788
Computer equipment	289,342
Furniture and equipment	198,054
Equipment under capital leases	<u>105,179</u>
Total property and equipment	2,752,805
Less: Accumulated depreciation and amortization	<u>(1,137,653)</u>
Property and Equipment, Net	<u>\$ 1,615,152</u>

Depreciation and amortization expense was \$477,521 for the year ended December 31, 2010.

5. Commitments, Contingencies and Risks

Capital Leases

The Campaign leases equipment under leases that meet the criteria for capitalization. The leases expire in 2013 and 2014. The leased equipment is included in property and equipment at a cost of \$105,179, with accumulated amortization of \$39,752 as of December 31, 2010.

The future minimum lease payments required for these capital leases are as follows at December 31, 2010:

For the Year Ending	
<u>December 31,</u>	
2011	\$ 23,820
2012	23,820
2013	18,977
2014	<u>6,688</u>
Subtotal	73,305
Less: Amount representing interest	<u>(5,673)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 67,632</u>

Continued

**THE NATIONAL CAMPAIGN TO PREVENT
TEEN AND UNPLANNED PREGNANCY**

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2010**

5. Commitments, Contingencies and Risks (continued)

Office Leases

The Campaign has a noncancelable operating lease for its main office located in Washington, DC, which expires in November 2015. The lease contains a fixed escalation clause for increases in the annual minimum rent. In addition, the Campaign is responsible for its proportionate share of real estate taxes and operating and maintenance costs of the landlord. The Campaign subleases a part of its space to an existing tenant under a sublease agreement that expires in July 2011. This sublease agreement specifies fixed annual increases in the tenant's monthly rent payable to the Campaign and a required security deposit of \$3,000 by the subtenant, which is included in deferred rent liability and other liabilities in the accompanying statement of financial position. In addition, the sublease agreement to the lease also provided the Campaign with an improvement allowance in an amount not to exceed \$84,505 for construction, alterations and improvements. As of December 31, 2010, the Campaign had used \$83,162 of this allowance.

Under accounting principles generally accepted in the United States of America, all lease incentives and fixed rent increases are recognized on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent liabilities in the accompanying statement of financial position.

Future minimum lease rental payments under the lease agreement, net of sublease income, are as follows:

For the Year Ending December 31,	Total	Sublease	Net
2011	\$ 509,079	\$ 47,362	\$ 461,717
2012	521,779	-	521,779
2013	569,925	-	569,925
2014	603,445	-	603,445
2015	460,989	-	460,989
Total	\$ 2,665,217	\$ 47,362	\$ 2,617,855

Rent expense was \$543,840 for the year ended December 31, 2010.

**THE NATIONAL CAMPAIGN TO PREVENT
TEEN AND UNPLANNED PREGNANCY**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

5. Commitments, Contingencies and Risks (continued)

Concentration of Risk

During the year ended December 31, 2010, the Campaign received \$11,686,240 in grants and contributions from five grantors. Grants and contributions from the five grantors represented approximately 79% of the total revenue and support recognized by the Campaign for the year ended December 31, 2010. If a significant reduction in funding from these grantors were to occur, it may adversely impact the Campaign's financial position and ability to carry out its program activities.

The Campaign maintains its cash and cash equivalents with a certain commercial financial institution, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2010, the Campaign had \$349,453 composed of demand deposits, which exceeded the maximum limit insured by the FDIC by approximately \$99,453. The Campaign monitors the creditworthiness of this institution and has not experienced any credit losses on its cash and cash equivalents.

Office of Management and Budget Circular A-133

The Campaign has instructed its independent auditors to audit its applicable federal programs for the year ended December 31, 2010, in compliance with Circular A-133 issued by the U.S. Office of Management and Budget (OMB). Until such audit is reviewed and accepted by the contracting or granting agencies, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management believes that any matters arising from the reviews by the federal or state agencies of the independent auditor's reports for calendar year 2010 will not have a material effect on the Campaign's financial position as of December 31, 2010, or its results of operations for the year then ended.

Provisional Indirect Cost Rates

Billings under cost-reimbursable government cooperative awards, grants and contracts are calculated using provisional rates that permit recovery of indirect costs. These rates are subject to audit by the Division of Cost Analysis of the U.S. Department of Health and Human Services (HHS) six months after the end of each calendar year. The audit results in the negotiation and determination of the final indirect cost rates, which may create a liability for indirect cost recovery for amounts billed in excess of the actual rates, or may allow for additional billings for unbilled indirect costs.

Continued

**THE NATIONAL CAMPAIGN TO PREVENT
TEEN AND UNPLANNED PREGNANCY**

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2010**

5. Commitments, Contingencies and Risks (continued)

Provisional Indirect Cost Rates (continued)

HHS audits costs related to U.S. government grants and contracts in accordance with OMB Circular A-122. The Division of Cost Analysis of HHS has yet to audit the costs and indirect cost rates for the year ended December 31, 2010. Management believes that cost disallowances, if any, arising from the Division of Cost Analysis of HHS's audits for 2010 will not have a material effect on the Campaign's financial position as December 31, 2010, or the results of operations for the year then ended.

6. Temporarily Restricted Net Assets

Net assets were released from donor-imposed restrictions by incurring expenses that satisfied the restricted purposes and through the passage of time. For the year ended December 31, 2010, net assets released from restrictions were as follows:

Programs:	
Media	\$ 2,114,982
Research	392,811
Latino Initiative	304,382
State and local action	161,500
Partnerships and special initiatives	66,393
Leadership and planning	<u>19,600</u>
	3,059,668
Lapse of time restrictions	<u>208,333</u>
Temporarily Restricted Net Assets Released from Restrictions	<u>\$ 3,268,001</u>

Temporarily restricted net assets are available for the following programs as of December 31, 2010:

Programs:	
Media	\$ 2,431,615
Leadership and planning	410,400
Latino Initiative	232,981
State and local action	<u>8,948</u>
Total Programs	<u>\$ 3,083,944</u>

Continued

**THE NATIONAL CAMPAIGN TO PREVENT
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NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

7. Fair Value Measurements

Accounting standards define fair value and establish a framework for measuring fair value for those assets and liabilities that are measured at fair value on a recurring basis. In accordance with the accounting standards for fair value measurements for those assets and liabilities that are measured at fair value on a recurring basis, as of and for the year ended December 31, 2010, the Campaign has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Applicable financial assets are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – Unobservable inputs for the asset or liability including the reporting entity's own assumptions in determining the fair value measurement.

The following table summarizes the Campaign's assets measured at fair value on a recurring basis as of December 31, 2010:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)
Assets:			
Investments:			
Intermediate-term bond funds	\$ 27,440,398	\$ 27,440,398	\$ -
Short-term U.S. government Treasury index funds	1,054,117	1,054,117	-
Money market funds	1,025,119	1,025,119	-
Certificates of deposit	<u>102,847</u>	<u>-</u>	<u>102,847</u>
Total	<u>\$ 29,622,481</u>	<u>\$ 29,519,634</u>	<u>\$ 102,847</u>

Continued

**THE NATIONAL CAMPAIGN TO PREVENT
TEEN AND UNPLANNED PREGNANCY**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

7. Fair Value Measurements (continued)

The Campaign used the following methods and significant assumptions to estimate fair value for assets and liabilities recorded at fair value:

Short-term U.S. government Treasury funds and intermediate-term bond funds – Measured using quoted market prices for identical assets in active markets.

Money market funds – Valued using the net asset value provided by the administrator of the fund. The net asset value is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The net asset value is a quoted price in an active market and is classified within Level 1 of the valuation hierarchy.

Certificates of deposit – Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable interest rates.

8. Pension Plan

The Campaign sponsors a defined contribution pension plan pursuant to Section 403(b) of the Internal Revenue Code, which covers employees with a minimum of six months of service. As of January 1, 2010, the Campaign contributed 6% of an employee's compensation up to the maximum permitted by law. Employees are fully vested at the time of contribution. The contribution was \$160,015 for the year ended December 31, 2010.

The Campaign also maintains a tax-deferred annuity retirement plan pursuant to Section 403(b) of the Internal Revenue Code, which is available to all eligible employees. Under the 403(b) plan, eligible employees may elect to contribute up to the federal tax limitation. The Campaign does not contribute to this plan.

9. Income Taxes

The Campaign is exempt from payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes is required for the year ended December 31, 2010, as the Campaign had no net unrelated business income.

Continued

**THE NATIONAL CAMPAIGN TO PREVENT
TEEN AND UNPLANNED PREGNANCY**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

9. Income Taxes (continued)

The Campaign performed an evaluation for uncertain tax positions for the year ended December 31, 2010, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2010, the statute of limitations for tax years 2007 through 2009 remains open for the U.S. federal jurisdiction and the District of Columbia, the jurisdictions in which the Campaign files tax returns. It is the Campaign's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2010, the Campaign had no accruals for interest and/or penalties.

10. The National Campaign Fund

During 2010, the Campaign continued to expand its mission through a program of activities known as the National Campaign Fund, which began in 2007 and includes making grants and engaging consultants, researchers, media experts and others knowledgeable in the fields of teen and unplanned pregnancy to assist the Campaign in meeting its mission. This growth is funded in large part by a major three-year, \$18,000,000 grant from the Hewlett Foundation (the Foundation). The Campaign and the Foundation have an agreement that Campaign management would allocate approximately half of the Foundation's payments for this award to these external activities. This program, which the Campaign refers to internally as "re-granting," resulted in \$1,408,249 in expenses for the year ended December 31, 2010, including \$297,375 in accrued expenses included in the accompanying statement of financial position. The program has \$2,100,000 in additional regranting outlays budgeted for 2011.

11. Board-Designated Reserve Fund

Until 2010, the Campaign maintained both a board-designated reserve fund (the Reserve Fund) funded by publications and interest income and unrestricted contributions and an Anniversary Fund (the Anniversary Fund) consisting of contributions and income from the Campaign's Tenth Anniversary event. At the Board's suggestion, the Campaign merged the Anniversary Fund into the Reserve Fund and, as of December 31, 2010, the Reserve Fund balance was \$1,735,473, and is included in the investments in the accompanying statement of financial position. The Reserve Fund is invested in accordance with the Campaign's investment policy.

**THE NATIONAL CAMPAIGN TO PREVENT
TEEN AND UNPLANNED PREGNANCY**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

12. Prior Year Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Campaign's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

13. Subsequent Events

In preparing these financial statements, the Campaign has evaluated events and transactions for potential recognition or disclosure through May 3, 2011, the date the financial statements were available to be issued.

On March 3, 2011, the Campaign established a new limited liability company, Bedsider, LLC, for the purpose of making a software application available in an online store.

On March 21, 2011, the Campaign received notification that it had been awarded a \$2 million general operating support grant.

SUPPLEMENTAL INFORMATION

**THE NATIONAL CAMPAIGN TO PREVENT
TEEN AND UNPLANNED PREGNANCY**

**SCHEDULE OF DETERMINATION OF FRINGE BENEFITS
AND INDIRECT COST RATES**

For the Year Ended December 31, 2010

FRINGE BENEFITS RATE

<u>Numerator</u>	
Total fringe benefits	\$ 1,022,490
<u>Denominator</u>	
Total salaries	\$ 2,546,121

FRINGE BENEFITS RATE 40.16%

INDIRECT COST RATE

<u>Numerator</u>	
Indirect Costs	\$ 1,914,305
Less: Fringe benefits charged to general and administration	(302,518)
Plus: Fringe benefits applied at 40.16% of \$724,595 in indirect salaries	<u>290,997</u>
Total Indirect Costs	<u>\$ 1,902,784</u>

<u>Denominator</u>	
Total Expenses	9,209,727
Less: General and administration	(1,914,305)
Fringe benefits charged to programs	(719,970)
Subcontracts in excess of \$25,000	(526,105)
Participant costs (direct honoraria)	(14,100)
Excluded costs	(180,235)
Plus: Fringe benefits applied at 40.16% of \$1,821,526 in program salaries	<u>731,525</u>
Total Direct Costs	<u>\$ 6,586,537</u>

INDIRECT COST RATE 28.89%

**THE NATIONAL CAMPAIGN TO PREVENT
TEEN AND UNPLANNED PREGNANCY**

**SCHEDULE OF FRINGE BENEFITS
For the Year Ended December 31, 2010**

Paid leave	\$ 483,729
Payroll taxes	188,386
Retirement	160,015
Health insurance benefits	145,831
Payroll services	23,544
Workers' compensation	9,280
Communications allowance	7,800
Other insurance benefits	1,986
Tuition assistance	<u>1,919</u>
 TOTAL FRINGE BENEFITS	 <u>\$ 1,022,490</u>

**THE NATIONAL CAMPAIGN TO PREVENT
TEEN AND UNPLANNED PREGNANCY**

**SCHEDULE OF INDIRECT COSTS
For the Year Ended December 31, 2010**

	<u>Program Administration</u>	<u>General Administration</u>	<u>Total Costs</u>	<u>Adjustments</u>	<u>Adjusted Total Indirect Costs</u>
Salaries and wages	\$ 175,215	\$ 549,380	\$ 724,595	\$ -	\$ 724,595
Rent and storage	41,500	157,768	199,268	340,451	539,719
Fringe benefits	69,534	232,984	302,518	-	302,518
Depreciation and amortization	9,704	38,074	47,778	137,500	185,278
Accounting and audit services	-	58,492	58,492	-	58,492
Conference and meeting expenses	14,613	4,416	19,029	-	19,029
Telephone and fax	4,028	9,701	13,729	-	13,729
Staff travel	7,790	3,618	11,408	-	11,408
Insurance	-	10,729	10,729	-	10,729
Publications and copying	1,953	8,747	10,700	-	10,700
Bank charges	-	7,557	7,557	333	7,890
Facilities/other office costs	-	3,436	3,436	3,745	7,181
Computer supplies and maintenance	3,322	3,767	7,089	-	7,089
Office supplies	1,653	3,730	5,383	42	5,425
Postage and shipping	2,088	2,729	4,817	-	4,817
Consultants and contract services	1,887	-	1,887	-	1,887
Taxes (non-payroll)	-	1,690	1,690	-	1,690
Advertising and marketing	1,345	1,536	2,881	(1,345)	1,536
Legal services	-	78,610	78,610	(78,017)	593
Investment management fees	-	71,920	71,920	(71,920)	-
Copier lease interest	270	1,175	1,445	(1,445)	-
Working meals	-	-	-	-	-
Miscellaneous expenses	549	13,151	13,700	(13,700)	-
Allocated cost recovery	-	(178,590)	(178,590)	178,590	-
TOTAL	<u>\$ 335,451</u>	<u>\$ 1,084,620</u>	<u>\$ 1,420,071</u>	<u>\$ 494,234</u>	<u>\$ 1,914,305</u>



**INDEPENDENT AUDITOR’S 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 of
The National Campaign to Prevent
Teen and Unplanned Pregnancy

We have audited the financial statements of The National Campaign to Prevent Teen and Unplanned Pregnancy (the Campaign) as of and for the year ended December 31, 2010, and have issued our report thereon dated May 3, 2011. 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 the Campaign’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 the Campaign’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Campaign’s internal control over financial reporting.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 the Campaign’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. 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*.

We noted certain other matters that we reported to management of the Campaign in a separate letter dated May 3, 2011.

This report is intended solely for the information and use of management, the Audit Committee, the Board of Directors, others within the entity, the U.S. Department of Health and Human Services, 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.

Raffa, P.C.

RAFFA, P.C.

Washington, DC

May 3, 2011



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND
MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors of
The National Campaign to Prevent Teen and Unplanned Pregnancy

CONSULTING
ACCOUNTING
TECHNOLOGY

*Certified Public
Accountants*

Compliance

We have audited The National Campaign to Prevent Teen and Unplanned Pregnancy's (the Campaign) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Campaign's major federal programs for the year ended December 31, 2010. The Campaign's major federal programs are 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 each of its major federal programs is the responsibility of the Campaign's management. Our responsibility is to express an opinion on the Campaign'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 the Campaign'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 the Campaign's compliance with those requirements.

In our opinion, the Campaign complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

Management of the Campaign 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 the Campaign's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the Campaign's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

This report is intended solely for the information and use of management, the Audit Committee, the Board of Directors, others within the entity, the U.S. Department of Health and Human Services, 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.

Raffa, P.C.

RAFFA, P.C.

Washington, DC
May 3, 2011

**THE NATIONAL CAMPAIGN TO PREVENT
TEEN AND UNPLANNED PREGNANCY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2010**

Federal Grantor/Pass-Through Grantor/Program Title	Agency or Pass-Through Grant Number	Federal CFDA Number	Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
National Center for Chronic Disease Prevention and Health Promotion			
<i>Maternal Infant and Reproductive Health:</i>			
National State Coalition Capacity			
Building	U65/CCU324968-05	93.946	\$ 363,523
Technical Assistance in Action	1U58DP002916-01	93.946	29,288
Total			392,811
 <i>Pass-through from the Dibble Fund for Marriage Education:</i>			
Healthy Demonstration, Priority Area 8	90-FE-0024-04	N/A	100,618
	90-FE-0024-05	N/A	11,910
Total			112,528
 <i>Cost reimbursement subcontract from Mathematical Policy Research:</i>			
Evaluation of Teen Pregnancy Approaches	6549-08-035	N/A	10,902
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 516,241

See accompanying notes to this schedule.

**THE NATIONAL CAMPAIGN TO PREVENT
TEEN AND UNPLANNED PREGNANCY**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2010**

1. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. Consequently, amounts are recorded as expenditures when the obligations are incurred. Expenses are incurred using the cost accounting principles contained in U.S. Office of Management and Budget (OMB) Circular A-122, *Cost Principles for Non-Profit Organizations*. Under those cost principles, certain types of expenses are not allowable or are limited as to reimbursement.

2. Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements

Expenditures per schedule of federal awards	\$ 516,241
Nonfederal grant and contract income	<u>11,210,000</u>
Grant and Contract Income Reported in the Statement of Activities	<u>\$ 11,726,241</u>

**THE NATIONAL CAMPAIGN TO PREVENT
TEEN AND UNPLANNED PREGNANCY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2010**

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: X Unqualified Qualified
 Adverse Disclaimer

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Type of auditor's report issued on compliance for major programs: X Unqualified Qualified
 Adverse Disclaimer

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None Reported

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Subpart B, Section 510? Yes X No

Identification of Major Program(s):

<u>Grant Number</u>	<u>Title</u>
U65/CCU324968-05	National State Coalition Capacity Building
1U58DP002916-01	Technical Assistance in Action
90-FE-0024-04	Healthy Demonstration, Priority Area 8

Dollar threshold used to distinguish between Type A programs: \$ 300,000

Auditee qualified as a low-risk auditee? X Yes No

**THE NATIONAL CAMPAIGN TO PREVENT
TEEN AND UNPLANNED PREGNANCY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2010**

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None required to be reported.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None required to be reported.