

Financial Statements

CARE NET

June 30, 2015

GENERAL ORGANIZATIONAL DATA

ORGANIZATION AND PURPOSE

Care Net was incorporated under the laws of the District of Columbia in July, 1986 to operate a nonstock, nonprofit organization. The Organization was originally incorporated as The Christian Action Council Education & Ministries Fund, Inc. D/B/A Care Net and officially changed its name to Care Net November 16, 1999.

Care Net provides training, support, professional assistance, materials, and leadership to independent affiliated crisis pregnancy centers and others involved in pro-life work. To achieve its purpose, Care Net focuses its work in a manner consistent with the Biblical and historical teachings of the Christian community concerning the sanctity of human life at all stages of its existence and development.

Care Net was granted exemption in July, 1987 from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

OFFICERS AND BOARD OF DIRECTORS

OFFICERS

Wendy J. Lowe, Chair
Lakita Wright, Vice Chair
Dennis Brown, Treasurer
Jason Vines, Secretary
Roland Warren, President & CEO
Cynthia C. Hopkins, Vice President Center Services

BOARD OF DIRECTORS

Dennis Brown	Thomas Mason
Jennifer Haas	John I. Maynard
Wendy J. Lowe	Jason Vines
Lakita Wright	

EX-OFFICIO BOARD MEMBER

Roland Warren

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Care Net
Lansdowne, Virginia

We have audited the accompanying financial statements of Care Net (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Care Net as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Care Net's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 13, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Leesburg, Virginia
October 30, 2015

Mitchell & Co., P.C.

CARE NET

STATEMENT OF FINANCIAL POSITION

June 30, 2015

(with June 30, 2014 comparative totals)

ASSETS	2015	2014
Current Assets		
Cash and cash equivalents	\$ 3,022,646	\$ 2,837,390
Accounts receivable	10,037	52,055
Pledges receivable	15,139	51,000
Inventory	57,654	38,797
Prepaid expenses	65,580	74,280
Total current assets	3,171,056	3,053,522
Property and Equipment		
Office furniture and equipment	152,758	134,725
Website	94,410	65,200
Leasehold improvements	30,000	30,000
	277,168	229,925
Less accumulated depreciation	(229,162)	(199,848)
	48,006	30,077
Total Assets	\$ 3,219,062	\$ 3,083,599
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 178,842	\$ 124,018
Accrued liabilities	188,178	140,712
Unearned income	209,844	239,778
Total current liabilities	576,864	504,508
Net Assets		
Unrestricted	2,586,679	2,577,147
Temporarily restricted	55,519	1,944
Total net assets	2,642,198	2,579,091
Total liabilities and net assets	\$ 3,219,062	\$ 3,083,599

See Notes to Financial Statements.

CARE NET

STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2015

(with June 30, 2014 comparative totals)

	2015		2015 Total	2014 Total
	Unrestricted	Temporarily Restricted		
SUPPORT AND REVENUE				
Public support				
Contributions	\$ 2,460,794	\$ 75,300	\$ 2,536,094	\$ 2,948,485
Grants	549,700	95,000	644,700	462,000
Affiliation fees	175,545	-	175,545	157,251
Total public support	3,186,039	170,300	3,356,339	3,567,736
Revenue				
Conference	532,878	343	533,221	543,690
Training	5,455	-	5,455	23,150
Resource sales	180,819	-	180,819	177,298
Interest/royalties	28,413	-	28,413	49,223
Miscellaneous	89,738	-	89,738	13,806
Total revenue	837,303	343	837,646	807,167
Net assets released from restrictions:				
Satisfaction of usage restrictions	117,068	(117,068)	-	-
Total support and revenue	4,140,410	53,575	4,193,985	4,374,903
EXPENSES				
Program expenses				
Center Services Operations	775,261	-	775,261	1,680,585
Public Education	941,946	-	941,946	468,945
Public and Center Services Outreach	553,373	-	553,373	-
Pregnancy Decision Line	519,837	-	519,837	497,801
Conference	457,356	-	457,356	272,352
Cost of goods sold	57,553	-	57,553	68,224
Total program expenses	3,305,326	-	3,305,326	2,987,907
Supporting services				
Management & general	321,032	-	321,032	466,570
Fundraising	504,520	-	504,520	703,833
Total expenses	4,130,878	-	4,130,878	4,158,310
Change in net assets	9,532	53,575	63,107	216,593
Net Assets, beginning of year	2,577,147	1,944	2,579,091	2,362,498
Net Assets, end of year	\$ 2,586,679	\$ 55,519	\$ 2,642,198	\$ 2,579,091

See Notes to Financial Statements.

CARE NET

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2015

(with June 30, 2014 comparative totals)

	Program Services									Totals	
	Center Services Operations	Public Education	Public and Center Services Outreach	Pregnancy Decision Line	Conference	Cost of Goods Sold	Total Program	Management and General	Fundraising	2015	2014
Salaries and related expenses											
Wages	\$ 364,328	\$ 311,918	\$ 265,159	\$ 237,710	\$ 139,603	\$ -	\$ 1,318,718	\$ 214,267	\$ 51,442	\$ 1,584,427	\$ 1,340,148
Employee Benefits	71,001	60,770	51,682	46,335	27,201	-	256,989	10,015	42,100	309,104	238,888
Payroll taxes	27,321	23,384	19,887	17,829	10,467	-	98,888	3,854	16,200	118,942	111,072
	<u>462,650</u>	<u>396,072</u>	<u>336,728</u>	<u>301,874</u>	<u>177,271</u>	<u>-</u>	<u>1,674,595</u>	<u>228,136</u>	<u>109,742</u>	<u>2,012,473</u>	<u>1,690,108</u>
Annual National Pregnancy Center Conference	-	-	-	-	-	-	-	-	-	-	272,352
Business expenses	5,040	1,127	8,887	859	17,316	-	33,229	1,442	23,554	58,225	26,362
Depreciation	3,835	3,282	2,792	2,503	1,469	-	13,881	13,160	2,274	29,315	43,729
Facilities & equipment	58,206	42,583	47,174	73,404	101,568	-	322,935	9,830	42,386	375,151	222,604
Public communication & appeal costs	-	152,226	-	-	-	-	152,226	-	140,854	293,080	281,643
Outreach development & data base management	-	324,604	-	-	-	-	324,604	-	78,030	402,634	360,000
Insurance	2,236	1,913	1,627	1,459	2,319	-	9,554	6,538	1,326	17,418	11,236
Supplies	2,474	1,229	3,247	1,858	2,113	-	10,921	2,007	4,567	17,495	2,995
Postage	1,490	615	536	469	2,400	-	5,510	357	1,940	7,807	2,075
Mailing services	-	-	-	-	-	-	-	-	34,145	34,145	-
Printing and publications	27,091	1,315	3,347	1,002	947	-	33,702	217	13,554	47,473	18,113
Telephone	4,793	4,103	3,905	4,164	4,235	-	21,200	1,474	3,027	25,701	1,715
Travel & meals	6,117	4	4,116	2,500	116,542	-	129,279	6,665	16,827	152,771	23,619
Sub-contractors	5,500	-	770	-	-	-	6,270	-	-	6,270	66,126
Books & subscriptions	294	16	3,686	12	7	-	4,015	1,746	1,153	6,914	6,352
Program & training expenses	16,056	534	68,799	118,124	342	-	203,855	4,365	11,490	219,710	621,730
Information technology	8,563	7,329	8,968	5,597	3,281	-	33,738	1,318	13,271	48,327	23,753
Consulting fees	161,704	10	5,196	1,882	1,019	-	169,811	2	7	169,820	55,382
Other professional services	7,771	3,763	42,511	3,169	25,938	-	83,152	43,567	5,299	132,018	234,790
Freight & shipping	29	-	-	-	44	-	73	-	208	281	2,913
Other allocated costs	1,412	1,221	1,039	961	545	-	5,178	208	866	6,252	122,489
Costs of goods sold	-	-	-	-	-	57,553	57,553	-	-	57,553	68,224
Disposal of obsolete inventory	-	-	10,045	-	-	-	10,045	-	-	10,045	-
	<u>312,611</u>	<u>545,874</u>	<u>216,645</u>	<u>217,963</u>	<u>280,085</u>	<u>57,553</u>	<u>1,630,731</u>	<u>92,896</u>	<u>394,778</u>	<u>2,118,405</u>	<u>2,468,202</u>
Total expenses	\$ 775,261	\$ 941,946	\$ 553,373	\$ 519,837	\$ 457,356	\$ 57,553	\$ 3,305,326	\$ 321,032	\$ 504,520	\$ 4,130,878	\$ 4,158,310
June 30, 2014	\$ 1,680,585	\$ 468,945	\$ -	\$ 497,801	\$ 272,352	\$ 68,224	\$ 2,987,907	\$ 466,570	\$ 703,833	\$ 4,158,310	

See Notes to Financial Statements.

CARE NET

STATEMENT OF CASH FLOWS

For The Year Ended June 30, 2015

(with June 30, 2014 comparative totals)

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 63,107	\$ 216,593
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	29,315	43,729
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	42,018	(811)
Pledge receivable	35,861	65,000
Inventory	(18,857)	(4,786)
Prepaid expenses	8,700	(16,263)
Increase (decrease) in liabilities:		
Accounts payable	54,823	7,582
Unearned income	(29,934)	(5,728)
Accrued expenses	47,466	(99,612)
Net cash provided by (used in) operations	<u>232,499</u>	<u>205,704</u>
Cash Flows from Investing Activities		
Purchases of office equipment and furniture	(47,243)	(15,393)
Net cash (used in) investing activities	<u>(47,243)</u>	<u>(15,393)</u>
Net (decrease) increase in cash	185,256	190,311
Cash and Cash Equivalents		
Beginning	2,837,390	2,647,079
Ending	<u>\$ 3,022,646</u>	<u>\$ 2,837,390</u>

See Notes to Financial Statements.

CARE NET

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities

Care Net was organized to provide training, support, professional assistance, material, & leadership to independent affiliated crisis pregnancy centers and others involved in pro-life work. To achieve its purpose, Care Net focuses its work in a manner consistent with the Biblical and historical teachings of the Christian community concerning the sanctity of human life at all stages of its existence and development.

Significant Accounting Policies

The financial statements of Care Net have been prepared in accordance with policies followed by nonprofit organizations. The significant accounting policies that follow are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting: The financial statements of Care Net have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) as defined in the FASB Accounting Standards Codification (ASC) Topic 958, *Not-For-Profit Entities*. Under ASC Topic 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets based on the absence or existence and type of donor-imposed restrictions: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Property, Equipment and Depreciation: Expenditures for the acquisition of property and equipment of \$500 or more is capitalized at cost. Depreciation of office furniture and equipment is computed on a straight-line method over its estimated useful life of 3-5 years. Depreciation of leasehold improvements is computed on a straight-line method over the life of the lease. Costs of normal repairs and maintenance are expensed as incurred.

Allowance for Uncollectible Accounts Receivable: The reserve method is used to provide for possible uncollectible accounts receivable. The reserve is based upon management's knowledge and review of the outstanding items. Management has determined all outstanding accounts are collectible at June 30, 2015.

Income Taxes: The Organization is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3) and therefore, has made no provision for Federal income taxes. In addition, the Organization has no unrelated business taxable income. The Organization's management has adopted the guidance under ASC Topic 740, *Accounting for Uncertainty in Income Taxes*, and has evaluated the Organization's tax positions and concluded that the Organization has taken no uncertain tax provisions that would require adjustment to, or disclosure in, the financial statements to comply with the provisions of the guidance. Income tax reporting years open for IRS audit include years ended 2012, 2013, 2014 and 2015.

Promises to Give: Unconditional promises to give are recognized as revenues on a discounted basis in the period made. Conditional promises to give are recognized when the conditions on which they depend are substantially met and the promises become unconditional. Short duration promises to give are not discounted due to the short period of the unfulfilled donation.

CARE NET

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Restricted and Unrestricted Contributions: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted and reported in the statements of activities as net assets released.

Cash and Cash Equivalents: For purposes of reporting cash flows, the Organization considers all cash on demand deposits, money market deposits, cash management accounts, and certificates of deposit with an original maturity of three months or less to be cash equivalents.

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

Fund Accounting: The accounts of Care Net are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.

Revenue Recognition: Conference fees, Affiliation fees, and Training fees are reported as income over the period the fees relate. Funds received in advance of participation and for future periods are reported as deferred income.

Donated Noncash Assets: Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Inventory: Inventory is stated at the lower of cost or market. Cost is determined using the first-in, first-out method of valuation.

Functional Allocation of Expense: The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Costs: Advertising costs are expensed as incurred.

Note 2. Cash Deposits and Concentration of Credit Risks

The composition of cash deposits at June 30, 2015 and 2014, is as follows:

	2015	2014
US Bank	\$ 75,462	\$ 37,208
TD Bank	975,440	921,741
TD Ameritrade	1,971,744	1,878,441
	<u>\$ 3,022,646</u>	<u>\$2,837,390</u>

CARE NET

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash Deposits and Concentration of Credit Risks (Continued)

Individual bank combined cash account deposits up to \$250,000 are insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2015, Care Net had individual bank combined bank balances with TD Bank of \$962,616 exceeding FDIC insurance coverage limits by \$712,616. Cash balances in TD Ameritrade reserve account are fully insured under FDIC and SIPC private insurance.

Note 3. Fair Value of Financial Instruments

The Organization's financial instruments consist of cash and cash equivalents, pledged and accounts receivables, accounts payable and accrued expenses. The recorded values of these financial instruments approximate their fair values based on their short-term nature.

Note 4. Temporarily Restricted Contributions

A summary of temporarily restricted contribution activity for the year ended June 30, 2015 follows:

Unspent Restricted Contributions	Amount
Balance unspent at June 30, 2014	\$ 1,944
FYE 2015 Activity	
Donations	170,643
Expended	(117,068)
Unspent balance at June 30, 2015	<u>\$ 55,519</u>

Care Net receives contributions for a specific use purpose. Care Net monitors the use of the funds adhering to the specific use restriction. The restricted amounts are for several specific programs as follows:

Description	June 30	
	2015	2014
Services in Texas and Oklahoma	\$ 50,000	\$ -
Church initiative	3,232	-
Scholarship fund	2,287	1,944
	<u>\$ 55,519</u>	<u>\$ 1,944</u>

Note 5. Operating Office Leases

Lansdowne, Virginia

Care Net entered into an office space operating lease with Prison Fellowship Ministries commencing November 2006 for a term of five years, renewing in 2011 for four (4) years and renewing in May 2015 effective November 2015 for four (4) years expiring in October 2019. The lease terms provide for scheduled annual rental increases of 2 percent. Monthly rental expense for the Lansdowne facility for years ending June 30, 2015 and 2014 was \$16,533 and \$15,897, respectively and total 2014-2015 and 2013-2014 rental expense under this lease amounted to \$195,852 and \$188,421 respectively.

CARE NET

NOTES TO FINANCIAL STATEMENTS

Note 5. Operating Office Leases (Continued)

Future minimum office rent lease commitment under the Lansdowne, Virginia office operating leases is as follows:

Year ending June 30:	Virginia
2016	\$ 201,026
2017	205,002
2018	209,124
2019	213,313
2020	143,139
Total future commitment	<u>\$ 971,604</u>

Note 6. Defined Contribution Pension Plan

Care Net sponsors a defined contribution 401(k) pension plan covering all full time employees with at least 6 months of service. Employees elect to contribute amounts allowed under current law and Care Net matches the employee salary deferral up to 2% of compensation. In addition, Care Net makes an annual discretionary contribution to the plan for each eligible employee of 3% of their compensation. Care Net contributions are as follows:

Plan Contributions	June 30	
	2015	2014
Matching	\$ 16,828	\$ 14,009
Discretionary	39,896	30,107
	<u>\$ 56,724</u>	<u>\$ 44,116</u>

Note 7. Royalty Income

Care Net maintains distribution agreements with the several book authors. Royalties payable to Care Net under these agreements range from 3 percent to 25 percent of gross sales. Total royalties received in years ended June 30, 2015 and 2014 amounted to \$26,794 and \$48,276, respectively.

Note 8. Allocation of Joint Costs

Care Net has allocated the joint costs of providing calls to action and activities that include a fundraising appeal. Since only those activities which include both programmatic and fundraising components are included in this allocation, the amounts below do not include all the expenses presented in the statement of functional expense. For the year ended June 30, 2015, as shown in the statement of functional expenses, the allocation of the joint costs is summarized as follows:

Description	June 30	
	2015	2014
Programs	\$ 324,604	\$ 215,429
Fundraising	78,030	66,214
	<u>\$ 402,634</u>	<u>\$ 281,643</u>

CARE NET

NOTES TO FINANCIAL STATEMENTS

Note 9. Subsequent Events

Care Net has evaluated events and transactions subsequent to June 30, 2015 through October 30, 2015, the date these financial statements were available to be issued. Based on the definitions and requirements of the U.S. generally accepted accounting principles, management has not identified any events that have occurred subsequent to June 30, 2015 that require adjustment to, or disclosure in, the financial statements for the year ended June 30, 2015.