

Financial Statements

CARE NET

June 30, 2016

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

Thomas Mason, Chair
Kathleen Patterson, Ph.D, Co-Chair
Jennifer Haas, 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	Kathleen Patterson, Ph.D.
Bruce Hellen	Jason Vines
Douglas Knox	Lakita Wright

EX-OFFICIO BOARD MEMBER

Roland Warren

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MITCHELL & Co., P.C.

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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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Leesburg, Virginia
October 20, 2016

Mitchell & Co., P.C.

CARE NET

STATEMENT OF FINANCIAL POSITION

June 30, 2016

(with June 30, 2015 comparative totals)

ASSETS	2016	2015
Current Assets		
Cash and cash equivalents	\$ 2,620,134	\$ 3,022,646
Accounts receivable	189	10,037
Pledges receivable	50,000	15,139
Inventory	408,663	57,654
Prepaid expenses	140,282	65,580
Total current assets	3,219,268	3,171,056
Property and Equipment		
Office furniture and equipment	115,495	152,758
Website	45,960	94,410
Leasehold improvements	30,000	30,000
	191,455	277,168
Less accumulated depreciation	(162,063)	(229,162)
	29,392	48,006
Total Assets	\$ 3,248,660	\$ 3,219,062
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 30,440	\$ 178,842
Accrued liabilities	213,979	188,178
Unearned income	295,259	209,844
Total current liabilities	539,678	576,864
Net Assets		
Unrestricted	2,598,458	2,586,679
Temporarily restricted	110,524	55,519
Total net assets	2,708,982	2,642,198
Total liabilities and net assets	\$ 3,248,660	\$ 3,219,062

See Notes to Financial Statements.

CARE NET

STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2016

(with June 30, 2015 comparative totals)

	2016		2016 Total	2015 Total
	Unrestricted	Temporarily Restricted		
SUPPORT AND REVENUE				
Public support				
Contributions	\$ 2,605,440	\$ 126,153	\$ 2,731,593	\$ 2,536,094
Grants	301,200	435,000	736,200	644,700
Affiliation fees	177,506	-	177,506	175,545
Total public support	3,084,146	561,153	3,645,299	3,356,339
Revenue				
Conference	508,490	-	508,490	533,221
Training	2,374	-	2,374	5,455
Resource sales	184,221	-	184,221	180,819
Interest/royalties	19,009	-	19,009	28,413
Speaking honorariums	30,500	-	30,500	18,000
Miscellaneous	137	-	137	71,738
Total revenue	744,731	-	744,731	837,646
Net assets released from restrictions:				
Satisfaction of usage restrictions	506,148	(506,148)	-	-
Total support and revenue	4,335,025	55,005	4,390,030	4,193,985
EXPENSES				
Program expenses				
Center Services Operations	551,757	-	551,757	775,261
Public Education	1,177,889	-	1,177,889	941,946
Public and Center Services Outreach	619,546	-	619,546	553,373
Pregnancy Decision Line	597,535	-	597,535	519,837
Conference	523,528	-	523,528	457,356
Cost of goods sold	55,803	-	55,803	57,553
	3,526,058	-	3,526,058	3,305,326
Supporting services				
Management & general	452,973	-	452,973	321,032
Fundraising	344,215	-	344,215	504,520
Total expenses	4,323,246	-	4,323,246	4,130,878
Change in net assets	11,779	55,005	66,784	63,107
Net Assets, beginning of year	2,586,679	55,519	2,642,198	2,579,091
Net Assets, end of year	\$ 2,598,458	\$ 110,524	\$ 2,708,982	\$ 2,642,198

See Notes to Financial Statements.

CARE NET

STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2016
(with June 30, 2015 comparative totals)

	Program Services										Totals	
	Center Services Operations	Public Education	Public Center Services Outreach	Pregnancy Decision Line	Conference	Cost of Goods Sold	Total Program	Management and General	Fundraising	2016	2015	
Salaries and related expenses	\$ 312,683	\$ 357,151	\$ 310,539	\$ 252,032	\$ 160,954	\$ -	\$ 1,393,379	\$ 261,473	\$ 56,895	\$ 1,711,747	\$ 1,584,427	
Wages	55,958	79,183	59,048	42,776	31,503	-	268,468	62,130	10,787	341,385	309,104	
Employee Benefits	23,698	26,817	23,103	18,101	12,728	-	104,447	17,982	3,696	126,125	118,942	
Payroll taxes	392,339	463,151	392,690	312,929	205,185	-	1,766,294	341,585	71,378	2,179,257	2,012,473	
Business expenses	4,058	-	7,082	-	14,500	-	25,640	7,316	23,444	56,400	58,225	
Depreciation	1,806	1,630	1,482	1,333	741	-	6,992	6,667	1,156	14,815	29,315	
Facilities & equipment	40,382	46,996	41,670	42,181	22,352	-	193,581	23,732	5,222	222,535	375,151	
Public communication & appeal costs	-	539,618	-	-	-	-	539,618	-	99,626	639,244	293,080	
Outreach development & data base management	2,348	124,507	2,186	1,998	1,266	-	124,507	8,035	77,483	201,990	402,634	
Insurance	5,093	1,987	7,779	437	4,796	-	18,105	12,703	1,307	35,628	17,418	
Supplies	784	-	724	-	1,097	-	2,605	3,060	1,893	7,558	17,495	
Postage	-	-	-	-	-	-	-	-	1,893	1,893	7,807	
Mailing services	-	-	3,008	-	1,331	-	5,098	3,858	12,578	21,534	47,473	
Printing and publications	2,297	-	54	1,099	-	-	3,450	21,840	1,396	26,686	25,701	
Telephone	6,366	-	5,023	2,806	134,023	-	148,218	4,126	10,668	163,012	152,771	
Travel & meals	-	-	-	-	-	-	-	-	-	-	6,270	
Sub-contractors	45	-	92	-	-	-	137	19,871	100	20,108	6,914	
Books & subscriptions	669	-	59,199	147,738	11,547	-	219,153	-	-	219,153	219,710	
Program & training expenses	12,283	-	29,497	29,141	11,564	-	82,485	-	17,133	99,618	48,327	
Information technology	-	-	-	-	8,883	-	-	-	-	8,883	169,820	
Consulting fees	82,528	-	39,819	57,873	106,243	-	286,463	-	6,670	293,133	132,018	
Other professional services	-	-	24,850	-	-	-	24,850	180	122	25,152	281	
Freight & shipping	-	-	-	-	-	-	-	-	-	-	6,252	
Other allocated costs	-	-	-	-	-	-	-	-	-	-	57,553	
Costs of goods sold	-	-	-	-	-	55,803	-	-	-	55,803	-	
Disposal of obsolete inventory	-	-	4,391	-	-	-	4,391	-	-	4,391	10,045	
Total expenses	\$ 159,418	\$ 714,738	\$ 226,856	\$ 284,606	\$ 318,343	\$ 55,803	\$ 1,759,764	\$ 111,388	\$ 272,837	\$ 2,143,989	\$ 2,118,405	
June 30, 2015	\$ 551,757	\$ 1,177,889	\$ 619,546	\$ 597,535	\$ 523,528	\$ 55,803	\$ 3,526,058	\$ 452,973	\$ 344,215	\$ 4,323,246	\$ 4,130,878	
June 30, 2016	\$ 775,261	\$ 941,946	\$ 555,373	\$ 519,837	\$ 457,356	\$ 57,533	\$ 3,305,326	\$ 321,032	\$ 504,520	\$ 4,130,878		

See Notes to Financial Statements.

CARE NET**STATEMENT OF CASH FLOWS****For The Year Ended June 30, 2016****(with June 30, 2015 comparative totals)**

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 66,784	\$ 63,107
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	14,815	29,315
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	9,848	42,018
Pledge receivable	(34,861)	35,861
Inventory	(337,208)	(18,857)
Prepaid expenses	(74,702)	8,700
Increase (decrease) in liabilities:		
Accounts payable	(148,404)	54,823
Unearned income	85,415	(29,934)
Accrued expenses	25,801	47,466
Net cash provided by operations	<u>(392,512)</u>	<u>232,499</u>
Cash Flows from Investing Activities		
Purchases of office equipment and furniture	<u>(10,000)</u>	<u>(47,243)</u>
Net cash (used in) investing activities	<u>(10,000)</u>	<u>(47,243)</u>
Net (decrease) increase in cash	(402,512)	185,256
Cash and Cash Equivalents		
Beginning	3,022,646	2,837,390
Ending	<u>\$ 2,620,134</u>	<u>\$ 3,022,646</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, 2016.

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.

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, 2016 and 2015, is as follows:

	2016	2015
US Bank	\$ 263,074	\$ 75,462
TD Bank	477,084	975,440
TD Ameritrade	1,879,976	1,971,744
	<u>\$ 2,620,134</u>	<u>\$3,022,646</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, 2016, Care Net had individual bank combined bank balances with TD Bank of \$464,709 exceeding FDIC insurance coverage limits by \$214,709. US Bank has balances of \$260,241, exceeding FDIC insurance coverage limits by \$10,241. Cash balances in TD Ameritrade reserve account are insured under FDIC and under London private insurers.

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, 2016 follows:

<u>Unspent Restricted Contributions</u>	<u>Amount</u>
Balance unspent at June 30, 2015	\$ 55,519
FYE 2015 Activity	
Donations	561,154
Expended	(506,149)
Unspent balance at June 30, 2016	<u>\$ 110,524</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:

<u>Description</u>	<u>June 30</u>	
	<u>2016</u>	<u>2015</u>
Services in Texas and Oklahoma	\$ 50,000	\$ 50,000
Center services	5,005	
Church initiative	53,232	3,232
Scholarship fund	2,287	2,287
	<u>\$ 110,524</u>	<u>\$ 55,519</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, 2016 and 2015 was \$16,862 and \$16,533, respectively and total 2015-2016 and 2014-2015 rental expense under this lease amounted to \$201,026 and \$195,852 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
2017	\$ 205,002
2018	209,124
2019	213,313
2020	143,139
Total future commitment	\$ 770,578

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	
	2016	2015
Matching	\$ 22,862	\$ 16,828
Discretionary	45,376	39,896
	\$ 68,238	\$ 56,724

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, 2016 and 2015 amounted to \$17,726 and \$26,794, 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 years ended June 30, 2016 and 2015, the allocation of the joint costs is summarized as follows:

Description	June 30	
	2016	2015
Programs	\$ 664,125	\$ 476,830
Fundraising	177,109	218,884
	\$ 841,234	\$ 695,714

NOTES TO FINANCIAL STATEMENTS

Note 9. Subsequent Events

Care Net has evaluated events and transactions subsequent to June 30, 2016 through October 20, 2016, 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, 2016 that require adjustment to, or disclosure in, the financial statements for the year ended June 30, 2016.

