

Financial Statements

CARE NET

June 30, 2018

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
Dennis Brown, Treasurer
Shaunti Feldhahn, Secretary
Roland Warren, President & CEO

BOARD OF DIRECTORS

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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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 12, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Leesburg, Virginia
October 26, 2018

Mitchell & Co., P.C.

CARE NET

STATEMENT OF FINANCIAL POSITION

June 30, 2018

(with June 30, 2017 comparative totals)

ASSETS	2018	2017
Current Assets		
Cash and cash equivalents	\$ 2,646,835	\$ 2,264,540
Accounts receivable	25,545	12,609
Related organization pledge receivable	187,150	340,000
Other pledges receivable	-	50,000
Publication inventory	539,601	527,486
Prepaid expenses	80,769	158,390
Total current assets	3,479,900	3,353,025
Property and Equipment		
Office furniture and equipment	90,070	120,413
Website	53,460	49,710
Leasehold improvements	30,000	30,000
	173,530	200,123
Less accumulated depreciation	(146,587)	(179,341)
	26,943	20,782
Total Assets	\$ 3,506,843	\$ 3,373,807
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 170,223	\$ 49,732
Accrued payroll and paid time off	170,261	151,232
Unearned income	348,366	359,899
Total current liabilities	688,850	560,863
Net Assets		
Unrestricted	2,679,699	2,664,124
Temporarily restricted	138,294	148,820
Total net assets	2,817,993	2,812,944
Total liabilities and net assets	\$ 3,506,843	\$ 3,373,807

See Notes to Financial Statements.

CARE NET

STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2018

(with June 30, 2017 comparative totals)

	Unrestricted	Temporarily Restricted	Totals	
			2018	2017
SUPPORT AND REVENUE				
Public support				
Contributions	\$ 2,854,495	\$ 199,722	\$ 3,054,217	\$ 2,566,127
Grants	511,850	380,025	891,875	894,500
Total public support	<u>3,366,345</u>	<u>579,747</u>	<u>3,946,092</u>	<u>3,460,627</u>
Revenue				
Conference	545,992	-	545,992	585,750
Affiliation fees	184,176	-	184,176	171,938
Training	4,653	-	4,653	3,094
Resource sales	294,806	-	294,806	286,562
Interest/royalties	12,610	-	12,610	19,378
Speaking honorariums	71,203	-	71,203	63,450
Miscellaneous	4,131	-	4,131	3,707
Total revenue	<u>1,117,571</u>	<u>-</u>	<u>1,117,571</u>	<u>1,133,879</u>
Net assets released from restrictions:				
Satisfaction of usage restrictions	590,273	(590,273)	-	-
Total support and revenue	<u>5,074,189</u>	<u>(10,526)</u>	<u>5,063,663</u>	<u>4,594,506</u>
EXPENSES				
Program expenses				
Center Services Operations	752,030	-	752,030	547,952
Public Education	1,436,601	-	1,436,601	1,359,722
Public and Center Services Outreach	988,241	-	988,241	927,073
Pregnancy Decision Line	322,809	-	322,809	382,612
Conference	533,767	-	533,767	503,862
Cost of goods sold	246,839	-	246,839	136,517
Total program expenses	<u>4,280,287</u>	<u>-</u>	<u>4,280,287</u>	<u>3,857,738</u>
Supporting services				
Management & general	265,489	-	265,489	293,002
Fundraising	512,838	-	512,838	339,804
Total expenses	<u>5,058,614</u>	<u>-</u>	<u>5,058,614</u>	<u>4,490,544</u>
Change in net assets	15,575	(10,526)	5,049	103,962
Net Assets, beginning of year	<u>2,664,124</u>	<u>148,820</u>	<u>2,812,944</u>	<u>2,708,982</u>
Net Assets, end of year	<u>\$ 2,679,699</u>	<u>\$ 138,294</u>	<u>\$ 2,817,993</u>	<u>\$ 2,812,944</u>

See Notes to Financial Statements.

CARE NET

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2018

(with June 30, 2017 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	2018	2017
Salaries and related expenses											
Wages	\$ 323,902	\$ 681,473	\$ 376,882	\$ 111,920	\$ 107,484	\$ -	\$ 1,601,661	\$ 119,936	\$ 70,564	\$ 1,792,161	\$ 1,741,441
Employee Benefits	68,524	161,674	55,532	17,350	30,055	-	333,135	25,745	12,746	371,626	383,339
Payroll taxes	23,944	46,501	28,698	8,860	9,105	-	117,108	8,284	5,344	130,736	125,945
	<u>416,370</u>	<u>889,648</u>	<u>461,112</u>	<u>138,130</u>	<u>146,644</u>	<u>-</u>	<u>2,051,904</u>	<u>153,965</u>	<u>88,654</u>	<u>2,294,523</u>	<u>2,250,725</u>
Business expenses	1,200	-	18,957	354	10,574	-	31,085	497	69,859	101,441	77,658
Depreciation	2,874	6,140	3,183	953	1,012	-	14,162	1,063	612	15,837	17,278
Facilities & equipment	41,967	89,400	46,416	13,881	15,192	-	206,856	20,618	9,633	237,107	230,550
Public communication & appeal costs	-	324,512	-	-	-	-	324,512	-	73,750	398,262	457,599
Outreach development & data base management	-	99,418	-	-	-	-	99,418	-	22,594	122,012	199,200
Insurance	3,339	7,134	4,099	1,108	2,385	-	18,065	908	711	19,684	22,975
Supplies	4,989	104	7,625	824	8,546	-	22,088	1,013	2,856	25,957	28,925
Postage and mailing	284	453	7,012	149	387	-	8,285	405	-	8,690	24,006
Printing and publications	766	1,854	9,210	254	5,886	-	17,970	283	36,802	55,055	42,111
Telephone	1,849	3,317	3,647	1,063	1,686	-	11,562	1,264	567	13,393	23,967
Travel & meals	7,514	13,933	29,287	2,763	196,300	-	249,797	4,006	27,406	281,209	253,179
Books & subscriptions	541	-	-	-	-	-	541	1,300	841	2,682	1,195
Program & training expenses	3,028	405	122,305	118,182	115,803	-	359,723	3,096	17,343	380,162	303,387
Information technology	23,820	-	89,553	12,134	8,388	-	133,895	3,426	41,256	178,577	132,782
Consulting fees	500	-	2,630	-	13,545	-	16,675	18,695	-	35,370	9,981
Other professional services	84,606	-	127,316	32,602	509	-	245,033	54,950	108,788	408,771	170,210
Freight & shipping	-	-	51,440	-	-	-	51,440	-	432	51,872	47,977
Other allocated costs	1,145	283	4,449	412	6,910	-	13,199	-	10,734	23,933	46,578
Gift in kind	1,682	-	-	-	-	-	1,682	-	-	1,682	10,000
Grants awarded	155,556	-	-	-	-	-	155,556	-	-	155,556	-
Costs of goods sold	-	-	-	-	-	187,030	187,030	-	-	187,030	136,517
Publication inventory revaluation	-	-	-	-	-	59,809	59,809	-	-	59,809	3,744
	<u>335,660</u>	<u>546,953</u>	<u>527,129</u>	<u>184,679</u>	<u>387,123</u>	<u>246,839</u>	<u>2,228,383</u>	<u>111,524</u>	<u>424,184</u>	<u>2,764,091</u>	<u>2,239,819</u>
Total expenses	\$ 752,030	\$ 1,436,601	\$ 988,241	\$ 322,809	\$ 533,767	\$ 246,839	\$ 4,280,287	\$ 265,489	\$ 512,838	\$ 5,058,614	\$ 4,490,544
June 30, 2017	\$ 547,952	\$ 1,359,722	\$ 927,073	\$ 382,612	\$ 503,862	\$ 136,517	\$ 3,857,738	\$ 293,002	\$ 339,804	\$ 4,490,544	

See Notes to Financial Statements.

CARE NET

STATEMENT OF CASH FLOWS

For The Year Ended June 30, 2018

(with June 30, 2017 comparative totals)

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 5,049	\$ 103,962
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	15,837	17,278
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(12,936)	(12,420)
Related organization pledge receivable	152,850	(340,000)
Other pledges receivable	50,000	-
Publication inventory	(12,115)	(118,823)
Prepaid expenses	77,621	(18,108)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	120,491	8,402
Accrued payroll and paid time off	19,029	(51,857)
Unearned income	(11,533)	64,640
Net cash provided by (used in) operations	<u>404,293</u>	<u>(346,926)</u>
Cash Flows from Investing Activities		
Purchases of office equipment and furniture	(21,998)	(8,668)
Net cash (used in) investing activities	<u>(21,998)</u>	<u>(8,668)</u>
Net increase (decrease) in cash	382,295	(355,594)
Cash and Cash Equivalents		
Beginning	2,264,540	2,620,134
Ending	<u>\$ 2,646,835</u>	<u>\$ 2,264,540</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, 2018 and 2017.

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. For purchased items, cost is determined using the direct purchase method of valuation. Items for resale developed internally are stated at direct cost of development, revalued annually for possible obsolescence and excess costs over projected sale value.

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. 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.

CARE NET

NOTES TO FINANCIAL STATEMENTS

Note 3. Cash Deposits and Concentration of Credit Risks

The composition of cash deposits at June 30, 2018 and 2017, is as follows:

Bank	2018	2017
US Bank	\$ 204,215	\$ 19,145
TD Bank	488,370	366,063
TD Ameritrade	1,936,743	1,878,694
Paypal	17,507	638
	<u>\$ 2,646,835</u>	<u>\$ 2,264,540</u>

Individual bank combined cash account deposits up to \$250,000 are insured by the Federal Deposit Insurance Corporation (FDIC). TD Bank balances exceeded FDIC coverage limits by \$175,645, US Bank balances were fully insured. Cash balances in TD Ameritrade reserve account are insured under FDIC and under London private insurers.

Note 4. Publication Inventory

At June 30, 2018 and 2017, publication inventory on hand consisted of the following product types held for sale:

Description - publications and manuals	2018	2017
Paper hardcover	\$ 72,331	\$ 58,859
Electronic	467,270	468,627
	<u>\$ 539,601</u>	<u>\$ 527,486</u>

Note 5. Line of Credit Financing Facility

Care Net has available a \$400,000 revolving line of credit with TD Bank, N.A. Terms include interest due monthly at bank prime rate variable, due upon demand, renewed annually and secured by cash balances in TD Ameritrade, Inc. accounts. At June 30, 2018 there was no outstanding balance.

Note 6. Temporarily Restricted Net Contributions

A summary of temporarily restricted contribution activity for the year ended June 30, 2018 and 2017 is as follows:

Unspent Restricted Contributions	2018	2017
Balance unspent at beginning of year	\$ 148,820	\$ 110,524
Fiscal year activity		
Donations	579,747	373,886
Expended	(590,273)	(335,590)
Unspent balance at end of year	<u>\$ 138,294</u>	<u>\$ 148,820</u>

CARE NET

NOTES TO FINANCIAL STATEMENTS

Note 6. Temporarily Restricted Contributions (Continued)

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	2018	2017
Services in Texas and Oklahoma	\$ 50,000	\$ 50,000
Center services	-	5,642
Church initiative	50,000	70,870
Pregnancy Decision Line	38,294	22,308
	<u>\$ 138,294</u>	<u>\$ 148,820</u>

Note 7. In-kind Donations

The fair value of in-kind donations included as contributions in the financial statements and the corresponding program expenses for the years ended June 30, 2018 and 2017 are as follows:

Description	2018	2017
Promotional items	\$ 1,682	\$ -
Legal services	-	10,000
	<u>\$ 1,682</u>	<u>\$ 10,000</u>

Note 8. 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, 2018 and 2017 amounted to \$12,246 and \$18,749, respectively.

Note 9. 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	2018	2017
Matching	\$ 27,955	\$ 25,025
Discretionary	44,666	47,360
	<u>\$ 72,621</u>	<u>\$ 72,385</u>

CARE NET

NOTES TO FINANCIAL STATEMENTS

Note 10. Operating Office Leases

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, 2018 and 2017 was \$17,543 and \$17,194, respectively and total 2018 and 2017 rental expense under this lease amounted to \$214,884 and \$208,512 respectively.

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

Year ending June 30	Amount
2019	\$ 213,313
2020	143,139
Total future commitment	<u>\$ 356,452</u>

Note 11. 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, 2018 and 2017, the allocation of the joint costs is summarized as follows:

Description	2018	2017
Public Education	\$ 423,930	\$ 529,748
Fundraising	96,344	127,051
	<u>\$ 520,274</u>	<u>\$ 656,799</u>

Note 12. Provision for Unrelated Business Income Tax

During 2018 and 2017, the Organization had unrelated business taxable income of \$13,649 and \$9,899, respectively. Combined direct and indirect allocated costs exceeded the income, accordingly no tax was due or provision for income taxes was recorded.

Note 13. Subsequent Events

Care Net has evaluated events and transactions subsequent to June 30, 2018 through October 26, 2018, 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, 2018 that require adjustment to, or disclosure in, the financial statements for the year ended June 30, 2018.