

Financial Statements

CARE NET

June 30, 2012

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

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Wendy J. Lowe, Vice Chair
Deborah Jane R. Flora, Secretary
Michael A. Carnock, Sr., Treasurer
Melinda W. Delahoyde, President
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Joy H. Crosby, Vice President Outreach & Marketing
Cynthia C. Hopkins, Vice President Center Services
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Melinda W. Delahoyde

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Care Net
Lansdowne, Virginia

We have audited the accompanying statement of financial position of Care Net (a nonprofit organization) as of June 30, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's June 30, 2011 financial statements and, in our report dated October 7, 2011 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. 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 provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Care Net as of June 30, 2012, 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.

Leesburg, Virginia
September 18, 2012

Mitchell & Co., P.C.

CARE NET

STATEMENT OF FINANCIAL POSITION

June 30, 2012

(with June 30, 2011 comparative totals)

ASSETS	2012	2011
Current Assets		
Cash and cash equivalents	\$ 3,087,676	\$ 2,945,696
Accounts receivable	4,619	19,255
Pledges receivable	126,250	267,000
Inventory	51,873	109,255
Prepaid expenses	99,752	72,224
Total current assets	3,370,170	3,413,430
Rental deposit	1,990	1,990
Property and Equipment		
Office furniture and equipment	136,960	144,282
Website	93,950	62,450
Leasehold improvements	30,000	30,000
	260,910	236,732
Less accumulated depreciation	(111,516)	(194,795)
	149,394	41,937
Total Assets	\$ 3,521,554	\$ 3,457,357
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 211,244	\$ 155,113
Accrued liabilities	139,645	158,306
Unearned income	122,867	165,210
Total current liabilities	473,756	478,629
Net Assets		
Unrestricted	2,795,507	2,692,858
Temporarily restricted	252,291	285,870
Total net assets	3,047,798	2,978,728
Total liabilities and net assets	\$ 3,521,554	\$ 3,457,357

See Notes to Financial Statements.

CARE NET

STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2012

(with June 30, 2011 comparative totals)

	2012		2012 Total	2011 Total
	Unrestricted	Temporarily Restricted		
SUPPORT AND REVENUE				
Public support				
Contributions	\$ 2,511,206	\$ 17,262	\$ 2,528,468	\$ 3,087,404
Grants	468,000	592,000	1,060,000	887,739
In-Kind donations	-	-	-	1,654,753
Affiliation fees	157,150	-	157,150	147,900
Total public support	<u>3,136,356</u>	<u>609,262</u>	<u>3,745,618</u>	<u>5,777,796</u>
Revenue				
Conference	589,260	-	589,260	541,250
Program support	-	92,086	92,086	131,774
Training	34,625	-	34,625	41,575
Resource sales	298,543	-	298,543	371,374
Interest/royalties	36,024	-	36,024	26,022
Miscellaneous	41,253	-	41,253	3,600
Total revenue	<u>999,705</u>	<u>92,086</u>	<u>1,091,791</u>	<u>1,115,595</u>
Net assets released from restrictions:				
Satisfaction of usage restrictions	734,927	(734,927)	-	-
Total support and revenue	<u>4,870,988</u>	<u>(33,579)</u>	<u>4,837,409</u>	<u>6,893,391</u>
EXPENSES				
Program expenses				
Care Center services	2,395,755	-	2,395,755	2,673,633
Public education	990,667	-	990,667	666,517
Option Line/ Pregnancy Decision Line	536,832	-	536,832	2,283,946
Cost of publications sold	84,816	-	84,816	152,438
Total program expenses	<u>4,008,070</u>	<u>-</u>	<u>4,008,070</u>	<u>5,776,534</u>
Supporting services				
Management & general	422,237	-	422,237	379,756
Fundraising	338,032	-	338,032	734,306
Total expenses	<u>4,768,339</u>	<u>-</u>	<u>4,768,339</u>	<u>6,890,596</u>
Change in net assets	<u>102,649</u>	<u>(33,579)</u>	<u>69,070</u>	<u>2,795</u>
Net Assets, beginning of year	<u>2,692,858</u>	<u>285,870</u>	<u>2,978,728</u>	<u>2,975,933</u>
Net Assets, end of year	<u>\$ 2,795,507</u>	<u>\$ 252,291</u>	<u>\$ 3,047,798</u>	<u>\$ 2,978,728</u>

See Notes to Financial Statements.

CARE NET

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2012

(with June 30, 2011 comparative totals)

	Program Services							Totals	
	Center Services	Public Education	Option Line/ Pregnancy	Cost of Goods Sold	Total Program	Management and General	Fundraising	2012	2011
			Decision Line						
Salaries and related expenses									
Wages	\$ 751,388	\$ 343,165	\$ 43,403	\$ -	\$ 1,137,956	\$ 228,985	\$ 68,195	\$ 1,435,136	\$ 1,489,813
Employee Benefits	152,328	71,307	9,019	-	232,654	46,939	14,033	293,626	341,198
Payroll taxes	61,418	31,197	3,946	-	96,561	19,655	5,951	122,167	123,783
	965,134	445,669	56,368	-	1,467,171	295,579	88,179	1,850,929	1,954,794
Annual National Pregnancy Center Conference	355,826	-	-	-	355,826	-	-	355,826	320,665
Business expenses	25,060	-	450	-	25,510	11,812	1,905	39,227	38,645
Depreciation	29,251	-	-	-	29,251	4,934	1,057	35,242	34,912
Facilities & equipment	170,462	-	17,877	-	188,339	30,654	6,155	225,148	230,570
Donor acquisition & appeal costs	-	496,798	-	-	496,798	-	116,533	613,331	850,665
Donor development & data base management	-	27,713	-	-	27,713	-	108,000	135,713	201,443
Insurance	12,646	-	259	-	12,905	2,133	457	15,495	18,169
Supplies	8,756	-	4,292	-	13,048	1,477	316	14,841	10,549
Postage	7,420	-	-	-	7,420	1,252	268	8,940	14,354
Printing & publication	17,326	-	175	-	17,501	2,922	626	21,049	26,342
Telephone	24,561	-	31,017	-	55,578	4,143	888	60,609	35,632
Option Line/client outreach	-	-	289,745	-	289,745	-	-	289,745	605,485
Travel & meals	88,066	-	53,771	-	141,837	14,855	3,183	159,875	99,685
Consultants/sub-contractors	78,608	-	2,450	-	81,058	-	-	81,058	109,950
Books & subscriptions	510	-	2	-	512	1,906	2,189	4,607	9,700
Donated In-Kind services expensed	-	-	-	-	-	-	-	-	1,654,753
Program & training expenses	251,230	20,487	322	-	272,039	114	4,805	276,958	263,603
Information technology	48,456	-	1,149	-	49,605	8,173	1,751	59,529	49,406
Consulting fees	115,022	-	54,632	-	169,654	474	-	170,128	98,440
Other professional services	80,982	-	19,092	-	100,074	37,119	713	137,906	73,896
Freight & shipping	5,787	-	886	-	6,673	976	209	7,858	5,283
Event costs	88,624	-	638	-	89,262	-	-	89,262	-
Other allocated costs	22,028	-	3,707	-	25,735	3,714	798	30,247	31,217
Costs of publications sold	-	-	-	84,816	84,816	-	-	84,816	152,438
	1,430,621	544,998	480,464	84,816	2,540,899	126,658	249,853	2,917,410	4,935,802
Total expenses	\$ 2,395,755	\$ 990,667	\$ 536,832	\$ 84,816	\$ 4,008,070	\$ 422,237	\$ 338,032	\$ 4,768,339	\$ 6,890,596

CARE NET

STATEMENT OF CASH FLOWS

For The Year Ended June 30, 2012

(with June 30, 2011 comparative totals)

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 69,070	\$ 2,795
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	35,242	34,912
Changes in assets and liabilities:		
(Increase) Decrease in Assets:		
Accounts receivable	14,636	1,916
Pledge receivable	140,750	140,000
Inventory	57,382	(44,447)
Prepaid expenses	(27,528)	(14,025)
Increase (Decrease) in Liabilities:		
Accounts payable	56,131	39,666
Unearned income	(42,343)	12,819
Accrued expenses	(18,661)	28,813
Net cash provided by operations	<u>284,679</u>	<u>202,449</u>
Cash Flows from Investing Activities		
Purchases of office equipment and furniture	(142,699)	(36,994)
Net cash (used in) investing activities	<u>(142,699)</u>	<u>(36,994)</u>
Net increase in cash	141,980	165,455
Cash and Cash Equivalents		
Beginning	2,945,696	2,780,241
Ending	<u>\$ 3,087,676</u>	<u>\$ 2,945,696</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, 2012.

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 2009, 2010, 2011 and 2012.

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, & Training fees are reported as income over the period the fees relate. Funds received in advance of participation & 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.

Note 2. Cash Deposits and Concentration of Credit Risks

The composition of cash deposits at June 30, 2012 and 2011, is as follows:

	2012	2011
US Bank	\$ 182,786	\$ 136,749
Wachovia Bank	43,044	43,022
TD Bank	994,321	900,279
TD Ameritrade	1,867,525	1,865,645
Fidelity Investments - money market	-	1
	<u>\$ 3,087,676</u>	<u>\$2,945,696</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, 2012, Care Net had individual bank combined bank balances of \$966,107 exceeding FDIC insurance coverage limits by \$716,107. Cash balances in Fidelity Investment money market and TD Ameritrade reserve account are insured under private insurance SIPC.

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 contributions for the year ended June 30, 2012 follows:

Unspent Restricted Contributions	Amount
June 30, 2011	\$ 285,870
FYE 2012 Activity	
Donations	701,348
Expended	(734,927)
June 30, 2012	<u>\$ 252,291</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	
	2012	2011
Option Line phone system referral	\$ -	\$ -
Billboards	306	91,821
Pacific southwest initiative	-	75,949
Fatherhood initiative	56,650	114,000
Scholarship fund	3,099	4,100
Pregnancy Decision Line	192,236	-
	<u>\$ 252,291</u>	<u>\$ 285,870</u>

Note 5. Operating Office Leases

Birmingham, Alabama

Care Net entered into an office space operating lease with Century/Chase, LLC, commencing July 2008. The term of the lease is for three years and provides for scheduled rental increases. Total 2011-2012 rental expense under this lease amounted to \$3,745. This office space lease lapsed in July 2011 without renewal.

CARE NET

NOTES TO FINANCIAL STATEMENTS

Note 5. Operating Office Leases (Continued)

Lansdowne, Virginia

Care Net entered into an office space operating lease with Prison Fellowship Ministries commencing November 2006 for a term of five years providing for scheduled annual rental increases of 4 percent. Care Net renewed the office space operating lease for an additional term of four years. The new lease terms provide for scheduled annual rental increases of 4 percent starting in the third year. Monthly rental expense for the Lansdowne facility at June 30, 2012 was \$15,311 and total 2011-2012 rental expense under this lease amounted to \$183,733.

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

<u>Year ending June 30:</u>	<u>Virginia</u>
2013	183,733
2014	188,421
2015	195,852
2016	66,132
Total future commitment	<u><u>\$634,139</u></u>

Arlington, Texas

Care Net entered into an office space operating lease with Life Corporation commencing in March 2012 for a term of one year with terms including monthly payments of \$4,500. Rental expense for the Arlington facility for 2012 was \$18,000. 2013 future minimum office rent lease commitment is \$36,000.

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:

	<u>June 30</u>	
<u>Plan Contributions</u>	<u>2012</u>	<u>2011</u>
Matching	\$ 18,747	\$ 20,090
Discretionary	38,787	39,891
	<u><u>\$ 57,534</u></u>	<u><u>\$ 59,981</u></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, 2012 and 2011 amounted to \$33,243 and \$19,203, respectively.

CARE NET

NOTES TO FINANCIAL STATEMENTS

Note 8. Joint Venture

Care Net entered into a joint venture agreement with Heartbeat International, a nonprofit organization, to operate a toll-free helpline, called Option Line. Option Line employs individuals who provide assistance to women in dealing with pregnancy related issues. Under the terms of agreement, Care Net shares in the management of the joint venture and is obligated to make contribution to the joint venture to maintain sufficient funds to meet all obligations. The joint venture between Care Net and Heartbeat International ended on February 15, 2012. Care Net contribution to the joint venture for the years ended June 30, 2012 and 2011 were \$289,745 and \$605,485, respectively.

Note 9. In-Kind Donations

In-Kind donations consist of the following:

Description	June 30	
	2012	2011
Billboard and keyword advertising	\$ -	\$ 7,750
TV advertising	-	1,647,003
	<u>\$ -</u>	<u>\$1,654,753</u>

Note 10. Subsequent Events

Care Net has evaluated events and transactions subsequent to June 30, 2012 through September 18, 2012, 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, 2012 that require adjustment to, or disclosure in, the financial statements for the year ended June 30, 2012.