

Financial Statements

CARE NET

June 30, 2017

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

Dennis Brown	Douglas Knox
Shaunti Feldhahn	Thomas Mason
Jennifer Haas	Kathleen Patterson, Ph.D.
Bruce Hellen	Jerry Regier
Joseph Infranco	Dr. Christopher Ryan

EX-OFFICIO BOARD MEMBER

Roland Warren

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MITCHELL & Co., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

JEFFREY D. MITCHELL, CPA
SANDRA M. TONDREAU, CPA
W. MATTHEW BURNS, CPA

AMANDA M. NOORDHOFF, CPA
KARA J. SANTMYER, CPA
TONJI M. LEISS, CPA

110 EAST MARKET STREET 108 W. WASHINGTON STREET
SUITE 200 SUITE 203
LEESBURG, VIRGINIA 20176 MIDDLEBURG, VIRGINIA 20117
703.777.4900 540.883.3173
WWW.MCOCPA.COM | FAX: 703.771.3082

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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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 20, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Leesburg, Virginia
October 12, 2017

Mitchell & Co., P.C.

CARE NET

STATEMENT OF FINANCIAL POSITION

June 30, 2017

(with June 30, 2016 comparative totals)

ASSETS	2017	2016
Current Assets		
Cash and cash equivalents	\$ 2,264,540	\$ 2,620,134
Accounts receivable	12,609	189
Pledges receivable	390,000	50,000
Inventory	527,486	408,663
Prepaid expenses	158,390	140,282
Total current assets	3,353,025	3,219,268
Property and Equipment		
Office furniture and equipment	120,413	115,495
Website	49,710	45,960
Leasehold improvements	30,000	30,000
	200,123	191,455
Less accumulated depreciation	(179,341)	(162,063)
	20,782	29,392
Total Assets	\$ 3,373,807	\$ 3,248,660
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 38,682	\$ 30,440
Accrued liabilities	162,282	213,979
Unearned income	359,899	295,259
Total current liabilities	560,863	539,678
Net Assets		
Unrestricted	2,664,124	2,598,458
Temporarily restricted	148,820	110,524
Total net assets	2,812,944	2,708,982
Total liabilities and net assets	\$ 3,373,807	\$ 3,248,660

See Notes to Financial Statements.

CARE NET

STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2017

(with June 30, 2016 comparative totals)

	Unrestricted	Temporarily Restricted	Totals	
			2017	2016
SUPPORT AND REVENUE				
Public support				
Contributions	\$ 2,494,741	\$ 71,386	\$ 2,566,127	\$ 2,731,593
Grants	592,000	302,500	894,500	736,200
Total public support	<u>3,086,741</u>	<u>373,886</u>	<u>3,460,627</u>	<u>3,467,793</u>
Revenue				
Conference	585,750	-	585,750	508,490
Affiliation fees	171,938	-	171,938	177,506
Training	3,094	-	3,094	2,374
Resource sales	286,562	-	286,562	184,221
Interest/royalties	19,378	-	19,378	19,009
Speaking honorariums	63,450	-	63,450	30,500
Miscellaneous	3,707	-	3,707	137
Total revenue	<u>1,133,879</u>	<u>-</u>	<u>1,133,879</u>	<u>922,237</u>
Net assets released from restrictions:				
Satisfaction of usage restrictions	335,590	(335,590)	-	-
Total support and revenue	<u>4,556,210</u>	<u>38,296</u>	<u>4,594,506</u>	<u>4,390,030</u>
EXPENSES				
Program expenses				
Center Services Operations	547,952	-	547,952	551,757
Public Education	1,359,722	-	1,359,722	1,177,889
Public and Center Services Outreach	927,073	-	927,073	619,546
Pregnancy Decision Line	382,612	-	382,612	597,535
Conference	503,862	-	503,862	523,528
Cost of goods sold	136,517	-	136,517	55,803
Total program expenses	<u>3,857,738</u>	<u>-</u>	<u>3,857,738</u>	<u>3,526,058</u>
Supporting services				
Management & general	293,002	-	293,002	452,973
Fundraising	339,804	-	339,804	344,215
Total expenses	<u>4,490,544</u>	<u>-</u>	<u>4,490,544</u>	<u>4,323,246</u>
Change in net assets	65,666	38,296	103,962	66,784
Net Assets, beginning of year	<u>2,598,458</u>	<u>110,524</u>	<u>2,708,982</u>	<u>2,642,198</u>
Net Assets, end of year	<u>\$ 2,664,124</u>	<u>\$ 148,820</u>	<u>\$ 2,812,944</u>	<u>\$ 2,708,982</u>

See Notes to Financial Statements.

CARE NET

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2017

(with June 30, 2016 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	2017	2016
	Salaries and related expenses										
Wages	\$ 276,784	\$ 563,709	\$ 412,019	\$ 166,867	\$ 120,841	\$ -	\$ 1,540,220	\$ 163,594	\$ 37,627	\$ 1,741,441	\$ 1,711,747
Employee Benefits	60,515	125,248	90,083	36,277	26,421	-	338,544	35,986	8,809	383,339	341,385
Payroll taxes	20,017	40,768	29,798	12,072	8,739	-	111,394	11,830	2,721	125,945	126,125
	357,316	729,725	531,900	215,216	156,001	-	1,990,158	211,410	49,157	2,250,725	2,179,257
Business expenses	3,877	-	9,935	74	13,061	-	26,947	91	50,620	77,658	56,400
Depreciation	2,743	5,602	4,083	1,652	1,198	-	15,278	1,623	377	17,278	14,815
Facilities & equipment	35,952	73,422	53,518	21,654	15,747	-	200,293	25,311	4,946	230,550	222,535
Public communication & appeal costs	-	369,081	-	-	-	-	369,081	-	88,518	457,599	639,244
Outreach development & data base management	-	160,667	-	-	-	-	160,667	-	38,533	199,200	201,990
Insurance	3,304	6,747	5,861	1,990	2,663	-	20,565	1,955	455	22,975	19,127
Supplies	2,807	-	10,342	1,367	6,834	-	21,350	3,247	4,328	28,925	35,628
Postage	1,486	-	4,425	230	2,038	-	8,179	482	15,345	24,006	7,558
Mailing services	-	-	-	-	-	-	-	-	-	-	9,219
Printing and publications	451	-	7,840	-	3,314	-	11,605	-	30,506	42,111	21,534
Telephone	3,390	6,412	5,983	2,627	3,729	-	22,141	1,192	634	23,967	26,686
Travel & meals	4,540	8,066	27,837	669	194,237	-	235,349	2,007	15,823	253,179	163,012
Sub-contractors	-	-	-	-	-	-	-	-	-	-	-
Books & subscriptions	-	-	104	-	-	-	104	940	151	1,195	20,108
Program & training expenses	1,638	-	107,030	110,246	72,969	-	291,883	3,948	7,556	303,387	219,153
Information technology	18,763	-	60,787	21,253	10,202	-	111,005	6,718	15,059	132,782	99,618
Consulting fees	500	-	-	-	8,731	-	9,231	750	-	9,981	8,883
Other professional services	85,644	-	30,428	5,240	264	-	121,576	32,885	15,749	170,210	293,133
Freight & shipping	-	-	47,428	-	15	-	47,443	-	534	47,977	25,152
Other allocated costs	25,541	-	5,828	394	12,859	-	44,622	443	1,513	46,578	-
Gift in kind	-	-	10,000	-	-	-	10,000	-	-	10,000	-
Costs of goods sold	-	-	-	-	-	136,517	136,517	-	-	136,517	55,803
Disposal of obsolete inventory	-	-	3,744	-	-	-	3,744	-	-	3,744	4,391
	190,636	629,997	395,173	167,396	347,861	136,517	1,867,580	81,592	290,647	2,239,819	2,143,989
Total expenses	\$ 547,952	\$ 1,359,722	\$ 927,073	\$ 382,612	\$ 503,862	\$ 136,517	\$ 3,857,738	\$ 293,002	\$ 339,804	\$ 4,490,544	\$ 4,323,246
June 30, 2016	\$ 551,757	\$ 1,177,889	\$ 619,546	\$ 597,535	\$ 523,528	\$ 55,803	\$ 3,526,058	\$ 452,973	\$ 344,215	\$ 4,323,246	

See Notes to Financial Statements.

CARE NET

STATEMENT OF CASH FLOWS

For The Year Ended June 30, 2017

(with June 30, 2016 comparative totals)

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 103,962	\$ 66,784
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	17,278	14,815
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(12,420)	9,848
Pledge receivable	(340,000)	(34,861)
Inventory	(118,823)	(337,208)
Prepaid expenses	(18,108)	(74,702)
Increase (decrease) in liabilities:		
Accounts payable	8,242	(148,404)
Unearned income	64,640	85,415
Accrued expenses	(51,697)	25,801
Net cash (used in) operations	<u>(346,926)</u>	<u>(392,512)</u>
Cash Flows from Investing Activities		
Purchases of office equipment and furniture	(8,668)	(10,000)
Net cash (used in) investing activities	<u>(8,668)</u>	<u>(10,000)</u>
Net (decrease) in cash	(355,594)	(402,512)
Cash and Cash Equivalents		
Beginning	2,620,134	3,022,646
Ending	<u>\$ 2,264,540</u>	<u>\$ 2,620,134</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, 2017 and 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. 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, 2017 and 2016, is as follows:

Bank	2017	2016
US Bank	\$ 19,145	\$ 263,074
TD Bank	366,063	477,084
TD Ameritrade	1,878,694	1,879,976
Paypal	638	-
	<u>\$ 2,264,540</u>	<u>\$ 2,620,134</u>

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

Note 4. Inventories

At June 30, 2017 and 2016, inventory on hand consisted of the following product types held for sale:

Description - publications and manuals	2017	2016
Paper hardcover	\$ 58,859	\$ 31,564
Electronic	468,627	377,099
	<u>\$ 527,486</u>	<u>\$ 408,663</u>

Note 5. Temporarily Restricted Contributions

A summary of temporarily restricted contribution activity for the year ended June 30, 2017 and 2016 is as follows:

Unspent Restricted Contributions	2017	2016
Balance unspent at beginning of year	\$ 110,524	\$ 55,519
Fiscal year activity		
Donations	373,886	561,154
Expended	(335,590)	(506,149)
Unspent balance at end of year	<u>\$ 148,820</u>	<u>\$ 110,524</u>

CARE NET

NOTES TO FINANCIAL STATEMENTS

Note 5. 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	2017	2016
Services in Texas and Oklahoma	\$ 50,000	\$ 50,000
Center services	5,642	5,005
Church initiative	70,870	53,232
Scholarship fund	-	2,287
Pregnancy Decision Line	22,308	-
	<u>\$ 148,820</u>	<u>\$ 110,524</u>

Note 6. 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, 2017 and 2016 are as follows:

Description	2017	2016
Promotional items	\$ -	\$ 2,142
Legal services	10,000	-
	<u>\$ 10,000</u>	<u>\$ 2,142</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, 2017 and 2016 amounted to \$18,749 and \$17,726, respectively.

Note 8. 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	2017	2016
Matching	\$ 25,025	\$ 22,862
Discretionary	47,360	45,376
	<u>\$ 72,385</u>	<u>\$ 68,238</u>

CARE NET

NOTES TO FINANCIAL STATEMENTS

Note 9. 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, 2017 and 2016 was \$17,194 and \$16,862, respectively and total 2017 and 2016 rental expense under this lease amounted to \$208,512 and \$201,026 respectively.

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

Year ending June 30	Amount
2018	\$ 209,124
2019	213,313
2020	143,139
Total future commitment	<u>\$ 565,576</u>

Note 10. 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, 2017 and 2016, the allocation of the joint costs is summarized as follows:

Description	2017	2016
Public Education	\$ 529,748	\$ 664,125
Fundraising	127,051	177,109
	<u>\$ 656,799</u>	<u>\$ 841,234</u>

Note 11. Provision for Unrelated Business Income Tax

During 2017 and 2016, the Organization had unrelated business taxable income of \$9,899 and \$9,118, respectively. Combined direct and indirect allocated costs exceeded the income, accordingly no tax was due or provision for income taxes was recorded.

CARE NET

NOTES TO FINANCIAL STATEMENTS

Note 12. Subsequent Events

Care Net has evaluated events and transactions subsequent to June 30, 2017 through October 12, 2017, 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, 2017 that require adjustment to, or disclosure in, the financial statements for the year ended June 30, 2017.