

Financial Statements

CARE NET

June 30, 2011



MITCHELL & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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Eric H. Jensen, Vice Chair
Wendy J. Lowe, Secretary
Michael A. Carnock, Sr., Treasurer
Melinda W. Delahoyde, President
Lawrence A. Breeden, COO
Joy H. Crosby, Vice President Best Practices & Medical Center Services
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Cynthia C. Hopkins, Vice President Center Services
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EX-OFFICIO BOARD MEMBER

Melinda W. Delahoyde

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

1

FINANCIAL STATEMENTS

Statement of Financial Position

2

Statement of Activities

3

Statement of Functional Expenses

4

Statement of Cash Flows

5

Notes to Financial Statements

6-10

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 statement of financial position of Care Net (a nonprofit organization) as of June 30, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended June 30, 2011. 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, 2010 financial statements and, in our report dated October 4, 2010 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, 2011, 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
October 7, 2011

Mitchell & Co., P.C.

CARE NET**STATEMENT OF FINANCIAL POSITION****June 30, 2011****(with June 30, 2010 comparative totals)**

ASSETS	2011	2010
Current Assets		
Cash and cash equivalents	\$ 2,945,696	\$ 2,780,241
Accounts receivable	19,255	21,171
Pledges receivable	267,000	407,000
Inventory	109,255	64,808
Prepaid expenses	72,224	58,199
Total current assets	3,413,430	3,331,419
Rental deposit	1,990	1,990
Property and Equipment		
Office furniture and equipment	144,282	139,288
Website	62,450	30,450
Leasehold improvements	30,000	30,000
	236,732	199,738
Less accumulated depreciation	(194,795)	(159,883)
	41,937	39,855
Total Assets	\$ 3,457,357	\$ 3,373,264
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 155,113	\$ 115,447
Accrued liabilities	158,306	129,493
Unearned income	165,210	152,391
Total current liabilities	478,629	397,331
Net Assets		
Unrestricted	2,692,858	2,628,414
Temporarily restricted	285,870	347,519
Total net assets	2,978,728	2,975,933
Total liabilities and net assets	\$ 3,457,357	\$ 3,373,264

See Notes to Financial Statements.

CARE NET

STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2011
(with June 30, 2010 comparative totals)

	2011		2011 Total	2010 Total
	Unrestricted	Temporarily Restricted		
SUPPORT AND REVENUE				
Public support				
Contributions	\$ 2,980,480	\$ 106,924	\$ 3,087,404	\$ 2,758,416
Grants	722,739	165,000	887,739	1,078,000
In-Kind donations	1,654,753	-	1,654,753	1,135,490
Affiliation fees	147,900	-	147,900	147,175
Total public support	5,505,872	271,924	5,777,796	5,119,081
Revenue				
Advertising	-	-	-	17,184
Conference	541,250	-	541,250	397,776
Program support	-	131,774	131,774	256,426
Training	41,575	-	41,575	33,700
Resource sales	371,374	-	371,374	364,081
Interest/royalties	26,022	-	26,022	19,102
Miscellaneous	3,600	-	3,600	743
Total revenue	983,821	131,774	1,115,595	1,089,012
Net assets released from restrictions:				
Satisfaction of usage restrictions	465,347	(465,347)	-	-
Total support and revenue	6,955,040	(61,649)	6,893,391	6,208,093
EXPENSES				
Program expenses				
Care Center services	2,673,633	-	2,673,633	2,564,716
Public education	666,517	-	666,517	677,635
Option Line	2,283,946	-	2,283,946	1,687,114
Cost of publications sold	152,438	-	152,438	170,331
Total program expenses	5,776,534	-	5,776,534	5,099,796
Supporting services				
Management & general	379,756	-	379,756	420,999
Fundraising	734,306	-	734,306	625,892
Total expenses	6,890,596	-	6,890,596	6,146,687
Change in net assets	64,444	(61,649)	2,795	61,406
Net Assets, beginning of year	2,628,414	347,519	2,975,933	2,914,527
Net Assets, end of year	\$ 2,692,858	\$ 285,870	\$ 2,978,728	\$ 2,975,933

See Notes to Financial Statements.

CARE NET

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2011

(with June 30, 2010 comparative totals)

	Program Services					Total Program	Management and		Totals	
	Center Services	Public Education	Option Line	Cost of Goods Sold	General		Fundraising	- 2011	2010	
Salaries and related expenses										
Wages	\$ 1,038,776	\$ 182,870	\$ -	\$ -	\$ 1,221,646	\$ 208,575	\$ 59,592	\$ 1,489,813	\$ 1,376,964	
Employee Benefits	237,815	41,967	-	-	279,782	47,767	13,649	341,198	342,287	
Payroll taxes	86,277	15,225	-	-	101,502	17,329	4,952	123,783	114,116	
	<u>1,362,868</u>	<u>240,062</u>	<u>-</u>	<u>-</u>	<u>1,602,930</u>	<u>273,671</u>	<u>78,193</u>	<u>1,954,794</u>	<u>1,833,367</u>	
Annual National Pregnancy Center Conference	320,665	-	-	-	320,665	-	-	320,665	318,601	
Business expenses	32,075	-	-	-	32,075	5,024	1,546	38,645	35,709	
Depreciation	28,977	-	-	-	28,977	4,539	1,396	34,912	29,983	
Facilities & equipment	191,261	-	112	-	191,373	29,974	9,223	230,570	225,982	
Donor acquisition & appeal costs	-	340,266	-	-	340,266	-	510,399	850,665	733,578	
Donor development & data base management	-	80,577	-	-	80,577	-	120,866	201,443	257,850	
Insurance	15,080	-	-	-	15,080	2,362	727	18,169	16,984	
Supplies	8,756	-	-	-	8,756	1,371	422	10,549	14,331	
Postage	11,914	-	-	-	11,914	1,866	574	14,354	12,135	
Printing & publication	21,864	-	-	-	21,864	3,424	1,054	26,342	40,489	
Telephone	29,542	-	33	-	29,575	4,632	1,425	35,632	33,207	
Option Line/client outreach	-	605,485	-	-	605,485	-	-	605,485	532,300	
Travel & meals	74,681	5,612	2,446	-	82,739	12,959	3,987	99,685	87,684	
Consultants/sub-contractors	109,950	-	-	-	109,950	-	-	109,950	105,943	
Fees & subscriptions	8,051	-	-	-	8,051	1,261	388	9,700	8,145	
Donated In-Kind services expensed	-	-	1,654,753	-	1,654,753	-	-	1,654,753	1,135,490	
Program & training expenses	263,603	-	-	-	263,603	-	-	263,603	263,603	
Information technology	40,839	-	168	-	41,007	6,423	1,976	49,406	51,979	
Consulting fees	79,654	-	18,786	-	98,440	-	-	98,440	85,085	
Other professional services	49,519	-	-	-	49,519	24,377	-	73,896	71,239	
Freight & shipping	3,763	-	622	-	4,385	687	211	5,283	4,889	
Other allocated costs	20,571	-	1,541	-	22,112	7,186	1,919	31,217	77,783	
Costs of publications sold	-	-	-	152,438	152,438	-	-	152,438	170,331	
	<u>1,310,765</u>	<u>426,455</u>	<u>2,283,946</u>	<u>152,438</u>	<u>4,173,604</u>	<u>106,085</u>	<u>656,113</u>	<u>4,935,802</u>	<u>4,313,320</u>	
Total expenses	\$ 2,673,633	\$ 666,517	\$ 2,283,946	\$ 152,438	\$ 5,776,534	\$ 379,756	\$ 734,306	\$ 6,890,596	\$ 6,146,687	

CARE NET**STATEMENT OF CASH FLOWS****For The Year Ended June 30, 2011****(with June 30, 2010 comparative totals)**

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 2,795	\$ 61,406
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	34,912	29,983
Changes in assets and liabilities:		
(Increase) Decrease in Assets:		
Accounts receivable	1,916	(1,417)
Pledge receivable	140,000	(109,000)
Inventory	(44,447)	22,001
Prepaid expenses	(14,025)	(9,465)
Rental deposit	-	750
Increase (Decrease) in Liabilities:		
Accounts payable	39,666	25,973
Unearned income	12,819	20,678
Accrued expenses	28,813	(10,292)
Net cash provided by operations	<u>202,449</u>	<u>30,617</u>
Cash Flows from Investing Activities		
Purchases of office equipment and furniture	(36,994)	(35,932)
Net cash (used in) investing activities	<u>(36,994)</u>	<u>(35,932)</u>
Net (decrease) increase in cash	165,455	(5,315)
Cash and Cash Equivalents		
Beginning	2,780,241	2,785,556
Ending	<u>\$ 2,945,696</u>	<u>\$ 2,780,241</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, 2011.

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 2008, 2009 and 2010.

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, 2011 and 2010, is as follows:

	2011	2010
US Bank	\$ 136,749	\$ 141,352
Wachovia Bank	43,022	42,906
TD Bank	900,279	735,849
TD Ameritrade	1,865,645	-
Fidelity Investments - money market	1	1,860,134
	<u>\$ 2,945,696</u>	<u>\$ 2,780,241</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, 2011, Care Net had individual bank combined bank balances of \$877,146, exceeding FDIC insurance coverage limits by \$627,146. 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, 2011 follows:

Unspent Restricted Contributions	Amount
June 30, 2010	\$ 347,519
FYE 2011 Activity	
Donations	403,698
Expended	(465,347)
June 30, 2011	<u>\$ 285,870</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	
	2011	2010
Option Line phone system referral	\$ -	\$ 23,990
Billboards	91,821	8,452
Pacific southwest initiative	75,949	157,169
Fatherhood initiative	114,000	144,000
Scholarship fund	4,100	7,134
Other	-	6,774
	<u>\$ 285,870</u>	<u>\$ 347,519</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 2009-2010 rental expense under this lease amounted to \$26,160. 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 a 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, 2011 was \$15,311 and total 2010-2011 rental expense under this lease amounted to \$181,378.

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

Year ending June 30:	Virginia
2012	\$183,734
2013	183,734
2014	188,421
2015	195,852
2016	66,132
Total future commitment	<u>\$817,873</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	
	2011	2010
Matching	\$ 20,090	\$ 18,717
Discretionary	39,891	43,196
	<u>\$ 59,981</u>	<u>\$ 61,913</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, 2011 and 2010 amounted to \$19,203 and \$12,367, 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. Care Net contribution to the joint venture for the years ended June 30, 2011 and 2010 were \$605,485 and \$532,300, respectively.

Note 9. In-Kind Donations

In-Kind donations consist of the following:

Description	June 30	
	2011	2010
Billboard and keyword advertising	\$ 7,750	\$ 32,487
TV advertising	1,647,003	1,103,003
	<u>\$ 1,654,753</u>	<u>\$ 1,135,490</u>

Note 10. Subsequent Events

Care Net has evaluated events and transactions subsequent to June 30, 2011 through October 7, 2011, 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, 2011 that require adjustment to, or disclosure in, the financial statements for the year ended June 30, 2011.