

Financial Statements

CARE NET

June 30, 2013

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, Chair
C. Jeffrey Wright, Vice Chair
Deborah Jane R. Flora, Secretary
Jonathan C. Savage., Treasurer
Roland Warren, President & CEO
Cynthia C. Hopkins, Vice President Center Services

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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, 2013, 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, 2013, 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 2012 financial statements, and our report dated September 18, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Leesburg, Virginia
October 11, 2013

Mitchell & Co., P.C.

CARE NET**STATEMENT OF FINANCIAL POSITION****June 30, 2013****(with June 30, 2012 comparative totals)**

ASSETS	2013	2012
Current Assets		
Cash and cash equivalents	\$ 2,647,079	\$ 3,087,676
Accounts receivable	51,244	4,619
Pledges receivable	116,000	126,250
Inventory	34,011	51,873
Prepaid expenses	58,017	99,752
Total current assets	2,906,351	3,370,170
Rental deposit	-	1,990
Property and Equipment		
Office furniture and equipment	134,201	136,960
Website	58,450	93,950
Leasehold improvements	30,000	30,000
	222,651	260,910
Less accumulated depreciation	(164,239)	(111,516)
	58,412	149,394
Total Assets	\$ 2,964,763	\$ 3,521,554
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 116,435	\$ 211,244
Accrued liabilities	240,324	139,645
Unearned income	245,506	122,867
Total current liabilities	602,265	473,756
Net Assets		
Unrestricted	2,351,817	2,795,507
Temporarily restricted	10,681	252,291
Total net assets	2,362,498	3,047,798
Total liabilities and net assets	\$ 2,964,763	\$ 3,521,554

See Notes to Financial Statements.

CARE NET

STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2013

(with June 30, 2012 comparative totals)

	2013			2012 Total
	Unrestricted	Temporarily Restricted	2013 Total	
SUPPORT AND REVENUE				
Public support				
Contributions	\$ 2,713,527	\$ 11,774	\$ 2,725,301	\$ 2,528,468
Grants	182,000	260,000	442,000	1,060,000
Affiliation fees	159,400	-	159,400	157,150
Total public support	<u>3,054,927</u>	<u>271,774</u>	<u>3,326,701</u>	<u>3,745,618</u>
Revenue				
Conference	557,130	-	557,130	589,260
Program support	-	-	-	92,086
Training	15,000	-	15,000	34,625
Resource sales	200,514	-	200,514	298,543
Interest/royalties	112,206	-	112,206	36,024
Miscellaneous	3,637	-	3,637	41,253
Total revenue	<u>888,487</u>	<u>-</u>	<u>888,487</u>	<u>1,091,791</u>
Net assets released from restrictions:				
Satisfaction of usage restrictions	513,384	(513,384)	-	-
Total support and revenue	<u>4,456,798</u>	<u>(241,610)</u>	<u>4,215,188</u>	<u>4,837,409</u>
EXPENSES				
Program expenses				
Care Center services	2,371,757	-	2,371,757	2,395,755
Public education	885,591	-	885,591	990,667
Option Line/ Pregnancy Decision Line	482,071	-	482,071	536,832
Cost of publications sold	75,119	-	75,119	84,816
	<u>3,814,538</u>	<u>-</u>	<u>3,814,538</u>	<u>4,008,070</u>
Supporting services				
Management & general	517,546	-	517,546	422,237
Fundraising	568,404	-	568,404	338,032
Total expenses	<u>4,900,488</u>	<u>-</u>	<u>4,900,488</u>	<u>4,768,339</u>
Change in net assets	(443,690)	(241,610)	(685,300)	69,070
Net Assets, beginning of year	<u>2,795,507</u>	<u>252,291</u>	<u>3,047,798</u>	<u>2,978,728</u>
Net Assets, end of year	<u>\$ 2,351,817</u>	<u>\$ 10,681</u>	<u>\$ 2,362,498</u>	<u>\$ 3,047,798</u>

See Notes to Financial Statements.

CARE NET

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2013

(with June 30, 2012 comparative totals)

	Program Services							Totals		
	Center Services		Option Line/ Pregnancy Decision Line		Cost of Goods Sold	Total Program	Management and General		Fundraising	2012
	Public Education	Decision Line	Public Education	Decision Line			2013	2012		
Salaries and related expenses										
Wages	\$ 969,723	\$ 313,430	\$ 228,686	\$ -	\$ -	\$ 1,511,839	\$ 276,556	\$ 55,311	\$ 1,843,706	\$ 1,435,136
Employee Benefits	188,466	53,482	16,024	-	-	257,972	50,193	9,438	317,603	293,626
Payroll taxes	74,779	24,654	19,485	-	-	118,918	21,753	4,351	145,022	122,167
	1,232,968	391,566	264,195	-	-	1,888,729	348,502	69,100	2,306,331	1,850,929
Annual National Pregnancy Center Conference	315,562	-	-	-	-	315,562	-	-	315,562	355,826
Business expenses	36,784	-	19	-	-	36,803	6,729	1,346	44,878	39,227
Depreciation	52,166	-	-	-	-	52,166	9,543	1,908	63,617	35,242
Facilities & equipment	126,522	-	68,133	-	-	194,655	23,150	4,629	222,434	225,148
Donor acquisition & appeal costs	-	491,668	-	-	-	491,668	-	119,252	610,920	613,331
Donor development & data base management	-	2,357	-	-	-	2,357	-	360,000	362,357	135,713
Insurance	13,499	-	-	-	-	13,499	2,469	494	16,462	15,495
Supplies	8,829	-	1,309	-	-	10,138	1,615	323	12,076	14,841
Postage	4,662	-	35	-	-	4,697	853	171	5,721	8,940
Printing & publication	13,878	-	148	-	-	14,026	2,539	508	17,073	21,049
Telephone	23,243	-	24,543	-	-	47,786	4,252	850	52,888	60,609
Option Line/client outreach	-	-	-	-	-	-	-	-	-	289,745
Travel & meals	72,054	-	21,750	-	-	93,804	13,181	2,636	109,621	159,875
Consultants/sub-contractors	145,207	-	5,025	-	-	150,232	-	-	150,232	81,058
Books & subscriptions	869	-	14	-	-	883	159	32	1,074	4,607
Program & training expenses	110,176	-	-	-	-	110,176	-	-	110,176	276,958
Information technology	36,801	-	695	-	-	37,496	6,732	1,346	45,574	59,529
Consulting fees	4,442	-	2,519	-	-	6,961	-	-	6,961	170,128
Other professional services	52,008	-	37,287	-	-	89,295	75,136	1,272	165,703	137,906
Freight & shipping	3,127	-	74	-	-	3,201	572	114	3,887	7,858
Event costs	-	-	-	-	-	-	-	-	-	89,262
Other allocated costs	72,357	-	56,325	-	-	128,682	13,589	2,718	144,989	30,247
Costs of publications sold	-	-	-	-	75,119	75,119	-	-	75,119	84,816
Disposal of fixed assets	46,603	-	-	-	-	46,603	8,525	1,705	56,833	-
	1,138,789	494,025	217,876	-	75,119	1,925,809	169,044	499,304	2,594,157	2,917,410
Total expenses	\$ 2,371,757	\$ 885,591	\$ 482,071	\$ -	\$ 75,119	\$ 3,814,538	\$ 517,546	\$ 568,404	\$ 4,900,488	\$ 4,768,339

See Notes to Financial Statements.

CARE NET

STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2013
(with June 30, 2012 comparative totals)

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (685,300)	\$ 69,070
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	63,617	35,242
Loss on disposal of equipment	56,833	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(46,625)	14,636
Pledge receivable	10,250	140,750
Inventory	17,862	57,382
Prepaid expenses	43,725	(27,528)
Increase (decrease) in liabilities:		
Accounts payable	(94,810)	56,131
Unearned income	122,639	(42,343)
Accrued expenses	100,679	(18,661)
Net cash provided by (used in) operations	<u>(411,130)</u>	<u>284,679</u>
Cash Flows from Investing Activities		
Purchases of office equipment and furniture	(29,467)	(142,699)
Net cash (used in) investing activities	<u>(29,467)</u>	<u>(142,699)</u>
Net (decrease) increase in cash	(440,597)	141,980
Cash and Cash Equivalents		
Beginning	3,087,676	2,945,696
Ending	<u>\$ 2,647,079</u>	<u>\$ 3,087,676</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, 2013.

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 2010, 2011, 2012 and 2013.

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, 2013 and 2012, is as follows:

	2013	2012
US Bank	\$ 48,114	\$ 182,786
Wachovia Bank	43,065	43,044
TD Bank	689,510	994,321
TD Ameritrade	1,866,390	1,867,525
	<u>\$ 2,647,079</u>	<u>\$3,087,676</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, 2013, Care Net had individual bank combined bank balances with TD Bank of \$680,093 exceeding FDIC insurance coverage limits by \$430,093. Cash balances in 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, 2013 follows:

Unspent Restricted Contributions	Amount
June 30, 2012	\$ 252,291
FYE 2013 Activity	
Donations	271,774
Expended	(513,384)
June 30, 2013	<u>\$ 10,681</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	
	2013	2012
Billboards	\$ -	\$ 306
Fatherhood initiative	6,000	56,650
Scholarship fund	4,681	3,099
Pregnancy Decision Line	-	192,236
	<u>\$ 10,681</u>	<u>\$ 252,291</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 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 for years ending June 30, 2013 and 2012 was \$15,311 and \$15,311, respectively and total 2012-2013 and 2011-2012 rental expense under this lease amounted to \$183,733 and \$183,733 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
2014	188,421
2015	195,852
2016	66,132
Total future commitment	<u>\$450,406</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 years ended June 30, 2013 and 2012 was \$49,500 and \$18,000, respectively. Care Net did not renew this operating lease.

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	
	2013	2012
Matching	\$ 15,466	\$ 18,747
Discretionary	39,100	38,787
	<u>\$ 54,566</u>	<u>\$ 57,534</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, 2013 and 2012 amounted to \$110,618 and \$33,243, respectively.

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, 2013 and 2012 were \$0 and \$289,745, respectively.

CARE NET

NOTES TO FINANCIAL STATEMENTS

Note 9. Subsequent Events

Care Net has evaluated events and transactions subsequent to June 30, 2013 through October 11, 2013, 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, 2013 that require adjustment to, or disclosure in, the financial statements for the year ended June 30, 2013.