

Financial Statements

CARE NET

June 30, 2014

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

Wendy J. Lowe, Chair
C. Jeffrey Wright, Vice Chair
Michael A. Carnock, Sr., Treasurer
Roland Warren, President & CEO
Cynthia C. Hopkins, Vice President Center Services

BOARD OF DIRECTORS

Dennis Brown	Wendy J. Lowe
Shelley Cochrane	John I. Maynard
Michael A. Carnock, Sr.	Sherry Wright
C. Jeffrey Wright	

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, 2014, 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, 2014, 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 2013 financial statements, and our report dated October 11, 2013, 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, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Leesburg, Virginia
November 13, 2014

Mitchell & Co., P.C.

CARE NET

STATEMENT OF FINANCIAL POSITION

June 30, 2014

(with June 30, 2013 comparative totals)

ASSETS	2014	2013
Current Assets		
Cash and cash equivalents	\$ 2,837,390	\$ 2,647,079
Accounts receivable	52,055	51,244
Pledges receivable	51,000	116,000
Inventory	38,797	34,011
Prepaid expenses	74,280	58,017
Total current assets	3,053,522	2,906,351
Property and Equipment		
Office furniture and equipment	134,725	134,201
Website	65,200	58,450
Leasehold improvements	30,000	30,000
	229,925	222,651
Less accumulated depreciation	(199,848)	(164,239)
	30,077	58,412
Total Assets	\$ 3,083,599	\$ 2,964,763
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 124,018	\$ 116,435
Accrued liabilities	140,712	240,324
Unearned income	239,778	245,506
Total current liabilities	504,508	602,265
Net Assets		
Unrestricted	2,577,147	2,351,817
Temporarily restricted	1,944	10,681
Total net assets	2,579,091	2,362,498
Total liabilities and net assets	\$ 3,083,599	\$ 2,964,763

See Notes to Financial Statements.

CARE NET

STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2014
(with June 30, 2013 comparative totals)

	2014			2013 Total
	Unrestricted	Temporarily Restricted	2014 Total	
SUPPORT AND REVENUE				
Public support				
Contributions	\$ 2,940,945	\$ 7,540	\$ 2,948,485	\$ 2,725,301
Grants	192,000	270,000	462,000	442,000
Affiliation fees	157,251	-	157,251	159,400
Total public support	3,290,196	277,540	3,567,736	3,326,701
Revenue				
Conference	542,202	1,488	543,690	557,130
Training	23,150	-	23,150	15,000
Resource sales	177,298	-	177,298	200,514
Interest/royalties	49,223	-	49,223	112,206
Miscellaneous	13,806	-	13,806	3,637
Total revenue	805,679	1,488	807,167	888,487
Net assets released from restrictions:				
Satisfaction of usage restrictions	287,765	(287,765)	-	-
Total support and revenue	4,383,640	(8,737)	4,374,903	4,215,188
EXPENSES				
Program expenses				
Care Center services	1,352,937	-	1,352,937	2,371,757
Public education	468,945	-	468,945	885,591
Grants to other organizations	600,000	-	600,000	-
Option Line/ Pregnancy Decision Line	497,801	-	497,801	482,071
Cost of publications sold	68,224	-	68,224	75,119
Total program expenses	2,987,907	-	2,987,907	3,814,538
Supporting services				
Management & general	466,570	-	466,570	517,546
Fundraising	703,833	-	703,833	568,404
Total expenses	4,158,310	-	4,158,310	4,900,488
Change in net assets	225,330	(8,737)	216,593	(685,300)
Net Assets, beginning of year	2,351,817	10,681	2,362,498	3,047,798
Net Assets, end of year	\$ 2,577,147	\$ 1,944	\$ 2,579,091	\$ 2,362,498

See Notes to Financial Statements.

CARE NET

**STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2014
(with June 30, 2013 comparative totals)**

	Program Services							Totals		
	Center Services	Public Education	Option Line/ Pregnancy Decision Line	Grants	Cost of Goods Sold	Total Program	Management and General	Fundraising	2014	2013
Salaries and related expenses										
Wages	\$ 581,860	\$ 201,022	\$ 204,133	\$ -	\$ -	\$ 987,015	\$ 230,334	\$ 122,799	\$ 1,340,148	\$ 1,843,706
Employee Benefits	103,725	35,833	36,383	-	-	175,941	41,065	21,882	238,888	317,603
Payroll taxes	48,227	16,661	16,916	-	-	81,804	19,093	10,175	111,072	145,022
	<u>733,812</u>	<u>253,516</u>	<u>257,432</u>	<u>-</u>	<u>-</u>	<u>1,244,760</u>	<u>290,492</u>	<u>154,856</u>	<u>1,690,108</u>	<u>2,306,331</u>
Annual National Pregnancy Center Conference	272,352	-	-	-	-	272,352	-	-	272,352	315,562
Business expenses	7,534	-	-	-	-	7,534	80	18,748	26,362	44,878
Depreciation	8,651	-	138	-	-	8,789	34,857	83	43,729	63,617
Facilities & equipment	120,077	-	44,097	-	-	164,174	39,521	18,909	222,604	222,434
Donor acquisition & appeal costs	-	215,429	-	-	-	215,429	-	66,214	281,643	610,920
Donor development & data base management	-	-	-	-	-	-	1,932	1,029	360,000	362,357
Insurance	6,564	-	1,711	-	-	8,275	1,932	-	11,236	16,462
Supplies	368	-	385	-	-	753	2,242	-	2,995	12,076
Postage	754	-	754	-	-	1,508	187	1,134	2,645	5,721
Printing & publication	5,496	-	-	-	-	5,496	564	12,053	18,113	17,073
Telephone	536	-	(57)	-	-	479	1,067	169	1,715	52,888
Travel & meals	6,149	-	179	-	-	6,328	3,820	13,471	23,619	109,621
Consultants/sub-contractors	60,676	-	3,700	-	-	64,376	-	1,750	66,126	150,232
Books & subscriptions	3,018	-	-	-	-	3,018	2,813	521	6,352	1,074
Program & training expenses	15,188	-	217	-	-	15,405	2,149	4,176	21,730	110,176
Grants to other organizations	-	-	-	600,000	-	600,000	-	-	600,000	-
Information technology	5,900	-	16,818	-	-	22,718	485	550	23,753	45,574
Consulting fees	19,663	-	-	-	-	19,663	8,834	26,885	55,382	6,961
Other professional services	22,146	-	124,354	-	-	146,500	67,471	20,819	234,790	165,703
Freight & shipping	2,440	-	-	-	-	2,440	199	274	2,913	3,887
Other allocated costs	61,613	-	48,827	-	-	110,440	9,857	2,192	122,489	144,989
Costs of publications sold	-	-	-	-	68,224	68,224	-	-	68,224	75,119
Disposal of fixed assets	-	-	-	-	-	-	-	-	-	56,833
	<u>619,125</u>	<u>215,429</u>	<u>240,369</u>	<u>600,000</u>	<u>68,224</u>	<u>1,743,147</u>	<u>176,078</u>	<u>548,977</u>	<u>2,468,202</u>	<u>2,594,157</u>
Total expenses	\$ 1,352,937	\$ 468,945	\$ 497,801	\$ 600,000	\$ 68,224	\$ 2,987,907	\$ 466,570	\$ 703,833	\$ 4,158,310	\$ 4,900,488
June 30, 2013	\$ 2,371,757	\$ 885,591	\$ 482,071	\$ -	\$ 75,119	\$ 3,814,538	\$ 517,546	\$ 568,404	\$ 4,900,488	

See Notes to Financial Statements.

CARE NET

STATEMENT OF CASH FLOWS

For The Year Ended June 30, 2014

(with June 30, 2013 comparative totals)

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 216,593	\$ (685,300)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	43,729	63,617
Loss on disposal of equipment	-	56,833
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(811)	(46,625)
Pledge receivable	65,000	10,250
Inventory	(4,786)	17,862
Prepaid expenses	(16,263)	43,725
Increase (decrease) in liabilities:		
Accounts payable	7,582	(94,810)
Unearned income	(5,728)	122,639
Accrued expenses	(99,612)	100,679
Net cash provided by (used in) operations	<u>205,704</u>	<u>(411,130)</u>
Cash Flows from Investing Activities		
Purchases of office equipment and furniture	(15,393)	(29,467)
Net cash (used in) investing activities	<u>(15,393)</u>	<u>(29,467)</u>
Net (decrease) increase in cash	190,311	(440,597)
Cash and Cash Equivalents		
Beginning	2,647,079	3,087,676
Ending	<u>\$ 2,837,390</u>	<u>\$ 2,647,079</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, 2014.

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 2011, 2012, 2013 and 2014.

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, 2014 and 2013, is as follows:

	2014	2013
US Bank	\$ 37,208	\$ 48,114
Wachovia Bank	-	43,065
TD Bank	921,741	689,510
TD Ameritrade	1,878,441	1,866,390
	<u>\$ 2,837,390</u>	<u>\$2,647,079</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, 2014, Care Net had individual bank combined bank balances with TD Bank of \$1,558,671 exceeding FDIC insurance coverage limits by \$1,308,671. Cash balances in TD Ameritrade reserve account are fully insured under FDIC and SIPC private insurance.

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 contribution activity for the year ended June 30, 2014 follows:

Unspent Restricted Contributions	Amount
Balance unspent at June 30, 2013	\$ 10,681
FYE 2014 Activity	
Donations	279,028
Expended	<u>(287,765)</u>
Unspent balance at June 30, 2014	<u>\$ 1,944</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	
	2014	2013
Fatherhood initiative	\$ -	\$ 6,000
Scholarship fund	<u>1,944</u>	4,681
	<u>\$ 1,944</u>	<u>\$ 10,681</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, 2014 and 2013 was \$15,897 and \$15,311, respectively and total 2013-2014 and 2012-2013 rental expense under this lease amounted to \$188,421 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:

<u>Year ending June 30:</u>	<u>Virginia</u>
2015	195,852
2016	66,132
Total future commitment	<u>\$261,984</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 year ended June 30, 2013 was \$49,500. 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:

<u>Plan Contributions</u>	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
Matching	\$ 14,009	\$ 15,466
Discretionary	30,107	39,100
	<u>\$ 44,116</u>	<u>\$ 54,566</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, 2014 and 2013 amounted to \$48,276 and \$110,618, respectively.

Note 9. Subsequent Events

Care Net has evaluated events and transactions subsequent to June 30, 2014 through November 13, 2014, 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, 2014 that require adjustment to, or disclosure in, the financial statements for the year ended June 30, 2014.