

CARE NET

Financial Statements
With Independent Auditors' Report

June 30, 2021

CARE NET

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Care Net
Lansdowne, Virginia

We have audited the accompanying financial statements of Care Net, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and cash flow 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.

Auditors' 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.

Board of Directors
Care Net
Lansdowne, Virginia

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, 2021, and the change in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The June 30, 2020, financial statements of Care Net were audited by other auditors. In their report dated April 2, 2020, they expressed an unmodified opinion on those financial statements. The summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Capin Crouse LLP

Naperville, Illinois
November 11, 2021

CARE NET

Statement of Financial Position

June 30, 2021

With Comparative Totals for June 30, 2020

	<u>2021</u>	<u>2020</u>
ASSETS:		
Cash and cash equivalents	\$ 4,497,883	\$ 3,235,807
Investments	538,632	239,421
Accounts receivable	34,077	33,684
Contributions receivable	-	25,000
Other assets	177,140	100,286
Inventory	81,285	61,874
Property and equipment, net	54,090	3,711
Digital media, net	<u>526,060</u>	<u>450,253</u>
Total Assets	<u>\$ 5,909,167</u>	<u>\$ 4,150,036</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 241,569	\$ 221,066
Accrued payroll and vacation	289,817	207,013
Deferred revenue	589,431	305,364
Due to related organization	1,750,000	80,000
CARES Act PPP loan	-	472,015
	<u>2,870,817</u>	<u>1,285,458</u>
Net assets:		
Without donor restrictions	2,874,958	2,764,578
With donor restrictions	163,392	100,000
	<u>3,038,350</u>	<u>2,864,578</u>
Total Liabilities and Net Assets	<u>\$ 5,909,167</u>	<u>\$ 4,150,036</u>

See notes to financial statements

CARE NET

Statement of Activities

For the Year Ended June 30, 2021
With Comparative Totals for the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
SUPPORT AND REVENUE:				
Public support:				
Contributions	\$ 5,642,815	\$ 330,112	\$ 5,972,927	\$ 3,727,476
Grants	1,041,837	-	1,041,837	754,500
Total public support	6,684,652	330,112	7,014,764	4,481,976
Revenue:				
Conferences	361,520	-	361,520	530,890
Affiliation fees	173,873	-	173,873	176,284
Training	1,582	-	1,582	4,075
Resource sales	377,406	-	377,406	244,519
Interest/royalties	3,531	-	3,531	26,160
Investment income	110,702	-	110,702	35,281
Speaking honorariums	50,119	-	50,119	47,550
Miscellaneous	36,474	-	36,474	4,432
	1,115,207	-	1,115,207	1,069,191
RECLASSIFICATIONS:				
Satisfaction of purpose restrictions	266,720	(266,720)	-	-
Total support and revenue	8,066,579	63,392	8,129,971	5,551,167
EXPENSES:				
Program services:				
Center services operations	771,841	-	771,841	601,411
Public education	1,935,839	-	1,935,839	1,406,466
Public and center services outreach	1,531,894	-	1,531,894	1,232,702
Pregnancy decision line	334,642	-	334,642	358,389
Conference	528,317	-	528,317	599,574
Other program	1,841,616	-	1,841,616	354,556
Total program services	6,944,149	-	6,944,149	4,553,098
Supporting activities:				
General and administrative	324,551	-	324,551	233,381
Fundraising	687,499	-	687,499	723,041
Total supporting activities	1,012,050	-	1,012,050	956,422
Total Expenses	7,956,199	-	7,956,199	5,509,520
Change in Net Assets	110,380	63,392	173,772	41,647
Net Assets, Beginning of Year	2,764,578	100,000	2,864,578	2,822,931
Net Assets, End of Year	\$ 2,874,958	\$ 163,392	\$ 3,038,350	\$ 2,864,578

See notes to financial statements

CARE NET

Statement of Cash Flows

Year Ended June 30, 2021
With Comparative Totals for the Year Ended June 30, 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 173,772	\$ 41,647
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
CARES act PPP loan forgiveness recognized as revenue	(472,015)	-
Realized/unrealized gain on investments	(110,475)	(35,281)
Depreciation and amortization	198,751	99,452
Changes in assets and liabilities:		
Other assets	(76,854)	(33,548)
Accounts receivable	(393)	(24,400)
Contributions receivable	25,000	109,947
Inventory	(19,411)	170,107
Accounts payable and accrued expenses	20,503	74,724
Accrued payroll and paid time off	82,804	20,053
Deferred revenue	284,067	(62,344)
Due to related organization	1,670,000	(70,000)
Net Cash Provided by Operating Activities	1,775,749	290,357
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(200,051)	(204,140)
Proceeds from sale of investments	11,315	-
Digital media production	(268,579)	(299,694)
Purchase of property and equipment	(56,358)	-
Net Cash Used by Investing Activities	(513,673)	(503,834)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from CARES act PPP loan	-	472,015
Net Cash Provided by Financing Activities	-	472,015
Net Change in Cash and Cash Equivalents	1,262,076	258,538
Cash and Cash Equivalents, Beginning of Year	3,235,807	2,977,269
Cash and Cash Equivalents, End of Year	\$ 4,497,883	\$ 3,235,807
SUPPLEMENTAL DISCLOSURES:		
CARES act PPP loan forgiveness recognized as revenue	\$ 472,015	\$ -
Cash paid for interest	\$ -	\$ 1,059

See notes to financial statements

Care Net

Statement of Functional Expenses

Year Ended June 30, 2021
With Comparative Totals for the Year Ended June 30, 2020

	Program Activities							Supporting Activities			2021 Total	2020 Total
	Center Services Operations	Public Education	Public and Center Services	Pregnancy Decision Line	Conference	Other Programs	Total Program	Management and General	Fund-Raising	Total Supporting		
Salaries and payroll expenses	\$ 535,938	\$ 1,085,296	\$ 704,543	\$ 154,532	\$ 140,034	\$ 1,143	\$ 2,621,486	\$175,308	\$ 95,059	\$ 270,367	\$ 2,891,853	\$ 2,676,847
Bank fees	438	6,483	20,704	603	26,685	3,126	58,039	533	69,238	69,771	127,810	77,446
Professional services	107,982	152,584	376,843	34,971	23,090	11,020	706,490	91,598	153,358	244,956	951,446	783,082
Occupancy	6,053	48,392	52,093	8,343	12,681	42,917	170,479	6,813	7,032	13,845	184,324	193,537
Depreciation and amortization	19,640	836	174,117	144	219	742	195,698	2,933	122	3,055	198,753	99,452
Small equipment and repairs	393	3,161	7,837	644	1,234	5,008	18,277	445	1,892	2,337	20,614	16,797
Advertising and marketing	-	-	70,077	123,860	918	2,235	197,090	-	204,475	204,475	401,565	378,106
Space rental and vendor fees	362	35	4,503	-	149,822	1,500	156,222	-	349	349	156,571	132,026
Telephone	1,305	3,126	9,190	990	2,435	3,004	20,050	1,953	984	2,937	22,987	24,773
Supplies	5,980	3,392	14,929	2,246	3,810	3,117	33,474	2,084	5,990	8,074	41,548	33,129
Postage and shipping	611	206,850	34,149	10	2,246	1,250	245,116	108	37,829	37,937	283,053	155,239
Printing and publications	935	373,709	21,324	-	6,671	2	402,641	810	78,565	79,375	482,016	283,422
Other	1,907	40,387	13,753	1,283	4,109	6,909	68,348	33,374	11,130	44,504	112,852	50,264
Membership and dues	815	2,515	3,049	434	659	2,230	9,702	723	365	1,088	10,790	18,485
Insurance	742	5,935	6,694	1,023	7,945	5,264	27,603	4,633	863	5,496	33,099	24,859
Grant expense	-	-	-	-	-	1,750,000	1,750,000	-	-	-	1,750,000	80,000
Travel & meals	15,651	3,138	18,089	5,559	145,759	2,149	190,345	3,205	20,248	23,453	213,798	297,277
Cost of goods sold	73,089	-	-	-	-	-	73,089	31	-	31	73,120	184,779
	<u>\$ 771,841</u>	<u>\$ 1,935,839</u>	<u>\$ 1,531,894</u>	<u>\$ 334,642</u>	<u>\$ 528,317</u>	<u>\$ 1,841,616</u>	<u>\$ 6,944,149</u>	<u>\$324,551</u>	<u>\$687,499</u>	<u>\$ 1,012,050</u>	<u>\$ 7,956,199</u>	<u>\$ 5,509,520</u>

See notes to financial statements

CARE NET

Notes to financial statements

June 30, 2021

1. NATURE OF ORGANIZATION:

Care Net was organized and incorporated under the laws of the District of Columbia in 1986. 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 in 1999. Care Net was organized to provide training, support, professional assistance, material, 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 is incorporated under the laws of the District of Columbia to operate as a charitable organization within Section 501(c)(3) of the U.S. Internal Revenue Code (Code). Care Net is exempt from federal and state income taxes and contributions are tax deductible within the limitations prescribed by the Code. Care Net has been classified as public organization that is not a private foundation under Section 509(a) of the Code. Contributions are the primary source of support for Care Net.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from these estimates. The significant accounting policies followed are described below.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include checking, savings, money market accounts and certificates of deposit with original maturities of three months or less. At June 30, 2021 and 2020, Care Net bank balances exceeded FDIC coverage limits by \$920,015 and \$854,918, respectively. Care Net has not experienced any losses on these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

OTHER ASSETS

Other asset consist of prepaid insurance, conference expenses and other small expenses paid in advance of use.

INVENTORY

PROPERTY AND EQUIPMENT

Expenditures for property and equipment in excess of \$500 are capitalized at cost, or if donated, at fair market value on the date of the gift. Depreciation is computed on the straight-line method over their estimated useful lives of three to five years.

DIGITAL MEDIA

Expenditures to create digital media content is capitalized at cost by Care Net as content is produced by Care Net. Amortization of this content is computed based on a 3 years life as items are completed and placed in service.

CARE NET

Notes to financial statements

June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

The financial statements report amounts by class of net assets.

Net assets without donor restriction are those available for operations at the discretion of the Board to be used to further the exempt purposes of Care Net and those invested in property and equipment.

Net assets with donor restriction are funds which have been contributed with donor or grantor stipulations for specific operating purposes, and amounts for which timing restrictions have not been met.

REVENUES AND EXPENSES

Contributions and grant revenue are recorded when cash is received, unconditional promises are made or when ownership of donated assets is transferred. All contributions are considered available for use without donor restrictions, unless specifically restricted by the donor or subject to legal restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Program fees revenue is recorded when earned, and consists primarily of amounts paid for conference fees, resource fees and affiliate fees. Revenue for each source is recognized over the event period, or as sales fees are earned.

ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited based on the amount of hours worked by employees related to each category. The expenses that are allocated include occupancy, personnel costs, and certain office expenses, which are allocated on the basis of estimates of time and effort.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. Care Net adopted the provisions of this new standard during the year ended June 30, 2021. The new standard applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. There was no material impact to the financial statements as a result of adoption. Adoption of this standard had no effect on change in net assets or net assets in total. Additional disclosures regarding revenue accounting policies were added.

CARE NET

Notes to financial statements

June 30, 2021

3. INVESTMENTS:

Investments are presented at fair value based on reference to quoted market prices and consist of the following as of June 30, 2021:

Common stock	\$ 191,267
Exchange traded funds	15,875
Mutual funds	<u>331,490</u>
Total investments	<u>\$ 538,632</u>

4. FAIR VALUE MEASUREMENTS:

Care Net follows accounting standards which establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under accounting standards are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the Care Net has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The level in the fair value hierarchy within which the fair value measurement is classified is determined based on the lowest level of input that is significant to the fair value measurement in its entirety.

Fair values of assets measured on a recurring basis are as follows:

	June 30, 2021			
	Total	Level 1	Level 2	Level 3
Common stock	\$ 191,267	\$ 191,267	\$ -	\$ -
Exchange traded funds	15,875	15,875	-	-
Mutual funds	<u>331,490</u>	<u>331,490</u>	-	-
Total Investments	<u>\$ 538,632</u>	<u>\$ 538,632</u>	<u>\$ -</u>	<u>\$ -</u>

CARE NET

Notes to financial statements

June 30, 2021

5. PROPERTY AND EQUIPMENT, NET:

Property and equipment, net consists of the following as of June 30, 2021:

Office furniture	\$ 90,070
Leasehold Improvements	30,000
Construction in progress	42,750
Website development costs	67,068
Total	<u>229,888</u>
Less accumulated depreciation	<u>(175,798)</u>
	<u>\$ 54,090</u>

6. DIGITAL MEDIA, NET:

Digital media, net consists of the following as of June 30, 2021:

Centers of Excellence	\$ 657,315
Compassion Hope & Help Manual	19,736
Work in progress	299,262
Total	<u>976,313</u>
Less accumulated amortization	<u>(450,253)</u>
	<u>\$ 526,060</u>

7. LINE OF CREDIT:

Care Net has an available line of credit in the amount of \$400,000. Principal is due on demand and interest is payable monthly at the Wall Street Journal prime rate, with a floor of 4.25%. As of June 30, 2021 there were no draws on this line.

8. NET ASSETS WITH DONOR RESTRICTIONS:

Restricted by purpose as of June 30, 2021:

Making life disciples project	\$ 100,000
Pregnancy decision line	50,000
Affiliate portal update	<u>13,392</u>
Total	<u>\$ 163,392</u>

9. RETIREMENT PLAN:

Care net has established a defined contribution 401(k) retirement plan. All employees with at least 6 months of service are eligible to participate in the plan. Care Net matches employee contributions dollar-for-dollar up to 2% of the employee's salary. In addition, Care Net makes an annual discretionary contribution to the plan for each eligible employee of 3% of their compensation. Care Net made contributions to this plan totaling \$36,762 for the year ended June 30, 2021.

CARE NET

Notes to financial statements

June 30, 2021

10. SUPPORTING ORGANIZATION/RELATED PARTY:

Care Net Foundation (CNF) was organized for the purpose of supporting Care Net and other public charities. CNF is operated and supported by Care Net. As of June 30, 2021, Care Net had awarded a grant to CNF totaling \$1,750,000, this amount is recorded as due to related organization in these financial statements.

11. JOINT COSTS:

Care Net has allocated 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 the allocation, the amounts below do not include all expenses presented in the statement of functional expense for the year ended June 30, 2021, the allocation of joint costs is summarized as follows:

Public education	\$ 260,902
Fundraising	<u>58,171</u>
	<u><u>\$ 319,073</u></u>

12. OPERATING LEASE:

Care Net entered into an office space lease commencing November 2019 for a term of 5 years with monthly rental expense of \$15,239 and provides for annual increases of 2%. Total rental expense for the year ended June 30, 2021, was \$182,873.

Future minimum office rent lease commitment under this lease are as follows for years ending June 30:

2022	\$ 186,525
2023	190,256
2024	194,061
2025	<u>67,274</u>
Total	<u><u>\$ 638,117</u></u>

13. PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION:

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2020, of the prior year which the summarized information was derived.

CARE NET

Notes to financial statements

June 30, 2021

14. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects Care Net's financial assets, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year or due to contractual or donor-imposed restrictions. Care Net's general operations are funded by contributions from donors as well as grants from outside organizations. The financial assets available within one year of June 30, 2021, are as follows:

Financial assets:	
Cash and cash equivalents	\$ 4,497,883
Investments	538,632
Accounts receivable	34,077
	<hr/>
Less those unavailable for general expenditures within on year, due to:	
Donor-imposed purpose restrictions	(163,392)
	<hr/>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,907,200</u>

15. RISKS AND UNCERTAINTIES:

In March of 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of Care Net for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

16. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through November 11, 2021, which represents the date the financial statements were available to be issued.