

**GABRIEL PROJECT, INC**  
**d/b/a THE GABRIEL NETWORK**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**Years Ended June 30, 2014 and 2013**

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**REGAN, GRACE & KERLEY, LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**REGAN, GRACE & KERLEY, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS  
A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Gabriel Project, Inc.

We have audited the accompanying financial statements of Gabriel Project Inc. d/b/a The Gabriel Network (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years 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**

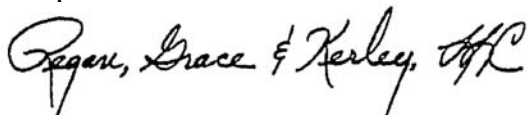
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 Gabriel Project Inc. d/b/a The Gabriel Network as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



May Thirteenth  
Two Thousand and Fifteen

GABRIEL PROJECT, INC  
d/b/a THE GABRIEL NETWORK  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2014 and 2013

ASSETS		2014	2013
<b>CURRENT ASSETS</b>			
Cash		\$ 7,520	\$ 56,217
Prepaid expenses		6,583	5,689
Other current assets		236	236
Total current assets		14,339	62,142
<b>PROPERTY AND EQUIPMENT, net</b>		638,068	651,766
<b>OTHER ASSETS</b>			
Security Deposits		2,698	2,698
Total other assets		2,698	2,698
Total assets		\$ 655,105	\$ 716,606
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses		22,907	25,878
Note payable, current portion		6,433	6,090
Line of credit		33,092	24,891
Total current liabilities		62,432	56,859
<b>LONG-TERM LIABILITIES</b>			
Note payable, net of current portion		335,398	341,830
Total long-term liabilities		335,398	341,830
Total Liabilities		397,830	398,689
<b>NET ASSETS</b>			
Unrestricted		247,535	311,677
Temporarily Restricted		9,740	6,240
Total net assets		257,275	317,917
Total liabilities and net assets		\$ 655,105	\$ 716,606

GABRIEL PROJECT, INC  
d/b/a THE GABRIEL NETWORK  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
Contributions and grants	\$ 405,061	\$ 3,500	\$ 408,561
Special event revenue, net of expenses	32,202	-	32,202
In-kind contributions	4,353	-	4,353
Other income	244	-	244
Gain on disposal of asset	840	-	840
Net assets released from restrictions:			
Satisfaction of program restrictions	-	-	-
Total support and revenue	442,700	3,500	446,200
<b>EXPENSES</b>			
Program services	362,053		362,053
Supporting services:			
Management and general	76,214	-	76,214
Fundraising	68,575	-	68,575
Total supporting services	144,789	-	144,789
Total expenses	506,842	-	506,842
<b>CHANGE IN NET ASSETS</b>	(64,142)	3,500	(60,642)
<b>NET ASSETS, Beginning of year</b>	311,677	6,240	317,917
<b>NET ASSETS, End of year</b>	\$ 247,535	\$ 9,740	\$ 257,275

GABRIEL PROJECT, INC  
d/b/a THE GABRIEL NETWORK  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
Contributions and grants	\$ 420,212	\$ -	\$ 420,212
Special event revenue, net of expenses	35,079	-	35,079
In-kind contributions	1,946	-	1,946
Other income	2,429	-	2,429
Interest income	2	-	2
Gain on disposal of asset	6,565	-	6,565
Net assets released from restrictions:			
Satisfaction of program restrictions	32,421	(32,421)	-
Total support and revenue	498,654	(32,421)	466,233
 <b>EXPENSES</b>			
Program services	465,546	-	465,546
Supporting services:			
Management and general	55,440	-	55,440
Fundraising	31,530	-	31,530
Total supporting services	86,970	-	86,970
Total expenses	552,516	-	552,516
<b>CHANGE IN NET ASSETS</b>	(53,862)	(32,421)	(86,283)
<b>NET ASSETS, Beginning of year</b>	365,539	38,661	404,200
<b>NET ASSETS, End of year</b>	\$ 311,677	\$ 6,240	\$ 317,917

GABRIEL PROJECT, INC  
d/b/a THE GABRIEL NETWORK  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 162,910	\$ 41,809	\$ 50,053	\$ 254,772
Payroll Taxes	14,942	4,248	4,595	23,785
	<u>177,852</u>	<u>46,057</u>	<u>54,648</u>	<u>278,557</u>
Direct client assistance	45,964	-	-	45,964
Occupancy	54,915	4,881	1,220	61,016
Accounting	-	6,567	-	6,567
Professional fees	-	2,298	255	2,553
Marketing	871	387	677	1,935
Office expenses	2,210	1,122	68	3,400
Telephone and internet	9,967	1,759	-	11,726
Printing and publications	4,054	541	811	5,406
Postage and shipping	1,964	842	2,807	5,613
Bank fees	-	2,332	-	2,332
Information technology	8,373	2,283	4,567	15,223
Repairs and maintenance	8,833	-	-	8,833
Travel	46	47	-	93
Interest	19,075	2,119	-	21,194
Depreciation	14,135	-	-	14,135
Insurance	10,060	4,311	-	14,371
Household supplies	1,861	-	-	1,861
Dues and subscriptions	210	52	-	262
Training and staff development	154	616	-	770
Appeals and communications	1,509	-	3,522	5,031
	<u>\$ 362,053</u>	<u>\$ 76,214</u>	<u>\$ 68,575</u>	<u>\$ 506,842</u>

GABRIEL PROJECT, INC  
d/b/a THE GABRIEL NETWORK  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 223,071	\$ 13,122	\$ 26,244	\$ 262,437
Employee Benefits	1,301	77	153	1,531
Payroll Taxes	21,280	1,252	2,504	25,036
	<u>245,652</u>	<u>14,451</u>	<u>28,901</u>	<u>289,004</u>
Direct client assistance	91,591	-	-	91,591
Occupancy	49,728	12,432	-	62,160
Accounting	-	5,825	-	5,825
Professional fees	-	1,946	-	1,946
Marketing	1,142	762	-	1,904
Office expenses	5,420	3,613	-	9,033
Telephone and internet	10,940	1,931	-	12,871
Printing and publications	4,016	535	803	5,354
Postage and shipping	4,991	665	998	6,654
Bank fees	-	2,620	-	2,620
Information technology	2,897	414	828	4,139
Repairs and maintenance	2,889	722	-	3,611
Travel	-	734	-	734
Interest	18,162	2,018	-	20,180
Depreciation	15,550	-	-	15,550
Insurance	9,642	6,428	-	16,070
Household supplies	196	-	-	196
Dues and subscriptions	287	72	-	359
Training and staff development	2,443	272	-	2,715
Appeals and communications	-	-	-	-
	<u>\$ 465,546</u>	<u>\$ 55,440</u>	<u>\$ 31,530</u>	<u>\$ 552,516</u>



GABRIEL PROJECT, INC  
d/b/a THE GABRIEL NETWORK  
STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (60,642)	\$ (86,283)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	14,135	15,550
(Gain) on sale of property and equipment	(840)	(6,565)
Changes in operating assets and liabilities:		
(Increase) decrease in pledges receivable	-	9,940
(Increase) decrease in prepaid expenses	(894)	1,107
(Increase) decrease in other current assets	-	146
Increase (decrease) in accounts payable and accrued expenses	<u>(2,971)</u>	<u>(8,281)</u>
Net cash (used in) operating activities	<u>(51,212)</u>	<u>(74,386)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(1,597)	(2,500)
Proceeds from sale of property and equipment	<u>2,000</u>	<u>10,799</u>
Net cash provided by (used in) investing activities	<u>403</u>	<u>8,299</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on notes payable	(6,089)	(5,765)
Net advances (repayments) on line of credit	<u>8,201</u>	<u>24,891</u>
Net cash provided by (used in) financing activities	<u>2,112</u>	<u>19,126</u>
Net (decrease) in cash	(48,697)	(46,961)
Cash and equivalents - beginning of year	<u>56,217</u>	<u>103,178</u>
Cash and equivalents - end of year	<u>\$ 7,520</u>	<u>\$ 56,217</u>
<b>Supplemental cash flow information</b>		
Interest paid	<u>\$ 21,194</u>	<u>\$ 20,180</u>

GABRIEL PROJECT, INC  
d/b/a THE GABRIEL NETWORK  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2014 and 2013

NOTE 1. NATURE OF ORGANIZATION

The Gabriel Project, Inc., d/b/a The Gabriel Network (the Organization) is a grassroots, faith-based non-profit organization that provides practical, emotional and spiritual assistance to women and families facing crisis pregnancies. The Organization works to build and maintain a network of churches, individuals, businesses, agencies, donors, organizations and professional personnel. Through this network, they provide for the basic needs of pregnant women facing poverty and homelessness, empowering them to embrace motherhood and choose life. The Organization operates in Maryland and the Greater Washington, D.C. area. It is primarily supported by contributions and grants.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. Revenues are recognized when earned rather than received, and expenses are recognized when incurred rather than paid.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets – Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets – Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets – Permanently restricted net assets result from contributions whose use is limited indefinitely by donor-imposed stipulations. Although the principle may not be used, income earned from these permanently restricted assets may be used based on donor-imposed stipulations.

Use of 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.

GABRIEL PROJECT, INC  
d/b/a THE GABRIEL NETWORK  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2014 and 2013

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For financial statement purposes, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Property and Equipment

Property and equipment are recorded at cost, and depreciated using the straight-line method over the estimated useful lives of the assets, ranging from three to forty years. The Organization capitalizes all purchases of \$500 or more with an estimated useful life of greater than one year.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized at their fair value when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions with donor-imposed restrictions that are met in the same reporting period are recorded as unrestricted contributions.

Contributions restricted for acquisition of property and equipment (or less commonly, the contribution of those assets directly) are initially recognized as temporarily restricted revenue. Unless the donor provides more specific directions about the period of the asset's use, the restrictions on those contributions expire when the purpose has been accomplished, at which time the net assets are reclassified to unrestricted net assets on the statement of activities.

The Organization receives contributions through third-party fundraising organizations (indirect support). The realizable value of indirect support in the form of promises to give is not considered reasonably determinable. Therefore, indirect support is recognized in the period that notification of payment is received.

GABRIEL PROJECT, INC  
d/b/a THE GABRIEL NETWORK  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2014 and 2013

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pledges Receivable

Unconditional promises to give that are expected to be collected in less than one year are measured at net realizable value, which approximates fair value. Unconditional promises to give that are expected to be collected beyond one year are measured at fair value using the present value of future collections.

Uncollectible amounts are written off as bad debt expense once management determines an account, or a portion thereof, to be uncollectible. Therefore, no allowance for uncollectible accounts has been recorded in the financial statements.

Donated Services and Materials

The Organization receives various types of contributions in-kind. Donations of services which either create or enhance non-financial assets or require specialized skills, are recorded at fair value in the period received. Materials and other assets received as donations are recorded at fair values as of the date of receipt. For the years ended June 30, 2014 and 2013, the Organization recognized \$4,353 and \$1,946, respectively, of in-kind contributions.

The Organization receives a significant amount of donated administrative services from individuals who volunteer their time and perform a variety of tasks that assist the Organization. These are not reflected in the financial statements because these services do not meet the criteria for recognition under generally accepted accounting principles.

Functional Expenses

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs, management and general, and fundraising activities.

GABRIEL PROJECT, INC  
d/b/a THE GABRIEL NETWORK  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2014 and 2013

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

The Organization is a tax exempt not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code, and therefore is exempt from income taxes on earnings received for exempt purposes.

The most significant tax position of the Organization is its assertion that it is exempt from income taxes. Other significant tax positions include its determination of whether any amounts are subject to unrelated business income tax (UBIT). Management has determined the Organization had no activities subject to UBIT in the year ended June 30, 2014.

The Organization's tax returns for 2010 through 2013 are subject to examination by the Internal Revenue Service and the state of Maryland.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation

Subsequent Events

The Organization has evaluated subsequent events through May 13, 2015, the date on which the financial statements were available to be issued.

NOTE 3. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash equivalents. These financial instruments may subject the Organization to concentrations of credit risk, as, from time to time, balances may exceed amounts insured by the Federal Deposit Insurance Corporation. There were no uninsured deposits at June 30, 2014.

GABRIEL PROJECT, INC  
d/b/a THE GABRIEL NETWORK  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2014 and 2013

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	June 30,	
	2014	2013
Land	299,192	299,192
Buildings and improvements	404,028	398,941
Furniture and equipment	29,537	29,537
Motor vehicles	-	3,165
Leasehold improvements	50,418	53,908
	<u>783,175</u>	<u>784,743</u>
Accumulated depreciation	(145,107)	(132,977)
	<u>\$ 638,068</u>	<u>\$ 651,766</u>

Depreciation expense for the years ending June 30, 2014 and 2013 was \$14,135 and \$15,550, respectively.

NOTE 5. LEASE COMMITMENTS

The Organization currently leases office space in Crofton, Maryland under an operating lease agreement with a lease term that expired in October 2014. This lease requires monthly payments of \$1,600 over the term of the lease. Pursuant to the lease agreement, The Organization has continued to occupy this office space on a month-to-month basis under the same terms and conditions. The Organization also currently leases a home in Ellicott City, Maryland as part of its program services, under an operating lease agreement expiring May 2016. This lease requires monthly payments of \$2,000 over the term of the lease. None of the leases include rental payment escalations.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2015	\$ 30,400
2016	22,000
2017	-
2018	-
2019	-
Thereafter	-
	<u>\$ 52,400</u>

Rent expense for the years ending June 30, 2014 and 2013 was \$43,200 and \$43,200, respectively.

GABRIEL PROJECT, INC  
d/b/a THE GABRIEL NETWORK  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2014 and 2013

NOTE 6. LINES OF CREDIT

The Organization has two lines of credit with separate financial institutions.

The Organization has available a \$100,000 line of credit with one bank, secured by real estate property. Amounts borrowed on this line of credit bear interest based on the Prime Rate plus 1.5 percent. At June 30, 2014, the Prime Rate was 3.25 percent, and there was no outstanding balance on this line of credit.

The Organization also has available a \$50,000 line of credit with another bank, secured by real estate property. Amounts borrowed on this line of credit bear interest based on Prime Rate plus 1.5 percent. At June 30, 2014 the Prime Rate was 3.25 percent, and the outstanding balance on this line of credit was \$33,092.

NOTE 7. NOTE PAYABLE

Note payable consisted of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Mortgage payable to individual, monthly installments of \$2,089, including interest at 5.5%, with a balloon payment due September 2019. The loan is secured by organization land and building.	<u>\$ 341,831</u>	<u>\$ 347,920</u>

Future minimum principal payments are as follows:

<u>Year Ending June 30,</u>	
2015	\$ 6,433
2016	6,796
2017	7,180
2018	7,585
2019	8,012
Thereafter	305,825
	<u>\$ 341,831</u>

NOTE 8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets in the amount of \$9,740 are available for the purposes of the Sparling Scholarship Fund at June 30, 2014.