

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

Years Ended June 30, 2016 and 2015

REGAN, GRACE & KERLEY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2016 and 2015, 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

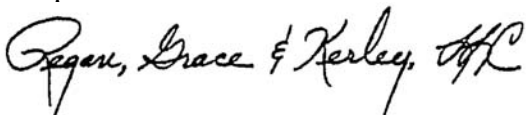
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2016 and 2015, 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.



February Twenty Fourth
Two Thousand and Seventeen

GABRIEL PROJECT, INC
d/b/a THE GABRIEL NETWORK
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

ASSETS		
	2016	2015
CURRENT ASSETS		
Cash	\$ 152,481	\$ 12,485
Prepaid expenses	3,899	5,963
Accounts receivable - insurance claim	59,937	-
Total current assets	216,317	18,448
PROPERTY AND EQUIPMENT, net	929,212	623,467
OTHER ASSETS		
Security Deposits	2,698	2,698
Total other assets	2,698	2,698
Total assets	\$ 1,148,227	\$ 644,613
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 37,720	\$ 19,837
Note payable, current portion	7,213	6,827
Line of credit	-	-
Total current liabilities	44,933	26,664
LONG-TERM LIABILITIES		
Note payable, net of current portion	320,805	328,018
Total long-term liabilities	320,805	328,018
Total Liabilities	365,738	354,682
NET ASSETS		
Unrestricted	764,937	276,411
Temporarily Restricted	17,552	13,520
Total net assets	782,489	289,931
Total liabilities and net assets	\$ 1,148,227	\$ 644,613

GABRIEL PROJECT, INC
d/b/a THE GABRIEL NETWORK
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions and grants	\$ 384,929	\$ 10,756	\$ 395,685
Special event revenue, net of expenses	85,720	-	85,720
In-kind contributions	19,510	-	19,510
Other income	31	-	31
Gain/(loss) on disposal of asset	(2,925)	-	(2,925)
Donated real estate	412,000		412,000
Casualty gain from insurance proceeds	46,599		46,599
Net assets released from restrictions:			
Satisfaction of program restrictions	6,724	(6,724)	-
Total support and revenue	952,588	4,032	956,620
 EXPENSES			
Program services	353,777		353,777
Supporting services:			
Management and general	54,248	-	54,248
Fundraising	56,037	-	56,037
Total expenses	464,062	-	464,062
 CHANGE IN NET ASSETS	 488,526	 4,032	 492,558
 NET ASSETS, Beginning of year	 276,411	 13,520	 289,931
 NET ASSETS, End of year	 \$ 764,937	 \$ 17,552	 \$ 782,489

GABRIEL PROJECT, INC
d/b/a THE GABRIEL NETWORK
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and grants	\$ 338,128	\$ 5,465	\$ 343,593
Special event revenue, net of expenses	65,363	-	65,363
In-kind contributions	5,874	-	5,874
Other income	618	-	618
Interest income	-	-	-
Gain on disposal of asset	-	-	-
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>1,685</u>	<u>(1,685)</u>	<u>-</u>
Total support and revenue	411,668	3,780	415,448
EXPENSES			
Program services	252,796	-	252,796
Supporting services:			
Management and general	59,900	-	59,900
Fundraising	<u>70,096</u>	<u>-</u>	<u>70,096</u>
Total expenses	<u>382,792</u>	<u>-</u>	<u>382,792</u>
CHANGE IN NET ASSETS	28,876	3,780	32,656
NET ASSETS, Beginning of year	<u>247,535</u>	<u>9,740</u>	<u>257,275</u>
NET ASSETS, End of year	<u><u>\$ 276,411</u></u>	<u><u>\$ 13,520</u></u>	<u><u>\$ 289,931</u></u>

GABRIEL PROJECT, INC
d/b/a THE GABRIEL NETWORK
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 177,949	\$ 17,973	\$ 36,170	\$ 232,092
Payroll Taxes	18,014	2,347	3,648	24,009
	<u>195,963</u>	<u>20,320</u>	<u>39,818</u>	<u>256,101</u>
Direct client assistance	18,523	-	-	18,523
Occupancy	76,699	3,420	1,140	81,259
Accounting	-	19,270	-	19,270
Professional fees	-	128	-	128
Marketing	1,797	-	59	1,856
Office expenses	4,173	2,473	426	7,072
Telephone and internet	9,739	778	-	10,517
Bank fees	-	1,559	2,937	4,496
Information technology	4,324	2,328	-	6,652
Interest	18,246	227	-	18,473
Depreciation	11,954	1,216	-	13,170
Insurance	11,122	2,529	-	13,651
Appeals and publications	1,237	-	11,657	12,894
	<u>\$ 353,777</u>	<u>\$ 54,248</u>	<u>\$ 56,037</u>	<u>\$ 464,062</u>

GABRIEL PROJECT, INC
d/b/a THE GABRIEL NETWORK
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 112,413	\$ 27,047	\$ 41,588	\$ 181,048
Payroll Taxes	9,196	1,888	3,385	14,469
	<u>121,609</u>	<u>28,935</u>	<u>44,973</u>	<u>195,517</u>
Direct client assistance	4,185	-	-	4,185
Occupancy	63,952	2,990	975	67,917
Accounting	-	12,370	-	12,370
Professional fees	450	720	-	1,170
Marketing	835	936	958	2,729
Office expenses	1,455	1,921	635	4,011
Telephone and internet	9,844	707	-	10,551
Bank fees	-	1,897	2,279	4,176
Information technology	4,327	2,330	-	6,657
Interest	20,177	2,003	-	22,180
Depreciation	12,536	2,065	-	14,601
Insurance	11,324	2,626	-	13,950
Appeals and publications	2,102	400	20,276	22,778
	<u>\$ 252,796</u>	<u>\$ 59,900</u>	<u>\$ 70,096</u>	<u>\$ 382,792</u>

GABRIEL PROJECT, INC
d/b/a THE GABRIEL NETWORK
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 492,558	\$ 32,656
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	13,170	14,601
Donated land and buildings	(412,000)	-
Loss on disposal of property and equipment	2,925	-
Changes in operating assets and liabilities:		
Decrease in prepaid expenses	2,064	620
(Increase) in accounts receivable	(59,937)	-
Decrease in other current assets	-	236
Increase (decrease) in accounts payable and accrued expenses	17,883	(3,070)
	56,663	45,043
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(5,193)	-
Proceeds from disposition of property and equipment	95,353	-
	90,160	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(6,827)	(6,986)
Net (repayments) line of credit	-	(33,092)
	(6,827)	(40,078)
Net increase in cash	139,996	4,965
Cash and equivalents - beginning of year	12,485	7,520
Cash and equivalents - end of year	\$ 152,481	\$ 12,485
Supplemental cash flow information		
Interest paid	\$ 18,473	\$ 22,180
Donated land and buildings	\$ 412,000	\$ -

GABRIEL PROJECT, INC
d/b/a THE GABRIEL NETWORK
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2016 and 2015

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, 2016 and 2015

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, 2016 and 2015

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.

Contributed Materials and Services

The Organization receives various types of contributions in-kind. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of materials or property and equipment are recognized at fair value when received. The amounts reflected in the accompanying financial statements as contributions in-kind are offset by like amounts included in either expenses or additions to property and equipment.

For the year ended June 30, 2016, the Organization recognized \$13,690 of contributions in-kind for donated materials, and \$5,820 of contributions in-kind for donated professional services. For the year ended June 30, 2015, the Organization recognized \$1,061 of contributions in-kind for donated materials, and \$4,813 of contributions in-kind for donated professional services

In addition, the Organization receives a significant amount of donated services from individuals who volunteer their time to assist with program and support services. 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 program services, management and general, and fundraising activities.

GABRIEL PROJECT, INC
d/b/a THE GABRIEL NETWORK
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2016 and 2015

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, 2016.

The Organization's tax returns for 2012 through 2015 are subject to examination by the Internal Revenue Service and the state of Maryland.

Subsequent Events

The Organization has evaluated subsequent events through February 24, 2017, 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, 2016.

GABRIEL PROJECT, INC
d/b/a THE GABRIEL NETWORK
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2016 and 2015

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	June 30,	
	2016	2015
Land	\$ 523,398	\$ 299,192
Buildings and improvements	498,859	404,028
Furniture and equipment	13,091	29,537
Leasehold improvements	38,954	50,418
	<u>1,074,302</u>	<u>783,175</u>
Accumulated depreciation	(145,090)	(159,708)
	<u>\$ 929,212</u>	<u>\$ 623,467</u>

Depreciation expense for the years ended June 30, 2016 and 2015 was \$13,170 and \$14,601, respectively.

NOTE 5. LEASE COMMITMENTS

During the year ended June 30, 2016, the Organization leased office space in Crofton, Maryland under an operating lease with a term that expired in May 2015, and which required monthly lease payments of \$1,900. On May 1, 2016, The Organization signed an extension with a new lease expiration of May 2017, 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 2019. This lease requires monthly payments of \$2,000 over the term of the lease. None of the leases include rental payment escalations.

GABRIEL PROJECT, INC
d/b/a THE GABRIEL NETWORK
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2016 and 2015

NOTE 5. LEASE COMMITMENTS (continued)

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2017	\$ 44,900
2018	24,000
2019	22,000
2020	-
2021	-
Thereafter	-
	<u>\$ 90,900</u>

Rent expense for the years ended June 30, 2016 and 2015 was \$46,800 and \$43,500, respectively.

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, 2016, 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 all cash or other property in the bank's possession. Amounts borrowed on this line of credit bear interest based on Prime Rate plus 1.5 percent. At June 30, 2016, the Prime Rate was 3.25 percent, and there was no outstanding balance on this line of credit.

GABRIEL PROJECT, INC
d/b/a THE GABRIEL NETWORK
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2016 and 2015

NOTE 7. NOTE PAYABLE

Note payable consisted of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</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>\$ 328,018</u>	<u>\$ 334,845</u>

Future minimum principal payments are as follows:

<u>Year Ending June 30,</u>	
2017	\$ 7,213
2018	7,619
2019	8,049
2020	305,137
2021	-
Thereafter	-
	<u>\$ 328,018</u>

NOTE 8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Sparling Scholarship Fund	\$ 15,595	\$ 12,555
Other Restrictions	1,957	965
	<u>\$ 17,552</u>	<u>\$ 13,520</u>