

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Years Ended June 30, 2013 and 2012

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, 2013 and 2012, 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

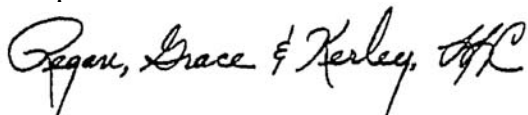
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 Gabriel Project Inc. d/b/a The Gabriel Network as of June 30, 2013 and 2012, 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.



April First
Two Thousand and Fourteen

GABRIEL PROJECT, INC
d/b/a THE GABRIEL NETWORK
STATEMENTS OF FINANCIAL POSITION
June 30, 2013 and 2012

ASSETS		
	2013	2012
CURRENT ASSETS		
Cash	\$ 56,217	\$ 103,178
Pledges receivable	-	9,940
Prepaid expenses	5,689	6,796
Other current assets	236	382
Total current assets	62,142	120,296
PROPERTY AND EQUIPMENT, net	651,766	669,050
OTHER ASSETS		
Security Deposits	2,698	2,698
Total other assets	2,698	2,698
Total assets	\$ 716,606	\$ 792,044
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 25,878	\$ 34,159
Note payable, current portion	6,090	5,765
Line of credit	24,891	-
Total current liabilities	56,859	39,924
LONG-TERM LIABILITIES		
Note payable, net of current portion	341,830	347,920
Total long-term liabilities	341,830	347,920
Total Liabilities	398,689	387,844
NET ASSETS		
Unrestricted	311,677	365,539
Temporarily Restricted	6,240	38,661
Total net assets	317,917	404,200
Total liabilities and net assets	\$ 716,606	\$ 792,044

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
SUPPORT AND REVENUE			
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
EXPENSES			
Program services	437,029		437,029
Supporting services:			
Management and general	85,613	-	85,613
Fundraising	29,874	-	29,874
Total supporting services	115,487	-	115,487
Total expenses	552,516	-	552,516
CHANGE IN NET ASSETS	(53,862)	(32,421)	(86,283)
NET ASSETS, Beginning of year	365,539	38,661	404,200
NET ASSETS, End of year	\$ 311,677	\$ 6,240	\$ 317,917

GABRIEL PROJECT, INC
d/b/a THE GABRIEL NETWORK
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions and grants	\$ 508,266	\$ 3,370	\$ 511,636
Special event revenue, net of expenses	28,297	-	28,297
In-kind contributions	4,100	-	4,100
Interest income	373	-	373
Other income	120	-	120
Net assets released from restrictions:			
Satisfaction of program restrictions	46,290	(46,290)	-
Total support and revenue	587,446	(42,920)	544,526
EXPENSES			
Program services	450,142	-	450,142
Supporting services:			
Management and general	101,985	-	101,985
Fundraising	38,321	-	38,321
Total supporting services	140,306	-	140,306
Total expenses	590,448	-	590,448
CHANGE IN NET ASSETS	(3,002)	(42,920)	(45,922)
NET ASSETS, Beginning of year	368,541	81,581	450,122
NET ASSETS, End of year	\$ 365,539	\$ 38,661	\$ 404,200

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

	Program Services	Management and General	Fundraising	Total Expenses
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
	<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
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2012

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 239,925	\$ 14,113	\$ 28,226	\$ 282,264
Employee Benefits	15,614	918	1,837	18,369
Payroll Taxes	19,864	1,169	2,337	23,370
	<u>275,403</u>	<u>16,200</u>	<u>32,400</u>	<u>324,003</u>
Direct client assistance	45,016	-	-	45,016
Occupancy	51,488	22,068	-	73,556
Accounting	-	8,902	-	8,902
Professional fees	1,227	836	700	2,763
Marketing	657	438	-	1,095
Office expenses	2,683	1,789	-	4,472
Telephone and internet	15,956	2,816	-	18,772
Printing and publications	4,139	2,759	-	6,898
Postage and shipping	4,293	2,862	-	7,155
Bank fees	-	2,863	-	2,863
Information technology	3,462	1,025	-	4,487
Repairs and maintenance	7,554	5,620	-	13,174
Travel	-	3,943	-	3,943
Interest	17,024	4,256	-	21,280
Depreciation	13,739	3,435	-	17,174
Insurance	-	17,749	-	17,749
Household supplies	5,200	3,467	-	8,667
Dues and subscriptions	804	201	-	1,005
Training and staff development	1,497	756	-	2,253
Fundraising	-	-	5,221	5,221
	<u>\$ 450,142</u>	<u>\$ 101,985</u>	<u>\$ 38,321</u>	<u>\$ 590,448</u>

GABRIEL PROJECT, INC
d/b/a THE GABRIEL NETWORK
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (86,283)	\$ (45,922)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	15,550	17,174
(Gain) on sale of property and equipment	(6,565)	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	9,940	4,218
(Increase) decrease in prepaid expenses	1,107	(4,209)
(Increase) decrease in other current assets	146	(382)
Increase (decrease) in accounts payable and accrued expenses	(8,281)	1,172
	<u>(74,386)</u>	<u>(27,949)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(2,500)	(14,188)
Proceeds from sale of property and equipment	10,799	-
	<u>8,299</u>	<u>(14,188)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(5,765)	(5,457)
Forgiveness of loan	-	(50,000)
Net advances (repayments) on line of credit	24,891	-
	<u>19,126</u>	<u>(55,457)</u>
Net (decrease) in cash	(46,961)	(97,594)
Cash and equivalents - beginning of year	<u>103,178</u>	<u>200,772</u>
Cash and equivalents - end of year	<u>\$ 56,217</u>	<u>\$ 103,178</u>
Supplemental cash flow information		
Interest paid	<u>\$ 20,180</u>	<u>\$ 21,280</u>

GABRIEL PROJECT, INC
d/b/a THE GABRIEL NETWORK
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012

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, 2013 and 2012

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, 2013 and 2012

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, 2013 and 2012, the Organization recognized \$1,946 and \$4,100, 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, 2013 and 2012

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, 2013.

The Organization's tax returns for 2009 through 2012 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 April 1, 2014, 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, 2013.

GABRIEL PROJECT, INC
d/b/a THE GABRIEL NETWORK
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	June 30,	
	2013	2012
Land	\$ 299,192	\$ 299,192
Buildings	398,941	396,441
Furniture and equipment	29,537	29,537
Motor vehicles	3,165	13,750
Leasehold improvements	53,908	53,908
	<u>784,743</u>	<u>792,828</u>
Accumulated depreciation	(132,977)	(123,778)
	<u>\$ 651,766</u>	<u>\$ 669,050</u>

Depreciation expense for the years ending June 30, 2013 and 2012 was \$15,550 and \$17,174, respectively.

NOTE 5. LEASE COMMITMENTS

The Organization currently leases office space in Crofton, Maryland under an operating lease agreement expiring October 2014. This lease requires monthly payments of \$1,600 over the term of the lease. 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>	
2014	\$ 43,200
2015	30,400
2016	22,000
2017	-
Thereafter	-
	<u>\$ 95,600</u>

Rent expense for the years ending June 30, 2013 and 2012 was \$43,200 and \$54,400, respectively.

GABRIEL PROJECT, INC
d/b/a THE GABRIEL NETWORK
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012

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, 2013, 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, 2013 the Prime Rate was 3.25 percent, and the outstanding balance on this line of credit was \$24,891.

NOTE 7. NOTE PAYABLE

Note payable consisted of the following at June 30, 2013 and 2012:

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.

\$ 347,920

Future minimum principal payments are as follows:

<u>Year Ending June 30,</u>	
2014	\$ 6,090
2015	6,433
2016	6,796
2017	7,180
2018	7,585
Thereafter	313,836
	<u>\$ 347,920</u>

NOTE 8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets in the amount of \$6,240 are available for the purposes of the Sparling Scholarship Fund at June 30, 2013.