

TRINITY COUNSELING SERVICE

(a nonprofit corporation)

FINANCIAL STATEMENTS

JUNE 30, 2015

TRINITY COUNSELING SERVICE
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JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees,
Trinity Counseling Service
Princeton, New Jersey:

Report on the Financial Statements

We have audited the accompanying financial statements of Trinity Counseling Service (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2015, 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 organization'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.

INDEPENDENT AUDITOR'S REPORT

(Continued)

Auditor's Responsibility (continued)

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 Trinity Counseling Service as of June 30, 2015, 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.

**LEAR & PANNEPACKER, LLP
PRINCETON, NEW JERSEY
CERTIFIED PUBLIC ACCOUNTANTS**

December 7, 2015

TRINITY COUNSELING SERVICE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS

Current Assets:

Cash and cash equivalents	\$ 742,838
Accounts receivable	13,838
Patient fees receivable	32,349
Prepaid expenses	<u>7,529</u>

Total Current Assets 796,554

Property and Equipment, Net 78,014

Other Assets:

Investments	<u>6,849,049</u>
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TOTAL ASSETS **\$ 7,723,617**

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable and accrued expenses	\$ 53,888
Deferred income and refundable advances	<u>4,000</u>

Total Current Liabilities 57,888

Net Assets:

Unrestricted	6,152,834
Temporarily restricted	1,012,895
Permanently restricted	<u>500,000</u>

Total Net Assets 7,665,729

TOTAL LIABILITIES AND NET ASSETS **\$ 7,723,617**

TRINITY COUNSELING SERVICE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Public Support and Revenues:</u>				
Patient fees and assessments	\$ 551,929	\$ --	\$ --	\$ 551,929
Contributions	280,663	88,350	--	369,013
Special events	164,004	--	--	164,004
Net investment income, Note 3	<u>(13,833)</u>	<u>--</u>	<u>--</u>	<u>(13,833)</u>
Total Public Support and Revenues before Net Assets Released from Restrictions	982,763	88,350	--	1,071,113
Net Assets Released from Restrictions	<u>179,232</u>	<u>(179,232)</u>	<u>--</u>	<u>--</u>
Total Public Support and Revenue	1,161,995	(90,882)	--	1,071,113
<u>Expenses:</u>				
Program services	1,078,336	--	--	1,078,336
Management and general	327,731	--	--	327,731
Fundraising	<u>257,506</u>	<u>--</u>	<u>--</u>	<u>257,506</u>
Total Expenses	<u>1,663,573</u>	<u>--</u>	<u>--</u>	<u>1,663,573</u>
Change in Net Assets	(501,578)	(90,882)	--	(592,460)
Net Assets – Beginning of Year	<u>6,654,412</u>	<u>1,103,777</u>	<u>500,000</u>	<u>8,258,189</u>
Net Assets – End of Year	<u>\$ 6,152,834</u>	<u>\$ 1,012,895</u>	<u>\$ 500,000</u>	<u>\$ 7,665,729</u>

TRINITY COUNSELING SERVICE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Program Expenses</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Counseling services	\$ 628,870	\$ --	\$ --	\$ 628,870
Salaries	242,980	215,097	134,134	592,211
Events and marketing	--	--	64,697	64,697
Rent	44,478	12,073	6,989	63,540
Professional services	37,173	10,090	5,841	53,104
Employee benefits	7,691	26,143	15,853	49,687
Payroll taxes	9,466	22,537	13,072	45,075
Office expenses	21,670	5,886	3,406	30,963
Insurance	19,945	5,414	3,134	28,493
Telephone	9,971	2,707	1,567	14,245
Depreciation	--	12,562	--	12,562
Conferences	8,268	2,244	1,299	11,811
Computer costs	7,935	2,154	1,247	11,336
Cleaning	7,256	1,969	1,140	10,365
Utilities	6,976	1,893	1,096	9,965
Repairs and maintenance	6,745	1,831	1,060	9,636
Bank fees	5,034	1,366	791	7,191
Advertising	4,123	1,119	647	5,889
Dues and subscriptions	2,970	806	467	4,243
Newsletter	2,481	673	390	3,544
Continuing education	2,216	601	348	3,165
Postage	1,851	502	291	2,644
Travel	<u>237</u>	<u>64</u>	<u>37</u>	<u>338</u>
Total Expenses	<u>\$ 1,078,336</u>	<u>\$ 327,731</u>	<u>\$ 257,506</u>	<u>\$ 1,663,574</u>

TRINITY COUNSELING SERVICE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$(592,460)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	12,562
Unrealized loss on investments	401,834
Changes in operating assets and liabilities:	
Increase in accounts receivable	(11,766)
Decrease in patient fees receivable	7,448
Increase in prepaid expenses	3,941
Increase in accounts payable and accrued expenses	2,717
Decrease in deferred income and refundable advances	<u>(2,750)</u>
Net Cash Used In Operating Activities	(178,474)

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of property and equipment	<u>(20,059)</u>
Net Cash Used In Investing Activities	<u>(20,059)</u>
Net Change In Cash	(198,533)
Cash at Beginning of Year	<u>941,371</u>
Cash at End of Year	<u>\$ 742,838</u>

Non-Cash Transactions:

Non-cash donation of rent	<u>\$ 33,000</u>
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TRINITY COUNSELING SERVICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 – Nature of Organization:

Trinity Counseling Service (Organization) is a nonprofit corporation organized in 1968. The mission of the Organization is to provide compassionate, professional counseling in a caring environment to individuals and families confronting life's challenges. Trinity Counseling Service is a community mental health service organization accredited by the State of New Jersey.

Trinity Counseling Service offers treatment programs which are customized to meet the individual needs of each client. Counseling services are provided to help children, adults, and families deal with a variety of issues including depression, grief, anxiety, marriage, divorce and family issues, and school related concerns. In addition, Trinity Counseling Service partners with the Princeton Theological Seminary to provide individual counseling to all enrolled students as part of their student health program. Trinity's clinicians also perform cognitive, academic, and personality assessments of children, adolescents and candidates for the ministry.

Other specialty and community outreach projects offered by the Organization include:

Childhood Intervention Project: Trinity Counseling Service partners with the local school system to early identify and treat emerging behavioral and developmental problems in children from low income families.

Bereavement and Caregivers Counseling: Trinity Counseling Service offers a program to help people cope with the loss of a loved one as well as caregivers who are dealing with a loved one's debilitating illness.

Note 2 – Summary of Significant Accounting Policies:

Significant accounting policies followed by the Organization in the preparation of the accompanying financial statements are summarized below:

Basis of Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Trinity Counseling Service and changes therein are classified and reported as follows:

TRINITY COUNSELING SERVICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 2 – Summary of Significant Accounting Policies (continued):

Unrestricted Net Assets

Unrestricted net assets include all contributions received without donor restrictions, and all revenues and expenses. Unrestricted net assets may be used to the discretion of management to support the mission of the Organization and consists of net assets accumulated from the results of operations.

Temporarily Restricted Net Assets

Temporarily restricted net assets include contributions that have donor-imposed restrictions, either for a specific purpose or subject to the passage of time. When a donor's restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction.

Permanently Restricted Net Assets

Permanently restricted net assets consist of donor restricted contributions which are required to be held in perpetuity. Income from the assets held is available for general operations or specific purposes, in accordance with donor stipulations.

Cash and Cash Equivalents

The Organization considers cash equivalents to be all highly liquid debt instruments with a maturity of three months or less, unless held for endowment purposes. Cash and cash equivalents consist mainly of cash, certificates of deposit, and money market funds. The Organization's cash and cash equivalent accounts and interest bearing deposits in banks may at times exceed the federally insured limits. The Organization has not experienced any losses in these accounts. Management believes that the Organization is not exposed to any significant risk on these deposits.

Investments

Investments consist solely of shares of a multi-asset fund and an absolute return fund available primarily to foundations, endowments, other 501(c)(3) organizations, and certain other nonprofit organizations meeting specified accreditation requirements. Investment in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses and interest and dividend income are included in the change in net assets in the accompanying Statement of Activities. The Organization uses the average cost basis to determine realized gains or losses on sales.

TRINITY COUNSELING SERVICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 2 – Summary of Significant Accounting Policies (continued):

Property and Equipment

Acquisitions, improvements, and replacements of major assets are capitalized at cost, or if donated, at the approximate fair value at the date of donation. As assets are sold or retired, the cost of the accumulated depreciation is removed from the accounts and any gain or loss is recognized. Depreciation is computed using the straight-line method at rates based on the estimated useful life of the asset, which for building and improvements are twenty (20) years. Repairs which neither increase the value of the asset nor extend its useful life are expensed as incurred. The Organization's policy on capitalization of fixed assets is to capitalize all assets with an useful life of more than one year and a value of \$1,000 or more.

Revenue and Support Recognition

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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. However, restricted contributions whose restrictions expire or are otherwise satisfied within the period of receipt are reported as unrestricted revenues in the Statement of Activities. Contributions are recognized as revenue when they are received or unconditionally pledged.

Donated Goods and Services

It is the Organization's policy to record non-cash items and in-kind gifts at their fair value on the date they are received.

Contributed services are included in the financial statements to the extent that those services create or enhance a nonfinancial asset or meet the following criteria: (1) the service requires specialized skills, (2) the service is provided by individuals who possess those skills, and (3) the service would typically need to be purchased if not contributed.

Use of Donated Facilities

Reduced rents are paid by the Organization under the terms of an agreement. This agreement requires the Organization to fulfill certain conditions annually. The Organization recognizes contribution revenue and a corresponding expense in an amount approximating the difference between the annual estimated fair-value rental of properties and the actual rent paid. Such amount totaled \$33,000 for the year ended June 30, 2015.

TRINITY COUNSELING SERVICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 2 – Summary of Significant Accounting Policies (continued):

Income Taxes

Trinity Counseling Service has been classified by the Internal Revenue Service as an organization described under Section 501(c)(3) of the Internal Revenue Code ("the Code") as exempt from federal income taxes under section 501(a) of the Code. The Organization is subject to a tax on income from any unrelated business.

The Organization adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required, beginning in the year ended June 30, 2011. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities.

The Organization's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

Functional Expense Allocations

Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service. Expenses which apply to more than one functional category have been allocated based on estimates made by management.

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 of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could vary from the estimates that were used.

Patient Fees Receivable

Patient fees receivable consist of amounts owed for program services rendered or membership. No allowance for doubtful accounts is deemed necessary. Bad debts are written off as they are determined to be uncollectible.

TRINITY COUNSELING SERVICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 2 – Summary of Significant Accounting Policies (continued):

Fair Value of Financial Instruments

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that fair value of its financial instruments at June 30, 2015 did not differ materially from the aggregate carrying value of its instruments recorded in the accompanying Statement of Financial Position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

Note 3 – Investments:

Investments are stated at market value and consist of shares of a multi-asset fund and an absolute fund. Fair values and unrealized appreciation at June 30, 2015 are summarized as follows:

	<u>Cost</u>	<u>Fair value</u>	<u>Unrealized appreciation</u>
TIFF Multi-asset fund	\$ 4,915,530	\$ 5,556,392	\$ 640,862
TIFF Absolute return	<u>1,000,000</u>	<u>1,292,657</u>	<u>292,657</u>
Total	<u>\$ 5,915,530</u>	<u>\$ 6,849,049</u>	<u>\$ 933,519</u>

The following schedule summarizes the investment income and its classification in the Statement of Activities:

Interest & Dividend income	\$ 388,001
Unrealized losses	<u>(401,834)</u>
Total	<u>\$(13,833)</u>

The Organization's investments are solely in a multi-asset fund and an absolute return fund (the "Funds"). The Funds invest in illiquid securities. The Funds or certain of its money managers may invest routinely, and at times heavily, in derivatives, certain of which are deemed by the SEC to be highly speculative. Short selling of securities may increase the potential for loss if a manager has difficulty covering a short position. Leverage may accelerate the velocity and magnitude of potential losses. The Funds invest in foreign securities, which may involve risks different from those of United States of America investments, such as political, economic and currency risks, and differences in accounting standards.

TRINITY COUNSELING SERVICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 3 – Fair Value Measurements and Investments (continued):

The fair value measurements accounting literature establishes 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 are as follows: Level 1, Quoted Prices in Active Markets; Level 2, Observable Measurement Criteria; and Level 3, Unobservable Measurement Criteria.

For applicable assets and liabilities subject to this pronouncement, the Organization will value such assets and liabilities using quoted market prices in active markets for identical assets and liabilities to the extent possible. To the extent that such market prices are not available, the Organization will next attempt to value such assets and liabilities using observable measurement criteria, including quoted market prices of similar assets and liabilities in active and inactive markets and other corroborated factors. In the event that quoted market prices in active markets and other observable measurement criteria are not available, the Organization will develop measurement criteria based on the best information available. The Organization has only Level 1 investments.

Note 4 – Property and Equipment:

The costs and accumulated depreciation of property and equipment are summarized at June 30, 2015 as follows:

Equipment, furniture and fixtures	\$ 198,439
Leasehold improvements	<u>87,923</u>
Total Property and Equipment	286,362
Less: Accumulated Depreciation	<u>(208,348)</u>
Property and Equipment, Net	<u>\$ 78,014</u>

Depreciation expense for the year ended June 30, 2015 amounted to \$12,562.

TRINITY COUNSELING SERVICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 5 – Employee Benefit Plan

The Organization maintains a salary reduction benefit plan (403)(b)(7), which covers all full time lay employees. The plan allows lay employees to defer up to the statutory maximums of their salary on a pre-tax basis. The Organization contributed a discretionary amount of 5% of eligible employees' salary and matched up to 4% of employees' contributions. For the year ending June 30, 2015, the employer contribution for full time employees totaled \$33,438.

Note 6 – Temporarily Restricted Net Assets:

Temporarily restricted net assets at June 30, 2015 consist of:

Bereavement Program	\$ 473,472
Child Intervention Project	<u>539,423</u>
	<u>\$ 1,012,895</u>

Note 7 – Permanently Restricted Net Assets:

Permanently restricted net assets consist of contributions for capital endowment funds that are required by the gift instrument to be invested into perpetuity. The income from such investments may be used for the general maintenance of the leased facility.

Note 8 – Donated services and goods:

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, fundraising activities, and various committee assignments. The Organization receives more than 2,000 volunteer hours per year. No amounts have been reflected in the financial statements for donated volunteer services as the criteria under GAAP for recognition has not been met.

Note 9 – Advertising Costs:

The Organization expenses advertising costs as incurred. Total advertising expenses amounted to \$5,889 for the year ended June 30, 2015.

Note 10 – Concentration of Risk:

During the year ended June 30, 2015, the Organization maintained funds in excess of the FDIC insured maximum. The Organization has not experienced any losses in their accounts and believes it is not exposed to any significant credit risk on such funds.

Note 11 – Compensated Absences:

Employees of the Company are entitled to paid vacation, sick and personal days off, depending on job classification, length of service and other factors. The Company does not allow for carryover of any absences, thus no liability has been recorded in the accompanying financial statements.

TRINITY COUNSELING SERVICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 12 – Commitments:

The Organization has entered into a non-cancelable operating lease agreement for office space at a monthly rent of \$2,545. The lease expires in June, 2018. Additionally, the Organization received a non-cash donation of rent totaling \$33,000 for the year ended June 30, 2015. Future minimum annual obligations due under operating leases at June 30, 2015 consist of the following:

2016	\$ 30,540
2017	30,540
2018	<u>30,540</u>
Total	<u>\$ 91,620</u>

Rental expense amounted to \$63,540 for the year ended June 30, 2015.

Note 13 – Income Taxes:

Under the requirements for recognition for uncertain income tax positions, the Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2015.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for fiscal years prior to 2011.

Note 14 – Endowment Funds:

The Board of Trustees has designated a portion of the Organization's net assets as a general endowment fund to support the mission of the Organization.

The Organization has a spending policy that allows for the appropriating for distribution each year 5% of its board-designated endowment fund's average fair value of the prior 12 quarters. In establishing this policy, the Organization considered the long-term expected investment return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

TRINITY COUNSELING SERVICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 14 – Endowment Funds (continued):

To achieve that objective, the Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the fund if possible. Accordingly, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately CPI 5% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Composition of and changes in endowment assets for the year ending June 30, 2015 are as follows:

Endowment net assets, beginning of year	\$ 7,556,155
Endowment additions	-
Investment income	387,911
Net depreciation	(401,834)
Amounts appropriated for expenditure	<u>(522,558)</u>
Endowment net assets, end of year	<u>\$ 7,019,674</u>

Note 15 – Subsequent Events:

The Organization has evaluated subsequent events through December 7, 2015, which was the date the financial statements were issued and has not noted any events to be disclosed.