

CRISIS CLINIC

FINANCIAL REPORT

DECEMBER 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Crisis Clinic
Seattle, Washington

We have audited the accompanying financial statements of Crisis Clinic, which comprise the statements of financial position as of December 31, 2015 and 2014, 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; 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. 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 Crisis Clinic as of December 31, 2015 and 2014, 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.

Peterson Sullivan LLP

May 18, 2016

CRISIS CLINIC

STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

ASSETS	<u>2015</u>	<u>2014</u>
Current Assets		
Cash and cash equivalents	\$ 1,019,070	\$ 1,553,066
Certificates of deposit	595,378	
Contracts and grants receivable	865,312	714,008
Other receivables		4,676
Prepaid expenses	<u>43,855</u>	<u>69,538</u>
Total current assets	2,523,615	2,341,288
Equipment and Leasehold Improvements, net	<u>105,607</u>	<u>132,733</u>
Total assets	<u><u>\$ 2,629,222</u></u>	<u><u>\$ 2,474,021</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 32,831	\$ 82,698
Accrued expenses	206,053	174,575
Deferred revenue	<u>13,248</u>	
Total current liabilities	252,132	257,273
Deferred Rent	<u>97,888</u>	<u>101,943</u>
Total liabilities	350,020	359,216
Net Assets		
Unrestricted		
Net investment in equipment and leasehold improvements	101,607	132,733
Other unrestricted/undesignated	1,908,847	1,718,324
Designated for 2-1-1	164,710	164,710
Designated for TeenLink	<u>62,514</u>	<u>64,038</u>
Total unrestricted net assets	2,237,678	2,079,805
Temporarily restricted	<u>41,524</u>	<u>35,000</u>
Total net assets	<u>2,279,202</u>	<u>2,114,805</u>
Total liabilities and net assets	<u><u>\$ 2,629,222</u></u>	<u><u>\$ 2,474,021</u></u>

See Notes to Financial Statements

CRISIS CLINIC

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
Government contracts and grants	\$ 3,662,962	\$ -	\$ 3,662,962	\$ 2,975,591	\$ -	\$ 2,975,591
United Way	498,726		498,726	498,726		498,726
Program service fees	652,676		652,676	930,666		930,666
Contributions	280,342	30,000	310,342	241,439	35,000	276,439
Special events, net of direct expense of \$55,639 in 2014				58,254		58,254
Investment gain (loss)	(941)		(941)	285		285
Net assets released from restriction	23,476	(23,476)		13,700	(13,700)	
	5,117,241	6,524	5,123,765	4,718,661	21,300	4,739,961
Expenses						
Telephone services	3,360,114		3,360,114	3,285,671		3,285,671
Hospital authorization	796,428		796,428	663,086		663,086
Total program services	4,156,542		4,156,542	3,948,757		3,948,757
Management and general	709,805		709,805	627,843		627,843
Fundraising	93,021		93,021	96,418		96,418
Total expenses	4,959,368		4,959,368	4,673,018		4,673,018
Change in net assets	157,873	6,524	164,397	45,643	21,300	66,943
Net Assets, beginning of year	2,079,805	35,000	2,114,805	2,034,162	13,700	2,047,862
Net Assets, end of year	\$ 2,237,678	\$ 41,524	\$ 2,279,202	\$ 2,079,805	\$ 35,000	\$ 2,114,805

See Notes to Financial Statements

CRISIS CLINIC

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015

	Program Services			Management and General	Fundraising	Total
	Telephone Services	Hospital Authorization	Total			
Salaries and contract services	\$ 2,049,421	\$ 472,197	\$ 2,521,618	\$ 492,195	\$ 55,895	\$ 3,069,708
Employee benefits	335,591	64,208	399,799	64,586	7,421	471,806
Payroll taxes	177,526	41,005	218,531	40,313	4,766	263,610
Total personnel expenses	2,562,538	577,410	3,139,948	597,094	68,082	3,805,124
Professional fees and subcontracts	280,570	144,909	425,479	27,089	2,537	455,105
Occupancy	219,903	48,147	268,050	46,024	6,437	320,511
Telephone	113,888	4,634	118,522	8,416	1,166	128,104
Supplies	34,622	5,495	40,117	4,206	550	44,873
Insurance	23,401	5,217	28,618	3,932	330	32,880
Printing and media	9,363	390	9,753	2,419	7,198	19,370
Conferences	17,304	164	17,468	1,004	542	19,014
Transportation	14,051	1,002	15,053	1,786	619	17,458
Advertising	12,781		12,781		53	12,834
Volunteer recognition	7,790	942	8,732	2,902	98	11,732
Equipment maintenance and rental	8,570	211	8,781	2,419	48	11,248
Postage	5,064	30	5,094	2,644	3,083	10,821
Dues	6,954	124	7,078	1,468	331	8,877
In-Kind	7,758		7,758	416		8,174
Other	14,278	3,127	17,405	3,382	1,330	22,117
Total expenses before depreciation	3,338,835	791,802	4,130,637	705,201	92,404	4,928,242
Depreciation and amortization	21,279	4,626	25,905	4,604	617	31,126
Total expenses	<u>\$ 3,360,114</u>	<u>\$ 796,428</u>	<u>\$ 4,156,542</u>	<u>\$ 709,805</u>	<u>\$ 93,021</u>	<u>\$ 4,959,368</u>

See Notes to Financial Statements

CRISIS CLINIC

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2014

	Program Services			Management and General	Fundraising	Total
	Telephone Services	Hospital Authorization	Total			
Salaries and contract services	\$ 1,974,204	\$ 382,049	\$ 2,356,253	\$ 436,740	\$ 56,209	\$ 2,849,202
Employee benefits	287,859	53,274	341,133	57,589	7,253	405,975
Payroll taxes	176,120	32,957	209,077	35,471	4,752	249,300
Total personnel expenses	2,438,183	468,280	2,906,463	529,800	68,214	3,504,477
Professional fees and subcontracts	359,924	129,850	489,774	13,470	2,366	505,610
Occupancy	199,572	40,400	239,972	39,960	5,641	285,573
Telephone	114,604	8,145	122,749	6,198	737	129,684
Supplies	33,820	6,381	40,201	4,645	380	45,226
Insurance	23,774	3,148	26,922	5,044	354	32,320
Printing and media	19,534	386	19,920	1,748	5,668	27,336
Conferences	16,786	318	17,104	165	2,550	19,819
Transportation	16,026	436	16,462	1,832	446	18,740
Advertising	2,618		2,618		217	2,835
Volunteer recognition	6,009	689	6,698	2,627	103	9,428
Equipment maintenance and rental	8,287	122	8,409	2,502	146	11,057
Postage	3,893	34	3,927	1,311	2,912	8,150
Dues	3,152		3,152	869	265	4,286
In-Kind				9,002	4,845	13,847
Special event expense					55,639	55,639
Other	18,008	1,930	19,938	4,552	1,219	25,709
Total expenses before depreciation	3,264,190	660,119	3,924,309	623,725	151,702	4,699,736
Depreciation and amortization	21,481	2,967	24,448	4,118	355	28,921
	3,285,671	663,086	3,948,757	627,843	152,057	4,728,657
Less: direct cost of fundraising event					(55,639)	(55,639)
Total expenses	\$ 3,285,671	\$ 663,086	\$ 3,948,757	\$ 627,843	\$ 96,418	\$ 4,673,018

See Notes to Financial Statements

CRISIS CLINIC

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Change in net assets	\$ 164,397	\$ 66,943
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	31,126	28,921
Unrealized loss on certificates of deposit	4,622	
Changes in operating assets and liabilities		
Contracts and grants receivable	(151,304)	(188,161)
Other receivables	4,676	144
Prepaid expenses	25,683	(23,932)
Accounts payable	(49,867)	6,923
Accrued expenses	31,478	25,704
Deferred revenue	13,248	
Deferred rent	(4,055)	(1,303)
	70,004	(84,761)
Net cash flows from operating activities	70,004	(84,761)
Cash Flows from Investing Activities		
Purchases of certificates of deposit	(600,000)	
Purchase of equipment and leasehold improvements	(4,000)	(50,010)
	(604,000)	(50,010)
Net cash flows from investing activities	(604,000)	(50,010)
Net change in cash and cash equivalents	(533,996)	(134,771)
Cash and Cash Equivalents, beginning of year	1,553,066	1,687,837
Cash and Cash Equivalents, end of year	\$ 1,019,070	\$ 1,553,066

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Summary of Significant Accounting Policies

Organization

Crisis Clinic was founded in the State of Washington in 1964 as a not-for-profit corporation for the purpose of providing emergency telephone crisis intervention, and information and referral services.

Crisis Clinic operates the 24-Hour Crisis Line, King County 2-1-1, the WA Recovery Help Line, the Washington Warm Line, and the TeenLink Help Line. It also offers survivors of suicide support groups and training for youth and adults on a wide range of topics including suicide and crisis intervention. Community Resources Online provides a database of more than 5,000 health and human services in King County. In 2015, Crisis Clinic handled more than 260,000 calls.

Financial Statement Presentation

Crisis Clinic reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Crisis Clinic has no permanently restricted net assets so this net asset class is not presented. Contributions and certain grants that are received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of unexpended contributions restricted for particular purposes or time periods. Temporarily restricted net assets are transferred to unrestricted net assets as expenditures are incurred for the restricted purpose, or as time restrictions expire. Crisis Clinic has elected to show temporarily restricted contributions whose restrictions are met in the same reporting period as unrestricted support. Temporarily restricted net assets at December 31 are restricted for the following purposes:

	<u>2015</u>	<u>2014</u>
The Washington Warm Line	\$ 30,000	\$ 10,000
TeenLink Help Line Marketing	<u>11,524</u>	<u>25,000</u>
	<u>\$ 41,524</u>	<u>\$ 35,000</u>

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Fair Value Measurements

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

Cash and Cash Equivalents

Crisis Clinic considers all highly liquid investments purchased with a maturity of three months or less to be cash and cash equivalents. Crisis Clinic occasionally has cash deposits in excess of federally insured limits in order to support its monthly cash requirements.

Certificates of Deposit

Certificates of deposit are stated at fair value using Level 1 inputs. Unrealized losses on certificates of deposit amounted to \$4,622 for the year ended December 31, 2015, and are included in the investment gain (loss) balance in the statement of activities.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are recorded at cost, if purchased, or fair value (based on estimated purchase price), if donated. Depreciation of equipment is computed using the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is computed using the straight-line method over the estimated useful lives of the assets or the anticipated lease term, whichever is shorter. Crisis Clinic's policy is to capitalize assets with a useful life of more than two years and a cost greater than \$1,000.

Donated Goods

Crisis Clinic occasionally receives donations of supplies and fixed assets, which are recorded at fair value (based on estimated purchase price) on the date of donation. The value of supplies received was \$2,924 and \$4,845 in 2015 and 2014, respectively. In addition, for the year ended December 31, 2014, Crisis Clinic received \$1,000 in donated computers and software. No computers or software were capitalized with equipment and leasehold improvements in 2014.

Donated Services

Crisis Clinic recognizes donated services if the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not donated. Crisis Clinic received \$5,250 and \$8,002 in donated services for the years ended December 31, 2015 and 2014, respectively.

Other volunteers contributed over 32,900 and 34,200 hours of their time in 2015 and 2014, respectively, to help staff Crisis Clinic's crisis intervention telephone line. Although Crisis Clinic provides training to these individuals prior to their volunteering, their services do not meet the criteria for recognition and are not reflected in the accompanying financial statements.

Government Contracts and Grants Revenue

Support from cost-reimbursable contracts is recognized when eligible costs are incurred. Support from performance-based contracts (program service fees) is recognized when performance is completed. Performance-based contract funds received in advance of services performed are deferred until earned. Crisis Clinic has received grants for specific purposes that are open to review and audit by the grantor agencies.

Revenue from government contracts and grants was received from the following sources at December 31:

	<u>2015</u>	<u>2014</u>
King County	71%	65%
City of Seattle	15	13
DSHS	9	11
Other	5	11
	<u>100%</u>	<u>100%</u>

Contracts and grants receivable are due from the following at December 31:

	<u>2015</u>	<u>2014</u>
King County	45%	43%
City of Seattle	21	9
DSHS	9	11
Other	25	37
	<u>100%</u>	<u>100%</u>

Contracts and grants receivable are stated at their outstanding balances. Management reviews the collectibility of contracts and grants receivable on a periodic basis. No allowance was considered necessary at December 31, 2015 or 2014.

Crisis Clinic's programs and operations would be significantly affected if there was a reduction in the level of support from the above named entities or if there was a reduction in the level of support from the United Way.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Costs

Advertising costs are expensed as incurred.

Federal Income Tax

Crisis Clinic is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Subsequent Events

Crisis Clinic has evaluated subsequent events through the date these financial statements were available to be issued, which was May 18, 2016.

Note 2. Equipment and Leasehold Improvements

Equipment and leasehold improvements consist of the following:

	2015	2014
Computer equipment	\$ 110,450	\$ 110,450
Telephone system	108,549	108,549
Furniture and fixtures	94,129	90,129
Leasehold improvements	22,503	22,503
	<u>335,631</u>	<u>331,631</u>
Less accumulated depreciation and amortization	<u>(230,024)</u>	<u>(198,898)</u>
	<u>\$ 105,607</u>	<u>\$ 132,733</u>

Note 3. Leases

Crisis Clinic leases its facilities under an agreement that expires in March 2020. Rental expense for these facilities was \$320,511 and \$285,573 in 2015 and 2014, respectively. Accounting principles generally accepted in the United States require that rental expense on leases be recognized on a straight-line basis over the term of the lease. Due to this requirement, a deferred rent liability amounting to \$97,888 and \$101,943 at December 31, 2015 and 2014, respectively, has been recorded and represents expense recognized in excess of what was actually paid.

Beginning in April 2014, Crisis Clinic leased additional space within the same building. This amended lease agreement also expires in March 2020.

Minimum future lease payments for the years ending December 31 are as follows:

2016	\$ 315,991
2017	322,741
2018	329,491
2019	336,241
2020	<u>84,482</u>
	<u>\$ 1,388,946</u>