

**CRISIS CLINIC**

FINANCIAL REPORT

DECEMBER 31, 2016

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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, 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; 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, 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.

*Peterson Sullivan LLP*

May 22, 2017

**CRISIS CLINIC**

## STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

ASSETS	2016	2015
Current Assets		
Cash and cash equivalents	\$ 819,061	\$ 1,019,070
Certificates of deposit	600,675	595,378
Contracts and grants receivable	970,713	865,312
Prepaid expenses and other assets	38,491	43,855
Total current assets	2,428,940	2,523,615
Equipment and Leasehold Improvements, net	119,992	105,607
Total assets	<u>\$ 2,548,932</u>	<u>\$ 2,629,222</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 45,604	\$ 32,831
Accrued expenses	210,342	206,053
Deferred revenue		13,248
Total current liabilities	255,946	252,132
Deferred Rent	85,676	97,888
Total liabilities	341,622	350,020
Net Assets		
Unrestricted		
Net investment in equipment and leasehold improvements	119,992	101,607
Other unrestricted/undesignated	1,900,394	1,908,847
Designated for 2-1-1	124,710	164,710
Designated for TeenLink	62,214	62,514
Total unrestricted net assets	2,207,310	2,237,678
Temporarily restricted		41,524
Total net assets	2,207,310	2,279,202
Total liabilities and net assets	<u>\$ 2,548,932</u>	<u>\$ 2,629,222</u>

See Notes to Financial Statements

**CRISIS CLINIC**

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
Government contracts and grants	\$ 4,064,133	\$ -	\$ 4,064,133	\$ 3,662,962	\$ -	\$ 3,662,962
United Way	498,726		498,726	498,726		498,726
Program service fees	713,566		713,566	652,676		652,676
Contributions	216,231		216,231	280,342	30,000	310,342
Special events, net of direct expense of \$27,587 in 2016	54,263		54,263			
Investment gain (loss)	13,565		13,565	(941)		(941)
Net assets released from restriction	41,524	(41,524)		23,476	(23,476)	
	5,602,008	(41,524)	5,560,484	5,117,241	6,524	5,123,765
Expenses						
Telephone services	3,826,146		3,826,146	3,360,114		3,360,114
Hospital authorization	884,716		884,716	796,428		796,428
Total program services	4,710,862		4,710,862	4,156,542		4,156,542
Management and general	828,052		828,052	709,805		709,805
Fundraising	93,462		93,462	93,021		93,021
Total expenses	5,632,376		5,632,376	4,959,368		4,959,368
<b>Change in net assets</b>	<b>(30,368)</b>	<b>(41,524)</b>	<b>(71,892)</b>	<b>157,873</b>	<b>6,524</b>	<b>164,397</b>
Net Assets, beginning of year	2,237,678	41,524	2,279,202	2,079,805	35,000	2,114,805
Net Assets, end of year	\$ 2,207,310	\$ -	\$ 2,207,310	\$ 2,237,678	\$ 41,524	\$ 2,279,202

See Notes to Financial Statements

## CRISIS CLINIC

### STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

	Program Services			Management and General	Fundraising	Total
	Telephone Services	Hospital Authorization	Total			
Salaries and contract services	\$ 2,301,139	\$ 528,095	\$ 2,829,234	\$ 542,627	\$ 57,442	\$ 3,429,303
Employee benefits	371,468	57,865	429,333	73,300	7,974	510,607
Payroll taxes	193,659	42,913	236,572	42,174	4,713	283,459
Total personnel expenses	2,866,266	628,873	3,495,139	658,101	70,129	4,223,369
Professional fees and subcontracts	398,507	180,563	579,070	22,759	3,684	605,513
Occupancy	225,287	48,774	274,061	47,848	4,617	326,526
Telephone	119,768	4,059	123,827	7,977	747	132,551
Supplies	30,360	4,747	35,107	8,536	301	43,944
Loss on disposal of equipment				35,717		35,717
Recruitment	10,236	1,724	11,960	22,876	331	35,167
Insurance	18,099	5,061	23,160	4,504	218	27,882
Special event expense					27,587	27,587
Conferences	25,087	250	25,337	1,311	412	27,060
Printing and media	15,251	503	15,754	520	7,154	23,428
Advertising	15,944		15,944	16	421	16,381
Transportation	13,483	1,025	14,508	1,242	483	16,233
Volunteer recognition	11,110	1,187	12,297	1,789	134	14,220
Equipment maintenance and rental	8,490	119	8,609	1,942	86	10,637
In-kind	8,072	6	8,078	282	111	8,471
Postage	3,343	39	3,382	1,575	3,279	8,236
Dues	7,480	68	7,548	161		7,709
Other	28,497	3,180	31,677	6,670	742	39,089
Total expenses before depreciation	3,805,280	880,178	4,685,458	823,826	120,436	5,629,720
Depreciation and amortization	20,866	4,538	25,404	4,226	613	30,243
	3,826,146	884,716	4,710,862	828,052	121,049	5,659,963
Less: direct cost of fundraising event					(27,587)	(27,587)
Total expenses	\$ 3,826,146	\$ 884,716	\$ 4,710,862	\$ 828,052	\$ 93,462	\$ 5,632,376

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
<b>Total personnel expenses</b>	<b>2,562,538</b>	<b>577,410</b>	<b>3,139,948</b>	<b>597,094</b>	<b>68,082</b>	<b>3,805,124</b>
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
Conferences	17,304	164	17,468	1,004	542	19,014
Printing and media	9,363	390	9,753	2,419	7,198	19,370
Advertising	12,781		12,781		53	12,834
Transportation	14,051	1,002	15,053	1,786	619	17,458
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
In-Kind	7,758		7,758	416		8,174
Postage	5,064	30	5,094	2,644	3,083	10,821
Dues	6,954	124	7,078	1,468	331	8,877
Other	14,278	3,127	17,405	3,382	1,330	22,117
<b>Total expenses before depreciation</b>	<b>3,338,835</b>	<b>791,802</b>	<b>4,130,637</b>	<b>705,201</b>	<b>92,404</b>	<b>4,928,242</b>
Depreciation and amortization	21,279	4,626	25,905	4,604	617	31,126
<b>Total expenses</b>	<b>\$ 3,360,114</b>	<b>\$ 796,428</b>	<b>\$ 4,156,542</b>	<b>\$ 709,805</b>	<b>\$ 93,021</b>	<b>\$ 4,959,368</b>

See Notes to Financial Statements

## CRISIS CLINIC

### STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	\$ (71,892)	\$ 164,397
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	30,243	31,126
Loss on disposal of equipment	35,717	
Realized/unrealized loss (gain) on certificates of deposit	(5,202)	4,622
Changes in operating assets and liabilities		
Contracts and grants receivable	(105,401)	(151,304)
Prepaid expenses and other assets	5,364	30,359
Accounts payable	12,773	(49,867)
Accrued expenses	4,289	31,478
Deferred revenue	(13,248)	13,248
Deferred rent	(12,212)	(4,055)
	(119,569)	70,004
Net cash flows from operating activities	(119,569)	70,004
Cash Flows from Investing Activities		
Purchases of certificates of deposit	(300,000)	(600,000)
Proceeds from maturities of certificates of deposit	299,905	
Purchase of equipment and leasehold improvements	(80,345)	(4,000)
	(80,440)	(604,000)
Net cash flows from investing activities	(80,440)	(604,000)
<b>Net change in cash and cash equivalents</b>	<b>(200,009)</b>	<b>(533,996)</b>
Cash and Cash Equivalents, beginning of year	1,019,070	1,553,066
Cash and Cash Equivalents, end of year	\$ 819,061	\$ 1,019,070

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 2016, Crisis Clinic handled more than 239,000 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 are restricted for the following purposes at December 31:

	2016	2015
The Washington Warm Line	\$ -	\$ 30,000
TeenLink Help Line Marketing		11,524
	<u>\$ -</u>	<u>\$ 41,524</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. Realized and unrealized gains on certificates of deposit amounted to \$5,202 for the year ended December 31, 2016. Realized and unrealized losses on certificates of deposit amounted to \$4,622 for the year ended December 31, 2015. Realized and unrealized gains and losses are included in the investment gain (loss) balance in the statements 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 equipment, which are recorded at fair value (based on estimated purchase price) on the date of donation. The value of supplies received was \$4,999 and \$2,924 in 2016 and 2015, respectively.

## **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 recognized \$3,472 and \$5,250 in donated services for the years ended December 31, 2016 and 2015, respectively.

Other volunteers contributed approximately 34,000 and 32,900 hours of their time in 2016 and 2015, 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.

Crisis Clinic received 52% and 10% of its total support and revenue from contracts and grants from King County and the City of Seattle, respectively, during the year ended December 31, 2016. Crisis Clinic received 51% and 11% of its total support and revenue from contracts and grants from King County and the City of Seattle, respectively, during the year ended December 31, 2015.

Contracts and grants due from King County, the City of Seattle, and DSHS represent 54%, 12%, and 10%, respectively, of the total contracts and grants receivable balance at December 31, 2016. Contracts and grants due from King County, the City of Seattle, and DSHS represent 45%, 21%, and 9%, respectively, of the total contracts and grants receivable balance at December 31, 2015.

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, 2016 or 2015.

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 22, 2017.

## Note 2. Equipment and Leasehold Improvements

Equipment and leasehold improvements consist of the following:

	<u>2016</u>	<u>2015</u>
Computer equipment	\$ 118,062	\$ 110,450
Telephone system	101,240	108,549
Furniture and fixtures	90,129	94,129
Leasehold improvements	<u>22,503</u>	<u>22,503</u>
	331,934	335,631
Less: accumulated depreciation and amortization	<u>(211,942)</u>	<u>(230,024)</u>
	<u>\$ 119,992</u>	<u>\$ 105,607</u>

## Note 3. Leases

Crisis Clinic leases its facilities under an agreement that expires in March 2020. Rental expense for these facilities was \$326,526 and \$320,511 in 2016 and 2015, 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 \$85,676 and \$97,888 at December 31, 2016 and 2015, respectively, has been recorded and represents rent expense recognized in excess of what was actually paid.

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

2017	\$ 322,741
2018	329,491
2019	336,241
2020	<u>84,482</u>
	<u>\$ 1,072,955</u>