

TRIANGLE FAMILY SERVICES, INC.

FINANCIAL STATEMENTS

*As of and for the Year Ended June 30, 2016
(with Comparative Totals for 2015)*

And Report of Independent Auditor

TRIANGLE FAMILY SERVICES, INC.

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Report of Independent Auditor

To the Audit Committee of
Triangle Family Services, Inc.
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Triangle Family Services, Inc. (a nonprofit organization) (the “Agency”), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to 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 the 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 Agency’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 Agency’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 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 the Agency as of June 30, 2016, 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.

Report on Summarized Comparative Information

We previously audited the Agency's 2015 financial statements, and our report dated September 12, 2015 expressed an unmodified opinion on these audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Chasmy Ruchant LLP

Raleigh, North Carolina
September 5, 2016

TRIANGLE FAMILY SERVICES, INC.
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	2016	2015
ASSETS		
Current Assets:		
Cash and cash equivalents (including \$0 in 2016 and \$30,000 of restricted cash in 2015)	\$ 112,229	\$ 214,248
Investment in endowment fund- board designated	33,566	36,007
Unconditional Promises to Give:		
United Way Services	-	79,614
Accounts Receivable:		
Individual and Family Counseling (net of allowance of \$4,267 in 2016 and \$11,479 in 2015)	21,899	31,640
Other receivables	1,025	1,458
Grants receivables	259,903	200,695
Total Current Assets	428,622	563,662
Property and equipment, net	836,869	806,068
Total Assets	\$ 1,265,491	\$ 1,369,730
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current portion of long-term debt	\$ 23,091	\$ 22,066
Current portion of line of credit	50,000	-
Accounts payable	17,151	51,099
Accrued expenses	24,436	79,223
Total Current Liabilities	114,678	152,388
Long-term debt, less current portion	317,885	370,700
Total Liabilities	432,563	523,088
Net Assets:		
Unrestricted	732,928	717,029
Temporarily restricted	100,000	129,613
Total Net Assets	832,928	846,642
Total Liabilities and Net Assets	\$ 1,265,491	\$ 1,369,730

TRIANGLE FAMILY SERVICES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	Temporarily		Total	
	Unrestricted	Restricted	2016	2015
Revenues and Other Support:				
United Way Services funding for the next year	\$ -	\$ -	\$ -	\$ 79,614
United Way Services funding	147,169	-	147,169	238,795
Grants and contracts	1,730,241	250,000	1,980,241	1,626,886
Contributions	257,509	-	257,509	140,376
Donated equipment	-	-	-	81,045
Individual and Family Counseling fees	298,641	-	298,641	317,005
Violence and Crisis Intervention fees	133,117	-	133,117	101,763
Consumer Credit Counseling fees	10,139	-	10,139	14,632
Supervised visitation fees	59,599	-	59,599	50,609
Special events	155,834	-	155,834	145,588
Other	(980)	-	(980)	970
Net Assets Released from Restrictions:				
Restrictions satisfied by payments	200,000	(200,000)	-	-
United Way Services funding for the year	79,613	(79,613)	-	-
Total Revenues and Other Support	3,070,882	(29,613)	3,041,269	2,797,283
Expenses:				
Program Services:				
Individual and Family Counseling	769,743	-	769,743	807,349
Emergency and Housing Assistance	889,735	-	889,735	477,174
Consumer Credit Counseling	351,522	-	351,522	435,010
Family Violence Intervention Services	347,685	-	347,685	284,977
Supervised visitation	212,444	-	212,444	218,741
	2,571,129	-	2,571,129	2,223,251
Supporting Services:				
Management and general	428,751	-	428,751	383,522
Fundraising	55,103	-	55,103	52,520
Total Expenses	3,054,983	-	3,054,983	2,659,293
Change in net assets	15,899	(29,613)	(13,714)	137,990
Net assets, beginning of year	717,029	129,613	846,642	708,652
Net assets, end of year	\$ 732,928	\$ 100,000	\$ 832,928	\$ 846,642

TRIANGLE FAMILY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	Program Services					Supporting Services			Total	
	Individual and Family Counseling	Emergency and Housing Assistance	Consumer Credit Counseling	Family Violence Intervention Services	Supervised Visitation	Total	Management and General	Fund Raising	2016	2015
Salaries and employee benefits	\$ 529,622	\$ 316,979	\$ 240,905	\$ 227,234	\$ 149,013	\$ 1,463,753	\$ 310,961	\$ -	\$ 1,774,714	\$ 1,632,394
Payroll taxes and insurance	111,557	71,385	41,428	58,195	27,754	310,319	56,153	-	366,472	339,857
Consultant and professional services	19,476	10,699	12,435	14,457	6,194	63,261	14,816	-	78,077	106,713
Supplies	5,205	2,913	4,228	2,110	1,139	15,595	2,365	-	17,960	18,056
Telephone	2,091	3,184	823	951	697	7,746	540	-	8,286	5,949
Postage	1,167	637	460	531	389	3,184	697	-	3,881	4,374
Occupancy	28,340	17,070	11,949	13,806	9,901	81,066	15,221	-	96,287	134,994
Equipment rental and maintenance	13,412	5,891	4,375	4,910	3,796	32,384	3,818	-	36,202	43,064
Printing and publications	1,017	677	539	3,267	453	5,953	1,523	-	7,476	6,098
Travel	2,321	12,384	1,650	1,827	1,433	19,615	1,700	-	21,315	16,720
Conferences, conventions, and meetings	7,085	2,086	3,305	2,134	2,064	16,674	10,702	-	27,376	21,079
Financial assistance	-	425,294	-	-	-	425,294	-	-	425,294	167,783
Membership dues	285	-	7,002	1,120	175	8,582	1,976	-	10,558	12,101
Special events	-	-	-	-	-	-	-	55,103	55,103	52,520
Interest	5,445	2,970	2,145	2,475	1,815	14,850	1,650	-	16,500	20,123
Miscellaneous	30,846	12,081	15,186	9,635	4,083	71,831	2,873	-	74,704	59,611
Total before depreciation	757,869	884,250	346,430	342,652	208,906	2,540,107	424,995	55,103	3,020,205	2,641,436
Depreciation on property and equipment	11,874	5,485	5,092	5,033	3,538	31,022	3,756	-	34,778	17,857
Total functional expenses	\$ 769,743	\$ 889,735	\$ 351,522	\$ 347,685	\$ 212,444	\$ 2,571,129	\$ 428,751	\$ 55,103	\$ 3,054,983	\$ 2,659,293

The accompanying notes to financial statements are an integral part of this statement.

TRIANGLE FAMILY SERVICES, INC.
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (13,714)	\$ 137,990
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	34,778	17,857
(Increase) decrease in:		
Unconditional promises to give	79,614	158,953
Accounts receivable	(49,034)	(23,641)
Deposits	-	7,581
Increase (decrease) in:		
Accounts payable	(33,948)	13,222
Accrued expenses	(54,787)	1,349
Net cash from operating activities	<u>(37,091)</u>	<u>313,311</u>
Cash flows from investing activities:		
Investment in endowment	2,441	(36,007)
Purchase of property and equipment	(65,579)	(82,196)
Net cash from investing activities	<u>(63,138)</u>	<u>(118,203)</u>
Cash flows from financing activities:		
New borrowings	50,000	30,000
Debt reduction	(51,790)	(129,319)
Net cash from financing activities	<u>(1,790)</u>	<u>(99,319)</u>
Net change in cash	(102,019)	95,789
Cash, beginning of year	<u>214,248</u>	<u>118,459</u>
Cash, end of year	<u>\$ 112,229</u>	<u>\$ 214,248</u>
Supplemental cash flow information:		
Interest paid	<u>\$ 16,500</u>	<u>\$ 20,123</u>

TRIANGLE FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(WITH COMPARATIVE TOTALS FOR 2015)

Note 1—Nature of organization

Triangle Family Services, Inc. (the “Agency”) is an agency that provides a variety of mental health and social services designed to preserve and strengthen families in Wake County and the Triangle area in North Carolina. These services include individual, family, and consumer credit counseling, violence and crisis intervention, prevention of homelessness, and supervised visitation and exchange services. The Agency is supported primarily through fees, grants, donor contributions, and the United Way. Approximately 4.8% of the Agency’s support for the year ended June 30, 2016 came from allocations from the United Way.

Note 2—Summary of significant accounting policies

Basis of Accounting - The financial statements of the Agency have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenditures are recognized when incurred. This basis of accounting conforms to accounting principles generally accepted in the United States of America (“GAAP”).

Comparative Financial Information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Agency’s financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Basis of Presentation - The financial statement presentation follows the provisions of GAAP which requires the Agency to report 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. The Agency has the following net assets:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by the actions of the Agency and/or the passage of time.

Revenue Recognition - Clients may be charged according to a fee scale based on the client’s income and ability to pay. All revenues are considered to be available for unrestricted use unless specifically restricted by the donor. At its discretion, the Board of Directors may designate funds for specific purposes. Such Board-designated funds are segregated in the unrestricted net assets.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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 are reported in the statement of activities and changes in net assets as net assets released from restrictions. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets.

TRIANGLE FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(WITH COMPARATIVE TOTALS FOR 2015)

Note 2—Summary of significant accounting policies (continued)

Income Tax Status - The Agency is exempt from federal and state income taxes under Section 501 (c)(3) of the U.S. Internal Revenue Code and the applicable state tax statutes. In addition, the Agency qualifies for the charitable contributions deduction under Section 170(b)(1)(a) and has been qualified as an organization that is not a private foundation under Section 509(a)(2) of the U.S. Internal Revenue Code. Management has evaluated the effect of the guidance provided by GAAP. Management believes that the Agency continues to satisfy the requirements of a tax-exempt organization at June 30, 2016. Management has evaluated all other tax positions that could have a significant effect on the financial statements, and determined, the Agency had no significant uncertain income tax positions at June 30, 2016.

In-kind Contributions - No amount has been reflected in the statements for donated services inasmuch as no objective basis is available to measure the value of these donations. A substantial number of volunteers have donated significant amounts of their time to the Agency's programs and in its fund-raising campaigns. Donated services were not recorded in these financial statements at June 30, 2016 because these services did not create or enhance nonfinancial assets or require specialized skills.

Donated Equipment - Donated furniture, fixtures, and equipment are reflected as contributions in the accompanying financial statements at the estimated fair value at the date of receipt. There was no donated equipment recorded in these financial statements at June 30, 2016.

Functional Expenses - Directly identifiable expenses are charged to programs and support services. Expenses related to more than one function are charged to programs and supporting services on the basis of specific grant provisions for indirect costs. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Agency.

Cash and Cash Equivalents - Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and have an original maturity of ninety days or less. The Agency places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. The Agency from time to time may have amounts on deposit in excess of the insured limits. As of June 30, 2016, the Agency did not have any uninsured cash balances above insured amounts.

Restricted Cash and Cash Equivalents - Restricted cash and cash equivalents reflect deposit accounts that are related to the Agency's receipt of a Program Related Investment. In 2016 there was no restricted cash.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values based on quoted prices in active markets in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Unconditional Promises to Give - Contributions are recognized when the donor makes a promise to the Agency that is, in substance, unconditional. 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, temporarily restricted net assets are reclassified to unrestricted net assets.

TRIANGLE FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(WITH COMPARATIVE TOTALS FOR 2015)

Note 2—Summary of significant accounting policies (continued)

Accounts Receivable - The Agency grants credit to clients, substantially all of whom are local individuals. Individual and family counseling accounts receivable are from program fees due from the client or insurance companies. Fees due from clients more than 90 days old are considered delinquent and are written off after 180 days. Fees due from insurance companies more than 180 days old are considered delinquent and are written off after 360 days. The Agency has established an allowance for doubtful accounts based on their best estimate.

Grants - The Agency receives grant funds at times from various federal, state, and local governments. Such costs are subject to final approval by the grantor agencies and deficiencies, if any, are the responsibility of the Agency.

Property and Equipment - Property and equipment are stated at cost at the date of acquisition or, if donated, at the approximate fair value at the date of donation. The agency capitalizes all purchases of property and equipment in excess of \$5,000. Depreciation is computed using straight-line method for buildings and accelerated methods for all other assets over their respective estimated useful lives. The following are the estimated useful lives of the respective assets:

<u>Description</u>	<u>Estimated Useful Lives</u>
Building and improvements	39 Years
Furniture and fixtures	5 - 7 Years

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value Hierarchy - Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. GAAP describes three levels of inputs that may be used to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques as well as instruments for which the determination of fair value requires significant management judgment or estimation.

TRIANGLE FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

Note 2—Summary of significant accounting policies (continued)

Dissolution of Endowment - In 2015, the Board of Directors and Management decided to terminate the Triangle Family Service Endowment. The investment was transferred to the Agency and subsequently to Triangle Community Foundation. Due to this dissolution, the financial statements were no longer reported as consolidated for the fiscal year ended June 30, 2015 and 2016.

Note 3—Fair value measurements

Fair values of assets measured at June 30, 2016 are as follows:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Triangle Community Foundation	\$ -	\$ 33,566	\$ -	\$ 33,566

Note 4—Property and equipment

Property and equipment at June 30, 2016 are summarized as follows:

Furniture and equipment	\$ 265,272
Building and improvements	531,397
Land	257,779
Project in process	59,250
	<u>1,113,698</u>
Less accumulated depreciation	(276,829)
	<u>\$ 836,869</u>

Depreciation expense amounted to \$34,778 in 2016.

TRIANGLE FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

Note 5—Long-term debt

Long-term debt at June 30, 2016 is summarized as follows:

4.6%, 20-year note with a related party (Fifth Third Bank) in the amount of \$500,000. The note is collateralized by a deed of trust on property located on Western Boulevard, Raleigh, North Carolina. Principal and interest payments of \$3,191 are payable in monthly installments until November 8, 2033, at which time the principal and interest then remaining is due and payable.

Less current portion

Long-term portion

\$	340,976
	<u>(23,091)</u>
\$	<u>317,885</u>

Maturities of long-term debt are as follows:

2017

2018

2019

2020

2021

Thereafter

\$	23,091
	24,188
	25,321
	26,506
	27,751
	<u>214,119</u>
\$	<u>340,976</u>

Total interest expense on short- and long-term debt was \$16,500 in 2016.

Note 6—Bank line of credit

The Agency obtained a \$150,000 line of credit with Fifth Third Bank that expires on October 24, 2017. The line automatically extends for one year on the expiration date unless the Lender gives notice, at least 30 days prior to expiration. The line of credit is collateralized by a deed of trust on property located on Western Boulevard, Raleigh, North Carolina and has no covenants. Interest is paid monthly at prime (3.50% at June 30, 2016) plus 1.50%. As of June 30, 2016, there was a \$50,000 outstanding balance on the Agency's line of credit.

TRIANGLE FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

Note 7—Temporarily restricted net assets

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

Individual and Family Counseling	\$ 28,125
Domestic Offenders Sentenced to Education	62,500
For Subsequent Periods	<u>9,375</u>
	<u>\$ 100,000</u>

Note 8—Commitments

The Agency leases certain property for use in its operations. The following summarizes minimum future rental payments under operating leases for the year ended June 30, 2016.

<u>Year Ending June 30,</u>	
2017	<u>\$ 13,842</u>
Total minimum lease payments	<u>\$ 13,842</u>

Note 9—Subsequent events

The Agency has evaluated subsequent events through September 5, 2016, the date which the financial statements were available to be issued. There were no subsequent events required to be disclosed within the financial statements.