



TRIANGLE FAMILY SERVICES, INC.

FINANCIAL STATEMENTS

*As of and for the Year Ended June 30, 2018
(with Comparative Totals for 2017)*

And Report of Independent Auditor

TRIANGLE FAMILY SERVICES, INC.

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Report of Independent Auditor

To the Audit Committee
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, 2018, 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, 2018, 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 2017 financial statements, and our report dated August 31, 2017 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Cherry Rickett LLP

Raleigh, North Carolina
October 15, 2018

TRIANGLE FAMILY SERVICES, INC.
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 609,117	\$ 117,825
Investment in endowment fund	36,577	36,003
Individual and Family Counseling Accounts Receivable (net of allowance of \$5,302 in 2018 and \$3,346 in 2017)	29,140	22,138
Other receivables	1,605	2,050
Grants receivables	235,794	329,611
Pledges receivable	292,780	-
Prepaid expenses	12,005	-
Total Current Assets	1,217,018	507,627
Property and equipment, net	751,051	795,065
Total Assets	\$ 1,968,069	\$ 1,302,692
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current portion of long-term debt	\$ 25,451	\$ 24,165
Accounts payable	29,214	38,823
Accrued expenses	114,922	70,826
Total Current Liabilities	169,587	133,814
Long-term debt, less current portion	268,688	293,938
Total Liabilities	438,275	427,752
Net Assets:		
Unrestricted	1,405,911	774,940
Temporarily restricted	123,883	100,000
Total Net Assets	1,529,794	874,940
Total Liabilities and Net Assets	\$ 1,968,069	\$ 1,302,692

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

YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	Unrestricted	Temporarily Restricted	Total	
			2018	2017
Revenues and Other Support:				
United Way Services funding	\$ 60,755	\$ -	\$ 60,755	\$ 188,099
Grants and contracts	1,872,422	159,000	2,031,422	2,067,166
Contributions	141,925	-	141,925	214,799
Individual and Family Counseling fees	296,683	-	296,683	295,368
Violence and Crisis Intervention fees	162,956	-	162,956	134,221
Consumer Credit Counseling fees	9,862	-	9,862	11,005
Supervised visitation fees	51,876	-	51,876	48,686
Special events	161,169	6,550	167,719	176,712
Band Together	723,722	-	723,722	-
Other	4,800	-	4,800	4,432
Net Assets Released from Restrictions:				
Restrictions satisfied by time	41,667	(41,667)	-	-
Restrictions satisfied by payments	100,000	(100,000)	-	-
Total Revenues and Other Support	3,627,837	23,883	3,651,720	3,140,488
Expenses:				
Program Services:				
Individual and Family Counseling	744,093	-	744,093	811,679
Emergency and Housing Assistance	991,284	-	991,284	915,413
Consumer Credit Counseling	223,630	-	223,630	394,973
Family Violence Intervention Services	408,542	-	408,542	349,331
Supervised visitation	233,101	-	233,101	268,504
	2,600,650	-	2,600,650	2,739,900
Supporting Services:				
Management and general	114,720	-	114,720	324,360
Fundraising	281,496	-	281,496	34,216
Total Expenses	2,996,866	-	2,996,866	3,098,476
Change in net assets	630,971	23,883	654,854	42,012
Net assets, beginning of year	774,940	100,000	874,940	832,928
Net assets, end of year	\$ 1,405,911	\$ 123,883	\$ 1,529,794	\$ 874,940

TRIANGLE FAMILY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	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	2018	2017
Salaries and employee benefits	\$ 516,716	\$ 456,596	\$ 137,285	\$ 279,841	\$ 173,807	\$ 1,564,245	\$ 64,023	\$ 137,522	\$ 1,765,790	\$ 1,802,636
Payroll taxes and insurance	90,759	108,214	31,855	59,775	21,337	311,940	20,238	16,255	348,433	388,890
Consultant and professional services	30,579	28,475	10,112	19,078	10,247	98,491	4,510	25,443	128,444	118,711
Supplies	4,520	6,253	817	3,440	1,092	16,122	472	756	17,350	14,205
Telephone	2,033	4,115	569	1,225	656	8,598	339	517	9,454	8,613
Postage	1,063	1,148	294	592	337	3,434	169	4,190	7,793	3,662
Occupancy	27,786	26,301	8,035	16,205	8,923	87,250	4,508	9,595	101,353	98,882
Equipment rental and maintenance	10,429	9,747	3,043	5,971	3,396	32,586	1,732	922	35,240	35,897
Printing and publications	1,800	1,847	804	1,403	941	6,795	220	1,968	8,983	10,221
Travel	3,126	18,016	587	3,465	3,392	28,586	4,444	277	33,307	36,427
Conferences, conventions, and meetings	9,302	1,490	1,208	1,185	1,496	14,681	9,556	829	25,066	23,762
Financial assistance	600	309,419	-	-	-	310,019	-	-	310,019	362,994
Membership dues	1,896	724	6,953	-	850	10,423	156	139	10,718	10,307
Special events	-	-	-	-	-	-	-	77,961	77,961	28,457
Interest	5,112	4,777	1,430	2,872	1,650	15,841	853	1,300	17,994	17,602
Miscellaneous	22,722	131	16,321	4,856	120	44,150	802	45	44,997	95,406
Total before depreciation	728,443	977,253	219,313	399,908	228,244	2,553,161	112,022	277,719	2,942,902	3,056,672
Depreciation on property and equipment	15,650	14,031	4,317	8,634	4,857	47,489	2,698	3,777	53,964	41,804
Total functional expenses	\$ 744,093	\$ 991,284	\$ 223,630	\$ 408,542	\$ 233,101	\$ 2,600,650	\$ 114,720	\$ 281,496	\$ 2,996,866	\$ 3,098,476

The accompanying notes to the financial statements are an integral part of these statements.

TRIANGLE FAMILY SERVICES, INC.
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 654,854	\$ 42,012
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	53,964	41,804
(Increase) decrease in:		
Accounts receivable	(205,520)	(70,972)
Prepaid expenses	(12,005)	-
Increase (decrease) in:		
Accounts payable	(9,609)	21,672
Accrued expenses	44,096	46,390
Net cash flows from operating activities	<u>525,780</u>	<u>80,906</u>
Cash flows from investing activities:		
Investment in endowment	(574)	(2,437)
Purchase of intangible assets	(9,950)	-
Net cash flows from investing activities	<u>(10,524)</u>	<u>(2,437)</u>
Cash flows from financing activities:		
Borrowings on line of credit	70,000	100,000
Payments on line of credit	(70,000)	(150,000)
Payments on long-term debt	(23,964)	(22,873)
Net cash flows from financing activities	<u>(23,964)</u>	<u>(72,873)</u>
Net change in cash	491,292	5,596
Cash, beginning of year	<u>117,825</u>	<u>112,229</u>
Cash, end of year	<u>\$ 609,117</u>	<u>\$ 117,825</u>
Supplemental cash flow information:		
Interest paid	<u>\$ 17,994</u>	<u>\$ 17,602</u>

TRIANGLE FAMILY SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

(WITH COMPARATIVE TOTALS FOR 2017)

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, and donor contributions.

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, 2017, 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. Included in this balance are board-designated funds of \$159,885 which are designated for specific purposes.

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 included in 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 THE FINANCIAL STATEMENTS

JUNE 30, 2018

(WITH COMPARATIVE TOTALS FOR 2017)

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 (“IRC”) 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 IRC. 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, 2018. 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, 2018. Management has also not identified any unrelated business income requiring the Agency to file a Form 990-T, *Exempt Organization Business Income Tax Return*.

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, 2018 because these services did not create or enhance nonfinancial assets or require specialized skills. There were in-kind contributions other than services made during the year of \$35,575.

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. Of this balance, the Board has designated \$122,938 for specific purposes. 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, 2018, the Agency had \$374,589 in uninsured cash balances above insured amounts.

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. Conditional promises to give are excluded from support until the possibility that the conditions will not be met is considered remote.

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. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. The reimbursed costs incurred by the Agency are subject to final approval by the grantor agency. The Agency deems all grant receivables to be fully collectible based on historical collections.

TRIANGLE FAMILY SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

Note 2—Summary of significant accounting policies (continued)

Pledges - Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at fair value which is measured at the present value of their future cash flows. The Agency has determined that any discount at June 30, 2018 for pledges receivable expected to be collected in future years is immaterial. The Agency uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of the grantor. No allowance was deemed necessary at June 30, 2018.

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
Technology	3 Years

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Current Pronouncements Implemented - On May 1, 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-07, *Fair Value Measurement (Topic 820) – Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. The amendments in ASU 2015-07 remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient.

Future Pronouncements – In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of the lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the fiscal year ending June 30, 2020. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are intended to improve financial statement presentation by not-for-profit organizations by providing more relevant information about their resources and the changes in those resources to their donors, grantors, creditors, and other users. There are qualitative and quantitative requirements in a number of areas, including net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. The standard will be effective for the fiscal years beginning after December 15, 2017. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

TRIANGLE FAMILY SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

Note 2—Summary of significant accounting policies (continued)

On June 21, 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU are intended to clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. An exchange transaction will be considered by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The standard will be effective for fiscal years beginning after December 15, 2018. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Note 3—Fair value measurements

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.

In accordance with FASB Accounting Standards Codification Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient are not classified within a fair value hierarchy. All of the Agency's investments at June 30, 2018 consist of a beneficial interest in an endowment fund of \$36,577, measured at net asset value per share.

Note 4—Pledges Receivable

A detail of pledges receivable at June 30, 2018 based on when the pledges are due is as follows:

Receivable in less than one year	\$ 272,780
Receivable in one to five years	20,000
Total	<u>\$ 292,780</u>

TRIANGLE FAMILY SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

Note 5—Property and equipment

Property and equipment at June 30, 2018 are summarized as follows:

Land	\$ 265,272
Building and improvements	531,397
Furniture and Equipment	249,191
Technology	59,250
Intangible Assets	9,950
	<u>1,115,060</u>
Less accumulated depreciation	<u>(364,009)</u>
	<u><u>\$ 751,051</u></u>

Depreciation expense amounted to \$53,964 in 2018.

Note 6—Long-term Debt

Long-term debt at June 30, 2018 is summarized as follows:

Note with a related party (Fifth Third Bank) in the amount of \$500,000 with interest of 5.4%. The note is collateralized by a deed of trust on property located on Western Boulevard, Raleigh, North Carolina. Principal and interest payments of \$3,600 are payable in monthly installments until October 24, 2023, at which time the principal and interest then remaining is due and payable.

	\$ 294,139
Less current portion	<u>(25,451)</u>
Long-term portion	<u><u>\$ 268,688</u></u>

Maturities of long-term debt are as follows:

Years Ending June 30,

2019	\$ 25,451
2020	29,175
2021	30,851
2022	32,583
2023	34,413
Thereafter	<u>141,666</u>
	<u><u>\$ 294,139</u></u>

Total interest expense on short- and long-term debt was \$17,994 in 2018.

TRIANGLE FAMILY SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

Note 7—Bank line of credit

The Agency obtained a \$150,000 line of credit with Fifth Third Bank. The line automatically extends for one year on the expiration date unless the Lender gives notice, at least 30 days prior to expiration. Since no notice was given, the line automatically renewed on September 9, 2018 for one year. 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 (5.00% at June 30, 2018) plus 1.50%. As of June 30, 2018, there was a \$0 outstanding balance on the Agency's line of credit.

Note 8—Temporarily restricted net assets

Temporarily restricted net assets at June 30, 2018 are available for the following purposes:

Domestic Offenders Sentenced to Education	\$ 83,333
For Subsequent Periods	<u>40,550</u>
	<u><u>\$ 123,883</u></u>

Note 9—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, 2018.

Years Ending June 30,

2019	\$ 11,668
2020	11,668
2021	<u>162</u>
Total minimum lease payments	<u><u>\$ 23,498</u></u>

Rental expense for the year ended June 30, 2018 was \$13,993.

Note 10—Subsequent events

The Agency has evaluated subsequent events through October 15, 2018, the date which the financial statements were available to be issued. The Agency renegotiated their long-term debt agreement, effective October 12, 2018. The maturities of this renegotiated debt are reflected within Note 6.