

FAMILY COUNSELING CENTER OF MOBILE, INC.

D/B/A LIFELINES COUNSELING SERVICES

FINANCIAL REPORT

DECEMBER 31, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Family Counseling Center of Mobile, Inc.
d/b/a Lifelines Counseling Services
Mobile, Alabama

Report on the Financial Statements

I have audited the accompanying financial statements of Family Counseling Center of Mobile, Inc. d/b/a Lifelines Counseling Services (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, 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 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

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Counseling Center of Mobile, Inc. d/b/a Lifelines Counseling Services as of December 31, 2013 and 2012, 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 of America.

Other Matter

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of support, revenue and expenses by fund on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Kim K. Enikeieff

March 12, 2014

**FAMILY COUNSELING CENTER OF MOBILE, INC.
D/B/A LIFELINES COUNSELING SERVICES**

**STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets		
Cash	\$ 192,410	\$ 281,725
Debt management funds held	1,194	1,378
Investments	351,849	351,275
Program service fees, less allowance for doubtful accounts of \$0 in 2013 and \$1,615 in 2012	5,743	3,399
Grants receivable	23,783	55,473
Prepaid expenses	<u>1,550</u>	<u>2,671</u>
Total current assets	<u>576,529</u>	<u>695,921</u>
Property and equipment, net	339,189	367,755
Other investments	<u>-</u>	<u>3,500</u>
Total assets	<u><u>\$ 915,718</u></u>	<u><u>\$ 1,067,176</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ -	\$ -
Deferred revenue	6,970	83,306
Debt management liabilities	<u>1,194</u>	<u>1,378</u>
Total current liabilities	<u>8,164</u>	<u>84,684</u>
Net assets		
Unrestricted	907,554	982,492
Temporarily restricted	-	-
Permanently restricted	<u>-</u>	<u>-</u>
Total net assets	<u>907,554</u>	<u>982,492</u>
Total liabilities and net assets	<u><u>\$ 915,718</u></u>	<u><u>\$ 1,067,176</u></u>

See notes to financial statements.

**FAMILY COUNSELING CENTER OF MOBILE, INC.
D/B/A LIFELINES COUNSELING SERVICES**

**STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2013 and 2012**

	2013 <u>Unrestricted</u>	2012 <u>Unrestricted</u>
Public support and revenue		
Support		
United Way Allocation	\$ 181,909	\$ 196,570
United Way Grants	61,500	86,500
Grants	480,150	500,450
Contributions	106,683	27,487
Fundraising	<u>12,985</u>	<u>15,539</u>
Total public support	<u>843,227</u>	<u>826,546</u>
Revenue		
Family counseling service fees	150,475	149,087
Credit counseling service fees	155,235	164,550
Contract revenue	292,199	280,212
Investment income	(2,926)	1,275
Miscellaneous	<u>6,060</u>	<u>2,500</u>
Total revenue	<u>601,043</u>	<u>597,624</u>
Total public support and revenue	<u>1,444,270</u>	<u>1,424,170</u>
Expenses		
Program services		
Family counseling	576,966	582,207
Credit counseling	386,927	411,498
Outreach/education	244,294	243,712
211	<u>66,142</u>	<u>59,119</u>
Total program services	1,274,329	1,296,536
Supporting services		
Management and general	242,029	208,715
Fund-raising	<u>2,850</u>	<u>2,900</u>
Total expenses	<u>1,519,208</u>	<u>1,508,151</u>
Change in net assets	(74,938)	(83,981)
Net assets, beginning of year	<u>982,492</u>	<u>1,066,473</u>
Net assets, end of year	<u>\$ 907,554</u>	<u>\$ 982,492</u>

See notes to financial statements.

**FAMILY COUNSELING CENTER OF MOBILE, INC.
D/B/A LIFELINES COUNSELING SERVICES**

**STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2013 with Comparative Totals for 2012**

	Family Counseling	Credit Counseling	Outreach/ Education	211	Total	Management and General	Fund-raising	2013 Total Expenses	2012 Total Expenses
Salaries	\$ 402,178	\$ 234,097	\$ 147,633	\$ 50,753	\$ 834,661	\$ 192,825	\$ -	\$ 1,027,486	\$ 988,627
Payroll taxes	30,767	17,908	11,294	3,883	63,852	14,612	-	78,464	75,648
Employee benefits	41,750	23,920	20,130	6,930	92,730	17,672	-	110,402	127,485
Total personnel	474,695	275,925	179,057	61,566	991,243	225,109	-	1,216,352	1,191,760
Bad debt expense	-	-	-	-	-	-	-	-	2,125
Building and grounds maintenance	5,597	5,555	1,130	-	12,282	1,600	-	13,882	14,972
Conferences and conventions	80	205	1,220	-	1,505	-	-	1,505	4,063
Dues and membership fees	245	691	685	-	1,621	50	50	1,721	3,185
Equipment rental and maintenance	20,600	25,540	5,856	1,108	53,104	2,625	375	56,104	43,943
Insurance	6,693	7,858	3,857	-	18,408	1,840	200	20,448	20,444
Marketing and development expenses	305	2,922	122	-	3,349	-	-	3,349	5,597
Office expense	6,896	5,554	3,126	16	15,592	1,400	600	17,592	23,162
Other program expenses	6,303	12,773	3,770	90	22,936	-	-	22,936	16,644
Payments to affiliated organizations	160	7,539	80	-	7,779	-	-	7,779	5,848
Postage and shipping	136	4,731	161	-	5,028	100	250	5,378	6,104
Printing and publications	3,677	384	7,623	-	11,684	500	300	12,484	11,511
Professional fees	18,863	841	223	-	19,927	4,800	-	24,727	41,605
Rent expense	-	5,700	12,600	1,500	19,800	-	-	19,800	18,050
Telephone	4,562	8,976	7,613	1,497	22,648	1,025	475	24,148	26,040
Travel	11,384	4,398	10,354	356	26,492	1,500	300	28,292	28,380
Utilities	4,165	4,730	4,511	9	13,415	630	100	14,145	14,823
Total expenses before depreciation	564,361	374,322	241,988	66,142	1,246,813	241,179	2,650	1,490,642	1,478,256
Depreciation	12,605	12,605	2,306	-	27,516	850	200	28,566	29,895
Total expenses	\$ 576,966	\$ 386,927	\$ 244,294	\$ 66,142	\$ 1,274,329	\$ 242,029	\$ 2,850	\$ 1,519,208	\$ 1,508,151

See notes to financial statements.

**FAMILY COUNSELING CENTER OF MOBILE, INC.
D/B/A LIFELINES COUNSELING SERVICES**

**STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2013 and 2012**

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (74,938)	\$ (83,981)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	28,566	29,895
Bad debt expense	-	2,125
Net realized and unrealized (gains) and losses on investments	2,926	(1,275)
(Increase) decrease in:		
Debt management funds held	184	2,602
Accounts receivable	(2,344)	(841)
Grants receivable	31,690	(26,751)
Prepaid expenses	1,121	21,284
Increase (decrease) in:		
Accounts payable and accrued expenses	-	(7,600)
Deferred revenue	(76,336)	75,409
	<u>(89,131)</u>	<u>10,867</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	-	(150,000)
Purchases of property, plant and equipment	-	(41,583)
	<u>-</u>	<u>(191,583)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Debt management funds deposited	1,618,504	1,645,122
Debt management funds disbursed	(1,618,688)	(1,647,724)
	<u>(184)</u>	<u>(2,602)</u>
Net cash used by financing activities	<u>(184)</u>	<u>(2,602)</u>
Net decrease in cash	(89,315)	(183,318)
Cash, beginning of year	<u>281,725</u>	<u>465,043</u>
Cash, end of year	<u>\$ 192,410</u>	<u>\$ 281,725</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Organization

Family Counseling Center of Mobile, Inc. (the "Center") is a nonprofit corporation, which does business under the name of Lifelines Counseling Services. It was established in 1958, the Center operates in southwest Alabama providing counseling and guidance to individuals, families, and groups experiencing problems related to stress, family discord, parenting, phobias, aging, rape, and financial difficulties. Approximately 17% and 20% of the Center's total support and revenues for 2013 and 2012, respectively, came from United Way allocations.

The Center is directed by an active Board of Directors whose members serve without compensation.

Summary of Significant Accounting Policies

Method of accounting

The financial statements of the Center have been prepared utilizing the accrual basis of accounting.

Contributions

Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor restricted contributions 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.

Cash and cash equivalents

Cash and cash equivalents include all demand deposit accounts and money market accounts.

Summary of Significant Accounting Policies (continued)

Investments

Investments are composed of certificates of deposit. Investments are carried at fair value.

Investments 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 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.

The Organization values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy that prioritizes the inputs to valuation techniques is used to measure fair value. The hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The hierarchy is broken down into the following three levels, based on the reliability of the inputs:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that are observable at the measurement date;

Level 2: Significant 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; and

Level 3: Significant unobservable inputs for the asset or liability that reflect the reporting organization's own estimates about the assumptions that market participants would use in pricing the asset or liability.

Accounts receivable and bad debts

The Center uses the direct write-off method to account for uncollectible fees.

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 and disclosures. Accordingly, actual results could differ from those estimates.

Summary of Significant Accounting Policies (continued)

Depreciation

Furnishings and equipment are depreciated over estimated useful lives of three to ten years using the straight-line method of depreciation. The building and improvements are depreciated over estimated useful lives of fifteen to thirty-one years using the straight-line method of depreciation. The Center's policy is to capitalize capital acquisitions costing \$1,000 or more.

Income taxes

Income taxes are not provided for in the financial statements since the Center is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Center is not classified as a private foundation.

A policy for accounting for uncertainty in income taxes was adopted in prior years that require the Center to determine whether it is more likely than not that a tax position will be sustained upon examination based on the technical merits of the position. The Center has no uncertain tax positions that qualified for either recognition or disclosure in the financial statements at December 31, 2013 or December 31, 2012.

Donated materials and services

Donated materials or equipment, when received, are reflected as contributions in the accompanying statements at their estimated fair market values at the date of receipt. No amounts have been reflected in the statements for donated services as no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers donated significant amounts of their time in the Center's program services.

Functional expenses

Functional expenses have been allocated among the program and supporting services based upon an analysis of the expenses and benefits derived.

Summary of Significant Accounting Policies (continued)

Comparative amounts

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

Evaluation of subsequent events

The Organization has evaluated subsequent events through March 12, 2014, the date which the financial statements were available to be issued.

Debt Management

The Center's Consumer Credit Counseling Service (CCCS) provides budget counseling and debt management programs. Funds received from clients for debt management are deposited into a separate checking account. Disbursements are made from this account to client creditors and to the Center for its fees. Fees earned and expenses incurred by CCCS are recorded in unrestricted activities.

Investments

Investments are stated at fair value and are summarized as follows as of December 31:

	2013			
	Fair value measurements using			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ 351,849	\$ -	\$ -	\$ 351,849
Equity Securities	-	-	-	-
Total	<u>\$ 351,849</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 351,849</u>

Investments (continued)

2012 Fair value measurements using

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificate of Deposit	\$ 351,275	\$ -	\$ -	\$ 351,275
Equity Securities	-	-	3,500	3,500
Total	<u>\$ 351,275</u>	<u>\$ -</u>	<u>\$ 3,500</u>	<u>\$ 354,775</u>

Investment return is summarized as follows:

	<u>2013</u>	<u>2012</u>
Interest and dividend income	\$ 574	\$ 1,275
Realized gains (losses)	(3,500)	-
Unrealized gains (losses)	-	-
Administrative fees	-	-
Total	<u>\$ (2,926)</u>	<u>\$ 1,275</u>

Furniture, Fixtures and Equipment

Furniture, fixtures and equipment at December 31 are summarized as follows:

	<u>2013</u>	<u>2012</u>
Land	\$ 185,618	\$ 185,618
Building and improvements	386,950	386,950
Office equipment	155,314	193,340
	<u>727,882</u>	<u>765,908</u>
Less accumulated depreciation	<u>388,693</u>	<u>398,153</u>
Total	<u>\$ 339,189</u>	<u>\$ 367,755</u>

Operating Leases

The Center leases, under various non cancelable operating leases, certain office equipment and space. Future minimum lease payments under these leases amounts to \$4,275 for the year ending December 31, 2014.

The amount of rent expense under these leases was \$25,450 and \$18,674 for the years ended December 31, 2013 and 2012, respectively.

Pension Plan

The Center sponsors a defined contribution pension plan covering substantially all employees who have attained age twenty-one and have completed one year or 1,000 hours of service. The Center's monthly contribution changed to 5% effective July 1, 2013 from eight percent of the participants' compensation. The employees who participate are required to make contributions equal to one percent of their compensation. The amount of pension expense was \$44,109 and \$64,866 for 2013 and 2012, respectively.

Donated Services, Materials, and Facilities

The Center occupied space at Infirmary Health Systems, Inc. under a month to month agreement with the hospital. No rent is paid by the Center. The landlord has estimated the approximate fair value of the annual rental to be \$12,000 plus the actual charges for utilities. The amount of rent and utilities was \$0 and \$7,770 for 2013 and 2012, respectively. Such amounts are included in contributions and expenses in the statements of activities.

Subsequent Events

Effective January 1, 2014 the Center began sponsoring a savings incentive match plan in which substantially all employees are eligible to participate. This plan allows eligible employees to save a portion of their salary on a pre-tax basis. The Center will match the employee contributions up to 5% and makes monthly contributions to this plan.

ADDITIONAL INFORMATION

**FAMILY COUNSELING CENTER OF MOBILE, INC.
D/B/A LIFELINES COUNSELING SERVICES**

**SCHEDULE OF SUPPORT, REVENUE AND EXPENSES BY FUND
For The Year Ended December 31, 2013**

	Family Counseling	Credit Counseling	Outreach/ Education	211	Total
Support and revenue					
United Way of Southwest Alabama Allocation	\$ 120,559	\$ 44,175	\$ 13,859	\$ -	\$ 178,593
United Way Grants	-	-	-	61,500	61,500
Washington County United Way	-	-	844	-	844
Clark County United Way	-	2,472	-	-	2,472
Grants	51,994	202,861	225,295	-	480,150
Contributions	5,700	100,103	880	-	106,683
Family counseling service fees	150,475	-	-	-	150,475
Contract revenue	292,199	-	-	-	292,199
Credit counseling service fees	-	155,235	-	-	155,235
Investment income	(1,463)	(1,463)	-	-	(2,926)
Fundraisers	13,639	-	12,897	-	26,536
Miscellaneous	2,295	-	3,765	-	6,060
Total support and revenue	635,398	503,383	257,540	61,500	1,457,821
Expenses					
Building and grounds maintenance	6,397	6,355	1,130	-	13,882
Conferences and conventions	80	205	1,220	-	1,505
Depreciation	13,130	13,130	2,306	-	28,566
Dues and membership fees	295	741	685	-	1,721
Equipment rental and maintenance	22,100	27,040	5,856	1,108	56,104
Fundraiser expense	8,770	-	4,781	-	13,551
Insurance	7,713	8,878	3,857	-	20,448
Marketing and development expenses	305	2,922	122	-	3,349
Office expense	7,896	6,554	3,126	16	17,592
Other program expenses	6,303	12,773	3,770	90	22,936
Payments to affiliated organizations	160	7,539	80	-	7,779
Postage and shipping	136	5,081	161	-	5,378
Printing and publications	4,077	784	7,623	-	12,484
Professional fees	20,783	2,761	1,183	-	24,727
Rent expense	-	5,700	12,600	1,500	19,800
Salaries, benefits, and payroll taxes	564,281	366,001	224,504	61,566	1,216,352
Telephone	5,312	9,726	7,613	1,497	24,148
Travel	12,284	5,298	10,354	356	28,292
Utilities	4,530	5,095	4,511	9	14,145
Total expenses	684,552	486,583	295,482	66,142	1,532,759
Net revenue over expenses (expenses over revenue)	\$ (49,154)	\$ 16,800	\$ (37,942)	\$ (4,642)	\$ (74,938)

See notes to financial statements.