

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**PERSONAL COUNSELING SERVICE, INC.**

**DECEMBER 31, 2015 AND 2014**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Personal Counseling Service, Inc.

We have audited the accompanying financial statements of Personal Counseling Service, Inc., (a not-for-profit organization) 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 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**

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 of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 Personal Counseling Service, Inc. 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 of America.

*Baldwin CPAs, PLLC*

Louisville, Kentucky  
May 23, 2016

**STATEMENTS OF FINANCIAL POSITION  
PERSONAL COUNSELING SERVICE, INC.  
DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash	\$ 12,629	\$ 42,733
Accounts receivable, net	26,943	35,799
Grants receivable	23,530	4,380
Promises to give	16,835	17,407
Prepaid expenses	315	-
Land, buildings and equipment, net	<u>675,847</u>	<u>740,757</u>
Total assets	<u>\$ 756,099</u>	<u>\$ 841,076</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 6,129	\$ 3,083
Accrued payroll and related taxes	21,921	21,501
Line of credit	39,535	-
Mortgages payable	<u>265,541</u>	<u>276,086</u>
Total liabilities	<u>333,126</u>	<u>300,670</u>
 <b>NET ASSETS</b>		
Unrestricted	406,138	522,999
Temporarily restricted	<u>16,835</u>	<u>17,407</u>
Total net assets	<u>422,973</u>	<u>540,406</u>
Total liabilities and net assets	<u>\$ 756,099</u>	<u>\$ 841,076</u>

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

**STATEMENTS OF ACTIVITIES  
PERSONAL COUNSELING SERVICE, INC.  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support:						
Contributions and grants	\$ 141,722	\$ 16,835	\$ 158,557	\$ 113,345	\$ 17,407	\$ 130,752
Program fees	465,712	-	465,712	392,888	-	392,888
Special event income	64,273	-	64,273	62,638	-	62,638
Special event expense	(17,142)	-	(17,142)	(14,655)	-	(14,655)
Loss on sale of land	(12,749)	-	(12,749)	-	-	-
Total revenue and support	641,816	16,835	658,651	554,216	17,407	571,623
Net assets released from restrictions:						
Restrictions satisfied by payments	17,407	(17,407)	-	125,903	(125,903)	-
Total revenue, support and reclassifications	659,223	(572)	658,651	680,119	(108,496)	571,623
Expenses:						
Program services	636,274	-	636,274	553,776	-	553,776
Management and general	121,421	-	121,421	113,145	-	113,145
Fund raising	18,389	-	18,389	48,718	-	48,718
Total expenses	776,084	-	776,084	715,639	-	715,639
Increase (decrease) in net assets	(116,861)	(572)	(117,433)	(35,520)	(108,496)	(144,016)
Net assets at beginning of year	522,999	17,407	540,406	558,519	125,903	684,422
Net assets at end of year	\$ 406,138	\$ 16,835	\$ 422,973	\$ 522,999	\$ 17,407	\$ 540,406

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

**STATEMENTS OF FUNCTIONAL EXPENSES  
PERSONAL COUNSELING SERVICE, INC.  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015				2014			
	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>
Salaries and wages	\$ 557,499	\$ 458,605	\$ 85,343	\$ 13,551	\$ 499,164	\$ 388,109	\$ 76,965	\$ 34,090
Benefits and payroll taxes	56,043	46,102	8,579	1,362	33,691	26,195	5,195	2,301
Professional counselors	8,388	8,388	-	-	10,958	10,958	-	-
Professional fees	12,105	5,351	6,596	158	10,013	3,509	6,196	308
Supplies, printing and postage	20,856	17,156	3,193	507	23,305	18,120	3,593	1,592
Telephone	10,637	8,750	1,628	259	9,777	7,602	1,507	668
Insurance	15,253	12,547	2,335	371	14,379	11,180	2,217	982
Utilities	9,144	7,522	1,400	222	11,001	8,554	1,696	751
Repairs and maintenance	16,085	13,232	2,462	391	20,393	15,856	3,144	1,393
Marketing	1,847	1,519	283	45	1,419	1,103	219	97
Interest expense	15,117	12,436	2,314	367	18,170	14,127	2,802	1,241
Conference, training and dues	16,091	13,237	2,463	391	18,450	14,345	2,845	1,260
Technology	1,973	1,623	302	48	6,605	5,136	1,018	451
Travel and entertainment	4,776	3,929	731	116	12,733	9,900	1,963	870
Miscellaneous	3,197	2,630	490	77	4,328	2,557	508	1,263
Bad debt expense	5,500	5,500	-	-	-	-	-	-
Depreciation	21,573	17,747	3,302	524	21,253	16,525	3,277	1,451
<b>Total expenses</b>	<b><u>\$ 776,084</u></b>	<b><u>\$ 636,274</u></b>	<b><u>\$ 121,421</u></b>	<b><u>\$ 18,389</u></b>	<b><u>\$ 715,639</u></b>	<b><u>\$ 553,776</u></b>	<b><u>\$ 113,145</u></b>	<b><u>\$ 48,718</u></b>

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

**STATEMENTS OF CASH FLOWS  
PERSONAL COUNSELING SERVICE, INC.  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$(117,433)	\$(144,016)
Adjustments to reconcile change in net cash from operating activities:		
(Gain)/loss from sale of land	12,749	-
Depreciation	21,573	21,253
(Increase) decrease in operating assets:		
Accounts receivable	8,856	(1,910)
Grants receivable	(19,150)	(4,380)
Promises to give	572	108,496
Prepaid expenses	(315)	375
Increase (decrease) in operating liabilities:		
Accounts payable	3,046	(698)
Accrued payroll and related taxes	420	6,386
	<u>(89,682)</u>	<u>(14,494)</u>
Net cash provided (used) by operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of fixed assets	30,588	-
Purchase of land, buildings and equipment	<u>-</u>	<u>(8,280)</u>
	<u>30,588</u>	<u>(8,280)</u>
Net cash provided (used) by investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Mortgage principal payments	(10,545)	(8,287)
Borrowings on line of credit	49,535	
Payments on line of credit	<u>(10,000)</u>	<u>-</u>
	<u>28,990</u>	<u>(8,287)</u>
Net cash provided (used) by financing activities		
Net increase (decrease) in cash	(30,104)	(31,061)
Cash at beginning of year	<u>42,733</u>	<u>73,794</u>
Cash at end of year	<u>\$ 12,629</u>	<u>\$ 42,733</u>

**SUPPLEMENTAL DISCLOSURES:**

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



**NOTES TO FINANCIAL STATEMENTS  
PERSONAL COUNSELING SERVICE, INC.  
DECEMBER 31, 2015 AND 2014**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Personal Counseling Service, Inc. (PCS) is a not-for-profit organization formed for the purpose of providing pastoral counseling, psychotherapy, group therapy and psychiatric services to residents of Kentucky and Indiana. PCS is a non-denominational pastoral counseling center that provides individual, couple, marriage and family and group therapy for adults, children and youth.

A significant portion of the PCS's funding is grants received from Metro United Way, WHAS Crusade for Children and program service fees. PCS also receives donations from businesses, foundations and individuals.

**Basis of Accounting**

The financial statements of PCS have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

**Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) with regards to financial statements of Not-for-Profit Organizations. Under this guidance, PCS is required 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. A description of the three net assets categories follows:

Unrestricted Net Assets: include the portion of expendable funds that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets: include gifts for which donor-imposed restrictions have not been met.

Permanently Restricted Net Assets: include amounts which the donor has stipulated that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### **Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

### **Trust Funds**

Personal Counseling Service, Inc. is the income beneficiary of an endowment fund held at the Southern Indiana Community Foundation. The assets of the fund are not included in the financial statements because they are not in PCS's possession or under PCS's control.

### **Cash**

PCS considers all cash in deposit accounts as cash for financial statement purposes.

### **Accounts Receivable**

Accounts receivable consist primarily of receivables from insurance companies and clients for program services. Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. PCS provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of patients to meet their obligations. Receivables are considered impaired if full principal payments are not received in 120 days. It is PCS's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Charge-offs for the years ended December 31, 2015 and 2014 were \$5,500 and \$0, respectively.

### **Grants Receivable**

Grants receivable consists of amounts that PCS has requested for reimbursement of expenses from various grantors for the current year but did not receive by year end. All are considered collectible, so no allowance for doubtful accounts is necessary.

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### **Promises to Give**

Promises to give are recognized when the donor makes a promise to give to PCS that is, in substance, unconditional. Unconditional pledges receivable becoming due in the next year are recorded at net realizable value. Unconditional pledges receivable due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

### **Land, Building and Equipment**

Land, building and equipment are recorded at cost and depreciated based on the straight-line method over the estimated useful life of the respective assets (5-40 years). The cost of land, building and equipment in excess of \$500 is capitalized.

### **Contributions**

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other 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 reported in the statement of activities as net assets released from restrictions.

### **In-kind Materials, Equipment and Services**

Contributions of tangible assets are recognized at their fair market value at date of donation. The amounts are reflected in the accompanying financial statements as unrestricted support and are offset by like amounts included in expenses. In-kind donations for the years ended December 31, 2015 and 2014 were \$0 and \$406, respectively.

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

PCS recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets, or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. PCS also receives services from a large number of volunteers who give significant amounts of their time to PCS's programs and fund-raising campaigns but which do not meet the criteria for financial statement recognition.

### **Expense Allocation**

Expenses are allocated to programs and supporting services on the basis of direct salaries.

### **Advertising**

PCS uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed as incurred. Advertising costs were \$1,847 and \$1,418 for the years ended December 31, 2015 and 2014, respectively.

### **Income Tax Status**

PCS is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. PCS qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of FASB ASC 740-10 would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the operating statement or accrued in the balance sheet.

### **Reclassifications**

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in current year financial statements.

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 2. CONCENTRATION OF CREDIT RISK

Financial instruments that are exposed to credit risk consist of accounts receivable. Accounts receivable are principally with individuals living in Southern Indiana. Realization of these accounts is dependent on various individual economic conditions.

### NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2015 and 2014 consist primarily of fees due from counseling services as follows:

	<u>2015</u>	<u>2014</u>
Counseling and psychiatric services	\$ 32,443	\$ 43,087
Allowance for doubtful accounts	<u>(5,500)</u>	<u>(7,288)</u>
Accounts receivable, net	<u>\$ 26,943</u>	<u>\$ 35,799</u>

### NOTE 4. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at December 31, 2015 and 2014 are all current and consist of the following:

	<u>2015</u>	<u>2014</u>
Metro United Way	<u>\$ 16,835</u>	<u>\$ 17,407</u>

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 5. LAND, BUILDINGS AND EQUIPMENT

At December 31, 2015 and 2014 the cost and accumulated depreciation of land, buildings and equipment were as follows:

	<u>2015</u>	<u>2014</u>
Land	\$ 126,673	\$ 170,010
Buildings and improvements	688,137	688,137
Furniture and equipment	<u>132,442</u>	<u>132,442</u>
Total costs	947,252	990,589
Less accumulated depreciation	<u>(271,405)</u>	<u>(249,832)</u>
Land, buildings and equipment, net	<u>\$ 675,847</u>	<u>\$ 740,757</u>
Depreciation expense	<u>\$ 21,573</u>	<u>\$ 21,253</u>

### NOTE 6. LINE OF CREDIT

PCS has available a line of credit for \$60,000. Interest is payable monthly at a rate of 4.75%. The \$60,000 credit line expires July 24, 2016, and is secured by the PCS's real estate. The outstanding balance at December 31, 2015 and December 31, 2014 was \$39,535 and \$0, respectively.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**NOTE 7. MORTGAGES PAYABLE**

Mortgages payable consists of the following:

	2015	2014
Mortgage payable to First Harrison Bank with an interest rate of 6.75% and monthly payments of \$1,874. The mortgage is secured by real property with a book value of \$450,553.	\$ 212,118	\$ 221,396
Mortgage payable to First Harrison Bank with an interest rate of 4.65% and monthly payments of \$318. The mortgage is secured by real property with a book value of \$216,133.	53,423	54,690
	\$ 265,541	\$ 276,086

Following are maturities of mortgages payable for each of the next five years:

2016	\$ 10,490
2017	10,493
2018	11,188
2019	11,931
2020	12,717
Thereafter	208,722
Total	\$ 265,541

**NOTE 8. RESTRICTIONS ON ASSETS**

Temporarily restricted net assets are available for the following purposes:

	2015	2014
Subsequent year's activities	\$ 16,835	\$ 17,407

## **NOTES TO FINANCIAL STATEMENTS – CONTINUED**

### **NOTE 9. SUBSEQUENT EVENTS**

Management has evaluated subsequent events for recognition or disclosure in the financial statements through May, 23, 2016, which was the date at which the financial statements were available to be issued.