

FAMILY COUNSELING CENTER OF MOBILE, INC.

D/B/A LIFELINES COUNSELING SERVICES

FINANCIAL REPORT

DECEMBER 31, 2012

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Statements of Financial Position	3
Statements of Activities	4
Statement of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 12
Additional Information	13
Schedule of Support, Revenue and Expenses by Fund	14

Kim K. Enikeieff
Certified Public Accountant
Post Office Box 8754
Mobile, Alabama 36689
Telephone 251-460-2972
Fax 251-460-2741

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, 2012 and 2011, 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 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, 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, 2012 and 2011, 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 Matters

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 8, 2013

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

**STATEMENTS OF FINANCIAL POSITION
December 31, 2012 and 2011**

	2012	2011
ASSETS		
Current Assets		
Cash	\$ 281,725	\$ 465,043
Debt management funds held	1,378	3,980
Investments	351,275	200,000
Program service fees, less allowance for doubtful accounts of \$1,615 in 2012 and 2011	3,399	2,558
Grants receivable	55,473	30,847
Prepaid expenses	2,671	23,955
Total current assets	695,921	726,383
Property and equipment, net	367,755	356,067
Other investments	3,500	3,500
Total assets	\$ 1,067,176	\$ 1,085,950
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ -	\$ 7,600
Deferred revenue	83,306	7,897
Debt management liabilities	1,378	3,980
Total current liabilities	84,684	19,477
Net assets		
Unrestricted	982,492	1,066,473
Temporarily restricted	-	-
Permanently restricted	-	-
Total net assets	982,492	1,066,473
Total liabilities and net assets	\$ 1,067,176	\$ 1,085,950

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, 2012 and 2011**

	<u>2012</u> <u>Unrestricted</u>	<u>2011</u> <u>Unrestricted</u>
Public support and revenue		
Support		
United Way Allocation	\$ 196,570	\$ 206,649
United Way Grants	86,500	111,930
Grants	560,450	620,386
Contributions	27,487	25,069
Fundraising	<u>15,539</u>	<u>12,301</u>
Total public support	<u>886,546</u>	<u>976,335</u>
Revenue		
Family counseling service fees	149,087	158,690
Credit counseling service fees	164,550	187,578
Contract revenue	220,212	200,000
Investment income	1,275	56
Miscellaneous	<u>2,500</u>	<u>2,311</u>
Total revenue	<u>537,624</u>	<u>548,635</u>
Total public support and revenue	<u>1,424,170</u>	<u>1,524,970</u>
Expenses		
Program services		
Family counseling	582,207	514,820
Credit counseling	411,498	416,727
Outreach/education	243,712	310,153
211	<u>59,119</u>	<u>53,147</u>
Total program services	1,296,536	1,294,847
Supporting services		
Management and general	208,715	205,824
Fund-raising	<u>2,900</u>	<u>28,018</u>
Total expenses	<u>1,508,151</u>	<u>1,528,689</u>
Change in net assets	(83,981)	(3,719)
Net assets, beginning of year	<u>1,066,473</u>	<u>1,070,192</u>
Net assets, end of year	<u>\$ 982,492</u>	<u>\$ 1,066,473</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, 2012 with Comparative Totals for 2011**

	Family Counseling	Credit Counseling	Outreach/ Education	2011	Total	Management and General	Fund-raising	2012 Total Expenses	2011 Total Expenses
Salaries	\$ 389,480	\$ 247,790	\$ 153,602	\$ 40,555	\$ 831,427	\$ 157,200	\$ -	\$ 988,627	\$ 928,774
Payroll taxes	29,628	18,858	12,034	3,103	63,623	12,025	-	75,648	75,240
Employee benefits	49,498	26,470	22,225	6,672	104,865	22,620	-	127,485	133,626
Total personnel	468,606	293,118	187,861	50,330	999,915	191,845	-	1,191,760	1,137,640
Bad debt expense	-	2,125	-	-	2,125	-	-	2,125	-
Building and grounds maintenance	5,745	5,830	1,797	-	13,372	1,600	-	14,972	33,408
Conferences and conventions	2,833	820	410	-	4,063	-	-	4,063	2,883
Dues and membership fees	115	2,237	558	75	2,985	100	100	3,185	2,673
Equipment rental and maintenance	15,030	18,924	2,306	4,683	40,943	2,625	375	43,943	43,829
Insurance	7,141	7,386	3,877	-	18,404	1,840	200	20,444	26,606
Marketing and development expenses	1,047	4,409	141	-	5,597	-	-	5,597	37,426
Office expense	8,550	15,936	3,836	-	28,322	1,400	600	30,322	32,067
Other program expenses	4,453	3,872	1,159	-	9,484	-	-	9,484	2,955
Payments to affiliated organizations	160	5,608	80	-	5,848	-	-	5,848	10,917
Postage and shipping	133	5,393	228	-	5,754	100	250	6,104	6,539
Printing and publications	4,167	785	5,759	-	10,711	500	300	11,511	33,914
Professional fees	28,432	5,611	2,862	-	36,905	4,700	-	41,605	48,900
Rent expense	-	5,700	12,100	250	18,050	-	-	18,050	17,700
Telephone	4,868	9,593	6,676	3,403	24,540	1,025	475	26,040	24,404
Travel	13,498	6,191	6,513	378	26,580	1,500	300	28,380	18,904
Utilities	4,293	4,824	4,976	-	14,093	630	100	14,823	17,406
Total expenses before depreciation	569,071	398,362	241,139	59,119	1,267,691	207,865	2,700	1,478,256	1,498,171
Depreciation	13,136	13,136	2,573	-	28,845	850	200	29,895	30,518
Total expenses	<u>\$ 582,207</u>	<u>\$ 411,498</u>	<u>\$ 243,712</u>	<u>\$ 59,119</u>	<u>\$ 1,296,536</u>	<u>\$ 208,715</u>	<u>\$ 2,900</u>	<u>\$ 1,508,151</u>	<u>\$ 1,528,689</u>

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, 2012 and 2011**

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (83,981)	\$ (3,719)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	29,895	30,518
Bad debt expense	2,125	-
Net realized (gains) and losses on investments	(1,275)	-
(Increase) decrease in:		
Debt management funds held	2,602	(2,366)
Accounts receivable	(841)	(1,064)
Grants receivable	(26,751)	(2,794)
Prepaid expenses	21,284	(20,696)
Increase (decrease) in:		
Accounts payable and accrued expenses	(7,600)	7,600
Deferred revenue	75,409	331
	<u>10,867</u>	<u>7,810</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(150,000)	(200,000)
Distribution from investment account	-	567,918
Purchases of property, plant and equipment	(41,583)	(8,045)
	<u>(191,583)</u>	<u>359,873</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Debt management funds deposited	1,645,122	1,873,385
Debt management funds disbursed	(1,647,724)	(1,871,019)
	<u>(2,602)</u>	<u>2,366</u>
Net cash (used) provided by investing activities		
Net (decrease) increase in cash	(183,318)	370,049
Cash, beginning of year	465,043	94,994
Cash, end of year	<u>\$ 281,725</u>	<u>\$ 465,043</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 20% and 21% of the Center's total support and revenues for 2012 and 2011, 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. Additionally, the Center has invested in 3,500 shares of Cooperative Processing Resources (CPR), a non-publicly traded company. The investment in CPR is carried at cost, as there is no readily determinable 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.

Summary of Significant Accounting Policies (continued)

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.

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 \$500 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 Organization 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 Organization has no uncertain tax positions that qualified for either recognition or disclosure in the financial statements at December 31, 2012 or December 31, 2011.

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, 2011, from which the summarized information was derived.

Evaluation of subsequent events

The Organization has evaluated subsequent events through March 8, 2013, 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.

Board Designated Funds

The Board has established a policy of saving for the designated purpose of providing short-term contingency operating funds in the event of a significant reduction in public support and revenues. Board designations are voluntary, may be reversed by the Board at any time, and are reported as unrestricted assets in the financial statements.

Investments

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

2012				
Fair value measurements using				
	Level 1	Level 2	Level 3	Total
Certificates 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>

2011				
Fair value measurements using				
	Level 1	Level 2	Level 3	Total
Certificate of Deposit	\$ 200,000	\$ -	\$ -	\$ 200,000
Equity Securities	-	-	3,500	3,500
Total	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 3,500</u>	<u>\$ 203,500</u>

Investment return is summarized as follows:

	2012	2011
Interest and dividend income	\$ 1,275	\$ 56
Realized gains (losses)	-	-
Unrealized gains (losses)	-	-
Administrative fees	-	-
Total	<u>\$ 1,275</u>	<u>\$ 56</u>

Furniture, Fixtures and Equipment

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

	<u>2012</u>	<u>2011</u>
Land	\$ 185,618	\$ 185,618
Building and improvements	386,950	384,729
Office equipment	<u>193,340</u>	<u>153,978</u>
	765,908	724,325
Less accumulated depreciation	<u>398,153</u>	<u>368,258</u>
Total	<u>\$ 367,755</u>	<u>\$ 356,067</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, 2013.

The amount of rent expense under these leases was \$18,674 and \$11,168 for the years ended December 31, 2012 and 2011, 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 is 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 \$64,866 and \$66,025 for 2012 and 2011, 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 \$7,770 and \$18,650 for 2012 and 2011, respectively. Such amounts are included in contributions and expenses in the statements of activities.

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, 2012**

	Family Counseling	Credit Counseling	Outreach/ Education	211	Total
Support and revenue					
United Way of Southwest Alabama Allocation	\$ 117,512	\$ 52,560	\$ 15,766	\$ -	\$ 185,838
United Way Grants	-	25,000	-	61,500	86,500
South Baldwin County United Way	-	5,500	1,500	-	7,000
Washington County United Way	-	-	873	-	873
Clark County United Way	-	2,859	-	-	2,859
Grants	93,260	277,444	189,746	-	560,450
Contributions	12,640	1,050	6,027	-	19,717
Fundraising	3,587	1,403	10,549	-	15,539
Family counseling service fees	149,087	-	-	-	149,087
Credit counseling service fees	-	164,550	-	-	164,550
Contract revenue	220,212	-	-	-	220,212
Investment income	638	637	-	-	1,275
Rent in-kind	-	-	7,770	-	7,770
Miscellaneous	-	-	2,500	-	2,500
Total support and revenue	596,936	531,003	234,731	61,500	1,424,170
Expenses					
Bad debt expense	-	2,125	-	-	2,125
Building and grounds maintenance	6,545	6,630	1,797	-	14,972
Conferences and conventions	2,833	820	410	-	4,063
Depreciation	13,661	13,661	2,573	-	29,895
Dues and membership fees	215	2,337	558	75	3,185
Equipment rental and maintenance	16,530	20,424	2,306	4,683	43,943
Insurance	8,161	8,406	3,877	-	20,444
Marketing and development expenses	1,047	4,409	141	-	5,597
Office expense	9,550	16,936	3,836	-	30,322
Other program expenses	4,453	3,872	1,159	-	9,484
Payments to affiliated organizations	160	5,608	80	-	5,848
Postage and shipping	233	5,643	228	-	6,104
Printing and publications	4,567	785	6,159	-	11,511
Professional fees	30,312	7,491	3,802	-	41,605
Rent expense	-	5,700	12,100	250	18,050
Salaries, benefits, and payroll taxes	545,344	369,856	226,230	50,330	1,191,760
Telephone	5,618	10,343	6,676	3,403	26,040
Travel	14,398	7,091	6,513	378	28,380
Utilities	4,658	5,189	4,976	-	14,823
Total expenses	668,285	497,326	283,421	59,119	1,508,151
Net revenue over expenses (expenses over revenue)	\$ (71,349)	\$ 33,677	\$ (48,690)	\$ 2,381	\$ (83,981)

See notes to financial statements.