

**THE CRISIS MINISTRY OF MERCER COUNTY, INC.**  
**FINANCIAL STATEMENTS - MODIFIED CASH BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**

**THE CRISIS MINISTRY OF MERCER COUNTY, INC.**

**YEARS ENDED DECEMBER 31, 2012 AND 2011**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
The Crisis Ministry of Mercer County, Inc.  
Trenton, New Jersey

### Report on the Financial Statements

We have audited the accompanying financial statements of THE CRISIS MINISTRY OF MERCER COUNTY, INC. (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets - modified cash basis as of December 31, 2012 and 2011, and the related statements of support, revenues, and expenses - modified cash basis 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

### Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 auditors consider 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 previously present fairly, in all material respects, the assets, liabilities, and net assets of The Crisis Ministry of Mercer County, Inc. as of December 31, 2012 and 2011, and its support, revenue, and expenses for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

### **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2013, on our consideration of The Crisis Ministry of Mercer County, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Crisis Ministry of Mercer County, Inc.'s internal control over financial reporting and compliance.

*Klatzkin & Company, LLP*

KLATZKIN & COMPANY<sub>LLP</sub>

Hamilton, New Jersey  
July 25, 2013

**THE CRISIS MINISTRY OF MERCER COUNTY, INC.**

**STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS**

	<b>December 31,</b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>
<b>ASSETS</b>		
Cash.....	\$ 395,358	\$ 861,455
Investments.....	1,855,513	1,371,029
Beneficial Interest in Assets Held by a Foundation.....	269,653	247,695
Security Deposits.....	5,500	3,500
Property and Equipment - Net of \$98,440 and \$113,550		
Accumulated Depreciation.....	175,371	145,369
Food Inventory.....	4,941	-
Credits for Food Purchases.....	<u>5,069</u>	<u>2,047</u>
<b>TOTAL ASSETS.....</b>	<b><u>\$ 2,711,405</u></b>	<b><u>\$ 2,631,095</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities.....</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Assets.....</b>	<b><u>2,711,405</u></b>	<b><u>2,631,095</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS.....</b>	<b><u>\$ 2,711,405</u></b>	<b><u>\$ 2,631,095</u></b>

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

**THE CRISIS MINISTRY OF MERCER COUNTY, INC.**

**STATEMENTS OF SUPPORT, REVENUES, AND EXPENSES - MODIFIED CASH BASIS**

	Years Ended December 31,	
	<u>2012</u>	<u>2011</u>
<b><u>Support and Revenues:</u></b>		
Donations.....	\$ 1,385,878	\$ 1,211,309
Special Event Revenue.....	35,564	56,851
Grants.....	382,340	566,422
Interest and Dividend Income.....	25,683	29,055
Realized Gain (Loss) on Investments.....	20,094	12,595
Realized Gain (Loss) on Disposition of Equipment.....	15,570	(1,860)
Unrealized Gain (Loss) on Investments.....	27,556	(5,210)
Other Income.....	<u>9,532</u>	<u>-</u>
<b>Total Support and Revenues.....</b>	<b><u>1,902,217</u></b>	<b><u>1,869,162</u></b>
<b><u>Expenses:</u></b>		
<b>Personnel:</b>		
Payroll.....	476,573	424,849
Payroll Taxes.....	35,224	31,851
Payroll Service Fee.....	4,433	3,352
Employee Benefits.....	88,074	61,126
Other Personnel Costs.....	<u>4,376</u>	<u>-</u>
<b>Total Personnel Expenses.....</b>	<b><u>608,680</u></b>	<b><u>521,178</u></b>
<b>Direct Assistance:</b>		
Food.....	496,016	80,909
Rent.....	243,082	337,621
Mortgage.....	11,371	30,112
Security Deposits.....	94,074	102,470
Housing Stability and Case Management.....	12,655	-
Utilities.....	90,919	63,542
Other.....	<u>22,947</u>	<u>7,425</u>
<b>Total Direct Assistance.....</b>	<b><u>971,064</u></b>	<b><u>622,079</u></b>

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

**THE CRISIS MINISTRY OF MERCER COUNTY, INC.**

**STATEMENTS OF SUPPORT, REVENUES, AND EXPENSES - MODIFIED CASH BASIS**

	Years Ended December 31,	
	<u>2012</u>	<u>2011</u>
<b>Other Operating Costs:</b>		
Insurance.....	24,000	24,808
Special Events.....	17,949	11,922
Conference and Training.....	6,082	763
Consultants.....	5,015	8,994
Audit.....	18,200	14,575
Maintenance and Supplies.....	9,998	10,883
Newsletter and Publicity.....	-	2,868
Office.....	18,597	18,468
Postage.....	3,513	3,517
Rent.....	74,263	64,600
Staff and Volunteer Support.....	1,469	1,171
Telephone.....	17,072	14,663
Transportation.....	13,193	8,561
Utilities.....	14,047	22,217
Casualty Loss (Reimbursement).....	(11,975)	12,975
Depreciation.....	<u>30,740</u>	<u>24,189</u>
<b>Total Operating Costs.....</b>	<u>242,163</u>	<u>245,174</u>
<b>Total Expenses.....</b>	<u>1,821,907</u>	<u>1,388,431</u>
<b><u>Change in Net Assets:</u></b>		
Excess of Revenues Over Expenses for the Year.....	80,310	480,731
Net Assets at the Beginning of Year.....	<u>2,631,095</u>	<u>2,150,364</u>
<b>NET ASSETS AT END OF YEAR.....</b>	<u>\$ 2,711,405</u>	<u>\$ 2,631,095</u>

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

**THE CRISIS MINISTRY OF MERCER COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS**

**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**Note 1. Summary of Significant Accounting Policies**

**Organization and Nature of Activities:**

The Crisis Ministry of Mercer County, Inc. is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. The mission of The Crisis Ministry of Mercer County, Inc. is to partner with our community to achieve stability for our neighbors in need. The program focuses on hunger prevention, homelessness prevention, and workforce development for low-income individuals and families in Mercer County, New Jersey. Core programs include the operation of two food pantries, financial assistance for rent, mortgage and utilities, as well as job training and job search assistance.

The Crisis Ministry was founded in 1980 by the lay and clergy leaders of Princeton's Nassau Presbyterian Church and Trinity Church as an active response to the recession of the time. In 1992, the Crisis Ministry and its sister program, the Trenton After School Program, were organized under the 501(c)(3) nonprofit corporation Princeton Outreach Projects, Inc. (POPI), in order to streamline administrative operations. Later, Trenton Children's Chorus and Housing Initiatives of Princeton also joined POPI. All of the fellow programs have since spun-off, and in the spring of 2012, the Crisis Ministry assumed the 501(c)(3) designation as a free-standing nonprofit organization. Concurrent with claiming the free-standing nonprofit status, the organization changed its name to The Crisis Ministry of Mercer County, Inc., to more accurately describe our organization's county-wide reach and support. Support by a diverse community network of individual volunteers, schools and colleges, congregations, businesses, foundations, civic groups, public entities, and fellow nonprofit agencies empowers us to support low-income individuals and families across Mercer County in their efforts to achieve food security and housing and employment stability.

**Basis of Accounting:**

The Organization prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, but includes depreciation and amortization on capitalized assets and unrealized gains (losses) on investments. Under this basis, revenues are recognized when received, rather than when earned, and expenses are generally recognized when paid rather than when incurred. Consequently, accounts receivable, accounts payable, and other prepaid expenses and certain accrued expenses are not included in the financial statements.

**Contributions:**

All contributions are considered to be available for unrestricted use, unless specifically restricted by the donor.



**THE CRISIS MINISTRY OF MERCER COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONT'D)**

**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**Note 1. Summary of Significant Accounting Policies (Cont'd)**

**Management's Use of Estimates and Assumptions:**

Management uses estimates and assumptions in preparing its 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 vary from the estimates that were used.

**Investments:**

Investments are in a mutual fund, investing in intermediate-term, investment-grade corporate bonds and money market funds. Investments are carried at fair market value using quoted market prices in active markets. Realized gains are determined using the average cost method. Mutual funds and money market accounts are not insured by the Federal Deposit Insurance Corporation or any other government agency. Although a money market fund seeks to preserve the value of the investment at \$1 per share, it is possible for the value to fall below \$1 per share.

**Property, Equipment and Depreciation:**

Property and equipment are stated at cost. Significant additions are capitalized, while expenditures for maintenance and repairs are expensed as incurred. The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line method. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation accounts are relieved, and any gain or loss is included in the Statements of Support, Revenues, and Expenses - Modified Cash Basis.

**Inventories:**

Inventories, which consist primarily of food items donated by community partners, are valued at the average cost per pound of food. The Organization uses industry data as provided by Feeding America to determine the cost per pound.

**Concentrations of Credit Risk:**

The Organization's cash and cash equivalent accounts and interest bearing deposits in banks and other financial institutions may at times exceed the federally insured limits. The Organization has not experienced any losses in these accounts. Management believes that the Organization is not exposed to any significant risk on these deposits.

**THE CRISIS MINISTRY OF MERCER COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONT'D)**

**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**Note 1. Summary of Significant Accounting Policies (Cont'd)**

**Contributed Services and Goods:**

The Organization receives the free use of office space from Nassau Presbyterian Church. No amounts have been reflected in these financial statements for those donated services. The Organization also receives a substantial amount of donated goods through community partners. The revenue and corresponding expense have been recorded for the donated goods, which are valued based on industry standards.

Food donations received from individuals, businesses and government agencies are vital to the Organization's mission, enabling it to provide food to those in need. During the year ended December 31, 2012, food donations with a value of \$415,764 were received. This amount is included as donations in the Statements of Support, Revenues, and Expenses - Modified Cash Basis. Food donations from private sources were valued at \$1.66 per pound in accordance with Feeding America's standard valuation. Food received from government agencies is valued at amounts provided by the respective agencies. The majority of the donated food received was distributed to individuals and families in need. Food with a value of \$4,941 remained in inventory at December 31, 2012. The value of donated food was not recorded for the year ended December 31, 2011.

**Income Taxes:**

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization is subject to routine audits by taxing jurisdictions. There are currently no such audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examination for years prior to 2010.

The Organization's policy is to classify income tax related interest and penalties in interest expense and miscellaneous operating costs, respectively.

**Date of Management Evaluation of Subsequent Events:**

Management has evaluated subsequent events through July 25, 2013, the date on which the financial statements were available to be issued.

**THE CRISIS MINISTRY OF MERCER COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONT'D)**

**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**Note 2. Investments**

Investments as of December 31, 2012 and 2011 are summarized as follows:

<b><u>December 31, 2012</u></b>	<b><u>Cost</u></b>	<b><u>Fair value</u></b>	<b><u>Unrealized gain (loss)</u></b>
Vanguard Intermediate Term Investment - Grade Fund Admiral Shares .....	\$ 559,027	\$ 580,707	\$ 21,680
Vanguard Prime Money Market Fund .....	725,508	725,508	-
Vanguard Admiral Treasury Money Market Fund .....	<u>549,298</u>	<u>549,298</u>	<u>-</u>
Total .....	<u>\$1,833,833</u>	<u>\$1,855,513</u>	<u>\$ 21,680</u>

<b><u>December 31, 2011</u></b>	<b><u>Cost</u></b>	<b><u>Fair value</u></b>	<b><u>Unrealized gain (loss)</u></b>
Vanguard Intermediate Term Investment - Grade Fund Admiral Shares .....	\$ 527,560	\$ 531,580	\$ 4,020
Vanguard Prime Money Market Fund .....	290,240	290,240	-
Vanguard Admiral Treasury Money Market Fund .....	<u>549,209</u>	<u>549,209</u>	<u>-</u>
Total .....	<u>\$1,367,009</u>	<u>\$1,371,029</u>	<u>\$ 4,020</u>

The fair value of investments is based on quoted market prices available on an active market.

**THE CRISIS MINISTRY OF MERCER COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONT'D)**

**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**Note 3. Property and Equipment**

The following is a summary of property and equipment:

	<b>Estimated useful lives in years</b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Computers and office equipment .....	3 - 5	\$ 68,595	\$ 85,113
Leasehold improvements .....	10 - 40	110,102	78,692
Vehicle .....	5	<u>95,114</u>	<u>95,114</u>
		273,811	258,919
Accumulated depreciation .....		<u>98,440</u>	<u>113,550</u>
		<b><u>\$175,371</u></b>	<b><u>\$145,369</u></b>

Depreciation expense charged to operations was \$30,740 and \$24,189 for the years ended December 31, 2012 and 2011, respectively.

**Note 4. Donor Restricted Contributions**

Donor restricted contributions received during the years ended December 31, 2012 and 2011 totaled \$524,500 and \$848,400, respectively. The ending balance in temporarily restricted net assets was approximately \$8,600 and \$49,000 at December 31, 2012 and 2011, respectively. The balance at December 31, 2012 was restricted for specific purposes within The Crisis Ministry of Mercer County, Inc.

**Note 5. Endowment Investment and Spending Policies**

The Organization's endowment consists of contributions that donors designated for the operation of the Princeton office. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

During 2011, the Organization established an endowment fund with the Princeton Area Community Foundation (PACF), an unaffiliated organization, with a \$250,000 contribution received in 2010. The Foundation has full authority and discretion as to the investment of the assets of the fund.

**THE CRISIS MINISTRY OF MERCER COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONT'D)**

**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**Note 5. Endowment Investment and Spending Policies (Cont'd)**

The Crisis Ministry of Mercer County, Inc. endowment fund was created by the board of trustees to help secure the Organization's future by establishing a base of financial security and providing a flow of investment income to complement annual fundraising. The endowment fund currently includes donor restricted funds.

The endowment fund consists of pooled separate accounts with the Princeton Area Community Foundation. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. In June 2009, the State of New Jersey enacted a version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") which replaced the prior Uniform Management of Institutional Funds Act ("UMIFA"). The Board interpreted this act as allowing the Organization the powers to manage and invest the funds in good faith and with the care an ordinarily prudent person, in a like position, would exercise under similar circumstances. The Board also interpreted UPMIFA as requiring the assets in an endowment fund to be donor-restricted assets until appropriated for expenditure by the Board, unless stated otherwise in the gift instrument. The original value of all gifts donated to the endowment fund will be classified as permanently restricted net assets, with endowment earnings classified as temporarily restricted net assets.

The Organization has adopted investment policies that seek long term capital growth, current income, and growth of income, consistent with prudent, conservative and risk-averse investments for its endowment. For the year ended December 31, 2012, the endowment funds were invested with the PACF, which investments are comprised of domestic and international equity funds, corporate bond funds, limited partnerships, alternative investments and cash.

To satisfy its long term objectives, the Organization relies on the total return strategy adopted by PACF. Investments at PACF are invested in a manner that is intended to produce results that match or exceed a blended benchmark of domestic and international equities, corporate bonds and limited partnerships, while assuming a moderate level of investment risk.

The Organization can receive annual payments of up to 5% of the endowment fund's fair value of the prior calendar year-end. The payments can be used for operating expenses of The Crisis Ministry of Mercer County, Inc.

**THE CRISIS MINISTRY OF MERCER COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONT'D)**

**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**Note 5. Endowment Investment and Spending Policies (Cont'd)**

Endowment net asset composition is as follows:

	<b><u>Unrestricted</u></b>	<b><u>Temporarily restricted</u></b>	<b><u>Permanently restricted</u></b>	<b><u>Total</u></b>
December 31, 2012 - Balance .....	\$ -	\$ 19,653	\$ 250,000	\$ 269,653
December 31, 2011 - Balance .....	\$ (2,305)	\$ -	\$ 250,000	\$ 247,695

The endowment fund is classified as a beneficial interest in assets held by a foundation on the Statements of Assets, Liabilities, and Net Assets - Modified Cash Basis.

Changes in endowment net assets are as follows:

Year ended December 31, 2012:

	<b><u>Unrestricted</u></b>	<b><u>Temporarily restricted</u></b>	<b><u>Permanently restricted</u></b>	<b><u>Total</u></b>
Endowment net assets, beginning of year.....	\$ (2,305)	\$ -	\$ 250,000	\$ 247,695
Contributions .....	-	-	-	-
Appropriated for expenditures .....	-	-	-	-
Investment income .....	2,305	9,758	-	12,063
Unrealized gain (loss).....	<u>-</u>	<u>9,895</u>	<u>-</u>	<u>9,895</u>
Endowment net assets, end of year .....	<u>\$ -</u>	<u>\$ 19,653</u>	<u>\$ 250,000</u>	<u>\$ 269,653</u>

**THE CRISIS MINISTRY OF MERCER COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONT'D)**

**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**Note 5. Endowment Investment and Spending Policies (Cont'd)**

Year ended December 31, 2011:

	<b><u>Unrestricted</u></b>	<b><u>Temporarily restricted</u></b>	<b><u>Permanently restricted</u></b>	<b><u>Total</u></b>
Endowment net assets, beginning of year.....	\$ -	\$ -	\$250,000	\$250,000
Contributions .....	-	-	-	-
Appropriated for expenditures .....	-	-	-	-
Investment income .....	-	6,434	-	6,434
Unrealized gain (loss).....	<u>(2,305)</u>	<u>(6,434)</u>	<u>-</u>	<u>(8,739)</u>
Endowment net assets, end of year .....	<u>\$ (2,305)</u>	<u>\$ -</u>	<u>\$250,000</u>	<u>\$247,695</u>

**Note 6. Retirement Plan**

The Organization participates in the retirement benefit plan of the Presbyterian Church (U.S.A.). Contributions are 11% of salary for all employees who work more than 20 hours per week. During the years ended December 31, 2012 and 2011, expenses to the Organization under these arrangements were \$22,481 and \$23,488, respectively.

**Note 7. Operating Lease Agreements and Commitments**

As of January 1, 2009, The Crisis Ministry of Mercer County, Inc. entered into a five-year operating lease for its Trenton food pantry and office facility. At the end of twenty-four months, either party to the lease may terminate the agreement with twelve months written notice.

In December 2011, a fire damaged the Trenton food pantry and office facility, rendering it unable to be occupied by the Organization. The landlord has released the Organization from its obligation to pay rent on the damaged pantry and office facility until the building is repaired and occupied. The landlord had agreed to rent temporary space to the Organization. No lease has been signed for the temporary space.

**THE CRISIS MINISTRY OF MERCER COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONT'D)**

**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**Note 7. Operating Lease Agreements and Commitments (Cont'd)**

As of December 14, 2012, the Organization signed a lease for a second food pantry located in Trenton, New Jersey. Rent is \$2,000 per month, and the lease expires December 31, 2013. The Organization has the option to extend the lease one year, with monthly rent payments of \$2,050.

Minimum future rental payments under non-cancellable operating leases having remaining terms in excess of one year as of December 31, 2012 for each of the remaining years and in the aggregate are:

<b><u>Year ended December 31,</u></b>	<b><u>Amount</u></b>
2013.....	\$ 58,716
2014 and thereafter.....	<u>          -</u>
Total minimum future rental payments.....	<u>\$ 58,716</u>

Rental expense under all operating leases aggregated \$74,263 and \$64,600 for the years ended December 31, 2012 and 2011, respectively.

**Note 8. Functional Allocation of Expenses**

For the year ended December 31, 2012, approximately 91% of the Organization's expenses relate to core program services, 6% to supporting services, and 3% to fundraising. For the year ended December 31, 2011, approximately 88% of the Organization's expenses relate to core program services, 9% to supporting services, and 3% to fundraising.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of  
The Crisis Ministry of Mercer County, Inc.  
Trenton, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of THE CRISIS MINISTRY OF MERCER COUNTY, INC. (a nonprofit organization) as of December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated July 25, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Crisis Ministry of Mercer County, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Crisis Ministry of Mercer County, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Crisis Ministry of Mercer County, Inc.'s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Crisis Ministry of Mercer County, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of The Crisis Ministry of Mercer County, Inc. in a separate letter dated July 25, 2013.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Klatzkin & Company, LLP*

KLATZKIN & COMPANY<sub>LLP</sub>

Hamilton, New Jersey  
July 25, 2013