

THE CRISIS MINISTRY OF MERCER COUNTY, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

THE CRISIS MINISTRY OF MERCER COUNTY, INC.

YEARS ENDED DECEMBER 31, 2015 AND 2014

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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 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.

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 financial position of The Crisis Ministry of Mercer County, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2016, 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_{LLP}

Hamilton, New Jersey
June 13, 2016

THE CRISIS MINISTRY OF MERCER COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

	December 31,	
	<u>2015</u>	<u>2014</u>
ASSETS		
<u>Current Assets</u>		
Cash and Cash Equivalents.....	\$ 282,257	\$ 431,941
Promises to Give.....	21,000	7,500
Grants Receivable.....	62,023	40,455
Prepaid Expenses.....	11,217	-
Food Inventory.....	<u>95,063</u>	<u>4,941</u>
Total Current Assets.....	<u>471,560</u>	<u>484,837</u>
Property and Equipment at Cost, Less Accumulated		
Depreciation of \$182,529 and \$149,570.....	<u>147,649</u>	<u>173,645</u>
<u>Other Assets</u>		
Investments.....	1,417,447	1,482,285
Beneficial Interest in Assets Held by a Foundation.....	260,541	275,562
Security Deposits.....	9,786	9,786
Credits for Food Purchases.....	<u>200</u>	<u>400</u>
Total Other Assets.....	<u>1,687,974</u>	<u>1,768,033</u>
TOTAL ASSETS.....	<u>\$ 2,307,183</u>	<u>\$ 2,426,515</u>
LIABILITIES AND NET ASSETS		
<u>Current Liabilities</u>		
Accounts Payable.....	\$ 26,817	\$ 22,177
Accrued Expenses.....	<u>21,708</u>	<u>19,071</u>
Total Current Liabilities.....	<u>48,525</u>	<u>41,248</u>
<u>Net Assets</u>		
Unrestricted.....	1,869,378	2,095,475
Temporarily Restricted.....	139,280	39,792
Permanently Restricted.....	<u>250,000</u>	<u>250,000</u>
Total Net Assets.....	<u>2,258,658</u>	<u>2,385,267</u>
TOTAL LIABILITIES AND NET ASSETS.....	<u>\$ 2,307,183</u>	<u>\$ 2,426,515</u>

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

THE CRISIS MINISTRY OF MERCER COUNTY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Support and Revenues</u>				
Donations.....	\$ 894,709	\$ 193,680	\$ -	\$ 1,088,389
In-Kind Food Donations.....	565,828	-	-	565,828
Special Events:				
Fall Benefit Revenue.....	56,398	-	-	56,398
Fall Benefit Direct Expenses.....	(9,798)	-	-	(9,798)
Grants.....	501,672	-	-	501,672
Interest and Dividend Income.....	21,908	5,904	-	27,812
Realized Gain (Loss) on Investments.....	2,759	(4,042)	-	(1,283)
Unrealized Gain (Loss) on Investments.....	(12,125)	(2,883)	-	(15,008)
Net Assets Released From Restrictions.....	93,171	(93,171)	-	-
Total Support and Revenues.....	<u>2,114,522</u>	<u>99,488</u>	<u>-</u>	<u>2,214,010</u>
<u>Expenses</u>				
Program Services.....	2,076,184	-	-	2,076,184
Management and General.....	132,057	-	-	132,057
Fundraising and Development.....	132,378	-	-	132,378
Total Expenses.....	<u>2,340,619</u>	<u>-</u>	<u>-</u>	<u>2,340,619</u>
Change in Net Assets.....	(226,097)	99,488	-	(126,609)
Net Assets, Beginning of Year.....	<u>2,095,475</u>	<u>39,792</u>	<u>250,000</u>	<u>2,385,267</u>
Net Assets, End of Year.....	<u>\$ 1,869,378</u>	<u>\$ 139,280</u>	<u>\$ 250,000</u>	<u>\$ 2,258,658</u>

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

THE CRISIS MINISTRY OF MERCER COUNTY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Support and Revenues</u>				
Donations.....	\$ 987,041	\$ 35,125	\$ -	\$ 1,022,166
In-Kind Food Donations.....	537,153	-	-	537,153
Special Events:				
Fall Benefit Revenue.....	55,780	-	-	55,780
Fall Benefit Direct Expenses.....	(8,221)	-	-	(8,221)
Grants.....	538,916	-	-	538,916
Interest and Dividend Income.....	19,301	15,454	-	34,755
Realized Gain (Loss) on Investments.....	5,305	282	-	5,587
Realized Gain (Loss) on Disposition of Equipment.....	(14,867)	-	-	(14,867)
Unrealized Gain (Loss) on Investments....	9,370	(9,839)	-	(469)
Other Income.....	155	-	-	155
Net Assets Released From Restrictions....	<u>68,929</u>	<u>(68,929)</u>	<u>-</u>	<u>-</u>
Total Support and Revenues.....	<u>2,198,862</u>	<u>(27,907)</u>	<u>-</u>	<u>2,170,955</u>
<u>Expenses</u>				
Program Services.....	2,052,671	-	-	2,052,671
Management and General.....	165,009	-	-	165,009
Fundraising and Development.....	<u>81,139</u>	<u>-</u>	<u>-</u>	<u>81,139</u>
Total Expenses.....	<u>2,298,819</u>	<u>-</u>	<u>-</u>	<u>2,298,819</u>
Change in Net Assets.....	(99,957)	(27,907)	-	(127,864)
Net Assets, Beginning of Year.....	<u>2,195,432</u>	<u>67,699</u>	<u>250,000</u>	<u>2,513,131</u>
Net Assets, End of Year.....	<u>\$ 2,095,475</u>	<u>\$ 39,792</u>	<u>\$ 250,000</u>	<u>\$ 2,385,267</u>

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

THE CRISIS MINISTRY OF MERCER COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Personnel:				
Payroll.....	\$ 486,205	\$ 56,101	\$ 81,034	\$ 623,340
Payroll Taxes.....	37,023	4,272	6,170	47,465
Payroll Service Fee.....	4,026	465	671	5,162
Employee Benefits.....	132,775	15,320	22,129	170,224
Other Personnel Costs.....	4,658	537	777	5,972
Total Personnel Expenses.....	664,687	76,695	110,781	852,163
Direct Assistance:				
Food.....	580,548	-	-	580,548
Rent.....	229,633	-	-	229,633
Mortgage.....	3,453	-	-	3,453
Security Deposits.....	89,722	-	-	89,722
Housing Stability and Case Management..	85,253	-	-	85,253
Utilities.....	98,159	-	-	98,159
Other.....	26,303	-	-	26,303
Total Direct Assistance.....	1,113,071	-	-	1,113,071
Other Operating Costs:				
Insurance.....	13,812	1,905	159	15,876
Fundraising Expenses.....	-	-	18,385	18,385
Conference and Training.....	4,201	-	-	4,201
Professional Fees.....	39,175	5,403	451	45,029
Audit.....	-	14,400	-	14,400
Maintenance and Supplies.....	39,194	5,406	451	45,051
Office.....	13,264	3,103	56	16,423
Postage.....	1,750	241	20	2,011
Rent.....	103,586	14,288	1,190	119,064
Staff and Volunteer Support.....	6,480	-	-	6,480
Telephone.....	16,528	2,280	190	18,998
Transportation.....	11,747	1,620	135	13,502
Utilities.....	20,015	2,761	230	23,006
Depreciation.....	28,674	3,955	330	32,959
Total Operating Costs.....	298,426	55,362	21,597	375,385
Total Expenses.....	\$ 2,076,184	\$ 132,057	\$ 132,378	\$ 2,340,619

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

THE CRISIS MINISTRY OF MERCER COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Personnel:				
Payroll.....	\$ 468,814	\$ 78,136	\$ 54,093	\$ 601,043
Payroll Taxes.....	36,102	6,017	4,165	46,284
Payroll Service Fee.....	4,729	788	546	6,063
Employee Benefits.....	120,499	20,083	13,904	154,486
Other Personnel Costs.....	<u>1,821</u>	<u>303</u>	<u>210</u>	<u>2,334</u>
Total Personnel Expenses.....	<u>631,965</u>	<u>105,327</u>	<u>72,918</u>	<u>810,210</u>
Direct Assistance:				
Food.....	634,270	-	-	634,270
Rent.....	203,585	-	-	203,585
Mortgage.....	49,461	-	-	49,461
Security Deposits.....	77,311	-	-	77,311
Housing Stability and Case Management..	57,384	-	-	57,384
Utilities.....	74,522	-	-	74,522
Other.....	<u>37,654</u>	<u>-</u>	<u>-</u>	<u>37,654</u>
Total Direct Assistance.....	<u>1,134,187</u>	<u>-</u>	<u>-</u>	<u>1,134,187</u>
Other Operating Costs:				
Insurance.....	17,109	2,360	196	19,665
Fundraising Expenses.....	-	-	5,087	5,087
Conference and Training.....	4,637	-	-	4,637
Professional Fees.....	28,540	3,937	328	32,805
Audit.....	-	19,950	-	19,950
Maintenance and Supplies.....	32,902	4,538	378	37,818
Office.....	21,603	4,060	161	25,824
Postage.....	5,328	735	61	6,124
Rent.....	92,248	12,724	1,060	106,032
Staff and Volunteer Support.....	1,657	-	-	1,657
Telephone.....	16,856	2,325	194	19,375
Transportation.....	9,254	1,276	107	10,637
Utilities.....	23,101	3,186	266	26,553
Depreciation.....	<u>33,284</u>	<u>4,591</u>	<u>383</u>	<u>38,258</u>
Total Operating Costs.....	<u>286,519</u>	<u>59,682</u>	<u>8,221</u>	<u>354,422</u>
Total Expenses.....	<u>\$ 2,052,671</u>	<u>\$ 165,009</u>	<u>\$ 81,139</u>	<u>\$ 2,298,819</u>

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

THE CRISIS MINISTRY OF MERCER COUNTY, INC.

STATEMENTS OF CASH FLOWS

	Years Ended	
	December 31,	
	<u>2015</u>	<u>2014</u>
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities:		
Cash Received from Grants and Donors.....	\$ 2,120,821	\$ 2,224,176
Cash Received from Special Events.....	56,398	55,780
Other Cash Receipts.....	-	155
Cash Paid To Suppliers and Employees.....	(2,401,522)	(2,241,248)
Cash Paid for Special Events.....	(9,798)	(8,221)
Investment Income Received.....	2,380	-
Interest Paid.....	-	-
Income Taxes Paid.....	-	-
	<u> </u>	<u> </u>
Net Cash Provided by (Used in)		
Operating Activities.....	<u>(231,721)</u>	<u>30,642</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments.....	89,000	113,600
Purchases of Equipment.....	(6,963)	(21,231)
	<u> </u>	<u> </u>
Net Cash Provided by (Used in)		
Investing Activities.....	<u>82,037</u>	<u>92,369</u>
(Decrease) Increase in Cash and Cash Equivalents.....	(149,684)	123,011
Cash and Cash Equivalents at Beginning of Year.....	<u>431,941</u>	<u>308,930</u>
Cash and Cash Equivalents at End of Year.....	<u>\$ 282,257</u>	<u>\$ 431,941</u>

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

THE CRISIS MINISTRY OF MERCER COUNTY, INC.

STATEMENTS OF CASH FLOWS

	Years Ended	
	December 31,	
	<u>2015</u>	<u>2014</u>
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Change in Net Assets.....	\$ (126,609)	\$ (127,864)
Adjustments to Reconcile Change in Net Assets to Cash Provided by (Used in) Operating Activities:		
Depreciation.....	32,959	38,258
Investment Interest and Dividends Reinvested.....	(25,432)	(34,755)
Net Realized and Unrealized (Gain) Loss on Investments.....	16,291	(5,118)
Loss on Disposal of Assets.....	-	14,867
(Increase) Decrease in Operating Assets:		
Promises to Give.....	(13,500)	25,150
Grants Receivable.....	(21,568)	100,791
Prepaid Expenses.....	(11,217)	6,786
Food Inventory.....	(90,122)	-
Security Deposit.....	-	(1,000)
Credit for Food Purchases.....	200	100
Increase (Decrease) in Operating Liabilities:		
Accounts Payable.....	4,640	12,741
Accrued Expenses.....	<u>2,637</u>	<u>686</u>
Net Cash Provided by (Used in) Operating Activities.....	<u>\$ (231,721)</u>	<u>\$ 30,642</u>
Supplemental Disclosure of Noncash Investing and Financing Activities:		
Cost of Assets Retired.....	\$ -	\$ 34,139
Accumulated Depreciation of Assets Retired.....	<u>-</u>	<u>(19,272)</u>
Book Value of Assets Retired.....	<u>\$ -</u>	<u>\$ 14,867</u>

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

THE CRISIS MINISTRY OF MERCER COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 1. Summary of Significant Accounting Policies

Organization, Nature of Activities, and Geographic Concentrations:

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 the community to achieve stability for 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 the 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 the Organization 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 accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

THE CRISIS MINISTRY OF MERCER COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

Basis of Accounting (Cont'd):

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restriction.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Contributions:

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is 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 and reported in the Statements of Activities as net assets released from restrictions.

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.

Cash and Cash Equivalents:

For the purposes of the Statements of Cash Flows, cash includes unrestricted time deposits, certificates of deposit, money markets, and highly liquid debt instruments purchased with an original maturity of three months or less.

THE CRISIS MINISTRY OF MERCER COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

Promises to Give:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable values. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Uncollectible promises are expected to be insignificant. No allowance for doubtful accounts has been recorded. All promises to give are expected to be collected in less than one year.

Investments:

Investments are in mutual funds, 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 and losses 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 in excess of \$1,000 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 Activities.

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 (CONT'D)

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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 years ended December 31, 2015 and 2014, food donations with a value of \$565,828 and \$537,153, respectively, were received. This amount is included as in-kind food donations in the Statements of Activities. Food donations from private sources were valued at \$1.69 per pound in accordance with Feeding America's standard valuation for the years ended December 31, 2015 and 2014. Food received from government agencies is valued at wholesale cost as 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 \$95,063 and \$4,941 remained in inventory at December 31, 2015 and 2014, respectively.

Concentrations of Contributions or Grants:

Approximately 11% during 2015 and 12% during 2014 of the Organization's total support and revenues is provided from grants from Mercer County, which passes through federal funds to be used for social services for the homeless (SSH). Any major decrease in funding from the awarding agency would have a significant impact on the Organization. The Organization does not expect that the support and revenues from the awarding agency will be lost in the near term. The contract with Mercer County (SSH) is renewed bi-annually. There were no grants receivable from Mercer County (SSH) at December 31, 2015 and 2014.

Functional Allocation of Expenses:

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

THE CRISIS MINISTRY OF MERCER COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

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 2012.

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

Compensated Absences:

Employees of the Organization are entitled to paid vacations, paid sick days, and personal days off, depending on job classification, length of service, and other factors. It is impractical to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the cost of compensated absences when actually paid to employees.

Date of Management Evaluation of Subsequent Events:

Management has evaluated subsequent events through June 13, 2016, the date on which the financial statements were available to be issued.

THE CRISIS MINISTRY OF MERCER COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 2. Investments

Investments as of December 31, 2015 are summarized as follows:

	<u>Cost</u>	<u>Fair value</u>	<u>Unrealized gain (loss)</u>
Vanguard Intermediate Term Investment - Grade Fund Admiral Shares	\$ 635,586	\$ 617,103	\$(18,483)
Vanguard Prime Money Market Fund	250,807	250,807	-
Vanguard Admiral Treasury Money Market Fund	<u>549,537</u>	<u>549,537</u>	<u>-</u>
Total	<u>\$1,435,930</u>	<u>\$1,417,447</u>	<u>\$(18,483)</u>

Investments as of December 31, 2014 are summarized as follows:

	<u>Cost</u>	<u>Fair value</u>	<u>Unrealized gain (loss)</u>
Vanguard Intermediate Term Investment - Grade Fund Admiral Shares	\$ 613,564	\$ 607,206	\$(6,358)
Vanguard Prime Money Market Fund	325,660	325,660	-
Vanguard Admiral Treasury Money Market Fund	<u>549,419</u>	<u>549,419</u>	<u>-</u>
Total	<u>\$1,488,643</u>	<u>\$1,482,285</u>	<u>\$(6,358)</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 (CONT'D)

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 3. Property and Equipment

The following is a summary of property and equipment:

	Estimated useful lives in years	<u>2015</u>	<u>2014</u>
Computers and office equipment	3 - 5	\$110,156	\$110,156
Leasehold improvements	10 - 40	141,408	134,445
Vehicles	5	<u>78,614</u>	<u>78,614</u>
		330,178	323,215
Accumulated depreciation		<u>182,529</u>	<u>149,570</u>
		<u>\$147,649</u>	<u>\$173,645</u>

Depreciation expense charged to operations was \$32,959 and \$38,258 for the years ended December 31, 2015 and 2014, respectively.

Note 4. 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. 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 CRISIS MINISTRY OF MERCER COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 4. Endowment Investment and Spending Policies (Cont'd)

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 years ended December 31, 2015 and 2014, 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.

Endowment net asset composition is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
December 31, 2015 - Balance	<u>\$ -</u>	<u>\$ 10,541</u>	<u>\$250,000</u>	<u>\$260,541</u>
December 31, 2014 - Balance	<u>\$ -</u>	<u>\$ 25,562</u>	<u>\$250,000</u>	<u>\$275,562</u>

THE CRISIS MINISTRY OF MERCER COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 4. Endowment Investment and Spending Policies (Cont'd)

The endowment fund is classified as a beneficial interest in assets held by a foundation on the Statements of Financial Position.

Changes in endowment net assets for the year ended December 31, 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year.....	\$ -	\$ 25,562	\$250,000	\$275,562
Contributions	-	-	-	-
Appropriated for expenditures	-	(14,000)	-	(14,000)
Interest and dividends	-	8,282	-	8,282
Realized gain (loss).....	-	(4,042)	-	(4,042)
Unrealized gain (loss).....	-	(2,883)	-	(2,883)
Bank fees	<u>-</u>	<u>(2,378)</u>	<u>-</u>	<u>(2,378)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 10,541</u>	<u>\$250,000</u>	<u>\$260,541</u>

THE CRISIS MINISTRY OF MERCER COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 4. Endowment Investment and Spending Policies (Cont'd)

Changes in endowment net assets for the year ended December 31, 2014 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year.....	\$ -	\$ 33,265	\$250,000	\$283,265
Contributions	-	-	-	-
Appropriated for expenditures	-	(13,600)	-	(13,600)
Interest and dividends	-	17,528	-	17,528
Realized gain (loss).....	-	282	-	282
Unrealized gain (loss).....	-	(9,839)	-	(9,839)
Bank fees	<u>-</u>	<u>(2,074)</u>	<u>-</u>	<u>(2,074)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 25,562</u>	<u>\$250,000</u>	<u>\$275,562</u>

THE CRISIS MINISTRY OF MERCER COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 5. Fair Value Measurements

Assets measured at fair value on a recurring basis at December 31, 2015 were as follows:

	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Mutual funds:				
Intermediate bond funds.....	\$ 617,103	\$ 617,103	\$ -	\$ -
Money market funds.....	800,344	800,344	-	-
Beneficial interest in assets held by Foundation.....	260,541	-	-	260,541
Food inventory.....	<u>95,063</u>	<u>-</u>	<u>-</u>	<u>95,063</u>
Total	<u>\$1,773,051</u>	<u>\$1,417,447</u>	<u>\$ -</u>	<u>\$ 355,604</u>

Assets measured at fair value on a recurring basis at December 31, 2014 were as follows:

	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Mutual funds:				
Intermediate bond funds.....	\$ 607,206	\$ 607,206	\$ -	\$ -
Money market funds.....	875,079	875,079	-	-
Beneficial interest in assets held by Foundation.....	275,562	-	-	275,562
Food inventory.....	<u>4,941</u>	<u>-</u>	<u>-</u>	<u>4,941</u>
Total	<u>\$1,762,788</u>	<u>\$1,482,285</u>	<u>\$ -</u>	<u>\$ 280,503</u>

THE CRISIS MINISTRY OF MERCER COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 5. Fair Value Measurements (Cont'd)

Valuation techniques used to measure fair value are prioritized into the following hierarchy:

Level 1 - Determined using quoted market prices in active markets for identical assets.

Level 2 - Determined using other observable inputs such as quoted market prices in active markets for similar assets. There were no assets valued using level 2 measurements.

Level 3 - The fair value of the beneficial interest in assets held by a community foundation is measured using the fair value of the assets held in the foundation's managed investment pool. The Organization considers the measurement of its beneficial interest in the community foundation to be a level 3 measurement within the fair value hierarchy because even though that measurement is based on the fair values of the assets in the foundation's managed investment pool as reported by the foundation, the Organization will never receive those assets or have the ability to direct the foundation to redeem them. The fair value of the food inventory is determined using industry data for the average cost per pound of food.

The table in Note 4 presents information about the fair value of the beneficial interest in assets held by a foundation. The table below presents information about fair value measurements of the food inventory:

<u>Food inventory</u>	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 4,941	\$ 4,941
Donations	565,828	537,153
Food distributed	<u>(475,706)</u>	<u>(537,153)</u>
Ending balance	<u>\$ 95,063</u>	<u>\$ 4,941</u>

THE CRISIS MINISTRY OF MERCER COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 6. Restrictions on Net Assets

Temporarily restricted net assets at December 31, 2015 and 2014 are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Hunger Prevention Program	\$ 69,832	\$ 9,105
Homelessness Prevention Program.....	51,407	5,125
Branding (Bonner)	7,500	-
Princeton Office and Pantry	<u>10,541</u>	<u>25,562</u>
	<u>\$139,280</u>	<u>\$ 39,792</u>

In addition, \$250,000 is permanently restricted for the Princeton location.

Note 7. 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, 2015 and 2014, the expense incurred by the Organization under these arrangements was \$47,337 in each year.

Note 8. 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.

As of January 1, 2014, the Organization renewed this lease for a subsequent five-year term. At the end of twenty-four months, either party to the lease may terminate the agreement with twelve months written notice. Payments began at \$6,786 per month for calendar year 2014, increased to \$6,922 for calendar year 2015, and increase by 2% each year thereafter.

THE CRISIS MINISTRY OF MERCER COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 8. 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 was \$2,000 per month, and the lease expired December 31, 2013. The Organization exercised its option to extend the lease one year, with monthly rent payments of \$2,050. The lease was renewed for a two year period from January 1, 2015 through December 31, 2016. Rent during 2016 is \$3,120 per month.

Minimum future rental payments under non-cancellable operating leases having remaining terms in excess of one year as of December 31, 2015 for each of the next five years and in the aggregate are:

<u>Year ended December 31,</u>	<u>Amount</u>
2016	\$122,160
2017	86,412
2018	88,140
2019 and thereafter.....	_____ -
Total minimum future rental payments.....	<u>\$296,712</u>

Rental expense under all operating leases aggregated \$119,064 and \$106,032 for the years ended December 31, 2015 and 2014, respectively.

Note 9. Loss Contingency

The Organization is a defendant in a lawsuit filed by one of its former employees for alleged wrongful termination. Outside counsel for the Organization has advised that at this stage in the proceedings he cannot offer an opinion as to the probable outcome. The Organization believes the suit is completely without merit and intends to vigorously defend its position.

Note 10. Financial Statement Presentation

Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation. Such reclassifications have no effect on the previously reported change in net assets.

**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), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 13, 2016.

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*.

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_{LLP}

Hamilton, New Jersey
June 13, 2016