Krist Samaritan Center for Counseling and Education
Consolidated Financial Statements
For the Year Ended December 31, 2015

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December 31, 2015

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Ralph & Ralph
A Professional Corporation
One Greenway Plaza, Suite 320
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Krist Samaritan Center for Counseling and Education

We have audited the accompanying consolidated financial statements of Krist Samaritan Center for Counseling and Education (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Krist Samaritan Center for Counseling and Education as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 1 to the consolidated financial statements, the Organization entered into an agreement with a donor, whereby the office building, land and certain furniture and fixtures was reverted to another 501(c)(3) organizations, as permitted by the original donation terms. Our opinion is not modified with respect to this matter.

Ralph and Ralph, P.C.

Houston, Texas
January 20, 2017

Krist Samaritan Center for Counseling and Education
Consolidated Statement of Financial Position
December 31, 2015

Assets		
Cash and cash equivalents	$	564,712
Accounts receivable, net of allowance for doubtful accounts of $5,611		31,794
Pledges receivable		135,000
Prepaid expenses		33,533
Total current assets		765,039
Property and equipment, net of accumulated depreciation		18,609
Total assets	$	783,648
Liabilities		
Accounts payable	$	63,956
Accrued expenses		72,866
Bank line of credit		90,000
Total current liabilities		226,822
Net Assets		
Unrestricted		421,826
Temporarily restricted		135,000
Total net assets		556,826
Total liabilities and net assets	$	783,648

The accompanying notes are an integral part of these financial statements

Krist Samaritan Center for Counseling and Education
Consolidated Statement of Activities
For the Year Ended December 31, 2015

Unrestricted net assets		
Support and revenue:		
Counseling fees, net of refunds	$	1,312,880
Contributions		299,136
Contributions, inkind		158,168
Investment earnings		(6,267)
Other income		12,501
		1,776,418
Net assets released from restriction		87,000
Total unrestricted support and revenues		1,863,418
Expenses:		
Program services		1,504,914
Management and general		725,806
Fundraising		78,239
Total functional expenses		2,308,959
Increase (decrease) in unrestricted net assets		(445,541)
Temporarily restricted net assets		
Contributions		135,000
Net assets released from restriction		(87,000)
Increase (decrease) in temporarily restricted net assets		48,000
Increase in net assets		(397,541)
Net assets, beginning of year		954,367
Net assets, end of year	$	556,826

The accompanying notes are an integral part of these financial statements

Krist Samaritan Center for Counseling and Education
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2015

	Program Services	Management & General	Fundraising	Total
Salaries and related expenses	1,002,659	410,827	27,920	1,441,406
Employee related benefits	29,843	13,407	-	43,250
Payroll taxes	73,217	29,909	2,659	105,785
Professional services:				
Accounting	-	67,825	-	67,825
Legal	-	41,048	-	41,048
Fundraising	-	-	2,410	2,410
Other	-	14,500	-	14,500
Advertising and promotion	-	-	17,267	17,267
Special events	-	-	10,558	10,558
Office expenses	20,757	9,326	-	30,083
Information technology	18,037	8,103	-	26,140
Occupancy	208,475	81,423	17,409	307,307
Depreciation	12,592	5,657	-	18,249
Insurance	47,801	11,964	-	59,765
Program expenses	50,838	8,327	16	59,181
Interest	-	4,901	-	4,901
Other expenses:				
Bad debt exp/recovery	31,814	-	-	31,814
Travel and meetings	4,187	5,817	-	10,004
Miscellaneous	4,694	12,772	-	17,466
Total functional expenses	1,504,914	725,806	78,239	2,308,959

The accompanying notes are an integral part of these financial statements

Krist Samaritan Center for Counseling and Education
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2015

Cash flows from operating activities		
Increase in net assets	$	(397,541)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation		18,249
Realized (gain) loss on sale of investments		6,377
Funds received, property settlement		500,000
(Increase) decrease in operating assets		
Accounts receivable, net		(2,985)
Pledges receivable		(48,000)
Prepaid expense		(33,533)
(Decrease) increase in operating liabilities		
Accounts payable		(8,328)
Accrued expenses		8,554
Net cash provided by operating activities		42,793
Cash flows from investing activities		
Investment activity, sales proceeds		282,721
Net cash (used in) provided by investing activities		282,721
Cash flows from financing activities		
Proceeds of bank, line of credit		90,000
Net cash (used in) provided by financing activities		90,000
Net increase in cash and cash equivalents		415,514
Cash and cash equivalents, beginning of year		149,198
Cash and cash equivalents, end of year	$	564,712
Supplemental cash flow information:		
Income taxes and interest	$	4,901

The accompanying notes are an integral part of these financial statements

Note 1 – Nature of Activities and Significant Accounting Policies

Nature of Activities

Krist Samaritan Counseling Center for Counseling and Education (the Center) was incorporated, as a Texas nonprofit, on January 8, 1986. The Center was incorporated as the Samaritan Counseling Center of the Bay Area; the Center was renamed Krist Samaritan Center for Counseling and Education in January 2006. The Center is accredited by the Samaritan Institute and the American Association of Pastoral Counseling.

In October of 2001, the shareholders of RDK Properties, Inc., an unrelated corporation (the Corporation) provided a gift of 100% of the capital stock of the Corporation to the Center. The gift consisted primarily of a building and related assets which were recorded at fair value at the date of the contribution. The building was to be used solely for the development and operation of the counseling center. On December 31, 2001, the Corporation was converted to Samaritan Center Charities Holdings (Samaritan Holdings), a Texas nonprofit corporation. During 2015, the donor exercised its right to sell the building; see Note 8 for further discussion.

The Center and Samaritan Holdings (collectively, the Organization) provides pastoral counseling and educational service to people of all backgrounds. The Organizationôs mission is to help those in need throughout the greater Houston area to attain emotional, mental, and spiritual health through quality counseling, educational and professional training programs.

Financial Statement Presentation

The consolidated financial statements include the accounts of the Center and Samaritan Holdings. All significant intercompany balances and transactions have been eliminated in consolidation.

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP).

In accordance with authoritative guidance, net assets are classified based on the existence or absence of donor-imposed restrictions. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The three classes are defined as follows:

*Unrestricted Net Assets*ð Net assets that are not subject to restrictions.

*Temporarily Restricted Net Assets*ð Net assets subject to restrictions that permit the Organization to use or expend the assets only as specified. The restrictions are satisfied either by the passage of time or by expenditures for specific programs of the Organization.

*Permanently Restricted Net Assets*ð Net assets subject to restrictions that they be maintained permanently on behalf of the Organization. As of December 31, 2015, the Organization has not received any permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers highly liquid investments with an initial maturity of three months or less to be cash equivalents. At various times during the year, the Organizationôs cash in bank balances exceed the federally insured limits; at December 31, 2015, the Organizationôs uninsured cash balances totaled $314,085.

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Accounts and Pledges Receivable
Accounts receivable consists of balances due from clients or insurance companies for counseling services provided. The Organization estimates the allowance for doubtful accounts based on the age of the past due account and prior collection experience. The Organization writes off accounts against the allowance when they are deemed uncollectible.

Management considers pledges receivable at December 31, 2015 to be fully collectible; no allowance for doubtful accounts has been recorded. Pledges are collectible within one year and are from one donor.

Property and Equipment
Property and equipment paid for by the Organization are stated at cost. Donated items are stated at fair market value at the date of donation. The Organization capitalizes purchased assets with a cost greater than $1,000. The Organizationơs policy is to expense planned major maintenance activities, unless the maintenance substantially increases the life of the asset.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, ranging from three to five years for furniture and equipment. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the estimated useful life of the asset or the remaining life of the lease and is included in total depreciation expense in the statements of activities. Items are written off when fully depreciated, and believed to be no longer in use.

Income Taxes
The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. The Organization is subject to taxes on unrelated business income; during 2015, there was no unrelated business income.

The Organization believes that all significant tax positions utilized by the Organization will more than likely than not be sustained upon examination. As of December 31, 2015, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the year 2012 (with limited exceptions). Tax penalties and interest, if any, would be accrued and would be classified as management and general expense in the statement of activities.

Revenue Recognition
Revenue is recognized and billed as counseling services are provided. Client counseling fees are presented net of refunds and discounts. Counseling fees are available for unrestricted use.

Contributions
Contributions are recorded when received or upon an unconditional promise to give from the donor. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use. When a donor restriction is satisfied, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are met in the fiscal year in which the contributions were recognized.

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Contributions (Continued)
For the year ended December 31, 2015, contributions received from two private donors represented approximately 54% of contributions (excluding in-kind contributions).

The Organization reports gifts of land, building, and equipment as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets, with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor restrictions about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions, In-kind Good and Services
Contributions of services are reported as revenues and expenses when the services that create or enhance non-financial assets or when the services require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Organization received no reportable in-kind services in the year ended December 31, 2015.

Donated goods are reflected as contributions at their estimated values at date of receipt. Krist received in-kind support in the donated office space of approximately $158,000, reported as an in-kind contribution and occupancy expense in the accompanying financial statements.

Functional Expenses
Expenses are categorized on the Statement of Activities as program services, management and general, and fundraising. Program service expenses include direct and indirect (allocated) expenses for the programs offered. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses, common to several functions, are allocated to the programs by various statistical bases. The management and general expense balance is comprised of the costs that are incurred to administer the organization and any additional costs not allocated to programs and fundraising efforts.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts may differ from those estimates.

Fair Value

Assets and liabilities of the Organization which are presented at amounts that approximate fair value are: cash and cash equivalents, accounts receivable, pledges receivable, prepaid expenses and accounts payable. The recorded amount is the amount at which the financial instrument is recorded on the books of the Organization. The fair value is the amount at which the financial instrument could be exchanged in a current transaction between willing parties. The recorded values of these assets and liabilities approximate their fair values based on their short-term nature.

Note 2 – Property and Equipment

Property and equipment, and related accumulated depreciation consist of the following at December 31, 2015:

Furniture and fixtures	$	23,181
Equipment		194,530
		217,711
Less: Accumulated depreciation		(199,102)
Net property and equipment	$	18,609

The organization recorded depreciation expense of $18,393 for 2015. During 2015, the Organization disposed of fully depreciated items totaling approximately $377,500 included in the furniture and fixtures and equipment categories; the net effect on net income is $0.

Note 3 – Investments

At January 1, 2015, the Organization held investments comprised of certificates of deposit and mutual funds. During 2015, all investment assets were sold and the proceeds transferred to deposit accounts, included in the cash and cash equivalents balance.

Investment income is reflected on the statement of activities. Investment income balance includes dividend and interest income of $110 and net realized losses of $(6,377).

Note 4 – Line of Credit

The Organization has available a $100,000 demand line of credit with a bank. The line of credit has a maturity date of May 7, 2017; interest on any outstanding balance is calculated at 1.75% over the prime rate. The line of credit is secured by substantially all the Organizationôs assets. The organization had an outstanding balance of $90,000 at December 31, 2015. The Organization incurred $4,901 in interest expense during 2015.

Note 5 – Temporarily Restricted Net Assets

During 2015, the Organization received a pledges totaling $135,000 to support operating activities in 2016. The funds are restricted, by the donor, for direct patient care to the financially indigent.

Time restricted and restricted for indigent patient care	$	135,000

Note 6 – Lease Commitments

The Organization leases a copier under a non-cancelable operating lease. The Organizationøs copier lease, under an agreement entered into in July of 2015 has a monthly lease payment of $480 and terminates in July 2018. Lease expense for 2015, totaling approximately $11,000, also includes the expense incurred under the preceding agreement and a one-time buyout fee of the prior lease agreement.

Future minimum lease payments as of December 31, 2015 are as follows:

For the years ending	Minimum lease payments	
December 31, 2016	$	5,760
December 31, 2017	$	5,760
December 31, 2018	$	3,360

Note 7 – Employee Retirement Plan

The Organization maintains a 403(b) retirement plan for all employees who elect t participate. Employees may take tax-deferred contributions with certain dollar limitations. The Organization makes no contribution to the plan.

Note 8 – Disposal of Building

The land, building and certain furniture and fixtures used by the Organization were recorded as a donation in October 2001. The donation was subject to certain covenants, which among other things included the naming rights for the building and certain restrictions on use. During 2015, the donor decided to exercise its right to sell the building and designated the Krist Foundation, a Texas nonprofit, as the recipient of the proceeds from the sale.

In November of 2015, the Organization entered into an agreement with the donor whereby the donor agreed to contribute $500,000 to the Organization and pay for the upkeep and repair of the building until the building is sold. The Organization would then relocate. The terms of the agreement were determined prior to the issuance of the 2014 financial statements, the organization recorded a prior period adjustment to the 2014 financial statements, establishing a liability for the future disposal of the building, partially offset by the anticipated $500,000 receipt of the complete settlement.

Note 9 – Subsequent Event Review

In preparing the financial statements, the Organization has evaluated the events and transactions for potential recognition or disclosure through January 20, 2017, the date that the financial statements were available to be issued.