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# CRISIS INTERVENTION OF HOUSTON, INC.

## FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

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## CONTENTS

	<u>Page Number</u>
INDEPENDENT AUDITORS' REPORT .....	3
FINANCIAL STATEMENTS:	
STATEMENTS OF FINANCIAL POSITION.....	4
STATEMENTS OF ACTIVITIES .....	5
STATEMENTS OF FUNCTIONAL EXPENSES .....	6
STATEMENTS OF CASH FLOWS.....	7
NOTES TO FINANCIAL STATEMENTS .....	8-13

INDEPENDENT AUDITORS' REPORT

October 31, 2011

Board of Directors  
CRISIS INTERVENTION OF HOUSTON, INC.  
Houston, Texas

We have audited the accompanying statements of financial position of CRISIS INTERVENTION OF HOUSTON, INC. (a nonprofit organization) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CRISIS INTERVENTION OF HOUSTON, INC. as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity accounting principles with generally accepted in the United States of America.

**EEPB, P.C.**

Houston, TX

CRISIS INTERVENTION OF HOUSTON, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2011 AND 2010

ASSETS

	<u>2011</u>	<u>RESTATED 2010</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ -	\$ 3,453
Contributions and pledges receivable:		
United Way contribution	180,397	180,442
Other contributors	141,966	120,375
Receivable from employee	3,815	-
Prepaid expenses and other current assets	5,474	5,474
TOTAL CURRENT ASSETS	<u>331,652</u>	<u>309,744</u>
EQUIPMENT AND LEASEHOLD IMPROVEMENTS		
Equipment	85,728	46,497
Leasehold improvements	29,715	29,715
Less: accumulated depreciation	<u>(57,017)</u>	<u>(42,755)</u>
TOTAL EQUIPMENT AND LEASEHOLD IMPROVEMENTS	58,426	33,457
LONG-TERM CONTRIBUTIONS AND PLEDGES RECEIVABLE	<u>80,000</u>	-
TOTAL ASSETS	<u>\$ 470,078</u>	<u>\$ 343,201</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Cash deficit	\$ 3,949	\$ -
Accounts payable	105,945	86,330
Accrued liabilities	9,867	2,155
Current portion of line of credit	18,407	-
Loan from related party	-	16,000
Loan from individual	-	8,000
TOTAL CURRENT LIABILITIES	<u>138,168</u>	<u>112,485</u>
LONG-TERM LIABILITIES		
Line of credit, net of current portion	<u>6,593</u>	-
TOTAL LONG-TERM LIABILITIES	<u>6,593</u>	-
NET ASSETS		
Unrestricted	245,317	230,716
Temporarily restricted	<u>80,000</u>	-
TOTAL NET ASSETS	<u>325,317</u>	<u>230,716</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 470,078</u>	<u>\$ 343,201</u>

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

CRISIS INTERVENTION OF HOUSTON, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2011 Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>RESTATED 2010 Total</u>
Revenue, gains, and other support:						
United Way allocations	\$ 358,404	\$ -	\$ 358,404	\$ 357,089	\$ -	\$ 357,089
Contributions	505,651	130,000	635,651	245,994	-	245,994
In-kind contributions	19,181	-	19,181	19,331	-	19,331
Special events fund-raisers	227,892	-	227,892	194,325	-	194,325
Less costs of direct benefits to donors	(80,920)	-	(80,920)	(52,831)	-	(52,831)
Program service fees	109,944	-	109,944	197,719	-	197,719
Other	6,123	-	6,123	14,143	-	14,143
<b>TOTAL REVENUE, GAINS AND OTHER SUPPORT</b>	<u>1,146,275</u>	<u>130,000</u>	<u>1,276,275</u>	<u>975,770</u>	<u>-</u>	<u>975,770</u>
Net assets released from restrictions	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenses:						
Program services	945,830	-	945,830	784,308	-	784,308
Management, general and fundraising	235,844	-	235,844	244,604	-	244,604
<b>TOTAL EXPENSES</b>	<u>1,181,674</u>	<u>-</u>	<u>1,181,674</u>	<u>1,028,912</u>	<u>-</u>	<u>1,028,912</u>
Increase (decrease) in net assets	14,601	80,000	94,601	(53,142)	-	(53,142)
Net assets, beginning of year as previously reported for the year ended June 30, 2009				325,858	-	325,858
Prior period adjustment (Note 11)				(42,000)	-	(42,000)
Net assets, beginning of year as restated	<u>230,716</u>	<u>-</u>	<u>230,716</u>	<u>283,858</u>	<u>-</u>	<u>283,858</u>
Net assets, end of year	<u>\$ 245,317</u>	<u>\$ 80,000</u>	<u>\$ 325,317</u>	<u>\$ 230,716</u>	<u>\$ -</u>	<u>\$ 230,716</u>

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

CRISIS INTERVENTION OF HOUSTON, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	Program Services	Management, General and Fundraising	2011 Total	Program Services	Management, General and Fundraising	RESTATE 2010 Total
Salaries	\$ 489,204	\$ 42,533	\$ 531,737	\$ 421,052	\$ 31,999	\$ 453,051
Employee benefits	27,203	10,728	37,931	36,235	5,223	41,458
Payroll taxes	67,490	11,717	79,207	42,387	2,785	45,172
<b>Total salaries and related expenses</b>	<b>583,897</b>	<b>64,978</b>	<b>648,875</b>	<b>499,674</b>	<b>40,007</b>	<b>539,681</b>
Accounting and auditing	10,000	18,000	28,000	-	25,540	25,540
Conferences, conventions and meetings	7,772	3,692	11,464	1,194	575	1,769
Equipment rental and maintenance	18,796	6,966	25,762	19,888	4,172	24,060
Insurance	14,047	3,240	17,287	10,285	3,817	14,102
Marketing	7,688	2,356	10,044	7,753	-	7,753
Miscellaneous	3,430	34,474	37,904	5,713	10,139	15,852
Occupancy	74,311	9,404	83,715	78,417	5,713	84,130
Office supplies	8,795	706	9,501	10,339	1,725	12,064
Other professional fees	139,780	37,026	176,806	80,374	103,723	184,097
Postage and shipping	5,049	1,227	6,276	24	3,401	3,425
Printing and publication	5,799	1,500	7,299	6,695	93	6,788
Fundraising expense	-	41,485	41,485	-	38,692	38,692
Interest	-	1,122	1,122	-	113	113
Specific assistance	11,538	-	11,538	18,361	-	18,361
Telephone	28,465	7,658	36,123	29,576	2,404	31,980
Travel and mileage	3,953	2,010	5,963	4,024	962	4,986
Volunteer awards and recognition	8,248	-	8,248	267	2,368	2,635
<b>Total expenses before depreciation</b>	<b>931,568</b>	<b>235,844</b>	<b>1,167,412</b>	<b>772,584</b>	<b>243,444</b>	<b>1,016,028</b>
Depreciation	14,262	-	14,262	11,724	1,160	12,884
<b>Total functional expenses</b>	<b>\$ 945,830</b>	<b>\$ 235,844</b>	<b>\$ 1,181,674</b>	<b>\$ 784,308</b>	<b>\$ 244,604</b>	<b>\$ 1,028,912</b>

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

# CRISIS INTERVENTION OF HOUSTON, INC.

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>RESTATED 2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 94,601	\$ (53,142)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	14,262	12,884
Conversion of related party loan to a contribution	(4,061)	-
Changes in working capital:		
(Increase) decrease in contributions and pledges receivable	(101,546)	(108,737)
(Increase) decrease in receivable from related party	(3,815)	-
(Increase) decrease in prepaid expenses	-	3,432
Increase (decrease) in accounts payable	19,615	81,009
Increase (decrease) in accrued liabilities	7,712	(54,965)
Increase (decrease) in cash deficit	3,949	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>30,717</u>	<u>(119,519)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Fixed asset purchases	<u>(39,231)</u>	<u>(9,564)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	25,000	-
Proceeds from loan from related party	-	16,000
Proceeds from loan from individual	-	8,000
Repayments on loan from related party	(11,939)	-
Repayments on loan from individual	<u>(8,000)</u>	<u>-</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>5,061</u>	<u>24,000</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,453)	(105,083)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,453</u>	<u>108,536</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ -</u>	<u>\$ 3,453</u>
INTEREST PAID	<u>\$ 1,122</u>	<u>\$ 113</u>
NONCASH FINANCING ACTIVITIES:		
Conversion of related party loan to a contribution	<u>\$ 4,061</u>	<u>\$ -</u>

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

# CRISIS INTERVENTION OF HOUSTON, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

### NOTE 1 – ORGANIZATION

Crisis Hotline was created in 1970 to provide 24-hour telephone crisis counseling and intervention. In 1974, Crisis Hotline merged with Community Welfare Planning Association, A United Way Agency, and two years later became a part of the United Way Information Services Division. In 1980, Crisis Intervention of Houston, Inc. (“CIH”, or the “Agency”), a Texas non-profit corporation, began operations as an independent member agency of the United Way of the Texas Gulf Coast (“United Way”). Beginning July 1, 1984, CIH services were extended to include administration of the 10 year old Bay Area Helpline, now operated as Bay Area Crisis Hotline. Since 1970, the following services have been added: crisis transportation, survivors of suicide services, community education including university based instruction, a crisis response team, Teenline, and Spanish Hotline. In addition, the Agency is involved in several collaborative efforts and has maintained national accreditation since 1978.

### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The Agency has adopted FASB Accounting Standards Codification Topic 958-605 “*Accounting for Contributions Received and Contributions Made*” and ASC 958-205, “*Financial Statements of Not-for-Profit Organizations.*” The Standards require the Agency to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. They also require the recognition of contributions, including contributed services meeting certain criteria, at fair values. In addition, they require the recognition of contributions on the date that an unconditional promise to give is made. The following are the Agency’s significant accounting policies:

#### Fund Accounting

To ensure the observance of limitations and restrictions placed on support and contributions, the accounts are maintained in accordance with the principles of fund accounting. Under such principles, resources are classified for accounting and reporting purposes according to their nature and purpose. Funds maintained by the Agency are as follows:

# CRISIS INTERVENTION OF HOUSTON, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

#### Fund Accounting (Continued)

##### Unrestricted

This fund contains all resources over which the Board of Directors has discretionary control to use in carrying out the operations of the Agency. United Way is a significant funding source of the Agency, and accordingly, the Board's discretionary control over these resources is restricted to uses approved by United Way. However, as a practical matter, the receipt of United Way's primary contribution is recorded in the financial statements as unrestricted support.

##### Temporarily Restricted

The use of these funds is restricted for purposes designated by donors, and the funds are not available for discretionary use by the Agency.

##### Fixed Assets

Office equipment was contributed to the Agency and has been recorded at estimated fair value. Equipment and leasehold improvements purchased by the Agency are recorded at cost.

Depreciation of equipment and leasehold improvements has been provided for on the straight-line method over the estimated useful lives (three to ten years) of such assets. Such depreciation is not reimbursed by United Way.

##### Donated Services, Materials and Facilities

A substantial number of well-trained volunteers have donated significant amounts of their time to the Agency's program services. However, no amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort under ASC 958-605 have not been satisfied.

The rent for the Agency's Bay Area service center is donated in-kind by United Way. United Way has estimated the approximate fair value of the annual rental to be \$19,181 and \$19,331 for the years ended June 30, 2011 and 2010, respectively.

# CRISIS INTERVENTION OF HOUSTON, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

#### Revenue Recognition

Revenues from United Way and other donors are recognized when an unconditional promise to give has been made by the donor. A promise to give is a written or oral agreement to contribute cash or other assets. Revenues from other organizations for services are recognized as services are provided.

#### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Income Taxes

The Agency is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

#### Compensated Absences

These benefits are accrued in the period they are earned.

#### Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Agency considers cash and highly liquid investments with maturities of three months or less when purchased to be cash or cash equivalents.

#### Advertising Costs

The Company expenses all advertising costs as the expenses are incurred. As of June 30, 2011 and 2010, the Company incurred advertising expenses of \$10,044 and \$7,753, respectively.

### NOTE 3 – CONCENTRATIONS/MAJOR DONOR

The Agency is exposed to concentration risks due to significant revenue and support accrued from United Way. For the years ended June 30, 2011 and 2010, the Agency accrued support and revenue of \$377,585 and \$376,420 from United Way, respectively.

# CRISIS INTERVENTION OF HOUSTON, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4 – PROMISES TO GIVE

The Agency is notified of its contribution from United Way on a calendar year basis, and accordingly, the receivable outstanding as of June 30 represents the remaining allocation for the calendar year. As of June 30, 2011, pledges and contributions receivable, including from the United Way, and expected to be collected during the next fiscal year totaled \$322,363. In addition a total of \$80,000 of pledges and contributions receivable are expected to be collected after the next twelve months and are reflected as temporarily restricted net assets in the financial statements.

### NOTE 5 – RETIREMENT PLANS

#### Pension

The Agency participates in a multi-employer noncontributory defined contribution pension plan administered by the United Way of the Texas Gulf Coast. The Plan covers substantially all of the Agency's employees and employees of other participating agencies. Plan contributions expensed by the Agency for the years ended June 30, 2011 and 2010 were \$4,680 and \$5,709, respectively. Subsequent to year end, Agency and United Way of the Texas Gulf Coast began the process of terminating the plan. The Agency will incur liabilities of approximately \$42,000 related to this termination.

#### 401(K) Plan

The Agency maintained a 401(k) plan available to all employees with one year of service. The 401(k) plan does not require a mandatory employer contribution but does provide for a discretionary employer contribution. Discretionary contributions were \$9,454 and \$10,449 for the years ended June 30, 2011 and 2010.

### NOTE 6 – SERVICES TO OTHER ORGANIZATIONS

The Agency has contracted with other non-profit and governmental organizations to be a provider for counseling and referral services. Fees for such services for the years ended June 30, 2011 and 2010 were \$109,944 and \$197,719, respectively.

### NOTE 7 – LEASES

The Agency currently leases its office space under a lease agreement that expires on September 30, 2015. Additionally, the Agency has operating leases for office equipment. Total rent expense for occupancy and equipment related leases for the years ended June 30, 2011 and 2010 was \$104,954 and \$103,464, respectively.

# CRISIS INTERVENTION OF HOUSTON, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7 – LEASES *(Continued)*

Future non-cancelable lease commitments for operating leases for years ended June 30 are as follows:

2012	73,897
2013	74,732
2014	74,747
2015	73,502
Thereafter	12,250
	<u>\$ 309,128</u>

### NOTE 8 – TRANSACTIONS WITH RELATED PARTIES

On June 29, 2010, the Agency entered into a loan agreement with a board member in the amount of \$16,000 with an interest rate of 5% per annum. Principal and interest payments of \$1,370 were paid monthly until March 2011. The board member determined that the remaining balance of \$4,061 could be considered a contribution.

During the current year, an advance was provided to an employee. As of June 30, 2011, a total of \$3,815 of employee receivables remained outstanding.

### NOTE 9 – LOAN FROM INDIVIDUAL

On June 30, 2010, the Agency obtained a loan from an individual in the amount of \$8,000. The loan was repaid on July 2, 2010.

### NOTE 10 – LINE OF CREDIT

On September 16, 2010 the Agency entered into a line of credit with Frost Bank for \$25,000. Accrued interest at the bank's prime interest rate plus 1.5% was paid monthly and all principal and interest was originally due September 16, 2011. The line of credit is collateralized by the agency's furniture and equipment. Subsequent to year end, the line of credit was extended on September 20, 2011. The new terms require twelve monthly payments with an interest rate of bank's prime interest rate plus 1.5%. Payment of all unpaid principle and accrued interest is due on September 18, 2012.

# CRISIS INTERVENTION OF HOUSTON, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10 – LINE OF CREDIT (*Continued*)

As of June 30, 2011, maturity of the line of credit is as follows:

2012	\$	18,407
2013		6,593
Total	\$	<u>25,000</u>

### NOTE 11 – PRIOR-PERIOD ADJUSTMENT

The Agency has restated the June 30, 2010, financial statements to properly account for certain revenue transactions from program services in the period the Agency provides the services. The restatement decreased beginning net assets by \$42,000 as of July 1, 2009 and increased revenues by \$7,000 for the year ending June 30, 2010. Management believes the restatement accurately reflects the results of operations as of and for the year ending June 30, 2010.

### NOTE 12 – UNCERTAIN TAX POSITIONS

On July 1, 2009, the Agency adopted FASB ASC 740-10-25 which clarifies the accounting for uncertainty in income taxes recognized in the Agency's financial statements in accordance with FASB ASC 740-10 and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC 740-10-25 also provides guidance on derecognition and measurement of a tax position taken or expected to be taken in a tax return. The adoption of FASB ASC 740-10-25 did not have a material effect on the Agency.

The Agency did not have unrecognized tax benefits as of June 30, 2011 and does not expect this to change significantly over the next twelve months. In connection with the adoption of FASB ASC 740-10-25, the Agency will recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of June 30, 2011, the Agency has not accrued interest or penalties related to uncertain tax positions. The Agency remains subject to income tax examinations for tax years 2008 through 2010.

### NOTE 13 – SUBSEQUENT EVENTS

The Agency evaluated the period from July 1, 2011 through October 31, 2011, which was the date the financial statements were available to be issued. Other than as disclosed in Note 5 and Note 10, the Agency is not aware of any subsequent events which would require recognition or disclosure in the financial statements.