

**CLIFFORD W. BEERS GUIDANCE CLINIC, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2016 AND 2015**

# CLIFFORD W. BEERS GUIDANCE CLINIC, INC.

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## **Independent Auditors' Report**

To the Board of Directors  
Clifford W. Beers Guidance Clinic, Inc.  
New Haven, Connecticut

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Clifford W. Beers Guidance Clinic, Inc., which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities 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 audits 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 above present fairly, in all material respects, the financial position of Clifford W. Beers Guidance Clinic, Inc., as of June 30, 2016 and 2015, 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 a report dated September 30, 2016 on our consideration of Clifford W. Beers Guidance Clinic, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 Clifford W. Beers Guidance Clinic, Inc.'s internal control over financial reporting and compliance.

*Blum, Shapiro & Company, P.C.*

West Hartford, Connecticut  
September 30, 2016

# CLIFFORD W. BEERS GUIDANCE CLINIC, INC.

## STATEMENTS OF FINANCIAL POSITION JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 907,133	\$ 431,257
Patient fees receivable, net	280,963	179,669
Grants receivable	737,588	615,691
Miscellaneous receivables	99,233	107,995
Pledges receivable	1,003,000	1,957,778
Investments	1,996,164	2,349,215
Prepaid expenses	84,943	67,562
Property and equipment, net	1,173,073	910,445
Security deposits and other	<u>35,636</u>	<u>16,933</u>
<b>Total Assets</b>	<b>\$ <u>6,317,733</u></b>	<b>\$ <u>6,636,545</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 979,603	\$ 1,138,105
Line of credit	455,000	870,000
Accrued pension liability	530,426	182,228
Deferred revenue	131,001	110,058
Total liabilities	<u>2,096,030</u>	<u>2,300,391</u>
<b>Net Assets</b>		
Unrestricted assets	1,819,703	980,411
Temporarily restricted	1,113,707	2,067,450
Permanently restricted	<u>1,288,293</u>	<u>1,288,293</u>
Total net assets	<u>4,221,703</u>	<u>4,336,154</u>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>6,317,733</u></b>	<b>\$ <u>6,636,545</u></b>

The accompanying notes are an integral part of the financial statements

# CLIFFORD W. BEERS GUIDANCE CLINIC, INC.

## STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>Changes in Unrestricted Net Assets</b>		
Support and revenue:		
Government grants	\$ 10,478,630	\$ 7,896,744
Patient fees	2,168,330	1,955,818
Nongovernmental grants and contributions	1,268,958	1,796,219
Fee for service	412,630	475,328
Special events	64,154	83,002
Realized and unrealized investment gains (losses)	3,232	(1,648)
Conference and other income	4,006	35,586
Net assets released from restrictions	1,097,365	291,101
Total support and revenue	<u>15,497,305</u>	<u>12,532,150</u>
Expenses:		
Program services	11,796,127	9,432,051
Management and general	2,073,506	1,560,011
Fundraising	573,100	329,902
Total expenses	<u>14,442,733</u>	<u>11,321,964</u>
Change in unrestricted net assets before change in pension liability	1,054,572	1,210,186
Change in pension valuation other than net periodic pension cost	<u>(215,280)</u>	<u>(703,818)</u>
Change in unrestricted net assets	<u>839,292</u>	<u>506,368</u>
<b>Changes in Temporarily Restricted Net Assets</b>		
Contributions	146,477	1,952,727
Investment income	26,038	22,793
Realized and unrealized investment gains (losses)	(28,893)	30,814
Net assets released from restrictions	<u>(1,097,365)</u>	<u>(291,101)</u>
Changes in temporarily restricted net assets	<u>(953,743)</u>	<u>1,715,233</u>
<b>Changes in Permanently Restricted Net Assets</b>		
Change in discount to net present value	<u>-</u>	<u>1,107</u>
Changes in permanently restricted net assets	<u>-</u>	<u>1,107</u>
<b>Change in Net Assets</b>	(114,451)	2,222,708
<b>Net Assets - Beginning of Year</b>	<u>4,336,154</u>	<u>2,113,446</u>
<b>Net Assets - End of Year</b>	<u>\$ 4,221,703</u>	<u>\$ 4,336,154</u>

The accompanying notes are an integral part of the financial statements

# CLIFFORD W. BEERS GUIDANCE CLINIC, INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (114,451)	\$ 2,222,708
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	112,092	115,627
Loss on disposal	-	1,863
Change in pension valuation other than periodic pension cost	215,280	703,818
Realized and unrealized investment (gains) losses	25,661	(29,166)
(Increase) decrease in operating assets:		
Patient fees receivable	(101,294)	26,722
Grants receivable	(121,897)	(453,536)
Miscellaneous receivables	8,762	72,578
Pledges receivable	954,778	(1,922,790)
Prepaid expenses	(17,381)	(16,743)
Security deposits and other	(18,703)	(457)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(158,502)	440,693
Accrued pension liability	132,918	(263,533)
Deferred revenue	20,943	110,058
Net cash provided by operating activities	<u>938,206</u>	<u>1,007,842</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	345,198	207,545
Purchases of investments	(17,808)	(913,744)
Purchases of property and equipment	<u>(374,720)</u>	<u>(169,308)</u>
Net cash used in investing activities	<u>(47,330)</u>	<u>(875,507)</u>
<b>Cash Flows from Financing Activities</b>		
Net (repayment on) borrowings from the line of credit	<u>(415,000)</u>	<u>220,000</u>
Net cash provided by (used in) financing activities	<u>(415,000)</u>	<u>220,000</u>
<b>Net Increase in Cash and Cash Equivalents</b>	475,876	352,335
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>431,257</u>	<u>78,922</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 907,133</u>	<u>\$ 431,257</u>
<b>Additional Cash Flow Information</b>		
Cash paid for interest	<u>\$ 23,615</u>	<u>\$ 16,451</u>

The accompanying notes are an integral part of the financial statements

# CLIFFORD W. BEERS GUIDANCE CLINIC, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization

Clifford W. Beers Guidance Clinic, Inc. d/b/a Clifford Beers Clinic (CBC) is a Connecticut nonprofit, nonstock corporation. The mission of CBC is to provide accessible community-based mental health services and advocacy that promote healthy and resilient lives for children and families.

Founded in 1913, CBC is a trauma-informed mental health care provider that offers programs and services to meet the needs of children and their families who have experienced trauma (e.g., sexual abuse, domestic violence, loss of a parent/caregiver, neglect, hunger, incarceration of a parent) and who, as a result, have mental health problems ranging from depression and focus issues through looking to harm oneself or others. CBC is a member of the National Child Traumatic Stress Network, licensed by the Department of Children and Families as an outpatient psychiatric clinic for children, and licensed by the Connecticut Department of Public Health as an outpatient psychiatric clinic for adults. Programs and services are designed to meet the needs of the community, e.g., CBC has been part of the team working to heal the Newtown, Connecticut, community following the December 14, 2012 tragedy at Sandy Hook Elementary School. Other CBC services include, but are not limited to: emergency 24-hour crisis intervention, specialized services for children and adolescents with problem sexual behavior, parent support groups, services for military children and families, and wraparound care for children and families served at CBC. In an effort to increase access to services, CBC operates three school-based health clinics in the Greater New Haven area and participates in multiple collaborative arrangements with community partners in the Greater New Haven area. In addition, CBC is in collaboration with the City of New Haven, New Haven Public Schools and United Way BOOST!, named the New Haven Trauma Coalition, to provide direct care to address PTSD, depression and behavioral problems as well as training school personnel in trauma.

CBC's revenue and support consist primarily of government grants and patient fees.

#### Net Asset Categories

The financial statements of CBC have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, the accounts of CBC are maintained in the following net asset categories:

##### **Unrestricted Net Assets**

Unrestricted net assets represent available resources other than donor-restricted contributions. The Board has designated a portion of unrestricted net assets as a board designated endowment, as discussed in Note 10.

##### **Temporarily Restricted Net Assets**

Temporarily restricted net assets include contributions that are restricted by the donor either as to purpose or time of expenditure and accumulated gains and investment income on donor-restricted endowment assets.

##### **Permanently Restricted Net Assets**

Permanently restricted net assets represent contributions received with the donor restriction that the principal be invested in perpetuity and that only the income earned thereon be available for use.



# **CLIFFORD W. BEERS GUIDANCE CLINIC, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

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### **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. CBC's most significant and sensitive estimate is management's actuarial assumptions used to calculate the defined benefit plan liability.

### **Cash Equivalents**

Cash equivalents are defined as highly liquid investments with original maturities of up to 90 days, except for money market accounts held with investment brokers, which are considered to be investments.

### **Investment Valuation and Income Recognition**

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Notes 4 and 12 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains include CBC's gains and losses on investments bought and sold as well as held during the year.

CBC's Finance Committee determines CBC's valuation policies and procedures. This Committee utilizes information provided by foundations with which pooled investments are held in order to value pooled investments.

### **Property and Equipment**

Property acquisitions and improvements thereon that individually exceed \$5,000 are capitalized at cost and depreciated on a straight-line basis over the estimated useful lives of the related assets. Repairs and maintenance are charged to expense as incurred. Property acquired under capital lease is amortized over the useful life of the related asset or the lease term, if shorter.

### **Governmental Grants**

Governmental grant revenue is recognized to the extent that allowable expenditures have been incurred. Grant receipts in excess of expenditures are recognized as deferred grant revenue.

### **Patient Fees**

Patient fees are recognized as revenue when services are provided. CBC bills for services and recognizes revenue using a sliding fee scale based on patient family income levels. Accounts receivable are stated at the amount management ultimately expects to collect. CBC maintains an allowance for credit losses based on experience, third-party contracts and other circumstances that may affect the collectability of such amounts. Specific accounts are written off after normal collection efforts have been exhausted. Bad debts expense is netted with patient service revenue.

# **CLIFFORD W. BEERS GUIDANCE CLINIC, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

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### **Contributions**

Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions receivable that are expected to be collected in more than one year are discounted to their present value. CBC reports nongovernmental contributions and grants of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets released from restrictions. Contributions received whose restrictions are met in the same period are recognized with unrestricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributed services are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition.

### **Expenses by Function**

The cost of providing CBC's program services has been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated between program services and supporting services.

### **Income Taxes**

CBC is a not-for-profit organization and is exempt from federal and state income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

### **Subsequent Events**

In preparing these financial statements, management has evaluated subsequent events through September 30, 2016, which represents the date the financial statements were available to be issued.

## **NOTE 2 - CONCENTRATIONS**

CBC's financial instruments that are exposed to concentrations of credit risk consist of cash, investments and receivables.

### **Cash**

CBC places its cash deposits with high credit-quality institutions. Such deposits exceed federal depository insurance limits at times during the year. However, management believes that CBC's deposits are not subject to significant credit risk.

### **Investments**

CBC's investments are comprised of various mutual funds investing in equities, bonds and money market funds, and pooled funds held by foundations. The money market funds are not protected by federal depository insurance. The value of the mutual funds is subject to fluctuations due to general market conditions and interest rates.

# CLIFFORD W. BEERS GUIDANCE CLINIC, INC.

## NOTES TO FINANCIAL STATEMENTS

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### Grants Receivable

Grants are supported by contracts and, based on historical experience, represent negligible credit risk.

### Patient Fees Receivable

CBC grants credit without collateral to its residents, most of whom are local residents, and some are funded under third-party payor agreements. The mix of net receivables at June 30, 2016 and 2015, was as follows:

	<u>2016</u>		<u>2015</u>
Medicaid	\$ 180,926	\$	122,303
Private pay and other	<u>100,037</u>		<u>57,366</u>
	<u>\$ 280,963</u>	\$	<u>179,669</u>

Patient fees receivable are stated net of an allowance for credit losses of \$92,406 and \$143,897 as of June 30, 2016 and 2015, respectively.

### Governmental Grants

CBC receives a significant portion of its funding from federal and state grants. As with all grants, there is a risk that future grants will be reduced or eliminated. A significant reduction in grant revenue would have a large impact on CBC's program services.

## NOTE 3 - PLEDGES RECEIVABLE

The following is a summary of net pledges receivable as of June 30, 2016 and 2015:

	<u>2016</u>		<u>2015</u>
Receivable in less than one year	\$ 1,003,000	\$	1,005,397
Receivable in one to five years	-		1,000,000
Total pledges receivable	<u>1,003,000</u>		<u>2,005,397</u>
Less discounts to net present value	<u>-</u>		<u>47,619</u>
Net Pledges Receivable	<u>\$ 1,003,000</u>	\$	<u>1,957,778</u>

Pledges receivable in more than one year are discounted at 5% for the year ended June 30, 2015.

# CLIFFORD W. BEERS GUIDANCE CLINIC, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

#### **Level 1**

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that CBC has the ability to access.

#### **Level 2**

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

#### **Level 3**

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Investments measured at fair value on the basis of net asset value as a practical expedient are not subject to categorization by input level.

The following is a description of the valuation methodologies used for assets measured at fair value:

#### **Mutual Funds**

Mutual funds are valued at the quoted net asset value of shares held by CBC at year end.

#### **Pooled Funds Held By Foundations**

Pooled funds held by foundations are valued using the net asset value practical expedient. There are no withdrawal restrictions with respect to these funds.

There have been no changes in the methodologies used at June 30, 2016 and 2015.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while CBC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

# CLIFFORD W. BEERS GUIDANCE CLINIC, INC.

## NOTES TO FINANCIAL STATEMENTS

### Assets Measured at Fair Value on a Recurring Basis

The following is a summary of the source of fair value measurements for assets that are measured at fair value as of June 30, 2016:

	Fair Value Measurements Using			Investments Measured at Net Asset Value (a)	Total June 30, 2016
	Level 1	Level 2	Level 3		
Investments:					
Cash equivalents	\$ 212,054	\$ -	\$ -	\$ -	\$ 212,054
Equity mutual funds:					
International	242,700	-	-	-	242,700
Large cap	594,836	-	-	-	594,836
Mid cap	130,048	-	-	-	130,048
Small cap	70,065	-	-	-	70,065
Realty index	71,953	-	-	-	71,953
Bond mutual funds	640,918	-	-	-	640,918
Pooled funds held by foundations (a)	-	-	-	33,590	33,590
Total Assets at Fair Value	\$ <u>1,962,574</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>33,590</u>	\$ <u>1,996,164</u>

The following is a summary of the source of fair value measurements for assets that are measured at fair value as of June 30, 2015:

	Fair Value Measurements Using			Investments Measured at Net Asset Value (a)	Total June 30, 2015
	Level 1	Level 2	Level 3		
Investments:					
Cash equivalents	\$ 271,374	\$ -	\$ -	\$ -	\$ 271,374
Equity mutual funds:					
International	309,271	-	-	-	309,271
Mid cap	147,999	-	-	-	147,999
Small cap	77,666	-	-	-	77,666
S&P index	634,002	-	-	-	634,002
Realty index	65,236	-	-	-	65,236
Bond mutual funds	807,950	-	-	-	807,950
Pooled funds held by foundations (a)	-	-	-	35,717	35,717
Total Assets at Fair Value	\$ <u>2,313,498</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>35,717</u>	\$ <u>2,349,215</u>

(a) Certain investments that are measured at fair value using the net asset value practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation with amounts reported in the statements of financial position.

# CLIFFORD W. BEERS GUIDANCE CLINIC, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 5 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Building and improvements	\$ 2,247,710	\$ 1,997,174
Furniture and equipment	462,410	338,225
	<u>2,710,120</u>	<u>2,335,399</u>
Less accumulated depreciation and amortization	1,537,047	1,424,954
Property and Equipment, Net	<u>\$ 1,173,073</u>	<u>\$ 910,445</u>

CBC has received bonding funds from the State of Connecticut over the years to fund capital expenditures. Under the terms of the bonding agreements, the property must be used for its intended purpose for a period of ten years. Accordingly, there is a lien on the property that declines at a rate of 10% per year. CBC intends to fulfill the usage requirement.

### NOTE 6 - LINES OF CREDIT

CBC has an available line of credit of \$1,500,000 that expires on March 6, 2018. The line bears interest at the bank's base rate plus .5% and is secured by substantially all CBC assets. The balance under the line was \$455,000 and \$870,000 as of June 30, 2016 and 2015, respectively.

In March 2016, CBC entered into an additional line of credit in the amount of \$700,000 that expires on March 6, 2018. The line bears interest at the bank's base rate plus .75% and is secured by substantially all CBC assets. There was no outstanding balance on this line as of June 30, 2016.

### NOTE 7 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses satisfying the following purpose or time restrictions for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Purpose:		
Program services	\$ 71,734	\$ 67,851
Capital campaign	250	250
Time:		
Pledges receivable	952,381	-
Appropriations of donor-restricted endowment assets	<u>73,000</u>	<u>223,000</u>
Total Net Assets Released from Restrictions	<u>\$ 1,097,365</u>	<u>\$ 291,101</u>

# CLIFFORD W. BEERS GUIDANCE CLINIC, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or time periods at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Purpose:		
Programs	\$ 98,969	\$ 24,226
Capital campaign	1,000	1,250
Time:		
Pledges receivable	1,000,000	1,952,381
Accumulated gains and income on donor-restricted endowment assets restricted until appropriation	<u>13,738</u>	<u>89,593</u>
Total Temporarily Restricted Net Assets	<u>\$ 1,113,707</u>	<u>\$ 2,067,450</u>

### NOTE 9 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Donor-restricted endowment	\$ 1,286,293	\$ 1,285,544
Endowment pledges receivable, net	<u>2,000</u>	<u>2,749</u>
Total Permanently Restricted Net Assets	<u>\$ 1,288,293</u>	<u>\$ 1,288,293</u>

### NOTE 10 - ENDOWMENT

CBC's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**CLIFFORD W. BEERS GUIDANCE CLINIC, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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**Interpretation of Relevant Law**

The Board of Directors of CBC has interpreted the Connecticut Prudent Management of Institutional Funds Act (CTPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, CBC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by CBC in a manner consistent with the standard of prudence prescribed by CTPMIFA. In accordance with CTPMIFA, CBC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of CBC and the donor-restricted endowment fund
- The investment policies of CBC
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of CBC

**Net Assets**

Endowment net asset composition by type of fund is as follows as of June 30, 2016:

	<b>2016</b>			
	<u><b>Unrestricted</b></u>	<u><b>Temporarily Restricted</b></u>	<u><b>Permanently Restricted</b></u>	<u><b>Total</b></u>
Donor-restricted endowment funds	\$ <u>663,292</u>	\$ <u>13,738</u>	\$ <u>1,286,293</u>	\$ <u>1,963,323</u>



# CLIFFORD W. BEERS GUIDANCE CLINIC, INC.

## NOTES TO FINANCIAL STATEMENTS

Changes in endowment net assets for the years ended June 30, 2016 and 2015, are as follows:

	<b>2016</b>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ 938,362	\$ 89,593	\$ 1,285,544	\$ 2,313,499
Investment return:				
Investment income	-	26,038	-	26,038
Investment losses	-	(28,893)	-	(28,893)
Total investment loss	-	(2,855)	-	(2,855)
Pledges received	-	-	749	749
Appropriation of endowment assets	(275,070)	(73,000)	-	(348,070)
Endowment Net Assets - End of Year	<u>\$ 663,292</u>	<u>\$ 13,738</u>	<u>\$ 1,286,293</u>	<u>\$ 1,963,323</u>
	<b>2015</b>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ 41,677	\$ 258,986	\$ 1,278,293	\$ 1,578,956
Investment return:				
Investment income	-	22,793	-	22,793
Investment gains	-	30,814	-	30,814
Total investment return	-	53,607	-	53,607
Contributions	896,685	-	-	896,685
Pledges received	-	-	7,251	7,251
Appropriation of endowment assets	-	(223,000)	-	(223,000)
Endowment Net Assets - End of Year	<u>\$ 938,362</u>	<u>\$ 89,593</u>	<u>\$ 1,285,544</u>	<u>\$ 2,313,499</u>

# CLIFFORD W. BEERS GUIDANCE CLINIC, INC.

## NOTES TO FINANCIAL STATEMENTS

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### Funds with Deficiencies

From time to time, the fair value of investments associated with donor-restricted endowment funds may fall below the level that the donor or CTPMIFA requires CBC to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of June 30, 2016 and 2015.

### Return Objectives and Risk Parameters

CBC has adopted an investment policy for endowment assets with the objective of achieving investment results over the long term that compare favorably with those of other endowments, professionally managed portfolios and appropriate benchmark indices. All investments are invested in accordance with the investment policy.

### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, CBC engages a professional investment advisor and has adopted a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Consistent with that strategy, CBC targets a diversified asset allocation emphasizing long-term investment performance. During the fourth quarter of 2014, CBC increased the equity-type investment target to 75% from the previous 65%, and reduced the fixed income target allocation to 25% from 35% in the prior year.

CBC's Board of Directors has approved a spending policy that evaluates an annual spending target within a range of 3.25% to 5.25% of the average quarterly ending market value over the preceding 20 quarters. This is consistent with CBC's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

The annual spending rate approved for 2016 was 5% compared to the 5.25% rate for 2015.

The following is a summary of appropriation of temporarily restricted endowment assets:

	<u>2016</u>	<u>2015</u>
Annual spending policy for operations	\$ 73,000	\$ 73,000
Contributed to defined benefit plan to reduce liability	-	150,000
Total Appropriations	<u>\$ 73,000</u>	<u>\$ 223,000</u>

### NOTE 11 - DONATED SERVICES

CBC receives donated services for counseling provided by professional graduate school interns and bachelor-level students. The estimated value of these services included in contributions revenue and program expense totaled \$117,566 and \$104,632 for the years ended June 30, 2016 and 2015, respectively.

# CLIFFORD W. BEERS GUIDANCE CLINIC, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 12 - DEFINED BENEFIT PLAN

CBC maintains a noncontributory defined benefit pension plan that was frozen in 2009 for all employees with the exception of five full-time union employees. As of June 30, 2016, there was one employee that continued to be eligible under the plan. The Plan provides for benefits to be paid to eligible employees at retirement based on the years of service and the average compensation of the participant's five highest years out of the last ten years of employment.

Accounting standards generally accepted in the United States of America require organizations to recognize a liability on the statements of financial position for the underfunded portion of postretirement plans, defined as the amount by which the projected benefit obligation exceeds the fair value of plan assets. A prepaid pension cost is recognized when the plan is overfunded, defined as the amount by which the fair value of assets exceeds the projected benefit obligation.

CBC's normal practice is to make the minimum annual contributions required by applicable regulations. However, during the years ended June 30, 2016 and 2015, CBC contributed an additional \$120,000 and \$250,000, respectively, above the minimum required contribution. Contributions are intended to provide not only for benefits attributable to service to date, but also for those expected to be earned in the future. CBC's plan is to terminate the Plan in fiscal 2017.

The following tables set forth CBC's noncontributory defined benefit plan's funded status and provide a reconciliation to the accrued liability (prepaid pension cost) recorded in the statements of financial position at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 2,499,932	\$ 2,760,259
Service cost	12,203	12,321
Interest cost	122,621	151,685
Actuarial loss	303,012	614,273
Benefits paid	(100,395)	(66,256)
Effect of settlements (lump-sum distributions)	-	(972,350)
	<u>2,837,373</u>	<u>2,499,932</u>
Projected Benefit Obligation at End of Year	\$ <u>2,837,373</u>	\$ <u>2,499,932</u>
	<u>2016</u>	<u>2015</u>
Change in fair value of plan assets:		
Fair value of plan assets at beginning of year	\$ 2,317,704	\$ 3,018,316
Actual (loss) return on plan assets	(30,362)	87,994
Benefits paid	(100,395)	(66,256)
Employer contributions	120,000	250,000
Effect of settlements (lump-sum distributions)	-	(972,350)
	<u>2,306,947</u>	<u>2,317,704</u>
Fair Value of Plan Assets at End of Year	\$ <u>2,306,947</u>	\$ <u>2,317,704</u>
Unfunded status	\$ <u>530,426</u>	\$ <u>182,228</u>
Accrued Pension Liability	\$ <u>530,426</u>	\$ <u>182,228</u>

# CLIFFORD W. BEERS GUIDANCE CLINIC, INC.

## NOTES TO FINANCIAL STATEMENTS

The effect of settlements totaling \$972,350 for the year ended June 30, 2015 includes \$541,886 of payments made to 22 former employees who accepted a lump-sum window payment offer that was made available to eligible former employees who were vested in the plan. There were no settlements for the year ended June 30, 2016.

The pension plan was underfunded by \$530,426 and \$182,228 at June 30, 2016 and 2015, respectively, which is presented on the statement of financial position as accrued pension liability.

The following disclosures are required for plans where the accumulated benefit obligation exceeds the fair value of plan assets, which was the case at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Projected benefit obligation	\$ 2,837,373	\$ 2,499,932
Accumulated benefit obligation	2,834,038	2,498,845
Fair value of plan assets	2,306,947	2,317,704

Net periodic benefit cost for the defined benefit plan includes the following components at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Service cost	\$ 12,203	\$ 12,321
Interest cost	122,621	151,685
Expected return on plan assets	(163,700)	(223,101)
Amortization of actuarial loss	281,794	45,562
Net Periodic Benefit Cost	\$ <u>252,918</u>	\$ <u>(13,533)</u>

Other changes in plan assets and benefit obligations recognized in changes in unrestricted net assets for the years ended June 30, 2016 and 2015, are as follows:

	<u>2016</u>	<u>2015</u>
Net loss	\$ (215,280)	\$ (703,818)
Recognition of actuarial gain	-	-
Total recognized in change in unrestricted net assets	<u>(215,280)</u>	<u>(703,818)</u>
Net periodic pension (gain) cost	<u>(252,918)</u>	<u>13,533</u>
Total Recognized in Net Periodic Pension Cost and Change in Unrestricted Net Assets	\$ <u>(468,198)</u>	\$ <u>(690,285)</u>

### Assumptions

Weighted-average assumptions used to determine benefit obligations are as follows:

Measurement date	6/30/2016	6/30/2015
Discount rate	4.00%	5.00%
Rate of compensation increase	N/A	N/A

# CLIFFORD W. BEERS GUIDANCE CLINIC, INC.

## NOTES TO FINANCIAL STATEMENTS

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Weighted-average assumptions used to determine net periodic pension cost are as follows:

Measurement date	6/30/2016	6/30/2015
Discount rate	5.00%	5.50%
Expected long-term return on plan assets	7.00%	7.50%
Rate of compensation increase	N/A	N/A
Average future years of service	2.0	3.0

### Plan Assets

Asset management objectives include maintaining an adequate level of diversification to reduce interest rate and market risk while also providing adequate liquidity to meet benefit payment requirements.

The following is a summary of plan investments as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Cash equivalents	\$ 926,276	\$ 27,496
Mutual funds - equities	-	1,464,538
Mutual funds - fixed income	<u>1,380,671</u>	<u>825,670</u>
Total	<u>\$ 2,306,947</u>	<u>\$ 2,317,704</u>

As discussed in Note 4, generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described in Note 4.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Plan's mutual funds are valued at the quoted net asset value of shares held by the Plan at year end, which represents Level 1 inputs.

There were no changes in the valuation methodology at June 30, 2016 and 2015.

CBC's pension plan weighted-average asset allocations at June 30, 2016 and 2015, by asset category are as follows:

	<u>2016</u>	<u>2015</u>
Cash equivalents	40.2%	1.2%
Mutual funds investing in equities	-	63.2
Mutual funds investing in fixed income securities	<u>59.8</u>	<u>35.6</u>
Total	<u>100.0%</u>	<u>100.0%</u>

# **CLIFFORD W. BEERS GUIDANCE CLINIC, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

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The expected rate of return on pension plan assets is determined by those assets' historical long-term investment performance, current asset allocation and estimates of future long-term returns by asset class.

The composition of investments has changed in order to provide liquidity for the Plan's expected termination in fiscal 2017.

### **Estimated Future Benefit Payments**

Benefit payments of \$2,749,000, which reflect expected future service, as appropriate, are expected to be paid during the year ended June 30, 2017.

### **Expected Cash Flow**

CBC expects to contribute to the plan enough to provide for the distributions of benefits to plan participants pursuant to the Plan's expected termination during the year ending June 30, 2017.

## **NOTE 13 - DEFINED CONTRIBUTION PLANS**

CBC maintains a defined contribution 403(b) thrift plan covering all employees who have met certain service requirements. The plan provides for employer matching contributions equal to the lesser of 100% of the employee contribution or 2% of eligible employee compensation. In addition, the Board of Directors can authorize an additional discretionary match of up to 2% of eligible employee compensation. Participants accruing benefits under CBC's defined benefit plan are not eligible to receive employer contributions under the thrift plan. Employer contributions totaled \$58,825 and \$110,257 for the years ended June 30, 2016 and 2015, respectively. The employer contribution for the year ended June 30, 2015 included an additional 1.25% discretionary contribution for eligible participants that was approved by the Board of Directors. A discretionary contribution was not made for the year ended June 30, 2016.

CBC established a nonqualified deferred compensation plan in 2016 that covers a member of management. The liability under the plan as of June 30, 2016 was \$15,000, which is included in accounts payable and accrued expenses in the accompanying statements of financial position.

## **NOTE 14 - LEASE COMMITMENTS**

CBC leases facilities in New Haven, West Haven and Guilford, and various office equipment. The West Haven lease expires in November 2020. The Guilford facility is leased under a lease expiring on July 31, 2018. The New Haven facility is leased under a lease expiring on April 30, 2018.

Rent expense under all leases totaled \$310,237 and \$217,415 for the years ended June 30, 2016 and 2015, respectively.

# CLIFFORD W. BEERS GUIDANCE CLINIC, INC.

## NOTES TO FINANCIAL STATEMENTS

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Future minimum lease payments under operating leases that have remaining terms in excess of one year are as follows:

### Year Ending June 30

2017	\$	330,116
2018		235,302
2019		46,568
2020		43,079
2021		<u>17,844</u>
Total Minimum Lease Payments	\$	<u>672,909</u>

### NOTE 15 - RELATED PARTY TRANSACTIONS

During the years ended June 30, 2016 and 2015, CBC incurred legal expenses that were paid to a firm in which a partner is a board member of CBC, which totaled \$10,552 and \$22,569, respectively.

### NOTE 16 - CONTINGENCIES

CBC receives funding in the form of state and federal grant programs and Medicaid reimbursements. The use of grants and Medicaid reimbursements is subject to further review by the granting agencies and Medicaid. Such reviews may result in CBC having liabilities to the grantors. There are no known liabilities as a result of such reviews. CBC maintains a reserve for potential Medicaid adjustments.