

**COUNSELING AND REFERRAL SERVICES OF OCEAN, INC.
d/b/a SEASHORE FAMILY SERVICES OF NJ**

FINANCIAL STATEMENTS

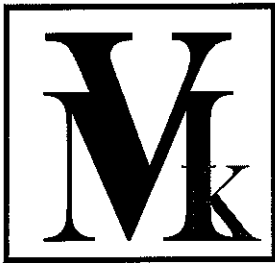
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

COUNSELING AND REFERRAL SERVICES OF OCEAN, INC.
d/b/a SEASHORE FAMILY SERVICES OF NJ

FINANCIAL STATEMENTS
for the fiscal year ended June 30, 2016

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Matthew K. Varley, CPA LLC

Certified public accountant and consultant

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Counseling and Referral Services of Ocean, Inc.
d/b/a Seashore Family Services of NJ

Report on the Financial Statements

We have audited the accompanying financial statements of Counseling and Referral Services of Ocean, Inc. d/b/a Seashore Family Services of NJ ("Seashore Family Services of NJ") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related 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 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 auditor's judgment, including the assessment of the risk 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 financial statements referred to above present fairly, in all material respects, the financial position of Seashore Family Services of NJ as of June 30, 2016, 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 Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and New Jersey Circular 15-08-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid, and the schedules of budget and incurred costs, as required the State of New Jersey, Department of Children and Families, Policy Circular P 7.06.2007 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2016, on our consideration of Counseling and Referral Services, 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 Seashore Family Services of NJ's internal control over financial reporting and compliance.

Matthew K. Varley, CPA LLC

Toms River, New Jersey
October 28, 2016

COUNSELING AND REFERRAL SERVICES OF OCEAN, INC.
d/b/a SEASHORE FAMILY SERVICES OF NJ

STATEMENT OF FINANCIAL POSITION
June 30, 2016

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 149,742
Grants receivable, net	53,840
Accounts receivable, net	389
Other current assets	<u>18,315</u>
Total current assets	222,286
PROPERTY AND EQUIPMENT, net	665,089
OTHER ASSETS	
Security deposits	<u>1,664</u>
Total assets	<u><u>\$ 889,039</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 13,812
Accrued vacation time	31,233
Due to grantor	87,997
Current portion of long-term debt	<u>471,964</u>
Total current liabilities	605,006
LONG-TERM DEBT, less current portion	<u>16,256</u>
Total liabilities	621,262
NET ASSETS	
Unrestricted	<u>267,777</u>
Total liabilities and net assets	<u><u>\$ 889,039</u></u>

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

COUNSELING AND REFERRAL SERVICES OF OCEAN, INC.
d/b/a SEASHORE FAMILY SERVICES OF NJ

STATEMENT OF ACTIVITIES
for the fiscal year ended June 30, 2016

UNRESTRICTED NET ASSETS	
REVENUES, GAINS AND OTHER SUPPORT	
Grant and fee for service revenue:	
Federal	\$ 165,691
State	743,194
County	10,499
Contract program service fees	4,445
Client program service fees	458,812
Other income	210
Investment income	60
Loss on disposal of capital assets	<u>(13,002)</u>
Total unrestricted revenues, gains, and other support	<u>1,369,909</u>
EXPENSES	
Counseling services	1,068,667
Management and general	<u>291,197</u>
Total expenses	<u>1,359,864</u>
Change in unrestricted net assets	10,045
UNRESTRICTED NET ASSETS, beginning	<u>257,732</u>
UNRESTRICTED NET ASSETS, ending	<u>\$ 267,777</u>

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

COUNSELING AND REFERRAL SERVICES OF OCEAN, INC.
d/b/a SEASHORE FAMILY SERVICES OF NJ

STATEMENT OF FUNCTIONAL EXPENSES
for the fiscal year ended June 30, 2016

	Counseling Services	Management and General	Total Expenses
Employee compensation:			
Salaries	\$ 608,979	\$ 176,304	\$ 785,283
Fringe benefits	136,485	9,389	145,874
 Total employee compensation	 <u>745,464</u>	 <u>185,693</u>	 <u>931,157</u>
Other expenses:			
Professional fees	60,557	47,060	107,617
Occupancy costs:			
Rent	46,760	11,690	58,450
Mortgage interest payments	25,126	6,281	31,407
Building and grounds	771	193	964
Insurance	12,496	3,038	15,534
Utilities	14,731	3,683	18,414
Telephone	6,057	1,514	7,571
Lab fees and fingerprinting	59,018	104	59,122
Medications	3,961	-	3,961
Office expense	23,003	5,636	28,639
Gas and maintenance	283	45	328
Travel and conferences	-	568	568
Licenses and fees	2,270	-	2,270
Membership fees and dues	1,627	231	1,858
Marketing expense	-	1,240	1,240
Cleaning and maintenance	12,491	3,123	15,614
Staff training	4,374	-	4,374
Client transportation	19,062	-	19,062
Bank and credit card fees	1,836	214	2,050
Interest expense	-	745	745
Miscellaneous	2,039	567	2,606
Bad debt expense	-	2,029	2,029
Payroll processing costs	-	13,784	13,784
 Total other expenses	 <u>296,462</u>	 <u>101,745</u>	 <u>398,207</u>
 Total expenses before depreciation	 1,041,926	 287,438	 1,329,364
 Depreciation and amortization	 <u>26,741</u>	 <u>3,759</u>	 <u>30,500</u>
 Total expenses	 <u>\$ 1,068,667</u>	 <u>\$ 291,197</u>	 <u>\$ 1,359,864</u>
 Percent of total	 <u>79%</u>	 <u>21%</u>	 <u>100%</u>

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

COUNSELING AND REFERRAL SERVICES OF OCEAN, INC.
d/b/a SEASHORE FAMILY SERVICES OF NJ

STATEMENTS OF CASH FLOWS
for the fiscal year ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 10,045
Adjustments to reconcile change in net assets to cash provided from (used by) operating activities:	
Depreciation and amortization	30,500
Loss on disposal of capital assets	13,002
(Increase) decrease in:	
Grants receivable, net	17,159
Accounts receivable, net	1,028
Other current assets	(13,430)
Increase (decrease) in:	
Accounts payable and accrued expenses	(20,301)
Accrued vacation time	1,966
Due to Grantor	33,724
	<u>73,693</u>
Net cash provided from operating activities	<u>73,693</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on long-term debt	<u>(8,302)</u>
Net cash used by financing activities	<u>(8,302)</u>
Increase in cash and cash equivalents	65,391
CASH AND CASH EQUIVALENTS, beginning of year	<u>84,351</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 149,742</u>

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

COUNSELING AND REFERRAL SERVICES OF OCEAN, INC.
d/b/a SEASHORE FAMILY SERVICES OF NJ

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Counseling and Referral Services of Ocean, Inc. d/b/a Seashore Family Services of NJ (“Seashore Family Services” or the “Organization”) is a non-profit organization established to provide outpatient counseling sessions and transitional housing support services in Brick and Toms River, New Jersey.

During the year ended June 30, 2008, the Organization registered the trade name, Seashore Family Services of NJ. The Organization will operate under the name Seashore Family Services of NJ.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Public Support and Revenue

Funds received under restricted grant contracts do not constitute revenue until the terms of the grants have been met. Such amounts are reported as revenue only to the extent expended during the current year and excess amounts are reported as deferred income. Unrestricted support received from local funding sources is recognized in the year awarded. Client fees are recognized as revenue when earned. Expenditures are recorded as incurred on the accrual basis. Revenue generated from fee for service contracts are recognized when billed. When revenue from fee for service contracts from state sources reported on the schedule of state financial assistance exceeds actual incurred expenditures resulting in net income, the expenditures on the schedule of state financial assistance are grossed up to equal expenditures in accordance with a directives received from the funding source.

All contributions are considered available for the Organization’s general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are 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. The Organization did not have any temporarily restricted or permanently restricted assets for the current fiscal year as of June 30, 2016. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e. donor stipulations have been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restriction.

Revenues are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor-imposed restrictions.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

COUNSELING AND REFERRAL SERVICES OF OCEAN, INC.
d/b/a SEASHORE FAMILY SERVICES OF NJ

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable – Clients

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance method is based on experience, third-party contracts, and other circumstances, which may affect the ability of patients to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

At June 30, 2016 there was no allowance for doubtful accounts.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values based on quoted prices in active markets (all Level I measurements) in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Plant Assets and Depreciation

All acquisitions of property and equipment in excess of \$750 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	10 to 39 years
Furniture and fixtures	7 to 10 years
Machinery and equipment	5 to 7 years
Vehicles	5 years
Computer software	3 years

Functional Allocation of Expenses

The Organization reports information regarding the cost of providing various programs and activities summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

COUNSELING AND REFERRAL SERVICES OF OCEAN, INC.
d/b/a SEASHORE FAMILY SERVICES OF NJ

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

Management considers the estimates of the allowances for promises to give and uncollectible accounts receivable to be critical accounting policies requiring extensive subjective judgments. Management bases these estimates on historical experience and other assumptions believed to be reasonable under the circumstances. Actual results could differ from these estimates under different assumptions or conditions.

Income Taxes

The Organization is incorporated as a non-profit organization under Internal Revenue Code Section 501 (c) (3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in these financial statements. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization's federal Return of Organization Exempt from Income Tax (Form 990) for 2012, 2013, 2014, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

NOTE 2 – GRANTS RECEIVABLE

Grants receivable at June 30, 2016 consisted of the following:

Ocean County Substance Abuse Intensive Outpatient	\$	13,936
Ocean County Substance Abuse Outpatient		360
Driving Under the Influence Initiative		4,122
Drug Court fee for service		1,825
Medicaid		19,852
Work First New Jersey		1,454
CSOC South Jersey Initiative		7,131
Co-Occurring Service		615
South Jersey Initiative		2,011
NJ Parole		1,530
DAS Vivitrol		1,004
Total Grant Receivable	\$	<u>53,840</u>

COUNSELING AND REFERRAL SERVICES OF OCEAN, INC.
d/b/a SEASHORE FAMILY SERVICES OF NJ

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment costs consist of the following as of June 30, 2016:

Land	\$	47,053
Building		734,353
Leasehold improvements		53,704
Computer Software		99,480
Machinery and equipment		57,114
		991,704
Less: accumulated depreciation		326,615
		\$ 665,089

Depreciation and amortization expense for the year ended June 30, 2016 was \$30,500.

NOTE 4 – LONG-TERM DEBT

The Organization’s long-term debt at June 30, 2016 consisted of the following:

6.50% note payable to Ocean First Bank, payable \$4,252 per month, principal and interest; with a balloon payment due originally due November 2014, extended through November 1, 2015. The loan is collateralized by the building owned by the Organization located in Toms River, New Jersey.		\$ 470,017
5% unsecured note payable to National Realty Development Corporation, payable \$234 per month, principal and interest.		18,203
		\$ 488,220

The schedule of principal payments through maturity is as follows.

6/30/2017	471,965
6/30/2018	2,056
6/30/2019	2,161
6/30/2020	2,272
6/30/2021	2,388
Thereafter	7,378

COUNSELING AND REFERRAL SERVICES OF OCEAN, INC.
d/b/a SEASHORE FAMILY SERVICES OF NJ

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 5 – DESCRIPTION OF LEASING ARRANGEMENTS

In June 2013, the Organization modified its lease with LHOP Holdings, L.P. to include an additional space for a total of 5,558 square feet for a term of 10 years. The annual rental was \$55,580 for years one through 5 and \$61,138 for years six through 10, plus real estate taxes, utilities, common area maintenance, and water and sewer charges associated with the property. IN February 2015, the Organization consolidated several activities into one, eliminating the need for he originally leased space. The Organization came to an agreement with the Landlord to be released from the lease at building #8A, and the total agreed upon rent due was \$7,500. The new annual rental beginning on September 1, 2015 is \$35,800 for years 1 through 5 and \$39,380 for the remainder of the lease, plus real estate taxes, utilities, common area maintenance and water and sewer.

The future minimum lease payments are:

6/30/2017	35,580
6/30/2018	35,580
6/30/2019	35,800
6/30/2020	35,800
Thereafter	118,140

NOTE 6 – DUE TO GRANTOR

As of June 30, 2016, the Organization had unexpended grant funds received on the installment basis in the amounts of \$87,997. Unexpended grant funds are required to be refunded to the grantor unless the grantor has authorized the funds to be retained for use on a successor contract.

NOTE 7 – PENSION PLAN

Effective July 1, 2003, the Organization established a 403(b) defined contribution plan (the "Plan"). The Plan covers all full-time employees with neither age nor service requirements. Under the Plan, employees can contribute up to a maximum of 15% of their own funds, subject to Internal Revenue Code limits, and the Organization will match up to 10% of the employee's contributions. The 403(b) plan was terminated on December 31, 2015 and was replaced on January 1, 2016 with a 401(k) plan. Total employer contributions for the year ended June 30, 2016 were \$2,514. The required Form 5500 has been filed with the Internal Revenue Service for the calendar year 2015 and the Organization has complied with all Internal Revenue Service and Department of Labor regulations.

NOTE 8 – CONCENTRATIONS

Concentration of Revenue Sources

Approximately, 67% of the Organization's revenue was earned under various contracts with the New Jersey Department of Human Services and Department of Children and Families. In the event funding is terminated or significantly reduced, the Organization's ability to continue as a going concern would be greatly diminished.

NOTE 9 – SUPPLEMENTAL CASH FLOW INFORMATION

Cash was expended for interest in the amount of \$32,152 for the year ended June 30, 2016. No cash was expended for income taxes for the year ended June 30, 2016.

COUNSELING AND REFERRAL SERVICES OF OCEAN, INC.
d/b/a SEASHORE FAMILY SERVICES OF NJ

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

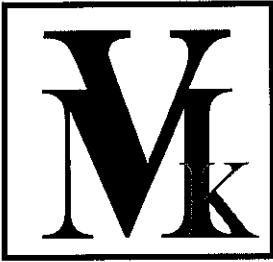
NOTE 10 – PAYROLL TAX FILINGS

Payroll tax filings and payments were made timely and no interest or penalties were incurred during the fiscal year ended June 30, 2016.

NOTE 11 – SUBSEQUENT EVENTS

On September 28, 2016, the Organization obtained an extension of the Ocean First Bank mortgage, discussed in Note 6, through October 28, 2017. The note is secured by a lien on the mortgaged property which has an assessed value of \$647,900.

Subsequent events were evaluated through October 28, 2016, which is the date the financial statements were available to be issued.



Matthew K. Varley, CPA LLC

Certified public accountant and consultant

INDEPENDENT AUDITOR'S 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
Counseling and Referral Services of Ocean, Inc.
d/b/a Seashore Family Services of NJ

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 Counseling and Referral Services of Ocean, Inc. d/b/a Seashore Family Services of NJ ("Seashore Family Services of NJ"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Counseling and Referral Services, 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 Seashore Family Services of NJ's internal control. Accordingly, we do not express an opinion on the effectiveness of Seashore Family Services of NJ'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 a reasonable possibility that a material misstatement of the entity'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 Seashore Family Services of NJ's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in accompanying schedule of findings and questioned costs as items 2016-01 and 2016-02.

Agency's Response to Findings

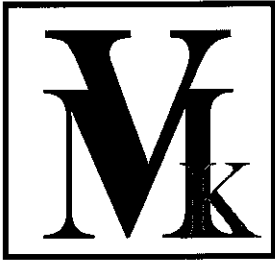
Seashore Family Service of NJ's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Matthew K Varley, CPA LLC

Toms River, New Jersey
October 28, 2016



Matthew K. Varley, CPA LLC

Certified public accountant and consultant

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND NJ OMB CIRCULAR 15-08-OMB

To the Board of Trustees of
Counseling and Referral Services of Ocean, Inc.
d/b/a Seashore Family Services of NJ

Report on Compliance for Each Major State Program

We have audited Seashore Family Services of NJ compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Seashore Family Services of NJ's major state programs for the year ended June 30, 2016. Seashore Family Services of NJ's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of ABC Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, the Uniform Guidance and New Jersey Circular 15-08-OMB require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Seashore Family Services of NJ's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Seashore Family Services of NJ's compliance.

Opinion on Each Major State Program

In our opinion, Seashore Family Services of NJ complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Seashore Family Services of NJ is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Seashore Family Services of NJ's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey Circular 15-08-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Seashore Family Services of NJ's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and New Jersey Circular 15-08-OMB. Accordingly, this report is not suitable for any other purpose.

Matthew K Varley, CPA LLC

Toms River, New Jersey
October 28, 2016

COUNSELING AND REFERRAL SERVICES OF OCEAN, INC.
d/b/a SEASHORE FAMILY SERVICES OF NJ

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the fiscal year ended June 30, 2016

Federal Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Award / Contract Ceiling	Grant Period	Expenditures
U.S. Department of Health and Human Services Passed through N.J. Department of Human Services Division of Mental Health and Addiction Services	93.959	16-593-ADA-0	175,307	7/1/15 - 6/30/16	\$ 168,333
Treatment Services for Women					\$ 168,333

The accompanying notes to the schedules of expenditures of federal awards and state financial assistance are an integral part of these financial statements.

COUNSELING AND REFERRAL SERVICES OF OCEAN, INC.
d/b/a SEASHORE FAMILY SERVICES OF NJ

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended June 30, 2016

State Grantor/Program Title	Contract Number	Award / Contract Ceiling	Grant / Contract Period	Expenditures and Fee for Service Contracts	Cumulative Expenditures
N.J. Department of Human Services					
Division of Mental Health and Addiction Services					
Fee for Service Contract					
Drug Court Fee for Service	15-1114-F	Fee-for-Service	7/1/14 - 6/30/16	\$ 32,792	\$ 89,972
Driving Under the Influence Initiative	15-1114-F	Fee-for-Service	7/1/14 - 6/30/16	92,210	188,500
South Jersey Initiative	15-1114-F	Fee-for-Service	7/1/14 - 6/30/16	28,822	81,561
CSOC South Jersey Initiative	15-1114-F	Fee-for-Service	7/1/14 - 6/30/16	55,554	74,240
State Parole Board	15-1114-F	Fee-for-Service	7/1/14 - 6/30/16	61,739	107,678
DAS Vivitrol	15-1114-F	Fee-for-Service	7/1/14 - 6/30/16	3,229	12,856
Co-Occurring	15-1114-F	Fee-for-Service	7/1/14 - 6/30/16	11,182	23,102
				<u>285,528</u>	<u>577,909</u>
Alcohol and Drug Abuse Treatment Rehabilitation Services	16-593-ADA-0	149,600	7/1/15 - 6/30/16	170,547	170,547
Fee for Service Contract					
Work First NJ Substance Abuse Initiative	N/A	Fee-for-Service	7/1/15 - 6/30/16	38,272	38,272
Passed-through the Ocean County Health Department					
Recovery Counseling	16-537-ADA-0		1/1/16-12/31/16	276	276
Alcohol & Drug Outpatient Counseling - Level I	16-537-ADA-0	66,450	1/1/16-12/31/16	63,440	63,440
Alcohol & Drug Outpatient Counseling - Level II	16-537-ADA-0	25,044	1/1/16-12/31/16	4,256	4,256
Alcohol & Drug Outpatient Counseling - Level I	15-537-ADA-0	66,450	1/1/15-12/31/15	21,892	60,996
Alcohol & Drug Outpatient Counseling - Level II	15-537-ADA-0	25,044	1/1/15-12/31/15	9,376	22,048
				<u>99,240</u>	<u>151,016</u>
Total Department of Human Services				593,587	937,744
N.J. Department of Children and Families					
Division of Child Protection and Permanency					
Family Therapy and Substance Abuse Counseling	16AHQC	98,817	7/1/15 - 6/30/16	123,219	123,219
Children's System of Care					
Adolescent CWRP Outpatient Counseling Services	156KQR	108,476	7/1/15 - 6/30/16	84,615	84,615
				<u>207,834</u>	<u>207,834</u>
Total N.J. Department of Children and Families				801,421	1,145,578

The accompanying notes to the schedules of expenditures of federal awards and state financial assistance are an integral part of these financial statements.

COUNSELING AND REFERRAL SERVICES OF OCEAN, INC.
d/b/a Seashore Family Services of NJ

NOTES TO THE SCHEDULES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
for the fiscal year ended June 30, 2016

NOTE 1 – GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal and state award activity of Counseling and Referral Services of Ocean, Inc. d/b/a Seashore Family Services of NJ ("Seashore Family Services of NJ" or "the Organization"). The Organization is defined in Note 1 to the basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other governmental agencies, are included in the expenditures of federal awards and state financial assistance.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the accrual basis of accounting. This basis of accounting is described in Note 1 to the financial statements. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and State of New Jersey Circular 04-04-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. As a result, some amounts presented in the schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The net adjustment to reconcile expenditures from the schedules of expenditures of federal awards and state financial assistance is \$-0-.

NOTE 3 – RELATIONSHIP TO STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related state financial expenditure reports.

NOTE 4 – FEE FOR SERVICE CONTRACTS

Under fee for service contracts, fees for services performed are billed on a per unit of service basis to the grantor funding source. Direct and allocated costs are assigned to these contracts as a percentage of overall agency costs. Therefore, fees may exceed actual expenditures. Per discussion with the funding source, New Jersey Department of Human Services, Division of Addiction Services, the amounts reported on the schedule of expenditures of any state financial assistance should agree with the claims rather than actual expenses incurred.

NOTE 5 – PROGRAM INCOME

Many of the Organization's grant contracts include a program income requirement. The receipt of program income is reflected on the schedules of federal awards and state financial assistance under the "additive method". Under this method, the Organization is permitted to use the income for program/project purposes in addition to the original grant award. Expenditures from this income are reported on the schedules in addition to expenditures made from the original grant.

COUNSELING AND REFERRAL SERVICES OF OCEAN, INC.
d/b/a SEASHORE FAMILY SERVICES OF NJ

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes x no

Significant deficiency(ies)? yes x none reported

Noncompliance material to financial statements noted? x yes no

State Awards

Material weakness(es) identified? yes x no

Significant deficiency(ies)? yes x none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance 2 CFR 200.516(a) and NJ Circular 15-08-OMB yes x no

Identification of major programs:

<u>Contract Number</u>		<u>Name of State Program or Fee for Service Contract</u>
16-537-ADA-O	Fee-for-Service	Alcohol and Substance Abuse Counseling
15-1114-F	Fee-for-Service	Fee for Service Contract
WF	Fee-for-Service	Work First New Jersey

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes x no

COUNSELING AND REFERRAL SERVICES OF OCEAN, INC.
d/b/a SEASHORE FAMILY SERVICES OF NJ

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

Section II - Financial Statement Findings

MATERIAL FINDING

Finding 2016-01

Condition: An audit conducted by the State of New Jersey, Department of Human Services, Office of Program Integrity and Accountability for the years ended June 30, 2013 and 2014 determined that the Agency's methodology used to classify costs reported in budget categories as set forth under various state grant contracts as direct and indirect was not adequately defined and documented. Additionally, general and administrative expenses were allocated to individual state funded grant programs using a methodology other than those defined as acceptable per Department of Human Services (DHS) contract regulations. The audit was released subsequent to the current year end and, as a result, corrective action was not implemented during the year ended June 30, 2016. Our examination found that the same methodology was used during the year ended June 30, 2016.

Criteria: Department of Human Services (DHS) Contract Reimbursement Manual, Sections 4.3, 4.4 and 5.3 define direct and indirect costs and set forth acceptable cost distribution bases. These sections define a direct costs as any cost which can be identified specifically with a particular cost objective, and an indirect cost as one which, because of its incurrence for common or joint objectives, is not readily subject to treatment as a direct cost. These sections explain that after direct costs have been determined and charged directly to the contract or other work as appropriate, indirect costs are those remaining to be allocated. Furthermore, these sections state the overall objective is to allocate the general and administrative (G&A) or indirect costs of the provider agency to its various major activities or cost objectives in a reasonable proportion to the benefits provided to those programs or activities. Common G&A or indirect cost distribution bases are summarized, which include but are not limited to total direct costs (excluding capita expenditures) and direct salaries and wages. Other bases which result in equitable distribution may be considered allowable; however, it is required that any cost centers or statistical bases other than those presented in these sections be submitted to the Department of Human Services for approval. Additionally, it is required that any statistics used must be auditable and maintained on a continuous basis.

Additionally, DHS Contract Policy and Information Manual, Policy Circulars P1.12 and P1,10 set forth program cluster and budget flexibility guidelines respectively.

COUNSELING AND REFERRAL SERVICES OF OCEAN, INC.
d/b/a SEASHORE FAMILY SERVICES OF NJ

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

MATERIAL FINDING

Finding 2016-01 (Continued)

- Effect:** Direct and indirect costs were not documented as being classified correctly in accordance with DHS regulations. As a result total costs appear to be accurately stated, however it cannot be determined whether the Agency is in compliance with DHS guidelines with regard to individual Division of Mental Health and Addition Services (DMHAS) programs.
- Cause:** The Agency prepared its cost reports using the allocations set forth in the Cost Allocation Plan that was submitted to DMHAS that was approved along with its budget. However, the Cost Allocation Plan did not include specific definitions and related supporting documentation.
- Recommendation:** The Agency must clearly define and document its methodology used to classify costs reported to DHMAS. In addition, the methodology must be in accordance with the Department of Human Services Contract Reimbursement Manual and must result in costs being assigned to various programs in a reasonable proportion to the benefits provided to those programs or activities.
- Agency Response:** The audit report was not received in time to implement corrective action for the year ended June 30, 2016. The fiscal year 2017 budget was submitted with a methodology that is allowable and all corrective action changes will be implemented.

MATERIAL FINDING

Finding 2016-02

- Condition:** An audit conducted by the State of New Jersey, Department of Human Services, Office of Program Integrity and Accountability for the years ended June 30, 2013 and 2014 determined that the Agency's claimed revenue in programs where the corresponding expenses were not incurred for that program. Revenue was claimed primarily to insure that a programs net expenses did not exceed the budget for that program. Our audit determined that the Agency continued this practice during the year ended June 30, 2016.

COUNSELING AND REFERRAL SERVICES OF OCEAN, INC.
d/b/a SEASHORE FAMILY SERVICES OF NJ

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

MATERIAL FINDING

Finding 2016-02 (Continued)

- Criteria:** Department of Human Services (DHS) Contract Reimbursement Manual, Section 5.3 provides instructions for program revenue reporting, including the itemization of revenues by program/activity.
- Effect:** Program revenue was not allocated accurately.
- Cause:** The Agency allocated program revenue in a manner to avoid deficits in individual programs.
- Recommendation:** The Agency must clearly define and document its methodology used to all revenue in a manner where it is offset against the proper applicable program expenses.
- Agency Response:** The Agency will implement corrective action to be in compliance with the Department of Human Services Contract Reimbursement Manual.

Section III - Findings and Questioned Costs - Major State Assistance Programs

None noted.

COUNSELING AND REFERRAL SERVICES OF OCEAN, INC.
d/b/a SEASHORE FAMILY SERVICES OF NJ

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
for the fiscal year ended June 30, 2016

This section identifies the status of prior year audit findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and the Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey Circular 15-08-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid.

There were no prior year findings requiring corrective action.

COUNSELING AND REFERRAL SERVICES OF OCEAN, INC.
d/b/a SEASHORE FAMILY SERVICES OF NJ

NEW JERSEY DEPARTMENT OF HUMAN SERVICES
CONTRACT # 16-593-ADA OUTPATIENT
SCHEDULE OF BUDGETED AND INCURRED COSTS
For the period July 1, 2015 through June 30, 2016

Budget Categories	Budget (Unaudited)	Current Year Costs Incurred	Favorable (Unfavorable)
Salaries	\$ 104,800	\$ 101,119	\$ 3,681
Fringe Benefits	20,772	18,178	2,594
Professional Fees	17,940	13,882	4,058
Facility Costs	29,109	24,210	4,899
Office Expense	6,676	6,500	176
Program Expense	6,974	5,983	991
Staff Training	660	625	35
Travel and Conference	69	50	19
	<hr/>	<hr/>	<hr/>
Total Direct Costs	187,000	170,547	16,453
	<hr/>	<hr/>	<hr/>
Less: Program Income	37,401	24,820	(12,581)
	<hr/>	<hr/>	<hr/>
Total Net Costs	<u>\$ 149,599</u>	<u>\$ 145,727</u>	<u>\$ 3,872</u>

See accompanying Independent Auditor's Report

COUNSELING AND REFERRAL SERVICES OF OCEAN, INC.
d/b/a SEASHORE FAMILY SERVICES OF NJ

NEW JERSEY DEPARTMENT OF HUMAN SERVICES
CONTRACT # 16-593-ADA WOMEN'S TREATMENT
SCHEDULE OF BUDGETED AND INCURRED COSTS
For the period July 1, 2015 through June 30, 2016

Budget Categories	Budget (Unaudited)	Current Year Costs Incurred	Favorable (Unfavorable)
Salaries	\$ 126,882	\$ 95,671	\$ 31,211
Fringe Benefits	25,189	17,442	7,747
Professional Fees	16,013	16,268	(255)
Facility Costs	38,105	30,988	7,117
Office Expense	3,819	3,486	333
Program Expense	5,561	3,688	1,873
Staff Training	773	732	41
Travel and Conference	80	58	22
	<hr/>	<hr/>	<hr/>
Total Direct Costs	216,422	168,333	48,089
	<hr/>	<hr/>	<hr/>
Less: Program Income	43,758	2,642	(41,116)
	<hr/>	<hr/>	<hr/>
Total Net Costs	<u>\$ 172,664</u>	<u>\$ 165,691</u>	<u>\$ 6,973</u>

See accompanying Independent Auditor's Report

COUNSELING AND REFERRAL SERVICES OF OCEAN, INC.
d/b/a SEASHORE FAMILY SERVICES OF NJ

NEW JERSEY DEPARTMENT OF CHILDREN AND FAMILIES
CONTRACT # 16AHQC
SCHEDULE OF BUDGETED AND INCURRED COSTS
For the period July 1, 2015 through June 30, 2016

Budget Categories	Budget (Unaudited)	Current Year Costs Incurred	Favorable (Unfavorable)
Salaries	\$ 70,766	\$ 76,321	\$ (5,555)
Fringe Benefits	13,976	13,982	(6)
Professional Fees	8,045	9,037	(992)
Facility Costs	21,167	17,214	3,953
Office Expense	4,148	4,027	121
Program Expense	4,229	2,199	2,030
Staff Training	430	407	23
Travel and Conference	45	32	13
	<hr/>	<hr/>	<hr/>
Total Direct Costs	122,806	123,219	(413)
	<hr/>	<hr/>	<hr/>
Less: Program Income	23,989	24,092	103
	<hr/>	<hr/>	<hr/>
Total Net Costs	<u>\$ 98,817</u>	<u>\$ 99,127</u>	<u>\$ (310)</u>

See accompanying Independent Auditor's Report

COUNSELING AND REFERRAL SERVICES OF OCEAN, INC.
d/b/a SEASHORE FAMILY SERVICES OF NJ

NEW JERSEY DEPARTMENT OF HUMAN SERVICES
CONTRACT # 16MKQR
SCHEDULE OF BUDGETED AND INCURRED COSTS
For the period July 1, 2015 through June 30, 2016

Budget Categories	Budget (Unaudited)	Current Year Costs Incurred	Favorable (Unfavorable)
Salaries	\$ 80,814	\$ 45,906	\$ 34,908
Fringe Benefits	16,013	8,581	7,432
Professional Fees	11,167	10,064	1,103
Facility Costs	16,011	14,193	1,818
Office Expense	4,314	4,179	135
Program Expense	6,749	1,204	5,545
Staff Training	478	453	25
Travel and Conference	50	35	15
	<hr/>	<hr/>	<hr/>
Total Direct Costs	135,596	84,615	50,981
Less: Program Income	<hr/> 27,120	<hr/> 688	<hr/> (26,432)
Total Net Costs	<hr/> <u>\$ 108,476</u>	<hr/> <u>\$ 83,927</u>	<hr/> <u>\$ 24,549</u>

See accompanying Independent Auditor's Report