

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

FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

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

FINANCIAL STATEMENTS
for the fiscal years ended June 30, 2015 and 2014

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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 statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 2 to the financial statements, the Organization has suffered recurring net operating losses that raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey Circular 04-04-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*, and the schedules of budgeted 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 are 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 November 20, 2015, 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
November 20, 2015

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

STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 84,351	\$ 230,998
Grants receivable, net	70,999	91,806
Accounts receivable, net	1,417	2,821
Other current assets	4,885	4,252
Total current assets	161,652	329,877
PROPERTY AND EQUIPMENT, net	708,591	806,220
OTHER ASSETS		
Security deposits	1,664	1,665
Total assets	\$ 871,907	\$ 1,137,762
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 34,113	\$ 34,955
Accrued vacation time	29,267	45,327
Due to grantor	54,273	25,178
Current portion of long-term debt	478,475	492,359
Total current liabilities	596,128	597,819
LONG-TERM DEBT, less current portion	18,047	19,908
Total liabilities	614,175	617,727
NET ASSETS		
Unrestricted	257,732	520,035
Total liabilities and net assets	\$ 871,907	\$ 1,137,762

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 ACTIVITIES
for the fiscal years ended June 30, 2015 and 2014

	2015	2014
UNRESTRICTED NET ASSETS		
REVENUES, GAINS AND OTHER SUPPORT		
Grant and fee for service revenue:		
Federal	\$ 177,952	\$ 180,691
State	785,625	919,336
County	10,499	10,499
Contract program service fees	3,205	11,650
Client program service fees	208,470	141,057
Other income	1,083	1,996
Investment income	28	861
Loss on disposal of capital assets	(55,395)	14,000
Net unrealized losses on investments	-	(418)
	1,131,467	1,279,672
Total unrestricted revenues, gains, and other support		
EXPENSES		
Counseling services	1,067,152	1,102,862
Management and general	326,618	488,313
	1,393,770	1,591,175
Total expenses		
Change in unrestricted net assets	(262,303)	(311,503)
UNRESTRICTED NET ASSETS, beginning	520,035	831,538
UNRESTRICTED NET ASSETS, ending	\$ 257,732	\$ 520,035

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, 2015

	Counseling Services	Management and General	Total Expenses
Employee compensation:			
Salaries	\$ 559,150	\$ 193,305	\$ 752,455
Fringe benefits	136,414	11,468	147,882
 Total employee compensation	 <u>695,564</u>	 <u>204,773</u>	 <u>900,337</u>
Other expenses:			
Professional fees	70,123	57,327	127,450
Occupancy costs:			
Rent	69,532	17,383	86,915
Mortgage interest payments	25,228	6,307	31,535
Building and grounds	2,383	596	2,979
Insurance	14,959	3,619	18,578
Utilities	20,941	5,235	26,176
Telephone	6,430	1,607	8,037
Lab fees and fingerprinting	49,999	125	50,124
Medications	9,817	-	9,817
Office expense	29,730	4,156	33,886
Gas and maintenance	793	85	878
Licenses and fees	6,048	1,512	7,560
Marketing expense	-	1,249	1,249
Cleaning and maintenance	8,623	2,156	10,779
Staff training	2,667	-	2,667
Client transportation	14,433	-	14,433
Bank and credit card fees	784	43	827
Interest expense	-	960	960
Miscellaneous	-	735	735
Bad debt expense	6,885	-	6,885
Payroll processing costs	-	13,528	13,528
 Total other expenses	 <u>339,375</u>	 <u>116,623</u>	 <u>455,998</u>
 Total expenses before depreciation	 <u>1,034,939</u>	 <u>321,396</u>	 <u>1,356,335</u>
 Depreciation and amortization	 <u>32,213</u>	 <u>5,222</u>	 <u>37,435</u>
 Total expenses	 <u>\$ 1,067,152</u>	 <u>\$ 326,618</u>	 <u>\$ 1,393,770</u>
 Percent of total	 <u>77%</u>	 <u>23%</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

STATEMENT OF FUNCTIONAL EXPENSES
for the fiscal year ended June 30, 2014

	Counseling Services	Management and General	Total Expenses
Employee compensation:			
Salaries	\$ 595,034	\$ 313,367	\$ 908,401
Fringe benefits	152,679	14,714	167,393
 Total employee compensation	 <u>747,713</u>	 <u>328,081</u>	 <u>1,075,794</u>
Other expenses:			
Professional fees	66,955	70,979	137,934
Occupancy costs:			
Rent	48,616	14,522	63,138
Mortgage interest payments	25,294	7,555	32,849
Insurance	21,123	6,309	27,432
Utilities	21,238	6,344	27,582
Telephone	10,939	3,268	14,207
Lab fees and fingerprinting	42,066	55	42,121
Medications	7,771	-	7,771
Office expense	27,569	8,235	35,804
Gas and maintenance	11,775	1,199	12,974
Licenses and fees	5,385	1,609	6,994
Marketing expense	-	790	790
Cleaning and maintenance	18,682	5,581	24,263
Staff training	4,443	-	4,443
Miscellaneous	-	477	477
Bad debt expense	4,321	-	4,321
Payroll processing costs	-	17,006	17,006
Lawsuit Settlement	-	10,000	10,000
 Total other expenses	 <u>316,177</u>	 <u>153,929</u>	 <u>470,106</u>
 Total expenses before depreciation	 <u>1,063,890</u>	 <u>482,010</u>	 <u>1,545,900</u>
 Depreciation and amortization	 <u>38,972</u>	 <u>6,303</u>	 <u>45,275</u>
 Total expenses	 <u>\$ 1,102,862</u>	 <u>\$ 488,313</u>	 <u>\$ 1,591,175</u>
 Percent of total	 <u>69%</u>	 <u>31%</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 years ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (262,303)	\$ (311,503)
Adjustments to reconcile change in net assets to cash provided from (used by) operating activities:		
Depreciation and amortization	37,435	45,275
Loss on disposal of capital assets	60,195	-
(Increase) decrease in:		
Grants receivable, net	20,807	(9,314)
Accounts receivable, net	1,404	(452)
Other current assets	(633)	8,291
Increase (decrease) in:		
Accounts payable and accrued expenses	(842)	(7,613)
Accrued vacation time	(16,060)	(14,303)
Due to Grantor	29,095	25,178
Net cash used by operating activities	(130,902)	(264,441)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(24,497)
Redemption of investments	-	25,418
Net cash provided from (used by) investing activities	-	921
CASH FLOWS FROM FINANCING ACTIVITIES		
New borrowings	-	22,105
Payments on long-term debt	(15,745)	(18,603)
Net cash provided from (used by) financing activities	(15,745)	3,502
Decrease in cash and cash equivalents	(146,647)	(260,018)
CASH AND CASH EQUIVALENTS, beginning of year	230,998	491,016
CASH AND CASH EQUIVALENTS, end of year	\$ 84,351	\$ 230,998

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, 2015 and 2014

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, 2015 and 2014. 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, 2015 and 2014

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, 2015 and 2014, allowances for doubtful accounts totaled \$0 and \$2,133, respectively.

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 \$1,000 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, 2015 and 2014

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates (Continued)

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 2011, 2012, and 2013 are subject to examination by the IRS, generally for three years after they were filed.

NOTE 2 – GOING CONCERN UNCERTAINTY

The Organization has experienced significant decreases in net assets for five of the last six years. As indicated in the accompanying financial statements, the Organization showed decreases in nets assets of \$262,303 and \$311,503, respectively, during the years ended June 30, 2015 and 2014. As of June 30, 2015, current liabilities exceeded current assets by \$434,476. In addition, the Organization faces uncertain conditions regarding its loan agreements (as discussed in Note 12) and dependence on contracts with the State of New Jersey (as discussed in Note 9), creating an uncertainty about the Organization's ability to continue as a going concern. Management of the Organization is developing a plan to reduce expenses for overhead and operational costs as well as identifying other lines of services that can be revenue generating. The Organization also continues to discuss the potential viability of a merger. The ability of the Organization to continue as a going concern is contingent on management's plan and the successful refinancing of the Organization's debt. The financial statements do not include any adjustment that might be necessary if the Organization is unable to continue as a going concern.

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

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 3 – GRANTS RECEIVABLE

Grants receivable at June 30, 2015 and 2014 consisted of the following:

	2015	2014
Federal Probation	\$ 180	\$ 3,900
Ocean County Substance Abuse Intensive Outpatient	20,280	33,072
Ocean County Substance Abuse Outpatient	8,128	5,000
Driving Under the Influence Initiative, net of allowance for doubtful accounts of \$0 and \$200	5,323	7,649
Drug Court fee for service, net of allowance for doubtful accounts of \$0 and \$1,369	1,794	5,302
Medicaid, net of allowance for uncollectable accounts of \$0 and \$1,243	9,049	3,526
Work First New Jersey, net of allowance for uncollectable accounts of \$92 and \$13,983	6,592	5,768
CSOC South Jersey Initiative, net of allowance of \$1,008 and \$0.	4,786	1,833
Co-Occurring Service, net allowance for uncollectable accounts of \$0 and \$1,143	399	1,419
South Jersey Initiative	557	7,121
NJ Parole	1,700	2,468
DAS Vivitrol	25	1,004
Ocean County DOT	-	1,100
Juvenile Intensive Supervision Program	-	2,145
Adult Intensive Supervision Program	1,687	-
Ocean County DCF	10,499	10,499
Total Grant Receivable	\$ 70,999	\$ 91,806

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment costs consist of the following as of June 30, 2015 and 2014:

	2015	2014
Land	\$ 47,053	\$ 47,053
Building	734,353	734,353
Leasehold improvements	60,130	163,673
Automobiles	-	54,774
Computer Software	57,114	57,114
Machinery and equipment	114,143	190,908
	1,012,793	1,247,875
Less: accumulated depreciation	304,202	441,655
	\$ 708,591	\$ 806,220

Depreciation and amortization expense for the year ended June 30, 2015 and 2014 was \$37,435 and \$45,275, respectively.

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

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 5 – LONG-TERM DEBT

The Organization's long-term debt at June 30, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
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.	\$ 476,463	\$ 490,589
5% unsecured note payable to National Realty Development Corporation, payable \$234 per month, principal and interest.	<u>20,059</u>	<u>21,678</u>
	<u>\$ 496,522</u>	<u>\$ 512,267</u>

The schedule of principal payments through maturity is as follows.

6/30/2015	478,475
6/30/2016	1,956
6/30/2017	2,056
6/30/2018	2,161
6/30/2019	2,272
Thereafter	9,602

NOTE 6 – 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 to be released from the lease at a cost of \$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.

Up until March of 2014, the Organization leased office space from the Township of Brick. The original lease expired in 2008. This lease was renegotiated in October 2013. Under the new lease the Organization was forgiven for all back rent predating calendar year 2013. For the calendar year 2013 the annual rate was \$20,000. The lease expired on December 31, 2013, and was continued until March 2014 on a month to month basis.

The future minimum lease payments are:

6/30/2015	35,580
6/30/2016	35,580
6/30/2017	35,580
6/30/2018	35,580
6/30/2019	35,800
Thereafter	118,140

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

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 7 – DUE TO GRANTOR

As of June 30, 2015 and 2014 the Organization had unexpended grant funds received on the installment basis in the amounts of \$54,273 and \$25,178, respectively. 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 8 – 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. Pension expense for the Organization for the years ended June 30, 2015 and 2014 was \$3,128 and \$3,144, respectively. The required Form 5500 has been filed with the Internal Revenue Service for the calendar year 2014 and the Organization has complied with all Internal Revenue Service and Department of Labor regulations.

NOTE 9 – CONCENTRATIONS

Concentration of Revenue Sources

Approximately, 85% 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 10 – SUPPLEMENTAL CASH FLOW INFORMATION

Cash was expended for interest in the amount of \$32,496 and \$32,850 for the years ended June 30, 2015 and June 30, 2014, respectively. No cash was expended for income taxes for the year ended June 30, 2015 or 2014.

NOTE 11 – 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, 2015.

NOTE 12 – SUBSEQUENT EVENTS

On October 7, 2015, the Organization obtained an extension of the Ocean First Bank mortgage, discussed in Note 6, through November 1, 2015. The note is secured by a lien on the mortgaged property which has an assessed value of \$647,900.

Subsequent events were evaluated through November 20, 2015, 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, 2015, 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 November 20, 2015.

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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Matthew K Varley, CPA LLC

Toms River, New Jersey
November 20, 2015



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 AND REPORT ON SCHEDULE OF EXPENDITURES OF STATE ASSISTANCE REQUIRED BY OMB CIRCULAR A-133 AND NJ OMB CIRCULAR 04-04-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 program for the year ended June 30, 2015. Seashore Family Services of NJ's major program is 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 Seashore Family Services of NJ's major state program 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey Circular 04-04-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey Circular 04-04-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 state 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 state 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, 2015.

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 OMB Circular A-133 and NJ Circular 04-04-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 state 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 state 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 OMB Circular A-133 and NJ Circular 04-04-OMB. Accordingly, this report is not suitable for any other purpose.

Matthew K Varley, CPA LLC

Toms River, New Jersey
November 20, 2015

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, 2015

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					
Treatment Services for Women	93.959	15-593-ADA-0	175,307	7/1/14 - 6/30/15	<u>\$ 172,145</u>
					<u><u>\$ 172,145</u></u>

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, 2015

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	N/A	7/1/14 - 6/30/15	\$ 57,180	\$ 57,180
Driving Under the Influence Initiative	15-1114-F	N/A	7/1/14 - 6/30/15	96,290	96,290
South Jersey Initiative	15-1114-F	N/A	7/1/14 - 6/30/15	52,739	52,739
CSOC South Jersey Initiative	15-1114-F	N/A	7/1/14 - 6/30/15	18,686	18,686
State Parole Board	15-1114-F	N/A	7/1/14 - 6/30/15	45,939	45,939
DAS Vivitrol	15-1114-F	N/A	7/1/14 - 6/30/15	9,627	9,627
Co-Occurring	15-1114-F	N/A	7/1/14 - 6/30/15	11,920	11,920
				<u>292,381</u>	<u>292,381</u>
Alcohol and Drug Abuse Treatment Rehabilitation Services	15-593-ADA-0	149,600	7/1/14 - 6/30/15	147,724	147,724
Fee for Service Contract					
Work First NJ Substance Abuse Initiative	N/A	N/A	7/1/14 - 6/30/15	84,272	84,272
Passed-through the Ocean County Health Department					
Alcohol & Drug Outpatient Counseling - Level I	14-34512	55,000	1/1/14-12/31/14	21,632	54,704
Alcohol & Drug Outpatient Counseling - Level II	14-34512	15,000	1/1/14-12/31/14	3,680	8,680
Alcohol & Drug Outpatient Counseling - Level I	15-34512	55,000	1/1/15-12/31/15	39,104	39,104
Alcohol & Drug Outpatient Counseling - Level II	15-34512	15,000	1/1/15-12/31/15	12,672	12,672
				<u>77,088</u>	<u>115,160</u>
Total Department of Human Services				<u>601,465</u>	<u>639,537</u>
N.J. Department of Children and Families					
Division of Child Protection and Permanency					
Family Therapy and Substance Abuse Counseling	15AHQC	98,817	7/1/14 - 6/30/15	84,149	84,149
Children's System of Care					
Adolescent CWRP Outpatient Counseling Services	15MKQR	108,476	7/1/14 - 6/30/15	103,175	103,175
Total N.J. Department of Children and Families				<u>187,324</u>	<u>187,324</u>
				<u>\$ 788,789</u>	<u>\$ 826,861</u>

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 2015

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.

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, 2015

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? _____ yes x 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 with Section 501(a) of OMB Circular A-133 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>
15-593-ADA-0	Alcohol and Drug Abuse Rehabilitation Services
15MKQR	Adolescent CWRP Outpatient Counseling
15AHQC	Family Therapy and Substance Abuse Counseling

Dollar threshold used to distinguish between type A and type B programs: \$300,000

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, 2015

Section II - Financial Statement Findings

There are no financial statement findings.

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, 2015

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*, U.S. OMB Circular A-133 (section .315(a)(b)) and New Jersey OMB Circular 04-04.

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 # 15-593-ADA OUTPATIENT
SCHEDULE OF BUDGETED AND INCURRED COSTS
For the period July 1, 2014 through June 30, 2015

	Budget (Unaudited)	Current Year Costs Incurred	Favorable (Unfavorable)
Budget Categories			
Salaries	\$ 104,800	\$ 105,690	\$ (890)
Fringe Benefits	19,747	19,171	576
Professional Fees	16,776	12,890	3,886
Facility Costs	32,503	31,541	962
Office Expense	7,197	6,204	993
Program Expense	5,319	6,589	(1,270)
Staff Training	593	98	495
Travel and Conference	66	94	(28)
	<hr/>	<hr/>	<hr/>
Total Direct Costs	187,001	182,277	4,724
	<hr/>	<hr/>	<hr/>
Less: Program Income	37,401	34,553	(2,848)
	<hr/>	<hr/>	<hr/>
Total Net Costs	<u>\$ 149,600</u>	<u>\$ 147,724</u>	<u>\$ 1,876</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 # 15-593-ADA WOMEN'S TREATMENT
SCHEDULE OF BUDGETED AND INCURRED COSTS
For the period July 1, 2014 through June 30, 2015

	Budget (Unaudited)	Current Year Costs Incurred	Favorable (Unfavorable)
Budget Categories			
Salaries	\$ 126,883	\$ 103,726	\$ 23,157
Fringe Benefits	23,934	19,437	4,497
Professional Fees	19,661	15,444	4,217
Facility Costs	32,354	31,425	929
Office Expense	8,434	7,279	1,155
Program Expense	7,028	5,819	1,209
Staff Training	694	114	580
Travel and Conference	77	110	(33)
	<hr/>	<hr/>	<hr/>
Total Direct Costs	219,065	183,354	35,711
Less: Program Income	43,758	11,209	(32,549)
	<hr/>	<hr/>	<hr/>
Total Net Costs	<u>\$ 175,307</u>	<u>\$ 172,145</u>	<u>\$ 3,162</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 15AHQC
SCHEDULE OF BUDGETED AND INCURRED COSTS
For the period July 1, 2014 through June 30, 2015

	Budget (Unaudited)	Current Year Costs Incurred	Favorable (Unfavorable)
Budget Categories			
Salaries	\$ 70,767	\$ 61,609	\$ 9,158
Fringe Benefits	13,302	11,491	1,811
Professional Fees	10,920	8,229	2,691
Facility Costs	17,729	17,075	654
Office Expense	4,684	3,966	718
Program Expense	3,903	3,134	769
Staff Training	386	64	322
Travel and Conference	43	61	(18)
	<hr/>	<hr/>	<hr/>
Total Direct Costs	121,734	105,629	16,105
		-	
Less: Program Income	22,917	21,480	(1,437)
	<hr/>	<hr/>	<hr/>
Total Net Costs	<u>\$ 98,817</u>	<u>\$ 84,149</u>	<u>\$ 14,668</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 # 15-MKQR
SCHEDULE OF BUDGETED AND INCURRED COSTS
For the period July 1, 2014 through June 30, 2015

	Budget (Unaudited)	Current Year Costs Incurred	Favorable (Unfavorable)
Budget Categories			
Salaries	\$ 80,815	\$ 67,051	\$ 13,764
Fringe Benefits	15,224	12,346	2,878
Professional Fees	12,170	9,163	3,007
Facility Costs	17,338	16,589	749
Office Expense	5,221	4,400	821
Program Expense	4,351	6,179	(1,828)
Staff Training	430	71	359
Travel and Conference	47	68	(21)
	<hr/>	<hr/>	<hr/>
Total Direct Costs	135,596	115,867	19,729
Less: Program Income	<hr/> 27,120	<hr/> 12,692	<hr/> (14,428)
Total Net Costs	<hr/> <u>\$ 108,476</u>	<hr/> <u>\$ 103,175</u>	<hr/> <u>\$ 5,301</u>

See accompanying Independent Auditor's Report