

**THE ASSOCIATION FOR
CLINICAL PASTORAL EDUCATION, INC.
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

THE ASSOCIATION FOR CLINICAL PASTORAL EDUCATION, INC. AND SUBSIDIARY
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Association for Clinical Pastoral Education, Inc. and Subsidiary

We have audited the accompanying consolidated statement of financial position of The Association for Clinical Pastoral Education, Inc. and Subsidiary (the Association) as of December 31, 2016, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

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

Report on Summarized Comparative Information

We have previously audited the Association's 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 27, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Warren Averett, LLC

Atlanta, Georgia

May 3, 2017

**THE ASSOCIATION FOR CLINICAL PASTORAL EDUCATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015**

ASSETS		
	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 987,471	\$ 1,797,816
Investments	1,633,882	1,253,636
Accounts receivable, net	167,012	99,198
Unconditional promise to give	275,000	-
Investment in real estate	1,418,400	1,377,000
Prepaid expenses and other current assets	84,436	46,694
Total current assets	4,566,201	4,574,344
OTHER ASSETS		
Property and equipment, net	252,061	177,165
Investments – permanently restricted	949,094	949,094
Other assets	13,009	13,009
Total other assets	1,214,164	1,139,268
TOTAL ASSETS	\$ 5,780,365	\$ 5,713,612
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 329,436	\$ 242,130
Deferred revenue	144,043	419,031
Total current liabilities	473,479	661,161
NET ASSETS		
Unrestricted	3,591,132	3,667,236
Temporarily restricted	646,660	316,121
Permanently restricted	1,069,094	1,069,094
Total net assets	5,306,886	5,052,451
TOTAL LIABILITIES AND NET ASSETS	\$ 5,780,365	\$ 5,713,612

See notes to the consolidated financial statements.

**THE ASSOCIATION FOR CLINICAL PASTORAL EDUCATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)**

	2016			2015	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUES, GAINS AND PUBLIC SUPPORT					
Contributions	\$ 110,382	\$ 430,000	\$ -	\$ 540,382	\$ 75,680
Accredited CPE centers and clusters	1,803,747	-	-	1,803,747	1,695,996
Membership and other fees	659,986	-	-	659,986	693,329
Conferences	338,504	-	-	338,504	257,582
Interest and dividend income	681	30,211	-	30,892	61,522
Net gain (loss) on investments	80,776	24,049	-	104,825	(79,435)
Gain (loss) of value on investment property	41,400	-	-	41,400	(23,000)
Loss on disposal of investment property	-	-	-	-	(27,140)
Other	74,330	-	-	74,330	90,945
Net assets released from restrictions	153,721	(153,721)	-	-	-
Total revenues, gains and public support	<u>3,263,527</u>	<u>330,539</u>	<u>-</u>	<u>3,594,066</u>	<u>2,745,479</u>
EXPENSES					
Program services	1,722,462	-	-	1,722,462	1,525,911
Supporting services					
Management and general	1,431,532	-	-	1,431,532	1,465,080
Fundraising	185,637	-	-	185,637	179,428
Total expenses	<u>3,339,631</u>	<u>-</u>	<u>-</u>	<u>3,339,631</u>	<u>3,170,419</u>
Changes in net assets	(76,104)	330,539	-	254,435	(424,940)
NET ASSETS					
BEGINNING OF YEAR	<u>3,667,236</u>	<u>316,121</u>	<u>1,069,094</u>	<u>5,052,451</u>	<u>5,477,391</u>
END OF YEAR	<u><u>\$ 3,591,132</u></u>	<u><u>\$ 646,660</u></u>	<u><u>\$ 1,069,094</u></u>	<u><u>\$ 5,306,886</u></u>	<u><u>\$ 5,052,451</u></u>

See notes to the consolidated financial statements.

**THE ASSOCIATION FOR CLINICAL PASTORAL EDUCATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 254,435	\$ (424,940)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	56,048	50,706
(Gain) loss of value on investment property	(41,400)	23,000
Net (gain) loss on investments	(104,825)	79,435
Loss on disposal of property	-	27,140
Changes in assets and liabilities:		
Accounts receivable	(67,814)	(39,897)
Unconditional promise to give	(275,000)	35,000
Prepaid expenses and other assets	(37,742)	(17,969)
Accounts payable and accrued expenses	87,306	(69,608)
Deferred revenue	(274,988)	276,176
Net cash used in operating activities	<u>(403,980)</u>	<u>(60,957)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment (purchases) proceeds	(275,421)	414
Proceeds on sale of property	-	297,860
Purchases of property and equipment	(130,944)	(31,521)
Net cash (used) provided by investing activities	<u>(406,365)</u>	<u>266,753</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(810,345)	205,796
CASH AND CASH EQUIVALENTS		
AT BEGINNING OF YEAR	<u>1,797,816</u>	<u>1,592,020</u>
AT END OF YEAR	<u>\$ 987,471</u>	<u>\$ 1,797,816</u>

See notes to the consolidated financial statements.

**THE ASSOCIATION FOR CLINICAL PASTORAL EDUCATION, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

1. ORGANIZATION

The Association for Clinical Pastoral Education, Inc. was organized to promote clinical pastoral education as part of theological education and continuing education for the ministry. The Foundation for Clinical Pastoral Education, Inc. (Foundation) was created to fund the work of The Association for Clinical Pastoral Education, Inc. Effective January 1, 2014 the Foundation is considered a supporting organization and is consolidated with The Association for Clinical Pastoral Education, Inc.

Both organizations are tax-exempt under Section 501(c)(3) of the Internal Revenue Code and are collectively referred to herein as the "Association."

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying financial statements reflect the consolidated financial position of the Association. All inter-organization transactions have been eliminated in consolidation.

Basis of Accounting

The Association prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). Under GAAP, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted or permanently restricted net assets, based on stipulations made by the donor.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Association and changes are classified as unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets include amounts that are not subject to donor-imposed restrictions. The principal sources of unrestricted funds are various fees and membership revenue.

Temporarily restricted net assets are those resources currently available for use but expendable only for purposes specified by the donor or grantor and will be met by the actions of the Association and/or by the passage of time. Such resources originate from public support restricted for specific purposes or a specific future time frame. When a donor or grantor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions.

Permanently restricted net assets are those which the donor stipulates must be invested in perpetuity to provide a permanent source of income.

**THE ASSOCIATION FOR CLINICAL PASTORAL EDUCATION, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the consolidated statement of cash flows, the Association considers all highly liquid investments purchased with an initial maturity of three months or less, not held in the investment account, to be cash equivalents.

Fair Value of Financial Instruments

Financial instruments, primarily cash, receivables, payables and investments are reported at values which the Association believes are not significantly different from fair value.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions at the time the promise of the contribution is received by the Association.

Unconditional Promises to Give

Unconditional promises to give are recognized as revenues in the period when the promise is received. Promises to give due in more than one year are discounted using a risk adjusted discount rate to the present value of estimated future cash flows. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year end.

**THE ASSOCIATION FOR CLINICAL PASTORAL EDUCATION, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments

Investments are carried at fair value. Fair value is determined from quoted market prices or market prices of similar instruments. Realized and unrealized gains and losses are included in the consolidated statement of activities.

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2 – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
- Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. All of the Association's investments are Level 1 investments.

Investment in Real Estate

At December 31, 2014 the Association owned two pieces of real property located in Dekalb County, Georgia. The Association accounts for the property at the lower of cost or fair value and evaluates the carrying value when events and circumstances warrant such a review. During 2015 the Association sold one piece of property for a loss of \$27,140. As of December 31, 2015 management determined that the value of the remaining piece of property (which had an original cost of \$1,488,500) had further declined and recorded a loss of \$23,000.

As of December 31, 2016 the remaining piece of property is under contract to sell for \$1,418,400. The Association recorded a gain of \$41,400 in 2016 to match this sales price. The transaction is expected to close in 2017.

Accounts Receivable

The Association uses the allowance method to account for uncollectible accounts receivable. The allowance is based on prior years' experience and management's analysis of possible bad debt. Receivables are considered impaired if payments are not received in accordance with contractual terms. It is the Association's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collectible. At December 31, 2016 and 2015 an allowance of \$30,364 and \$3,205 was recorded.

**THE ASSOCIATION FOR CLINICAL PASTORAL EDUCATION, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Recognition of Revenue

Centers are assessed a fee as of January 1st each year based on a weighted average of various factors, including the number of students and the number of units completed by the students at the center for the one-year period ended August 31st of the previous year, and the type of program the center has been accredited for by the Association as of January 1st of each year.

Supervisors are assessed a fee as of January 1st each year to be a member of the Association.

Membership revenue is recognized in the periods applicable to individual membership terms. Annual membership terms are based on the anniversary dates of the individual members.

Deferred revenue represents fees received in the period prior to the period in which the fees are earned by the Association.

Property and Equipment

All acquisitions of property and equipment in excess of \$750, and all renewals and betterments that materially prolong the useful lives of assets, are capitalized. Repairs and maintenance are charged to expense as incurred. Property, equipment and improvements are stated at cost or, if donated, at the approximate fair value at the date of acquisition. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 2 to 7 years.

Endowment

The Board of Directors determined that the majority of the Association's permanently restricted net assets met the definition of endowment funds under UPMIFA (Uniform Prudent Management of Institutional Funds Act). See Note 5.

Functional Allocation

The cost of providing the Association's various programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Association is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying consolidated financial statements. In addition, the Association has been determined not to be a "private foundation" by the Internal Revenue Service within the meaning of Section 509 (a) of the Internal Revenue Code and qualifies for the charitable contribution deduction.

**THE ASSOCIATION FOR CLINICAL PASTORAL EDUCATION, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Donated Services

A substantial number of volunteer hours have been donated by individuals in the Association's program services and, to a lesser extent, its administrative activities. No amounts have been recorded in the accompanying statements of activities for these donated services inasmuch as only donations of services that create or enhance nonfinancial assets, or require specialized skills that would otherwise typically be purchased, are recorded as support and expense.

Concentrations of Credit Risk

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash and cash equivalents, investments and receivables. From time to time throughout the year, the Association's cash balances on deposit exceed the federally insured limits. Management continually monitors receivable balances and believes that its exposure to credit risk is limited. As a result of liquidity issues experienced in the global credit and capital markets, it is at least reasonably possible that changes in risks in the near term could occur which in turn could materially affect the amounts reported in the accompanying consolidated financial statements.

Events Occurring After Report Date

The Association has evaluated events and transactions that occurred between December 31, 2016 and May 3, 2017, which is the date the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

3. INVESTMENTS

The Association invests in stocks, mutual funds, exchange traded funds and bonds. The fair value of these investments is measured using the market approach by using the quoted price on the national exchanges on the last day of the year. These investments are all in US markets and are classified as Level 1 investments. The fair values and mutual fund types at December 31, 2016 and 2015 are summarized below:

	<u>2016</u>	<u>2015</u>
Money Market Funds	\$ 78,353	\$ 84,124
Stocks	511,631	491,918
Mutual Funds	<u>1,992,992</u>	<u>1,626,688</u>
	2,582,976	2,202,730
Less current portion	<u>1,633,882</u>	<u>1,253,636</u>
Permanently restricted investments	<u>\$ 949,094</u>	<u>\$ 949,094</u>

**THE ASSOCIATION FOR CLINICAL PASTORAL EDUCATION, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

4. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Furniture and fixtures	\$ 189,873	\$ 153,175
Equipment	42,724	36,144
Software	<u>104,454</u>	<u>67,492</u>
	337,051	256,811
Less accumulated depreciation and amortization	<u>(135,694)</u>	<u>(79,646)</u>
	201,357	177,165
Construction in progress	<u>50,704</u>	<u>-</u>
	<u>\$ 252,061</u>	<u>\$ 177,165</u>

For 2016 and 2015 depreciation and amortization expense was \$56,048 and \$50,706, respectively.

At December 31, 2016, construction in progress included costs related to software upgrades and a new educational media.

5. NET ASSET RESTRICTIONS

Temporarily restricted net assets as of December 31, 2016 and 2015 are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Earnings from Endowment – general operations	\$ 149,867	\$ 105,715
Earnings from Endowment – continuing education programs	56,795	54,818
Capital campaign	53,693	53,693
Education	276,171	-
Scholarships and other	<u>110,134</u>	<u>101,895</u>
Total temporarily restricted net assets	<u>\$ 646,660</u>	<u>\$ 316,121</u>

**THE ASSOCIATION FOR CLINICAL PASTORAL EDUCATION, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

5. NET ASSET RESTRICTIONS – CONTINUED

Permanently Restricted Net Assets

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

In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Association, and (7) the Association's investment policies.

Endowment Investment and Spending Policies

The Association has adopted investment and spending policies, approved by the Board of Directors, for endowment funds that will be invested on a total return concept. Income is reinvested and realized appreciation and income are available for spending subject to restrictions imposed by individual donors, Georgia law and the investment policy. Under the spending policy, appropriation of funds may be made annually by the Board of an amount up to 5% per annum of the average fair value of the endowment determined as a 12 quarter rolling average. The policy includes a cap of 10% growth over the prior year's spending and a -5% floor, adjusted by the annual inflation rate as measured by the Consumer Price Index. The Board of Directors require that the securities held in the fund represent a cross section of the economy and as such have set asset allocation targets within the investment policy.

**THE ASSOCIATION FOR CLINICAL PASTORAL EDUCATION, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

5. NET ASSET RESTRICTIONS – CONTINUED

Permanently Restricted Endowments

Permanently restricted net assets are primarily contributions received which are specifically restricted for use as the corpus in an endowment fund. In 2010 the Board of Directors approved a \$150,000 noninterest bearing loan from the endowment fund for use in the Foundation's operations. \$30,000 of the loan was repaid in 2012. The Board intends to begin repaying the remaining balance of the loan during 2017.

Endowment net asset composition by type of fund as of December 31 is as follows:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
General operations	\$ (120,000)	\$ 149,867	\$ 969,094	\$ 998,961
Continuing education	-	56,795	100,000	156,795
	<u>\$ (120,000)</u>	<u>\$ 206,662</u>	<u>\$ 1,069,094</u>	<u>\$ 1,155,756</u>
	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
General operations	\$ (120,000)	\$ 105,715	\$ 969,094	\$ 954,809
Continuing education	-	54,818	100,000	154,818
	<u>\$ (120,000)</u>	<u>\$ 160,533</u>	<u>\$ 1,069,094</u>	<u>\$ 1,109,627</u>

Changes in endowment net assets as of December 31 are as follows:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of the year	\$ (120,000)	\$ 160,533	\$ 1,069,094	\$ 1,109,627
Investment income	-	32,873	-	32,873
Net appreciation	-	18,256	-	18,256
Appropriated for expenditure	-	(5,000)	-	(5,000)
End of the year	<u>\$ (120,000)</u>	<u>\$ 206,662</u>	<u>\$ 1,069,094</u>	<u>\$ 1,155,756</u>

**THE ASSOCIATION FOR CLINICAL PASTORAL EDUCATION, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

5. NET ASSET RESTRICTIONS – CONTINUED

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Beginning of the year	\$ (120,000)	\$ 175,448	\$ 1,069,094	\$ 1,124,542
Investment income	-	35,830	-	35,830
Net appreciation	-	(39,712)	-	(39,712)
Appropriated for expenditure	-	(11,033)	-	(11,033)
End of the year	\$ (120,000)	\$ 160,533	\$ 1,069,094	\$ 1,109,627

6. LEASE COMMITMENTS

The Association has an operating lease for its office space. Rent expense of approximately \$157,000 was recognized for 2016 and 2015. The lease provides for annual rent escalations as further described in the lease. The Association also has non-cancelable operating leases for certain office equipment. Total future minimum lease payments are as follows for the years ending December 31:

	Office	Equipment
2017	\$ 167,271	\$ 14,828
2018	172,289	10,668
2019	177,457	10,668
2020	-	10,668
2021	-	2,667
	\$ 517,017	\$ 49,499

7. BENEFIT PLANS

In October 2002 the Association entered into an agreement with Emory University (Emory) whereby Emory would provide certain services to the Association. The services include coverage of Association employees under Emory's fringe benefit programs including retirement plans. For the years ended December 31, 2016 and 2015 the Association paid Emory approximately \$181,000 and \$186,000 (26% of the total payroll cost), respectively, for fringe benefits including retirement benefits.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
The Association for Clinical Pastoral Education, Inc. and Subsidiary

We have audited the consolidated financial statements of The Association for Clinical Pastoral Education, Inc. and Subsidiary as of and for the year ended December 31, 2016, and our report thereon dated May 3, 2017, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information included in the accompanying consolidating financial statements is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Warren Averett, LLC

Atlanta, Georgia
May 3, 2017

**THE ASSOCIATION FOR CLINICAL PASTORAL EDUCATION, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016**

	The Association for Clinical Pastoral Education, Inc.	The Foundation for Clinical Pastoral Education, Inc.	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 944,938	\$ 42,533	\$ -	\$ 987,471
Investments	1,351,393	1,224,450	(941,961)	1,633,882
Accounts receivable, net	162,012	5,000	-	167,012
Unconditional promises to give	275,000	-	-	275,000
Investment in real estate	-	1,418,400	-	1,418,400
Prepaid expenses and other current assets	84,436	-	-	84,436
Total current assets	<u>2,817,779</u>	<u>2,690,383</u>	<u>(941,961)</u>	<u>4,566,201</u>
OTHER ASSETS				
Property and equipment, net	252,061	-	-	252,061
Investments – permanently restricted	-	949,094	-	949,094
Due from FCPE	1,255,357	-	(1,255,357)	-
Other assets	13,009	-	-	13,009
Total other assets	<u>1,520,427</u>	<u>949,094</u>	<u>(1,255,357)</u>	<u>1,214,164</u>
TOTAL ASSETS	<u><u>\$ 4,338,206</u></u>	<u><u>\$ 3,639,477</u></u>	<u><u>\$ (2,197,318)</u></u>	<u><u>\$ 5,780,365</u></u>
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 324,436	\$ 5,000	\$ -	\$ 329,436
Due to ACPE	-	1,005,691	(1,005,691)	-
Deferred revenue	144,043	-	-	144,043
Total current liabilities	<u>468,479</u>	<u>1,010,691</u>	<u>(1,005,691)</u>	<u>473,479</u>
NET ASSETS				
Unrestricted	2,222,428	1,368,704	-	3,591,132
Temporarily restricted	578,205	190,988	(122,533)	646,660
Permanently restricted	1,069,094	1,069,094	(1,069,094)	1,069,094
Total net assets	<u>3,869,727</u>	<u>2,628,786</u>	<u>(1,191,627)</u>	<u>5,306,886</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,338,206</u></u>	<u><u>\$ 3,639,477</u></u>	<u><u>\$ (2,197,318)</u></u>	<u><u>\$ 5,780,365</u></u>

**THE ASSOCIATION FOR CLINICAL PASTORAL EDUCATION, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	The Association for Clinical Pastoral Education, Inc.	The Foundation for Clinical Pastoral Education, Inc.	Eliminations	Total
REVENUES, GAINS AND PUBLIC SUPPORT				
Contributions	\$ 430,000	\$ 118,607	\$ (8,225)	\$ 540,382
Accredited CPE centers and clusters	1,803,747	-	-	1,803,747
Membership and other fees	666,587	-	(6,601)	659,986
Conferences	358,584	-	(20,080)	338,504
Interest and dividend income	21,362	9,530	-	30,892
Net gain on investments	50,946	53,879	-	104,825
Appreciation on investment property	-	41,400	-	41,400
Other	249,330	5,000	(180,000)	74,330
Total revenues, gains and public support	<u>3,580,556</u>	<u>228,416</u>	<u>(214,906)</u>	<u>3,594,066</u>
EXPENSES				
Program services	1,728,841	207,448	(213,827)	1,722,462
Supporting services				
Management and general	1,369,086	63,525	(1,079)	1,431,532
Fundraising	184,730	907	-	185,637
Total expenses	<u>3,282,657</u>	<u>271,880</u>	<u>(214,906)</u>	<u>3,339,631</u>
Changes in net assets	297,899	(43,464)	-	254,435
NET ASSETS				
BEGINNING OF YEAR	<u>3,571,828</u>	<u>2,672,250</u>	<u>(1,191,627)</u>	<u>5,052,451</u>
END OF YEAR	<u>\$ 3,869,727</u>	<u>\$ 2,628,786</u>	<u>\$ (1,191,627)</u>	<u>\$ 5,306,886</u>