

MENTAL HEALTH ASSOCIATION  
OF ERIE COUNTY, INC.  
AND  
MENTAL HEALTH ASSOCIATION  
OF ERIE COUNTY FOUNDATION, INC.  
Combined Financial Statements  
December 31, 2014  
(With Independent Auditors' Report Thereon)

MENTAL HEALTH ASSOCIATION OF ERIE COUNTY, INC.  
AND  
MENTAL HEALTH ASSOCIATION OF ERIE COUNTY FOUNDATION, INC.  
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INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Mental Health Association of Erie County, Inc. and  
Mental Health Association of Erie County Foundation, Inc.:

We have audited the accompanying combined financial statements of Mental Health Association of Erie County, Inc. and Mental Health Association of Erie County Foundation, Inc. (nonprofit organizations collectively, the Organization), which comprise the combined statement of financial position as of December 31, 2014, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the combined 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 Organization'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of Mental Health Association of Erie County, Inc. and Mental Health Association of Erie County Foundation, Inc. as of December 31, 2014, and the combined changes in their net assets and their combined 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 Organization's 2013 combined financial statements, and we expressed an unmodified opinion on those audited combined financial statements in our reported dated April 14, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Toski & Co., CPAs, P.C.

Williamsville, New York  
May 4, 2015

MENTAL HEALTH ASSOCIATION OF ERIE COUNTY, INC.  
 AND  
 MENTAL HEALTH ASSOCIATION OF ERIE COUNTY FOUNDATION, INC.  
 Combined Statement of Financial Position  
 December 31, 2014  
 with comparative totals for 2013

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and equivalents	\$ 272,781	123,417
Accounts receivable	120,083	79,193
Grants receivable	22,500	-
Prepaid expenses	9,174	8,167
Total current assets	424,538	210,777
Property and equipment, at cost:		
Land	94,500	94,500
Building and improvements	454,440	454,440
Equipment	117,043	113,263
Total property and equipment	665,983	662,203
Less accumulated depreciation	(381,647)	(369,604)
Net property and equipment	284,336	292,599
Total assets	\$ 708,874	503,376
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	4,675	10,194
Accrued expenses	80,229	62,064
Deferred revenue	84,758	68,056
Total current liabilities	169,662	140,314
Net assets:		
Unrestricted net assets	488,493	363,062
Temporarily restricted net assets	50,719	-
Total net assets	539,212	363,062
Total liabilities and net assets	\$ 708,874	503,376

See accompanying notes to combined financial statements.

MENTAL HEALTH ASSOCIATION OF ERIE COUNTY, INC.  
 AND  
 MENTAL HEALTH ASSOCIATION OF ERIE COUNTY FOUNDATION, INC.  
 Combined Statement of Activities  
 Year ended December 31, 2014  
 with comparative totals for 2013

	<u>2014</u>	<u>2013</u>
Unrestricted public support and revenue:		
Unrestricted public support:		
Erie County Department of Mental Health	\$ 454,726	514,392
Grants	410,224	275,945
Contributions	218,435	54,005
United Way of Buffalo and Erie County	<u>38,000</u>	<u>38,000</u>
Total unrestricted public support	<u>1,121,385</u>	<u>882,342</u>
Unrestricted revenue:		
Program revenue	104,394	43,175
Shared staff position with Compeer West, Inc.	26,988	-
Special events, less expenses of \$32,147 in 2014 and \$34,077 in 2013	43,840	48,429
Miscellaneous income	<u>5,298</u>	<u>50</u>
Total unrestricted revenue	<u>180,520</u>	<u>91,654</u>
Total unrestricted public support and revenue	<u>1,301,905</u>	<u>973,996</u>
Unrestricted expenses:		
Program services:		
Mental health programs	1,027,210	842,535
Mental health support	<u>10,838</u>	<u>23,958</u>
Total program services	1,038,048	866,493
Management and general	<u>138,426</u>	<u>115,560</u>
Total unrestricted expenses	<u>1,176,474</u>	<u>982,053</u>
Increase (decrease) in unrestricted net assets	<u>125,431</u>	<u>(8,057)</u>
Changes in temporarily restricted net assets - other revenue - grant income	<u>50,719</u>	<u>-</u>
Increase (decrease) in net assets	176,150	(8,057)
Net assets at beginning of year	<u>363,062</u>	<u>371,119</u>
Net assets at end of year	<u>\$ 539,212</u>	<u>363,062</u>

See accompanying notes to combined financial statements.

MENTAL HEALTH ASSOCIATION OF ERIE COUNTY, INC.  
 AND  
 MENTAL HEALTH ASSOCIATION OF ERIE COUNTY FOUNDATION, INC.  
 Combined Statement of Functional Expenses  
 Year ended December 31, 2014  
 with comparative totals for 2013

	Program services				Management and general	Total expenses	
	Mental health programs	Mental health support	Total program services			2014	2013
Salaries	\$ 582,891	-	582,891	72,698	655,589	538,443	
Payroll taxes and employee benefits	158,190	-	158,190	20,313	178,503	130,210	
Total salaries and related benefits	741,081	-	741,081	93,011	834,092	668,653	
Program consultants	181,474	-	181,474	-	181,474	157,459	
Professional fees and contracts	-	-	-	14,216	14,216	14,599	
Program expense	12,194	-	12,194	14,098	26,292	24,081	
Program supplies	16,308	-	16,308	119	16,427	4,042	
Office supplies	8,065	-	8,065	-	8,065	5,590	
Telephone	6,984	-	6,984	375	7,359	7,327	
Postage and shipping	1,904	-	1,904	1,808	3,712	2,275	
Occupancy	19,724	-	19,724	4,667	24,391	21,281	
Printing	7,275	-	7,275	2,350	9,625	8,963	
Travel	6,482	-	6,482	287	6,769	6,023	
Conferences, meetings and institutes	6,746	-	6,746	5,941	12,687	11,349	
Professional liability insurance	3,577	-	3,577	-	3,577	2,026	
Equipment rental and maintenance	14,191	-	14,191	1,554	15,745	15,562	
Payment to affiliate	-	-	-	-	-	5,387	
Miscellaneous expense	-	-	-	-	-	475	
Total expenses before depreciation	1,026,005	-	1,026,005	138,426	1,164,431	955,092	
Depreciation	1,205	10,838	12,043	-	12,043	26,961	
Total expenses	\$ 1,027,210	10,838	1,038,048	138,426	1,176,474	982,053	

See accompanying notes to combined financial statements.

MENTAL HEALTH ASSOCIATION OF ERIE COUNTY, INC.  
 AND  
 MENTAL HEALTH ASSOCIATION OF ERIE COUNTY FOUNDATION, INC.  
 Combined Statement of Cash Flows  
 Year ended December 31, 2014  
 with comparative totals for 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 176,150	(8,057)
Adjustments to reconcile decrease in unrestricted net assets to net cash provided by (used in) operating activities:		
Depreciation	12,043	26,961
Changes in:		
Accounts receivable	(40,890)	(79,193)
Grants receivable	(22,500)	-
Prepaid expenses	(1,007)	(4,423)
Accounts payable	(5,519)	3,940
Accrued expenses	18,165	7,517
Deferred revenue	<u>16,702</u>	<u>28,030</u>
Net cash provided by (used in) operating activities	153,144	(25,225)
Cash flows from investing activities - purchase of property and equipment	<u>(3,780)</u>	<u>(3,418)</u>
Net increase (decrease) in cash and equivalents	149,364	(28,643)
Cash and equivalents at beginning of year	<u>123,417</u>	<u>152,060</u>
Cash and equivalents at end of year	<u><u>\$ 272,781</u></u>	<u><u>123,417</u></u>

See accompanying notes to combined financial statements.



MENTAL HEALTH ASSOCIATION OF ERIE COUNTY, INC.  
AND  
MENTAL HEALTH ASSOCIATION OF ERIE COUNTY FOUNDATION, INC.  
Notes to Combined Financial Statements  
December 31, 2014

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

For more than 50 years, the Mental Health Association of Erie County, Inc. has promoted the mental health and well-being of the community through education, public information, prevention programs and training while supporting individuals and families living with mental illness through advocacy, treatment linkage and outreach services.

The Mental Health Association of Erie County, Inc. provides numerous programs and services for children, adults and families throughout Erie County.

The Mental Health Association of Erie County Foundation, Inc. (the Foundation) is a nonprofit corporation formed to support the charitable purpose of the Mental Health Association of Erie County, Inc.

The two entities are hereinafter collectively referred to as “the Organization.”

(b) Principles of Combination

The accompanying combined financial statements include the individual financial statements of the Association and the Foundation. The two entities are related through common directors. All significant intercompany accounts and transactions have been eliminated in combination.

(c) Basis of Accounting

The combined financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(d) Basis of Presentation

The Organization reports information regarding its combined financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

(e) Estimates

The preparation of combined financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

(f) Cash and Equivalents

For purposes of the combined statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

(g) Deposits Held for Agency Accounts

These cash deposits are held for use by their respective agencies.

MENTAL HEALTH ASSOCIATION OF ERIE COUNTY, INC.  
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Notes to Combined Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(h) Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions. Although the accounts often exceed the federally insured deposit amount, management does not anticipate nonperformance by the financial institution.

(i) Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables.

(j) Capitalization and Depreciation

Property and equipment are recorded at cost or fair market value at the date of the gift in the case of donated equipment. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of equipment are recorded as unrestricted support. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives primarily using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the combined statement of activities.

(k) Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. In determining whether there is an impairment of long-lived assets, the Organization compares the sum of the expected future net cash flows (undiscounted and without interest charges) to the carrying amount of the assets. At December 31, 2014, no impairment in value has been recognized.

(l) Contributions

Contributions are recognized when donors make an unconditional promise to give to the Organization. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the 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.

MENTAL HEALTH ASSOCIATION OF ERIE COUNTY, INC.  
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Notes to Combined Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(m) Deferred Revenue and Revenue Recognition

Grant awards accounted for as exchange transactions are recorded as revenue when expenditures have been incurred in compliance with the grant restrictions. Amounts unspent are recorded in the combined statement of financial position as deferred revenue.

(n) Contributed Services

During the years ended December 31, 2014 and 2013, the value of contributed services meeting the requirements for recognition in the combined financial statements was not material and has not been recorded. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization.

(o) Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the combined statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(p) Subsequent Events

The Organization has evaluated subsequent events through the date of the report which is the date the combined financial statements were available to be issued.

(q) Income Taxes

The Association and Foundation are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code); therefore, no provision for income taxes is reflected in the combined financial statements. Each has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The Association and Foundation presently disclose or recognize income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the Association and Foundation have taken no uncertain tax positions that require adjustment in its combined financial statements. U.S. Forms 990 filed by the Association and Foundation are subject to examination by taxing authorities. The Association and Foundation are no longer subject to tax examination for the years ended December 31, 2010, and prior.

MENTAL HEALTH ASSOCIATION OF ERIE COUNTY, INC.  
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Notes to Combined Financial Statements, Continued

(2) Line of Credit

Effective March 8, 2013, the Association obtained a \$100,000 line of credit available with a bank bearing interest at the prime rate (3.25% at December 31, 2014). The Association pays an annual commitment fee of \$500. In order to draw on the line of credit a determination must be made by the Finance Committee. There was no amount outstanding at December 31, 2014.

(3) Grants

A summary of grants for the years ended December 31, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
New York State Court Appointed Special Advocates	\$ 61,343	60,886
New York State Judicial Court	72,021	54,884
Cynthia Baird Foundation	-	10,000
Butler Foundation	20,000	21,000
Oishei Foundation	122,452	26,042
Garman Foundation	25,000	25,000
M&T Charitable Foundation	-	10,235
Veterans One Stop of Western New York	64,250	34,898
Community Foundation for Greater Buffalo	15,000	15,000
Fatta Foundation	10,000	10,000
Western New York Foundation	7,500	7,500
Jewish Philanthropy	-	500
Children's Foundation	5,000	-
Tower Foundation	37,657	-
Children's Guild	<u>20,720</u>	<u>-</u>
	<u>\$ 460,943</u>	<u>275,945</u>

(4) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Program restricted	\$ 28,219	-
Time restricted	<u>22,500</u>	<u>-</u>
	<u>\$ 50,719</u>	<u>-</u>

MENTAL HEALTH ASSOCIATION OF ERIE COUNTY, INC.  
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Notes to Combined Financial Statements, Continued

(5) Retirement Plan

The Organization participates in a defined contribution retirement plan which is underwritten by Mutual of America Life Insurance Company. All employees who are at least age 21 and have worked at least 1,000 hours during their first 12 months of employment are eligible for coverage under the plan, effective July 1, 2014 all employees are eligible. The plan requires that the Organization contribute 5% of participant's annual salary. Participants are fully vested after completion of five years of employment, effective July 1, 2014 participants are immediately vested. The Organization's policy is to fund the current retirement benefit costs which amounted to \$27,405 and \$21,268 for the years ended December 31, 2014 and 2013, respectively. Effective July 1, 2014, hardship withdrawals and loans are permitted.

(6) Erie County Department of Mental Health

The expenses applicable to the revenue received from the Erie County Department of Mental Health (ECDMH) are subject to final audit and review by Erie County.

(7) Economic Dependency

A material part of the Organization's funding is dependent upon a few grants, the loss of any one would have a material adverse effect on the Organization. The contributions from ECDMH accounted for 35% and 53%, of the Organization's total public support and revenue in 2014 and 2013, respectively.

(8) Conditional Promise to Give

During the year ended December 31, 2014, the Organization received a grant from the Tower Foundation to help fund the Child and Family Support Program Partnership with Psychiatric Hospitals for the three year period from October 1, 2014 through September 30, 2017. The first payment of \$105,000 was received in September 2014, \$78,750 of which is included in deferred revenue.

The deferred portion of the first payment and the remaining payments of \$107,700 and \$110,481 to be received December 1, 2015 and 2016, respectively, are considered conditional upon the continued development and performance of the program objectives. Therefore, revenue for these amounts have not been recognized as revenue as of December 31, 2014.