

MENTAL HEALTH ASSOCIATION
OF ERIE COUNTY, INC.
AND
MENTAL HEALTH ASSOCIATION
OF ERIE COUNTY FOUNDATION, INC.
Combined Financial Statements
December 31, 2015
(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.:

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Report on the Combined Financial Statements

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, 2015, 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, 2015, 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 2014 combined financial statements, and we expressed an unmodified opinion on those audited combined financial statements in our report dated May 4, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

EFPR Group, CPAs, PLLC

(Formerly Toski & Co., CPAs, P.C.)

Williamsville, New York
April 25, 2016

MENTAL HEALTH ASSOCIATION OF ERIE COUNTY, INC.
 AND
 MENTAL HEALTH ASSOCIATION OF ERIE COUNTY FOUNDATION, INC.
 Combined Statement of Financial Position
 December 31, 2015
 with comparative totals for 2014

| <u>Assets</u> | <u>2015</u> | <u>2014</u> |
|-----------------------------------|-------------|-------------|
| Current assets: | | |
| Cash and equivalents | \$ 112,762 | 272,781 |
| Accounts receivable | 79,439 | 120,083 |
| Grants receivable | 217,477 | 22,500 |
| Prepaid expenses | 2,539 | 9,174 |
| Total current assets | 412,217 | 424,538 |
| Property and equipment, at cost: | | |
| Land | 94,500 | 94,500 |
| Building and improvements | 454,440 | 454,440 |
| Equipment | 117,043 | 117,043 |
| Total property and equipment | 665,983 | 665,983 |
| Less accumulated depreciation | (394,206) | (381,647) |
| Net property and equipment | 271,777 | 284,336 |
| Total assets | \$ 683,994 | 708,874 |
| <u>Liabilities and Net Assets</u> | | |
| Current liabilities: | | |
| Accounts payable | 6,096 | 4,675 |
| Accrued expenses | 53,120 | 80,229 |
| Deferred revenue | 75,260 | 84,758 |
| Total current liabilities | 134,476 | 169,662 |
| Net assets: | | |
| Unrestricted net assets | 535,205 | 488,493 |
| Temporarily restricted net assets | 14,313 | 50,719 |
| Total net assets | 549,518 | 539,212 |
| Contingency (note 9) | | |
| Total liabilities and net assets | \$ 683,994 | 708,874 |

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, 2015
with comparative totals for 2014

| | <u>2015</u> | <u>2014</u> |
|---|-------------------|------------------|
| Unrestricted public support and revenue: | | |
| Unrestricted public support: | | |
| Erie County Department of Mental Health | \$ 482,694 | 454,726 |
| Grants | 490,034 | 410,224 |
| Contributions | 80,798 | 218,435 |
| United Way of Buffalo and Erie County | <u>38,000</u> | <u>38,000</u> |
| Total unrestricted public support | <u>1,091,526</u> | <u>1,121,385</u> |
| Unrestricted revenue: | | |
| Program revenue | 173,787 | 104,394 |
| Shared staff position with Compeer West, Inc. | 29,721 | 26,988 |
| Special events, less expenses of \$43,563 in 2015 and \$32,147 in 2014 | 55,502 | 43,840 |
| Net assets released from restriction | 50,719 | - |
| Miscellaneous income | <u>4,680</u> | <u>5,298</u> |
| Total unrestricted revenue | <u>314,409</u> | <u>180,520</u> |
| Total unrestricted public support and revenue | <u>1,405,935</u> | <u>1,301,905</u> |
| Unrestricted expenses: | | |
| Program services: | | |
| Mental health programs | 1,227,374 | 1,027,210 |
| Mental health support | <u>10,838</u> | <u>10,838</u> |
| Total program services | 1,238,212 | 1,038,048 |
| Management and general | <u>121,011</u> | <u>138,426</u> |
| Total unrestricted expenses | <u>1,359,223</u> | <u>1,176,474</u> |
| Increase in unrestricted net assets | <u>46,712</u> | <u>125,431</u> |
| Changes in temporarily restricted net assets: | | |
| Other revenue - grant income | 14,313 | 50,719 |
| Net assets released from restriction | <u>(50,719)</u> | <u>-</u> |
| Increase (decrease) in temporarily restricted net assets | <u>(36,406)</u> | <u>50,719</u> |
| Increase in net assets | 10,306 | 176,150 |
| Net assets at beginning of year | <u>539,212</u> | <u>363,062</u> |
| Net assets at end of year | <u>\$ 549,518</u> | <u>539,212</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, 2015

with comparative totals for 2014

| | Program services | | | | Management and general | Total expenses | |
|--------------------------------------|------------------------------|-----------------------------|------------------------------|---|------------------------------|----------------|-----------|
| | Mental health programs | Mental health support | Total program services | - | | 2015 | 2014 |
| Salaries | \$ 647,056 | - | 647,056 | - | 66,539 | 713,595 | 655,589 |
| Payroll taxes and employee benefits | 177,644 | - | 177,644 | - | 12,925 | 190,569 | 178,503 |
| Total salaries and related benefits | 824,700 | - | 824,700 | - | 79,464 | 904,164 | 834,092 |
| Program consultants | 282,964 | - | 282,964 | - | - | 282,964 | 181,474 |
| Professional fees and contracts | - | - | - | - | 23,243 | 23,243 | 14,216 |
| Program expense | 21,570 | - | 21,570 | - | 6,885 | 28,455 | 26,292 |
| Program supplies | 12,821 | - | 12,821 | - | 62 | 12,883 | 16,427 |
| Office supplies | 7,627 | - | 7,627 | - | 199 | 7,826 | 8,065 |
| Telephone | 5,111 | - | 5,111 | - | - | 5,111 | 7,359 |
| Postage and shipping | 3,641 | - | 3,641 | - | 569 | 4,210 | 3,712 |
| Occupancy | 27,820 | - | 27,820 | - | - | 27,820 | 24,391 |
| Printing | 7,430 | - | 7,430 | - | 3,092 | 10,522 | 9,625 |
| Travel | 11,451 | - | 11,451 | - | 869 | 12,320 | 6,769 |
| Conferences, meetings and institutes | 6,546 | - | 6,546 | - | 5,589 | 12,135 | 12,687 |
| Professional liability insurance | 3,870 | - | 3,870 | - | - | 3,870 | 3,577 |
| Equipment rental and maintenance | 10,102 | - | 10,102 | - | 1,039 | 11,141 | 15,745 |
| Total expenses before depreciation | 1,225,653 | - | 1,225,653 | - | 121,011 | 1,346,664 | 1,164,431 |
| Depreciation | 1,721 | 10,838 | 12,559 | - | - | 12,559 | 12,043 |
| Total expenses | \$ 1,227,374 | 10,838 | 1,238,212 | - | 121,011 | 1,359,223 | 1,176,474 |

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, 2015
 with comparative totals for 2014

| | <u>2015</u> | <u>2014</u> |
|---|-------------|-------------|
| Cash flows from operating activities: | | |
| Increase in net assets | \$ 10,306 | 176,150 |
| Adjustments to reconcile increase in unrestricted net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 12,559 | 12,043 |
| Changes in: | | |
| Accounts receivable | 40,644 | (40,890) |
| Grants receivable | (194,977) | (22,500) |
| Prepaid expenses | 6,635 | (1,007) |
| Accounts payable | 1,421 | (5,519) |
| Accrued expenses | (27,109) | 18,165 |
| Deferred revenue | (9,498) | 16,702 |
| Net cash provided by (used in) operating activities | (160,019) | 153,144 |
| Cash flows from investing activities - purchase of property and equipment | - | (3,780) |
| Net increase (decrease) in cash and equivalents | (160,019) | 149,364 |
| Cash and equivalents at beginning of year | 272,781 | 123,417 |
| Cash and equivalents at end of year | \$ 112,762 | 272,781 |

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, 2015

(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. The Organization does not have any permanently restricted net assets. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations and may be used for any purpose designated by the Organization’s governing board.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

(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.

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

(1) Summary of Significant Accounting Policies, Continued

(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) 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.

(h) 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.

(i) 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 property and 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 and equipment, the appropriate property and equipment accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the combined statement of activities.

(j) 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, 2015, no impairment in value has been recognized.

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

(1) Summary of Significant Accounting Policies, Continued

(k) 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.

(l) 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.

(m) Contributed Services

During the years ended December 31, 2015 and 2014, 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.

(n) 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.

(o) 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.

(p) 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.

MENTAL HEALTH ASSOCIATION OF ERIE COUNTY, INC.
AND
MENTAL HEALTH ASSOCIATION OF ERIE COUNTY FOUNDATION, INC.
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 (3.50% at December 31, 2015). 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, 2015.

(3) Grants

A summary of grants for the years ended December 31, 2015 and 2014 is as follows:

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|----------------|
| New York State Court Appointed Special Advocates | \$ 62,083 | 61,343 |
| New York State Judicial Court | 92,407 | 72,021 |
| New York State Interest on Lawyer Account | 33,750 | - |
| Erie County Bar Foundation | 9,400 | - |
| Butler Foundation | 20,000 | 20,000 |
| Oishei Foundation | 66,125 | 122,452 |
| Garman Foundation | 25,000 | 25,000 |
| Veterans One Stop of Western New York | 55,700 | 64,250 |
| Community Foundation for Greater Buffalo | 11,007 | 15,000 |
| Fatta Foundation | 10,000 | 10,000 |
| Western New York Foundation | - | 7,500 |
| Children's Foundation | 5,000 | 5,000 |
| Tower Foundation | 111,190 | 37,657 |
| Children's Guild | - | 20,720 |
| Miscellaneous Grants | <u>2,685</u> | <u>-</u> |
| | \$ <u>504,347</u> | <u>460,943</u> |

(4) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2015 and 2014 are as follows:

| | <u>2015</u> | <u>2014</u> |
|--------------------|------------------|---------------|
| Program restricted | \$ - | 28,219 |
| Time restricted | <u>14,313</u> | <u>22,500</u> |
| | \$ <u>14,313</u> | <u>50,719</u> |

MENTAL HEALTH ASSOCIATION OF ERIE COUNTY, INC.
AND
MENTAL HEALTH ASSOCIATION OF ERIE COUNTY FOUNDATION, INC.
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 \$36,040 and \$27,405 for the years ended December 31, 2015 and 2014, 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 34%, of the Organization's total public support and revenue in 2015 and 2014.

(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 at December 31, 2014.

A second payment of \$107,700 was collected in March 2016, \$75,260 of which is included in deferred revenue at December 31, 2015.

A third payment of \$110,481 is expected to be received December 1, 2016 and is considered conditional upon the continued development and performance of the program objectives.

(9) Contingency

The Organization recognized \$33,750 of revenue from the New York State Interest on Lawyer Account grant. The Organization is required to pay back any money received that is not used at the end of the grant term. As of December 31, 2015 no liability has been recognized for any potential repayments on the grant.