

MENTAL HEALTH ASSOCIATION
OF ERIE COUNTY, INC.
AND
MENTAL HEALTH ASSOCIATION
OF ERIE COUNTY FOUNDATION, INC.
Combined Financial Statements
December 31, 2013
(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.:

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. (collectively, the Organization), which comprise the combined statement of financial position as of December 31, 2013, 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 financial position of Mental Health Association of Erie County, Inc. and Mental Health Association of Erie County Foundation, Inc. as of December 31, 2013, and the changes in their net assets and their 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 2012 combined financial statements, and our report dated April 22, 2013, expressed an unmodified opinion on those audited combined financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, 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
April 14, 2014

MENTAL HEALTH ASSOCIATION OF ERIE COUNTY, INC.
 AND
 MENTAL HEALTH ASSOCIATION OF ERIE COUNTY FOUNDATION, INC.
 Combined Statement of Financial Position
 December 31, 2013
 with comparative totals for 2012

<u>Assets</u>	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and equivalents	\$ 123,417	152,060
Deposits held for agency accounts	-	13,119
Accounts receivable	79,193	-
Prepaid expenses	8,167	3,744
Total current assets	210,777	168,923
Property and equipment, at cost:		
Land	94,500	94,500
Building and improvements	454,440	454,440
Equipment	113,263	110,790
Total property and equipment	662,203	659,730
Less accumulated depreciation	(369,604)	(343,588)
Net property and equipment	292,599	316,142
Total assets	\$ 503,376	485,065
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	10,194	6,254
Deposits held for agency accounts	-	13,119
Accrued expenses	62,064	54,547
Deferred revenue	68,056	40,026
Total current liabilities	140,314	113,946
Unrestricted net assets	363,062	371,119
Total liabilities and net assets	\$ 503,376	485,065

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, 2013
 with comparative totals for 2012

	<u>2013</u>	<u>2012</u>
Public Support and Revenue:		
Public support:		
Erie County Department of Mental Health	\$ 514,392	527,045
Grants	275,945	153,103
Contributions	54,005	31,056
United Way of Buffalo and Erie County	<u>38,000</u>	<u>38,000</u>
Total public support	<u>882,342</u>	<u>749,204</u>
Revenue:		
Program revenue	2,650	950
Special events, less expenses of \$34,077 in 2013 and \$35,315 in 2012	48,429	46,126
Investment income	-	3,238
Miscellaneous income	<u>40,575</u>	<u>44,044</u>
Total revenue	<u>91,654</u>	<u>94,358</u>
Total public support and revenue	<u>973,996</u>	<u>843,562</u>
Expenses:		
Program services:		
Mental health programs	855,655	727,077
Mental health support	<u>10,838</u>	<u>10,838</u>
Total program services	866,493	737,915
Management and general	<u>115,560</u>	<u>121,360</u>
Total expenses	<u>982,053</u>	<u>859,275</u>
Decrease in unrestricted net assets	(8,057)	(15,713)
Unrestricted net assets at beginning of year	<u>371,119</u>	<u>386,832</u>
Unrestricted net assets at end of year	<u>\$ 363,062</u>	<u>371,119</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, 2013
 with comparative totals for 2012

	<u>Program services</u>		Management and general	<u>Total expenses</u>	
	<u>Mental health programs</u>	<u>Mental health support</u>		<u>Total program services</u>	<u>2013</u>
Salaries	\$ 478,883	-	478,883	538,443	445,218
Payroll taxes and employee benefits	115,354	-	115,354	130,210	124,783
Total salaries and related benefits	594,237	-	594,237	668,653	570,001
Program consultants	157,459	-	157,459	157,459	142,731
Professional fees and contracts	61	-	61	14,538	15,987
Program expense	16,872	-	16,872	24,081	14,337
Program supplies	3,178	-	3,178	4,042	11,911
Office supplies	5,590	-	5,590	5,590	3,541
Telephone	6,517	-	6,517	7,327	9,294
Postage and shipping	220	-	220	2,055	2,477
Occupancy	20,917	-	20,917	21,281	22,212
Printing	3,437	-	3,437	8,963	5,775
Travel	5,516	-	5,516	6,023	3,829
Conferences, meetings and institutes	5,880	-	5,880	11,349	6,958
Professional liability insurance	2,026	-	2,026	2,026	2,419
Equipment rental and maintenance	11,760	-	11,760	15,562	15,862
Payment to affiliate	5,387	-	5,387	5,387	5,187
Miscellaneous expense	475	-	475	475	119
Total expenses before depreciation	839,532	-	839,532	955,092	832,640
Depreciation	16,123	10,838	26,961	26,961	26,635
Total expenses	<u>\$ 855,655</u>	<u>10,838</u>	<u>866,493</u>	<u>982,053</u>	<u>859,275</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 Cash Flows
 Year ended December 31, 2013
 with comparative totals for 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Decrease in unrestricted net assets	\$ (8,057)	(15,713)
Adjustments to reconcile decrease in unrestricted net assets to net cash provided by (used in) operating activities:		
Depreciation	26,961	26,635
Realized gain on investments	-	(3,194)
Changes in:		
Accounts receivable	(79,193)	39,664
Prepaid expenses	(4,423)	4,417
Accounts payable	3,940	1,912
Accrued expenses	7,517	8,028
Deferred revenue	<u>28,030</u>	<u>(14,841)</u>
Net cash provided by (used in) operating activities	<u>(25,225)</u>	<u>46,908</u>
Cash flows from investing activities:		
Decrease in long-term investments	-	49,528
Additions to property and equipment	<u>(3,418)</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>(3,418)</u>	<u>49,528</u>
Net increase (decrease) in cash and equivalents	(28,643)	96,436
Cash and equivalents at beginning of year	<u>152,060</u>	<u>55,624</u>
Cash and equivalents at end of year	<u><u>\$ 123,417</u></u>	<u><u>152,060</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, 2013

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

Mental Health Association of Erie County, Inc. (the Association) is a nonprofit corporation created to work for the prevention of mental disorders and handicaps, improvement of care and treatment of mental disorders and handicaps, promotion of community mental health and a better understanding of those with such problems.

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 had only unrestricted net assets in 2013 and 2012.

(e) Estimates

The preparation of combined financial statements in conformity 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, 2013, 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, 2013 and 2012, 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 events after December 31, 2013, and through April 14, 2014, which is the date the combined financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these combined financial statements.

(q) Income Taxes

The Association and Foundation are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes is reflected in the 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 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, 2009 and prior.

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

(2) Deposits Held for Agency Accounts

The Association receives and disburses funds for another agency. The receipts and disbursements of such funds are not included within the Association's revenue and expenses for the years ended December 31, 2013 and 2012. Deposits held for Agency accounts amounted to \$13,119 at December 31, 2012. The Association disbursed all of these funds during the year ended December 31, 2013.

(3) 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, 2013). The Association pays an annual commitment fee of \$500. There was no amount outstanding at December 31, 2013.

(4) Grants

A summary of grants for the years ended December 31, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
New York State Court Appointed Special Advocates	\$ 60,886	64,761
New York State Judicial Court	54,884	-
Cynthia Baird Foundation	10,000	10,000
Butler Foundation	21,000	30,000
Oishei Foundation	26,042	5,000
Garman Foundation	25,000	25,000
M&T Charitable Foundation	10,235	10,235
Veterans One Stop of Western New York	34,898	-
Community Foundation for Greater Buffalo	15,000	-
Fatta Foundation	10,000	-
Western New York Foundation	7,500	-
Jewish Philanthropy	500	-
Ronald McDonald House Charitable Foundation	-	7,000
Other foundations	-	1,107
	<u>\$ 275,945</u>	<u>153,103</u>

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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. The plan requires that the Organization contribute 5% of participant's annual salary. Participants are fully vested after completion of five years of employment. The Organization's policy is to fund the current retirement benefit costs which amounted to \$21,268 and \$19,901 for the years ended December 31, 2013 and 2012, respectively.

(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 53% and 62%, of the Organization's total public support and revenue in 2013 and 2012, respectively.