

MENTAL HEALTH ASSOCIATION
OF ERIE COUNTY, INC.
AND
MENTAL HEALTH ASSOCIATION
OF ERIE COUNTY FOUNDATION, INC.
Combined Financial Statements
December 31, 2016
(With Independent Auditors' Report Thereon)

MENTAL HEALTH ASSOCIATION OF ERIE COUNTY, INC.
AND
MENTAL HEALTH ASSOCIATION OF ERIE COUNTY FOUNDATION, INC.
Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Financial Statements:	
Combined Statement of Financial Position	3
Combined Statement of Activities	4
Combined Statement of Functional Expenses	5
Combined Statement of Cash Flows	6
Notes to Combined Financial Statements	7 - 12

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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. (nonprofit organizations collectively, the Organization), which comprise the combined statement of financial position as of December 31, 2016, 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, 2016, 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 2015 combined financial statements, and we expressed an unmodified opinion on those audited combined financial statements in our report dated April 25, 2016. As discussed in note 9 to the combined financial statements, net assets as of January 1, 2015 have been restated to correct a misstatement. Our opinion is not modified with respect to this matter. 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 combined financial statements from which it has been derived.

EFPR Group, CPAs, PLLC

Williamsville, New York
May 24, 2017

MENTAL HEALTH ASSOCIATION OF ERIE COUNTY, INC.
 AND
 MENTAL HEALTH ASSOCIATION OF ERIE COUNTY FOUNDATION, INC.
 Combined Statement of Financial Position
 December 31, 2016
 with comparative totals for 2015

<u>Assets</u>	<u>2016</u>	<u>2015</u> <u>(As restated)</u>
Current assets:		
Cash and equivalents	\$ 203,813	112,762
Accounts receivable	259,922	44,510
Grants receivable	153,896	217,477
Prepaid expenses	6,694	2,539
Total current assets	624,325	377,288
Property and equipment, at cost:		
Land	94,500	94,500
Building and improvements	454,440	454,440
Equipment	7,197	117,043
Total property and equipment	556,137	665,983
Less accumulated depreciation	(296,672)	(394,206)
Net property and equipment	259,465	271,777
Total assets	\$ 883,790	649,065
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	124,853	6,096
Accrued expenses	74,867	53,120
Deferred revenue	82,861	75,260
Line of credit	100,000	-
Total current liabilities	382,581	134,476
Net assets:		
Unrestricted net assets	442,979	472,057
Temporarily restricted net assets	58,230	42,532
Total net assets	501,209	514,589
Total liabilities and net assets	\$ 883,790	649,065

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, 2016
with comparative totals for 2015

	<u>2016</u>	<u>2015</u> (As restated)
Unrestricted public support and revenue:		
Unrestricted public support:		
Erie County Department of Mental Health	\$ 535,322	482,694
Grants	571,458	461,815
Contributions	37,768	80,798
United Way of Buffalo and Erie County	<u>38,000</u>	<u>38,000</u>
Total unrestricted public support	<u>1,182,548</u>	<u>1,063,307</u>
Unrestricted revenue:		
Program revenue	763,559	173,787
Shared staff position with Compeer West, Inc.	58,722	29,721
Special events, less expenses of \$45,465 in 2016 and \$43,563 in 2015	32,914	55,502
Net assets released from restriction	42,532	78,938
Miscellaneous income	<u>9,388</u>	<u>4,680</u>
Total unrestricted revenue	<u>907,115</u>	<u>342,628</u>
Total unrestricted public support and revenue	<u>2,089,663</u>	<u>1,405,935</u>
Unrestricted expenses:		
Program services:		
Mental health programs	1,930,228	1,227,374
Mental health support	<u>10,838</u>	<u>10,838</u>
Total program services	1,941,066	1,238,212
Management and general	<u>177,675</u>	<u>121,011</u>
Total unrestricted expenses	<u>2,118,741</u>	<u>1,359,223</u>
Increase (decrease) in unrestricted net assets	<u>(29,078)</u>	<u>46,712</u>
Changes in temporarily restricted net assets:		
Other revenue - grant income	58,230	42,532
Net assets released from restriction	<u>(42,532)</u>	<u>(78,938)</u>
Increase (decrease) in temporarily restricted net assets	<u>15,698</u>	<u>(36,406)</u>
Increase (decrease) in net assets	<u>(13,380)</u>	<u>10,306</u>
Net assets at beginning of year, as previously stated	549,518	539,212
Adjustment to beginning net assets (note 10)	<u>(34,929)</u>	<u>(34,929)</u>
Net assets at beginning of year, as restated	<u>514,589</u>	<u>504,283</u>
Net assets at end of year	<u>\$ 501,209</u>	<u>514,589</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, 2016
 with comparative totals for 2015

	<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>2016</u>	<u>2015 (As restated)</u>
Salaries	\$ 1,126,581	-	1,126,581	97,467	1,224,048	713,595
Payroll taxes and employee benefits	<u>274,038</u>	<u>-</u>	<u>274,038</u>	<u>22,938</u>	<u>296,976</u>	<u>190,569</u>
Total salaries and related benefits	1,400,619	-	1,400,619	120,405	1,521,024	904,164
Program consultants	279,282	-	279,282	-	279,282	282,964
Professional fees and contracts	79,141	-	79,141	39,365	118,506	23,243
Program expense	22,055	-	22,055	5,087	27,142	28,455
Program supplies	17,348	-	17,348	-	17,348	12,883
Office supplies	8,667	-	8,667	609	9,276	7,826
Telephone	3,995	-	3,995	-	3,995	5,111
Postage and shipping	3,551	-	3,551	-	3,551	4,210
Occupancy	33,646	-	33,646	883	34,529	27,820
Printing	10,966	-	10,966	1,107	12,073	10,522
Travel	20,767	-	20,767	4,681	25,448	12,320
Conferences, meetings and institutes	21,164	-	21,164	5,538	26,702	12,135
Professional liability insurance	3,653	-	3,653	-	3,653	3,870
Equipment rental and maintenance	<u>23,900</u>	<u>-</u>	<u>23,900</u>	<u>-</u>	<u>23,900</u>	<u>11,141</u>
Total expenses before depreciation	1,928,754	-	1,928,754	177,675	2,106,429	1,346,664
Depreciation	<u>1,474</u>	<u>10,838</u>	<u>12,312</u>	<u>-</u>	<u>12,312</u>	<u>12,559</u>
Total expenses	<u>\$ 1,930,228</u>	<u>10,838</u>	<u>1,941,066</u>	<u>177,675</u>	<u>2,118,741</u>	<u>1,359,223</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, 2016
 with comparative totals for 2015

	<u>2016</u>	<u>2015</u> <u>(As restated)</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (13,380)	10,306
Adjustments to reconcile increase (decrease) in unrestricted net assets to net cash used in operating activities:		
Depreciation	12,312	12,559
Changes in:		
Accounts receivable	(215,412)	40,644
Grants receivable	63,581	(194,977)
Prepaid expenses	(4,155)	6,635
Accounts payable	118,757	1,421
Accrued expenses	21,747	(27,109)
Deferred revenue	<u>7,601</u>	<u>(9,498)</u>
Net cash used in operating activities	(8,949)	(160,019)
Cash flows from financing activities - proceeds from line of credit	<u>100,000</u>	<u>-</u>
Net increase (decrease) in cash and equivalents	91,051	(160,019)
Cash and equivalents at beginning of year	<u>112,762</u>	<u>272,781</u>
Cash and equivalents at end of year	<u>\$ 203,813</u>	<u>112,762</u>
Supplemental schedule of investing activities - disposal of fully depreciated property and equipment	<u>\$ 109,846</u>	<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, 2016

(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.
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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, 2016, 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, 2016 and 2015, 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.
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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 5.33% at December 31, 2016. 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. The balance outstanding on the line of credit was \$100,000 at December 31, 2016. Subsequent to December 31, 2016, \$50,000 of additional credit was made available.

(3) Grants

A summary of grants for the years ended December 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
New York State Court Appointed Special Advocates	\$ 63,973	62,083
New York State Judicial Court	126,024	92,407
New York State Interest on Lawyer Account	45,000	33,750
Erie County Bar Foundation	5,000	9,400
Butler Foundation	20,000	20,000
Oishei Foundation	31,024	66,125
Garman Foundation	25,000	25,000
Veterans One Stop of Western New York	92,687	55,700
Community Foundation for Greater Buffalo	30,000	11,007
Fatta Foundation	10,000	10,000
Health Foundation	10,000	-
Children's Foundation	5,000	5,000
Tower Foundation	136,080	111,190
Children's Guild	26,000	-
Miscellaneous Grants	<u>3,900</u>	<u>2,685</u>
	<u>\$ 629,688</u>	<u>504,347</u>

(4) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u> (As restated)
Program restricted	\$ -	28,219
Time restricted	<u>58,230</u>	<u>14,313</u>
	<u>\$ 58,230</u>	<u>42,532</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. The plan requires that the Organization contribute 5% of participant's annual salary. Participants are automatically 100% vested in their accounts. The Organization's policy is to fund the current retirement benefit costs which amounted to \$49,962 and \$36,040 for the years ended December 31, 2016 and 2015, 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 25% and 34%, of the Organization's total public support and revenue in 2016 and 2015, respectively.

(8) Conditional Promise to Give

A payment of \$110,481 was received in December 2016, and is considered conditional upon the continued development and performance of the program objectives. \$82,861 is included in deferred revenue at December 31, 2016.

(9) Prior Period Adjustment

An adjustment was recorded to the 2015 beginning of year net assets to correct previous amounts related to the recognition of grant revenue above the amount earned as of December 31, 2015. A summary of the adjustment is as follows:

	As previously <u>stated</u>	<u>Adjustments</u>	Restated <u>amounts</u>
Total net assets at beginning of year	\$ <u>(539,212)</u>	<u>34,929</u>	<u>(504,283)</u>
Accounts receivable	\$ <u>79,439</u>	<u>(34,929)</u>	<u>44,510</u>

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

(9) Prior Period Adjustment, Continued

An adjustment was recorded to the 2016 beginning of year net assets to correct previous amounts released from restriction. A summary of the adjustment is as follows:

	As previously <u>stated</u>	<u>Adjustments</u>	<u>Restated amounts</u>
Unrestricted net assets	\$ <u>535,205</u>	<u>63,148</u>	<u>472,057</u>
Temporarily restricted net assets	\$ <u>14,313</u>	<u>28,219</u>	<u>42,532</u>