

**MENTAL HEALTH ASSOCIATION  
OF FREDERICK COUNTY, INC.  
FINANCIAL STATEMENTS  
June 30, 2016 and 2015**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Mental Health Association of Frederick County, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Mental Health Association of Frederick County, Inc. (Association), which comprise the Statements of Financial Position as of June 30, 2016 and 2015, and the related Statements of Activities, Functional Expenses and Cash Flows for the years then ended and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT, CONTINUED

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2016 and 2015, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Ellin & Tucker, Chartered*

ELLIN & TUCKER, CHARTERED  
Certified Public Accountants

Baltimore, Maryland  
November 1, 2016

**MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2016 and 2015**

**ASSETS**

	2016	2015
<b><u>ASSETS:</u></b>		
Cash and Cash Equivalents	\$ 376,038	\$ 393,979
Investments, at Fair Value (Note 2)	129,123	129,174
Grants Receivable	200,760	224,761
Pledges Receivable (Note 3)	141,207	131,334
Other Receivables	5,585	3,437
Prepaid Expenses	24,327	15,864
Future Interest in Endowment Fund Held by the Community Foundation of Frederick County, Inc. (Note 4)	45,842	49,771
Property and Equipment, Net (Note 5)	2,838,090	2,922,396
Total Assets	\$ 3,760,972	\$ 3,870,716

**LIABILITIES AND NET ASSETS**

<b><u>LIABILITIES:</u></b>		
Notes Payable (Note 9)	\$1,161,193	\$1,185,097
Accounts Payable and Accrued Expenses	143,104	133,251
Unexpended Portion of Grants Received	65,131	27,964
Total Liabilities	1,369,428	1,346,312

COMMITMENTS (Note 7)

**NET ASSETS:**

**Unrestricted:**

Undesignated Net Assets	2,169,421	2,236,765
Board Designated Net Assets (Note 10)	215,382	234,826
Total Unrestricted	2,384,803	2,471,591
Temporarily Restricted	6,741	52,813
Total Net Assets	2,391,544	2,524,404
Total Liabilities and Net Assets	\$ 3,760,972	\$ 3,870,716

**(See Independent Auditors' Report and Accompanying Notes)**

**MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b><u>SUPPORT AND REVENUE:</u></b>			
Public Grants	\$ 1,524,385	\$ -	\$ 1,524,385
Program Service Revenue	254,381	-	254,381
Contract Revenue	195,731	-	195,731
United Way	36,637	-	36,637
Donations and Private Foundation Grants	429,356	-	429,356
Fundraisers and Special Events	125,679	-	125,679
In-Kind Donated Goods and Services	69,677	-	69,677
Investment Income	128	-	128
Membership Dues	5,220	-	5,220
Other Income	6,808	-	6,808
Net Assets Released from Restrictions	46,072	(46,072)	-
	<u>2,694,074</u>	<u>(46,072)</u>	<u>2,648,002</u>
<b><u>EXPENSES:</u></b>			
<b><u>Program Services:</u></b>			
Preparing Resilient Children	761,221	-	761,221
Securing Vulnerable Families	425,314	-	425,314
Facing Crises Together	962,311	-	962,311
Supporting Our Whole Community	219,059	-	219,059
	<u>2,367,905</u>	<u>-</u>	<u>2,367,905</u>
<b><u>Supporting Services:</u></b>			
Fundraising	109,414	-	109,414
Management and General	303,543	-	303,543
	<u>412,957</u>	<u>-</u>	<u>412,957</u>
	<u>2,780,862</u>	<u>-</u>	<u>2,780,862</u>
Change in Net Assets	(86,788)	(46,072)	(132,860)
NET ASSETS - BEGINNING OF YEAR	<u>2,471,591</u>	<u>52,813</u>	<u>2,524,404</u>
NET ASSETS - END OF YEAR	<u>\$ 2,384,803</u>	<u>\$ 6,741</u>	<u>\$ 2,391,544</u>

**(See Independent Auditors' Report and Accompanying Notes)**

**MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2015**

	Unrestricted	Temporarily Restricted	Total
<b><u>SUPPORT AND REVENUE:</u></b>			
Public Grants	\$ 1,620,856	\$ -	\$ 1,620,856
Program Service Revenue	251,827	-	251,827
Contract Revenue	199,404	-	199,404
United Way	40,562	-	40,562
Donations and Private Foundation Grants	319,302	70,000	389,302
Fundraisers and Special Events	117,677	-	117,677
In-Kind Donated Goods and Services	67,685	-	67,685
Investment Income	4,324	-	4,324
Membership Dues	5,640	-	5,640
Other Income	11,163	-	11,163
Net Assets Released from Restrictions	17,187	(17,187)	-
	<b>2,655,627</b>	<b>52,813</b>	<b>2,708,440</b>
 <b><u>EXPENSES:</u></b>			
<b><u>Program Services:</u></b>			
Preparing Resilient Children	751,564	-	751,564
Securing Vulnerable Families	400,110	-	400,110
Facing Crises Together	1,019,214	-	1,019,214
Supporting Our Whole Community	152,985	-	152,985
	<b>2,323,873</b>	<b>-</b>	<b>2,323,873</b>
 <b><u>Supporting Services:</u></b>			
Fundraising	134,812	-	134,812
Management and General	300,089	-	300,089
	<b>434,901</b>	<b>-</b>	<b>434,901</b>
	<b>2,758,774</b>	<b>-</b>	<b>2,758,774</b>
Change in Net Assets	(103,147)	52,813	(50,334)
NET ASSETS - BEGINNING OF YEAR	<b>2,574,738</b>	<b>-</b>	<b>2,574,738</b>
NET ASSETS - END OF YEAR	<b>\$ 2,471,591</b>	<b>\$ 52,813</b>	<b>\$ 2,524,404</b>

**(See Independent Auditors' Report and Accompanying Notes)**

**MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2016**

	Program Services					Supporting Services		
	Preparing Resilient Children	Securing Vulnerable Families	Facing Crises Together	Supporting Our Whole Community	Total Program Services	Fundraising	Management and General	Total
	Salaries	\$ 499,984	\$305,512	\$ 687,597	\$ 96,154	\$ 1,589,247	\$ 244	\$ 216,358
Employee Benefits	46,554	20,478	43,030	4,398	114,460	28	20,115	134,603
Payroll Taxes	42,840	26,573	60,997	8,308	138,718	20	17,583	156,321
<b>Total Salaries and Related Expenses</b>	<b>589,378</b>	<b>352,563</b>	<b>791,624</b>	<b>108,860</b>	<b>1,842,425</b>	<b>292</b>	<b>254,056</b>	<b>2,096,773</b>
Advertising	1,710	60	5,995	-	7,765	-	-	7,765
Depreciation	25,581	19,803	62,119	3,705	111,208	-	14,851	126,059
Dues and Publications	3,923	675	1,484	1,953	8,035	-	2,050	10,085
Equipment	2,102	1,796	492	5,074	9,464	-	316	9,780
Fundraising Direct Expenses	-	929	-	-	929	39,344	-	40,273
In-Kind Expenses	-	-	-	-	-	69,677	-	69,677
Insurance	4,515	2,773	6,399	885	14,572	-	1,979	16,551
Interest and Finance Charges	9,400	9,746	24,001	9,681	52,828	-	6	52,834
Interpreter Services	22	356	2,742	-	3,120	-	-	3,120
Miscellaneous	-	83	188	13,750	14,021	-	2,111	16,132
Office Supplies	5,832	862	1,199	1,076	8,969	-	4,724	13,693
Postage	2,273	351	199	946	3,769	-	452	4,221
Printing	4,161	26	3,756	4,907	12,850	-	380	13,230
Professional Fees	6,643	4,174	11,061	6,528	28,406	-	5,455	33,861
Program Library Materials	673	-	-	140	813	-	8	821
Program Service Expense	45,510	448	-	15,599	61,557	-	-	61,557
Real Estate Taxes	-	-	-	-	-	-	750	750
Rent	3,466	1,275	-	-	4,741	-	1,559	6,300
Repairs and Maintenance	11,615	7,167	16,919	2,707	38,408	101	7,507	46,016
Security and Background Checks	352	2,614	117	-	3,083	-	258	3,341
Staff Training	10,168	5,193	4,148	32,248	51,757	-	130	51,887
Telephone	7,691	3,561	8,674	577	20,503	-	1,339	21,842
Travel and Meetings	18,339	6,149	1,331	1,973	27,792	-	400	28,192
Utilities	4,045	2,816	9,361	566	16,788	-	2,303	19,091
Web Programs	3,822	1,894	10,502	7,884	24,102	-	2,909	27,011
<b>Total Expenses</b>	<b>\$ 761,221</b>	<b>\$425,314</b>	<b>\$ 962,311</b>	<b>\$ 219,059</b>	<b>\$ 2,367,905</b>	<b>\$ 109,414</b>	<b>\$ 303,543</b>	<b>\$2,780,862</b>

(See Independent Auditors' Report and Accompanying Notes)



**MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2015**

	Program Services				Total Program Services	Supporting Services		Total
	Preparing Resilient Children	Securing Vulnerable Families	Facing Crises Together	Supporting Our Whole Community		Fundraising	Management and General	
Salaries	\$ 486,176	\$ 298,284	\$ 711,500	\$ 68,105	\$ 1,564,065	\$ 4,706	\$ 215,983	\$ 1,784,754
Employee Benefits	54,724	16,621	48,789	3,179	123,313	350	18,264	141,927
Payroll Taxes	41,444	26,776	63,889	5,755	137,864	422	18,139	156,425
<b>Total Salaries and Related Expenses</b>	<b>582,344</b>	<b>341,681</b>	<b>824,178</b>	<b>77,039</b>	<b>1,825,242</b>	<b>5,478</b>	<b>252,386</b>	<b>2,083,106</b>
Advertising	826	-	11,185	50	12,061	-	-	12,061
Depreciation	22,919	12,836	65,678	2,963	104,396	132	15,560	120,088
Dues and Publications	3,970	317	4,489	1,528	10,304	-	1,720	12,024
Equipment	1,379	604	-	7,663	9,646	-	-	9,646
Fundraising Direct Expenses	-	3,759	-	-	3,759	38,845	-	42,604
In-Kind Expenses	-	-	-	-	-	67,685	-	67,685
Insurance	4,803	2,913	6,966	661	15,343	46	2,154	17,543
Interest and Finance Charges	11,847	4,753	28,066	10,288	54,954	133	-	55,087
Interpreter Services	-	46	1,213	-	1,259	-	-	1,259
Miscellaneous	68	277	173	1,105	1,623	-	4,023	5,646
Office Supplies	6,363	893	1,628	2,831	11,715	14	4,161	15,890
Postage	2,133	351	209	1,018	3,711	-	566	4,277
Printing	4,042	-	7,463	906	12,411	-	296	12,707
Professional Fees	6,510	4,118	10,036	16,492	37,156	76	4,258	41,490
Program Library Materials	1,486	175	-	539	2,200	-	-	2,200
Program Service Expense	45,182	148	-	17,460	62,790	-	-	62,790
Real Estate Taxes	-	-	-	-	-	-	750	750
Rent	3,480	1,161	-	-	4,641	-	2,226	6,867
Repairs and Maintenance	12,409	6,724	19,544	2,954	41,631	185	6,829	48,645
Security and Background Checks	45	1,996	53	-	2,094	-	-	2,094
Staff Training	7,085	2,684	4,572	2,977	17,318	22,122	-	39,440
Telephone	8,229	3,745	8,281	534	20,789	46	1,425	22,260
Travel and Meetings	17,546	6,912	1,964	1,997	28,419	-	225	28,644
Utilities	4,764	2,104	12,861	574	20,303	29	2,825	23,157
Web Programs	4,134	1,913	10,655	3,406	20,108	21	685	20,814
<b>Total Expenses</b>	<b>\$ 751,564</b>	<b>\$ 400,110</b>	<b>\$ 1,019,214</b>	<b>\$ 152,985</b>	<b>\$ 2,323,873</b>	<b>\$ 134,812</b>	<b>\$ 300,089</b>	<b>\$ 2,758,774</b>

(See Independent Auditors' Report and Accompanying Notes)

**MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2016 and 2015**

	2016	2015
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Change in Net Assets	\$(132,860)	\$ (50,334)
<b><u>Adjustments to Reconcile Change in Net Assets to</u></b>		
<b><u>Net Cash Provided by Operating Activities:</u></b>		
Depreciation	126,059	120,088
Net Realized and Unrealized Gain on Investments	(128)	(4,324)
<b><u>Net Changes in:</u></b>		
Grants Receivable	24,001	51,330
Pledges Receivable	(9,873)	(10,459)
Other Receivables	(2,148)	(743)
Prepaid Expenses	(8,463)	7,363
Accounts Payable and Accrued Expenses	9,853	(26,144)
Unexpended Portion of Grants Received	37,167	(10,876)
Net Cash Provided by Operating Activities	43,608	75,901
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Purchase of Property and Equipment	(41,753)	(35,045)
Net Proceeds from Sale of Investments	4,108	5,558
Net Cash Used in Investing Activities	(37,645)	(29,487)
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES:</u></b>		
Payments on Notes Payable	(23,904)	(14,993)
Net Change in Cash and Cash Equivalents	(17,941)	31,421
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	393,979	362,558
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 376,038	\$ 393,979
<b><u>SUPPLEMENTAL DISCLOSURES:</u></b>		
Interest Paid	\$ 45,720	\$ 48,583

**(See Independent Auditors' Report and Accompanying Notes)**

**MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Mental Health Association of Frederick County, Inc. (Association) is a not-for-profit organization incorporated under the laws of the State of Maryland on November 20, 1975. The Association works to build a strong foundation of emotional wellness for the whole community by preparing resilient children, securing vulnerable families, and standing with people to face crises together. The Association envisions a community where children can grow and thrive without fear, good mental health is valued, people of all ages know when and how to seek help for emotional or family problems without shame, and everyone will have access to services without barriers. The Association operates various programs to meet these goals.

*Preparing Resilient Children*

The Association offers first-time parents guidance on vital topics including pregnancy, child development, and medical care; partners with early childhood educators to ensure all children have an appropriate environment in which to learn; and supports children with behavioral issues because the key to a child's success tomorrow is building his/her mental and emotional resilience today. It makes a difference when every child in our community has the best start. The Association prepares children to adapt to whatever situations and setbacks they face in life and become strong, stable members of the community around them.

During fiscal year 2016, the Association conducted the following activities to prepare resilient children. For 60 children at risk of abuse or neglect, it provided extensive services during 980 home visits. As a result, none of the families required Child Protective Services involvement. The Association trained more than 2,700 attendees by providing nearly 625 hours of high quality training for early childhood educators 99% of those educators gained knowledge from the training. The Association supported 130 children who were experiencing behavioral issues, and 93% of those children showed decreased behavioral issues after the Association's intervention.

*Securing Vulnerable Families*

The Association provides families with support, stability, and the promise of a better tomorrow with a safe, neutral location for parents and children to develop, renew, and/or sustain a healthy relationship; secure transfer of children from one parent to another; and/or advocate for the best interests of children in the court system while facilitating their placement in loving, permanent homes.

**(See Independent Auditors' Report)**

**MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

During fiscal year 2016, the Association provided a safe, welcoming place for 97 children to visit with their non-custodial parent. A majority of those parents reported strengthened relationships because of those visits. The Association enabled children to transfer from one parent to another in a conflict-free environment by providing more than 150 monitored exchanges and recruited, trained, and supported more than 80 volunteers to advocate for abused and neglected children living in foster care homes.

*Facing Crises Together*

From intervention and a supporting voice at the moment of crisis to resources and information that show the way forward to sustained counseling and assistance for the weeks and months ahead, no one should have to face these struggles alone. The Association is available 24 hours a day, 7 days a week helping people and saving lives.

During fiscal year 2016, the Association answered more than 39,000 calls via its call center, including one call every five hours related to suicide. It assisted 453 individuals through its walk-in crisis service and 26% of those individuals reported they would have gone to a hospital's emergency room if walk-in crisis service was not available. The Association provided more than 1,800 therapy sessions to 190 clients.

*Supporting Our Whole Community*

The Association does more than support the thousands of individuals who seek its services each year. It provides mental health education and advocacy on a community-wide basis, raising awareness of the importance of mental health and related services. This work strengthens our whole community by encouraging those who feel alone to seek support; promoting understanding; and bolstering mental and emotional well-being in schools, businesses, and homes.

The Association served community members and professionals in community-based training sessions, such as Mental Health First Aid, safeTALK Suicide Alertness, and Applied Suicide Intervention Skills Training. The Association provided 24 Mental Health Matters Hours to inform community members about the services it provides through the stories of its clients.

Accounting Standards Codification

All references in the financial statements to the Codification refer to the Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (GAAP) issued by the Financial Accounting Standards Board. The Codification is the single source of authoritative GAAP in the United States.

**(See Independent Auditors' Report)**

**MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

Basis of Accounting and Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with GAAP. Under the accrual basis of accounting, support and revenue are recorded when earned and expenses are recorded when incurred. Net assets, revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions. Such restrictions expire either by the passage of time or actions of the Association. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions. Temporarily restricted net assets available for certain programs were \$6,741 and \$52,813 at June 30, 2016 and 2015, respectively.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions. Such restrictions neither expire by the passage of time nor can be fulfilled or otherwise removed by the Association's actions. At June 30, 2016 and 2015, the Association had no permanently restricted net assets.

Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted revenue.

Revenue Recognition

The Association's primary source of revenue is public grants. The Association is dependent on this source to continue its level of programs and services. Grants, pledges, and contributions are recorded when the donor makes a promise to give to the Association that is, in substance, unconditional. The Association may also receive fees for services performed under contract agreements, which are recognized as revenue when the services are performed. Conditional grant proceeds or contract fees received in advance but have not been earned are recorded as the unexpended portion of grants received in the Statements of Financial Position.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

**(See Independent Auditors' Report)**

**MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS, CONTINUED**

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Association has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through November 1, 2016, the date the financial statements were available to be issued.

Cash and Cash Equivalents

The Association considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

The Association maintains its cash in bank deposit accounts and money market funds which, at times, may exceed federally insured limits. The Association believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments

Investments are reported at fair value in the Statements of Financial Position. Realized and unrealized gains and losses are included in the change in net assets. See Note 2 for a discussion of fair value measurements.

Grants and Pledges Receivable

The Association considers grants and pledges receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when the determination is made.

Property and Equipment

Property and equipment consist of land, building, furniture, and equipment and are stated at cost. Depreciation is calculated on the straight-line basis over the useful lives of the assets. The Association capitalizes property and equipment over \$2,000. Lesser amounts are expensed.

**(See Independent Auditors' Report)**

**MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

Income Taxes

The Association is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Internal Revenue Service has determined the Association is not a private foundation within the meaning of Section 509(a) of the Code.

The Association follows the provisions of Accounting for Uncertainty in Income Taxes under the Income Taxes Topic of the Codification. The Codification requires the evaluation of tax positions, which include maintaining its tax-exempt status and the taxability of any unrelated business income, and does not allow recognition of tax positions which do not meet a “more-likely-than-not” threshold of being sustained by the applicable tax authority. Management does not believe it has taken any tax positions that would not meet this threshold. The Association’s policy is to reflect interest and penalties related to an uncertain tax position as part of the income tax expense, when and if they become applicable.

Donated Goods and Services

Many volunteers have made significant contributions of time in furthering the Association’s programs and objectives. The value of this contributed time is not recorded in the accompanying financial statements, because the contributed services provided do not require specialized skills or create non-financial assets. Donations in-kind are recorded at fair value at the date of the gift. In-kind donations for the annual fundraising dinner amounted to \$69,677 and \$67,685 for the years ended June 30, 2016 and 2015, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Association. Certain costs have been allocated among the programs based upon estimates of actual time or resources devoted to each program.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

**(See Independent Auditors’ Report)**

**MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS, CONTINUED**

2. INVESTMENTS

Investments at June 30, 2016 and 2015 consisted of the following:

	2016	2015
Cash and Cash Equivalents	\$ 3,670	\$ 7,481
Exchange Traded Funds	125,453	121,693
Total	\$ 129,123	\$ 129,174

The Association invests in various investment securities, which are exposed to various risks, such as interest rate, credit and overall volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the Statements of Financial Position.

The Fair Value Measurements and Disclosures Topic of the Codification establishes a hierarchal disclosure framework, which prioritizes and ranks the level of market price observability used in measuring investments and other financial instruments at fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar assets or liabilities in inactive markets;

Inputs other than quoted prices that are observable for the asset or liability;

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**(See Independent Auditors' Report)**



**MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Below is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at June 30, 2016 and 2015.

Exchange Traded Funds: Valued at the net asset value (NAV) of shares held by the Association at year end. NAV is based on the value of the underlying assets owned by the funds, minus its liabilities, and then divided by the number of shares outstanding. NAV is a quoted price in an active market.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Association's assets at fair value as of June 30, 2016 and 2015:

	Level 1 and Total	
	2016	2015
Cash and Cash Equivalents	\$ 3,670	\$ 7,481
<u>Exchange Traded Funds:</u>		
Fixed Income	43,675	44,350
Large Cap Core	30,884	37,721
Large Cap Value	28,990	8,192
Large Cap Growth	21,904	24,366
Mid Cap Value	-	7,064
Investment Securities, at Fair Value	\$ 129,123	\$ 129,174

**(See Independent Auditors' Report)**

**MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS, CONTINUED**

3. PLEDGES RECEIVABLE

Pledges receivable as of June 30, 2016 are unconditional promises to give to be received by the Association in years subsequent to June 30, 2016.

Receivable in Less than One Year	\$ 77,117
Receivable in One to Five Years	<u>64,090</u>
	<u>\$ 141,207</u>

4. FUTURE INTEREST IN ENDOWMENT HELD BY THE COMMUNITY FOUNDATION OF FREDERICK COUNTY, INC.

The Association established The Mental Health Association Endowment Fund (Fund) at the Community Foundation of Frederick County, Inc. (Foundation) during the year ended June 30, 2000. The purpose of the Fund is to provide financial support to the Association in fulfilling its mission. The Fund has a future interest in the investments held and owned by the Foundation. The Association is to receive an annual distribution from the Fund in the amount of 5% of the market value of the Fund as of the last day of the Foundation's fiscal year or one-half of the annual return, whichever is larger. However, in the case of a catastrophic financial emergency which threatens the continuance of operating the Association or one of its programs, the principal may be distributed with the approval of the Foundation. The fair value in this account at June 30, 2016 and 2015 was \$45,842 and \$49,771, respectively.

5. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2016 and 2015 consisted of the following:

	2016	2015
Equipment	\$ 124,417	\$ 118,197
Computer Equipment and Software	67,157	31,624
Furniture and Fixtures	100,134	100,134
Building	2,832,836	2,832,836
Land	<u>257,481</u>	<u>257,481</u>
	3,382,025	3,340,272
Less: Accumulated Depreciation	<u>543,935</u>	<u>417,876</u>
Property and Equipment, Net	<u>\$ 2,838,090</u>	<u>\$ 2,922,396</u>

(See Independent Auditors' Report)

**MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS, CONTINUED**

6. LINE OF CREDIT

The Association has a line of credit which allows the Association to borrow up to \$50,000 against the value of eligible investment securities.

7. COMMITMENTS

The Association leases office facilities on a monthly basis. Total rent expense for the years ended June 30, 2016 and 2015 was \$6,300 and \$6,867, respectively.

8. RETIREMENT PLAN

The Association sponsors a 403(b) retirement plan covering employees who elect to defer part of their salaries into the plan for retirement. The Association does not contribute to the plan.

9. NOTES PAYABLE

Notes payable at June 30, 2016 and 2015 consisted of the following:

	2016	2015
Note Payable to City of Frederick; non-interest bearing; payable upon transfer or sale of the land and building	\$ 50,000	\$ 50,000
Note Payable to Bank; monthly payments of principal and interest at 4.00% until March 2020; collateralized by land and building	1,111,193	1,135,097
	\$ 1,161,193	\$ 1,185,097

Maturities of notes payable are as follows:

Year Ending June 30, 2017	\$ 25,019
2018	26,052
2019	27,128
2020	1,032,994
Thereafter	50,000
	\$ 1,161,193

**(See Independent Auditors' Report)**

**MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS, CONTINUED**

10. BOARD DESIGNATED NET ASSETS

Board designated net assets at June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Future Interest in Endowment Fund Held by the Community Foundation of Frederick County, Inc.	\$ 45,842	\$ 49,771
Mortgage Reserve	118,971	135,021
Building Repairs and Maintenance	<u>50,569</u>	<u>50,034</u>
	<u>\$ 215,382</u>	<u>\$ 234,826</u>

(See Independent Auditors' Report)

## **SUPPLEMENTARY INFORMATION**

**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors of  
Mental Health Association of Frederick County, Inc.

We have audited the financial statements of Mental Health Association of Frederick County, Inc. as of and for the years ended June 30, 2016 and 2015, and our report thereon dated November 1, 2016, which expressed an unmodified opinion on those financial statements, appears on Pages 1 and 2. Our audits were conducted for the purpose of forming opinion on the financial statements taken as a whole. The Schedules of Facing Crises Together are presented for the purpose of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements for the years ended June 30, 2016 and 2015 taken as a whole.

*Ellin & Tucker, Chartered*  
ELLIN & TUCKER, CHARTERED  
Certified Public Accountants

Baltimore, Maryland  
November 1, 2016

**MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**SCHEDULE OF FACING CRISES TOGETHER**  
**For the Year Ended June 30, 2016**

	Maryland Crisis Hotline	Other Facing Crisis Together	Total Facing Crisis Together
	<u>          </u>	<u>          </u>	<u>          </u>
Salaries	\$ 140,792	\$ 546,805	\$ 687,597
Employee Benefits	4,934	38,096	43,030
Payroll Taxes	<u>11,941</u>	<u>49,056</u>	<u>60,997</u>
 Total Salaries and Related Expenses	 157,667	 633,957	 791,624
 Advertising	 -	 5,995	 5,995
Depreciation	-	62,119	62,119
Dues and Publications	-	1,484	1,484
Equipment	-	492	492
Insurance	1,216	5,183	6,399
Interest and Finance Charges	-	24,001	24,001
Interpreter Services	-	2,742	2,742
Miscellaneous	-	188	188
Office Supplies	-	1,199	1,199
Postage	-	199	199
Printing	-	3,756	3,756
Professional Fees	3,028	8,033	11,061
Repairs and Maintenance	975	15,944	16,919
Security and Background Checks	-	117	117
Staff Training	-	4,148	4,148
Telephone	344	8,330	8,674
Travel and Meetings	-	1,331	1,331
Utilities	416	8,945	9,361
Web Programs	<u>2,568</u>	<u>7,934</u>	<u>10,502</u>
 Total Expenses	 <u>\$ 166,214</u>	 <u>\$ 796,097</u>	 <u>\$ 962,311</u>

The above direct costs agree substantially to the filed Annual Report (MHMA 440).

**(See Independent Auditors' Report on Supplementary Information)**

**MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**SCHEDULE OF FACING CRISES TOGETHER**  
**For the Year Ended June 30, 2015**

	Maryland Crisis Hotline	Other Facing Crises Together	Total Facing Crises Together
	<u>          </u>	<u>          </u>	<u>          </u>
Salaries	\$ 130,613	\$ 580,887	\$ 711,500
Employee Benefits	6,379	42,410	48,789
Payroll Taxes	<u>12,329</u>	<u>51,560</u>	<u>63,889</u>
 Total Salaries and Related Expenses	 149,321	 674,857	 824,178
 Advertising	 -	 11,185	 11,185
Depreciation	-	65,678	65,678
Dues and Publications	-	4,489	4,489
Insurance	1,291	5,675	6,966
Interest and Finance Charges	-	28,066	28,066
Interpreter Services	-	1,213	1,213
Miscellaneous	-	173	173
Office Supplies	32	1,596	1,628
Postage	-	209	209
Printing	-	7,463	7,463
Professional Fees	1,952	8,084	10,036
Repairs and Maintenance	1,253	18,291	19,544
Security and Background Checks	-	53	53
Staff Training	-	4,572	4,572
Telephone	403	7,878	8,281
Travel and Meetings	-	1,964	1,964
Utilities	862	11,999	12,861
Web Programs	<u>2,587</u>	<u>8,068</u>	<u>10,655</u>
 Total Expenses	 <u>\$ 157,701</u>	 <u>\$ 861,513</u>	 <u>\$ 1,019,214</u>

The above direct costs agree substantially to the filed Annual Report (MHMA 440).

**(See Independent Auditors' Report on Supplementary Information)**