

Audited  
Financial  
Statements

June 30,  
2017

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The Mental Health  
Association of  
Frederick County, Inc.

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Smith Elliott Kearns & Company, LLC  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
The Mental Health Association of Frederick County, Inc.  
Frederick, Maryland

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of The Mental Health Association of Frederick County, Inc., which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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.

#### *Auditor's 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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 auditor considers 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 significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements referred to above present fairly, in all material respects, the financial position of The Mental Health Association of Frederick County, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**PRIOR PERIOD FINANCIAL STATEMENTS**

The financial statements of The Mental Health Association of Frederick County, Inc. as of June 30, 2016, were audited by other auditors whose report dated November 1, 2016, expressed an unmodified opinion on those statements.

*Smith Elliott Heavens & Company, LLC*

Hagerstown, Maryland  
September 19, 2017

**THE MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**Statements of Financial Position**  
**June 30, 2017 and 2016**

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	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 346,311	\$ 376,038
Investments	145,988	129,123
Grants receivable	218,560	200,760
Pledges receivable	128,860	141,207
Accounts receivable - other	19,152	5,585
Prepaid expenses	21,301	24,327
Future Interest Endowment Fund held by CFFC	50,801	45,842
Land, building and equipment, net	<u>2,707,931</u>	<u>2,838,089</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,638,904</u></b>	<b><u>\$ 3,760,971</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 152,753	\$ 143,104
Notes payable	1,136,175	1,161,193
Unexpended portion of grants received	<u>55,088</u>	<u>65,131</u>
Total Liabilities	<u>1,344,016</u>	<u>1,369,428</u>
<b>Net Assets</b>		
Unrestricted		
Undesignated	2,093,320	2,169,420
Board designated	201,568	215,382
Temporarily restricted	<u>-</u>	<u>6,741</u>
Total Net Assets	<u>2,294,888</u>	<u>2,391,543</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 3,638,904</u></b>	<b><u>\$ 3,760,971</u></b>

**THE MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**Statement of Activities**  
**Year Ended June 30, 2017**

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	Unrestricted	Temporarily Restricted	Total
<b>UNRESTRICTED REVENUES AND OTHER SUPPORT</b>			
Public grants	\$ 1,602,648	\$ -	\$ 1,602,648
Program service revenue	282,173	-	282,173
Contract revenue	190,793	-	190,793
United Way	37,798	-	37,798
Donations and foundation grants	442,191	-	442,191
Special event revenue	130,430	-	130,430
In-kind donated goods and services	66,837	-	66,837
Membership dues	4,610	-	4,610
Other income	6,676	-	6,676
Investment income, net	19,258	-	19,258
Net assets released by restrictions	6,741	(6,741)	-
	<u>2,790,155</u>	<u>(6,741)</u>	<u>2,783,414</u>
<b>EXPENSES</b>			
Program Services			
Preparing resilient children	752,978	-	752,978
Securing vulnerable families	414,618	-	414,618
Facing crises together	1,095,490	-	1,095,490
Supporting our whole community	204,782	-	204,782
Total Program Services	2,467,868	-	2,467,868
Supporting Services			
Management and general	306,136	-	306,136
Fundraising	106,065	-	106,065
Total Supporting Services	412,201	-	412,201
Total Expenses	2,880,069	-	2,880,069
Changes in Unrestricted Net Assets	(89,914)	(6,741)	(96,655)
<b>UNRESTRICTED NET ASSETS, BEGINNING OF YEAR</b>	<u>2,384,802</u>	<u>6,741</u>	<u>2,391,543</u>
<b>UNRESTRICTED NET ASSETS, END OF YEAR</b>	<u>\$ 2,294,888</u>	<u>\$ -</u>	<u>\$ 2,294,888</u>

**THE MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**Statement of Activities**  
**Year Ended June 30, 2016**

	Unrestricted	Temporarily Restricted	Total
<b>UNRESTRICTED REVENUES AND OTHER SUPPORT</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	411,897	-	411,897
Special event revenue	143,139	-	143,139
In-kind donated goods and services	69,677	-	69,677
Membership dues	5,220	-	5,220
Other income	6,807	-	6,807
Investment income, net	128	-	128
Net assets released by restrictions	46,072	(46,072)	-
	<u>2,694,074</u>	<u>(46,072)</u>	<u>2,648,002</u>
Total Support and Revenues			
<b>EXPENSES</b>			
Program services:			
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	219,058	-	219,058
Total Program Services	2,367,904	-	2,367,904
Supporting services:			
Management and general	303,545	-	303,545
Fundraising	109,414	-	109,414
Total Supporting Services	412,959	-	412,959
Total Expenses	<u>2,780,863</u>	<u>-</u>	<u>2,780,863</u>
Changes in Unrestricted Net Assets	(86,789)	(46,072)	(132,861)
<b>UNRESTRICTED NET ASSETS, BEGINNING OF YEAR</b>	<u>2,471,591</u>	<u>52,813</u>	<u>2,524,404</u>
<b>UNRESTRICTED NET ASSETS, END OF YEAR</b>	<u>\$ 2,384,802</u>	<u>\$ 6,741</u>	<u>\$ 2,391,543</u>

**THE MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2017**

	Program Services				Supporting Services			Total
	Preparing Resilient Children	Securing Vulnerable Families	Facing Crises Together	Supporting Our Whole Community	Total Program Services	Management and General	Fundraising	
Salaries	\$ 518,150	\$ 303,954	\$ 831,613	\$ 78,700	\$ 1,732,417	\$ 235,746	\$ 11,195	\$ 1,979,358
Employee benefits	32,090	15,119	27,123	3,602	77,934	13,325	155	91,414
Payroll taxes	40,324	24,401	67,077	6,447	138,249	17,734	830	156,813
<b>Total Salaries and Related Expenses</b>	<b>590,564</b>	<b>343,474</b>	<b>925,813</b>	<b>88,749</b>	<b>1,948,600</b>	<b>266,805</b>	<b>12,180</b>	<b>2,227,585</b>
Advertising	1,138	-	4,389	352	5,879	-	-	5,879
Client training	37,209	3,761	2,302	12,465	55,737	-	-	55,737
Depreciation	27,167	17,400	55,399	18,114	118,080	12,078	-	130,158
Dues and publications	4,082	512	1,415	965	6,974	1,400	-	8,374
Equipment	1,038	1,963	2,091	7,849	12,941	-	-	12,941
Fundraising direct expenses	-	-	-	-	-	-	23,834	23,834
In-kind expenses	-	-	-	-	-	-	66,837	66,837
Insurance	4,416	2,591	8,159	674	15,840	1,989	91	17,920
Interest and finance charges	9,463	10,920	24,358	10,466	55,207	-	1,718	56,925
Interpreter services	875	417	2,844	5	4,141	-	-	4,141
Miscellaneous	39	531	232	10,289	11,091	1,475	168	12,734
Office supplies	3,757	1,074	1,815	423	7,069	4,221	10	11,300
Postage	2,183	240	133	28	2,584	443	463	3,490
Printing	3,681	-	1,638	2,020	7,339	111	-	7,450
Professional fees	7,384	4,333	12,751	5,473	29,941	2,328	95	32,364
Program library materials	959	50	-	183	1,192	-	-	1,192
Rent	3,658	1,102	-	-	4,760	1,743	-	6,503
Repairs and maintenance	12,578	7,001	16,432	6,712	42,723	8,753	179	51,655
Security and background checks	279	2,247	524	461	3,511	-	490	4,001
Staff training	9,846	3,046	2,130	31,201	46,223	121	-	46,344
Telephone	7,324	3,716	9,743	605	21,388	1,281	-	22,669
Travel and meetings	16,323	4,278	1,926	1,368	23,895	275	-	24,170
Utilities	4,919	3,021	10,076	677	18,693	2,567	-	21,260
Web programs	4,096	2,941	11,320	5,703	24,060	546	-	24,606
<b>TOTAL EXPENSES</b>	<b>\$ 752,978</b>	<b>\$ 414,618</b>	<b>\$ 1,095,490</b>	<b>\$ 204,782</b>	<b>\$ 2,467,868</b>	<b>\$ 306,136</b>	<b>\$ 106,065</b>	<b>\$ 2,880,069</b>



**THE MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2016**

	Program Services				Supporting Services			Total
	Preparing Resilient Children	Securing Vulnerable Families	Facing Crises Together	Supporting Our Whole Community	Total Program Services	Management and General	Fundraising	
Salaries	\$ 499,984	\$ 305,512	\$ 687,597	\$ 96,154	\$ 1,589,247	\$ 216,361	\$ 244	\$ 1,805,852
Employee benefits	46,554	20,478	43,030	4,398	114,460	20,115	28	134,603
Payroll taxes	42,840	26,573	60,997	8,308	138,718	17,583	20	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>254,059</b>	<b>292</b>	<b>2,096,776</b>
Advertising	1,710	60	5,995	-	7,765	-	-	7,765
Client training	45,510	448	-	15,599	61,557	-	-	61,557
Depreciation	25,581	19,803	62,119	3,705	111,208	14,852	-	126,060
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	13,749	14,020	2,103	-	16,123
Office supplies	5,832	862	1,199	1,076	8,969	4,732	-	13,701
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
Rent	3,466	1,275	-	-	4,741	2,309	-	7,050
Repairs and maintenance	11,615	7,167	16,919	2,707	38,408	7,507	101	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	2,301	-	19,089
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>\$ 219,058</b>	<b>\$ 2,367,904</b>	<b>\$ 303,545</b>	<b>\$ 109,414</b>	<b>\$ 2,780,863</b>

**THE MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2017 and 2016**

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	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (96,655)	\$ (132,861)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	130,158	126,060
Net realized and unrealized gain on investments	(14,705)	(128)
(Increase) decrease in grants receivable	(17,800)	24,001
(Increase) decrease in pledges receivable	12,347	(9,873)
(Increase) in other receivables	(13,567)	(2,148)
(Increase) decrease in prepaid expenses	3,026	(8,463)
Increase (decrease) in unexpended portion of grants received	(10,043)	37,167
Increase in accounts payable and accrued expenses	<u>9,649</u>	<u>9,853</u>
Net Cash Provided by Operating Activities	<u>2,410</u>	<u>43,608</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	-	(41,753)
Net proceeds from sale (purchase of) investments	<u>(7,119)</u>	<u>4,108</u>
Net Cash (Used in) Investing Activities	<u>(7,119)</u>	<u>(37,645)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on notes payable	<u>(25,018)</u>	<u>(23,904)</u>
Net Cash (Used in) Financing Activities	<u>(25,018)</u>	<u>(23,904)</u>
Net Change in Cash and Cash Equivalents	(29,727)	(17,941)
<b>CASH, BEGINNING OF YEAR</b>	<u>376,038</u>	<u>393,979</u>
<b>CASH, END OF YEAR</b>	<u>\$ 346,311</u>	<u>\$ 376,038</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for:		
Interest	\$ 48,310	\$ 45,720

**THE MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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***Organization and Nature of Operations***

Mental Health Association of Frederick County, Inc. (Association) is a not-for-profit organization founded in 1965. 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.

Through 12 active programs, the Association provides services that prepare resilient children, secure vulnerable families, stand beside people as they face crises, and support our whole community through mental health education and advocacy. Services include: 24-hour call center, professional development/capacity building for early childhood professionals, counseling services, court appointed special advocates, healthy families, mental health first aid, parent coaching, partnership for emotionally resilient kids, suicide prevention/intervention training, supervised visitation/monitored transfer, survivors of suicide support group, systems navigation, telephone reassurance, and walk-in behavioral health.

***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.

***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.

***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.

**THE MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***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.

***Basis of Accounting and Presentation***

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. 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 \$0 and \$6,741, at June 30, 2017 and 2016, 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, 2017 and 2016, 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.

***Reclassifications***

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

**THE MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Use of Estimates in the Preparation of Financial Statements***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Investments***

Investments are reported at fair value in the Statements of Financial Position. Realized and unrealized gains and losses are included in investment income, net in the Statements of Activities.

***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. The Association capitalizes property and equipment over \$2,000. Lesser amounts are expensed. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to expense as incurred. Depreciation is calculated on the straight-line basis over the useful lives of the assets:

Buildings	5-39 years
Equipment	3-10 years
Furniture & fixtures	3-10 years
Computer equipment & software	3-5 years

***Compensated Absences***

The Association's personnel policies allow employees to accumulate a limited amount of earned but unused vacation leave, which will be paid to employees in the event of termination. Employees are not paid for sick leave accumulated at the time they terminate employment with the Association. The Association has recorded provision for the accumulated unused vacation leave in the financial statements.

**THE MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***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 that are 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.

***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 \$66,837 and \$69,677 for the years ended June 30, 2017 and 2016, respectively.

***General and Program Service 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.

***Advertising***

Advertising costs are expensed as incurred and included in program services. Advertising and marketing expense amounted to \$5,879 and \$7,765 for the years ended June 30, 2017 and 2016, respectively.

**THE MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Income Tax Status***

The Association has been recognized by the Internal Revenue Service as a not-for-profit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code on income from operations related to its tax-exempt purpose. 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 FASB Accounting Standards Codification, which provides guidance on accounting for uncertainty in income taxes recognized in an organization's financial statements. The Association's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense in the financial statements. The Association's federal and state tax returns are subject to examination by the Internal Revenue Service and state tax authorities, generally for a period of three years after the returns are filed.

***Statements of Cash Flows***

For purposes of the statement of cash flows, 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.

**NOTE 2 INVESTMENTS**

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Investments are carried at fair value at June 30, 2017 and 2016 and consist of the following:

	<b>2017</b>	<b>2016</b>
Cash and cash equivalents	\$ 3,169	\$ 3,670
Exchange traded funds	<u>142,819</u>	<u>125,453</u>
Total investments	<u>\$ 145,988</u>	<u>\$ 129,123</u>

The Association invests in various investment securities, which are exposed to various risk, 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 MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

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**NOTE 2 INVESTMENTS (CONTINUED)**

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The components of investment income at June 30, 2017 and 2016 are as follows:

	<b>2017</b>	<b>2016</b>
Interest and dividends	\$ 8,188	\$ 7,772
Unrealized gains (losses)	9,884	360
Realized gains (losses)	3,626	(5,698)
Investment expenses	<u>(2,440)</u>	<u>(2,306)</u>
	<u><u>\$ 19,258</u></u>	<u><u>\$ 128</u></u>

**NOTE 3 PLEDGES RECEIVABLE**

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Pledges receivable at June 30, 2017 are unconditional promises to give to be received by the Association in years subsequent to June 30, 2017. Pledges receivable consists of the following:

	<b>2017</b>	<b>2016</b>
Receivable in less than one year	\$ 38,769	\$ 77,117
Receivable in one to five years	88,691	64,090
Receivable in five to ten years	<u>1,400</u>	<u>-</u>
Total pledges receivable	<u><u>\$ 128,860</u></u>	<u><u>\$ 141,207</u></u>

**NOTE 4 LAND, BUILDING AND EQUIPMENT**

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Property and equipment at June 30, 2017 consists of the following:

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Book Value</b>
<b>2017</b>			
Land	\$ 257,481	\$ -	\$ 257,481
Building	2,832,836	454,112	2,378,724
Equipment	124,052	86,047	38,005
Furniture and fixtures	98,989	88,113	10,876
Computer equipment and software	<u>49,760</u>	<u>26,915</u>	<u>22,845</u>
	<u><u>\$ 3,363,118</u></u>	<u><u>\$ 655,187</u></u>	<u><u>\$ 2,707,931</u></u>
<b>2016</b>			
Land	\$ 257,481	\$ -	\$ 257,481
Building	2,832,836	366,557	2,466,279
Equipment	124,417	70,925	53,492
Furniture and fixtures	100,134	75,679	24,455
Computer equipment and software	<u>67,157</u>	<u>30,775</u>	<u>36,382</u>
	<u><u>\$ 3,382,025</u></u>	<u><u>\$ 543,936</u></u>	<u><u>\$ 2,838,089</u></u>

Depreciation charged to expense was \$130,158 and \$126,060 for the years ended June 30, 2017 and 2016, respectively.



# THE MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.

## Notes to Financial Statements

June 30, 2017 and 2016

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### NOTE 5 LINE OF CREDIT

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The Association entered into a line of credit with Revere Bank in October 2011 which allows the Association to borrow up to \$50,000 against the value of eligible investment securities. The line of credit has a variable interest rate of 1% plus the Wall Street Journal Prime Rate (4.25% at June 30, 2017). The line of credit agreement requires the Association to maintain a minimum balance of \$80,000 in its investment account at all times. The Association did not have an amount outstanding on the line of credit at June 30, 2017 and 2016.

### NOTE 6 LONG-TERM DEBT

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Detail of the Association's indebtedness as of June 30 is as follows:

	<u>2017</u>	<u>2016</u>
Note payable to City of Frederick; payable upon transfer or sale of the land and building (see paragraph "a" below)	\$ 50,000	\$ 50,000
Note payable to Revere Bank, due March 2020 (see paragraph "b" below)	<u>1,086,175</u>	<u>1,111,193</u>
	<u>\$ 1,136,175</u>	<u>\$ 1,161,193</u>

- (a) In September 2010 (the Closing Date), the Association entered into a Community Development Block Grant agreement with the City of Frederick, Maryland for the acquisition of real property at 226 South Jefferson Street, Frederick, Maryland. The loan is non-interest bearing and is payable upon the transfer or sale of the land and building. This loan is secured by the land and building. The remaining book value on the collateral at June 30, 2017 is \$2,636,206.
- (b) In February 2010, the Association entered into a loan agreement with Revere Bank in the amount of \$1,250,000 to finance the acquisition of and improvements to the land and building at 226 South Jefferson Street, Frederick, Maryland. In February 2015, the Association refinanced this loan in the amount of \$1,142,215 with a monthly payment of \$5,802, including interest at a fixed rate of 4%. The loan is collateralized by a purchase money deed of trust on real property located at 226 South Jefferson Street, Frederick, Maryland, as well as a blanket assignment of rents and leases and a first lien on all business assets of the Association. The loan matures March 2020, at which time a balloon payment is due. The remaining book value on the collateral at June 30, 2017 is \$2,636,206.

The Association is required to meet certain financial loan covenants, including a cash flow to debt service ratio of 1.0 to 1.0, and maintaining total net assets of not less than \$500,000. For the year ended June 30, 2017, the Association has met these covenants.

**THE MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

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**NOTE 6 LONG-TERM DEBT (CONTINUED)**

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Maturities of long-term debt in each of the next five years are as follows:

<u>Year Ending June 30,</u>		
2018	\$	26,052
2019		27,128
2020		1,032,995
Thereafter		50,000
	<u>\$</u>	<u>1,136,175</u>

**NOTE 7 RETIREMENT PLAN**

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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.

**NOTE 8 COMMITMENTS AND CONTINGENCIES**

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***Revenue and Support Dependency***

The Organization is significantly dependent on public grants from various state and federal agencies. Public grants represent 57% of total revenue for the years ended June 30, 2017 and 2016, respectively. Curtailment of grant funding by the grantor agencies could have a significant negative effect on the operations of the Organization.

***Operating Leases***

The Association leases office facilities on a monthly basis. Total rent expense for the years ended June 30, 2017 and 2016 was \$6,251 and \$6,300, respectively.

**NOTE 9 FUTURE INTEREST IN ENDOWMENT HELD BY THE CFFC**

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The Association established The Mental Health Association Endowment Fund (Fund) at the Community Foundation of Frederick County, Inc. (CFFC) 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 Association has a future interest in the investments held and owned by the CFFC. The Association is entitled 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 CFFC'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 CFFC. The fair value of this account at June 30, 2017 and 2016 was \$50,801 and \$45,842, respectively.

**THE MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

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**NOTE 10 BOARD DESIGNATED NET ASSETS**

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Board designated net assets consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Future interest in endowment fund held by the Community Foundation of Frederick County, Inc.	\$ 50,801	\$ 45,842
Mortgage reserve	99,935	118,971
Building repairs and maintenance	50,832	50,569
	<u>\$ 201,568</u>	<u>\$ 215,382</u>

**NOTE 11 FAIR VALUE MEASUREMENTS**

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Accounting standards for fair value measurements establish a framework for measuring fair value, establish a three-level valuation hierarchy for disclosure of fair value measurement and enhance disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- **Level 1** – Represented by quoted prices that are available in an active market. Level 1 securities include highly liquid government bonds, treasury securities, mortgage products, exchange-traded equities, and mutual funds.
- **Level 2** – Represented by assets and liabilities similar to Level 1 where quoted prices are not available, but are observable, either directly or indirectly through corroboration with observable market data, such as quoted prices for similar securities and quoted prices in inactive markets and estimated using pricing models or discounted cash flows. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of state and political subdivisions and certain corporate, asset backed securities and swap agreements.
- **Level 3** – Represented by financial instruments where there is limited activity or unobservable market prices and pricing models significant to determining the fair value measurement include the reporting entity’s own assumptions about the market risk. Level 3 securities would include hedge funds, private equity securities, and private investments in public entities.

Fair values of assets measured on a recurring basis at June 30, 2017 and 2016 are as follows:

**THE MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

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**NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)**

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Description	Total Fair Value	Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<b>June 30, 2017</b>				
Cash and cash equivalents	\$ 3,169	\$ 3,169	\$ -	\$ -
Exchange traded funds				
Fixed income	49,037	49,037	-	-
Large cap blend	22,493	22,493	-	-
Large cap value	38,579	38,579	-	-
Large cap growth	32,710	32,710	-	-
CFFC endowment	50,801	-	50,801	-
	<u>\$ 196,789</u>	<u>\$ 145,988</u>	<u>\$ 50,801</u>	<u>\$ -</u>
<b>June 30, 2016</b>				
Cash and cash equivalents	\$ 3,670	\$ 3,670	\$ -	\$ -
Exchange traded funds				
Fixed income	43,675	43,675	-	-
Large cap core	30,884	30,884	-	-
Large cap value	28,990	28,990	-	-
Large cap growth	21,904	21,904	-	-
CFFC endowment	45,842	-	45,842	-
	<u>\$ 174,965</u>	<u>\$ 129,123</u>	<u>\$ 45,842</u>	<u>\$ -</u>

The fair values for Level 1 assets are determined by reference to quoted market prices and other relevant information generated by active market transactions.

**NOTE 12 SUBSEQUENT EVENTS**

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The Association has evaluated events and transactions subsequent to June 30, 2017 through September 19, 2017, the date these financial statements were available to be issued. Based on the definitions of generally accepted accounting principles, management has not identified any events that have occurred subsequent to June 30, 2017 and through September 19, 2017 that requires recognition or disclosure in the financial statements.



## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors  
The Mental Health Association of Frederick County, Inc.  
Frederick, Maryland

We have audited the financial statements of The Mental Health Association of Frederick County, Inc. as of and for the year ended June 30, 2017 and our report thereon dated September 19, 2017, which expressed an unmodified opinion on those financial statements, appears on pages 1-2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole.

The Schedules of Facing Crises Together are presented for the purposes 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 as a whole.

The financial statements of The Mental Health Association of Frederick County, Inc. for the year ended June 30, 2016, were audited by other auditors and their report thereon dated November 1, 2016, expressed an unmodified opinion on those financial statements. Their report, as of the same date, on the Schedule of Facing Crises Together, stated that, in their opinion, such information was fairly stated in all material respects in relation to the financial statements for the year ended June 30, 2016, as a whole.

Hagerstown, Maryland  
September 19, 2017

**THE MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**Schedule of Facing Crises Together**  
**Year Ended June 30, 2017**

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	<b>Maryland Crisis Hotline</b>	<b>Other Facing Crises Together</b>	<b>Total Facing Crises Together</b>
Salaries	\$ 145,806	\$ 685,807	\$ 831,613
Employee benefits	3,144	23,979	27,123
Payroll taxes	<u>11,719</u>	<u>55,358</u>	<u>67,077</u>
 Total Salaries and Related Expenses	 160,669	 765,144	 925,813
Advertising	-	4,389	4,389
Depreciation	864	54,535	55,399
Dues and publications	-	1,415	1,415
Equipment	-	2,091	2,091
Insurance	1,236	6,923	8,159
Interest and finance charges	-	24,358	24,358
Interpreter services	-	2,844	2,844
Miscellaneous	-	232	232
Office supplies	-	1,815	1,815
Postage	-	133	133
Printing	-	1,638	1,638
Professional fees	3,143	9,608	12,751
Program service expense	-	2,302	2,302
Repairs and maintenance	436	15,996	16,432
Security and background checks	-	524	524
Staff training	-	2,130	2,130
Telephone	128	9,615	9,743
Travel and meetings	-	1,926	1,926
Utilities	758	9,318	10,076
Web programs	<u>2,467</u>	<u>8,853</u>	<u>11,320</u>
 <b>TOTAL EXPENSES</b>	 <u>\$ 169,701</u>	 <u>\$ 925,789</u>	 <u>\$ 1,095,490</u>

**THE MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**Schedule of Facing Crises Together**  
**Year Ended June 30, 2016**

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	<b>Maryland Crisis Hotline</b>	<b>Other Facing Crises Together</b>	<b>Total Facing Crises Together</b>
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 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>
 <b>TOTAL EXPENSES</b>	 <u>\$ 166,214</u>	 <u>\$ 796,097</u>	 <u>\$ 962,311</u>