

**Mental Health Association of  
Montgomery County, MD, Inc. and Subsidiary**

**Consolidated Financial Statements  
June 30, 2015 and 2014**

**With Independent Auditor's Report Thereon**

**Mental Health Association of  
Montgomery County, MD, Inc. and Subsidiary**

**Table of Contents**

<u>Title</u>	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4 - 5
Consolidated Statements of Functional Expenses	6 - 7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9 - 20



One Church Street  
Suite 204  
Rockville, Maryland 20850

Office: 301.738.9040  
Fax: 301.738.9010  
Toll-Free: 800.541.5811

## Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Mental Health Association of Montgomery County, MD, Inc. (a nonprofit organization) and subsidiary, which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mental Health Association of Montgomery County, MD, Inc. and subsidiary as of June 30, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Saggar + Rosenberg . PC*

Rockville, Maryland  
November 19, 2015

**Mental Health Association of Montgomery County, MD, Inc. and Subsidiary**  
**Consolidated Statements of Financial Position**  
**June 30, 2015 and 2014**

	<u>Assets</u>	
	<u>2015</u>	<u>2014</u>
Current Assets		
Cash and cash equivalents	\$ 646,454	\$ 207,343
Contracts receivable	682,962	1,102,678
Contributions receivable	111,425	215,664
Other receivable	6,125	2,603
Prepaid expenses	9,777	26,447
Total Current Assets	<u>1,456,743</u>	<u>1,554,735</u>
Property and Equipment, Net	<u>907,840</u>	<u>958,347</u>
Other Assets		
Deposits	2,220	2,520
Restricted cash	47,336	42,468
Investments	808,203	823,634
Total Other Assets	<u>857,759</u>	<u>868,622</u>
Total Assets	<u>\$ 3,222,342</u>	<u>\$ 3,381,704</u>
	<u>Liabilities and Net Assets</u>	
Current Liabilities		
Accounts payable	\$ 57,965	\$ 90,002
Accrued expenses	333,157	354,705
Mortgages payable, current portion	323,705	7,844
Total Current Liabilities	<u>714,827</u>	<u>452,551</u>
Long-term Liabilities		
Mortgages payable, net of current portion	<u>809,619</u>	<u>1,132,986</u>
Total Liabilities	<u>1,524,446</u>	<u>1,585,537</u>
Net Assets		
Unrestricted		
Undesignated	1,102,659	1,131,689
Designated by Board of Directors	350,000	350,000
Total Unrestricted	<u>1,452,659</u>	<u>1,481,689</u>
Temporarily restricted	<u>245,237</u>	<u>314,478</u>
Total Net Assets	<u>1,697,896</u>	<u>1,796,167</u>
Total Liabilities and Net Assets	<u>\$ 3,222,342</u>	<u>\$ 3,381,704</u>

See Independent Auditor's Report and Accompanying Notes

**Mental Health Association of Montgomery County, MD, Inc. and Subsidiary**  
**Consolidated Statement of Activities**  
**For the Year Ended June 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Contract revenue	\$ 4,035,531	\$ -	\$ 4,035,531
Contributions	603,654	261,000	864,654
Rental income	157,612	-	157,612
Program fees	313,326	-	313,326
Interest income and unrealized losses	(2,175)	-	(2,175)
Subtotal	<u>5,107,948</u>	<u>261,000</u>	<u>5,368,948</u>
Net Assets Released from Restrictions			
Satisfaction of time restrictions	215,000	(215,000)	-
Satisfaction of purpose restrictions	115,241	(115,241)	-
Total Support and Revenue	<u>5,438,189</u>	<u>(69,241)</u>	<u>5,368,948</u>
Expenses			
Program services	4,526,698	-	4,526,698
Management and general	743,964	-	743,964
Fundraising	196,557	-	196,557
Total Expenses	<u>5,467,219</u>	<u>-</u>	<u>5,467,219</u>
Change in Net Assets	(29,030)	(69,241)	(98,271)
Net Assets at Beginning of Year	<u>1,481,689</u>	<u>314,478</u>	<u>1,796,167</u>
Net Assets at End of Year	<u>\$ 1,452,659</u>	<u>\$ 245,237</u>	<u>\$ 1,697,896</u>

See Independent Auditor's Report and Accompanying Notes

**Mental Health Association of Montgomery County, MD, Inc. and Subsidiary**  
**Consolidated Statement of Activities**  
**For the Year Ended June 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Contract revenues	\$ 4,006,508	\$ -	\$ 4,006,508
Contributions	710,322	151,946	862,268
Rental income	193,081	-	193,081
Program fees	229,718	-	229,718
Interest and other income	94,008	-	94,008
Subtotal	<u>5,233,637</u>	<u>151,946</u>	<u>5,385,583</u>
Net Assets Released from Restrictions			
Satisfaction of time restrictions	235,000	(235,000)	-
Sat Satisfaction of purpose restrictions	113,361	(113,361)	-
Total Support and Revenue	<u>5,581,998</u>	<u>(196,415)</u>	<u>5,385,583</u>
Expenses			
Program services	4,488,793	-	4,488,793
Management and general	797,415	-	797,415
Fundraising	196,167	-	196,167
Total Expenses	<u>5,482,375</u>	<u>-</u>	<u>5,482,375</u>
Change in Net Assets	99,623	(196,415)	(96,792)
Net Assets at Beginning of Year	<u>1,382,066</u>	<u>510,893</u>	<u>1,892,959</u>
Net Assets at End of Year	<u>\$ 1,481,689</u>	<u>\$ 314,478</u>	<u>\$ 1,796,167</u>

See Independent Auditor's Report and Accompanying Notes

**Mental Health Association of Montgomery County, MD, Inc. and Subsidiary**  
**Consolidated Statement of Functional Expenses**  
**For the Year Ended June 30, 2015**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 3,149,456	\$ 551,856	\$ 125,902	\$ 3,827,214
Occupancy	152,603	6,102	-	158,705
Fringe benefits	562,551	98,572	22,489	683,612
Professional services	223,307	35,812	24,708	283,827
Client allowances	87,016	-	-	87,016
Depreciation	62,151	7,893	-	70,044
Supplies	56,772	1,899	610	59,281
Insurance	25,570	10,995	-	36,565
Repairs and maintenance	62,026	5,465	-	67,491
Communications	39,283	3,521	105	42,909
Travel	33,119	765	231	34,115
Printing and publications	18,440	936	8,984	28,360
Seminars	26,438	210	3,194	29,842
Interest	-	18,687	-	18,687
Miscellaneous	24,688	1,099	6,200	31,987
Postage	<u>3,278</u>	<u>152</u>	<u>4,134</u>	<u>7,564</u>
Total expenses	<u>\$ 4,526,698</u>	<u>\$ 743,964</u>	<u>\$ 196,557</u>	<u>\$ 5,467,219</u>
Percentage of total expenses	<u>82.80%</u>	<u>13.60%</u>	<u>3.60%</u>	<u>100.00%</u>

See Independent Auditor's Report and Accompanying Notes

**Mental Health Association of Montgomery County, MD, Inc. and Subsidiary**  
**Consolidated Statement of Functional Expenses**  
**For the Year Ended June 30, 2014**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 2,972,277	\$ 470,190	\$ 149,504	\$ 3,591,971
Occupancy	268,516	4,998	-	273,514
Fringe benefits	445,937	70,544	22,430	538,911
Professional services	243,875	200,652	4,240	448,767
Client allowances	137,607	-	-	137,607
Depreciation	63,861	8,274	-	72,135
Supplies	107,110	1,548	2,121	110,779
Insurance	31,838	3,681	-	35,519
Repairs and maintenance	66,186	7,212	-	73,398
Communications	40,319	2,956	19	43,294
Travel	41,922	1,121	-	43,043
Printing and publications	22,784	1,245	6,616	30,645
Seminars	14,317	-	45	14,362
Interest	-	18,687	-	18,687
Miscellaneous	26,167	5,998	5,772	37,937
Postage	6,077	309	5,420	11,806
	<u>4,488,793</u>	<u>797,415</u>	<u>196,167</u>	<u>5,482,375</u>
Total expenses	\$ <u>4,488,793</u>	\$ <u>797,415</u>	\$ <u>196,167</u>	\$ <u>5,482,375</u>
Percentage of total expenses	<u>81.87%</u>	<u>14.55%</u>	<u>3.58%</u>	<u>100.00%</u>

See Independent Auditor's Report and Accompanying Notes

**Mental Health Association of Montgomery County, MD, Inc. and Subsidiary**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (98,271)	\$ (96,792)
Adjustments to reconcile change in net assets to		
Net cash provided by / (used in) operating activities:		
Depreciation	70,044	72,135
Unrealized loss (gain) on investments	51,908	(63,345)
Change in assets and liabilities		
Decrease / (Increase) in contracts receivable	419,716	(421,127)
Decrease in contributions receivable	104,239	250,058
(Increase) / Decrease in other receivable	(3,522)	7,569
Decrease / (Increase) in prepaid expenses	16,670	(17,129)
Decrease in deposits	300	800
Increase in restricted cash	(4,868)	(293)
(Decrease) / Increase in accounts payable	(32,037)	22,305
(Decrease) / Increase in accrued expenses	<u>(21,548)</u>	<u>175,721</u>
Net Cash Provided By / (Used In) Operating Activities	<u>502,631</u>	<u>(70,098)</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	(19,537)	(82,984)
Proceeds from sales and maturities of investments	10,000	5,000
Purchases of investments and reinvestment of interest and dividends	<u>(46,477)</u>	<u>(29,194)</u>
Net Cash Used In Investing Activities	<u>(56,014)</u>	<u>(107,178)</u>
Cash Flows From Financing Activities		
Principal payments on mortgage payable	<u>(7,506)</u>	<u>(7,100)</u>
Net Cash Used In Financing Activities	<u>(7,506)</u>	<u>(7,100)</u>
Net Increase / (Decrease) In Cash	439,111	(184,376)
Cash and Cash Equivalents at Beginning of Year	<u>207,343</u>	<u>391,719</u>
Cash and Cash Equivalents at End of Year	<u>\$ 646,454</u>	<u>\$ 207,343</u>
Supplemental Disclosure of Cash Flow Information:		
Interest paid during the year	<u>\$ 18,281</u>	<u>\$ 18,687</u>

See Independent Auditor's Report and Accompanying Notes

**Mental Health Association of Montgomery County, MD, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**

Note 1:        Organization

The Mental Health Association of Montgomery County, MD, Inc. (“MHA” or the “Organization”) was incorporated in 1957. MHA promotes mental wellness and supports those living with mental illness through education, advocacy and direct service programs. MHA currently manages 8 direct service programs for children, teens, families and senior adults, as well as individuals with long-term mental illness who reside in Montgomery County. MHA also works to reduce the stigma, educate the community about the importance of mental health and its impact on residents, empower people with information on identifying mental illness, and to connect individuals with needed mental health resources.

MHA is the sole member of Places for People, LLC, an entity that was formed in August 2003 to provide housing opportunities in Montgomery County for individuals with mental illness.

The program services provided by MHA include:

*Children’s Mental Health Services*

*Linkages to Learning, Regional Youth Services (RYS), Voices VS Violence*

Children, youth, and family programs provide services to at-risk children and families by offering counseling, case management, mentoring and educational activities. The services are provided at various places including MHA and its off-site locations, Montgomery County Public Schools, program participant homes and community-based centers. Services are provided under the guidance of mental health professionals to a variety of populations including newborn babies, children and their parents as well as adolescents. Volunteers provide tremendous support in most of these service areas. For the years ending June 30, 2015 and 2014, children’s mental health services had program expenses of \$2,797,662 and \$2,701,351, respectively.

*Adult’s Mental Health Services*

*Adult Homeless Mental Health Services – Shelter Plus Care, Representative Payee, Friendly Visitor, Crisis Response, Places for People, N\*Common*

Services are provided to individuals who are homeless, have a mental illness, are in need of community resources and unable to manage certain activities of daily living. Some of these services are provided by volunteers who provide companionship through caring concern and assistance and sometimes with the assistance of screened pets. Professional staff assess, counsel and assist individuals with accessing benefits and housing. N\*Common seeks to forge common bonds of mental wellness across our diverse community. For the years ending June 30, 2015 and 2014, adult’s mental health services had program expenses of \$898,966 and \$1,133,790, respectively.

See Independent Auditor’s Report

**Mental Health Association of Montgomery County, MD, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**

Note 1: Organization (continued)

Advocacy and Education Services

*Education & Community Relations, Red Flags, Continuing Education Events, Governmental Affairs, Mental Health First Aid (MHFA)*

Emphasis is placed on educating the community about the importance of prevention and early intervention in violence, mental illness and other important mental health related issues. MHA staff develops educational curriculums and campaigns that focus on children, family and the community that provide information and assistance on a variety of topics. For the years ended June 30, 2015 and 2014, advocacy and education services had total program expenses of \$169,492 and \$137,536, respectively.

Information & Referral Services

*HOPES – Hotline, Outreach & Programming for Emotional Support and Serving Together*

MHA professional staff works in cooperation with volunteers to provide residents of Montgomery County with supportive listening, information & referral and crisis response services. The hotline is manned by volunteers that provide assistance twenty-four hours per day, seven days each week. Volunteers also provide problem solving and crisis support as needed to regular callers. For the years ended June 30, 2015 and 2014, information & referral services had total program expenses of \$660,578 and \$516,116, respectively.

Note 2: Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of MHA and its wholly owned subsidiary, Places for People, LLC (“Places for People”), collectively known as the “Organizations”. All significant intercompany transactions and balances have been eliminated in consolidation.

Revenue Recognition

Revenue from contracts is recognized as related qualifying expenses are incurred. Revenue is deferred when funds are received but not yet earned. Program service revenue is recognized when received. Contributions are recognized as revenue when received or when an unconditional promise to give has been received and sufficient documentation exists.

Rental income is recognized as rents become due from tenants.

See Independent Auditor’s Report

**Mental Health Association of Montgomery County, MD, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**

Note 2: Summary of Significant Accounting Policies (continued)

Contributions are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted support.

Cash and Cash Equivalents

The Organizations consider highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities are stated at fair value in the consolidated statements of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measured date.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Contracts Receivable and Other Receivable

Contracts and other receivables are stated at amounts estimated by management to be the net realizable value. The Organizations charge off contracts and other receivable when it becomes apparent based upon age or customer circumstances that amounts will not be collected. As of June 30, 2015 and 2014, management estimates all contracts and other receivables to be collectible.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the fair value which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions revenue. Conditional promises to give are not included as support until the conditions are substantially met. As of June 30, 2015 and 2014, management estimates all contributions receivable to be fully collectible within the next fiscal year.

See Independent Auditor's Report

**Mental Health Association of Montgomery County, MD, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**

Note 2: Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are recorded at cost. The Organizations capitalize property and equipment purchases that are valued at \$1,000 or greater and that have an estimated useful life of greater than one year. The cost of maintenance and repairs is recorded as an expense when incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	Five to forty years
Furniture and equipment	Three to seven years
Vehicles	Five years

Donated Materials, Equipment, Facilities, and Services

Donated materials, equipment, and facilities are reflected as contributions in the accompanying consolidated financial statements at their estimated value at the date of receipt. Donated materials and equipment are recorded as unrestricted support unless there are explicit donor stipulations as to how the donated assets must be used. The Organization recognizes contributed services to the extent the services received create or enhance non-financial assets or require specialized skills that would be purchased if not provided by donation.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been either directly charged to the programs and supporting services as incurred or allocated based on usage for items such as depreciation and salaries.

Income Taxes

MHA is exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. Places for People is a disregarded entity for federal income taxes and is consolidated with MHA for federal income tax reporting. Income determined to be unrelated business income is taxable.

Taxable years June 30, 2012 through June 30, 2014 are subject to federal and other jurisdictions' tax authority examinations. Management is of the opinion that no liability will result from these actions.

See Independent Auditor's Report

**Mental Health Association of Montgomery County, MD, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**

Note 2: Summary of Significant Accounting Policies (continued)

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect specific amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior year financial statements may have been reclassified to conform to the current year presentation.

Subsequent Events

For the year ended June 30, 2015, the Organizations evaluated subsequent events for potential recognition and disclosure through November 19, 2015, the date the financial statements were available to be issued.

Note 3: Expenditures

Of the total costs incurred for the year ended June 30, 2015, the Organizations incurred 82.80% for program services, 13.60% for management and general operations, and 3.60% for fundraising.

Of the total costs incurred for the year ended June 30, 2014, the Organizations incurred 81.87% for program services, 14.55% for management and general operations, and 3.58% for fundraising.

Note 4: Investments and Fair Value Measurement

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

The three levels of the fair value hierarchy under FASB ASC 820, *Fair Value Measurements and Disclosures*, are described as follows:

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

**Mental Health Association of Montgomery County, MD, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**

Note 4: Investments and Fair Value Measurement (continued)

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.

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 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2015 and 2014.

*Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by MHA are deemed to be actively traded.

*Equity Securities:* Valued at the closing price reported on the active markets on which the individual securities are traded.

**Mental Health Association of Montgomery County, MD, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**

Note 4: Investments and Fair Value Measurement (continued)

As required by FASB ASC 820, MHA's portfolio investments are classified as follows:

<u>Investments at Fair Value as of June 30, 2015</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Blended funds	\$ 51,466	\$ --	\$ --	\$ 51,466
Growth funds	90,862	--	--	90,862
Value funds	91,620	--	--	91,620
Fixed funds	<u>521,364</u>	<u>--</u>	<u>--</u>	<u>521,364</u>
Total mutual funds	<u>755,312</u>	<u>--</u>	<u>--</u>	<u>755,312</u>
Equity securities:	<u>52,891</u>	<u>--</u>	<u>--</u>	<u>52,891</u>
Total investments at fair value	<u>\$ 808,203</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 808,203</u>

<u>Investments at Fair Value as of June 30, 2014</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Blended funds	\$ 61,547	\$ --	\$ --	\$ 61,547
Growth funds	89,417	--	--	89,417
Value funds	92,845	--	--	92,845
Fixed funds	<u>534,250</u>	<u>--</u>	<u>--</u>	<u>534,250</u>
Total mutual funds	<u>778,059</u>	<u>--</u>	<u>--</u>	<u>778,059</u>
Equity securities:	<u>45,575</u>	<u>--</u>	<u>--</u>	<u>45,575</u>
Total investments at fair value	<u>\$ 823,634</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 823,634</u>

Unrealized losses on investments for the fiscal year ended June 30, 2015 and unrealized gains on investments for the fiscal year ended June 30, 2014 were \$51,908 and \$63,345, respectively.

**Mental Health Association of Montgomery County, MD, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**

Note 5: Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2015</u>	<u>2014</u>
Land	\$ 194,488	\$ 194,488
Building and improvements	1,538,425	1,538,425
Furniture and equipment	252,711	233,174
Vehicles	<u>60,192</u>	<u>82,142</u>
Property and equipment, at cost	2,045,816	2,048,229
Less: accumulated depreciation	<u>(1,137,976)</u>	<u>(1,089,882)</u>
Property and equipment, net	<u>\$ 907,840</u>	<u>\$ 958,347</u>

Depreciation expense for the fiscal years ended June 30, 2015 and 2014 was \$70,044 and \$72,135, respectively.

Note 6: Restricted Cash

As of June 30, 2015 and 2014, MHA had \$47,336 and \$42,468 of restricted cash, respectively. The funds are held for collateral at a financial institution for a letter of credit, the purpose of which was to qualify MHA as a reimbursable employer for unemployment compensation purposes.

Note 7: Line of Credit

MHA maintains a line of credit through a commercial lender for working capital purposes, with a maximum borrowing of \$350,000. Interest is payable monthly at an interest rate of Prime plus 1.00% with a floor rate of 5.50%. Borrowings under the line of credit are secured by MHA's assets. The line of credit is subject to an annual review and is payable upon demand. As of June 30, 2015 and 2014, there were no borrowings against the line.

**Mental Health Association of Montgomery County, MD, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**

Note 8: Mortgages Payable

MHA entered into a \$350,000 mortgage payable during June 2006. The repayment of the mortgage was interest only during the first three years. In February 2010, the mortgage agreement was amended to reduce the note amount to \$347,274 and to extend the interest only period to February 2012. The mortgage matures in June 2016 with a balloon payment due for the remaining principal balance. MHA intends to refinance the mortgage during fiscal year 2016. Interest is payable monthly at 1.00% above the prime rate with a floor rate of 5.50%. The interest rate at June 30, 2015 and 2014 was 5.50%. The mortgage is secured by real property that has a combined book value of approximately \$228,000 and \$278,000 at June 30, 2015 and 2014, respectively. The property was appraised for \$2,100,000 in June 2006.

Places for People acquired five condominiums during September 2007 for the purpose of housing clients. The purchases were financed with an \$809,619 promissory note to Montgomery County Department of Housing and Community Affairs.

The note is secured by the condominiums which have a combined book value of approximately \$655,000 and \$671,000 at June 30, 2015 and 2014, respectively. The note does not bear any interest and will mature in 2047 with no payments during the first two years. After that time, Places for People is required to make annual payments equal to the lesser of \$20,875 or 50% of the net cash flows.

Future maturities of mortgages are as follows:

Year ending June 30,	
2016	\$ 323,705
2017	20,875
2018	20,875
2019	20,875
2020	20,875
Thereafter	<u>726,119</u>
	<u>\$ 1,133,324</u>

Mortgage interest expense for the fiscal years ended June 30, 2015 and 2014 was \$18,281 and \$18,687, respectively.

**Mental Health Association of Montgomery County, MD, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**

Note 9: Net Assets

Board Designated

As of June 30, 2015 and 2014, the Board of Directors designated a portion of investment balances held at a financial institution to be used as a reserve for future operating payments. These amounts are included in the consolidated statement of financial position within investments for \$350,000.

Temporarily Restricted

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2015</u>	<u>2014</u>
<i><u>Purpose restricted:</u></i>		
Places for People	\$ --	\$ 25,201
Medicaid Project	--	26,777
Website redesign and MHFA trainings	22,544	47,600
Serving Together	198,403	--
CINS Discretionary Fund	24,290	--
<i><u>Designated for future periods:</u></i>		
Robert Wood Johnson Foundation grant and matching contributions	<u>--</u>	<u>215,000</u>
Total temporarily restricted net assets	<u>\$ 245,237</u>	<u>\$ 314,478</u>

Note 10: Contingent Liabilities

MHA receives a substantial portion of its revenue from government grants and fees, certain of which are subject to audit by various government agencies. Until all audits through June 30, 2015 have been completed and final settlements have been reached, there exists a contingent liability to refund any amount received in excess of allowable costs. Management of MHA is of the opinion that no significant liability, if any, will result from these audits.

**Mental Health Association of Montgomery County, MD, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**

Note 11: Donated Facilities and Services

During the years ended June 30, 2015 and 2014, MHA was provided office space without charge. The estimated fair rental value of the space for fiscal years 2015 and 2014 was \$504 and \$90,240, respectively. The Organization recognized donated services for the fiscal year ended June 30, 2014 of \$151,200. Donated services were received for management and general and program services. The estimated fair rental value and the estimated fair value of donated services have been included in revenue from contributions and have also been allocated in the accompanying consolidated statement of activities among the functional expenses benefited.

Note 12: Rental Income

Places for People leases condominiums. Minimum future rental income under non-cancelable leases total \$43,059 for the year ended June 30, 2016.

Total rental income for fiscal year 2015 was \$157,612, \$75,454 of which was for leasing Places for People-owned condominiums. Total rental income for fiscal year 2014 was \$193,081, \$78,636 of which was for leasing Places for People-owned condominiums.

Note 13: Leases

MHA and Places for People rent equipment, office space, and apartment units under non-cancelable operating leases. Minimum future rental payments under non-cancelable leases are as follows:

Year ending June 30,	
2016	\$ 21,520
2017	21,036
2018	21,093
2019	<u>13,268</u>
Total	<u>\$ 76,917</u>

Total rent expense including donated rent for fiscal year 2015 was \$111,512, \$83,730 of which was for leasing apartment units.

Total rent expense including donated rent for fiscal year 2014 was \$231,490, \$112,354 of which was for leasing apartment units.

**Mental Health Association of Montgomery County, MD, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**

Note 14: Defined Contribution Pension Plan

MHA sponsors a defined contribution pension plan covering substantially all of its employees. MHA may make a discretionary match of a participating employee's salary. MHA contributed \$49,331 and \$48,499 to the plan during fiscal years 2015 and 2014, respectively.

Note 15: Concentrations

The Federal Deposit Insurance Corporation (FDIC) insures accounts up to \$250,000 at each institution. At June 30, 2015 and 2014, MHA exceeded the insured limit by \$483,422 and \$32,292, respectively.

For the year ended June 30, 2015 and 2014, MHA received 70% and 65% of its total revenue from the Montgomery County government, respectively. Receivables from Montgomery County Government accounted for 89% and 88%, respectively of contracts receivable at June 30, 2015 and 2014. MHA had a total of 11 contracts from the Montgomery County government in fiscal year 2015 and 16 contracts in fiscal year 2014.