

**MENTAL HEALTH ASSOCIATION
IN GREENSBORO, INC.**

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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Shelton Nelson
AND ASSOCIATES P.A.
STRATEGIC • COMPREHENSIVE • TRUSTED

Sandra L. Shelton, CPA
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mental Health Association in Greensboro, Inc.
Greensboro, NC

We have audited the accompanying financial statements of Mental Health Association in Greensboro, Inc., (a nonprofit organization) ("Association"), which comprise the statement of financial position as of June 30, 2017, and 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 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 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 Mental Health Association in Greensboro, 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.

Shelton Nelson and Associates P.A.

October 18, 2017

MENTAL HEALTH ASSOCIATION IN GREENSBORO, INC.

Statement of Financial Position

June 30, 2017

| | Unrestricted | Temporarily Restricted | 2017 | Summarized totals 2016 |
|---|------------------|---------------------------|-------------------|------------------------------|
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 50,200 | \$ 8,264 | \$ 58,464 | \$ 117,418 |
| Accounts receivable | 12,773 | - | 12,773 | 8,416 |
| Grants receivable | - | 67,401 | 67,401 | 87,820 |
| Prepaid expenses | 5,895 | - | 5,895 | 1,360 |
| Total current assets | 68,868 | 75,665 | 144,533 | 215,014 |
| Property and equipment | | | | |
| Furniture and equipment | 18,910 | - | 18,910 | 15,256 |
| Less accumulated depreciation | (11,630) | - | (11,630) | (10,172) |
| Net property and equipment | 7,280 | - | 7,280 | 5,084 |
| Other assets - security deposit | 2,260 | - | 2,260 | 2,260 |
| Total assets | \$ 78,408 | \$ 75,665 | \$ 154,073 | \$ 222,358 |
| Liabilities and net assets | | | | |
| Current liabilities | | | | |
| Accounts payable | \$ 2,026 | \$ - | \$ 2,026 | \$ 2,300 |
| Accrued expenses, primarily salaries | 4,668 | - | 4,668 | 12,893 |
| Total current liabilities | 6,694 | - | 6,694 | 15,193 |
| Net assets: | | | | |
| Unrestricted-available for general purposes | 64,434 | - | 64,434 | 95,874 |
| Unrestricted-expended for equipment | 7,280 | - | 7,280 | 5,084 |
| Temporarily restricted | - | 75,665 | 75,665 | 106,207 |
| Total net assets | 71,714 | 75,665 | 147,379 | 207,165 |
| Total liabilities and net assets | \$ 78,408 | \$ 75,665 | \$ 154,073 | \$ 222,358 |

See accompanying summary of accounting policies and notes to financial statements.

MENTAL HEALTH ASSOCIATION IN GREENSBORO, INC.

Statement of Activities

Year Ended June 30, 2017

| | Unrestricted | Temporarily Restricted | Totals June 30, 2017 | Summarized totals 2016 |
|--|------------------|---------------------------|----------------------------|------------------------------|
| SUPPORT AND REVENUE | | | | |
| Public Support | | | | |
| United Way of Greater Greensboro, Inc. | \$ - | \$ 67,065 | \$ 67,065 | \$ 72,184 |
| Contributions - cash | 15,790 | 346 | 16,136 | 22,511 |
| Contributions - non-cash | - | - | - | 500 |
| Grants | 7,669 | 8,254 | 15,923 | 74,823 |
| Special events | 80,095 | - | 80,095 | 79,728 |
| Total Public Support | 103,554 | 75,665 | 179,219 | 249,746 |
| Other Revenue | | | | |
| Investment income | 148 | - | 148 | 172 |
| Earned income-workshops/programs | 4,536 | - | 4,536 | 3,811 |
| Earned income-contracts | 113,227 | - | 113,227 | 113,266 |
| Miscellaneous | 71 | - | 71 | 1,602 |
| Total Other Revenue | 117,982 | - | 117,982 | 118,851 |
| Net Assets Released from Restrictions | 106,207 | (106,207) | - | - |
| Total Support and Other Revenue | 327,743 | (30,542) | 297,201 | 368,597 |
| ALLOCATIONS AND EXPENSES | | | | |
| Functional expenses | | | | |
| Supportive services | 171,380 | - | 171,380 | 205,274 |
| Education | 115,628 | - | 115,628 | 112,495 |
| Management and general | 38,443 | - | 38,443 | 45,619 |
| Fundraising | 31,536 | - | 31,536 | 35,644 |
| Total Allocation and Expenses | 356,987 | - | 356,987 | 399,032 |
| CHANGE IN ASSETS | (29,244) | (30,542) | (59,786) | (30,435) |
| Net assets at beginning of year | 100,958 | 106,207 | 207,165 | 237,600 |
| Net assets at end of year | \$ 71,714 | \$ 75,665 | \$ 147,379 | \$ 207,165 |

MENTAL HEALTH ASSOCIATION IN GREENSBORO, INC.
Statement of Functional Expenses
Year Ended June 30, 2017

| | Program Services | | | Supporting Services | | | Total June 30, 2017 | Summarized Totals 2016 | | | | | | | | | | | | | | |
|--|------------------------|-------------------|------------------------------|---------------------------|------------------|---------------------------------|---------------------------|------------------------------|--------------------|-------------------|--|-------------------------------------|-----------|----------------|-------------------|-----------|----------|-----------|----------------------------------|-------------------------------|---------------------------|-----------------------------------|
| | Supportive Services | Education | Total Program Services | Management and General | Fund Raising | Total Supporting Services | | | | | | | | | | | | | | | | |
| | | | | | | | | | Salaries and wages | Employee benefits | Payroll taxes/workers' compensation insurance | Total salaries and related expenses | Occupancy | Special events | Professional fees | Telephone | Supplies | Insurance | Equipment rental and maintenance | Conferences and training held | Printing and publications | Conferences and Staff Development |
| | \$ 122,717 | \$ 79,356 | \$ 202,073 | \$ 15,123 | \$ 3,933 | \$ 19,056 | \$ 221,129 | \$ 246,838 | | | | | | | | | | | | | | |
| Employee benefits | 327 | 279 | 606 | 606 | - | 606 | 1,212 | 2,105 | | | | | | | | | | | | | | |
| Payroll taxes/workers' compensation insurance | 10,724 | 6,855 | 17,579 | 1,551 | 376 | 1,927 | 19,506 | 22,146 | | | | | | | | | | | | | | |
| Total salaries and related expenses | 133,768 | 86,490 | 220,258 | 17,280 | 4,309 | 21,589 | 241,847 | 271,089 | | | | | | | | | | | | | | |
| Occupancy | 11,919 | 10,154 | 22,073 | 7,358 | - | 7,358 | 29,431 | 32,195 | | | | | | | | | | | | | | |
| Special events | - | - | - | - | 25,481 | 25,481 | 25,481 | 23,795 | | | | | | | | | | | | | | |
| Professional fees | 11,402 | 6,890 | 18,292 | 5,536 | 654 | 6,190 | 24,482 | 26,784 | | | | | | | | | | | | | | |
| Telephone | 4,376 | 3,619 | 7,995 | 2,104 | 421 | 2,525 | 10,520 | 8,698 | | | | | | | | | | | | | | |
| Supplies | 3,085 | 1,364 | 4,449 | 1,612 | 48 | 1,660 | 6,109 | 6,101 | | | | | | | | | | | | | | |
| Insurance | 1,748 | 1,489 | 3,237 | 1,388 | - | 1,388 | 4,625 | 4,592 | | | | | | | | | | | | | | |
| Equipment rental and maintenance | 649 | 811 | 1,460 | 540 | 162 | 702 | 2,162 | 3,573 | | | | | | | | | | | | | | |
| Conferences and training held | - | 1,870 | 1,870 | - | - | - | 1,870 | 4,875 | | | | | | | | | | | | | | |
| Printing and publications | 554 | 692 | 1,246 | 461 | 138 | 599 | 1,845 | 3,573 | | | | | | | | | | | | | | |
| Conferences and Staff Development | 750 | 540 | 1,290 | 328 | - | 328 | 1,618 | 1,762 | | | | | | | | | | | | | | |
| Membership dues | 703 | 174 | 877 | 697 | - | 697 | 1,574 | 1,127 | | | | | | | | | | | | | | |
| Travel | 603 | 203 | 806 | 16 | - | 16 | 822 | 2,359 | | | | | | | | | | | | | | |
| Awards and specific assistance | 472 | 150 | 622 | - | - | - | 622 | 238 | | | | | | | | | | | | | | |
| Bank fees | 108 | 120 | 228 | 200 | 139 | 339 | 567 | 2,670 | | | | | | | | | | | | | | |
| Postage | - | 59 | 59 | 111 | 184 | 295 | 354 | 543 | | | | | | | | | | | | | | |
| Miscellaneous | 65 | - | 65 | 85 | - | 85 | 150 | 2,572 | | | | | | | | | | | | | | |
| Totals before depreciation | 170,202 | 114,625 | 284,827 | 37,716 | 31,536 | 69,252 | 354,079 | 396,546 | | | | | | | | | | | | | | |
| Depreciation | 1,178 | 1,003 | 2,181 | 727 | - | 727 | 2,908 | 2,486 | | | | | | | | | | | | | | |
| Totals | \$ 171,380 | \$ 115,628 | \$ 287,008 | \$ 38,443 | \$ 31,536 | \$ 69,979 | \$ 356,987 | \$ 399,032 | | | | | | | | | | | | | | |

MENTAL HEALTH ASSOCIATION IN GREENSBORO, INC.

Statement of Cash Flows

June 30, 2017

| | 2017 | Summarized Totals 2016 |
|--|------------------|------------------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (59,786) | \$ (30,435) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation | 2,908 | 2,486 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (4,357) | 5,009 |
| Grants receivable | 20,419 | 20,114 |
| Prepaid expenses | (4,535) | 6,060 |
| Accounts payable | (274) | (5,295) |
| Accrued expenses, primarily salaries | (8,225) | 4,701 |
| Net cash used in operating activities | <u>(53,850)</u> | <u>2,640</u> |
| Cash flows used in investing activities: | | |
| Acquisition of property and equipment | (5,104) | - |
| Increase in security deposit | - | (250) |
| Net cash used in investing activities | <u>(5,104)</u> | <u>(250)</u> |
| Net decrease in cash and cash equivalents | (58,954) | 2,390 |
| Cash and cash equivalents, beginning of year | <u>117,418</u> | <u>115,028</u> |
| Cash and cash equivalents, end of year | <u>\$ 58,464</u> | <u>\$ 117,418</u> |

MENTAL HEALTH ASSOCIATION IN GREENSBORO, INC.

Summary of Accounting Policies

BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Mental Health Association in Greensboro, Inc. ("Association") and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Association and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they will be maintained permanently by the Association to use all or part of the income earned on any related investments for general or specific purposes.

The financial statements include prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

REVENUE RECOGNITION

All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Grant revenue on cost-reimbursement grants is recognized when program expenditures have been incurred and is recorded as earned income-contracts. The Association must submit claims for reimbursement within 90 days of date of service. A claim is subject to review and such a review could result in the disallowance of the claim under the terms of the grant contract. Based on prior experience, management believes that claims ultimately disallowed, if any, would not materially affect the financial position of the Association. The Association has 2 contracts, totaling approximately \$113,000, subject to this review process.

Revenue from special events and workshops/programs are recorded as earned when the event is held or when the workshop/program has been provided.

GRANT AND TRADE RECEIVABLES

Grants receivable consist of amounts from public charitable organizations or foundations for which the grant has been awarded but the grant money has not yet been received.

The Association uses the allowance method to determine uncollectible grant and trade receivables. The allowance is based on prior years' experience and management's analysis of specific grant and accounts receivable. The Association determine no allowance was necessary at June 30, 2017.

MENTAL HEALTH ASSOCIATION IN GREENSBORO, INC.

Summary of Accounting Policies (Concluded)

CASH EQUIVALENTS

For purposes of the Statement of Cash Flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

PROPERTY AND EQUIPMENT

All property and equipment are recorded at cost. Depreciation of furniture, fixtures and computer equipment is provided over the estimated useful lives of the respective assets on a straight-line basis as follows:

| | <u>YEARS</u> |
|------------------------|---------------|
| Furniture and fixtures | 7 |
| Computer equipment | 3 - 5 |
| Leasehold improvements | Term of lease |

Depreciation expense for the year ended June 30, 2017 was \$2,908.

INCOME TAXES

The Association is a nonprofit corporation which received tax exempt status under Sections 501(c)(3) of the Internal Revenue Code and comparable status under North Carolina law; therefore, no taxes are reflected in the financial statements.

Professional standards require the impact of uncertain income tax positions be recognized in an organization's financial statements. Amounts recognized are based on a recognition threshold of "more-likely-than-not" to be sustained upon examination by the relevant taxing authority. The standards also provide guidance on de-recognition, measurement, classification, interest and penalties, disclosure and transition issues with respect to tax positions.

FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

MANAGEMENT ESTIMATES

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

SUBSEQUENT EVENTS

The Association's management evaluated its financial statements for subsequent events through the date of the Auditors' report, the date the financial statements were available to be issued. The Association is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

MENTAL HEALTH ASSOCIATION IN GREENSBORO, INC.

Notes to Financial Statements

NOTE 1 - OPERATIONS

Mental Health Association in Greensboro, Inc. (the Association) is a non-profit corporation organized under the laws of the State of North Carolina for the purpose of fostering and enhancing mental wellness in the community, improving the community's awareness and attitudes toward mental illness, advocating on behalf of persons with mental illness and improving and providing services which enhance mental well-being.

NOTE 2 - CONTRIBUTED MATERIAL AND SERVICES

Donated equipment or materials, if significant, are included in public support at fair value. Donated services are reported as contributions when the services (a) create or enhance nonfinancial assets, or (b) would be purchased if they had not been provided by contribution, require specialized skills and are provided by individuals possessing those skills.

The Association has unpaid volunteers who have made significant contributions of their time in the Association's program services. The value of this contributed time does not meet the criteria for recognition of contributed services contained in professional standards and, accordingly, is not reflected in the accompanying financial statements.

NOTE 3 – DONATED ART

The Association's collection of donated art, which is held for exhibition in its facility is not included in the statement of financial position. Donated art is excluded from the statement of activities, since it is the policy of the Association not to capitalize the value of such donations.

NOTE 4 - LEASE AGREEMENT

The Association has a lease agreement for office space that expires on November 16, 2017. Rent expense totaled \$29,430 for the year ended June 30, 2017.

The Association, also has a lease agreement for a copier that expires May, 2021. Rent expense totaled \$2,162 for the year ended June 30, 2017.

The future minimum rent payments required under these operating leases are as follows:

| Year Ending June 30, | Amount |
|-------------------------|-----------------|
| 2018 | 11,446 |
| 2019 | 2,400 |
| 2020 | 2,400 |
| 2021 | 2,200 |
| | <u>\$18,646</u> |

MENTAL HEALTH ASSOCIATION IN GREENSBORO, INC.

Notes to Financial Statements

NOTE 5 - RETIREMENT PLAN

The Association has a SIMPLE IRA plan for eligible employees. The Association matches 100% of the first 3% of compensation contributed by employees.

For the year ended June 30, 2017, total contributions to employee retirement plans were \$750.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30, 2016:

| | |
|--|---------------------|
| United Way Allocation for Subsequent year: | |
| Supportive Services | \$ 47,996 |
| Community Education and Awareness | 19,405 |
| Lincoln Financial Foundation | 8,000 |
| Community Foundation | <u>264</u> |
| Total | <u>\$75,665</u> |

Net assets of \$106,207 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

NOTE 7 - CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially subject the Association to concentrations of credit risk, consist of demand deposits with financial institutions in North Carolina. The FDIC covers up to \$250,000 of eligible accounts. The Association from time to time may have amounts on deposit in excess of insured limits. At June 30, 2017, the Association had no amounts on deposit in excess of the FDIC insured limit.

The Association had approximately 61% of its total support and revenue provided by two contributing organizations in the year ended June 30, 2017. The Association's trade receivable is comprised of 87% from one organization and grants receivable is comprised of 100% from one organization as of June 30, 2017.

NOTE 8 - INCOME TAXES

The Association is a nonprofit corporation which received tax exempt status under Sections 501(c)(3) of the Internal Revenue Code and comparable status under North Carolina law; therefore, no taxes are reflected in the financial statements. As of and during the year ended June 30, 2017, the Association did not recognize a liability for any uncertain tax positions. Management's determination regarding these standards may be subject to review and adjustment at a later date based on factors including, but not limited to, an on-going analysis of tax laws, regulations and interpretations thereof. No examinations by taxing authorities are in progress. Information returns for the years after June 30, 2013 remain subject to examination.