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April 2, 2018

Board of Directors
Mental Health America of Lake County
5201 Fountain Drive, Suite 1
Crown Point, IN 46307

We have reviewed the report prepared by Mental Health America of Lake County and opined upon by McMahon & Associates CPAs, PC, Independent Public Accountants, for the period January 1, 2015 to December 31, 2015. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Mental Health America of Lake County as of December 31, 2015 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, McMahon & Associates CPAs, PC prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

MENTAL HEALTH AMERICA
OF LAKE COUNTY

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

MENTAL HEALTH AMERICA OF LAKE COUNTY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mental Health America of Lake County
Crown Point, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Mental Health America of Lake County (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 Mental Health America of Lake County, as of December 31, 2015, 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.

Report on Summarized Comparative Information

We have previously audited the Mental Health America of Lake County's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 27, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 audit 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2016, on our consideration of Mental Health America of Lake County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mental Health America of Lake County's internal control over financial reporting and compliance.



McMahon and Associates Certified Public Accountants, P.C.
Munster, Indiana

April 25, 2016

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Mental Health America of Lake County
Crown Point, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mental Health America of Lake County (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities; functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 25, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mental Health America of Lake County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mental Health America of Lake County's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.




Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mental Health America of Lake County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


McMahon and Associates Certified Public Accountants, P.C.
Munster, Indiana

April 25, 2016

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE-

To the Board of Directors
Mental Health America of Lake County
Crown Point, Indiana

Report on Compliance for Each Major Federal Program

We have audited Mental Health America of Lake County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Mental Health America of Lake County's major federal programs for the year ended December 31, 2015. Mental Health America of Lake County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Mental Health America of Lake County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mental Health America of Lake County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Mental Health America of Lake County's compliance.

Opinion on Each Major Federal Program

In our opinion, Mental Health America of Lake County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.



Report on Internal Control of Compliance

Management of Mental Health America of Lake County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Mental Health America of Lake County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mental Health America of Lake County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



McMahon and Associates Certified Public Accountants, P.C.
Munster, Indiana

April 25, 2016

MENTAL HEALTH AMERICA OF LAKE COUNTY

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

(With Comparative Totals for the Year Ended December 31, 2014)

ASSETS

	<u>2015</u>	<u>2014</u>
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 373,238	\$ 169,393
Investments	244,416	243,441
Grants receivable	289,959	598,115
Prepaid expenses	0	3,895
Deposits	3,800	3,800
Total current assets	<u>911,413</u>	<u>1,018,644</u>
 <u>FIXED ASSETS (NET)</u>	 <u>33,945</u>	 <u>52,224</u>
 <u>TOTAL ASSETS</u>	 <u>\$ 945,358</u>	 <u>\$ 1,070,868</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Line of credit	\$ 0	\$ 223,452
Accounts payable	15,161	20,385
Accrued payroll and payroll taxes	86,142	125,482
Total current liabilities	<u>101,303</u>	<u>369,319</u>
 <u>NET ASSETS:</u>		
Unrestricted	800,830	701,549
Temporarily restricted	43,225	0
Total net assets	<u>844,055</u>	<u>701,549</u>
 <u>TOTAL LIABILITIES AND NET ASSETS</u>	 <u>\$ 945,358</u>	 <u>\$ 1,070,868</u>

MENTAL HEALTH AMERICA OF LAKE COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	<u>2015</u>			<u>2014</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<u>REVENUE, GAINS AND OTHER SUPPORT:</u>				
Healthy Families Lake and Pulaski Counties	\$ 0	\$ 3,062,557	\$ 3,062,557	\$ 2,413,664
Lake Area United Way	73,000	0	73,000	66,558
Restricted / Other	0	160,438	160,438	190,924
Donations	21,532	0	21,532	17,592
Class revenue	325	0	325	0
Memberships	100	0	100	750
In-kind	0	0	0	250
Total revenues, gains and other support prior to release from restrictions	<u>94,957</u>	<u>3,222,995</u>	<u>3,317,952</u>	<u>2,689,738</u>
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>3,179,770</u>	<u>(3,179,770)</u>	<u>0</u>	<u>0</u>
Total revenues, gains and other support	<u>3,274,727</u>	<u>43,225</u>	<u>3,317,952</u>	<u>2,689,738</u>
<u>EXPENSES:</u>				
Program expenses	2,697,332	0	2,697,332	2,032,196
Management and general expenses	475,996	0	475,996	358,622
Fundraising	0	0	0	0
Total expenses	<u>3,173,328</u>	<u>0</u>	<u>3,173,328</u>	<u>2,390,818</u>
<u>OTHER INCOME (EXPENSE):</u>				
Interest income	1,085	0	1,085	766
Interest expense	(1,769)	0	(1,769)	(9,118)
Loss on disposal of asset	(1,434)	0	(1,434)	(3,870)
Total other income (expense)	<u>(2,118)</u>	<u>0</u>	<u>(2,118)</u>	<u>(12,222)</u>
INCREASE IN NET ASSETS	99,281	43,225	142,506	286,698
NET ASSETS - BEGINNING OF YEAR	<u>701,549</u>	<u>0</u>	<u>701,549</u>	<u>414,851</u>
NET ASSETS - END OF YEAR	<u>\$ 800,830</u>	<u>\$ 43,225</u>	<u>\$ 844,055</u>	<u>\$ 701,549</u>

MENTAL HEALTH AMERICA OF LAKE COUNTY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	2015			2014	
	Program Services	Mgmt and Genl Expenses	Fundraising Expenses	Total	Total
Salaries and Related Expenses					
Salaries	\$ 1,646,939	\$ 290,636	\$ 0	\$ 1,937,575	\$ 1,495,962
Employee benefits	319,705	56,418	0	376,123	244,224
Payroll taxes	138,686	24,474	0	163,160	124,513
Total salaries and related expenses	<u>2,105,330</u>	<u>371,528</u>	<u>0</u>	<u>2,476,858</u>	<u>1,864,699</u>
Consumable supplies	22,586	3,986	0	26,572	19,841
Copier expense	13,048	2,302	0	15,350	10,021
Fees and contracts	53,349	9,414	0	62,763	48,841
Janitorial	5,185	915	0	6,100	6,668
Lodging	7,820	1,380	0	9,200	8,640
Marketing	6,035	1,065	0	7,100	1,129
Meals	7,544	1,331	0	8,875	6,831
Mileage	94,665	16,706	0	111,371	82,176
Miscellaneous	8,881	1,567	0	10,448	2,906
Non-capital purchases	34,466	6,082	0	40,548	17,331
Outside printing	0	0	0	0	190
Payroll expense	6,287	1,109	0	7,396	6,287
Postage and shipping	2,400	423	0	2,823	2,819
Professional development	25,537	4,506	0	30,043	16,020
Program activities	10,768	1,900	0	12,668	19,260
Program materials	91,264	16,105	0	107,369	79,321
Property insurance	10,705	1,889	0	12,594	13,981
Rent	122,154	21,557	0	143,711	109,769
Telephone	24,213	4,273	0	28,486	26,795
Utilities	13,462	2,376	0	15,838	11,789
Workers comp insurance	17,314	3,055	0	20,369	16,275
Total expenses before depreciation	<u>2,683,013</u>	<u>473,469</u>	<u>0</u>	<u>3,156,482</u>	<u>2,371,589</u>
Depreciation	<u>14,319</u>	<u>2,527</u>	<u>0</u>	<u>16,846</u>	<u>19,229</u>
TOTAL EXPENSES	<u><u>\$ 2,697,332</u></u>	<u><u>\$ 475,996</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 3,173,328</u></u>	<u><u>\$ 2,390,818</u></u>

MENTAL HEALTH AMERICA OF LAKE COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	<u>2015</u>	<u>2014</u>
<u>OPERATING ACTIVITIES:</u>		
Program revenue	\$ 3,222,995	\$ 2,604,588
Lake Area United Way	73,000	66,558
Donations	21,532	17,592
Class revenue	325	0
Memberships	100	750
Interest income	1,085	766
Cash paid for expenses	<u>(2,891,740)</u>	<u>(2,542,047)</u>
Net cash provided by operating activities	<u>427,297</u>	<u>148,207</u>
<u>INVESTING ACTIVITIES</u> - Purchase of fixed assets		
	<u>0</u>	<u>(2,439)</u>
<u>FINANCING ACTIVITIES:</u>		
Proceeds from line of credit	0	115,000
Payments on line of credit	<u>(223,452)</u>	<u>(139,072)</u>
Net cash used by financing activities	<u>(223,452)</u>	<u>(24,072)</u>
NET INCREASE IN CASH	203,845	121,696
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>169,393</u>	<u>47,697</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>\$ 373,238</u>	<u>\$ 169,393</u>
<u>RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
<u>OPERATING ACTIVITIES:</u>		
Increase in net assets	\$ 142,506	\$ 286,698
Add non-cash items		
Depreciation	16,846	19,229
Loss on disposal of fixed assets	1,434	3,870
Decrease (increase) in assets:		
Investments	(975)	(698)
Grants receivable	308,156	(191,768)
Prepaid expenses	3,895	(3,895)
Increase (decrease) in liabilities:		
Accounts payable	(5,225)	5,708
Accrued payroll and payroll taxes	<u>(39,340)</u>	<u>29,063</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>\$ 427,297</u>	<u>\$ 148,207</u>

MENTAL HEALTH AMERICA OF LAKE COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Mental Health America of Lake County exists to respond to the mental health needs of the community through advocacy, education and service. The association operates the Healthy Families program in Lake County to promote supportive environments that optimize growth and development and encourage resilient and healthy families.

Use of Estimates in Preparation of Financial Statements

The preparation 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.

Financial Statement Presentation

The Organization has adopted Financial Accounting Standards Board's Accounting Standards Codification (ASC) 958-205 which provides guidance to reporting on not-for-profit organizations. Under ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions whose restrictions are met in the same period as the recognition of the contribution are considered unrestricted for reporting purposes. There were no permanently restricted net assets at December 31, 2015. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Cash and Cash Equivalents

Cash, as presented on the accompanying statement of financial position and statements of cash flows, includes cash on hand and deposits in interest bearing and non-interest bearing accounts in financial institutions. Cash equivalents consist of highly liquid accounts with original maturities of 90 days or less. Certificates of deposit and other securities with original maturities over 90 days are classified as short-term investments and stated at cost, which approximates market value.

Grants and Accounts Receivable

Grants and Accounts receivable consist of billings for grants and other agencies that have been earned in the current year but have not yet been received. The Organization records bad debts on the direct write-off method when, in management's opinion, an account becomes uncollectible. The direct write-off method is a departure from generally accepted accounting principles. Bad debt expense calculated using the direct write-off method does not differ materially from those calculated using generally accepted methods.

Investments

The Organization's investments consist of three CDs recorded at fair market value. See note 6 for more information.

MENTAL HEALTH AMERICA OF LAKE COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fixed Assets

Fixed assets with a cost of \$1,000 or more and an expected life of more than one year are capitalized. Fixed assets are carried at cost. Donated equipment is recorded at fair market value at the time of the donation. Depreciation expense is computed using the straight-line method over the estimated useful life of the fixed assets. When fixed assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss resulting from the transactions is recognized as income for the period. The cost of repairs and maintenance is charged to income as incurred; significant renewals and betterments are capitalized.

Financial Instruments and Credit Risk

The Organization operates primarily in Northwest Indiana. In 2015, the Organization received \$3,062,557 or 92% of its support from the United States Department of Health and Human Services through two grants. These grants account for 87% of accounts receivable at December 31, 2015. There has been no determination of the effect on the financial statements should these grants cease providing support to Mental Health America of Lake County.

In 2015, the Organization at various times had deposits in a financial institution in excess of the Federal Deposit Insurance Corporation's (FDIC) insured level of \$250,000. At December 31, 2015 the cash at one financial institution exceeded the federally insured limit by \$379,729.

Tax Status

The Organization is an Indiana not-for-profit corporation exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code. The Organization is not considered to be a private foundation.

Allocation of Functional Expenses

The Organization has allocated their expenses by function based on the time spent on management, fundraising and program activities.

Advertising

Advertising costs are included in the statements of functional expenses on the marketing line and are expensed as incurred. Advertising expense was \$7,100 for the year ended December 31, 2015.

Contributed (In-Kind) Services

Volunteer services neither create nor enhance non-financial assets and do not require specialized skills, and thus are not recognized as support in the accompanying Statement of Activities. Nevertheless, a substantial number of volunteers donated significant amounts of their time in the Organizations' program services. At volunteer minimum wage rates for Indiana, the Organization has documented 789.5 volunteer hours amounting to \$5,724 of unrecorded time for the year ended December 31, 2015.

MENTAL HEALTH AMERICA OF LAKE COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Comparative Financial Information

The financial statements include certain prior-year comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 25, 2016, the date the financial statements were available to be issued.

NOTE 2 - FIXED ASSETS

Depreciation expense for the year ended December 31, 2015 was \$16,846. Net fixed assets on the statement of financial position are composed of the following at December 31, 2015:

Equipment	\$ 84,979
Leasehold improvements	<u>7,219</u>
	92,198
Less: accumulated depreciation	<u>58,253</u>
Net fixed assets	<u>\$ 33,945</u>

NOTE 3 - LEASE COMMITMENTS

The Organization entered into a lease agreement to rent office space in Crown Point, Indiana. The lease expires in October 2017. The lease's monthly payments increase throughout the life of the lease. The monthly payment from December 2014 through February 2015 is \$6,415, from March 2015 through October 2015 is \$8,340, from November 2015 through October 2016 is \$8,502, and November 2016 through October 2017 is \$8,678. The Organization pays for utilities and insurance. Also the Organization leases office space in Hammond, Indiana. This lease expires in January 2016. Monthly rent is \$3,954. The Organization also pays \$1,440 per quarter in rent for their Pulaski location. This is a quarter to quarter lease. The Organization also has operating leases for copiers expiring at various times through March 2020. Rent expense for the year ended December 31, 2015 was \$157,391, which is on the statement of functional expenses in the copier expense and rent lines.

MENTAL HEALTH AMERICA OF LAKE COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 3 - LEASE COMMITMENTS - (Continued)

Subsequent to year end the Organization entered into a lease for office space in Hammond, Indiana. This lease expires May 15, 2017 if the Organization and lessor can't agree on terms to extend the lease. The lease's monthly payments increase throughout the life of the lease. The monthly payment from May 15, 2016 through February 15, 2017 is \$5,125 from March 15, 2017 through October 15, 2017 is \$7,500, and the payment will increase to a new rate on November 15, 2017 through November 15, 2027 to a mutually agreeable amount that was agreed to on or before May 1, 2017.

Future lease obligations for the next five years and thereafter are as follows:

<u>Year Ending</u>	<u>Amount</u>
2016	\$ 155,269
2017	125,762
2018	1,228
2019	1,228
2020	307
Total	<u>\$ 283,794</u>

NOTE 4 - LINE OF CREDIT

The Organization has a \$275,000 line of credit which matured on February 2, 2016. The line has an interest rate of 3.5% and is secured by certificates of deposit (investments). At December 31, 2015 the Organization had a \$0 balance on the line of credit. Subsequent to year end this line of credit was not renewed and a new \$100,000 unsecured line of credit was placed in service on January 21, 2016 with an interest rate of 3.5%.

NOTE 5 - RETIREMENT PLAN

The Organization has established an IRC section 403 (b) deferral contributions and employer contributions plan. Under the plan the employees may elect to defer salary under a salary reduction agreement. Employees can defer salary as soon as they start, but eligibility for employer contribution starts after an employee has six months of service. The Organization has two ways to contribute to the plan. They can elect to either match the employee contribution or make an employer contribution in the amount of a percentage of an employee's wages, or both. The Organization elected to contribute 3% of each eligible employee's wages. The Organization contributed \$50,075 to the plan in 2015. This is included on the statement of functional expenses under employee benefits.

MENTAL HEALTH AMERICA OF LAKE COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 6 - FAIR VALUE MEASUREMENTS

The Organization has adopted FASB ASC 820 and 825 which define the fair value as the exchange price that would be received for an asset in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. They established a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of inputs used to measure fair value are as follows:

Level 1 - Quoted prices in active markets for identical assets.

Level 2 - Observable inputs other than quoted prices included in level 1, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets.

The Organization's investments are required to be reported at fair value. Assets measured at fair value on a recurring basis as of December 31, 2015, are summarized below:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Investments in CDs	\$ <u>244,416</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>244,416</u>

NOTE 7 - COMMITMENTS AND CONTINGENCIES

In the normal course of operations the Organization receives grant funds from Federal and State Agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of audits of grant funds is not believed to be material.

MENTAL HEALTH AMERICA OF LAKE COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 8 - FEDERAL FINANCIAL ASSISTANCE

The Organization has been awarded grants from the U.S. Department of Health and Human Services and the State of Indiana to provide counseling services to area residents. The grants are considered to be an exchange transaction. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. Grant activity for the year ended December 31, 2015 was as follows:

Grant program receivables, beginning of year	\$ 568,106
Grant receipts	2,746,525
Grant expenditures	<u>(3,062,557)</u>
Grant program receivables, end of year	<u>\$ 252,074</u>

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

The Organization received grants for designated purposes that have not been met as of December 31, 2015. As of December 31, 2015, the Organization had \$43,225 that had not yet been released for their restricted purpose. This amount is shown in the Organization's financial statements as temporarily restricted net assets. Temporarily restricted net assets are available for the following purposes for the year ended December 31, 2015:

	Temporarily <u>Restricted</u>
HUD - Parents as Teachers Program	\$ 23,081
Geminus - Safe Sleep Program	3,478
Legacy - Empowering Teens as Parents - Project Rebuild	11,943
PACE - Pulaski Healthy Families Program	114
Fraternal Order of Eagles - PATH Program	446
Lake Area United Way - Program materials	<u>4,163</u>
Total	<u>\$ 43,225</u>

NOTE 10 - INCOME TAX UNCERTAINTIES

The Organization has adopted the provisions of ASC 740-10-25, which requires an organization to disclose any income tax uncertainties, including tax positions, for which it is reasonably possible that the unrecognized tax benefit will significantly change in the next 12 months. The Organization believes that all income tax positions are reasonable and that the total amounts of unrecognized tax benefits will not significantly increase or decrease within 12 months of the reporting date. As a non-profit organization, the entity is exempt from income taxes. The Organization did not recognize any income tax interest or penalties in 2015. In general, the Organization is no longer subject to examinations for years prior to 2013.

MENTAL HEALTH AMERICA OF LAKE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

<u>Federal Grantor Pass-Through Grantor Program Title / Grant Name</u>	<u>Federal CFDA Number</u>	<u>Name of Program</u>	<u>Federal Expenditure</u>	<u>Last year Audited as Major Program</u>	<u>Type of Program</u>	<u>Non- major Program</u>	<u>Major Program</u>	<u>Reference</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Pass Through Programs From:								
Indiana Department of Child Services								
Healthy Families Indiana Program								
Indiana Department of Child Services Award # A93-3-13-HF-M0-1084								
Temporary Assistance for Needy Families	93.558	TANF	\$ 1,881,224	yes	A		X	Note 3
Indiana Department of Child Services Award # A93-2-12-HF-M0-0868								
MIECH Title V	93.558	TANF	<u>1,181,333</u>	yes	A		X	Note 3
TOTAL FEDERAL AWARDS AND EXPENDITURES			<u>\$ 3,062,557</u>					

MENTAL HEALTH AMERICA OF LAKE COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Mental Health America of Lake County under programs of the federal government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Mental Health America of Lake County, it is not intended to and does not present the financial position, changes in net assets or cash flows of Mental Health America of Lake County.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the OMB Compliance Supplement, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3 - TEMPORARY ASSISTANCE TO NEEDY FAMILIES

Mental Health America of Lake County receives funds from the U.S Department of Health and Human Services as a sub-grantee from the Indiana Department of Child Services. The program's objective is to provide home-based support and education to new and expectant parents, helping them give their young children the best possible start in life. This program works to enhance family functioning and improve childhood outcomes.

NOTE 4 - LIABILITY INSURANCE

Mental Health America of Lake County has \$3,000,000 in commercial general liability coverage in place for the year ended December 31, 2015.

MENTAL HEALTH AMERICA OF LAKE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015

SUMMARY OF RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Mental Health America of Lake County.
2. No material weaknesses were disclosed during the audit of the financial statements of Mental Health America of Lake County.
3. No significant deficiencies that are considered to be material weaknesses to the financial statements of Mental Health America of Lake County were disclosed during the audit.
4. The auditors' report on compliance for the major federal award programs for Mental Health America of Lake County expresses an unqualified opinion.
5. There were no material weaknesses relative to the major federal award programs, and no significant deficiencies identified that are not considered to be material weaknesses, for Mental Health America of Lake County.
6. There are no auditing findings related to major programs that the auditor is required to report.
7. The program tested as a major program was the U.S. Department of Health and Human Services - Indiana Department of Child Services - Temporary Assistance for Needy Families, CFDA# 93.558.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Mental Health America of Lake County was determined to be a low-risk auditee.

MENTAL HEALTH AMERICA OF LAKE COUNTY

EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2015

An exit conference was held with the grantees' officials on May 10, 2016 at the client's Crown Point office.

GRANTEE REPRESENTATIVES

RENAE VANIA-TOMCZAK	PRESIDENT AND CEO
DEBBIE PRICE	VICE PRESIDENT OF FINANCE AND HUMAN RESOURCES
JOHN FREYEK	BOARD CHAIRPERSON

AUDIT ORGANIZATION REPRESENTATIVES

DANIEL HAMSTRA, CPA	AUDIT MANAGER
JILL JONES, CPA	AUDIT PARTNER