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August 20, 2020

Board of Directors
Mental Health America of Northwest Indiana, Inc.
5311 Hohman Avenue
Hammond, IN 46320

We have reviewed the audit report of Mental Health America of Northwest Indiana, Inc. which was opined upon by McMahon & Associates CPAs, PC, Independent Public Accountants, for the period January 1, 2018 to December 31, 2018. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Mental Health America of Northwest Indiana, Inc. as of December 31, 2018 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 the audit report in accordance with the guidelines established by the State Board of Accounts.

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

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

MENTAL HEALTH AMERICA
OF NORTHWEST INDIANA, INC.

AUDITED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

MENTAL HEALTH AMERICA OF NORTHWEST INDIANA, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mental Health America of Northwest Indiana, Inc.
Hammond, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Mental Health America of Northwest Indiana, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, 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 Northwest Indiana, Inc., as of December 31, 2018, 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 Northwest Indiana, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

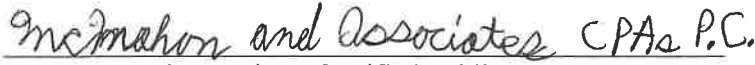
Other Matters

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* 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 July 23, 2019, on our consideration of Mental Health America of Northwest Indiana, Inc.'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 solely 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 the effectiveness of Mental Health America of Northwest Indiana, Inc.'s 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 Northwest Indiana, Inc.'s internal control over financial reporting and compliance.


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

July 23, 2019

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 Northwest Indiana, Inc.
Hammond, 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 Northwest Indiana, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, 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 July 23, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mental Health America of Northwest Indiana, Inc.'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 Northwest Indiana, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Mental Health America of Northwest Indiana, Inc.'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 Northwest Indiana, Inc.'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

July 23, 2019

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 Northwest Indiana, Inc.
Hammond, Indiana

Report on Compliance for Each Major Federal Program

We have audited Mental Health America of Northwest Indiana, Inc.'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 Northwest Indiana, Inc.'s major federal programs for the year ended December 31, 2018. Mental Health America of Northwest Indiana, Inc.'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 Northwest Indiana, Inc.'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 Northwest Indiana, Inc.'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 Northwest Indiana, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Mental Health America of Northwest Indiana, Inc. 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, 2018.



Report on Internal Control over Compliance

Management of Mental Health America of Northwest Indiana, Inc. 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 Northwest Indiana, Inc.'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 Northwest Indiana, Inc.'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 CPAs P.C.
McMahon and Associates Certified Public Accountants, P.C.
Munster, Indiana

July 23, 2019

MENTAL HEALTH AMERICA OF NORTHWEST INDIANA, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

ASSETS

	<u>2018</u>	<u>2017</u>
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 789,852	\$ 838,639
Grants receivable	664,943	360,632
Total current assets	<u>1,454,795</u>	<u>1,199,271</u>
 <u>FIXED ASSETS (NET)</u>	 <u>22,895</u>	 <u>29,213</u>
 <u>TOTAL ASSETS</u>	 <u>\$ 1,477,690</u>	 <u>\$ 1,228,484</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Accounts payable	\$ 20,006	\$ 20,745
Accrued payroll and payroll taxes	135,679	115,330
Deferred revenue	15,000	0
Total current liabilities	<u>170,685</u>	<u>136,075</u>
 <u>NET ASSETS:</u>		
Without donor restrictions	1,166,100	1,025,373
With donor restrictions	140,905	67,036
Total net assets	<u>1,307,005</u>	<u>1,092,409</u>
 <u>TOTAL LIABILITIES AND NET ASSETS</u>	 <u>\$ 1,477,690</u>	 <u>\$ 1,228,484</u>

MENTAL HEALTH AMERICA OF NORTHWEST INDIANA, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	2018			2017
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Total
<u>REVENUE, GAINS AND OTHER SUPPORT:</u>				
Healthy Families Lake and Pulaski Counties	\$ 0	\$ 3,600,394	\$ 3,600,394	\$ 3,500,935
Lake Area United Way	0	50,400	50,400	43,800
Restricted / Other	0	493,883	493,883	306,262
CDBG grant	0	27,074	27,074	0
Donations	165,607	17,276	182,883	17,579
Memberships	100	0	100	100
Fundraising	58,002	0	58,002	25,667
In-kind	142,607	0	142,607	2,163
Total revenues, gains and other support prior to release from restrictions	<u>366,316</u>	<u>4,189,027</u>	<u>4,555,343</u>	<u>3,896,506</u>
Net assets released from restrictions:				
Satisfaction of program restrictions	4,115,158	(4,115,158)	0	0
Total revenues, gains and other support	<u>4,481,474</u>	<u>73,869</u>	<u>4,555,343</u>	<u>3,896,506</u>
<u>EXPENSES:</u>				
Program expenses	3,688,578	0	3,688,578	3,140,272
Management and general expenses	648,764	0	648,764	545,933
Fundraising	7,024	0	7,024	9,615
Total expenses	<u>4,344,366</u>	<u>0</u>	<u>4,344,366</u>	<u>3,695,820</u>
<u>OTHER INCOME (EXPENSE):</u>				
Interest income	3,471	0	3,471	1,861
Interest expense	(227)	0	(227)	0
Unrealized gain on investment	375	0	375	0
Total other income (expense)	<u>3,619</u>	<u>0</u>	<u>3,619</u>	<u>1,861</u>
INCREASE IN NET ASSETS	140,727	73,869	214,596	202,547
NET ASSETS - BEGINNING OF YEAR	<u>1,025,373</u>	<u>67,036</u>	<u>1,092,409</u>	<u>889,862</u>
NET ASSETS - END OF YEAR	<u>\$ 1,166,100</u>	<u>\$ 140,905</u>	<u>\$ 1,307,005</u>	<u>\$ 1,092,409</u>

MENTAL HEALTH AMERICA OF NORTHWEST INDIANA, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	2018			2017	
	Program Services	Mgmt and Genl Expenses	Fundraising Expenses	Total	Total
Salaries and Related Expenses					
Salaries	\$ 2,263,605	\$ 395,712	\$ 3,748	\$ 2,663,065	\$ 2,328,163
Employee benefits	374,419	66,074	0	440,493	389,582
Payroll taxes	182,365	31,862	320	214,547	189,229
Total salaries and related expenses	<u>2,820,389</u>	<u>493,648</u>	<u>4,068</u>	<u>3,318,105</u>	<u>2,906,974</u>
Consumable supplies	27,418	4,838	0	32,256	29,307
Copier expense	14,683	2,591	0	17,274	16,631
Dues	6,588	1,162	0	7,750	7,750
Fees and contracts	233,172	41,148	0	274,320	103,462
Fundraising	0	1,907	2,956	4,863	800
Janitorial	12,240	2,160	0	14,400	15,603
Lodging	9,118	1,609	0	10,727	10,470
Marketing	10,510	1,855	0	12,365	14,489
Meals	7,092	1,252	0	8,344	7,636
Mileage	104,973	18,525	0	123,498	116,079
Miscellaneous	15,158	2,675	0	17,833	26,495
Non-capital purchases	14,623	2,581	0	17,204	15,794
Outside printing	3,820	674	0	4,494	0
Payroll expense	26,242	4,631	0	30,873	9,460
Postage and shipping	1,912	337	0	2,249	2,514
Professional development	7,083	1,250	0	8,333	11,955
Program activities	6,472	1,142	0	7,614	8,606
Program materials	88,980	15,702	0	104,682	107,527
Property insurance	10,515	1,856	0	12,371	18,294
Rent	195,327	34,469	0	229,796	190,289
Telephone	29,320	5,174	0	34,494	30,948
Utilities	8,463	1,493	0	9,956	10,842
Workers comp insurance	26,360	4,652	0	31,012	18,972
Total expenses before depreciation	<u>3,680,458</u>	<u>647,331</u>	<u>7,024</u>	<u>4,334,813</u>	<u>3,680,897</u>
Depreciation	<u>8,120</u>	<u>1,433</u>	<u>0</u>	<u>9,553</u>	<u>14,923</u>
TOTAL EXPENSES	<u>\$ 3,688,578</u>	<u>\$ 648,764</u>	<u>\$ 7,024</u>	<u>\$ 4,344,366</u>	<u>\$ 3,695,820</u>

MENTAL HEALTH AMERICA OF NORTHWEST INDIANA, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	<u>2018</u>	<u>2017</u>
<u>OPERATING ACTIVITIES:</u>		
Cash received from program revenue	\$ 4,094,277	\$ 3,807,197
Cash received from Lake Area United Way	50,400	43,800
Cash received from donations	182,883	17,579
Cash received from memberships	100	100
Cash received from fundraising	58,002	25,667
Cash received from interest income	3,471	1,861
Cash paid for expenses	<u>(4,434,685)</u>	<u>(3,506,513)</u>
Net cash provided (used) by operating activities	(45,552)	389,691
<u>INVESTING ACTIVITIES</u> - Purchase of fixed assets	<u>(3,235)</u>	<u>0</u>
NET INCREASE (DECREASE) IN CASH	(48,787)	389,691
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>838,639</u>	<u>448,948</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>\$ 789,852</u>	<u>\$ 838,639</u>
<u>RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>		
<u>OPERATING ACTIVITIES:</u>		
Increase in net assets	\$ 214,596	\$ 202,547
Add (subtract) non-cash items		
Depreciation	9,553	14,923
Decrease (increase) in assets:		
Grants receivable	(304,311)	154,295
Increase (decrease) in liabilities:		
Accounts payable	(739)	5,002
Accrued payroll and payroll taxes	20,349	12,924
Deferred revenue	<u>15,000</u>	<u>0</u>
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>\$ (45,552)</u>	<u>\$ 389,691</u>

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Mental Health America of Northwest Indiana, Inc. exists to respond to the mental health needs of the community through advocacy, education and service. The Organization operated the Healthy Families program in Lake County throughout 2018 and Pulaski County through August 2018 to promote supportive environments that optimize growth and development and encourage resilient and healthy families.

Effective January 1, 2018 the activities of Early Learning Partnership of Northwest Indiana (a nonprofit Organization) were merged into the Organization.

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.

Change in Accounting Principle - On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statement of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. See Note 2 - Liquidity and Availability for additional disclosure on the Organization's resources in accordance with the new FASB update.

Net Assets - Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net Assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. See Note 9.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

Cash and Cash Equivalents

Cash, as presented on the accompanying statement of financial position and statement 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.

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 2018, the Organization received \$3,600,394 or 79% of its support from the United States Department of Health and Human Services through two grants. These grants account for 86% of accounts receivable at December 31, 2018. 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 2018, 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, 2018 the cash at one financial institution exceeded the federally insured limit by \$542,917.

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.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

Allocation of Functional Expenses

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

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 82 volunteer hours amounting to \$595 of unrecorded time for the year ended December 31, 2018.

Advertising

Advertising costs are included in the statements of functional expenses under marketing and outside printing and are expensed as incurred. Advertising expense was \$16,859 for the year ended December 31, 2018.

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, 2017, 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 July 23, 2019, the date the financial statements were available to be issued.

MENTAL HEALTH AMERICA OF NORTHWEST INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise of the following:

	<u>2018</u>	<u>2017</u>
Cash and equivalents	\$ 789,852	\$ 838,639
Grants receivable	<u>1,330</u>	<u>3,830</u>
Total	<u>\$ 791,182</u>	<u>\$ 842,469</u>

NOTE 3 - FIXED ASSETS

Depreciation expense for the year ended December 31, 2018 was \$9,553. Net fixed assets on the statement of financial position are composed of the following at December 31, 2018:

Equipment	\$ 84,905
Leasehold improvements	<u>35,724</u>
	120,629
Less: accumulated depreciation	<u>97,734</u>
Net fixed assets	<u>\$ 22,895</u>

NOTE 4 - 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 \$76,352 to the plan in 2018. This is reported on the statement of functional expenses under employee benefits.

NOTE 5 - LINE OF CREDIT

The Organization has a \$100,000 demand line of credit. The line has a variable interest rate, based on the Prime Rate plus half a percent. The rate as of December 31, 2018 is 3.50%, and is secured by all business assets. At December 31, 2018 the Organization had a \$0 balance on the line of credit.

MENTAL HEALTH AMERICA OF NORTHWEST INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 6 - LEASE COMMITMENTS

The Organization entered into a lease for office space in Hammond, Indiana. The lease expires in November 2027. The lease's monthly payments increase throughout the life of the lease. The monthly payment from November 2017 through November 2027 is \$15,182, which is subject to change based on the annual CPI.

The Organization entered into a lease for office space in Schererville, Indiana. The lease expires in November 2027. The monthly payment is \$3,570 beginning February 2018.

The Organization entered into a lease for office space in Pulaski County Indiana. The lease is a quarter to quarter lease. The lease's quarterly payment is \$1,440. The lease ended in September 2018.

The Organization also has operating leases for copiers expiring at various times through May 2021.

Rent expense for the year ended December 31, 2018 was \$233,423, which is reported on the statement of functional expenses under the copier expense and rent categories.

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

<u>Year Ending</u>	<u>Amount</u>
2019	\$ 233,531
2020	233,531
2021	227,101
2022	225,026
2023	225,026
Thereafter	929,998
Total	<u>\$ 2,074,213</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 NORTHWEST INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018 was as follows:

Grant program receivables, beginning of year	\$ 271,398
Grant receipts	3,600,394
Grant expenditures	<u>(3,334,964)</u>
Grant program receivables, end of year	<u>\$ 536,828</u>

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

The Organization received grants for designated purposes that have not been met as of December 31, 2018. As of December 31, 2018, the Organization had \$140,905 that had not yet been released for their restricted purpose. This amount is reported in the Organization's financial statements as net assets with donor restrictions. Net assets with donor restrictions are available for the following purposes for the year ended December 31, 2018:

Parents as Teachers Program	\$ 77,908
Parents as Teachers Program - Hanover	1,096
Safety Pin	14,564
Title V - MCH Early Start	6,070
City of Hammond - Program materials	2,121
Life Skills - I'm Thumbody	883
Healthy Families - Pulaski County	200
March of Dimes	2,570
Ready to Soar	16,190
Empowering Teens as Parents	<u>19,303</u>
Total	<u>\$ 140,905</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 2018. In general, the Organization is no longer subject to examinations for years prior to 2016.

MENTAL HEALTH AMERICA OF NORTHWEST INDIANA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018
See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Federal Grantor Pass-Through Grantor <u>Program Title / Grant Name</u>	Federal CFDA Number	Name of Program	Federal Expenditure	Last year Audited as Major Program	Type of Program	Non- major Program	Major Program	Reference
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 # A93-7-17-HF-M0-3694								
Temporary Assistance for Needy Families	93.558	TANF	\$ 2,263,281	yes	A		X	Note 3
Total TANF			<u>2,263,281</u>					
Indiana Department of Child Services Award # A93-7-17-HF-M0-3787								
MIECH Title V	93.558	MIEC	<u>1,337,113</u>	yes	A		X	Note 3
Total MIEC			<u>1,337,113</u>					
Maternal and Child Health Services Block Grant to the States								
Award #000000000000000000000000022333	93.994	MCH-Early Start	<u>101,550</u>	no	B	X		Note 4
TOTAL FEDERAL AWARDS AND EXPENDITURES			\$ <u>3,701,944</u>					

MENTAL HEALTH AMERICA OF NORTHWEST INDIANA, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Mental Health America of Northwest Indiana, Inc. under programs of the federal government for the year ended December 31, 2018. 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 Northwest Indiana, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Mental Health America of Northwest Indiana, Inc.

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 FOR NEEDY FAMILIES

Mental Health America of Northwest Indiana, Inc. 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 - MATERNAL AND CHILD HEALTH SERVICES

Mental Health America of Northwest Indiana, Inc. receives funds from the Indiana Department of Health. The program's objective is to provide access or referrals to medical, social, educational and other services to pregnant women, with a focus on those who are considered high risk for adverse pregnancy outcomes. This includes outreach, assessment, time-limited care plan development and monitoring, prenatal health education and nutrition counseling.

NOTE 5 - 10-PERCENT DE MINIMIS INDIRECT COST RATE

Mental Health America of Northwest Indiana, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 6 - LIABILITY INSURANCE

Mental Health America of Northwest Indiana, Inc. has \$3,000,000 in commercial general liability coverage in place for the year ended December 31, 2018.

MENTAL HEALTH AMERICA OF NORTHWEST INDIANA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

SUMMARY OF RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Mental Health America of Northwest Indiana, Inc.
2. No material weaknesses were disclosed during the audit of the financial statements of Mental Health America of Northwest Indiana, Inc.
3. No significant deficiencies that are considered to be material weaknesses to the financial statements of Mental Health America of Northwest Indiana, Inc. were disclosed during the audit.
4. The auditors' report on compliance for the major federal award programs for Mental Health America of Northwest Indiana, Inc. expresses an unqualified opinion.
5. There were no material weaknesses relative to the major federal award programs, and no significant deficiencies identified that are considered to be material weaknesses, for Mental Health America of Northwest Indiana, Inc.
6. There are no audit 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 Northwest Indiana, Inc. was determined to be a low-risk auditee.

MENTAL HEALTH AMERICA OF NORTHWEST INDIANA, INC.

EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2018

An exit conference was held with the grantees' officials on July 23, 2019 at the client's Hammond office.

GRANTEE REPRESENTATIVES

ANDREA SHERWIN	PRESIDENT AND CEO
DEBBIE PRICE	VICE PRESIDENT OF FINANCE AND HUMAN RESOURCES
LAUREN TRUMBO	BOARD CHAIRPERSON
JEFF CARROLL	VICE CHAIR

AUDIT ORGANIZATION REPRESENTATIVES

DANIEL HAMSTRA, CPA	AUDIT MANAGER
JOLANTA MOORE, CPA	AUDIT PARTNER