

**MENTAL HEALTH AMERICA OF EASTERN MISSOURI  
(A NONPROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED  
DECEMBER 31, 2018 AND 2017**

Mental Health America of Eastern Missouri

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## Independent Auditors' Report

Board of Directors  
Mental Health America of Eastern Missouri  
St. Louis, Missouri

We have audited the accompanying financial statements of Mental Health America of Eastern Missouri (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 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 Eastern Missouri as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "Emerald T. Tolson & Co, PC". The signature is written in a cursive, flowing style.

St. Louis, Missouri

May 23, 2019

**FINANCIAL STATEMENTS**

Mental Health America of Eastern Missouri  
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2018	2017
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 191,396	\$ 234,241
Restricted cash	209,560	162,821
Pledges receivable - Net	34,200	50,000
Grants receivable	233,674	193,258
Prepaid expenses	7,474	14,776
Total Current Assets	676,304	655,096
<b>INVESTMENTS</b>	433,868	479,136
<b>BENEFICIAL INTEREST IN PERPETUAL TRUSTS</b>	366,419	403,280
<b>PROPERTY AND EQUIPMENT, NET</b>	330,239	312,573
<b>TOTAL ASSETS</b>	<b>\$ 1,806,830</b>	<b>\$ 1,850,085</b>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 5,344	\$ 40,329
Accrued vacation and expenses	13,527	19,331
Deferred income	6,676	-
Custodial funds	209,560	162,821
Total Current Liabilities	235,107	222,481

**NET ASSETS**

<b>Without donor restrictions</b>		
Undesignated	631,823	675,206
Net investment in property and equipment	330,239	312,573
Total Net Assets Without Donor Restrictions	962,062	987,779
<b>With donor restrictions</b>		
Perpetual in nature	366,419	403,280
Purpose restrictions	67,500	56,250
Time-restricted for future periods	175,742	180,295
Total Net Assets With Donor Restrictions	609,661	639,825
Total Net Assets	1,571,723	1,627,604
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,806,830</b>	<b>\$ 1,850,085</b>

See accompanying notes to financial statements

Mental Health America of Eastern Missouri  
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>PUBLIC SUPPORT AND REVENUE</b>			
Representative Payee Fees:			
Amounts received on behalf of others	\$ 1,532,323	\$ -	\$ 1,532,323
Less: Amounts remitted to or held on behalf of others	( 1,463,184)	-	( 1,463,184)
Net Representative Payee Fees	<u>69,139</u>	<u>-</u>	<u>69,139</u>
Public Support			
United Way	-	175,742	175,742
Foundations and trusts	32,115	90,000	122,115
Special events, net of direct expenses of \$ 86,705	218,153	-	218,153
Donations	80,365	-	80,365
Program fees	<u>126,465</u>	<u>-</u>	<u>126,465</u>
Total Public Support	<u>457,098</u>	<u>265,742</u>	<u>722,840</u>
Revenue			
Change in beneficial interest in perpetual trusts	-	( 36,861)	( 36,861)
Investment loss	( 2,078)	-	( 2,078)
Miscellaneous	16,347	-	16,347
Rental income	24,610	-	24,610
Net assets released from restrictions	<u>259,045</u>	<u>( 259,045)</u>	<u>-</u>
Total Revenue	<u>297,924</u>	<u>( 295,906)</u>	<u>2,018</u>
Total Public Support and Revenue	<u>824,161</u>	<u>( 30,164)</u>	<u>793,997</u>
<b>EXPENSES</b>			
Program Services			
Community services	76,002	-	76,002
Public education	202,060	-	202,060
Consumer services	319,840	-	319,840
Professional education	<u>54,729</u>	<u>-</u>	<u>54,729</u>
Total Program Services	<u>652,631</u>	<u>-</u>	<u>652,631</u>
Supporting Services			
Management and general	134,188	-	134,188
Fundraising	<u>63,059</u>	<u>-</u>	<u>63,059</u>
Total Supporting Services	<u>197,247</u>	<u>-</u>	<u>197,247</u>
Total Expenses	<u>849,878</u>	<u>-</u>	<u>849,878</u>
CHANGE IN NET ASSETS	( 25,717)	( 30,164)	( 55,881)
NET ASSETS, Beginning of year	<u>987,779</u>	<u>639,825</u>	<u>1,627,604</u>
NET ASSETS, End of year	<u>\$ 962,062</u>	<u>\$ 609,661</u>	<u>\$ 1,571,723</u>

See accompanying notes to financial statements

Mental Health America of Eastern Missouri  
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
<b>PUBLIC SUPPORT AND REVENUE</b>			
Representative Payee Fees:			
Amounts received on behalf of others	\$ 1,241,787	\$ -	\$ 1,241,787
Less: Amounts remitted to or held on behalf of others	( 1,184,690)	-	( 1,184,690)
Net Representative Payee Fees	<u>57,097</u>	<u>-</u>	<u>57,097</u>
Public Support			
United Way	-	180,295	180,295
Foundations and trusts	40,578	75,000	115,578
Special events, net of direct expenses of \$ 83,795	195,366	-	195,366
Donations	63,067	-	63,067
Program fees	<u>125,616</u>	<u>-</u>	<u>125,616</u>
Total Public Support	<u>424,627</u>	<u>255,295</u>	<u>679,922</u>
Revenue			
Change in beneficial interest in perpetual trusts	-	40,757	40,757
Investment return	28,484	-	28,484
Miscellaneous	16,146	-	16,146
Rental income	11,088	-	11,088
Net assets released from restrictions	<u>326,410</u>	<u>( 326,410)</u>	<u>-</u>
Total Revenue	<u>382,128</u>	<u>( 285,653)</u>	<u>96,475</u>
Total Public Support and Revenue	<u>863,852</u>	<u>( 30,358)</u>	<u>833,494</u>
<b>EXPENSES</b>			
Program Services			
Community services	114,285	-	114,285
Public education	207,380	-	207,380
Consumer services	318,688	-	318,688
Professional education	<u>44,676</u>	<u>-</u>	<u>44,676</u>
Total Program Services	<u>685,029</u>	<u>-</u>	<u>685,029</u>
Supporting Services			
Management and general	103,373	-	103,373
Fundraising	<u>43,148</u>	<u>-</u>	<u>43,148</u>
Total Supporting Services	<u>146,521</u>	<u>-</u>	<u>146,521</u>
Total Expenses	<u>831,550</u>	<u>-</u>	<u>831,550</u>
CHANGE IN NET ASSETS	32,302	( 30,358)	1,944
NET ASSETS, Beginning of year	<u>955,477</u>	<u>670,183</u>	<u>1,625,660</u>
NET ASSETS, End of year	<u>\$ 987,779</u>	<u>\$ 639,825</u>	<u>\$ 1,627,604</u>

See accompanying notes to financial statements



Mental Health America of Eastern Missouri  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December, 31 2018

	Program Services				Total Program Services	Supporting Services			Cost of Direct Benefits to Donors	Total
	Community Services	Public Education	Consumer Services	Professional Education		Management and General	Fund- Raising	Total Supporting Services		
EXPENSES										
Salaries	\$ 47,507	\$ 118,710	\$ 187,120	\$ 34,305	\$ 387,642	\$ 72,881	\$ 45,700	\$ 118,581	\$ -	\$ 506,223
Employee benefits	6,585	16,456	25,938	4,755	53,734	10,103	6,335	16,438	-	70,172
Payroll taxes	3,773	9,430	14,863	2,725	30,791	5,789	3,630	9,419	-	40,210
Total Salaries and Related Expenses	57,865	144,596	227,921	41,785	472,167	88,773	55,665	144,438	-	616,605
Consultant fees	8,194	24,175	35,144	5,917	73,430	20,453	-	20,453	-	93,883
Special events - fundraising	-	-	-	-	-	-	-	-	86,705	86,705
Occupancy	4,047	10,114	15,942	2,923	33,026	2,903	-	2,903	-	35,929
Supplies	732	3,115	14,997	492	19,336	1,046	1,176	2,222	-	21,558
Depreciation	1,613	4,029	6,352	1,164	13,158	4,025	-	4,025	-	17,183
Printing	490	6,488	1,929	354	9,261	751	471	1,222	-	10,483
Miscellaneous	499	1,263	1,973	360	4,095	765	5,058	5,823	-	9,918
Insurance	876	2,200	3,452	633	7,161	2,178	-	2,178	-	9,339
Local transportation	135	1,757	5,569	-	7,461	284	-	284	-	7,745
In-kind services	-	-	-	-	-	6,970	150	7,120	-	7,120
Telephone	556	1,389	2,189	401	4,535	1,387	-	1,387	-	5,922
Postage	404	1,010	2,117	292	3,823	1,009	53	1,062	-	4,885
Dues	263	668	1,037	190	2,158	404	253	657	-	2,815
Equipment rental and repairs	242	605	953	175	1,975	371	233	604	-	2,579
Advertising	-	228	-	-	228	999	-	999	-	1,227
Promotional activities	-	-	-	-	-	1,000	-	1,000	-	1,000
Meetings and conferences	86	423	265	43	817	149	-	149	-	966
Travel	-	-	-	-	-	721	-	721	-	721
Total Expenses	76,002	202,060	319,840	54,729	652,631	134,188	63,059	197,247	86,705	936,583
Less: Cost of Direct Benefit to Donors	-	-	-	-	-	-	-	-	( 86,705)	( 86,705)
TOTAL EXPENSES										
STATEMENT OF ACTIVITIES	\$ 76,002	\$ 202,060	\$ 319,840	\$ 54,729	\$ 652,631	\$ 134,188	\$ 63,059	\$ 197,247	\$ -	\$ 849,878

See accompanying notes to financial statements

Mental Health America of Eastern Missouri  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2017

	Program Services					Supporting Services			Cost of Direct Benefits to Donors	Total
	Community Services	Public Education	Consumer Services	Professional Education	Total Program Services	Management and General	Fund-Raising	Total Supporting Services		
EXPENSES										
Salaries	\$ 71,868	\$ 118,622	\$ 191,281	\$ 28,952	\$ 410,723	\$ 51,681	\$ 28,785	\$ 80,466	\$ -	\$ 491,189
Employee benefits	10,362	17,103	27,578	4,174	59,217	7,451	4,150	11,601	-	70,818
Payroll taxes	5,526	9,121	14,708	2,226	31,581	3,974	2,213	6,187	-	37,768
Total Salaries and Related Expenses	87,756	144,846	233,567	35,352	501,521	63,106	35,148	98,254	-	599,775
Occupancy	8,797	14,521	23,415	3,544	50,277	9,850	-	9,850	-	60,127
Special events - fundraising	-	-	-	-	-	-	-	-	83,795	83,795
Consultant fees	10,108	18,943	22,174	3,266	54,491	9,078	410	9,488	-	63,979
Printing	19	15,942	1,085	-	17,046	2,936	2,614	5,550	-	22,596
Supplies	683	1,370	14,762	152	16,967	4,778	-	4,778	-	21,745
Depreciation	2,337	3,856	6,219	941	13,353	2,616	-	2,616	-	15,969
Insurance	1,616	2,667	4,300	651	9,234	1,809	-	1,809	-	11,043
Miscellaneous	788	526	2,970	122	4,406	1,249	3,705	4,954	-	9,360
Local transportation	548	1,860	5,073	-	7,481	867	-	867	-	8,348
Telephone	770	1,271	2,050	310	4,401	863	-	863	-	5,264
Postage	446	737	1,595	180	2,958	500	133	633	-	3,591
Dues	311	663	828	125	1,927	1,112	125	1,237	-	3,164
Equipment rental and repairs	-	-	396	-	396	1,801	-	1,801	-	2,197
Meetings and conferences	29	53	57	3	142	1,816	-	1,816	-	1,958
In-kind services	-	-	-	-	-	913	1,013	1,926	-	1,926
Promotional activities	77	125	197	30	429	79	-	79	-	508
Total Expenses	114,285	207,380	318,688	44,676	685,029	103,373	43,148	146,521	83,795	915,345
Less: Cost of Direct Benefit to Donors	-	-	-	-	-	-	-	-	( 83,795)	( 83,795)
TOTAL EXPENSES										
STATEMENT OF ACTIVITIES	\$ 114,285	\$ 207,380	\$ 318,688	\$ 44,676	\$ 685,029	\$ 103,373	\$ 43,148	\$ 146,521	\$ -	\$ 831,550

See accompanying notes to financial statements

Mental Health America of Eastern Missouri  
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	(\$ 55,881)	\$ 1,944
Adjustments to reconcile change in net assets to net change in cash and cash equivalents from operating activities:		
Depreciation	17,183	15,969
Change in beneficial interest in perpetual trusts	36,861	( 40,757)
Net realized and unrealized losses (gains) on investments	8,634	( 23,446)
(Increase) decrease in assets:		
Restricted cash	( 46,739)	27
Pledges receivable, net of allowance	15,800	( 12,900)
Grants receivable	( 40,416)	22,782
Prepaid expenses	7,302	( 2,054)
Increase (decrease) in liabilities:		
Accounts payable	( 34,985)	( 464)
Accrued vacation and expenses	( 5,804)	( 3,038)
Deferred income	6,676	-
Custodial funds	46,739	( 27)
Net Change in Cash and Cash Equivalents from Operating Activities	( 44,630)	( 41,964)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	( 34,849)	( 52,215)
Proceeds from sale of investments	239,503	143,835
Purchases of investments	( 202,869)	( 148,873)
Net Change in Cash and Cash Equivalents from Investing Activities	1,785	( 57,253)
NET CHANGE IN CASH AND CASH EQUIVALENTS	( 42,845)	( 99,217)
CASH AND CASH EQUIVALENTS, Beginning of year	234,241	333,458
CASH AND CASH EQUIVALENTS, End of year	\$ 191,396	\$ 234,241
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:</b>		
Cash paid during the year for:		
Interest expense	\$ -	\$ -
Income taxes	\$ -	\$ -

See accompanying notes to financial statements

Mental Health America of Eastern Missouri  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Mental Health America of Eastern Missouri (the “Association”) was founded in 1945 as the St. Louis Mental Hygiene Society. The Association is a member of Mental Health America, a national organization. The mission of the Association is to promote mental health, prevent mental disorders and achieve victory over mental illness through advocacy, education and service.

**Basis of Presentation**

The financial statements of the Association have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Association is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

**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 such assets 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.

**Change in Accounting Principle**

In August 2016, the Financial Accounting Standard Board (FASB) issued Accounting Standard Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The Association has applied the changes retrospectively to all periods presented. The new standard changes the following aspects of the financial statements:

Mental Health America of Eastern Missouri  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017  
*(Continued)*

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**Change in Accounting Principle** *(Continued)*

- Unrestricted net asset class has been renamed net assets without donor restrictions.
- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources (Note M)
- Investment expenses are included in net investment return.

**Cash and Cash Equivalents**

The Association considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

The Association maintains cash deposits in bank accounts which at times may exceed the federally insured limits. Bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) of up to \$250,000 at each financial institution. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

**Pledges and Grants Receivable**

Pledges and grants receivable are carried net of allowance for doubtful accounts. The allowance for doubtful accounts is increased by provisions charged to expense and reduced by uncollected receivables, net of recoveries. The allowance is maintained at a level considered adequate to provide for potential account losses based on management's evaluation of the anticipated impact on the balance of current economic conditions, changes in the character and size of the balance, past and expected future loss experience and other pertinent factors. At December 31, 2018 and 2017, the allowance for doubtful accounts for pledge receivable balances held a zero balance. There was no allowance on grants receivable at December 31, 2018 and 2017.

**Contributions and Grants**

All contributions are considered to be available for general use unless specifically restricted by the donor. The Association reports gifts of cash, grants, and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. Donor restricted contributions and grants are recorded in the net assets with donor restrictions class for restrictions expiring during the year and transferred to the without donor restriction class as releases from restriction.

Mental Health America of Eastern Missouri  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017  
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Contributed Services**

Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts recognized in the accompanying financial statements as in-kind contributions are included in donations and are offset by like amounts included in expenses or additions to property and equipment.

During the year ended December 31, 2018, the Association received contributed professional services with a fair value on the date of donation of \$7,120.

During the year ended December 31, 2017, the Association received contributed professional services and contributed printing services with a fair value on the date of donation of \$863 and \$1,063, respectively.

**Concentration of Credit Risk**

The Association generates receivables and revenues from grant agencies in the normal course of business. These grant agencies are located throughout the St. Louis metropolitan area. The Association does not require collateral to secure receivables from these agencies.

**Financial Instruments**

The following methods and assumptions were used by the Association in estimating its fair value disclosure for financial instruments.

The carrying amounts of cash and cash equivalents, restricted cash, pledges receivable, grants receivable, prepaid expenses, accounts payable, accrued vacation and expenses, deferred income and custodial funds approximate fair values due to the short-term maturities of these instruments.

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values based on quoted prices in active markets in the Statements of Financial Position. Net investment return is reported in the Statements of Activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Mental Health America of Eastern Missouri  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017  
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Property and Equipment**

Purchased furniture, fixtures, equipment, buildings and building improvements are stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which are seven years for furniture, fixtures and equipment, and thirty-nine years for the building and building improvements. Expenditures for repairs and maintenance are charged to operations while renewals and betterments are capitalized.

**Beneficial Interests in Third Party Trusts**

The Association is a beneficiary of two trusts in which the donors have established the perpetual trust administered by trustees. The Association has the irrevocable right to receive the income earned on the trust assets in perpetuity owning 2.94% and 2.00% interest in the income derived from the respective trust operations. The amounts recorded in the statement of financial position represents the estimated fair value of the underlying trusts' assets.

**Income Taxes**

The Association qualifies as a nonprofit organization and is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code. The Association does not have unrelated business income, excise taxes, or activities that would threaten its tax-exempt status. Accordingly, no provision for federal or state income taxes is provided. The Association files an information return, IRS Form 990.

The Association's tax returns for tax years 2015 and later remain subject to examination by taxing authorities.

The Association adopted the provisions relating to Accounting for Uncertainty in Income Taxes and management is not aware of any uncertain tax provisions of the Association related to the tax filings.

**Use of Estimates**

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 certain reported amounts and disclosures. Actual results could differ from these estimates.

Mental Health America of Eastern Missouri  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017  
*(Continued)*

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**Functional Expense Allocation**

The Statements of Functional Expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Association. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Due to the nature of the activities of the various programs and supporting services, the Organization allocates these expenses based on the employees' time and effort.

**Subsequent Events**

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 23, 2019, the date the financial statements were available to be issued.

**Reclassifications**

Certain prior year amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in the current year.



Mental Health America of Eastern Missouri  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017  
(Continued)

**B. INVESTMENTS**

Cost, fair values, and unrealized appreciation (depreciation) at December 31, 2018 and 2017, are summarized as follows:

	December 31, 2018		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash and cash equivalents	\$148,569	\$148,569	\$ -
Equities	125,306	143,261	17,955
Exchange traded debt	49,629	42,538	( 7,091)
Fixed Income ETF & CDs	102,736	99,500	( 3,236)
	<b>\$426,240</b>	<b>\$433,868</b>	<b>\$ 7,628</b>

	December 31, 2017		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash and cash equivalents	\$ 97,203	\$ 97,203	\$ -
Equities	102,094	135,120	33,026
Bonds	246,742	246,813	71
	<b>\$446,039</b>	<b>\$479,136</b>	<b>\$33,097</b>

Interest and dividends and gains or losses included in Investment return in the Statements of Activities consist of the following at December 31:

	2018	2017
Net realized and unrealized (loss) gain on investments	(\$8,634)	\$23,446
Interest and dividend income	6,556	5,038
	<b>Investment (Loss) Return</b>	<b>(\$2,078)</b>
		<b>\$28,484</b>

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**C. FAIR VALUE MEASUREMENTS**

The Organization has established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Inputs to the valuation methodology are unobservable and supported by little or no market activity and that are significant to the fair value of the assets or liabilities including investments in certain hedge funds, commodities, managed futures, private equity, and real estate strategies.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair values of assets measured on a recurring basis are as follows:

	Fair Value Measurements at Reporting Date Using			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2018</b>				
Cash & Cash Equivalents	\$148,569	\$148,569	\$ -	\$ -
Equities	143,261	143,261	-	-
Exchange traded debt	42,538	-	42,538	-
Fixed Income ETF & CDs	99,500	-	99,500	-
Total	\$433,868	\$291,830	\$142,038	\$ -
Beneficial Interests in Perpetual Trusts	\$366,419	\$ -	\$ -	\$366,419

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C. **FAIR VALUE MEASUREMENTS** (Continued)

	Fair Value Measurements at Reporting Date Using			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2017</u>				
Cash & Cash Equivalents	\$ 97,203	\$ 97,203	\$ -	\$ -
Equities	135,120	135,120	-	-
Bonds	246,813	-	246,813	-
Total	\$479,136	\$232,323	\$246,813	\$ -
Beneficial Interests in Perpetual Trusts	\$403,280	\$ -	\$ -	\$403,280

The values of the underlying assets within the Association's beneficial interest in perpetual trusts are determined by the benefactors' investment managers, who have derived these values from available information in actively traded markets. However, the Association does not have access to any existing markets in which its beneficial interest could be bought or sold. As a result, management has classified its interest in beneficial trusts as Level 3, subject to unobservable inputs, for purposes of fair value disclosure

D. **BENEFICIAL INTEREST IN PERPETUAL TRUSTS**

As of December 31, 2018 and 2017, the Association has a beneficial interest in perpetual trusts of \$366,419 and \$403,280 respectively. The trusts are maintained by outside fiscal agents and are not under the control of the Association. The Association's interests in the market value of the assets are recorded as net assets with donor restrictions since the trusts were created to continue in perpetuity.

The underlying investments in these trusts are comprised of marketable equity securities, fixed income, hedge funds, real estate, tangible assets, and temporary cash investments. Per donor's restrictions, the distributions received from the trusts shall be used for general operations, thus all income received has been recorded as contributions without donor restrictions.

For the years ended December 31, 2018 and 2017, the Association received income distributions of \$12,156 and \$9,351, respectively.

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**E. GRANTS RECEIVABLE**

Grants receivable as of December 31<sup>st</sup> consist of the following:

	2018	2017
United Way	\$175,742	\$180,295
Baer Foundation	45,000	-
State of Missouri – Bridges Program	9,182	9,213
Missouri Foundation for Health	3,750	3,750
Total Grants Receivable	\$233,674	\$193,258

Of the grants receivable balance at December 31, 2018, \$233,674 is scheduled to be collected during 2019.

**F. PROPERTY AND EQUIPMENT**

The components of the Association’s property and equipment as of December 31<sup>st</sup> consist of the following:

	2018	2017
Land	\$ 92,300	\$ 92,300
Furniture, fixtures, and equipment	156,375	143,185
Building and building improvements	405,795	405,795
Software	78,708	-
Software in progress	-	57,049
	733,178	698,329
Less: accumulated depreciation	( 402,939)	( 385,756)
Total Property and Equipment, Net	\$330,239	\$312,573

**G. RESTRICTED CASH**

Restricted cash of \$209,560 and \$162,821 at December 31, 2018 and 2017 consists of custodial funds used for the Representative Payee Program which consist of the social security funds of assigned clients and are not used in the Association’s program.

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**H. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes or periods:

	December 31,	
	2018	2017
Subject to expenditure for a specific purpose		
Baer Foundation Grant	\$ 67,500	\$ -
Missouri Foundation for Health Grants	-	56,250
	67,500	56,250
Subject to passage of time for periods		
After December 31,	175,742	180,295
Not subject to spending policy or appropriation		
Beneficial Interest in Perpetual Trust	366,419	403,280
Total Net Assets with Donor Restrictions	\$609,661	\$639,825

**I. NET ASSETS RELEASED FROM DONOR RESTRICTION**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the years ended December 31:

	2018	2017
Purpose restrictions accomplished		
Baer Foundation	\$ 22,500	\$ 18,750
Missouri Foundation for Health	56,250	-
Mental Wellness Program	-	33,333
	78,750	52,083
Time restrictions expired		
Passage of time	180,295	274,327
Total Net Assets Released from Restrictions	\$259,045	\$326,410

**J. EMPLOYEE BENEFIT PLAN**

The Association has a Simple IRA deferral plan which covers all employees from the start of their employment or the start of the plan, whichever is later. Each employee may elect to contribute up to 100%, not to exceed the limit set by the Internal Revenue Code, of annual compensation into the Plan. The Association makes contributions equal to 2% of an employee's gross salary. The Association's expense amounted to \$8,066 and \$8,743 in 2018 and 2017, respectively.

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**K. LINE OF CREDIT**

On May 19, 2018, the Association renewed their line of credit agreement with a local bank. The agreement has a maximum credit facility of \$70,000 at 5.5% interest rate expiring May 19, 2023. At December 31, 2018 and 2017, the line of credit had no borrowings.

**L. RENTAL INCOME**

On May 1, 2018, the Association entered into a three year lease with Parents as Teachers to lease out the lower level of the Association's building for \$1,500 a month.

The Association has a lease agreement with SSM-SLUH, Inc. The agreement allows for SSM-SLUH, Inc. use of the Association's parking lot for a quarterly rent payments.

Future lease revenue to be received under the leases is as follows:

Years Ended <u>December 31,</u>	
2019	\$30,224
2020	18,000
2021	<u>6,000</u>
	<u>\$54,224</u>

Rental income received was 24,610 and 11,088 for the years ended December 31, 2018 and 2017, respectively.

**M. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Association regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Association receives contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Association maintains financial assets, consisting of cash and investments, on hand to meet its normal operating expenses based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis and financial assets on hand are adjusted as necessary. On a monthly basis, the Association determines the number of months their current cash balance would satisfy general operating expenditures.

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M. **LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS** *(Continued)*

The Association's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	2018	2017
Cash and cash equivalents	\$191,396	\$234,241
Pledges and grants receivable	267,874	243,258
Investments	433,868	479,136
Total financial assets	893,138	956,635
Less amounts not available to be used within one year:		
Donor-restricted for purpose	67,500	56,250
Financial assets available to meet cash needs for general expenditures within one year	\$825,638	\$900,385

As more fully described in Note K, the Association also has a committed line of credit in the amount of \$70,000, which it could draw upon in the event of an unanticipated liquidity need.