

**MENTAL HEALTH AMERICA OF COLORADO**

FINANCIAL STATEMENTS

DECEMBER 31, 2014

**MENTAL HEALTH AMERICA OF COLORADO**

**TABLE OF CONTENTS**

|  |   |
|--|---|
| Independent Auditors' Report.....      | 1 |
| Financial Statements                   |   |
| Statement of Financial Position.....   | 2 |
| Statement of Activities.....           | 3 |
| Statement of Functional Expenses.....  | 4 |
| Statement of Cash Flows.....           | 5 |
| Notes to the Financial Statements..... | 6 |

# McNURLIN & ASSOCIATES, P.C.

Certified Public Accountants

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Mental Health America of Colorado  
Denver, Colorado

We have audited the accompanying financial statements of Mental Health America of Colorado (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of 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 Colorado as of December 31, 2014, 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.

*mcn & Associates, P.C.*  
McNurlin & Associates, P.C.  
Lakewood, Colorado  
May 6, 2015

**MENTAL HEALTH AMERICA OF COLORADO**  
Statement of Financial Position  
December 31, 2014

ASSETS

|  | Unrestricted      | Permanently<br>Restricted | Total               |
|--|-------------------|---------------------------|---------------------|
| <b>CURRENT ASSETS</b>                        |                   |                           |                     |
| Cash and cash equivalents                    | \$ 574,808        | \$ 5,080                  | \$ 579,888          |
| Certificates of deposit                      | 150,000           | -                         | 150,000             |
| Interest receivable                          | 95                | -                         | 95                  |
| Pledges receivable, net                      | 184,046           | -                         | 184,046             |
| Accounts receivable                          | 8,292             | -                         | 8,292               |
| Line of credit receivable                    | 30,000            | -                         | 30,000              |
| Prepaid expenses                             | 3,804             | -                         | 3,804               |
| <b>Total Current Assets</b>                  | <b>951,045</b>    | <b>5,080</b>              | <b>956,125</b>      |
| <b>OTHER ASSETS</b>                          |                   |                           |                     |
| Security deposits                            | 4,505             | -                         | 4,505               |
| Property and equipment, net                  | 36,255            | -                         | 36,255              |
| Beneficial interest in assets held by others | -                 | 103,111                   | 103,111             |
| <b>Total Other Assets</b>                    | <b>40,760</b>     | <b>103,111</b>            | <b>143,871</b>      |
| <b>TOTAL ASSETS</b>                          | <b>\$ 991,805</b> | <b>\$ 108,191</b>         | <b>\$ 1,099,996</b> |

LIABILITIES AND NET ASSETS

|  |                   |                   |                     |
|--|-------------------|-------------------|---------------------|
| <b>CURRENT LIABILITIES</b>                       |                   |                   |                     |
| Accounts payable                                 | \$ 20,826         | \$ -              | \$ 20,826           |
| Payroll liabilities                              | 54,452            | -                 | 54,452              |
| Current portion of capital lease obligation      | 16,920            | -                 | 16,920              |
| <b>Total Current Liabilities</b>                 | <b>92,198</b>     | <b>-</b>          | <b>92,198</b>       |
| <b>OTHER LIABILITIES</b>                         |                   |                   |                     |
| Capital lease obligation, net of current portion | 15,885            | -                 | 15,885              |
| <b>TOTAL LIABILITIES</b>                         | <b>108,083</b>    | <b>-</b>          | <b>108,083</b>      |
| <b>NET ASSETS</b>                                |                   |                   |                     |
| Unrestricted net assets                          |                   |                   |                     |
| Operating  | 358,722           | -                 | 358,722             |
| Board Designated - Reserves                      | 300,000           | -                 | 300,000             |
| Board Designated - Strategic reserves            | 225,000           | -                 | 225,000             |
| Permanently restricted                           | -                 | 108,191           | 108,191             |
| <b>Total Net Assets</b>                          | <b>883,722</b>    | <b>108,191</b>    | <b>991,913</b>      |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>          | <b>\$ 991,805</b> | <b>\$ 108,191</b> | <b>\$ 1,099,996</b> |

See accompanying notes to the financial statements and independent auditors' report.

**MENTAL HEALTH AMERICA OF COLORADO**

Statement of Activities

For the year ended December 31, 2014

|                                       | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u> |
|---------------------------------------|---------------------|-----------------------------------|-----------------------------------|--------------|
| REVENUE AND SUPPORT                   |                     |                                   |                                   |              |
| Program fees                          | \$ 2,737            | \$ -                              | \$ -                              | \$ 2,737     |
| Grants                                |                     |                                   |                                   |              |
| Government                            | -                   | 28,615                            | -                                 | 28,615       |
| Foundations                           | 241,630             | 139,500                           | -                                 | 381,130      |
| Contributions                         |                     |                                   |                                   |              |
| Individuals                           | 235,448             | -                                 | 13,472                            | 248,920      |
| Corporations                          | 45,251              | -                                 | -                                 | 45,251       |
| Affiliated organizations              | 46,121              | -                                 | -                                 | 46,121       |
| Special events                        | 604,654             | -                                 | -                                 | 604,654      |
| Less direct event expenses            | (179,269)           | -                                 | -                                 | (179,269)    |
| Other income                          | 189                 | -                                 | -                                 | 189          |
| Interest income                       | 1,038               | -                                 | 5,610                             | 6,648        |
| Net assests released from restriction | 169,084             | (168,115)                         | (969)                             | -            |
|                                       | <hr/>               | <hr/>                             | <hr/>                             | <hr/>        |
| Total Revenue and Support             | 1,166,883           | -                                 | 18,113                            | 1,184,996    |
| EXPENSES                              |                     |                                   |                                   |              |
| Programs and community resources      | 482,313             | -                                 | -                                 | 482,313      |
| Advocacy                              | 213,019             | -                                 | -                                 | 213,019      |
| Support Services                      |                     |                                   |                                   |              |
| Management and general                | 186,169             | -                                 | -                                 | 186,169      |
| Fundraising                           | 194,294             | -                                 | -                                 | 194,294      |
|                                       | <hr/>               | <hr/>                             | <hr/>                             | <hr/>        |
| Total Expenses                        | 1,075,795           | -                                 | -                                 | 1,075,795    |
| CHANGE IN NET ASSETS                  | 91,088              | -                                 | 18,113                            | 109,201      |
| NET ASSETS, Beginning of the year     | 792,634             | -                                 | 90,078                            | 882,712      |
|                                       | <hr/>               | <hr/>                             | <hr/>                             | <hr/>        |
| NET ASSETS, End of the year           | \$ 883,722          | \$ -                              | \$ 108,191                        | \$ 991,913   |
|                                       | <hr/>               | <hr/>                             | <hr/>                             | <hr/>        |

See accompanying notes to the financial statements and independent auditors' report.

**MENTAL HEALTH AMERICA OF COLORADO**

Statement of Functional Expenses  
For the year ended December 31, 2014

|                               | Program Services                       |                   |                   | Supporting Services       |                   |                     |
|-------------------------------|--|-------------------|-------------------|---------------------------|-------------------|---------------------|
|                               | Programs and<br>Community<br>Resources | Advocacy          | Total<br>Programs | Management<br>and General | Fundraising       | Total               |
| Accounting and legal          | \$ 13,663                              | \$ 6,236          | \$ 19,899         | \$ 2,382                  | \$ 4,244          | \$ 26,525           |
| Advertising                   | 4,231                                  | 1,931             | 6,162             | 738                       | 1,314             | 8,214               |
| Bad debt                      | 537                                    | 245               | 782               | 94                        | 167               | 1,043               |
| Board of directors            | 5,061                                  | 2,310             | 7,371             | 883                       | 1,572             | 9,826               |
| Conferences and meetings      | 703                                    | 321               | 1,024             | 123                       | 218               | 1,365               |
| Depreciation                  | 9,030                                  | 4,122             | 13,152            | 1,574                     | 2,805             | 17,531              |
| Donations to others           | 3,790                                  | 1,730             | 5,520             | 660                       | 1,177             | 7,357               |
| Dues and subscriptions        | 9,818                                  | 4,481             | 14,299            | 1,711                     | 3,050             | 19,060              |
| Equipment rental              | 2,264                                  | 1,033             | 3,297             | 395                       | 703               | 4,395               |
| Employee development          | 1,784                                  | 814               | 2,598             | 311                       | 554               | 3,463               |
| Fundraising                   | -                                      | -                 | -                 | -                         | 1,564             | 1,564               |
| Insurance                     | 3,798                                  | 1,733             | 5,531             | 662                       | 1,180             | 7,373               |
| Interest                      | 639                                    | 292               | 931               | 111                       | 198               | 1,240               |
| Miscellaneous                 | 3,251                                  | 1,484             | 4,735             | 567                       | 1,010             | 6,312               |
| Office expenses               | 4,541                                  | 2,073             | 6,614             | 791                       | 1,411             | 8,816               |
| Outside services              | -                                      | -                 | -                 | -                         | 25,896            | 25,896              |
| Postage                       | 933                                    | 426               | 1,359             | 162                       | 290               | 1,811               |
| Printing                      | 1,597                                  | 729               | 2,326             | 278                       | 496               | 3,100               |
| Professional fees             | 21,821                                 | 9,959             | 31,780            | 3,804                     | 6,778             | 42,362              |
| Rent                          | 34,438                                 | 15,718            | 50,156            | 6,004                     | 10,697            | 66,857              |
| Supplies                      | 5,450                                  | 2,488             | 7,938             | 950                       | 1,693             | 10,581              |
| Taxes and licenses            | 44                                     | 20                | 64                | 7                         | 14                | 85                  |
| Telephone and internet        | 4,604                                  | 2,102             | 6,706             | 803                       | 1,430             | 8,939               |
| Recruitment                   | -                                      | -                 | -                 | 22                        | -                 | 22                  |
| Travel and mileage            | 8,423                                  | 3,845             | 12,268            | 1,469                     | 2,616             | 16,353              |
| Volunteer related expenses    | 2,854                                  | 2,743             | 5,597             | -                         | -                 | 5,597               |
| Salaries and related benefits | 337,728                                | 145,586           | 483,314           | 161,439                   | 122,810           | 767,563             |
| Payroll processing fees       | 1,311                                  | 598               | 1,909             | 229                       | 407               | 2,545               |
| <b>Total Expenses</b>         | <b>\$ 482,313</b>                      | <b>\$ 213,019</b> | <b>\$ 695,332</b> | <b>\$ 186,169</b>         | <b>\$ 194,294</b> | <b>\$ 1,075,795</b> |

See accompanying notes to the financial statements and independent auditors' report.

**MENTAL HEALTH AMERICA OF COLORADO**

Statement of Cash Flows

For the year ended December 31, 2014

|   | Unrestricted | Permanently<br>Restricted | Total      |
|---|--------------|---------------------------|------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |              |                           |            |
| Change in Net Assets  | \$ 91,088    | \$ 18,113                 | \$ 109,201 |
| Adjustments to reconcile change in net assets<br>to net cash used in operating activities |              |                           |            |
| Depreciation expense  | 17,531       | -                         | 17,531     |
| Bad debt allowance  | 1,043        | -                         | 1,043      |
| Change in:  |              |                           |            |
| Interest receivable   | (37)         | -                         | (37)       |
| Pledges receivable  | (134,189)    | -                         | (134,189)  |
| Accounts receivable   | (8,292)      | -                         | (8,292)    |
| Prepaid expenses  | 2,546        | -                         | 2,546      |
| Beneficial interest in assets held by others  | -            | (18,383)                  | (18,383)   |
| Accounts payable  | 392          | -                         | 392        |
| Payroll liabilities   | (2,311)      | -                         | (2,311)    |
| NET CASH USED IN OPERATING ACTIVITIES   | (32,229)     | (270)                     | (32,499)   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |              |                           |            |
| Line of credit advances   | (50,000)     | -                         | (50,000)   |
| Line of credit repayments   | 20,000       | -                         | 20,000     |
| Investment in fixed assets  | (501)        | -                         | (501)      |
| Cash investment in certificate of deposit   | (150,000)    | -                         | (150,000)  |
| Cash withdrawn from certificate of deposit  | 228,156      | -                         | 228,156    |
| NET CASH PROVIDED BY INVESTING ACTIVITIES   | 47,655       | -                         | 47,655     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |              |                           |            |
| Change in capital lease obligation  | (15,680)     | -                         | (15,680)   |
| NET CASH USED IN FINANCING ACTIVITIES   | (15,680)     | -                         | (15,680)   |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>  | (254)        | (270)                     | (524)      |
| <b>CASH AND CASH EQUIVALENTS, Beginning of the year</b>                                   | 575,062      | 5,350                     | 580,412    |
| <b>CASH AND CASH EQUIVALENTS, End of the year</b>   | \$ 574,808   | \$ 5,080                  | \$ 579,888 |
| <b>SUPPLEMENTAL DISCLOSURE</b>  |              |                           |            |
| Cash paid for interest  |              |                           | \$ 1,240   |
| Cash paid for income taxes  |              |                           | \$ -       |

See accompanying notes to the financial statements and independent auditors' report.

## MENTAL HEALTH AMERICA OF COLORADO

Notes to the Financial Statements

December 31, 2014

### NOTE 1 NATURE OF THE ORGANIZATION

Mental Health America of Colorado (the "Organization") was incorporated as a not-for-profit corporation in the State of Colorado in 1953 as a tax-exempt 501(c)(3) to serve the people of Colorado by collaborating with strategic partners to promote mental health, expand access to services and transform systems of healthcare. The Organization primarily derives its revenues from special events, grants, and donations.

As part of the Organization's mission, they offer Pro Bono Counseling consisting of free (licensed) mental health services to low income individuals and families; school-based education programs encouraging self-identity, conflict resolution, and tolerance, delivered through the arts; speakers on mental health topics are provided to groups free of charge; Mental Health First Aid certifies participants to understand mental illness and respond to psychiatric emergencies; and advocacy programs and initiatives work to improve mental health systems through educating policy-makers and legislators in addition to fighting stigma.

Mental Health America of Colorado is an organizational incubator. The Organization has a history and penchant for starting and growing mental health initiatives or programs until they are financially and organizationally stable, at which time, they "spin off" to become stand-alone organizations, which can sometimes lead to fluctuations in the Organization's revenue and expenses from year to year. Constant reinvention of services and programs is a hallmark of Mental Health America of Colorado's approach to affecting change in the mental health arena.

While the Organization does have full and part-time employees that perform the day-to-day operations, the Organization relies on the assistance of volunteers as well. It is estimated that the Organization received the benefit of approximately 4,255 volunteer hours from their Board of Directors and various other volunteers.

### NOTE 2 DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 6, 2015, the date that the financial statements were available to be issued.

### NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recognized when the product or service has been received and the liability incurred.

See accompanying independent auditors' report.



**MENTAL HEALTH AMERICA OF COLORADO**

Notes to the Financial Statements

December 31, 2014

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

The Organization follows the recommendation of the Financial Accounting Standards Board (FASB) standards of accounting and financial reporting for not-for-profit organizations. Under Accounting Standards Codification 958 (ASC 958) *Not-for-Profit Entities*, the Organization is required to report information regarding its net assets, and revenues, expenses, gains, and losses based upon the existence and/or nature of any donor-imposed restrictions. Accordingly, the Organization reports net assets and activities using the following three classes of net assets:

Unrestricted – Resources over which the board of directors has discretionary control.

Temporarily Restricted – Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or the passage of time.

Permanently Restricted – Those resources subject to a donor imposed restriction that they be maintained permanently by the Organization.

The Organization had unrestricted, temporarily restricted, and permanently restricted net assets during the year ended December 31, 2014.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents at December 31, 2014, were \$579,888.

See accompanying independent auditors' report.

## MENTAL HEALTH AMERICA OF COLORADO

Notes to the Financial Statements

December 31, 2014

### NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Support and Revenue Recognition

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for a specific purpose are reported as temporarily restricted or permanently restricted and increase those classes of net assets. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction (See Note 11).

During the year ended December 31, 2014, the Organization received donations-in-kind that totaled \$56,278. These were items donated to be auctioned off during special events. They have been reported at estimated fair market value on the date of donation. The donated items are reflected as special events revenue and direct event expenses on the Statement of Activities.

#### Contributed Services

Donated services are recognized as contributions in accordance with accounting standards at their estimated fair value if the services (a) create or enhance the Organization's non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. Because of this, the value of contributed services, other than legal services, is not reflected in the financial statements.

#### Concentrations

Financial instruments that potentially subject the Organization to concentration of credit risk consist principally of cash and cash equivalents. The Organization places its cash and cash equivalents with creditworthy, high-quality, financial institutions.

The Organization held funds in two financial institutions in excess of the FDIC insured amount. The amount at risk, in excess of the FDIC insured amount was \$84,518 at December 31, 2014. Management has evaluated its banking needs and the strength of these financial institutions and feels it is in the best long-term interest of the Organization to continue its existing banking relationships. The excess was mainly due to a large contribution received near the end of the year.

#### Accounts Receivable

Accounts receivable consist of amounts due from Colorado organizations for program services. Management believes the receivables are fully collectible, and thus has not provided an allowance for doubtful accounts. Accounts receivable at December 31, 2014 totaled \$8,292.

See accompanying independent auditors' report.

**MENTAL HEALTH AMERICA OF COLORADO**

Notes to the Financial Statements

December 31, 2014

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable, net

Pledges receivable consist of amounts pledged as contributions from donors. Management reviews all pledges receivable on an annual basis to determine the amount that is believed to be uncollectible. Pledges receivable of \$184,046 are reported net of an allowance for uncollectible pledges of \$1,043, at December 31, 2014.

Inventory

The Organization did not maintain inventory during the year ended December 31, 2014, as such, there is no carrying value reported on the financial statements.

Prepaid Expenses

Prepaid expenses consist of amounts paid in advance for insurance. Prepaid expenses at December 31, 2014 totaled \$3,804.

Security Deposits

As part of the office space lease, the Organization was required to tender a refundable security deposit in the amount of \$4,505 to be held by the landlord for the term of the lease and any lease extensions (See Note 7).

Property and Equipment, net

Property and equipment are stated at cost less accumulated depreciation and amortization. Donated assets are recorded at estimated fair market value at the time of the donation. It is the Organization's policy to capitalize equipment in excess of \$2,500, with lesser amounts expensed. Fixed assets are depreciated using the straight line method over the estimated useful lives of the assets. Depreciation expense for the year ended December 31, 2014 totaled \$17,531.

Property and equipment consists of:

|                                 |    |                 |
|---------------------------------|----|-----------------|
| Office Equipment                | \$ | 34,913          |
| Leasehold Improvements          |    | 4,941           |
| Assets Held Under Capital Lease |    | 78,470          |
| Total                           |    | <u>118,324</u>  |
| Less: accumulated depreciation  |    | <u>(82,069)</u> |
| Net property and equipment      | \$ | <u>36,255</u>   |

See accompanying independent auditors' report.

**MENTAL HEALTH AMERICA OF COLORADO**

Notes to the Financial Statements

December 31, 2014

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated by the direct method.

Program and supporting services expenses for the year ended December 31, 2014, are as follows:

|                                  |                            |
|----------------------------------|----------------------------|
| Program services:                |                            |
| Programs and community resources | \$ 482,313                 |
| Advocacy                         | 213,019                    |
| Total Program services           | <u>695,332</u>             |
| Support services:                |                            |
| Management and general           | 186,169                    |
| Fundraising                      | 194,294                    |
|                                  | <u><u>\$ 1,075,795</u></u> |

Income Taxes

The Organization is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and state income taxes under regulations in the State of Colorado. Therefore, the Organization is not subject to federal or state income taxes in connection with its exempt activities. In addition, the Organization is treated as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). There was no unrelated business income for 2014.

The standards on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBTI). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended December 31, 2014.

As of December 31, 2014, the Organization's tax return for 2013, 2012, and 2011 are subject to examination by taxing authorities.

See accompanying independent auditors' report.

**MENTAL HEALTH AMERICA OF COLORADO**  
Notes to the Financial Statements  
December 31, 2014

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

There was no deferred revenue for the year ended December 31, 2014.

NOTE 4 CERTIFICATES OF DEPOSIT

The Organization has invested in a certificate of deposit at NewBridge Bank via Citywide Bank at an interest rate of 0.15%. The certificate of deposit was opened on July 31, 2014 and will mature on January 29, 2015. The certificate of deposit is reported at cost, which is the same as fair market value. Interest earned is accrued if material.

NOTE 5 LINE OF CREDIT RECEIVABLE

On August 29, 2014, the Organization extended a line of credit to Metro Crisis Services, Inc. ("MCS") in the amount of \$50,000, with a maturity date of February 28, 2015. The balance still owed to the Organization as of December 31, 2014 is \$30,000. As of the date of issuance of the financial statements, the entire loan has been repaid.

NOTE 6 BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

In December 2011, the Organization established an Endowment fund with the Rose Community Foundation. Under the terms of the endowment, the contributions are held in perpetuity, and therefore, are classified as permanently restricted as required by GAAP. Rose Community Foundation shall pay 5% of the market value of the fund, after administrative fees and expenses, at least annually to the Organization. The Organization has not taken a distribution from this fund. The activity in the investment held by Rose Community Foundation during the year ended December 31, 2014 is as follows:

|                                     |                   |
|-------------------------------------|-------------------|
| Balance at December 31, 2013        | \$ 84,728         |
| Current year contributions          | 13,472            |
| Prior year cash due to Foundation   | 5,350             |
| Current year cash due to Foundation | (5,080)           |
| Investment income                   | 5,610             |
| Administrative fees                 | (969)             |
| Balance at December 31, 2014        | <u>\$ 103,111</u> |

At year end, the Organization is holding \$5,080 of donations that are donor restricted for the endowment fund. These funds had not yet been sent to Rose Community Foundation, and are reported as permanently restricted cash as of December 31, 2014.

See accompanying independent auditors' report.

**MENTAL HEALTH AMERICA OF COLORADO**

Notes to the Financial Statements

December 31, 2014

**NOTE 7 OPERATING LEASES**

The Organization leases approximately 4,950 square feet of space for their offices and conference room. The lease was originally executed on January 6, 2006, renewed on February 25, 2008 to extend through 2013, and most recently amended on November 18, 2011 for an additional period of five years and two months through February 2018, and includes graduated rental payments. Rent payments totaled \$66,857 for the year ended December 31, 2014.

Future minimum payments due under the operating lease for the years ending December 31 are as follows:

|                   |                   |
|-------------------|-------------------|
| December 31, 2015 | \$ 67,894         |
| December 31, 2016 | 69,131            |
| December 31, 2017 | 70,369            |
| December 31, 2018 | 8,815             |
|                   | <u>\$ 216,209</u> |

The Organization leases a postage machine from Complete Mailing Solutions. The lease was executed on September 12, 2012 for a period of 48 months. The lease is based on monthly payments, but is billed and paid quarterly. Postage machine payments totaled \$1,291 for the year ended December 31, 2014. Future minimum payments due under the operating lease for the years ending December 31 are as follows:

|                   |                 |
|-------------------|-----------------|
| December 31, 2015 | \$ 1,291        |
| December 31, 2016 | 968             |
|                   | <u>\$ 2,259</u> |

See accompanying independent auditors' report.

**MENTAL HEALTH AMERICA OF COLORADO**

Notes to the Financial Statements

December 31, 2014

**NOTE 8 CAPITAL LEASE OBLIGATION**

The Organization has acquired a photocopier under a capital lease arrangement from Konica Minolta. The Organization has the option to purchase the equipment at the end of the lease period for fair market value. Future minimum payments due under the capital lease for the years ended December 31 are as follows:

|   |                  |
|---|------------------|
| December 31, 2015                         | \$ 16,920        |
| December 31, 2016                         | <u>16,920</u>    |
| Total                                     | 33,840           |
| Less: amount representing interest        | <u>(1,035)</u>   |
| Present Value of capital lease obligation | <u>\$ 32,805</u> |

**NOTE 9 COMPENSATED ABSENCES**

Employees of the Organization are entitled to paid vacation based on length of employment. A liability has been recorded as of December 31, 2014 for compensated absences in the amount of \$18,918. The Organization recognizes the liability for compensated absences because the Organization's policy is that the employees are allowed to carry over a maximum of 160 hours of unused vacation time from the prior year. The Organization also permits employees to accrue paid sick time, up to a maximum of 90 days, which carries over from year to year. It is not recognized as a liability for compensated absences because unused sick time is not paid if employment is terminated.

**NOTE 10 RETIREMENT PLAN**

The Organization has a defined-contribution retirement plan covering all employees meeting certain age and service requirements. The Organization makes a discretionary contribution to the plan each year equal to 1% of all participants' compensation. Participants are vested in the plan immediately. During the year ended December 31, 2014, employer contributions to the plan totaled \$6,705.

See accompanying independent auditors' report.

**MENTAL HEALTH AMERICA OF COLORADO**

Notes to the Financial Statements

December 31, 2014

**NOTE 11 TEMPORARILY RESTRICTED NET ASSETS**

During the year ended December 31, 2014, the Organization received \$168,115 in grant funds that were temporarily restricted when received.

The restrictions were released as the funds were expended and approved by the grantor. At December 31, 2014, the Organization had no temporarily restricted assets. Net assets were released from donor restrictions by incurring expenses satisfying the purposes or time restrictions specified by donors as follows:

Agency/Government Grants:

|  |               |
|--|---------------|
| Pueblo Community Services                          | \$ 3,392      |
| Colorado Department of Human Services              | 21,473        |
| National Institute of Health                       | 3,750         |
| Agency/Government Grants Released from Restriction | <u>28,615</u> |

Foundation/Non-Profit Grants:

|  |                   |
|--|-------------------|
| Helen & Arthur Johnson Foundation                      | 12,500            |
| Piton Foundation                                       | 25,000            |
| United Way of Pueblo                                   | 27,000            |
| Rose Community Foundation                              | 60,000            |
| AV Hunter Trust  | 15,000            |
| Foundation/Non-Profit Grants Released from Restriction | <u>139,500</u>    |
| Net Assets Released from Restriction                   | <u>\$ 168,115</u> |

**NOTE 12 PERMANENTLY RESTRICTED NET ASSETS**

During the year ended December 31, 2014, the Organization received \$13,472 in funds that were earmarked for the Endowment fund, and as such, were permanently restricted (See Note 6). Additionally, the Endowment fund investment earned \$5,610, and incurred \$969 in expenses, for net investment income of \$4,641.

**NOTE 13 SIGNIFICANT CONCENTRATIONS**

The Organization's total revenues and support during the year ended December 31, 2014 were \$1,184,996; of that amount, \$137,471, or approximately 12%, represented a single donation from The Walter and Georgie Imhoff Family Trust. This presents a significant concentration of revenue.

**NOTE 14 AFFILIATED ORGANIZATIONS**

The Organization has an affiliation with Mental Health America, Inc. ("MHA"). During the year ended December 31, 2014, MHA contributed \$10,156 to the Organization to offset costs associated with representing the mental health community and national interests within the region.

See accompanying independent auditors' report.