

**THE MENTAL HEALTH ASSOCIATION
OF ROCHESTER/MONROE COUNTY, INC.**

FINANCIAL STATEMENTS
DECEMBER 31, 2016
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT

**DEJOY, KNAUF
& BLOOD LLP**

certified public accountants

Rochester, New York

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Mental Health Association
of Rochester/Monroe County, Inc.:

We have audited the accompanying financial statements of The Mental Health Association of Rochester/Monroe County, Inc. (the "Association"), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and change in net assets, functional revenue, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of 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 the Association as of December 31, 2016, 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 Association's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 15, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

DeJoy, Knauf & Blood, LLP

March 22, 2017.

**THE MENTAL HEALTH ASSOCIATION
OF ROCHESTER/MONROE COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015**

	2016	2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 182,885	\$ 112,593
Grants and accounts receivable	113,419	169,908
Prepaid expenses	36,254	36,954
Total current assets	332,558	319,455
INVESTMENTS	401,550	374,454
PROPERTY AND EQUIPMENT, net	93,370	98,503
TOTAL ASSETS	\$ 827,478	\$ 792,412
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 79,339	\$ 85,793
Accrued payroll and related benefits	70,737	63,740
Deferred revenue	59,005	24,937
Total current liabilities	209,081	174,470
NET ASSETS:		
Unrestricted -		
Board designated	401,550	374,454
Undesignated	38,175	74,082
Plant	93,370	98,503
Total unrestricted	533,095	547,039
Temporarily restricted	85,302	70,903
Total net assets	618,397	617,942
TOTAL LIABILITIES AND NET ASSETS	\$ 827,478	\$ 792,412

The accompanying notes to financial statements
are an integral part of these statements.

THE MENTAL HEALTH ASSOCIATION OF ROCHESTER/MONROE COUNTY, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016
(with comparative totals for the year ended December 31, 2015)

	Unrestricted	Temporarily Restricted		2016 Total	2015 Total
		Program Funding	Specific Purpose		
SUPPORT AND OTHER REVENUE:					
Public support -					
Coordinated Care Services, Inc.	\$ -	\$ 1,575,918	\$ -	\$ 1,575,918	\$ 1,560,091
Other government funding	-	330,317	-	330,317	325,015
United Way of Greater Rochester	191	90,650	-	90,841	96,168
Adjustment to prior year's revenue	(30,279)	-	-	(30,279)	-
Total public support	<u>(30,088)</u>	<u>1,996,885</u>	<u>-</u>	<u>1,966,797</u>	<u>1,981,274</u>
Other support -					
Fundraising and other	73,014	15,000	4,399	92,413	81,307
Foundation support	7,816	-	-	7,816	27,764
Gifts and bequests	1,418	-	-	1,418	3,170
Total other support	<u>82,248</u>	<u>15,000</u>	<u>4,399</u>	<u>101,647</u>	<u>112,241</u>
Other revenue -					
Program income:					
Program fees	242,786	-	-	242,786	192,574
Sale of materials	36,005	-	-	36,005	30,973
Miscellaneous income	2,502	-	-	2,502	6,152
Total other revenue	<u>281,293</u>	<u>-</u>	<u>-</u>	<u>281,293</u>	<u>229,699</u>
Net assets released from restriction	<u>2,001,885</u>	<u>(2,001,885)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and other revenue	<u>2,335,338</u>	<u>10,000</u>	<u>4,399</u>	<u>2,349,737</u>	<u>2,323,214</u>
EXPENSES:					
Program services -					
Family Support Services	540,818			540,818	543,975
Wyoming County	301,630			301,630	290,155
Drop-In Services	245,758			245,758	231,125
Creative Wellness Opportunities	209,579			209,579	212,093
Transitional Coaching	235,990			235,990	243,862
Life Skills	178,329			178,329	178,227
Consumer Self Help	146,020			146,020	149,991
Livingston County	36,439			36,439	36,686
Ontario County	4,322			4,322	-
Other Programs	132,156			132,156	86,617
Total program services	<u>2,031,041</u>			<u>2,031,041</u>	<u>1,972,731</u>
Supporting services -					
Management and general	287,588			287,588	286,414
Fundraising	57,840			57,840	62,073
Total supporting services	<u>345,428</u>			<u>345,428</u>	<u>348,487</u>
Total expenses	<u>2,376,469</u>			<u>2,376,469</u>	<u>2,321,218</u>
CHANGE IN NET ASSETS BEFORE OTHER ITEMS	<u>(41,131)</u>	<u>10,000</u>	<u>4,399</u>	<u>(26,732)</u>	<u>1,996</u>
OTHER ITEMS:					
Interest and dividends, net of fees	4,010			4,010	2,531
Net realized/unrealized gain (loss) on investments	23,177			23,177	(654)
	<u>27,187</u>	<u>-</u>	<u>-</u>	<u>27,187</u>	<u>1,877</u>
CHANGE IN NET ASSETS	<u>(13,944)</u>	<u>10,000</u>	<u>4,399</u>	<u>455</u>	<u>3,873</u>
NET ASSETS, beginning of year	<u>547,039</u>	<u>70,903</u>	<u>-</u>	<u>617,942</u>	<u>614,069</u>
NET ASSETS, end of year	<u>\$ 533,095</u>	<u>\$ 80,903</u>	<u>\$ 4,399</u>	<u>\$ 618,397</u>	<u>\$ 617,942</u>

The accompanying notes to financial statements
are an integral part of this statement.

THE MENTAL HEALTH ASSOCIATION OF ROCHESTER/MONROE COUNTY, INC.
STATEMENT OF FUNCTIONAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2016
(with comparative totals for the year ended December 31, 2015)

	PROGRAM SERVICES										SUPPORTING SERVICES			2016 Total	2015 Total	
	Family Support Services	Wyoming County	Drop-In Services	Creative Wellness Opportunities	Transitional Coaching	Life Skills	Consumer Self Help	Livingston County	Ontario County	Other Programs	Total	Management and General	Fundraising			Total
Public support -																
Coordinated Care Services, Inc.	\$ 565,535	\$ -	\$ 270,248	\$ 226,504	\$ 149,544	\$ 208,097	\$ 155,990	\$ -	\$ -	\$ -	\$ 1,575,918	\$ -	\$ -	\$ -	\$ 1,575,918	\$ 1,560,091
Other government funding	16,000	267,975	-	-	-	-	-	41,342	5,000	-	330,317	-	-	-	330,317	325,015
United Way of Greater Rochester	-	1,000	-	-	89,650	-	-	-	-	-	90,650	85	106	191	90,841	96,168
Adjustment to prior year's revenue	-	-	-	-	-	-	-	-	-	-	-	(30,279)	-	(30,279)	(30,279)	-
Total public support	<u>581,535</u>	<u>268,975</u>	<u>270,248</u>	<u>226,504</u>	<u>239,194</u>	<u>208,097</u>	<u>155,990</u>	<u>41,342</u>	<u>5,000</u>	<u>-</u>	<u>1,996,885</u>	<u>(30,194)</u>	<u>106</u>	<u>(30,088)</u>	<u>1,966,797</u>	<u>1,981,274</u>
Other support -																
Fundraising and other	-	14,167	7,500	280	-	-	-	-	-	2,500	24,447	52	67,914	67,966	92,413	81,307
Foundation support	-	-	-	-	7,200	-	616	-	-	-	7,816	-	-	-	7,816	27,764
Gifts and bequests	-	-	-	-	-	-	-	-	-	-	-	-	1,418	1,418	1,418	3,170
Total other support	<u>-</u>	<u>14,167</u>	<u>7,500</u>	<u>280</u>	<u>7,200</u>	<u>-</u>	<u>616</u>	<u>-</u>	<u>-</u>	<u>2,500</u>	<u>32,263</u>	<u>52</u>	<u>69,332</u>	<u>69,384</u>	<u>101,647</u>	<u>112,241</u>
Other revenue -																
Program income:																
Program fees	35,554	16,109	-	-	24,033	-	10,500	-	-	156,590	242,786	-	-	-	242,786	192,574
Sale of materials	-	35,495	-	510	-	-	-	-	-	-	36,005	-	-	-	36,005	30,973
Miscellaneous income	748	772	-	-	512	65	102	235	-	-	2,434	60	8	68	2,502	6,152
Total other revenue	<u>36,302</u>	<u>52,376</u>	<u>-</u>	<u>510</u>	<u>24,545</u>	<u>65</u>	<u>10,602</u>	<u>235</u>	<u>-</u>	<u>156,590</u>	<u>281,225</u>	<u>60</u>	<u>8</u>	<u>68</u>	<u>281,293</u>	<u>229,699</u>
Total support and other revenue	<u>\$ 617,837</u>	<u>\$ 335,518</u>	<u>\$ 277,748</u>	<u>\$ 227,294</u>	<u>\$ 270,939</u>	<u>\$ 208,162</u>	<u>\$ 167,208</u>	<u>\$ 41,577</u>	<u>\$ 5,000</u>	<u>\$ 159,090</u>	<u>\$ 2,310,373</u>	<u>\$ (30,082)</u>	<u>\$ 69,446</u>	<u>\$ 39,364</u>	<u>\$ 2,349,737</u>	<u>\$ 2,323,214</u>

The accompanying notes to financial statements
are an integral part of this statement.

THE MENTAL HEALTH ASSOCIATION OF ROCHESTER/MONROE COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
(with comparative totals for the year ended December 31, 2015)

	PROGRAM SERVICES										SUPPORTING SERVICES			2016 Total	2015 Total		
	Family Support Services	Wyoming County	Drop-In Services	Creative Wellness Opportunities	Transitional Coaching	Life Skills	Consumer Self Help	Livingston County	Ontario County	Other Programs	Total	Management and General	Fundraising			Total	
SALARIES AND RELATED EXPENSES:																	
Salaries	\$ 328,485	\$ 152,091	\$ 155,218	\$ 107,145	\$ 147,626	\$ 90,609	\$ 99,468	\$ 22,312	\$ 1,484	\$ 86,253	\$ 1,190,691	\$ 155,654	\$ 27,861	\$ 183,515	\$ 1,374,206	\$ 1,275,139	
Payroll taxes and benefits	58,695	29,412	23,404	22,718	28,070	15,011	16,858	4,173	113	14,321	212,775	25,634	4,577	30,211	242,986	251,032	
Vacation accrual adjustment	483	410	1,238	823	(333)	(1,322)	230	(93)	-	1,127	2,563	710	1,295	2,005	4,568	256	
Total salaries and related expenses	387,663	181,913	179,860	130,686	175,363	104,298	116,556	26,392	1,597	101,701	1,406,029	181,998	33,733	215,731	1,621,760	1,526,427	
OTHER EXPENSES:																	
Occupancy	45,250	22,853	22,151	31,335	13,499	46,097	9,569	3,600	-	3,644	197,998	26,258	2,956	29,214	227,212	233,325	
Supplies	9,597	11,677	4,145	6,127	3,285	1,882	400	389	926	629	39,057	9,242	2,247	11,489	50,546	58,112	
Contract service fees	7,107	851	8,781	2,225	6,506	11,600	1,478	-	-	8,520	47,068	6,831	10,545	17,376	64,444	55,204	
Equipment rental and maintenance	9,230	1,709	3,018	8,847	2,946	3,252	1,937	137	128	935	32,139	5,357	142	5,499	37,638	49,158	
Participant meetings	7,829	14,677	5,174	2,923	10,821	1,350	476	764	-	1,899	45,913	9	-	9	45,922	45,906	
Travel	9,449	10,420	1,312	91	4,100	172	1,830	1,937	48	4,823	34,182	2,373	32	2,405	36,587	33,216	
Volunteer stipends	116	11,127	30	10,420	3,395	320	3,760	-	-	675	29,843	-	-	-	29,843	31,270	
Utilities	5,862	10,270	2,400	2,749	1,085	984	977	-	-	-	24,327	2,605	326	2,931	27,258	29,861	
Insurance	6,144	8,802	1,853	2,364	1,624	2,815	1,381	584	-	66	25,633	4,390	90	4,480	30,113	29,650	
Telephone	11,346	7,378	2,880	1,044	2,599	1,668	1,256	1,228	-	1,960	31,359	1,046	-	1,046	32,405	29,356	
Professional fees	1,429	1,000	692	381	420	352	263	93	-	326	4,956	17,421	73	17,494	22,450	28,166	
Small equipment purchases	13,601	2,921	80	615	1,069	1,447	1,885	-	1,015	4,064	26,697	1,674	-	1,674	28,371	27,683	
Meetings and conferences	6,194	122	211	4,769	6,779	465	2,521	-	-	539	21,600	5,459	429	5,888	27,488	27,494	
Subscriptions and publications	350	453	469	192	733	243	17	580	-	14	3,051	1,794	-	1,794	4,845	26,002	
Media	13,058	861	3,125	173	173	173	409	548	600	-	19,120	3,973	617	4,590	23,710	19,654	
Special events	-	3,547	-	-	-	-	-	-	-	-	3,547	-	4,603	4,603	8,150	11,715	
Duplication	862	-	162	994	587	63	138	-	8	939	3,753	232	770	1,002	4,755	8,675	
Membership dues	657	90	60	95	115	139	80	150	-	-	1,386	7,426	-	7,426	8,812	8,091	
Postage	1,233	871	125	510	810	200	620	37	-	507	4,913	645	656	1,301	6,214	7,474	
Program participation benefits	-	-	7,440	-	-	-	-	-	-	-	7,440	-	-	-	7,440	5,450	
Printing	1,735	94	344	103	51	82	437	-	-	270	3,116	3,341	617	3,958	7,074	5,122	
Bank fees	-	-	-	-	-	-	-	-	-	-	-	3,478	4	3,482	3,482	2,567	
Interest expense	-	-	-	-	-	-	-	-	-	533	533	-	-	-	533	439	
Miscellaneous	-	-	-	-	-	-	-	-	-	47	47	78	-	78	125	89	
Total expenses before depreciation	538,712	291,636	244,312	206,643	235,960	177,602	145,990	36,439	4,322	132,091	2,013,707	285,630	57,840	343,470	2,357,177	2,300,106	
Depreciation	2,106	9,994	1,446	2,936	30	727	30	-	-	65	17,334	1,958	-	1,958	19,292	21,112	
Total expenses	\$ 540,818	\$ 301,630	\$ 245,758	\$ 209,579	\$ 235,990	\$ 178,329	\$ 146,020	\$ 36,439	\$ 4,322	\$ 132,156	\$ 2,031,041	\$ 287,588	\$ 57,840	\$ 345,428	\$ 2,376,469	\$ 2,321,218	

The accompanying notes to financial statements
are an integral part of this statement.

**THE MENTAL HEALTH ASSOCIATION
OF ROCHESTER/MONROE COUNTY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 455	\$ 3,873
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	19,292	21,112
Net realized/unrealized (gain) loss on investments	(23,177)	654
Decrease (increase) in grants and accounts receivable	56,489	(84,094)
Decrease (increase) in prepaid expenses	700	(1,246)
(Decrease) increase in accounts payable	(6,454)	46,824
Increase (decrease) in accrued payroll and related benefits	6,997	(6,214)
Increase in deferred revenue	34,068	22,507
Total adjustments	<u>87,915</u>	<u>(457)</u>
Net cash provided by operating activities	<u>88,370</u>	<u>3,416</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(14,159)	(7,035)
Net purchases of investments	(3,919)	(2,510)
Net cash used in investing activities	<u>(18,078)</u>	<u>(9,545)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	-	(4,268)
Net cash used in financing activities	<u>-</u>	<u>(4,268)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	70,292	(10,397)
CASH AND CASH EQUIVALENTS, beginning of year	<u>112,593</u>	<u>122,990</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 182,885</u>	<u>\$ 112,593</u>

The accompanying notes to financial statements
are an integral part of these statements.

**THE MENTAL HEALTH ASSOCIATION
OF ROCHESTER/MONROE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

1. ORGANIZATION

The Mental Health Association of Rochester/Monroe County, Inc. (the “Association”) is a not-for-profit corporation formed for the purpose of promoting mental wellness for all members of the Greater Rochester community. The Association receives funding in the form of grants and service contracts from Coordinated Care Services, Inc. (as administrator for the Monroe County Office of Mental Health), United Way of Greater Rochester, Livingston County Community Services, Wyoming County Department of Mental Health and other funding sources to provide educational and support services to consumers of mental health services and those at risk of developing mental health problems.

Individuals can obtain information about mental health and support services in a number of different ways. These include the Therapist Referral Service; *Finding Your Way: A Guide to Behavioral Health Services in Monroe and Livingston Counties* which is updated on an ongoing basis and is distributed free to the community, and the Support Directory which provides information on over 200 self-help groups in the community. Both Finding Your Way and the Support Directory are available on the Association’s website. The Association offers trainings to recipients of mental health services through Life Management, Skill Building and Recovery Classes. The Association also offers a number of educational programs that are open to the public.

The Association offers a number of services that provide personalized information and assistance. The Association offers short-term assistance to those seeking services or experiencing problems with the mental health system through the Consumer Self Help program. Longer-term assistance is offered through Transitional Coaching which allows individuals to explore their options, connect with community resources and resolve issues relating to their specific situation.

Recipients or family members of recipients of mental health services staff a number of the Association’s services. These include Family Support Services, the Self Help Drop-In Services and its Warm Line, Creative Wellness Opportunities and Life Skills Services. All of these services are based on the concepts of self-help and recovery and seek to provide information and support as individuals identify personal wellness goals and seek to achieve them.

The Association has a regional presence with offices in both Livingston and Wyoming Counties. Services have developed to reflect the needs of these counties. In Livingston County, the Association acts as an information and referral agency and sponsors a number of educational workshops on a yearly basis. In Wyoming County, the Association provides a number of peer-run services including a thrift store, transportation service and drop in center. Planning is underway to open an office in Ontario County in early 2017 which will reflect the needs of this County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting -

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Use of estimates -

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions which 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 revenue and expenses during the reporting periods. Significant estimates include, but are not limited to, the fair value of investments, useful lives of property and equipment and deferred revenue. Accordingly, actual results could differ from these estimates.

Cash and cash equivalents -

Cash includes demand deposits with a bank or financial institution, on hand currency and other types of accounts that have the general characteristics of demand deposits. Cash equivalents include all highly liquid investments available for current use with an initial maturity of three months or less but do not include short-term investment funds held in investments.

The Association maintains its cash and cash equivalents that, at times, may exceed the federally insured limits. The Association has not experienced losses relating to these deposits and management does not believe that the Association is exposed to any significant credit risk with respect to these amounts.

Grants and accounts receivable and allowance for doubtful accounts -

The Association extends credit to third-party providers in the normal course of business. Management periodically reviews the sufficiency of the allowance for doubtful accounts, taking into consideration its historical losses and existing economic conditions, and makes adjustments to the allowance as it considers necessary. Management has determined that an allowance is not necessary at either December 31, 2016 or 2015.

Contributions and grants are recorded as support in the appropriate class of net assets, based on applicable donor restrictions at the time the contribution is received or an irrevocable commitment is made.

At December 31, 2016 and 2015, certain contributions receivable are reported in accounts receivable on the accompanying statement of financial position.

Investments -

Investments are reported at fair value. The Association invests in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

Fair value measurements -

Fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. The Association measures certain assets at their respective fair values and applies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. The framework for measuring fair value provides 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 and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are as follows:

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

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology that are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Long-lived assets -

Long-lived assets, including property and equipment, are generally stated at cost, or fair value if donated. However, the Association reviews long-lived assets to be held and used for possible impairment when events or changes in circumstances indicate their carrying amounts may not be recoverable. If such events or changes in circumstances are present, a loss is recognized to the extent that the carrying value of the asset is in excess of the sum of the undiscounted cash flows expected to result from the use of the asset and its eventual disposition. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds the fair value of the asset. At December 31, 2016 and 2015, there were no such impairments.

The Association's policy is to capitalize property and equipment with a cost in excess of \$1,000 which has a useful life greater than one year.

Depreciation -

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which are as follows:

Leasehold improvements	15 years
Equipment	5 years
Vehicles	5 years
Furniture and fixtures	5 - 7 years

Deferred revenue and revenue recognition -

Revenue is recognized when earned, usually as services are rendered. Deferred revenue reflects grant income and other purpose restricted contributions collected by the Association in advance of year end, but not yet earned.

Classification of net assets -

To ensure observance of limitations and restrictions placed on the use of resources available to the Association, the accounts are maintained in accordance with GAAP. This is the procedure by which resources are classified for accounting and reporting purposes into groups of net assets established according to their nature and purpose. Accordingly, all financial transactions are recorded and reported by net asset group.

The Association's activities and net assets are reported in the following net asset groups:

Unrestricted net assets - Unrestricted net assets are those resources available for the general support of the Association's operations. Unrestricted net assets also include board designated, which consists of the Association's investment portfolio which has been designated by the Board of Directors for the general support of the Association for use at the authorization of the Board of Directors, and plant net assets, which include property and equipment acquired by the Association, net of accumulated depreciation.

Temporarily restricted net assets - Temporarily restricted net assets include resources resulting from contributions and other inflows of assets whose use by the Association is limited by funder or donor-imposed restrictions that either expire by the passage of time or will be fulfilled and removed by future actions of the Association pursuant to those restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and change in net assets as net assets released from restriction. Temporarily restricted net assets include net assets restricted for specific current program funding and net assets restricted by donors for specific purposes.

Donated services -

Volunteers have donated significant time in support of the activities of the Association. However, the value of these services is not reflected in the accompanying financial statements for the years ended December 31, 2016 and 2015, as these services do not meet the criteria for recognition in accordance with GAAP.

Advertising -

Advertising costs are expensed as incurred. Advertising costs were \$23,710 and \$19,654 for the years ended December 31, 2016 and 2015, respectively.

Income taxes -

The Association is an exempt organization under Internal Revenue Code Section 501(c)(3). The Association has also been classified as an entity that is not a private foundation.

Management has determined that the Association has no uncertain tax positions, including the tax exempt status of the Association as of December 31, 2016.

Functional allocation of expenses -

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

Prior year comparative information -

The financial statements include certain prior year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Association's financial statements as of and for the year ended December 31, 2015, from which the summarized information was derived.

Recent accounting pronouncements -

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Under the new guidance, the existing categories of unrestricted net assets and temporarily restricted and permanently restricted net assets will be modified to two categories: 1) with donor restrictions and 2) without donor restrictions. Endowments that have a current fair value that is less than the original gift amount will be classified in net assets with donor restrictions and expanded disclosures will be required. Additional disclosures will be required for the liquidity of financial assets for the general expenditures of the organization within one year, the identification of board designated net assets, expanded reporting of expenses by function and natural classification and eliminating the disclosure of investment expenses that are netted against investment returns. ASU 2016-14 is effective for the year ending December 31, 2018 and early adoption is permitted. The Association is currently evaluating the impact the adoption of this guidance will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The new leasing guidance impacts the presentation of an entity's leasing activities and will require the recognition of lease (right-of-use) assets and related lease liabilities on the statement of financial position and disclosure of key information about leasing arrangements. ASU 2016-02 is effective for the year ending December 31, 2020. The Association is currently evaluating the impact the adoption of this guidance will have on the financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. Under the new revenue guidance, recognition of revenue from customer contracts is based on a single framework for all revenue earned from grants and contracts will reflect the value of the transfer of goods and services to customers and reflects the consideration the entity received for providing those goods or services. Revenue will be recognized when the identified performance obligation is satisfied. ASU 2014-09 is effective for the year ending December 31, 2019. ASU 2014-09 does not apply to contributions and unconditional promises to give. The Association is currently evaluating the impact the adoption of this guidance will have on the financial statements.

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Association invests in a money market fund and marketable securities. The fair value of investments using Level 1 inputs measured on a recurring basis at December 31 is as follows:

	<u>2016</u>	<u>2015</u>
Money market fund	\$ 28,205	\$ 13,040
Fixed income mutual and exchange traded funds	161,376	160,646
Equities:		
U.S.	199,406	189,593
International	<u>12,563</u>	<u>11,175</u>
	<u>\$401,550</u>	<u>\$374,454</u>

Fair value measurements are obtained using quoted prices in active markets using the net asset values of the fixed income and equity mutual funds at the measurement dates. There were no changes in fair value measurement techniques during the year ended December 31, 2016.

Investment activity for the years ended December 31 is as follows:

	<u>2016</u>	<u>2015</u>
Beginning balance	\$374,454	\$372,598
Investment income	7,882	5,846
Net realized gain (loss)	3,078	(822)
Net unrealized gain	20,099	168
Investment management fees	<u>(3,963)</u>	<u>(3,336)</u>
Ending balance	<u>\$401,550</u>	<u>\$374,454</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2016</u>	<u>2015</u>
Leasehold improvements	\$ 120,990	\$ 110,430
Equipment	76,834	76,794
Vehicles	69,155	69,155
Furniture and fixtures	<u>62,988</u>	<u>61,801</u>
	329,967	318,180
Less - accumulated depreciation	<u>(236,597)</u>	<u>(219,677)</u>
	<u>\$ 93,370</u>	<u>\$ 98,503</u>

Depreciation for the years ended December 31, 2016 and 2015, totaled \$19,292 and \$21,112, respectively, and is allocated to programs and supporting services on the statement of functional expenses.

5. LINE OF CREDIT

The Association has a line of credit with Manufacturers and Traders Trust Company (the "Bank") which provides for maximum borrowings of up to \$200,000. The line of credit bears interest at the Bank's prime rate plus 1.5%. The Bank's prime rate was 3.75% at December 31, 2016. The line of credit is secured by substantially all assets of the Association. There were no outstanding borrowings on the line of credit at either December 31, 2016 or 2015.

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
United Way of Greater Rochester	\$55,903	\$55,903
Creative Wellness Opportunities	25,000	15,000
Capital projects	4,399	-
	<u>\$85,302</u>	<u>\$70,903</u>

7. COMMITMENTS AND CONTINGENCIES

The Association has entered into non-cancelable operating lease agreements for the rental of office space, office equipment and other facilities.

Estimated future minimum lease and common area maintenance payments required under these non-cancelable operating leases are as follows:

Year ending December 31,	
2017	\$212,691
2018	204,694
2019	190,554
2020	176,433
2021	107,325
	<u>\$891,697</u>

Rent expense under all lease agreements totaled approximately \$218,000 and \$215,000 for the years ended December 31, 2016 and 2015, respectively.

Expenditures under grant contracts administered by Coordinated Care Services, Inc. and other governmental entities are subject to retrospective audit and adjustment. This is reflected as adjustments to prior year's revenue in the statement of activities and change in net assets.

The Association is a party to an unemployment trust (the "Trust") as an alternative to the State Unemployment Insurance requirement. Under the terms of the Trust, the Association is required to remit payments each year to fund the Trust. These payments are used to pay unemployment claims as they arise. As of December 31, 2016 and 2015, the Association had a cash balance of approximately \$48,000 and \$69,000, respectively within the Trust. At December 31, 2016, the Trust remains open and there has been no final determination of any future liabilities or assets related to this Trust.

Currently, the Association's policy is to account for the Trust payments as expenses when remittances are paid by the Association. The value of the Association's related cash balance has not been reflected in the accompanying statements of financial position at December 31, 2016 and 2015.

8. RETIREMENT PLAN

The Association maintains a 401(k) plan (the "Plan") covering substantially all employees who have attained the age of twenty-one and who have met certain eligibility requirements. The Plan is subject to provisions of the Employee Retirement Income Security Act of 1974, as amended. Participants may elect to defer a percentage of their compensation under the Plan which may not exceed the dollar limit set by law and may select from a variety of investment options. The Association contributes an amount equal to 100% of the participant's elective deferral up to 2% of the participant's compensation. The Association may also make a discretionary contribution to the Plan. The Association elected to make a 3% discretionary contribution for the Plan years ended December 31, 2016 and 2015. Total Association contributions under this Plan were \$41,291 and \$40,988 for the years ended December 31, 2016 and 2015, respectively.

9. RISK CONCENTRATIONS

During both of the years ended December 31, 2016 and 2015, one funder individually accounted for approximately 67% of total support and other revenue. Accounts receivable from this funder were \$7,404 and \$8,750 at December 31, 2016 and 2015, respectively.

During both of the years ended December 31, 2016 and 2015, an additional funder accounted for approximately 11% and 12% of total support and revenue, respectively. Accounts receivable from this funder were \$0 and \$66,519 at December 31, 2016 and 2015, respectively.

10. SUPPLEMENTAL CASH FLOW DISCLOSURES

Cash paid for interest was \$533 and \$439 for the years ended December 31, 2016 and 2015, respectively.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 22, 2017, the date the financial statements were available to be issued, and has determined that there were no such events that would require adjustment to the audited financial statements or disclosure in the notes to financial statements.