

**MENTAL HEALTH ASSOCIATION OF
ESSEX COUNTY, INC.**

**Financial Statements
June 30, 2008 and 2007**



MENTAL HEALTH ASSOCIATION OF ESSEX COUNTY, INC.

FINANCIAL STATEMENTS
June 30, 2008 and 2007

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MALESARDI, QUACKENBUSH, SWIFT & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT OF INDEPENDENT AUDITORS ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

To the Board of Directors of

Mental Health Association of Essex County, Inc.

We have audited the accompanying statements of financial position of Mental Health Association of Essex County, Inc. (a Not-for-Profit organization) as of June 30, 2008 and 2007, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mental Health Association of Essex County, Inc. as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 17, 2008 on our consideration of Mental Health Association of Essex County, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Mental Health Association of Essex County, Inc. taken as a whole. The accompanying schedule of expenditures of Federal and State awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Englewood, New Jersey
November 17, 2008

MENTAL HEALTH ASSOCIATION OF ESSEX COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2008 and 2007

ASSETS

	2008	2007
CURRENT ASSETS:		
Cash and cash equivalents	\$ 197,599	\$ 246,619
Investments	1,106,481	1,138,367
Accounts receivable, less allowance for doubtful accounts of \$5,956 and \$5,243 in 2008 and 2007	198,963	113,510
Grants and contracts receivable	125,298	188,234
Pledges receivable	35,000	35,000
United Way receivable	12,542	2,600
Deposits and prepaid expenses	47,797	46,420
 Total Current Assets	 1,723,680	 1,770,750
PROPERTY, PLANT AND EQUIPMENT:		
Net of accumulated depreciation of \$832,461 and \$667,191 in 2008 and 2007	2,775,891	1,745,712
INTANGIBLE ASSETS:		
Net of accumulated amortization of \$4,476 and \$3,788 in 2008 and 2007	220	908
OTHER ASSETS:		
Pledges receivable	45,750	44,500
Permanently restricted investments	70,500	68,000
 Total Other Assets	 116,250	 112,500
 Total Assets	 \$ 4,616,041	 \$ 3,629,870

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Current portion of notes payable	\$ 35,000	\$ 36,000
Accounts payable and accrued expenses	225,399	219,101
Accrued payroll and related liabilities	286,365	219,737
Deferred support	67,684	162,030
 Total Current Liabilities	 614,448	 636,868
LONG-TERM LIABILITIES:		
Notes payable CSH	1,432,083	431,000
Notes payable	35,000	70,000
 Total Long-Term Liabilities	 1,467,083	 501,000
 Total Liabilities	 2,081,531	 1,137,868
NET ASSETS:		
Unrestricted		
Board designated	246,731	246,731
Available for Operations	1,407,497	1,552,852
DMHS Operational Incentives Reserve	185,716	36,408
Temporarily restricted	624,066	588,011
Permanently restricted	70,500	68,000
 Total Net Assets	 2,534,510	 2,492,002
 Total Liabilities and Net Assets	 \$ 4,616,041	 \$ 3,629,870

The accompanying notes are an integral
part of these financial statements

MENTAL HEALTH ASSOCIATION OF ESSEX COUNTY, INC.

STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2008
(With Comparative Totals for the Year Ended June 30, 2007)

	2008			2007	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
SUPPORT AND REVENUES:					
Government grants and contracts:					
NJ Division of Mental Health Services	\$ 4,995,797	\$ -	\$ -	\$ 4,995,797	\$ 4,516,647
NJ Department of Treasury	-	-	-	-	98,844
NJ Department of Community Affairs	64,800	-	-	64,800	16,200
Nutrition program	36,000	-	-	36,000	30,168
NJ Child Assault Prevention Programs	229,350	-	-	229,350	202,997
NJ Division of Children and Family Services	112,371	-	-	112,371	-
Essex County Office on Aging	39,162	-	-	39,162	39,162
Livingston Township	138,712	-	-	138,712	135,000
Essex County Housing and Community Development	19,435	-	-	19,435	-
East Orange Teens programs	17,500	-	-	17,500	15,000
CIACC, as subrecipient	69,582	-	-	69,582	82,158
Total Support	5,722,709	-	-	5,722,709	5,136,176
Revenues:					
Medicaid, Medicare, welfare and private insurance	1,752,295	-	-	1,752,295	1,602,087
Fee for service	34,009	-	-	34,009	27,305
Income from investments	(19,816)	2,666	-	(17,150)	136,955
Miscellaneous	20,126	-	-	20,126	21,712
Total Revenues	1,786,614	2,666	-	1,789,280	1,788,059
Public Support:					
Contributions, membership, dues and bequests	28,650	37,348	2,500	68,498	156,117
Grants	11,173	-	-	11,173	28,950
United Way	73,100	-	-	73,100	64,403
Special events	266,214	-	-	266,214	216,004
Total Public Support	379,137	37,348	2,500	418,985	465,474
Net Assets Released from Restrictions:	26,000	(26,000)	-	-	-
TOTAL SUPPORT AND REVENUES	7,914,460	14,014	2,500	7,930,974	7,389,709
EXPENSES:					
Program services	6,554,133	-	-	6,554,133	5,827,535
Management and general	1,114,874	-	-	1,114,874	1,028,740
Fundraising	219,459	-	-	219,459	205,939
TOTAL EXPENSES	7,888,466	-	-	7,888,466	7,062,214
CHANGES IN NET ASSETS	25,994	14,014	2,500	42,508	327,495
NET ASSETS, Beginning of Year	1,835,991	588,011	68,000	2,492,002	2,164,507
Reclassification of Net Assets	(22,041)	22,041	-	-	-
NET ASSETS, End of Year	\$ 1,839,944	\$ 624,066	\$ 70,500	\$ 2,534,510	\$ 2,492,002

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

MENTAL HEALTH ASSOCIATION OF ESSEX COUNTY, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 42,508	\$ 327,495
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	165,960	124,522
Provision for doubtful accounts	5,500	7,500
Unrealized gains on investments	74,723	(71,850)
Net (gain) loss on sale of vehicles	-	(5,800)
Net gain on sale of securities	(12,987)	(14,479)
Change in assets:		
Receivables	33,172	(213,070)
Pledges receivable	(1,250)	(79,500)
Deposits and prepaid expenses	(1,377)	(16,516)
Change in liabilities:		
Accounts payable and accrued expenses	6,298	51,811
Accrued payroll and related liabilities	66,628	(28,628)
Deferred support	(94,348)	(163,813)
Contributions restricted for permanent investments	(2,500)	(2,500)
Net Cash Provided by (Used in) Operating Activities	282,327	(84,828)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(762,559)	(511,292)
Proceeds from sale of investments	661,580	696,020
Purchase of permanently restricted investments	(2,500)	(2,500)
Purchase of equipment and software, net of trade-in allowances	(1,195,451)	(565,888)
Net Cash Used in Investing Activities	(1,298,930)	(383,660)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	(71,000)	(36,000)
Borrowings on note payable	1,036,083	431,000
Contributions restricted for permanent investments	2,500	2,500
Net Cash Provided by Financing Activities	967,583	397,500
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(49,020)	(70,988)
CASH AND CASH EQUIVALENTS, Beginning of Year	246,619	317,607
CASH AND CASH EQUIVALENTS, End of Year	\$ 197,599	\$ 246,619
Supplemental Disclosure:		
Cash paid during the year for interest	\$ 4,767	\$ 5,992

MENTAL HEALTH ASSOCIATION OF ESSEX COUNTY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2008

(With Comparative Totals for the Year Ended June 30, 2007)

2008

	Integrated Case Management Service Program	Prospect House Program	Supported Employment Programs	Family Support Programs	Unified Care Management	Youth Programs	Criminal Justice / Jail Diversion Program
Salaries	\$ 1,189,589	\$ 985,097	\$ 347,675	\$ 371,833	\$ 77,683	\$ 258,419	\$ 223,160
Fringe benefits and payroll taxes	261,177	216,280	76,333	81,637	17,056	56,737	48,996
Therapists / consultants	-	-	-	-	-	182,025	-
Joint Program Consultants (UBHC)	-	-	-	-	-	-	297,804
Occupancy	64,806	134,279	61,753	20,198	-	6,149	13,066
Equipment rental and maintenance	40,541	50,977	14,960	9,571	-	8,093	2,207
Telephone	24,930	12,724	9,965	9,279	2,115	15,091	3,944
Supplies	8,850	21,899	7,986	6,759	108	34,900	7,431
Travel, transportation and conference	39,857	54,343	8,576	10,244	780	5,262	6,639
Insurance	49,237	26,959	12,423	8,561	-	3,038	13,171
Advertising	2,095	15,006	1,758	375	489	1,198	1,351
Professional fees	6,019	4,879	2,006	4,002	700	1,914	2,394
Food	-	47,730	-	-	-	-	-
Postage and printing	697	612	2,347	991	-	2,241	-
Mortgage interest	-	-	-	1,630	-	257	-
Subscriptions and publications	40	495	-	-	-	-	-
Data processing	6,716	5,795	1,932	1,585	-	1,752	966
Mental Health Association dues	302	302	604	604	-	-	-
Consumer assistance	9,731	3,165	795	1,434	64	-	3,938
Public awareness	-	-	-	-	-	-	-
Special events	-	-	-	-	-	-	-
Depreciation and amortization	50,068	51,862	12,853	4,035	-	-	-
Bad debts	4,125	1,375	-	-	-	-	-
Miscellaneous	-	756	308	609	-	-	-
TOTAL OPERATING EXPENSES	\$ 1,758,781	\$ 1,634,535	\$ 562,274	\$ 533,347	\$ 98,995	\$ 577,076	\$ 625,067

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

MALESARDI, QUACKENBUSH, SWIFT & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS

MENTAL HEALTH ASSOCIATION OF ESSEX COUNTY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

For the Year Ended June 30, 2008

(With Comparative Totals for the Year Ended June 30, 2007)

	2008				2007	
	Supportive Living Services	Center for Low Cost Psychotherapy	Total Program Services	Management and General	Fundraising	Total Combined
Salaries	\$ 201,549	\$ 191,340	\$ 3,846,345	\$ 709,838	\$ 81,158	\$ 4,637,341
Fringe benefits and payroll taxes	44,251	42,009	844,476	159,987	17,818	1,022,281
Therapists / consultants	-	8,000	190,025	-	-	190,025
Joint Program Consultants (UBHC)	-	-	297,804	-	-	297,804
Occupancy	69,325	3,761	373,337	30,869	-	404,206
Equipment rental and maintenance	14,184	6,361	146,894	32,536	4,543	183,973
Telephone	4,419	6,682	89,149	26,522	-	115,671
Supplies	50,123	1,458	139,514	11,501	1,466	152,481
Travel, transportation and conference	8,194	1,217	135,112	25,331	4,661	165,104
Insurance	2,604	1,629	117,622	6,956	-	124,578
Advertising	904	-	23,176	4,419	145	27,740
Professional fees	5,963	1,144	29,021	43,187	-	72,208
Food	-	-	47,730	-	-	47,730
Postage and printing	84	991	7,963	5,749	3,506	17,218
Mortgage interest	69,846	167	71,900	2,713	-	74,613
Subscriptions and publications	-	-	535	1,688	445	2,668
Data processing	1,050	1,370	21,166	2,740	-	23,906
Mental Health Association dues	-	302	2,114	15,080	-	17,194
Consumer assistance	7,282	-	26,409	-	-	26,409
Public awareness	-	-	-	-	20,000	20,000
Special events	-	-	-	-	82,782	82,782
Depreciation and amortization	16,502	-	135,321	30,639	-	165,960
Bad debts	-	-	5,500	-	-	5,500
Miscellaneous	739	608	3,020	5,119	2,935	11,074
TOTAL OPERATING EXPENSES	\$ 497,019	\$ 267,039	\$ 6,554,133	\$ 1,114,874	\$ 219,459	\$ 7,888,466
						\$ 7,062,214

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

MENTAL HEALTH ASSOCIATION OF ESSEX COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities:

The Mental Health Association of Essex County, Inc. (The "Association") is a Not-for-Profit organization whose mission is to promote mental health, improve the care and treatment of individuals with mental illness and to remove the stigma associated with mental disorders. This is accomplished through advocacy, education, prevention, treatment and service. The Association's revenues are derived principally from state funding, third party reimbursements and support from the general public.

Classes of Net Assets:

The Association records gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Permanently restricted net assets include gifts which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

The Board has designated certain unrestricted net assets to be used as an endowment or for specific future purposes, subject to board approval.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Cash and Cash Equivalents:

The Association considers all short-term investments with a maturity of three months or less to be cash equivalents.

Investments:

Investments are reported at their fair market values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Accounts Receivable:

Accounts receivable represent amounts due from Medicaid. Bad debts are accounted for using the reserve method based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year.

MENTAL HEALTH ASSOCIATION OF ESSEX COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008 and 2007

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Intangible Assets and Property and Equipment:

Intangible assets and property and equipment are stated at cost (fair market value at date of donation if contributed) less accumulated depreciation and amortization. Depreciation and amortization are provided principally using the straight-line method over the estimated lives of the assets as follows:

<u>Asset</u>	<u>Estimated Useful Life</u>
Computer software	3-5 Years
Buildings and improvements	5-40 Years
Furniture and fixtures	5-7 Years
Transportation equipment	5 Years
Computer equipment	5 Years

Summarized Comparative Information:

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2007 from which the summarized information was derived.

Income Taxes:

The Association is exempt from federal, state and local income taxes as a voluntary, Not-for-Profit organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provisions for income taxes are included in the financial statements.

Use of 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 of assets and liabilities, the disclosure of contingent assets and liabilities and the reported support, revenues and expenses. Actual results could differ from those estimates.

Reclassification:

Certain reclassifications have been made to prior year information in order to conform with current year presentation.

NOTE 2 - INVESTMENTS:

Investments consisted of the following at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Money Market	\$ 22,659	\$ 28,790
Domestic and international equity funds	372,095	422,465
Bonds	<u>711,727</u>	<u>687,112</u>
	1,106,481	1,138,367
Permanently restricted money market funds	<u>70,500</u>	<u>68,000</u>
	<u>\$ 1,176,981</u>	<u>\$ 1,206,367</u>

MENTAL HEALTH ASSOCIATION OF ESSEX COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2008 and 2007

NOTE 2 - INVESTMENTS (CONTINUED):

Investment return is summarized as follows:

	2008			2007	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Investment income	\$ 41,920	\$ 2,666	\$ -	\$ 44,586	\$ 50,626
Gain on sale of securities	12,987	-	-	12,987	14,479
Unrealized gain in investments	<u>(74,723)</u>	<u>-</u>	<u>-</u>	<u>(74,723)</u>	<u>71,850</u>
Total Income from Investments	<u>\$ (19,816)</u>	<u>\$ 2,666</u>	<u>\$ -</u>	<u>\$ (17,150)</u>	<u>\$ 136,955</u>

NOTE 3 - PLEDGES RECEIVABLE:

Pledges receivable as of June 30, 2008 consisted of the following:

Receivable in less than one year	\$ 35,000
Receivable in one to five years	<u>50,000</u>
Total pledges receivable	85,000
Less discounts to net present value	<u>(4,250)</u>
Net pledges receivable as of June 30, 2008	<u>\$ 80,750</u>

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT:

Property and equipment consisted of the following at June 30, 2008 and 2007:

	2008	2007
Land	\$ 1,037,492	\$ 450,992
Building and improvements	1,901,093	1,441,419
Furniture and fixtures	104,954	99,132
Transportation equipment	482,786	339,331
Computer equipment	<u>82,027</u>	<u>82,027</u>
Total Property, Plant and Equipment	3,608,352	2,412,901
Less: accumulated depreciation	<u>832,461</u>	<u>667,189</u>
	<u>\$ 2,775,891</u>	<u>\$ 1,745,712</u>

MENTAL HEALTH ASSOCIATION OF ESSEX COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008 and 2007

NOTE 5 - INTANGIBLE ASSETS:

Intangible assets consisted of the following as of June 30, 2008 and 2007:

	2008	2007
Computer Software	\$ 4,696	\$ 4,696
Less: accumulated amortization	4,476	3,788
Total Intangible Assets	\$ 220	\$ 908

NOTE 6 - NOTES PAYABLE:

The following is a summary of notes payable at June 30, 2008 and 2007:

1. Mortgage note payable to a New Jersey state agency through July 1, 2010 at fixed annual principal payment plus interest at varying rates (average 4.464%). The required payment is withheld ratably from the Association's monthly advances under their State of New Jersey Division of Mental Health Services award. This note is collateralized by land and building in Montclair, New Jersey. The balance as of June 30, 2008 and 2007 was \$70,000 and \$106,000, respectively.
2. Mortgage note payable to the Corporation for Supportive Housing bearing interest at 6% per annum. The note is collateralized by land and building in Bloomfield, New Jersey. The balance as of June 30, 2008 was \$396,000. It is anticipated that the Association will secure permanent financing with Essex County Home Funds and New Jersey Housing and Mortgage Finance Agency (HMFA) and use those monies to repay this note payable.
3. Mortgage note payable to the Corporation for Supportive Housing bearing interest at 7% per annum. The note is collateralized by land and building in Bloomfield, New Jersey. The balance due as of June 30, 2008 was \$361,083. It is anticipated that the Association will secure permanent financing with Essex County Home Funds and New Jersey Housing and Mortgage Finance Agency (HMFA) and use those monies to repay this note payable.
4. Mortgage note payable to the Corporation for Supportive Housing bearing interest 7% per annum. The note is collateralized by land and building in Nutley, New Jersey. The balance as of June 30, 2008 was \$675,000. It is anticipated that the Association will secure permanent financing with Essex County Home Funds and New Jersey Housing and Mortgage Finance Agency (HMFA). The Association has also applied for additional funds through the Federal Home Loan Bank.

Future required principal payments at June 30, 2008 are as follows:

Year ending June 30,	1	2	3	4
2009	\$ 35,000	\$ -	\$ -	\$ -
2010	35,000	-	-	-
2011	-	-	-	-
2012	-	-	-	-
2013 and thereafter	-	396,000	361,083	675,000
	\$ 70,000	\$ 396,000	\$ 361,083	\$ 675,000

MENTAL HEALTH ASSOCIATION OF ESSEX COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2008 and 2007

NOTE 6 - NOTES PAYABLE (CONTINUED):

LINE OF CREDIT

The Association has a \$500,000 revolving line of credit bearing interest at the bank's prime rate plus 1/2% and expiring April 1, 2009. At June 30, 2008 and 2007, the Association had no outstanding balance.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets were available for the following purposes or periods at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Prospect House deficit funding	\$ 378,042	\$ 380,542
Mental Health in "The School Program"	20,701	2,562
Educational activities	11,796	9,130
President's Club speaker	-	10,000
Prospect House consumer trips	60,441	63,941
Supportive Housing	<u>153,086</u>	<u>121,836</u>
Total Temporarily Restricted Net Assets	<u>\$ 624,066</u>	<u>\$ 588,011</u>

NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets are restricted to investments in perpetuity, the income from which is expendable to support:

	<u>2008</u>	<u>2007</u>
Educational activities	\$ 25,000	\$ 25,000
General purposes	<u>45,500</u>	<u>43,000</u>
Total Permanently Restricted Net Assets	<u>\$ 70,500</u>	<u>\$ 68,000</u>

NOTE 9 - NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets were released from restrictions during the years ended June 30, 2008 and 2007 as follows:

	<u>2008</u>	<u>2007</u>
Prospect House deficit funding	\$ 2,500	\$ 37,341
"The School Program"	10,000	10,000
President's Club speaker	10,000	-
Prospect House consumer trips	<u>3,500</u>	<u>-</u>
Total Program Restrictions	<u>\$ 26,000</u>	<u>\$ 47,341</u>

MENTAL HEALTH ASSOCIATION OF ESSEX COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2008 and 2007

NOTE 10 - NEW JERSEY CHILD ASSAULT PREVENTION PROGRAM:

As a participant in the New Jersey Child Assault Prevention Program (NJCAP), the Association receives the funds necessary to pay the staff salaries and other expenses associated with the program. Advances are included in support, and disbursements are included in program expenses, currently \$212,273 and \$211,210, respectively. Timing differences in the recording of advances and expenses may result in the appearance of a slight program deficit or a surplus in any given year.

As required by the NJCAP program, a separate bank account is maintained for all program receipts and disbursements.

NOTE 11 - JAIL DIVERSION SERVICES PROGRAM:

The Association and University Behavioral Health Care (UBHC) began working in the Essex County jail in fiscal year 2006. The Association is the lead agency and receives payment from the State of New Jersey Department of Human Services, Division of Mental Health Services. The Association received \$630,408 in fiscal year 2008, which is included in support. The Association reimburses UBHC for their actual expenses. UBHC provides psychiatric screening services at the jail in order to identify misdemeanor offenders who would benefit from receiving mental health services as opposed to incarceration. The Association then works with those individuals to get them linked to both housing and mental health services to reduce the rate of recidivism.

NOTE 12 - UNIFIED CARE MANGAEMENT PROGRAM:

The Association is sub-contracted with Partnership for Children of Essex (PCE) who is under contract with New Jersey Department of Children and Families - Division of Child Behavioral Health Services (DCBHS). The Association provides special services to children and families served by the New Jersey DCBHS. The Association received \$112,371 in fiscal year 2008 from PCE, which is included in support.

NOTE 13 - PENSION PLANS:

The Association currently maintains a defined contribution profit-sharing plan. The plan is open to all employees who meet certain eligibility requirements. The plan provides for a 2% match and discretionary employer contributions to be determined at year end by the Board. Profit-sharing expense for the fiscal years ended June 30, 2008 and 2007 was \$168,935 and \$119,304, respectively.

The Association discontinued their tax deferred employee savings plan during fiscal year 2007.

NOTE 14 - CONCENTRATION OF CREDIT RISK:

Mental Health Association of Essex County, Inc. maintains its cash in bank deposit accounts at high quality financial institutions. These balances at times may exceed federally insured limits.

MENTAL HEALTH ASSOCIATION OF ESSEX COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2008 and 2007

NOTE 15 - COMMITMENTS:

The Association is obligated to contribute to the support of the State and National Mental Health Associations. The Association has paid or accrued its obligation of \$2,411 for the year ended June 30, 2008.

In 2007 the Association entered into a lease agreement for facilities located in East Orange. These facilities are used in the Integrated Case Management Program and the Supported Employment Program. The lease period is from June 1, 2007 through May 31, 2010, with an option to renew for an additional two years.

<u>Year Ending June 30,</u>	<u>Facilities</u>
2009	\$ 107,890
2010	<u>99,968</u>
	<u>\$ 207,858</u>

The Association also leases space for a facility in Montclair on a month to month arrangement. Office equipment is leased under agreements expiring between November 2008 and December 2010. Future minimum annual rent payments are as follows:

<u>Year Ending June 30,</u>	<u>Equipment</u>
2009	\$ 47,693
2010	21,912
2011	<u>21,912</u>
	<u>\$ 91,517</u>

Rent expense for facilities for the years ended June 30, 2008 and 2007 totaled \$161,543 and \$115,955, respectively. Equipment rental expense totaled \$72,153 and \$77,152, respectively.

NOTE 16 - DMHS OPERATIONAL INCENTIVES RESERVE:

During 2006, New Jersey Department of Human Services - Division of Mental Health Services ("DMHS") instituted a new operational incentives pilot program. Contracted DMHS providers can receive incentives as a result of efficient and effective management. The maximum incentive for any contract period is limited to 3.33% of the total operating budget up to \$400,000 per year up to three years and should not exceed \$1,200,000. The operational incentive reserve is recognized in the year following the fiscal year surplus, after contract closeout with the Division of Mental Health Services. Such reserve is subject to the provisions of DMHS Policy Circular P7.07.

Fiscal Year 2006	\$ 36,408
Fiscal Year 2007	161,968
Less: Allowable Expenditures	<u>(12,660)</u>
Total	<u>\$ 185,716</u>

MENTAL HEALTH ASSOCIATION OF ESSEX COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008 and 2007

NOTE 17 - SUBSEQUENT EVENTS:

As of November 5, 2008 the Association's investment portfolio had an unrealized loss of approximately \$100,000 for the period July 1, 2008 through November 5, 2008. This unrealized loss has not been reflected in the accompanying financial statements.

MENTAL HEALTH ASSOCIATION OF ESSEX COUNTY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2008

<u>Federal or State Grantor/ Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>State Contract Number</u>	<u>Expenditures</u>
U.S. Department of Education Passed through State of New Jersey Department of Human Services Division of Mental Health Services Supported Employment Program	84.126a	30209	\$ 105,791
U.S. Department of Health and Human Services Passed through State of New Jersey Department of Human Services Division of Mental Health Services Temporary Assistance for Needy Families	93.558	30222	215,358
Community Mental Health Services Block Grant Augmented Family Support Services	93.958	30209	559,493
Passed through County of Essex Division of Aging Older Americans Act Grant	93.044		39,162
U.S. Department of Housing and Urban Development Passed through City of East Orange Community Development Block Grant	14.218		17,500