

SCREENING FOR MENTAL HEALTH, INC.

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Screening for Mental Health, Inc.
Wellesley, Massachusetts

Report on Financial Statements

We have audited the accompanying financial statements of **Screening for Mental Health, Inc.** (a non-profit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year ended December 31, 2013 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Screening for Mental Health, Inc.** as of December 31, 2013, 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

The 2012 financial statements were previously audited by Braver P.C., whose practice was combined with Marcum LLP as of January 1, 2014, and whose report dated August 30, 2013, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Needham, Massachusetts
July 28, 2014

Screening for Mental Health, Inc.

Statement of Financial Position December 31, 2013 (With Comparative Totals for 2012)

	<u>2013</u>	<u>2012</u>
<i>Assets</i>		
Cash and cash equivalents	\$ 2,073,397	\$ 3,235,703
Accounts receivable	171,280	546,370
Prepaid expenses	22,002	21,159
Investments	3,287,561	2,002,077
Property and equipment, net of accumulated depreciation of \$170,957 in 2013 and \$195,592 in 2012	<u>92,080</u>	<u>23,483</u>
Total assets	<u><u>\$ 5,646,320</u></u>	<u><u>\$ 5,828,792</u></u>
<i>Liabilities and Net Assets</i>		
Obligation under capital lease	\$ 80,936	\$ 9,906
Accounts payable	70,798	33,084
Accrued expenses	43,278	54,171
Refundable advances	<u>6,760</u>	<u>7,969</u>
Total liabilities	<u>201,772</u>	<u>105,130</u>
Net assets		
Unrestricted	4,436,548	4,710,464
Unrestricted - board designated	1,000,000	1,000,000
Temporarily restricted	<u>8,000</u>	<u>13,198</u>
Total net assets	<u>5,444,548</u>	<u>5,723,662</u>
Total liabilities and net assets	<u><u>\$ 5,646,320</u></u>	<u><u>\$ 5,828,792</u></u>

Screening for Mental Health, Inc.

Statement of Activities For the Year Ended December 31, 2013 (With Comparative Totals for 2012)

	Unrestricted	Temporarily Restricted	Total 2013	Total 2012
Revenues, gains, and losses				
Contract revenue	\$ 1,912,819	\$ -	\$ 1,912,819	\$ 2,382,603
Registration fees	814,194	-	814,194	690,296
Grants and contributions	96,603	8,000	104,603	50,774
Interest income, net of investment expenses	97,718	-	97,718	90,246
Miscellaneous income	7,577	-	7,577	18,877
Loss on investments	(77,461)	-	(77,461)	(50,152)
Net assets released from restriction	13,198	(13,198)	-	-
	2,864,648	(5,198)	2,859,450	3,182,644
Expenses				
Program	2,430,451	-	2,430,451	2,347,727
Management and general	708,113	-	708,113	609,029
	3,138,564	-	3,138,564	2,956,756
Change in net assets	(273,916)	(5,198)	(279,114)	225,888
Net assets at beginning of year	5,710,464	13,198	5,723,662	5,497,774
Net assets at end of year	\$ 5,436,548	\$ 8,000	\$ 5,444,548	\$ 5,723,662

The accompanying notes are an integral part of these financial statements

Screening for Mental Health, Inc.

**Statement of Functional Expenses
For the Year Ended December 31, 2013
(With Comparative Totals for 2012)**

	Workplace Response Program	College Programs	Youth Programs	National Depression Screening Day	Military Programs	Suicide Research Division	Total Program	Management and General	Total 2013	Total 2012
Wages, taxes and benefits	\$ 138,964	\$ 204,223	\$ 168,968	\$ 85,945	\$ 575,675	\$ 10,228	\$ 1,184,003	\$ 320,915	\$ 1,504,918	\$ 1,388,764
Kit design, production and storage	722	54,790	99,734	39,117	428,647	479	623,489	598	624,087	460,325
Consultants	900	4,403	4,406	7,406	61,280	38,328	116,723	77,230	193,953	99,701
Facilities	15,298	31,030	23,418	9,280	65,974	7,250	152,250	29,000	181,250	173,380
Advertising and public relations	10,139	5,084	4,452	7,863	106,505	-	134,043	18,104	152,147	212,967
Communication technology	1,337	2,025	19,100	2,230	42,084	-	66,776	46,024	112,800	165,489
Office	7,130	9,188	3,646	3,162	4,724	1,715	29,565	58,358	87,923	90,774
Professional fees	-	-	-	-	972	-	972	61,439	62,411	49,662
Video production	-	-	56,859	-	19	-	56,878	-	56,878	145,537
Travel and conferences	5,088	7,195	4,932	5,282	15,252	-	37,749	9,813	47,562	53,256
Bank and administrative fees	-	595	349	297	405	-	1,646	31,355	33,001	27,255
Insurance	-	-	-	-	-	-	-	31,363	31,363	31,735
Depreciation and amortization	-	-	-	-	-	-	-	20,048	20,048	32,217
Postage and delivery	94	2,526	1,939	2,290	5,669	-	12,518	1,998	14,516	8,801
Contracted services	580	250	250	250	9,646	-	10,976	933	11,909	9,948
Dues and subscriptions	234	933	267	842	413	174	2,863	935	3,798	6,945
	<u>\$ 180,486</u>	<u>\$ 322,242</u>	<u>\$ 388,320</u>	<u>\$ 163,964</u>	<u>\$ 1,317,265</u>	<u>\$ 58,174</u>	<u>\$ 2,430,451</u>	<u>\$ 708,113</u>	<u>\$ 3,138,564</u>	<u>\$ 2,956,756</u>

The accompanying notes are an integral part of these financial statements

Screening for Mental Health, Inc.

Statement of Cash Flows For the Year Ended December 31, 2013 (With Comparative Totals for 2012)

	2013	2012
Cash flows from operating activities		
Change in net assets	\$ (279,114)	\$ 225,888
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities		
Depreciation	20,048	32,217
Loss on investments	77,461	50,152
Change in interest accrued on investments	(18,374)	473
Loss on disposition of property and equipment	3,713	-
Decrease (increase) in		
Accounts receivable	375,090	44,007
Prepaid expenses	(843)	14,793
Increase (decrease) in		
Accounts payable	37,714	(15,930)
Accrued expenses	(10,893)	6,619
Refundable advances	(1,209)	(5,360)
Total adjustments	482,707	126,971
Net cash and cash equivalents provided by operating activities	203,593	352,859
Cash flows from investing activities		
Purchases of marketable debt securities	(2,208,540)	(369,677)
Proceeds from sale of marketable debt securities	863,970	312,059
Capital expenditures	(3,347)	(14,275)
Net cash and cash equivalents used in investing activities	(1,347,917)	(71,893)
Cash flow from financing activities		
Payment on capital lease obligation	(17,982)	(10,372)
Net cash and cash equivalents used in financing activities	(17,982)	(10,372)
Net (decrease) increase in cash and cash equivalents	(1,162,306)	270,594
Cash and cash equivalents at beginning of year	3,235,703	2,965,109
Cash and cash equivalents at end of year	\$ 2,073,397	\$ 3,235,703

The accompanying notes are an integral part of these financial statements

Screening for Mental Health, Inc.

Notes to the Financial Statements For the Year Ended December 31, 2013 (With Comparative Totals for 2012)

1. Organization and Description of Operations

Screening for Mental Health, Inc. (the “Organization”) was organized as a non-profit corporation on February 17, 1994.

The Organization is a unique non-profit organization whose mission is to decrease stigma associated with mental health disorders and provide the public with mental health education, screening, and treatment resources. The Organization provides these services to more than a half a million people each year. To do this, the Organization coordinates activities of thousands of unique screening sites located in every state across the country and approximately 30 large employers and health care companies.

The Organization recruits each of the screening sites, provides the model for the event and makes materials available for sites implementing the program. Additionally, online screenings are available to community based organizations, hospitals, colleges and universities, workplaces, and military installations worldwide, thus bringing the program and services to an even larger audience. The unique coordination with facilities and professionals across the nation is what makes national mental health screening possible and cost-effective.

The Organization is responsible for running several different national screening initiatives, each addressing a different constellation of mental health disorders, and each involving different sponsors, supporters and funding. National Depression Screening Day®, the Organization’s flagship program, takes place annually and addresses depression, bipolar disorders, general anxiety disorder, post-traumatic stress disorder and suicide. National Alcohol Screening Day® also takes place annually and addresses a range of alcohol problems from risky drinking to alcohol dependence. The Organization also runs a middle school and high school suicide prevention program that is available throughout the school year. The college program brings together depression and alcohol screening with the addition of eating disorders screening. Workplace Response® provides screening services year round to major corporations, federal, state and local government agencies, and national and regional health care companies. The program includes education and self- assessment tools, delivered via event kits and online tools. The Military Pathways® program is offered to military personnel and their families in all branches, including the National Guard and Reserve.

2. Summary of Significant Accounting Policies

Basis of Accounting

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

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Screening for Mental Health, Inc.

Notes to the Financial Statements For the Year Ended December 31, 2013 (With Comparative Totals for 2012)

2. Summary of Significant Accounting Policies (Continued)

Comparative Financial 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 GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

Revenue Recognition

Contract revenue is recognized in the period in which services are performed. Revenue from registration fees is recognized in the period received and all Organization responsibilities have been satisfied. Revenue from unconditional grants and contributions is recognized when pledged. Revenue from conditional grants and contributions is recognized when the all conditions of the grant or contribution have been satisfied.

Cash and Cash Equivalents

The Organization considers all highly-liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management believes that all accounts receivable will be collected, therefore no valuation allowance has been recorded as of December 31, 2013 and 2012.

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the accompanying statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Investment Income and Gains

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Fair Value Measurement

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

Screening for Mental Health, Inc.

Notes to the Financial Statements For the Year Ended December 31, 2013 (With Comparative Totals for 2012)

2. Summary of Significant Accounting Policies (Continued)

Fair Value Measurement (Continued)

Basis of Fair Value Measurement

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Property and Equipment

Property consists of computers, furniture and fixtures. These assets are stated at cost, less accumulated depreciation and amortization. They are being depreciated and amortized on a straight-line basis over their estimated useful lives, which range from three to five years. It is the policy of the Organization to capitalize those items with an expected life greater than one year and which have a cost exceeding \$1,000.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from Massachusetts income tax under Massachusetts General Law 180. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization evaluates all significant tax positions as required by generally accepted accounting principles in the United States. As of December 31, 2013 and 2012, the Organization does not believe that it has taken any tax positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. The Organization's income tax returns are subject to examination by the appropriate taxing jurisdictions. As of December 31, 2013, the Organization's income tax returns generally remain open for examination for three years from the date filed with each taxing jurisdiction.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Screening for Mental Health, Inc.

Notes to the Financial Statements For the Year Ended December 31, 2013 (With Comparative Totals for 2012)

2. Summary of Significant Accounting Policies (Continued)

Expense Allocation

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

3. Investments in Marketable Debt Securities

The Organization's investments at December 31, 2013 and 2012 consist of investments in marketable debt securities recorded at fair value as summarized below:

December 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Municipal bonds	\$ 76,378	\$ 76	\$ -	\$ 76,454
Government bonds	374,120	766	-	374,886
Corporate bonds	2,792,386	5,325	(508)	2,797,203
Accrued interest	39,018	-	-	39,018
	<u>\$ 3,281,902</u>	<u>\$ 6,167</u>	<u>\$ (508)</u>	<u>\$ 3,287,561</u>

December 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Municipal bonds	\$ 157,279	\$ 347	\$ -	\$ 157,626
Government bonds	322,769	1,173	(2)	323,940
Corporate bonds	1,492,387	7,855	(375)	1,499,867
Accrued interest	20,644	-	-	20,644
	<u>\$ 1,993,079</u>	<u>\$ 9,375</u>	<u>\$ (377)</u>	<u>\$ 2,002,077</u>

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended December 31, 2013 and 2012:

	2013	2012
Interest income	\$ 105,971	\$ 96,221
Net loss on investments	<u>(77,461)</u>	<u>(50,152)</u>
Total investment return	28,510	46,069
Investment fees	<u>(8,253)</u>	<u>(5,975)</u>
Total investment return, net of fees	<u>\$ 20,257</u>	<u>\$ 40,094</u>

Screening for Mental Health, Inc.

Notes to the Financial Statements For the Year Ended December 31, 2013 (With Comparative Totals for 2012)

4. Fair Value Measurements

The fair value of all investments in marketable debt securities is determined by quoted market prices. These investments are all measured using Level 1 measurements.

5. Property and Equipment

Property and equipment consist of the following as of December 31:

	<u>2013</u>	<u>2012</u>
Office equipment	\$ 126,801	\$ 82,839
Leasehold improvements	<u>136,236</u>	<u>136,236</u>
	263,037	219,075
Accumulated depreciation	<u>(170,957)</u>	<u>(195,592)</u>
	<u>\$ 92,080</u>	<u>\$ 23,483</u>

Depreciation and amortization expense for the years ended December 31, 2013 and 2012 was \$20,048 and \$32,217, respectively.

6. Refundable Advances

The Organization has entered into service contracts under which the Organization receives periodic payments as stipulated by the agreements. Refundable advances represent the excess of collections on the service contracts over the revenue earned as of the end of the year. Refundable advances are \$6,760 and \$7,969 as of December 31, 2013 and 2012, respectively.

7. Obligation Under Capital Lease

The obligation under capital lease consists of the following as of December 31:

	<u>2013</u>	<u>2012</u>
Capital lease payable, secured by equipment, payable in monthly installments of \$1,732 including interest of 4.25% per annum through June 2018.	<u>\$ 80,936</u>	<u>\$ 9,906</u>

The cost of the equipment of \$89,011, net of accumulated depreciation of \$8,901, is included in property and equipment as of December 31, 2013.

Screening for Mental Health, Inc.

Notes to the Financial Statements For the Year Ended December 31, 2013 (With Comparative Totals for 2012)

7. Obligation Under Capital Lease (Continued)

The following is a schedule by years of future minimum payments required under the lease together with their present value as of December 31, 2013:

	Year ending December 31,	
	2014	\$ 19,792
	2015	19,792
	2016	19,792
	2017	19,792
	2018	9,897
		<hr/>
Future minimum lease payments		89,065
Less amount representing interest		8,129
		<hr/>
Present value of minimum lease payments		<u>\$ 80,936</u>

8. Restrictions on Net Assets

Substantially all of the restrictions on net assets are related to grants received from private organizations. Temporarily restricted net assets consist of the following at December 31:

	<u>2013</u>	<u>2012</u>
Contribution from McLean Hospital for National Eating Disorder Screening Day	\$ -	\$ 950
Grant from Forest Laboratories for National Depression Screening Day	-	6,248
Contribution from Monte Nido Eating Disorder Treatment Center for National Eating Disorder Screening Day	6,000	-
Contribution from Rogers Memorial Hospital for National Eating Disorder Screening Day	-	6,000
Contribution from The Renfrew Center for National Eating Disorder Screening Day	2,000	-
	<hr/>	<hr/>
	<u>\$ 8,000</u>	<u>\$ 13,198</u>

9. Related Party Transactions

Dr. Jacobs, Medical Director, receives a salary from Professional Psychiatric Associates, Inc. ("PPA"), and the Organization reimburses PPA for Dr. Jacobs' time. The total reimbursements for Dr. Jacobs' time amounted to approximately \$70,000 and \$100,000 for the years ended December 31, 2013 and 2012, respectively. Reimbursements from PPA for administrative expenses amounted to \$9,900 and \$22,061 for the years ended December 31, 2013 and 2012, respectively.

The Organization leases office space from PPA on an at-will basis. Total rent paid to PPA amounted to \$21,074 and \$21,040 for the years ended December 31, 2013 and 2012, respectively.

Screening for Mental Health, Inc.

Notes to the Financial Statements For the Year Ended December 31, 2013 (With Comparative Totals for 2012)

10. Concentrations of Credit Risk

Financial instruments, that potentially subject the Organization to concentrations of credit risk, consist primarily of temporary cash investments and accounts receivable.

The Company has a potential concentration of credit risk in that it maintains deposits with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). The maximum deposit insurance amount is \$250,000, per depositor, per insured depository institution for each account ownership category.

Concentrations of credit risk with respect to accounts receivable is limited due to the large number of customers and their dispersion across different industries, government sectors and geographic areas.

11. Concentrations of Revenue

Approximately 60% of the Organization's revenue is provided from a contract with the U.S. Department of Defense for the year ended December 31, 2013.

12. Pension Plan

The Organization maintains a 403(b) pension plan for its employees. Contributions to the plan are made by the employees through payroll deductions. Beginning in 1999, the Organization began making contributions to the plan, matching up to 50% of the employee salary reduction contributions. The Organization's contributions to the plan were \$24,630 and \$24,795 for the years ended December 31, 2013 and 2012, respectively.

13. Commitments and Contingencies

The Organization leases office space under various operating leases expiring on March 31, 2017. Minimum future rental payments under the non-cancelable operating leases are as follows:

Year Ending December 31	
2014	\$ 168,111
2015	177,135
2016	182,451
2017	<u>45,948</u>
	<u>\$ 573,645</u>

Rent expense amounted to \$169,139 and \$158,689 for the years ended December 31, 2013 and 2012, respectively.

14. Supplementary Cash Flow Information

Cash paid for interest amounted to \$2,544 and \$2,348 during the years ended December 31, 2013 and 2012, respectively.

During the year ended December 31, 2013, the Organization acquired equipment of \$89,011 financed via capital lease.

Screening for Mental Health, Inc.

Notes to the Financial Statements For the Year Ended December 31, 2013 (With Comparative Totals for 2012)

15. Subsequent Events

The Organization has evaluated all subsequent events through July 28, 2014, the date the financial statements were available to be issued.