

THE McSHIN FOUNDATION
Richmond, Virginia

FINANCIAL STATEMENTS
June 30, 2015 and 2014

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Independent Auditor's Report

The Board of Trustees
The McShin Foundation
Richmond, Virginia

I have audited the accompanying financial statements of the McShin Foundation (a Virginia non-profit, "the Foundation"), which comprise the statement of financial position as of June 30, 2015 and 2014, and the related statements of activities, cash flows and functional expenses for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the fair presentation of these financial statements in accordance with accounting principles generally accepted in The United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the McShin Foundation as of June 30, 2015 and 2014, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


Richmond, Virginia
November 6, 2015

THE McSHIN FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

ASSETS		2015	2014
Cash and cash equivalents		\$ 53,335	\$ 61,238
Accounts receivable		18,548	42,930
Investments		54,673	24,357
Total current assets		126,556	128,525
Furniture and equipment		30,418	23,672
Less accumulated depreciation		(14,639)	(10,049)
Net Furniture and equipment		15,779	13,623
Prepaid deposit		264	264
TOTAL ASSETS		\$ 142,599	\$ 142,412
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable		\$ 8,990	\$ 18,396
Accrued payroll and related		10,916	-
Total current liabilities		19,906	18,396
NET ASSETS			
Unrestricted		68,020	99,659
Temporarily restricted		54,673	24,357
Total net assets		122,693	124,016
TOTAL LIABILITIES AND NET ASSETS		\$ 142,599	\$ 142,412

These financial statements should be read only in connection
with the accompanying summary of significant accounting
policies and notes to financial statements.

THE McSHIN FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Donations	\$ 230,917	\$ -	\$ 230,917
Caroline County	27,560	-	27,560
In-kind revenue	38,500	-	38,500
Entry fee income	430,210	-	430,210
Rent	92,472	-	92,472
Program Services	82,905	-	82,905
Investment Income	9	1,716	1,725
Special events, net of expenses of \$ 45,482	(12,362)	-	(12,362)
Net assets released from restrictions	(28,600)	28,600	-
Total support and revenue	<u>861,611</u>	<u>30,316</u>	<u>891,927</u>
EXPENSES			
Program services	666,098	-	666,098
Management and general	208,493	-	208,493
Fundraising	18,659	-	18,659
Total expenses	<u>893,250</u>	<u>-</u>	<u>893,250</u>
CHANGE IN NET ASSETS	(31,639)	30,316	(1,323)
NET ASSETS, BEGINNING OF YEAR	<u>99,659</u>	<u>24,357</u>	<u>124,016</u>
NET ASSETS, END OF YEAR	<u>\$ 68,020</u>	<u>\$ 54,673</u>	<u>\$ 122,693</u>

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THE McSHIN FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Donations	\$ 161,578	\$ -	\$ 161,578
Caroline County	60,709	-	60,709
In-kind revenue	34,200	-	34,200
Entry fee income	396,192	-	396,192
Rent	97,010	-	97,010
Other	41,688	-	41,688
Investment Income	-	4,932	4,932
Special events, net of expenses of \$39,752	9,855	-	9,855
	<u>801,232</u>	<u>4,932</u>	<u>806,164</u>
Total support and revenue			
	<u>801,232</u>	<u>4,932</u>	<u>806,164</u>
EXPENSES			
Program services	607,960	-	607,960
Management and general	123,166	-	123,166
Fundraising	20,548	-	20,548
	<u>751,674</u>	<u>-</u>	<u>751,674</u>
Total expenses			
	<u>751,674</u>	<u>-</u>	<u>751,674</u>
CHANGE IN NET ASSETS	49,558	4,932	54,490
NET ASSETS, BEGINNING OF YEAR	<u>50,101</u>	<u>19,425</u>	<u>69,526</u>
NET ASSETS, END OF YEAR	<u>\$ 99,659</u>	<u>\$ 24,357</u>	<u>\$ 124,016</u>

These financial statements should be read only in connection
with the accompanying summary of significant accounting
policies and notes to financial statements.

**THE McSHIN FOUNDATION
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2015 and 2014**

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2015</u>	<u>2014</u>
Change in net assets	\$ (1,323)	\$ 54,490
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	4,590	2,593
Unrealized gain from investments	(1,716)	(4,932)
Effects of changes in operating assets and liabilities:		
Accounts receivable	24,382	(35,597)
Accounts payable	1,510	12,317
	<u>27,443</u>	<u>28,871</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	(6,746)	(2,708)
Purchase of investments	(28,600)	-
	<u>(35,346)</u>	<u>(2,708)</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(7,903)</u>	<u>26,163</u>
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>61,238</u>	<u>35,075</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 53,335</u></u>	<u><u>\$ 61,238</u></u>

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements.

THE McSHIN FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2015

	Program Services	Management & General	Fundraising	Total
Salaries and wages	\$ 207,545	\$ 34,498	\$ 15,291	\$ 257,334
Payroll taxes	18,654	3,814	1,313	23,781
Bank charges	5,203	-	219	5,422
Casual labor	8,347	2,760	-	11,107
Depreciation	-	4,590	-	4,590
Financial and related	-	14,561	-	14,561
Insurance	3,942	32,189	-	36,131
Advertising	5,086	19,979	-	25,065
Other	16,798	8,132	57	24,987
Caroline County	47,554	540	-	48,094
Chamberlayne	-	-	-	-
Consulting	-	-	-	-
Contributions	750	6,960	-	7,710
Office and printing	16,200	31,911	1,435	49,546
Maintenance and repairs	9,439	25,072	-	34,511
Rent	79,148	17,050	-	96,198
Events	18,397	888	344	19,629
Travel and mileage	50,731	18	-	50,749
Utilities and related	32,790	3,997	-	36,787
Meals	31,692	1,534	-	33,226
Treatment programs	75,322	-	-	75,322
In-kind services	38,500	-	-	38,500
Total	\$ 666,098	\$ 208,493	\$ 18,659	\$ 893,250

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements.

THE McSHIN FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2014

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 178,060	\$ 22,928	\$ 13,850	\$ 214,838
Payroll taxes	16,967	1,847	1,181	19,995
Bank charges	-	5,529	460	5,989
Casual labor	2,660	1,048	-	3,708
Depreciation	-	2,593	-	2,593
Financial and related	6,419	7,170	234	13,823
Insurance	8,890	15,707	-	24,597
Advertising	718	16,067	-	16,785
Other	15,436	3,835	3,021	19,271
Caroline County	44,286	-	-	44,286
Chamberlayne	345	-	-	345
Consulting	5,572	1,010	-	6,582
Contributions	3,342	3,891	-	7,233
Office and printing	13,496	15,607	1,139	30,242
Maintenance and repairs	13,609	2,642	-	16,251
Rent	86,512	11,800	-	98,312
Events	17,847	-	3,583	21,430
Travel and mileage	56,106	107	-	56,213
Utilities and related	36,673	-	-	36,673
Meals	27,555	1,125	101	28,781
Treatment programs	49,527	-	-	49,527
In-kind services	23,940	10,260	-	34,200
Total	\$ 607,960	\$ 123,166	\$ 20,548	\$ 751,674

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements.

THE McSHIN FOUNDATION
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2015 and 2014

The McShin Foundation, (the Foundation), is a Virginia non-profit, Recovery Community Organization dedicated to achieving long-term, drug free recovery. The Foundation uses a social model recovery program- Peer to Peer delivered recovery support services.

The Foundation is supported primarily through contributions, donations, and fee income from participants in the program.

BASIS OF PRESENTATION

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, and temporarily restricted net assets. The Foundation had no permanently restricted net assets.

The financial statements are prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that 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 revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent all highly-liquid investments with an initial maturity of three months or less. The Foundation has no cash equivalents at June 30, 2015.

CONTRIBUTIONS

The Foundation receives contributions from community organizations and private citizens. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Amounts received which are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted. The Foundation received no permanently restricted contributions and has no permanently restricted net assets.

ACCOUNTS RECEIVABLE

Accounts receivable represent amounts due from contributors for donations earned in the year recorded; however, the donation was received subsequent to year-end. Accounts receivable are evaluated for collectibility based on past collection history and current financial condition. No allowance for loss on accounts receivable has been provided since all accounts have been

This information is an integral part of the accompanying financial statements.

THE McSHIN FOUNDATION
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2015 and 2014

collected. The Foundation does not normally require collateral or other security for granting credit.

INVESTMENTS

Investments in readily marketable securities are carried at fair value in the Statement of Financial Position. Investment income or loss (including realized and unrealized gains and losses) is included as a line item in the expense section of the Statement of Activities.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost; property and equipment are depreciated using the straight-line method over estimated useful lives ranging from three to seven years. The Foundation's policy is to capitalize any asset over \$500 in cost. The estimated useful lives of the related assets are as follows:

Computer Hardware	3-5 years
Vehicles	3 years
Office equipment	7 years

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in a Statement of functional expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited based upon management's determination.

TAX EXEMPT STATUS

The Foundation is exempt from federal income tax under Internal Revenue Code Section 501 (c)(3) and classified by the Internal Revenue Service as other than a private foundation.

ADVERTISING

Advertising costs are expensed when incurred.

CONTRIBUTED SERVICES

Contributed services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are preformed by people with those skills, and would otherwise be purchased by the Foundation. Volunteers also provided their time and performed a variety of tasks that assisted the Foundation with its various programs and activities which are not reflected in the financial statements inasmuch as applicable recognition criteria are not met.

This information is an integral part of the accompanying financial statements.

THE McSHIN FOUNDATION
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2015 and 2014

NOTE 1 – INVESTMENTS

The Foundation holds its investments in a brokerage fund maintained by a broker. At June 30, 2015 and 2014, the Foundation had the following investments:

	<u>2015</u>		<u>2014</u>	
	Cost	Fair Value	Cost	Fair Value
Cash Equivalents	\$ 6,547	\$ 6,547	\$ 257	\$ 257
Equities	13,119	13,245	-	-
Exchange –traded products	29,759	34,881	17,324	24,100
Total	<u>\$ 49,425</u>	<u>\$ 54,673</u>	<u>\$ 17,581</u>	<u>\$ 24,357</u>

During fiscal 2015, the Foundation started the Brennas Scholarship investment fund by placing \$28,800 into an investment account that is restricted to be used for peer recovery support services. Only the interest can be used for other purposes.

Included in investment income related was interest and dividend income for fiscal years ended June 30, 2015 and 2014 of \$204 and \$174 respectively, and unrealized gains of \$1,512 and \$4,758, respectively. The total change for both years is shown in the Statement of Activities.

All of the investments are considered Level one investments in accordance with FASB ASC 820-Fair Value Measurement and Disclosures.

NOTE 2 – LEASE COMMITMENTS

The Foundation leased three houses to house participants in its treatment programs. Total rent paid for these houses was approximately \$59,000 and \$75,000 for the fiscal years ended June 30, 2015 and 2014. All of these leases are considered month to month.

In addition to the above, the Foundation leases its administrative headquarters from a local church under a lease. During 2015 and 2014, respectively, the Foundation paid the Church approximately \$41,000 and \$26,000 per year. An amount of \$12,000 was considered in-kind revenue and expense for 2014 for the use of space donated by the local church. A new agreement was signed beginning in August of 2014, and will require the Foundation to pay \$3,500 per month for rent. The Foundation obtained a significant amount of additional space as a result of the new signed lease. The lease can be terminated at any time with 90 day written notice.

NOTE 3- TEMPORARILY RESTRICTED NET ASSETS

The amount maintained in the Luke Cockey fund and the Brennas Scholarship fund as investments of \$54,673 and \$24,357 for fiscal years June 30, 2015 and 2014, respectively is considered temporarily restricted as the money is intended to be utilized to fund a building or assist with other peer recovery programs in the future.

This information is an integral part of the accompanying financial statements.

THE McSHIN FOUNDATION
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2015 and 2014

NOTE 4 – PROGRAM SUPPORT AND REVENUE

McShin also receives a substantial portion of its support and revenues from participants in its programs which include housing and other treatment. The standard rate for one month was \$4,800 (with additional \$1,125 for medical) and is shown as entry fee income in the Statement of Activities. Also included in the Statement of Activities is \$125 per week as rent income for participants staying in one of the three houses that the Foundation leases. Not all participants can pay the full amount and many do not pay any amount at all for treatment. These individuals are approved for payments on an individual basis and are required to sign contracts and provide financial information to justify payment amounts into the program. The Foundation does not record receivables for those unable to pay as these are considered uncollectible at time of admission. The Foundation does attempt to require those individuals not paying to provide volunteer services to meet the mission of the organization. The following is a chart estimating the costs of providing free or reduced care by the Foundation:

	<u>2015</u>	<u>2014</u>
Indigent Bed Nights	1000	1,700
Indigent Care (including meals, housing and clothing)	\$125,000	\$207,000

McShin believes that the number of indigent bed nights has decreased in 2015 as more clients are paying more of the costs for treatment than in the past.

NOTE 5 – IN-KIND CONTRIBUTIONS UPDATE

During the year presented, the Foundation received in-kind contributions as follows:

	<u>2015</u>	<u>2014</u>
Donated value of food for events	\$ 26,000	\$ 22,200
Estimated value of administrative office space	-	12,000
Donated naloxone kits	<u>12,500</u>	<u>-</u>
Total in-kind contributions	<u>\$ 38,500</u>	<u>\$ 34,200</u>

The Foundation receives many hours of donated time, services and other items as part of its treatment mission. These items are not valued in the in-kind services above as they do not meet the definition of in-kind services to be recorded. McShin estimates that it receives close to 19,000 (17,500 in 2014) volunteer hours, over 60,000 (57,000 in 2014) consumer visits and assists with over 2,600 (2,525 in 2014) recovery support groups.

This information is an integral part of the accompanying financial statements.

THE McSHIN FOUNDATION
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2015 and 2014

NOTE 6 INSURANCE POLICY

McShin pays approximately \$2,500 yearly for a term life insurance policy for its President. If the President dies, the Foundation would realize \$250,000 from the proceeds of this term life policy.

NOTE 7 - RELATED PARTY TRANSACTIONS

A Board member was paid total of \$2,475 and \$2,950 during the fiscal years ended June 30, 2015 and 2014, respectively for treatment and recovery services. In addition, McShin paid a Board member \$40,800 each year for two houses used in its programs. Finally, the President of the Foundation is a partner in an organization that provides detoxification services and the foundation paid \$30,050 and \$21,175 during the fiscal years ended June 30, 2015 and 2014 respectively. There were no amounts due to or from any related party at June 30, 2015 or June 30, 2014.

NOTE 8- SUBSEQUENT EVENT

The foundation has entered into an agreement to purchase a house for approximately \$116,700 to be financed with a local bank at an interest rate of 4.9%. The purchase is expected to close in fiscal year 2016. The house will be used to house participants in its treatment program.

NOTE 9- MANAGEMENT EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events up through November 6, 2015, the date the financial statements were available to be issued.

NOTE 10 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measuring date.

The carrying amounts of cash, accounts receivable and accounts payable reported in the statement of financial position approximate fair value because of the short maturity of these instruments.

Investments: Information regarding investments is in Footnote one.

This information is an integral part of the accompanying financial statements.