

**MENTAL HEALTH AMERICA, INC.**  
**(A Nonprofit Organization)**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

**MENTAL HEALTH AMERICA, INC.**  
**(A Nonprofit Organization)**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**Table of Contents**

	<b><u>Page</u></b>
<b>Independent Auditor's Report</b>	1 - 3
<b>Financial Statements</b>	
Statements of financial position	4
Statements of activities	5 - 6
Statements of functional expenses	7 - 8
Statements of cash flows	9
Notes to financial statements	10 - 26

## INDEPENDENT AUDITOR'S REPORT

To the Executive Committee of the Board of Directors  
Mental Health America, Inc.

### Opinion

We have audited the accompanying financial statements of Mental Health America, Inc., which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mental Health America, Inc. as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mental Health America, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Prior Period Financial Statements

The financial statements of Mental Health America, Inc. as of December 31, 2020, were audited by other auditors whose report dated September 20, 2021, expressed an unmodified opinion on those statements.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

## **Responsibilities of Management for the Financial Statements (Continued)**

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mental Health America, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Mental Health America, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mental Health America, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CERTIFIED PUBLIC ACCOUNTANTS

Fairfax, Virginia  
September 19, 2022

“Citrin Cooperman” is the brand under which Citrin Cooperman & Company, LLP, a licensed independent CPA firm, and Citrin Cooperman Advisors LLC serve clients’ business needs. The two firms operate as separate legal entities in an alternative practice structure. Citrin Cooperman is an independent member of Moore North America, which is itself a regional member of Moore Global Network Limited (MGNL).

**MENTAL HEALTH AMERICA, INC.**  
**(A Nonprofit Organization)**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 6,334,127	\$ 3,806,570
Account receivables, net	2,131,758	1,438,059
Inventory	43,398	42,353
Prepaid expenses	141,510	269,364
Investments	5,028,891	4,562,763
Property and equipment	512,882	603,563
Other assets	<u>2,914</u>	<u>2,914</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>14,195,480</u></b>	<b>\$ <u>10,725,586</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 403,967	\$ 370,200
Deferred revenue	12,292	121,679
Refundable advance	-	432,438
Capital lease obligations	45,637	67,407
Deferred rent	437,692	499,898
Deferred compensation	<u>174,739</u>	<u>166,773</u>
Total liabilities	<u>1,074,327</u>	<u>1,658,395</u>
Commitments and contingencies (Notes 8, 11 and 12 )		
Net assets:		
Without donor restrictions:		
Undesignated	5,542,748	2,612,371
Board designated	<u>4,184,640</u>	<u>3,385,779</u>
	9,727,388	5,998,150
With donor restrictions	<u>3,393,765</u>	<u>3,069,041</u>
Total net assets	<u>13,121,153</u>	<u>9,067,191</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>14,195,480</u></b>	<b>\$ <u>10,725,586</u></b>

See accompanying notes to financial statements.

**MENTAL HEALTH AMERICA, INC.**  
**(A Nonprofit Organization)**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Support and revenue:			
Nonfederal contributions	\$ 4,677,131	\$ 3,390,679	\$ 8,067,810
Contracts and exchange transactions	286,286	-	286,286
Affiliate dues	117,813	-	117,813
In-kind contributions	697,678	-	697,678
Federal contracts and grants	1,012,082	-	1,012,082
Royalties	84,207	-	84,207
Conference registrations	36,846	-	36,846
Combined federal campaign	29,573	-	29,573
Product and other sales	309,844	-	309,844
Investment income, net	467,702	56,181	523,883
Net assets released from restrictions	<u>3,122,136</u>	<u>(3,122,136)</u>	<u>-</u>
Total support and revenue	<u>10,841,298</u>	<u>324,724</u>	<u>11,166,022</u>
Expenses:			
Program services:			
Public education, policy and advocacy	2,839,499	-	2,839,499
Mental health programs and services	1,800,905	-	1,800,905
Constituency services	<u>1,286,733</u>	<u>-</u>	<u>1,286,733</u>
Total program services	<u>5,927,137</u>	<u>-</u>	<u>5,927,137</u>
Supporting services:			
Management and general	602,105	-	602,105
Fundraising	<u>582,818</u>	<u>-</u>	<u>582,818</u>
Total supporting services	<u>1,184,923</u>	<u>-</u>	<u>1,184,923</u>
Total expenses	<u>7,112,060</u>	<u>-</u>	<u>7,112,060</u>
Changes in net assets	3,729,238	324,724	4,053,962
Net assets - beginning	<u>5,998,150</u>	<u>3,069,041</u>	<u>9,067,191</u>
<b>NET ASSETS - ENDING</b>	<u><b>\$ 9,727,388</b></u>	<u><b>\$ 3,393,765</b></u>	<u><b>\$ 13,121,153</b></u>

See accompanying notes to financial statements.

**MENTAL HEALTH AMERICA, INC.**  
**(A Nonprofit Organization)**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Without donor restrictions	With donor restrictions	Total
Support and revenue:			
Nonfederal contributions	\$ 3,250,223	\$ 3,637,888	\$ 6,888,111
Contracts and exchange transactions	316,412	-	316,412
Affiliate dues	138,293	-	138,293
In-kind contributions	74,647	-	74,647
Federal contracts and grants	272,144	-	272,144
Royalties	37,172	-	37,172
Combined federal campaign	30,841	-	30,841
Product and other sales	395,095	-	395,095
Investment income, net	261,977	37,780	299,757
Net assets released from restrictions	<u>2,529,936</u>	<u>(2,529,936)</u>	<u>-</u>
Total support and revenue	<u>7,306,740</u>	<u>1,145,732</u>	<u>8,452,472</u>
Expenses:			
Program services:			
Public education, policy and advocacy	2,429,267	-	2,429,267
Mental health programs and services	1,102,534	-	1,102,534
Constituency services	<u>784,274</u>	<u>-</u>	<u>784,274</u>
Total program services	<u>4,316,075</u>	<u>-</u>	<u>4,316,075</u>
Supporting services:			
Management and general	474,022	-	474,022
Fundraising	<u>365,923</u>	<u>-</u>	<u>365,923</u>
Total supporting services	<u>839,945</u>	<u>-</u>	<u>839,945</u>
Total expenses	<u>5,156,020</u>	<u>-</u>	<u>5,156,020</u>
Changes in net assets	2,150,720	1,145,732	3,296,452
Net assets - beginning	<u>3,847,430</u>	<u>1,923,309</u>	<u>5,770,739</u>
<b>NET ASSETS - ENDING</b>	<u><u>\$ 5,998,150</u></u>	<u><u>\$ 3,069,041</u></u>	<u><u>\$ 9,067,191</u></u>

See accompanying notes to financial statements.



**MENTAL HEALTH AMERICA, INC.**  
**(A Nonprofit Organization)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	2021						
	Program services			Total program services	Supporting services		
	Public education, policy and advocacy	Mental health programs and services	Constituency services		Management and general	Fundraising	Total
Salaries and benefits	\$ 1,592,919	\$ 1,087,208	\$ 580,945	\$ 3,261,072	\$ 315,292	\$ 384,189	\$ 3,960,553
Professional fees and contracts service payments	296,360	215,374	208,665	720,399	77,044	57,516	854,959
Occupancy	76,992	47,380	25,664	150,036	35,535	11,845	197,416
Printing and design	111,967	2,450	28,039	142,456	1,123	427	144,006
Depreciation and amortization	69,340	42,671	23,113	135,124	31,088	10,668	176,880
Operating fees	61,997	38,179	20,713	120,889	29,710	9,575	160,174
Grants	159,500	18,690	-	178,190	-	-	178,190
Subscriptions and dues	52,474	34,266	13,682	100,422	13,601	18,951	132,974
Postage and shipping	64,386	807	9,517	74,710	1,578	7,140	83,428
In-kind expenses	262,860	262,860	66,134	591,854	39,877	65,947	697,678
Communications	24,361	14,918	8,147	47,426	10,352	4,245	62,023
Conference and meetings	31,478	14,059	252,066	297,603	35,142	6,975	339,720
Office supplies and activities	10,350	9,239	8,557	28,146	5,291	2,224	35,661
Travel	<u>24,515</u>	<u>12,804</u>	<u>41,491</u>	<u>78,810</u>	<u>6,472</u>	<u>3,116</u>	<u>88,398</u>
<b>TOTAL</b>	<u>\$ 2,839,499</u>	<u>\$ 1,800,905</u>	<u>\$ 1,286,733</u>	<u>\$ 5,927,137</u>	<u>\$ 602,105</u>	<u>\$ 582,818</u>	<u>\$ 7,112,060</u>

See accompanying notes to financial statements.

**MENTAL HEALTH AMERICA, INC.**  
**(A Nonprofit Organization)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	2020						
	Program services				Supporting services		
	Public education, policy and advocacy	Mental health programs and services	Constituency services	Total program services	Management and general	Fundraising	Total
Salaries and benefits	\$ 1,534,804	\$ 808,863	\$ 511,718	\$ 2,855,385	\$ 304,384	\$ 263,250	\$ 3,423,019
Professional fees and contracts service payments	290,648	107,186	155,712	553,546	34,257	31,871	619,674
Occupancy	77,849	44,763	19,462	142,074	38,924	13,624	194,622
Printing and design	149,847	2,641	15,763	168,251	1,213	348	169,812
Depreciation and amortization	62,702	36,054	15,676	114,432	31,351	10,973	156,756
Operating fees	43,232	24,858	10,808	78,898	21,616	7,566	108,080
Grants	81,500	8,690	15,000	105,190	-	-	105,190
Subscriptions and dues	35,183	16,821	9,209	61,213	11,819	18,157	91,189
Postage and shipping	73,173	900	2,783	76,856	9,738	1,209	87,803
In-kind expenses	29,285	29,285	7,579	66,149	1,032	7,465	74,646
Communications	19,663	10,958	5,964	36,585	8,649	3,747	48,981
Conference and meetings	18,886	1,444	3,466	23,796	6,411	963	31,170
Office supplies and activities	9,063	6,331	5,438	20,832	3,414	6,397	30,643
Travel	<u>3,432</u>	<u>3,740</u>	<u>5,696</u>	<u>12,868</u>	<u>1,214</u>	<u>353</u>	<u>14,435</u>
<b>TOTAL</b>	<u>\$ 2,429,267</u>	<u>\$ 1,102,534</u>	<u>\$ 784,274</u>	<u>\$ 4,316,075</u>	<u>\$ 474,022</u>	<u>\$ 365,923</u>	<u>\$ 5,156,020</u>

See accompanying notes to financial statements.

**MENTAL HEALTH AMERICA, INC.**  
**(A Nonprofit Organization)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 4,053,962	\$ 3,296,452
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	176,880	156,756
Unrealized and realized gain on investments, net	(346,377)	(183,133)
Changes in assets and liabilities:		
Account receivables	(693,698)	(644,030)
Inventory	(1,044)	16,338
Prepaid expenses	127,856	(175,855)
Other assets	-	(3)
Accounts payable and accrued expenses	33,763	211,918
Deferred revenue	(109,387)	34,937
Refundable advance	(432,438)	432,438
Deferred rent	(62,206)	(55,827)
Deferred compensation	<u>7,966</u>	<u>23,307</u>
Net cash provided by operating activities	<u>2,755,277</u>	<u>3,113,298</u>
Cash flows from investing activities:		
Proceeds from sales of investments	455,858	33,282
Purchases of investments	(575,609)	(582,334)
Purchases of property and equipment	<u>(86,199)</u>	<u>(104,482)</u>
Net cash used in investing activities	<u>(205,950)</u>	<u>(653,534)</u>
Cash used in financing activities:		
Principal payments on capital lease obligations	<u>(21,770)</u>	<u>(20,276)</u>
Net increase in cash and cash equivalents	2,527,557	2,439,488
Cash and cash equivalents - beginning	<u>3,806,570</u>	<u>1,367,082</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<b><u>\$ 6,334,127</u></b>	<b><u>\$ 3,806,570</u></b>
Supplemental schedules for non-cash investing and financing activities:		
Acquisition of property and equipment through capital lease obligation	<u>\$ -</u>	<u>\$ 6,615</u>

See accompanying notes to financial statements.

**MENTAL HEALTH AMERICA, INC.**  
**(A Nonprofit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 1. ORGANIZATION**

Mental Health America, Inc. ("MHA" or the "Organization") was founded in 1909 by Clifford W. Beers and is the nation's leading community-based nonprofit dedicated to addressing the needs of those living with mental illness and to promoting the overall mental health of all. MHA's work is driven by its commitment to promote mental health as a critical part of overall wellness, including prevention services for all; early identification and intervention for those at risk; and integrated care, services, and supports for those at risk; with recovery as the goal.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of accounting

The Organization presents its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis of presentation

MHA reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions* - Net assets available for use in support of MHA's general operations. The board of directors has designated, from net assets without donor restrictions, net assets for a reserve fund, net property and equipment, and the Jo Blaylock Memorial Fund (see Note 9).

*Net assets with donor restrictions* - Net assets subjects to donor-imposed restrictions that will be met by the passage of time or other events specified by the donor, or those that require resources to be maintained in perpetuity and that only the earnings on such amounts be used in the manner specified by the donor, which includes endowment funds.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Affiliates

Each of the mental health associations affiliated with MHA elects its own board of directors, conducts service programs independent of MHA and maintains its own financial accounts. Accordingly, due to lack of control, the financial statements of MHA do not include the accounts and activities of these affiliated organizations. MHA received dues from affiliates, which totaled \$117,813 and \$138,293 for the years ended December 31, 2021 and 2020, respectively. MHA made grants to affiliates, which totaled \$161,500 and \$86,190 for the years ended December 31, 2021 and 2020, respectively. Grants to affiliates are included within "Grants" expenses in the accompanying statements of functional expenses.

**MENTAL HEALTH AMERICA, INC.**  
**(A Nonprofit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Cash and cash equivalents

For purposes of reporting cash flows, MHA considers all highly liquid securities with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents included within the investment portfolio are considered investments.

Financial risk

MHA maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. MHA has not experienced any losses in such accounts.

MHA invests in a professionally managed portfolio that contains mutual funds. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near-term could materially affect investment balances and the amounts reported in the financial statements.

Receivables

Accounts receivable are carried at original invoice amounts, less an estimate for doubtful receivables, based on an annual review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. At December 31, 2021 and 2020, management has established an allowance for doubtful accounts of \$5,828 and \$22,050, respectively.

Promises to give receivables are recognized when the donor makes a written promise to give to MHA that is, in substance, unconditional. Management determines the allowance for doubtful promises by regularly evaluating individual promises to give and considering prior history of donor and proven collectability of past donations. Promises to give are written off when deemed uncollectible. Recoveries of promises to give previously written off are recorded when received. Management has determined promises to give were fully collectible and no provision for doubtful promises to give was necessary. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed based on market trends for interest rates applicable to the years in which the promises are received.

Bequests are recognized in the year the promise to give becomes unconditional, which is at the time the probate court declares the will valid and the proceeds are measurable in amount.

Inventory

Inventory is stated at cost determined on a first-in, first-out basis, or net realizable value and consists of merchandise on hand at the end of the year. Management periodically reviews inventory for obsolete merchandise. Management has determined no reserve for obsolete inventory was required at December 31, 2021 and 2020.

**MENTAL HEALTH AMERICA, INC.**  
**(A Nonprofit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Investments

Investments with readily determinable fair values are reflected at fair value. To adjust the carrying value of these investments, the change in fair value is recorded as unrealized gains and losses as a component of investment income, net, in the statement of activities.

Property and equipment

MHA capitalizes all property and equipment purchased with a cost of \$1,000 or more. Maintenance and repair costs are charged to expense as incurred. Property and equipment are stated at cost and are being depreciated on a straight-line basis over the estimated useful lives of the assets, ranging from three to five years. Leasehold improvements are amortized over the shorter of the remaining lease term or the estimated useful lives of the improvements.

Valuation of long-lived assets

MHA reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. MHA had no impairments of long-lived assets during the years ended December 31, 2021 and 2020.

Deferred rent

MHA has a lease agreement for rental space in Alexandria, Virginia. Rent expense is being recognized on a straight-line basis over the life of the lease. The difference between rent expense recognized and rental payments as stipulated in the lease, is reflected as deferred rent in the statement of financial position. In addition, rent abatement was provided, as well as a tenant improvement allowance for leasehold improvements. The abatement and improvement allowance are also being recognized on a straight-line basis over the life of the lease agreement and are reflected in the deferred rent liability on the accompanying statement of financial position.

Support and revenue

Unconditional contributions, including combined federal campaign support, are recognized when received. Conditional contributions and promises to give are reported at fair value when the conditions are substantially met. Contributions that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions based on the nature of the restriction. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), donor restricted net assets are reclassified to without donor restricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same year are shown as without donor restrictions.

**MENTAL HEALTH AMERICA, INC.**  
**(A Nonprofit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Support and revenue (continued)

Revenue from contracts with customers is derived from exchange contracts, affiliate dues, royalties, conference registrations and product and other sales. MHA recognizes revenue in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers, which are: (i) identify the contract with the customer, (ii) identify performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to performance obligations, and (v) recognize revenue when (or as) performance obligations are satisfied.

Exchange contracts are recorded as deferred revenue at time of cash receipt and recognized as revenue as the performance obligation is satisfied. Affiliates' dues are billed at the beginning of the year. In exchange for their dues, MHA's performance obligation is to provide training, toolkits and technical assistance to the affiliates on issues including, but not limited to, implementation of the Affordable Care Act, mental health parity advocacy, and public education about mental health issues and wellness strategies. Therefore affiliate dues provide economic, as well as other, benefits to affiliates and are accounted for as exchange transactions. MHA's performance obligations are available and consumed throughout the membership period and therefore recognized over time over the applicable membership period, which generally is one year. Amounts received in advance, if any, are recorded as deferred revenue.

Royalty revenues are related to interest in mineral rights contributed by various donor in previous years. Revenue is recognized at a point in time when the new rights are discovered and production during the year. MHA receives monthly statement division orders detailing the royalty received based on stated rates.

Conference registrations are recognized over time when the conferences are held and performance obligations satisfied.

Product and other sales revenue are recognized at a point in time when the product is shipped to the buyer.

There are no rights of return or refunds for any revenue streams. Payments from contracts with customers are typically due upon receipt of invoice by the customer. MHA did not have any impairment or credit losses on any receivables or contract assets arising from contracts with customers. There are also no incremental costs of obtaining a contract and no significant financing components. Finally, there are no significant changes in the judgments affecting the determination of the amount and timing of revenue from contracts with customers. The level of revenue generated through contracts with customers can fluctuate due to overall economic factors.

**MENTAL HEALTH AMERICA, INC.**  
**(A Nonprofit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Support and revenue (continued)

Disaggregation of revenue

The following table discloses revenues recognition for revenues subject to ASC 606 for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Point in time	\$ 983,742	\$ 726,848
Over time	<u>826,489</u>	<u>432,267</u>
	<u>\$ 1,810,231</u>	<u>\$ 1,159,115</u>

In-kind contributions

Donated materials, services and facilities are received from private donors and recorded as in-kind contributions at the estimated fair value as of the date of the donation. In-kind contributions for the year ended December 31, 2021 and 2020, are \$697,678 and \$74,647, respectively.

Functional expenses

The costs of program and supporting services activities have been summarized on a functional basis in the accompanying statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Occupancy	Full Time Equivalent
Depreciation and amortization	Full Time Equivalent

Income taxes

MHA is generally exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code ("IRC"). In addition, MHA qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Business income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. MHA had no net unrelated business income for the years ended December 31, 2021 and 2020.

Management evaluated MHA's tax positions and concluded that MHA had taken no uncertain tax positions that require adjustment to the financial statements.



**MENTAL HEALTH AMERICA, INC.**  
**(A Nonprofit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Recent accounting pronouncements

In February 2016, FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842) ("ASU 2016-02"). This update requires all leases with a term greater than 12 months to be recognized on the balance sheet through a right-of-use asset and a lease liability and enhanced disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases. In July 2018, FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842*, and ASU No. 2018-11, *Leases: Targeted Improvements*, which provided narrow amendments to clarify how to apply certain aspects of the new leases standard and options regarding transition. The standard requires either a modified retrospective transition approach with application in all comparative periods presented, or an alternative transition method, which permits MHA to use its effective date as the date of initial application without restating the comparative period financial statements and recognizing any cumulative effect adjustment to the opening balance sheet. In June 2020, FASB issued ASU No. 2020-05 and amended the effective date for ASU 2016-02 and related amendments. ASU 2016-02, as amended, is effective for fiscal years beginning after December 15, 2021. MHA is currently evaluating the effect on its financial statements and related disclosures.

In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is intended to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and additional qualitative and quantitative disclosures. This ASU is effective for annual periods beginning after June 15, 2021, with early adoption permitted. MHA is currently evaluating the impact of the adoption of this guidance on the financial statements.

Subsequent events

MHA evaluated subsequent events through September 19, 2022, the date on which the financial statements were available to be issued. MHA is not aware of any material events that require recognition or disclosure in the accompanying financial statements.

**NOTE 3. LIQUIDITY AND AVAILABILITY**

MHA regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations.

**MENTAL HEALTH AMERICA, INC.**  
**(A Nonprofit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 3. LIQUIDITY AND AVAILABILITY (CONTINUED)**

As of December 31, 2021 and 2020, the following financial assets are available to meet annual operating needs over the following 12 months:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 6,334,127	\$ 3,806,570
Receivables, net	1,831,758	1,038,059
Investments	<u>5,028,891</u>	<u>4,562,763</u>
Total financial assets at year end	13,194,776	9,407,392
Less: amounts not available to be used within one year:		
Deferred compensation assets	174,739	166,773
Net assets with donor restrictions, less pledges to be collected within one year	2,900,019	2,869,041
Net assets with board designations	<u>4,184,640</u>	<u>3,385,779</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 5,935,378</u>	<u>\$ 2,985,799</u>

MHA manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability
- Maintaining a sufficient level of asset liquidity
- Monitoring and maintaining reserves to provide reasonable assurance that long-term commitments and obligations related to donor restrictions are met.

MHA receives donor-restricted promises to give from time to time, which are not available for general expenditures. MHA's board of directors has also designated funds for an operating reserve in the event of unforeseen revenue shortfalls. These board-designated funds are not immediately available to cover general expenditures unless approved by the board of directors upon management's request in the event of unforeseen circumstances.

**NOTE 4. RECEIVABLES**

Receivables at December 31, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Contracts, sales and other	\$ 1,145,264	\$ 975,334
Promise to give	<u>1,000,000</u>	<u>500,000</u>
	2,145,264	1,475,334
Less: allowance for doubtful accounts	5,828	22,050
Less: present value discount	<u>7,678</u>	<u>15,225</u>
	<u>\$ 2,131,758</u>	<u>\$ 1,438,059</u>

**MENTAL HEALTH AMERICA, INC.**  
**(A Nonprofit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 4. RECEIVABLES (CONTINUED)**

MHA invoices the customer as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Generally, revenue recognition occurs before billing, resulting in contract assets. These contract assets are referred to as unbilled receivables and are reported within "Contracts, sales and other" in the table above.

Promises to give are summarized as follows at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Gross promises to give expected to be collected in:		
Less than one year	\$ 700,000	\$ 100,000
One year to five years	<u>300,000</u>	<u>400,000</u>
	1,000,000	500,000
Less: discount for present value	<u>7,678</u>	<u>15,225</u>
Promises to give, net	<u>\$ 992,322</u>	<u>\$ 484,775</u>

**NOTE 5. INVESTMENTS**

Investments at December 31, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Mutual funds	\$ 4,772,581	\$ 3,520,925
Cash and cash equivalents	81,571	876,546
Deferred compensation plan mutual funds	<u>174,739</u>	<u>165,292</u>
	<u>\$ 5,028,891</u>	<u>\$ 4,562,763</u>

Net investment income for the years ended December 31, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Unrealized and realized gain, net	\$ 385,334	\$ 183,133
Interest and dividends	177,506	146,215
Investment fees	<u>(38,957)</u>	<u>(29,591)</u>
	<u>\$ 523,883</u>	<u>\$ 299,757</u>

**NOTE 6. FAIR VALUE MEASUREMENTS**

FASB ASC Topic 820, *Fair Value Measurement*, establishes a fair value hierarchy that is based on the valuation inputs used in the fair value measurements. This topic applies to all assets and liabilities that are being measured and reported on a fair value basis. The topic requires disclosure that establishes a framework for measuring fair value in U.S. GAAP and expands disclosure used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values.

**MENTAL HEALTH AMERICA, INC.**  
**(A Nonprofit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 6. FAIR VALUE MEASUREMENTS (CONTINUED)**

Categorization within the valuation hierarchy is based upon the lowest level of 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. Under this standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - inputs that utilize unadjusted quoted prices in active markets for identical assets or liabilities that MHA has the ability to access at the measurement date.

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.

Level 3 - inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

To determine the appropriate levels, MHA performs a detailed analysis of the assets and liabilities that are subject to the *Fair Value Measurement* topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs, are classified as Level 3.

**MENTAL HEALTH AMERICA, INC.**  
**(A Nonprofit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 6. FAIR VALUE MEASUREMENTS (CONTINUED)**

The tables below present the balances of assets and liabilities at December 31, 2021 and 2020, measured at fair value on a recurring basis by level within the hierarchy:

	2021			
	Total	Level 1	Level 2	Level 3
Assets:				
Mutual funds:				
Equity funds:				
Large cap	\$ 1,491,359	\$ 1,491,359	\$ -	\$ -
International	504,072	504,072	-	-
Emerging markets	458,799	458,799	-	-
Mid cap	318,275	318,275	-	-
Small cap	192,047	192,047	-	-
Real estate	<u>191,546</u>	<u>191,546</u>	-	-
	<u>3,156,098</u>	<u>3,156,098</u>	-	-
Fixed income funds:				
Corporate bond	50,420	50,420	-	-
International bond	19,153	19,153	-	-
High yield bond	79,099	79,099	-	-
Inflation-protected bond	3,901	3,901	-	-
Intermediate government	39,000	39,000	-	-
Intermediate-term bond	888,641	888,641	-	-
Multisector bond	<u>536,269</u>	<u>536,269</u>	-	-
	<u>1,616,483</u>	<u>1,616,483</u>	-	-
	<u>4,772,581</u>	<u>4,772,581</u>	-	-
Deferred compensation plan:				
Mutual funds:				
Equity funds:				
Large cap	<u>55,205</u>	<u>55,205</u>	-	-
Fixed income funds:				
Intermediate core-plus bond	94,702	94,702	-	-
Instl US govt money market	2,000	2,000	-	-
International bond	<u>22,832</u>	<u>22,832</u>	-	-
	<u>119,534</u>	<u>119,534</u>	-	-
Total investments at fair value	4,947,320	<u>\$ 4,947,320</u>	<u>\$ -</u>	<u>\$ -</u>
Cash, held at cost	<u>81,571</u>			
Total investments	<u>\$ 5,028,891</u>			
Liabilities:				
Deferred compensation	<u>\$ 174,739</u>	<u>\$ -</u>	<u>\$ 174,739</u>	<u>\$ -</u>

**MENTAL HEALTH AMERICA, INC.**  
**(A Nonprofit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 6. FAIR VALUE MEASUREMENTS (CONTINUED)**

	2020			
	Total	Level 1	Level 2	Level 3
Assets:				
Mutual funds:				
Equity funds:				
Large cap	\$ 1,090,592	\$ 1,090,592	\$ -	\$ -
International	338,476	338,476	-	-
Emerging markets	283,008	283,008	-	-
Mid cap	257,465	257,465	-	-
Small cap	193,348	193,348	-	-
Real estate	<u>114,194</u>	<u>114,194</u>	-	-
	<u>2,277,083</u>	<u>2,277,083</u>	-	-
Fixed income funds:				
Corporate bond	44,532	44,532	-	-
High yield bond	58,686	58,686	-	-
Inflation-protected bond	6,741	6,741	-	-
Intermediate government	33,282	33,282	-	-
Intermediate-term bond	912,107	912,107	-	-
Multisector bond	185,133	185,133	-	-
International bond	<u>3,361</u>	<u>3,361</u>	-	-
	<u>1,243,842</u>	<u>1,243,842</u>	-	-
	<u>3,520,925</u>	<u>3,520,925</u>	-	-
Deferred compensation plan:				
Mutual funds:				
Equity funds:				
Large cap	<u>46,418</u>	<u>46,418</u>	-	-
Fixed income funds:				
Intermediate core-plus bond	95,833	95,833	-	-
Instl US govt money market	-	-	-	-
World bond	<u>23,041</u>	<u>23,041</u>	-	-
	<u>118,874</u>	<u>118,874</u>	-	-
Total investments at fair value	3,686,217	<u>\$ 3,686,217</u>	<u>\$ -</u>	<u>\$ -</u>
Cash, held at cost	<u>876,546</u>			
Total investments	<u>\$ 4,562,763</u>			
Liabilities:				
Deferred compensation	<u>\$ 166,773</u>	<u>\$ -</u>	<u>\$ 166,773</u>	<u>\$ -</u>

Cash and cash equivalents in the amount of \$81,571 and \$876,546 are recorded at cost for the years ended December 31, 2021 and 2020, respectively, and are therefore not included in the above schedules. Of this amount, \$55,205 and \$47,899 is held in cash for the deferred compensation plan assets for the years ended December 31, 2021 and 2020, respectively.

The fair value of mutual funds is determined based on the closing price reported in the active markets in which they are traded; thus, they are categorized as Level 1.

The fair value of the deferred compensation liability is based on observable market data as the underlying assets comprise Level 1 investments; however, the liability is not actively traded and as a result deferred compensation is considered a Level 2 item.

**MENTAL HEALTH AMERICA, INC.**  
**(A Nonprofit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 7. PROPERTY AND EQUIPMENT**

At December 31, 2021 and 2020, property and equipment and accumulated depreciation consisted of the following:

	<u>2021</u>	<u>2020</u>
Office furniture and equipment	\$ 306,820	\$ 336,400
Leasehold improvements	587,952	587,952
Websites	238,937	169,418
Equipment under capital leases	<u>111,094</u>	<u>111,094</u>
	1,244,803	1,204,864
Less: accumulated depreciation and amortization	<u>731,921</u>	<u>601,301</u>
	<u>\$ 512,882</u>	<u>\$ 603,563</u>

Depreciation and amortization expense for the years ended December 31, 2021 and 2020, was \$176,880 and \$156,755, respectively.

**NOTE 8. CAPITAL LEASES**

MHA has three active capital leases, which expire at various dates through 2025. The leased equipment is included in property and equipment at a cost of \$111,094 with accumulated amortization of \$68,719 and \$48,153 at December 31, 2021 and 2020, respectively.

Future minimum lease payments for the remaining life of the lease at December 31, 2021, are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2022	\$ 23,167
2023	21,307
2024	1,340
2025	<u>1,005</u>
Total future minimum lease payments	46,819
Less: amounts representing interest	<u>1,182</u>
Present value of net minimum lease payments	<u>\$ 45,637</u>

**NOTE 9. NET ASSETS**

*Board designated net assets*

The board of directors of MHA has designated certain net assets without donor restrictions into a reserve fund for MHA's general operating purposes. The objective of the reserve fund is to stabilize the financial position by providing cash availability and asset growth, and to provide a method of funding programs not supported by other funding sources. The board-designated net assets include the gain from the sale of its building in 2002, as well as any unrestricted bequest income that was contributed to MHA. The board of directors has approved a policy, whereby contributions to the fund are made in an amount of 20% of the change in net assets without donor restrictions before depreciation and less bequest revenue recorded. The bequest portion of this transfer policy was suspended for 2021. Withdrawals from these funds require approval

**MENTAL HEALTH AMERICA, INC.**  
**(A Nonprofit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 9. NET ASSETS (CONTINUED)**

*Board designated net assets (continued)*

by the board of directors on an as-needed basis.

Also included in net assets without donor restrictions, is a fund designated by the board of directors for property and equipment. This amount is calculated by subtracting the amount owed on property and equipment (e.g., the capital lease obligations and tenant allowance) from the net carrying value of total property and equipment.

The board of directors of MHA has also designated net assets without donor restrictions to create the Jo Blaylock Memorial Fund. The fund was created to recognize Mr. and Mrs. Blaylock's contribution to mental health. The \$50,000 initially designated, plus any investment earnings thereon, are to be used for educational purposes.

Board-designated net assets consisted of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Operating reserve fund	\$ 3,898,165	\$ 3,076,042
Property and equipment reserve	227,590	250,852
Jo Blaylock Memorial Fund	<u>58,885</u>	<u>58,885</u>
	<u>\$ 4,184,640</u>	<u>\$ 3,385,779</u>

*Net assets with donor restrictions*

Donor-restricted net assets consisted of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Donor restrictions for time and purpose:		
Public education, policy and advocacy	\$ 1,516,582	\$ 1,542,235
Constituency services	579,601	70,229
Prevention, early intervention and other	<u>1,008,611</u>	<u>953,805</u>
	3,104,794	2,566,269
Donor restrictions to be held in perpetuity:		
Public education, policy and advocacy	<u>288,971</u>	<u>502,772</u>
Total net assets with donor restrictions	<u>\$ 3,393,765</u>	<u>\$ 3,069,041</u>



**MENTAL HEALTH AMERICA, INC.**  
**(A Nonprofit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 10. ENDOWMENT FUNDS**

MHA has the following endowments:

The Quayle Bequest

Contribution that requires that the principal be invested in perpetuity and that only the income be expended to support the training and use of volunteers, and/or to pay hospital attendants servicing those who are mentally ill. The principal and accumulated earnings total is \$373,199 and \$336,681 at December 31, 2021 and 2020, respectively.

The Anna Belle Edwards Bequest

Contribution that requires that the principal be invested in perpetuity, and that only the income be expended to support research as to the cause and cure of mental illness, giving attention to the therapeutic use of mega-vitamins. The principal and accumulated earnings total is \$185,754 and \$166,091 at December 31, 2021 and 2020, respectively.

The interest income earned and unrealized gains on the above bequests are recorded as donor-restricted revenue in the accompanying statement of activities and are released from restriction when appropriated for the programs.

Interpretation of relevant law

The board of directors of MHA has interpreted the Virginia-enacted Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, MHA classifies as net assets with donor restrictions the original value of gifts donated to the donor-restricted endowment, the original value of subsequent gifts to the donor-restricted endowment and accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as such until those amounts are appropriated for expenditure by MHA, in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, MHA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of MHA and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of MHA
- The investment policies of MHA

**MENTAL HEALTH AMERICA, INC.**  
**(A Nonprofit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 10. ENDOWMENT FUNDS (CONTINUED)**

Return objectives and risk parameters

MHA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. The objective of the net assets with donor restrictions is the preservation of capital.

Strategies employed for achieving objectives

To satisfy its long-term rate of return objectives, MHA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). MHA's current asset allocation for the endowment targets a composition of equities between 50% and 70%, fixed income between 30% and 50%, and cash equivalents between 0% and 10%.

Spending policy

The earnings on the net assets with donor restrictions are released from restricted funds and are used in accordance with donor stipulations.

Changes in endowment net assets for the years ended December 31, 2021 and 2020, are as follows:

	Restricted in perpetuity	Accumulated gains and other	Total
Endowment net assets - December 31, 2019	\$ 288,971	\$ 176,021	\$ 464,992
Investment income, net	<u>-</u>	<u>37,780</u>	<u>37,780</u>
Endowment net assets - December 31, 2020	288,971	213,801	502,772
Investment income, net	<u>-</u>	<u>56,181</u>	<u>56,181</u>
Endowment net assets - December 31, 2021	<u>\$ 288,971</u>	<u>\$ 269,982</u>	<u>\$ 558,953</u>

**NOTE 11. REFUNDABLE ADVANCE**

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law to provide emergency assistance and health care response for individuals, families and businesses affected by the 2020 coronavirus pandemic. Under the CARES Act, MHA applied for a Paycheck Protection Program ("PPP") loan with a bank that is administered by the Small Business Administration ("SBA"), and received \$432,438 during April 2020. The PPP loan has a 1.0% rate of interest and a six-month deferral of principal and interest payments; thereafter, if not forgiven, monthly principal and interest payments are due over consecutive months, with a final payment in April 2022. The loan can be prepaid without penalty at any time. MHA used the full amount of the PPP funds for payroll and other qualified expenses and expected the loan to be forgiven when the submission is approved by the bank and the SBA.

**MENTAL HEALTH AMERICA, INC.**  
**(A Nonprofit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 11. REFUNDABLE ADVANCE (CONTINUED)**

U.S. GAAP does not contain authoritative accounting standards for forgivable loans provided by governmental entities. Absent authoritative accounting standards, interpretative guidance issued and commonly applied by financial statement preparers allow for the selection of accounting policies amongst acceptable alternatives. Based on the facts and circumstances, MHA has determined it most appropriate to account for the PPP loan proceeds under the conditional contribution model within ASC 958-605. Under the conditional contribution model, MHA recognizes the proceeds received as a refundable advance, and subsequently recognizes grant revenue as the conditions are met. MHA deemed the conditional contribution model to be the most appropriate accounting policy for this arrangement based on the nature of the PPP loan program. The conditions related to the right of return and barrier of the conditional contribution were met upon the acceptance of MHA's PPP loan forgiveness application in June 2021. Therefore MHA recognized \$432,438 as grant revenue during the year ended December 31, 2021.

**NOTE 12. COMMITMENTS AND CONTINGENCY**

Leases

MHA leases its office space under a noncancelable operating lease. The lease term is 11 years, which started on April 1, 2016, and can be renewed for an additional five years. The lease provides for fixed annual rental increases and, at the beginning of the lease term, the landlord granted MHA an abatement of the base rent for the first lease year and an allowance for leasehold improvements, both of which are required to be amortized over the life of the lease on a straight-line basis as an offset to rent expense. The difference between cash payments and straight-line rent expense is reflected as deferred rent in the accompanying statement of financial position.

Future minimum lease payments required under the office lease at December 31, 2021, are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2022	\$ 244,897
2023	251,631
2024	258,551
2025	265,661
Thereafter	<u>341,668</u>
	<u>\$ 1,362,408</u>

Hotel agreements

MHA has entered into contracts for hotel and conference rooms for meetings and shows through June 2023. In the event of cancellation, MHA is required to pay various cancellation fees, as stipulated in the contracts, the amounts of which are dependent on the dates of cancellation.

**MENTAL HEALTH AMERICA, INC.**  
**(A Nonprofit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 12. COMMITMENTS AND CONTINGENCY (CONTINUED)**

Pandemic

Subsequent to the coronavirus outbreak in 2020 in the United States, there has been substantial volatility in financial markets and the economy. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus, and actions taken to mitigate it, may have an adverse impact on the economies and financial markets of many countries, including the geographical area in which MHA operates. Since this could have long lasting impacts on MHA, management will continue to review and adjust planned expenditures should it be determined the outbreak will significantly impact the statement of financial position and statement of activities of MHA.

**NOTE 13. RETIREMENT PLANS**

Defined contribution plan

MHA has a non-contributory, defined contribution retirement plan, which is available to all employees who attained 21 years of age. Employer contributions are made based on percentages and employees are vested immediately, as defined in the plan document. Pension expense for the years ended December 31, 2021 and 2020, was \$103,736 and \$101,506, respectively, is included in "Salaries and benefits" in the accompanying statements of functional expenses.

Supplemental executive retirement plan

MHA offers its executives, or highly compensated employees, an opportunity to defer compensation pursuant to Section 457(b) of the IRC to supplement such employees retirement benefits under the employer's qualified retirement plan. Employees are fully vested when plan contributions are made. Under the 457(b) plan, MHA may make matching contributions; however, no matching contributions were made during the years ended December 31, 2021 and 2020.