

**MENTAL HEALTH ASSOCIATION OF OREGON
dba MENTAL HEALTH & ADDICTION ASSOCIATION OF OREGON**

FINANCIAL STATEMENTS

Nine Months Ended June 30, 2020



KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

**MENTAL HEALTH ASSOCIATION OF OREGON
dba MENTAL HEALTH & ADDICTION ASSOCIATION OF OREGON**

FINANCIAL STATEMENTS

Nine Months Ended June 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mental Health Association of Oregon
Portland, Oregon

We have audited the accompanying financial statements of Mental Health Association of Oregon (a non-profit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the nine months then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Mental Health Association of Oregon as of June 30, 2020, and the changes in its net assets and its cash flows for the nine months then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Mental Health Association of Oregon

Report on Summarized Comparative Information

We have previously audited Mental Health Association of Oregon's 2019 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated May 12, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kim Thompson, LLC

Portland, Oregon
May 24, 2021

MENTAL HEALTH ASSOCIATION OF OREGON
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STATEMENT OF FINANCIAL POSITION

June 30, 2020

(With Comparative Totals as of September, 30, 2019)

ASSETS

	2020	2019
Cash and cash equivalents	\$ 295,962	\$ 1,239
Grants and contracts receivable	410,464	410,274
Prepaid expenses	20,224	42,560
Total assets	\$ 726,650	\$ 454,073

LIABILITIES AND NET ASSETS

Accounts payable	\$ 26,336	\$ 64,819
Accrued payroll and related expenses	163,712	138,742
Deferred revenue	81,310	-
Refundable advances	471,378	57,612
Line of credit	-	80,000
Total liabilities	742,736	341,173
Net assets (deficit)		
Without donor restrictions	(44,184)	66,971
Board designated scholarship fund	14,218	15,000
Total without donor restrictions	(29,966)	81,971
With donor restrictions	13,880	30,929
Total net assets (deficit)	(16,086)	112,900
Total liabilities and net assets	\$ 726,650	\$ 454,073

See notes to financial statements.

MENTAL HEALTH ASSOCIATION OF OREGON
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STATEMENT OF ACTIVITIES

Nine Months Ended June 30, 2020

(With Comparative Totals for the Year Ended September, 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020	2019
Revenues and other support				
Government and foundation grants and contracts	\$ 1,917,448	\$ 21,725	\$ 1,939,173	\$ 2,481,460
Conference registrations	5,140	-	5,140	98,385
Contributions	20,039	-	20,039	13,366
Training fees and other	58,517	-	58,517	128,006
Sponsorships	4,030	-	4,030	39,420
	<u>2,005,174</u>	<u>21,725</u>	<u>2,026,899</u>	<u>2,760,637</u>
Net assets released from restrictions	38,774	(38,774)	-	-
Total revenues and other support	<u>2,043,948</u>	<u>(17,049)</u>	<u>2,026,899</u>	<u>2,760,637</u>
Expenses				
Program services	1,790,328	-	1,790,328	2,342,747
Management and general	365,557	-	365,557	474,511
	<u>2,155,885</u>	<u>-</u>	<u>2,155,885</u>	<u>2,817,258</u>
Change in net assets	(111,937)	(17,049)	(128,986)	(56,621)
Net assets, beginning of year	<u>81,971</u>	<u>30,929</u>	<u>112,900</u>	<u>169,521</u>
Net assets, end of year	<u>\$ (29,966)</u>	<u>\$ 13,880</u>	<u>\$ (16,086)</u>	<u>\$ 112,900</u>

See notes to financial statements.

MENTAL HEALTH ASSOCIATION OF OREGON
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STATEMENT OF FUNCTIONAL EXPENSES

Nine Months Ended June 30, 2020

(With Comparative Totals for the Year Ended September, 30, 2019)

	PROGRAM SERVICES				Total	
	Peer Delivered Services	Training & Development	Total Program	Management and General	2020	2019
Personnel expense						
Salaries	\$ 1,038,146	\$ 164,830	\$ 1,202,976	\$ 180,058	\$ 1,383,034	\$ 1,590,335
Payroll taxes and benefits	254,308	36,970	291,278	48,036	339,314	347,330
Total personnel expense	<u>1,292,454</u>	<u>201,800</u>	<u>1,494,254</u>	<u>228,094</u>	<u>1,722,348</u>	<u>1,937,665</u>
Direct grant expense						
Conference and training expense	14,490	10,123	24,613	801	25,414	33,798
Total direct grant expense	<u>14,490</u>	<u>10,123</u>	<u>24,613</u>	<u>801</u>	<u>25,414</u>	<u>33,798</u>
Other expense						
Rent and utilities	52,251	5,688	57,939	10,416	68,355	150,295
Telephone and computer services	28,193	1,970	30,163	2,707	32,870	55,385
Equipment and furniture	4,342	1,193	5,535	269	5,804	13,537
Printing and postage	817	1,468	2,285	6,085	8,370	17,423
Licenses, fees, dues and subscriptions	15,389	7,384	22,773	10,891	33,664	30,835
Insurance	7,729	7,011	14,740	4,727	19,467	18,286
Professional services	5,484	43,151	48,635	75,706	124,341	249,461
Travel and conference fees	42,163	24,582	66,745	2,231	68,976	252,039
Supplies	15,683	6,963	22,646	23,630	46,276	58,534
Total other expense	<u>172,051</u>	<u>99,410</u>	<u>271,461</u>	<u>136,662</u>	<u>408,123</u>	<u>845,795</u>
Total expenses	<u>\$ 1,478,995</u>	<u>\$ 311,333</u>	<u>\$ 1,790,328</u>	<u>\$ 365,557</u>	<u>\$ 2,155,885</u>	<u>\$ 2,817,258</u>

See notes to financial statements.

MENTAL HEALTH ASSOCIATION OF OREGON
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STATEMENT OF CASH FLOWS

Nine Months Ended June 30, 2020

(With Comparative Totals for the Year Ended September, 30, 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (128,986)	\$ (56,621)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Decrease (increase) in:		
Grants and contracts receivable	(190)	(190,985)
Prepaid expenses	22,336	(10,302)
Increase (decrease) in:		
Accounts payable	(38,483)	48,359
Accrued payroll and related expenses	24,970	30,539
Deferred revenue	81,310	-
Refundable advances	413,766	(110,036)
Net cash provided by (used in) operating activities	374,723	(289,046)
Cash flows from financing activities:		
Proceeds from (payments on) line of credit	(80,000)	80,000
Net cash provided by (used in) financing activities	(80,000)	80,000
Net change in cash and cash equivalent	294,723	(209,046)
Cash and cash equivalents, beginning of year	1,239	210,285
Cash and cash equivalents, end of year	\$ 295,962	\$ 1,239

See notes to financial statements.

MENTAL HEALTH ASSOCIATION OF OREGON
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NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE A – DESCRIPTION OF ORGANIZATION

Mental Health Association of Oregon, dba Mental Health & Addiction Association of Oregon (the Organization or MHA AO) is an inclusive peer-run organization dedicated to self-direction honoring the voice of lived experience. MHA AO believes that all individuals who experience mental health and/or addiction challenges can recover and that recovery, its journey and process, is unique to the individual. MHA AO believes that recipients of our services have the right and the ability to make decisions for themselves about what supports they would prefer to receive and the directions they wish to explore. We believe the role of any MHA AO team member regardless of position, is not to infringe on the choices made by the individuals we serve, but to offer support toward mutually agreed upon goals and to offer feedback or possible options and resources, as requested by those individuals.

Key program services of the Organization are:

➤ **Direct Peer Delivered Services**

With a belief in the individual as the expert and the director of their own path, EVOLVE Peer Delivered Services offers an array of support options for individuals seeking something different. Individuals enrolled in our program work with a team of Peer Support Specialists, who identify as having lived experience of mental health and/or addiction challenges, have made a commitment to their own recovery, have been specially trained and certified, and are willing to walk beside and support individuals navigating their own recovery journey.

➤ **Training, Technical Assistance and Workforce Development**

The MHA AO programs housed under this umbrella serve to train, provide technical assistance and develop the peer workforce. Peerlink National Technical Assistance Center (NTAC), the Oregon Peer Training and Innovations Center (OPTIC), the Oregon Peer Delivered Services Coalition (OPDSCo), and Peerpocalypse Leadership Conference work toward providing these services to systems, organizations, and the peer workforce. MHA AO achieves this through national and state-approved training and other peer-centered and developed curricula.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change in Fiscal Year End

The Organization has elected to change their fiscal year-end from September 30 to June 30. These financial statements include the nine month period from October 1, 2019 to June 30, 2020.

Adoption of New Accounting Pronouncement

During the fiscal period ended June 30, 2020, a new accounting pronouncement became effective for the Organization: *Accounting Standards Update No. 2018-08, Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (“ASU 2018-08”)*.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Pronouncement (Continued)

ASU 2018-08 clarifies and improves guidance for contributions received and contributions made. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities.

The change in accounting principle resulting from ASU 2018-08 was adopted on a modified prospective basis in 2020. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of October 1, 2019. In comparison to the year ended September 30, 2019, the effect of adopting the new accounting principles had no effect on the classification of revenues.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting which recognizes revenue when earned and expenses when incurred.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate net assets without donor restrictions for specific purposes.
- **Net Assets With Donor Restrictions** – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time, or net assets with donor restrictions that are not subject to appropriation or expenditure.

Expenses are reported as a decrease in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions with donor restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. Otherwise, when a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

Functional Allocation of Expenses

The costs of providing the programs and supporting services have been summarized in the Statement of Activities. Directly identifiable expenses are charged to programs and supporting services when incurred. Certain costs, including office expense, occupancy, leases and utilities have been allocated among the programs and supporting services benefited based primarily on estimates of time and effort.

Cash and Cash Equivalents

For financial reporting purposes, the Organization considers all short-term investments with an original maturity of three months or less to be cash and cash equivalents.

Grants and Contracts Receivable

The Organization's grants and contracts receivable consist primarily of reimbursement requests to government agencies and are unsecured. Such receivables are generally due within 30 days. The Organization has not experienced any losses on these accounts. There was no outstanding balance in grants and contracts receivable older than 90 days as of June 30, 2020.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition

Revenue streams applicable to the Organization that qualify as exchange transactions with "customers" (primarily conference and training fees) are recognized at a single point upon receipt when all risks and rewards transfer. Amounts received from customers in advance, such as deposits for reserved future services and events, are recorded as deferred revenue until the Organization's performance obligations are satisfied.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Conditional Promises to Give

A portion of the Organization's revenue is derived from cost-reimbursable federal, state and county contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions or has met the performance requirements. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization has been promised cost-reimbursable grants of \$80,000 that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred.

Deferred Revenue

The Organization occasionally receives advance payment for conferences and trainings. Revenue is recognized in the period in which the related services are rendered. Advances are recorded as deferred revenue until earned or refunded.

Income Taxes

The Organization has been approved as a tax-exempt organization under the Internal Revenue Code 501(c)(3) and applicable state laws. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Organization does not believe it has unrelated trade or business income in excess of \$1,000.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by natural expense classification by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2019, from which the summarized information was derived.

NOTE C – REFUNDABLE ADVANCES

Paycheck Protection Program

In response to the global economic impact caused by the coronavirus pandemic, the US Small Business Administration (SBA) created the Paycheck Protection Program (PPP) "forgivable loan" to assist nonprofit organizations and for-profit enterprises with eligible payroll and certain specified operating costs. The loans are funded by the SBA through participating banks and are subject to specific conditions, which if met, will result in forgiveness of all or part of the loan. The Organization qualified for and received a PPP loan for \$390,700 on April 22, 2020. The terms of the PPP loan include interest at 1% and maturity on April 22, 2022.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE C – REFUNDABLE ADVANCES (CONTINUED)

Paycheck Protection Program (Continued)

The Organization has concluded that although the legal form of the PPP is a loan, it believes the criteria has been met and the SBA will approve its forgiveness application. Accordingly, the PPP loan represents, in substance, a conditional grant and has therefore been recorded as a refundable advance under the accounting guidance of ASC 958-605.

Conditional Grant Advances

Refundable advances result primarily from conditional grant payments received prior to the incurrence of allowable grant expenditures, and are refundable to the grantor if not used for grant purposes.

NOTE D – CONTINGENCIES

Amounts received or receivable from government grants are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of the Organization if so determined in the future.

Other claims arising in the normal course of operations have been filed against the Organization. Certain claims are covered by insurance and have been tendered to the Organization's public liability insurer. In management's opinion, these claims will not result in material losses to the Organization.

NOTE E – LINE OF CREDIT

The Organization has an unsecured \$100,000 line of credit. Interest on the line at the report date was 7.25%, which is computed at prime plus 1.75%. The line has a floor rate of 3.490%. There was no amount outstanding on the line at June 30, 2020.

NOTE F – NET ASSETS

Net assets with donor restrictions are restricted for purpose. The Board designated scholarship fund is for emergency funds for peers, both internally and externally. Examples of uses are legal fees, clothing, funeral expenses, or groceries.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE G – OPERATING LEASES

The Organization leases its facility in Portland, Oregon and satellite office in Washington County under agreements that expire in June 30, 2022 and September 30, 2021, respectively. Future minimum lease payments are as follows:

Year Ending June 30,		
2021	\$	82,860
2022		75,133
2023		8,500
2024		1,912
	\$	168,405

Total rent expense was \$61,621 for the period ended June 30, 2020.

NOTE H – LIQUIDITY

The following represents the Organization's financial assets available to meet cash needs for general expenditures within one year of June 30, 2020:

Financial assets at year-end		
Cash and cash equivalents	\$	295,962
Grants and contracts receivable		410,464
Total financial assets		706,426
Less amounts unavailable for general expenditures use within one year:		
Contractual or donor-imposed restrictions:		
Restricted by donor with purpose restriction		(13,880)
Board designated scholarship fund		(14,218)
Total unavailable financial assets		(28,098)
Financial assets available to meet cash needs for general expenditures within one year	\$	678,328

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of current requirements in short-term investments. Although the Organization does not intend to spend from its board-designated scholarship fund other than amounts appropriated for general expenditure as part of its annual budget approval, amounts from its board-designated scholarship fund could be made available if necessary to manage unanticipated liquidity needs.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE I – UNCERTAINTY

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of facilities, activities, and entities. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Such closings have impacted the ability of the Organization and its activity partners to conduct some grant activities and have resulted in some ceasing or delaying of certain operations. The Organization's 2020 and 2021 conferences were adjusted to a virtual setting, with attendance holding steady in 2020 and declining in 2021. Therefore, the Organization expects these matters to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE J – SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 24, 2021, which is the date the financial statements were available to be issued.