

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

FINANCIAL STATEMENTS

Year Ended September 30, 2019



KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

FINANCIAL STATEMENTS

Year Ended September 30, 2019

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Mental Health Association of Oregon (a nonprofit organization), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses and cash flows for the year 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 September 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Mental Health Association of Oregon

Other Matters

Other Reporting Requirement by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2020, on our consideration of Mental Health Association of Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mental Health Association of Oregon's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mental Health Association of Oregon's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Mental Health Association of Oregon's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 21, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note B, the Organization adopted the provisions of Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958)*, for the year ended September 30, 2019. Our opinion is not modified with respect to this matter.



Portland, Oregon
May 12, 2020

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

STATEMENT OF FINANCIAL POSITION

September 30, 2019

(With Comparative Totals as of September, 30, 2018)

ASSETS

	2019	2018
Cash and cash equivalents	\$ 1,239	\$ 210,285
Accounts receivable	410,274	219,289
Prepaid expenses	42,560	32,258
Total assets	\$ 454,073	\$ 461,832

LIABILITIES AND NET ASSETS

Accounts payable	\$ 64,819	\$ 16,460
Accrued payroll and related expenses	138,742	108,203
Deferred revenue	57,612	167,648
Line of credit	80,000	-
Total liabilities	341,173	292,311
Net assets		
Without donor restrictions	66,971	169,521
Board designated scholarship fund	15,000	-
Total without donor restrictions	81,971	169,521
With donor restrictions	30,929	-
Total net assets	112,900	169,521
Total liabilities and net assets	\$ 454,073	\$ 461,832

See notes to financial statements.

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

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2019

(With Comparative Totals for the Year Ended September, 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019	2018
Revenues and other support				
Government and foundation grants and contracts	\$ 2,436,460	\$ 45,000	\$ 2,481,460	\$ 1,796,320
Conference registrations	98,385	-	98,385	74,269
Contributions	13,366	-	13,366	136,708
Training fees and other	128,006	-	128,006	76,125
Sponsorships	39,420	-	39,420	23,400
	<u>2,715,637</u>	<u>45,000</u>	<u>2,760,637</u>	<u>2,106,822</u>
Net assets released from restrictions	14,071	(14,071)	-	-
Total revenues and other support	<u>2,729,708</u>	<u>30,929</u>	<u>2,760,637</u>	<u>2,106,822</u>
Expenses				
Program services	2,342,747	-	2,342,747	1,764,698
Management and general	474,511	-	474,511	285,576
Total expenses	<u>2,817,258</u>	<u>-</u>	<u>2,817,258</u>	<u>2,050,274</u>
Change in net assets	(87,550)	30,929	(56,621)	56,548
Net assets, beginning of year	<u>169,521</u>	<u>-</u>	<u>169,521</u>	<u>112,973</u>
Net assets, end of year	<u>\$ 81,971</u>	<u>\$ 30,929</u>	<u>\$ 112,900</u>	<u>\$ 169,521</u>

See notes to financial statements.

MENTAL HEALTH ASSOCIATION OF OREGON
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STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2019

(With Comparative Totals for the Year Ended September, 30, 2018)

	PROGRAM SERVICES				Total	
	Peer Delivered Services	Training & Development	Total Program	Management and General	2019	2018
Personnel expense						
Salaries	\$ 1,067,127	\$ 296,596	\$ 1,363,723	\$ 226,612	\$ 1,590,335	\$ 1,226,285
Payroll taxes and benefits	244,495	57,553	302,048	45,282	347,330	262,585
Total personnel expense	1,311,622	354,149	1,665,771	271,894	1,937,665	1,488,870
Direct grant expense						
Conference and training expense	18,150	13,109	31,259	2,539	33,798	50,412
Total direct grant expense	18,150	13,109	31,259	2,539	33,798	50,412
Other expense						
Rent and utilities	64,594	71,918	136,512	13,783	150,295	83,931
Telephone and computer services	37,264	13,294	50,558	4,827	55,385	20,092
Equipment and furniture	5,178	6,722	11,900	1,637	13,537	7,989
Printing and postage	1,961	13,542	15,503	1,920	17,423	10,166
Licenses, fees, dues and subscriptions	9,224	8,773	17,997	12,838	30,835	37,565
Insurance	11,824	3,850	15,674	2,612	18,286	17,694
Professional services	2,684	111,247	113,931	135,530	249,461	56,091
Travel and conference fees	111,404	131,736	243,140	8,899	252,039	194,827
Supplies	20,022	20,480	40,502	18,032	58,534	82,637
Total other expense	264,155	381,562	645,717	200,078	845,795	510,992
Total expenses	\$ 1,593,927	\$ 748,820	\$ 2,342,747	\$ 474,511	\$ 2,817,258	\$ 2,050,274

See notes to financial statements.

MENTAL HEALTH ASSOCIATION OF OREGON
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STATEMENT OF CASH FLOWS

Year Ended September 30, 2019

(With Comparative Totals for the Year Ended September, 30, 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (56,621)	\$ 56,548
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Decrease (increase) in:		
Accounts receivable	(190,985)	(59,254)
Prepaid expenses	(10,302)	(8,115)
Increase (decrease) in:		
Accounts payable	48,359	(527)
Accrued payroll and related expenses	30,539	25,733
Deferred revenue	(110,036)	62,173
	(289,046)	76,558
Net cash provided by (used in) operating activities		
Cash flows from financing activities:		
Proceeds from line of credit	80,000	-
	80,000	-
Net cash provided by (used in) financing activities		
Cash and cash equivalents, beginning of year	210,285	133,727
Cash and cash equivalents, end of year	\$ 1,239	\$ 210,285

See notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

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 Statewide Consumer Network (SCN) 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 state-approved trainings and other peer-centered and developed curricula.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Pronouncement

During the fiscal year ended September 30, 2019, the Organization implemented *Accounting Standards Update No. 2016-14, Not-for-Profit Entities Topic 958* (“ASU 2016-14”). This standard revised the net asset classification requirements and information presented in financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows.

As a result of the implementation of ASU 2016-14, net assets and transactions are now presented in two categories (with donor restrictions and without donor restrictions) instead of three (unrestricted, temporary, and permanent). Additionally, disclosures regarding liquidity have been added and the expansion of disclosures regarding cost allocation methods, the nature of donor restrictions and board designations have been made.

**MENTAL HEALTH ASSOCIATION OF OREGON
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Pronouncement (Continued)

The implementation of ASU 2016-14 had no impact on total beginning net assets.

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.

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.

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.

**MENTAL HEALTH ASSOCIATION OF OREGON
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Accounts Receivable

The Organization's accounts receivable consists primarily of reimbursement requests to a government agency and are unsecured. Such receivables are generally due within 30 days. The Organization has not experienced any losses on these accounts. There was \$13,451 in accounts receivable older than 90 days as of September 30, 2019.

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.

Deferred Revenue

The Organization occasionally receives contract advances for programs. Program revenue is recognized in the period in which the related services are rendered. Unearned 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, 2018, from which the summarized information was derived.

MENTAL HEALTH ASSOCIATION OF OREGON
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

NOTE C – OPERATING LEASES

The Organization leases its facility in Portland, Oregon and satellite office in Washington County under agreements that expire in September 30, 2022 and June 30, 2020, respectively. Future minimum lease payments are as follows:

<u>Year Ending September 30,</u>	
2020	\$ 64,026
2021	65,944
2022	<u>56,320</u>
	<u>\$ 186,290</u>

Total rent expense was \$80,526 for the year ended September 30, 2019.

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%.

At the date the financial statements were available to be issued the current balance of the line of credit was \$100,000.

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.

**MENTAL HEALTH ASSOCIATION OF OREGON
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

NOTE G – LIQUIDITY

The following represents the Organization's financial assets available to meet cash needs for general expenditures within one year of September 30, 2019:

Financial assets at year-end*		
Cash and cash equivalents	\$	1,239
Accounts receivable		<u>410,274</u>
Total financial assets		<u>411,513</u>
Less amounts unavailable for general expenditures use within one year:		
Contractual or donor-imposed restrictions:		
Restricted by donor with purpose restriction		(30,929)
Board designated scholarship fund		<u>(15,000)</u>
Total unavailable financial assets		<u>(45,929)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u><u>365,584</u></u>

* Total assets, less nonfinancial assets (e.g. property and equipment, prepaid expenses)

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.

NOTE H – SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 12, 2020, which is the date the financial statements were available to be issued.

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 may result in some ceasing or delaying of certain operations. The Organization's upcoming conference may be adjusted to a partial hybrid in-person and/or virtual event, depending on future circumstances, and attendance is expected to be reduced as a result. 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.

Additionally, the Organization has received a Paycheck Protection Program loan of \$390,700 that will be forgivable if certain conditions are met.