

Mental Health Association of Oregon dba Mental Health & Addiction Association of Oregon

Financial Statements and Supplemental Information

Years Ended June 30, 2022 and 2021



MENTAL HEALTH ASSOCIATION OF OREGON
dba MENTAL HEALTH & ADDICTION ASSOCIATION OF OREGON
Financial Statements and Supplemental Information
Years Ended June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Audit Committee
Mental Health Association of Oregon
dba Mental Health & Addiction Association of Oregon
Report on an Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Mental Health & Addiction Association of Oregon (a nonprofit organization) which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mental Health & Addiction Association of Oregon as of June 30, 2022, 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.

Prior Period Financial Statements

The financial statements of Mental Health & Addiction Association of Oregon as of June 30, 2021, were audited by other auditors whose report dated September 28, 2022, expressed an unmodified opinion on those statements.

Basis for Opinion

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. 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 & Addiction Association of Oregon 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 opinions.

Responsibilities of Management 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, 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.

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 & Addiction Association of Oregon'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 and *Government 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 aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

Auditor's Responsibilities for the Audit of the Financial Statements, continued

In performing an audit in accordance with generally accepted auditing standards and *Government 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 & Addiction Association of Oregon'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 & Addiction Association of Oregon'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.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2024, on our consideration of Mental Health & Addiction 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 to describe the scope of our testing on the effectiveness of Mental Health & Addiction Association of Oregon's internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 & Addiction Association of Oregon's internal control over financial reporting and compliance.

Aldrich CPAs + Advisors LLP

San Diego, California
January 2, 2024

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

Statements of Financial Position

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 299,619	\$ 199,466
Grants and contracts receivable	1,090,416	1,251,540
Prepaid expenses	59,838	39,738
Furniture and equipment, net of accumulated depreciation	<u>54,479</u>	<u>-</u>
Total Assets	<u>\$ 1,504,352</u>	<u>\$ 1,490,744</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 67,411	\$ 35,984
Accrued payroll and related expenses	292,955	231,308
Refundable advances	192,817	693,389
Line of credit	<u>77,900</u>	<u>-</u>
Total Liabilities	<u>631,083</u>	<u>960,681</u>
Net Assets:		
Without donor restrictions:		
Undesignated	714,520	395,845
Board designated for scholarship fund	11,926	14,218
With donor restrictions	<u>146,823</u>	<u>120,000</u>
Total Net Assets	<u>873,269</u>	<u>530,063</u>
Total Liabilities and Net Assets	<u>\$ 1,504,352</u>	<u>\$ 1,490,744</u>

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

Statement of Activities

Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Other Support:			
Government and foundation grants and contracts	\$ 5,913,118	\$ 98,000	\$ 6,011,118
Conference registrations	168,195	-	168,195
Contributions	28,076	-	28,076
Other	9,744	-	9,744
Net assets released from restrictions	<u>71,177</u>	<u>(71,177)</u>	<u>-</u>
 Total Revenues and Other Support	 <u>6,190,310</u>	 <u>26,823</u>	 <u>6,217,133</u>
Expenses:			
Program services	4,893,425	-	4,893,425
Management and general	<u>980,502</u>	<u>-</u>	<u>980,502</u>
 Total Expenses	 <u>5,873,927</u>	 <u>-</u>	 <u>5,873,927</u>
 Change in Net Assets	 316,383	 26,823	 343,206
Net Assets, beginning	<u>410,063</u>	<u>120,000</u>	<u>530,063</u>
Net Assets, ending	\$ <u><u>726,446</u></u>	\$ <u><u>146,823</u></u>	\$ <u><u>873,269</u></u>

MENTAL HEALTH ASSOCIATION OF OREGON
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Statement of Activities

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Government and foundation grants and contracts	\$ 3,816,062	\$ 120,000	\$ 3,936,062
Paycheck Protection Program forgiveness	390,700	-	390,700
Conference registrations	207,787	-	207,787
Contributions	20,934	-	20,934
Other	6,130	-	6,130
Net assets released from restrictions	<u>13,880</u>	<u>(13,880)</u>	<u>-</u>
 Total Revenues and Other Support	 4,455,493	 106,120	 4,561,613
Expenses:			
Program services	3,433,456	-	3,433,456
Management and general	<u>582,008</u>	<u>-</u>	<u>582,008</u>
 Total Expenses	 <u>4,015,464</u>	 <u>-</u>	 <u>4,015,464</u>
 Change in Net Assets	 440,029	 106,120	 546,149
Net Assets (Deficit), beginning	<u>(29,966)</u>	<u>13,880</u>	<u>(16,086)</u>
Net Assets, ending	<u>\$ 410,063</u>	<u>\$ 120,000</u>	<u>\$ 530,063</u>

MENTAL HEALTH ASSOCIATION OF OREGON
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Statement of Functional Expenses

Year Ended June 30, 2022

	Program Services			Management and General	Total
	Peer Delivered Services	Training & Development	Total Program Services		
Salaries	\$ 2,526,074	\$ 142,364	\$ 2,668,438	\$ 512,282	\$ 3,180,720
Payroll taxes and benefits	879,234	60,140	939,374	204,487	1,143,861
Professional services	426,235	70,632	496,867	106,593	603,460
Other program expenses	196,998	6,212	203,210	15,385	218,595
Conference and training	62,824	58,805	121,629	14,334	135,963
Rent and utilities	108,047	5,181	113,228	15,360	128,588
Telephone and computer services	84,413	9,435	93,848	19,761	113,609
Licenses, fees, dues and subscriptions	68,359	17,607	85,966	25,696	111,662
Travel and conference fees	91,490	2,038	93,528	8,949	102,477
Supplies	26,472	9,388	35,860	21,692	57,552
Printing and postage	8,598	11,188	19,786	10,920	30,706
Insurance	20,477	920	21,397	3,648	25,045
Equipment and furniture	264	30	294	18,402	18,696
Depreciation	-	-	-	2,993	2,993
Total Expenses	\$ 4,499,485	\$ 393,940	\$ 4,893,425	\$ 980,502	\$ 5,873,927

MENTAL HEALTH ASSOCIATION OF OREGON
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Statement of Functional Expenses

Year Ended June 30, 2021

	Program Services				Total
	Peer Delivered Services	Training & Development	Total Program Services	Management and General	
Salaries	\$ 2,085,018	\$ 154,044	\$ 2,239,062	\$ 321,778	\$ 2,560,840
Payroll taxes and benefits	445,624	43,787	489,411	95,133	584,544
Professional services	140,891	61,238	202,129	45,798	247,927
Supplies and other	67,009	85,760	152,769	40,221	192,990
Telephone and computer services	73,682	4,678	78,360	19,577	97,937
Rent and utilities	78,036	6,477	84,513	12,050	96,563
Licenses, fees, dues and subscriptions	60,520	11,819	72,339	18,947	91,286
Travel and conference fees	43,717	854	44,571	5,044	49,615
Insurance	19,112	6,615	25,727	8,987	34,714
Conference and training	17,140	7,652	24,792	3,587	28,379
Printing and postage	6,092	8,763	14,855	8,230	23,085
Equipment and furniture	4,868	60	4,928	2,656	7,584
Total Expenses	\$ 3,041,709	\$ 391,747	\$ 3,433,456	\$ 582,008	\$ 4,015,464

MENTAL HEALTH ASSOCIATION OF OREGON
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Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 343,206	\$ 546,149
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,993	-
Changes in operating assets and liabilities:		
Grants and contracts receivable	161,124	(841,076)
Prepaid expenses and other current assets	(20,100)	(19,514)
Accounts payable	31,427	9,648
Accrued payroll and related expenses	61,647	67,596
Deferred revenue	-	(81,310)
Refundable advances	(500,572)	222,011
Net Cash Provided (Used) by Operating Activities	79,725	(96,496)
Cash Flows Used by Investing Activities:		
Purchases of property and equipment	(57,472)	-
Cash Flows Provided by Financing Activities:		
Proceeds from line of credit	77,900	-
Net Change in Cash and Cash Equivalents	100,153	(96,496)
Cash and Cash Equivalents, beginning	199,466	295,962
Cash and Cash Equivalents, ending	\$ <u>299,619</u>	\$ <u>199,466</u>

MENTAL HEALTH ASSOCIATION OF OREGON
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Notes to Financial Statements

Years Ended June 30, 2022 and 2021

Note 1 - Organization and Summary of Significant Accounting Policies

Nature of Activities

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

MHA AO has been in operation for 21 years and in 2014, MHA AO launched its direct peer delivered services program. The EVOLVE department is one of the first truly low-barrier, community-based peer support programs in the Portland area. While staying true to its roots, MHA AO has experienced continuous and steady growth and now comprises over 35 unique peer service programs. For nearly a decade, MHA AO has successfully implemented and provided direct peer support services across Multnomah, Clackamas, and Washington Counties. MHA AO peer support specialists use their own lived experiences of mental health and/or substance use challenges and recovery to connect with and support their peers – individuals who are navigating similar experiences and are seeking support. All direct service staff at MHA AO identify as having lived experience of mental health and/or addiction challenges and recovery, and many have the additional life experiences of poverty, homelessness, incarceration or justice system involvement, hospitalization, Department of Health and Human Services (DHS) involvement, and more.

Training, Technical Assistance and Workforce Development

MHA AO is proud to offer our state and nationally approved peer wellness specialist (PWS) training program and our annual peer leadership conference, “Peerpocalypse”. Our annual conference is a professional development and community-building opportunity for the peer workforce, where peer specialists from across the nation gather to learn, network, and share experiences, knowledge, and resources with each other.

Key supporting services of the Organization are:

Development & Community Engagement

The development and community engagement team at MHA AO is dedicated to fostering relationships and inspiring diverse groups to support our mission and vision. We utilize an array of media to tell impactful stories, promote MHA AO’s principles, share crucial mental health and addiction research and information, and boost our partner voices. Our development activities focus on providing ways for donors and volunteers to be involved in our work. This includes orchestrating fundraising campaigns, designing and distributing fundraising materials, and managing endeavors to secure contributions from individuals, foundations, corporations, and public entities. Moreover, we also hold special events designed to bring people together, build fresh connections, heighten awareness on key issues, and stimulate significant change.

Management and General

MHA AO’s management and general activities encompass a broad range of critical functions. These include executive leadership, financial oversight, accounting, recordkeeping, strategic planning, human resources, operations, information technology, workplace diversity, equity and inclusion (DEI), and related activities. These diverse yet interconnected administrative activities lay the foundation for our organization, enabling us to provide the necessary developmental, organizational, and managerial support that ensures the effective operation of MHA AO’s programs.

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Notes to Financial Statements

Years Ended June 30, 2022 and 2021

Note 1 - Organization and Summary of Significant Accounting Policies, continued

New Accounting Pronouncement

In September 2020, the Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. The purpose of ASU 2020-07 is to clarify the presentation and disclosure of contributed nonfinancial assets with an intention to provide the reader of the consolidated financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by the Organization. During the year ended June 30, 2022, the Organization adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*.

Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

- 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.

Use of Estimates

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

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 significant outstanding balance in grants and contracts receivable older than 90 days as June 30, 2022 and 2021. As such, management believes all amounts outstanding are collectable.

Property and Equipment

Acquisitions of property and equipment of \$5,000 or more are capitalized. Property and equipment are recorded at cost, or if donated, at the approximate fair market value at the date of donation. Expenditures for maintenance and repairs are charged against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets of eight years. Donated property and equipment are recorded at fair value at the date of the gift. The Organization reports gifts of equipment (or other long-lived assets) as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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Notes to Financial Statements

Years Ended June 30, 2022 and 2021

Note 1 - Organization and Summary of Significant Accounting Policies, continued

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.

Refundable Advances

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 statements of financial position.

Revenue Recognition

Revenue streams applicable to the Organization that qualify as exchange transactions with "customers" (primarily conference registrations fees) are recognized at a single point in time 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.

Functional Allocation of Expense

The costs of providing the programs and supporting services have been summarized in the statements of activities. Directly identifiable expenses are charged to programs and supporting services when incurred. Certain costs, including salaries and benefits, supplies, general office expenses, and rent and utilities have been allocated among the programs and supporting services benefited, based primarily on estimates of time and effort.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. The Organization may be subject to tax on income which is not related to its exempt purpose. For the years ended June 30, 2022 and 2021, no such unrelated business income was reported and, therefore, no provision for income taxes has been made.

The Organization follows the provisions of uncertain tax positions as addressed in FASB Accounting Standards Codification. The Organization recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the consolidated financial statements related to uncertain tax positions for the years ended June 30, 2022 and 2021.

Future Accounting Standard

In February 2016, the FASB issued ASU 2016-02, *Leases*. The primary change in US GAAP addressed by ASU 2016-02 is the requirement for a lessee to recognize on the statements of financial position a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. ASU 2016-02 also requires qualitative and quantitative disclosures to enable users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. Lessees must apply a modified retrospective transition approach for leases existing at, or entered after, the beginning of the earliest comparative period presented in the financial statements. The Organization is evaluating the effect that the provisions of ASU 2016-02 will have on its financial statements and related disclosures.

Subsequent Events

The Organization has evaluated subsequent events through January 2, 2024, which is the date the financial statements were available to be issued.

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Notes to Financial Statements

Years Ended June 30, 2022 and 2021

Note 2 - Liquidity and Availability

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 299,619	\$ 199,466
Grants and contracts receivable	<u>1,090,416</u>	<u>1,251,540</u>
Total Financial Assets	1,390,035	1,451,006
Less amounts not available to be used within one year for general purposes:		
Board designated to scholarship fund	11,926	14,218
Donor restricted net assets	<u>146,823</u>	<u>120,000</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>1,231,286</u></u>	\$ <u><u>1,316,788</u></u>

The Organization manages its liquidity and reserves through maintaining and reviewing budget to actual amounts and forecasted cash flows on a regular basis. The Organization also operates within a prudent range of financial soundness and stability and constantly maintains adequate liquid assets to fund near term operating needs.

The Organization has certain donor-restricted assets limited to use for programs or specific purposes which are ongoing, major and central to its annual operations which are available to meet cash needs for general expenditures for those programs and purposes within one year in the normal course of operations. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities to be general expenditures. Board designated net assets can be utilized for general purposes if the board makes the decision to change the internal designation.

Note 3 - Property and Equipment

Property and equipment consists of the following:

	<u>2022</u>	<u>2021</u>
Automobile	\$ 57,472	\$ -
Less accumulated depreciation	<u>(2,993)</u>	<u>-</u>
	\$ <u><u>54,479</u></u>	\$ <u><u>-</u></u>

Note 4 - 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

Years Ended June 30, 2022 and 2021

Note 5 - Retirement Plan

The Organization provides retirement benefits for all eligible employees through a 401(k)-retirement plan (the Plan) under which it contributes a discretionary amount of participating employees' annual salaries to the Plan. The percentage of employees' annual salaries to be contributed is reviewed annually. For the fiscal year ended June 30, 2022, the Organization made a matching contribution to the Plan at 100% up to 4% of each participant's annual compensation. Contributions made by the Organization to the Plan totaled \$71,254 and \$28,748 for the years ended June 30, 2022 and 2021, respectively.

Note 6 - Leasing Arrangements

The Organization leases its facility in Portland, Oregon and various other locations under agreements that expire at through July 2028. Future minimum lease payments are as follows:

Year Ending June 30,	
2023	\$ 241,737
2024	325,306
2025	168,531
2026	85,905
2027	88,482
Thereafter	15,189
	\$ 925,150

Total rent expense was \$106,903 and \$85,303 for the years ended June 30, 2022 and 2021, respectively.

Note 7 - Commitments and Contingencies

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.

Other

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 8 - Line of Credit

The organization holds a line of credit with a maximum borrowing limit of \$100,000. The line of credit is collateralized by cash equivalents. At June 30, 2022, the interest rate was 5.75%. At June 30, 2022 and 2021, there was \$77,900 and \$0 outstanding on the line of credit, respectively. In July 2022, the line of credit was paid off in full.

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Notes to Financial Statements

Years Ended June 30, 2022 and 2021

Note 9 - Concentrations of Credit Risk

Cash

The Organization maintains cash accounts at various financial institutions. The balances at times may exceed Federal Deposit Insurance Corporation (FDIC) limits. Accounts at each financial institution are insured by the FDIC up to \$250,000.

Revenue

The Organization received a substantial portion of its funding from Federal sources, predominantly the Department of Health and Human Services (DHHS) and Department of Labor (DOL). During the years ended June 30, 2022 and 2021, funding from these sources totaled \$2,511,494 and \$1,266,303, respectively. At June 30, 2022 and 2021, amounts due from these funding sources included in grants and contracts receivable were \$148,106 and \$429,140, respectively.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Audit Committee
Mental Health Association of Oregon
dba Mental Health & Addiction Association of Oregon

We have audited, in accordance with the 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, the financial statements of Mental Health & Addiction Association of Oregon (a nonprofit Organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 2, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mental Health & Addiction Association of Oregon's internal control over financial reporting (internal control) as a basis of designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mental Health & Addiction Association of Oregon's internal control. Accordingly, we do not express an opinion on the effectiveness of Mental Health & Addiction Association of Oregon's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mental Health & Addiction Association of Oregon's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*, CONTINUED**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Aldrich CPAs + Advisors LLP

San Diego, California
January 2, 2024

SUPPLEMENTAL AWARDS INFORMATION

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Audit Committee
Mental Health Association of Oregon
dba Mental Health & Addiction Association of Oregon

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Mental Health & Addiction Association of Oregon's (the Organization), compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, CONTINUED

Auditor's Responsibilities for the Audit of Compliance, continued

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole. In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002 and 2022-03. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE,
CONTINUED**

Report on Internal Control over Compliance, continued

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002, and 2022-003 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on The Organization's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Aldrich CPAs + Advisors LLP

San Diego, California
January 2, 2024

MENTAL HEALTH ASSOCIATION OF OREGON
dba MENTAL HEALTH & ADDICTION ASSOCIATION OF OREGON
Schedule of Expenditures of Federal Awards
Years Ended June 30, 2022

<u>Federal/Pass-through Grantor and Program Title</u>	<u>Assistance Listing Number</u>	<u>Agency or Pass-Through Grantor Number</u>	<u>Expenditures</u>
Medicaid Cluster			
Department of Health and Human Services			
<i>Pass-through from Multnomah County</i>			
Medical Assistance Program	93.778	HD-SVCSGEN-12398-2021	\$ 40,193
Total Medicaid Cluster			<u>40,193</u>
Department of Labor			
<i>Direct Award</i>			
Reentry Employment Opportunities	17.270	N/A	766,734
Total Department of Labor			<u>766,734</u>
Department of Justice			
<i>Pass-through from Multnomah County</i>			
Comprehensive Opioid Abuse Site-Based Program	16.838	HD-SVCSGEN-13094-2021	258,797
Total Department of Justice			<u>258,797</u>
Department of Treasury			
<i>Pass-through from Multnomah County</i>			
COVID-19 Coronavirus Relief Fund	21.019	HD-SVCSGEN-11023-2019	263,950
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	HD-SVCSGEN-11023-2019	216,322
Total Department of Treasury			<u>480,272</u>
Department of Health and Human Services			
<i>Direct Award</i>			
Mental and Behavioral Health Education and Training Grants	93.732	N/A	259,796
<i>Pass-through from Clackamas County</i>			
Block Grants for Community Mental Health Services	93.958	H3S #10333	83,216
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2413	312,987
<i>Pass-through from Multnomah County</i>			
Mental Health Disaster Assistance and Emergency Mental Health	93.982	HD-SVCSGEN-12930-2021	34,588
<i>Pass-through from Oregon Health Authority</i>			
Injury Prevention and Control Research and State and Community Based Programs	93.136	162367	22,994
Opioid State Targeted Response	93.788	167546	544,816
OHSU HRBR (Harm Reduction and Bridge to Care) Program	93.788	TI8081716; 162151	69,181
Total Department of Health and Human Services			<u>1,327,578</u>
Total Expenditures of Federal Awards			<u>\$ 2,873,574</u>

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

Notes to Schedule of Expenditures of Federal Awards

Years Ended June 30, 2022

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Cost Rate

The organization has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

MENTAL HEALTH ASSOCIATION OF OREGON
dba MENTAL HEALTH & ADDICTION ASSOCIATION OF OREGON
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Significant deficiency(ies) identified?	None reported
Material weakness(es) identified?	No
Noncompliance material to the consolidated financial statements noted?	No

Federal Awards

Internal control over major programs:	
Significant deficiency(ies) identified?	Yes
Material weakness(es) identified?	No
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, 2 CFR section 200.516(a)?	Yes

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
17.270	Reentry Employment Opportunities
93.788	Opioid State Targeted Response

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as a low risk auditee under Uniform Guidance, 2 CFR section 200.520?	No
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MENTAL HEALTH ASSOCIATION OF OREGON
dba MENTAL HEALTH & ADDICTION ASSOCIATION OF OREGON
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

Significant Deficiency

2022-001 Data Collection Form Submission Delay

Criteria: Per 2 CFR 200.512(a)(1), the audit package and the data collection form shall be submitted 30 days after receipt of the auditor's report(s), or 9 months after the end of the fiscal year —whichever comes first.

Condition: For the year ended June 30, 2021, the audit package and data collection form was not submitted within the required timeline.

Cause: For the year ended June 30, 2021, the financial audit was not completed until September 2022.

Effect: This is considered to be a significant deficiency in controls over compliance.

Questioned Costs: None noted.

Context: The Organization's financial audit was not completed within the required period and the data collection form was not submitted to the Federal Clearinghouse website within 9 months after the end of the fiscal year.

Repeat Finding: No.

Recommendation: We recommend implementing a control, such as having 2 people involved in the process, that will ensure that the data collection form is submitted timely.

Views of Responsible

Officials: Management agrees with the finding and a response is included in the corrective action plan.

2022-002 Report Submission Delay

Program: 17.270 Reentry Employment Opportunities

Criteria: In accordance with 2 CFR 200.329, non-Federal entities must submit quarterly financial reports at the interval required by the Federal awarding agency or pass-through entity no later than the specified due date. If a justified request is submitted by a non-Federal entity, the Federal agency may extend the due date for any quarterly financial report.

Condition: During our audit, we identified one quarterly financial report that was submitted to the Contracting Officer's Representative (COR) after the stated due date.

MENTAL HEALTH ASSOCIATION OF OREGON
dba MENTAL HEALTH & ADDICTION ASSOCIATION OF OREGON
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

2022-002, continued

Cause: During the reporting period, the Organization's management was not aware that a user application was needed to be submitted and approved in order to gain access to the Payment Management System (PMS). The delay in obtaining PMS access caused management's delay in submitting the required quarterly financial report.

Effect: Report was not submitted to the COR in a timely manner and a request for extension of the due date was not made.

Questioned Costs: None noted.

Context: The report was due to the COR within 45 days of the reporting period end and was submitted one day after the stated due date.

Repeat Finding: No.

Recommendation: When timely submission may not be possible, the Organization should request an extension from the COR by providing a notice of the delay and rationale for the late report, and, if approved, submit the report by the extended deadline. When extensions are not granted, the Organization should submit reports by the initial stated due date.

Views of Responsible Officials: Management agrees with the finding and a response is included in the corrective action plan.

2022-003 Procurement Policy

Criteria: The Uniform Guidance requires that, for covered transactions, the non-Federal entity verify that entities are not suspended, debarred, or otherwise excluded.

Condition: During our audit, we inquired with management regarding their procurement policy that was implemented in April 2022. While policy exists, there were no specific procedures noted in the procurement policy to ensure that vendors are not suspended or debarred.

Cause: The Organization's procurement policy did not include procedures to ensure that vendors are suspended or debarred.

Effect: Not having a procedure in place could result in payments to suspended or debarred entities.

Questioned Costs: None noted.

Context: Ensuring that the Organization's vendors are not suspended or debarred should be part of the expense approval process. Auditors tested a selection of expenses to determine if any of the selected vendors were suspended or debarred. None were identified as suspended or debarred in this testing.

Repeat Finding: No.

Recommendation: The Organization should amend the policy to adhere to the stated criteria.

MENTAL HEALTH ASSOCIATION OF OREGON
dba MENTAL HEALTH & ADDICTION ASSOCIATION OF OREGON
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

2022-003, continued

Views of Responsible

Officials: Management agrees with the finding and a response is included in the corrective action plan.

MENTAL HEALTH ASSOCIATION OF OREGON
dba MENTAL HEALTH & ADDICTION ASSOCIATION OF OREGON
Schedule of Prior Year Findings
Year Ended June 30, 2022

Section IV - Prior Audit Finding

2021-001 Federal Award Finding – Significant Deficiency in Internal Control over Compliance – Allowable Costs.

Program: 17.270 Reentry Employment Opportunities

Condition: Expenditures for personnel costs were not properly allocated to programs.

Current Status: The finding has been corrected.

December 21, 2023

Aldrich CPAs + Advisors LLP
7676 Hazard Center Drive, Suite 550
San Diego, California 92108

Dear Aldrich CPAs + Advisors LLP,

The following are responses to the findings in Mental Health & Addiction Association of Oregon's audit for the year ended June 30, 2022:

1) Finding 2022-001 Data Collection Form Submission Delay

- a. Program Information: N/A
- b. Criteria: Per 2 CFR 200.512(a)(1), the audit package and the data collection form shall be submitted 30 days after receipt of the auditor's report(s), or 9 months after the end of the fiscal year whichever comes first.
- c. Condition: For the year ended June 30, 2021, the audit package and data collection form was not submitted within the required timeline.

Response:

Explanation: The delay in submitting our annual audited financial statements was due to significant transitions within the MHAO finance team. In the first half of FY23, we faced the departure of our contract accountant and then Finance Director, leaving substantial parts of the audit work incomplete. With only one staff accountant, we faced challenges in making progress on audit deliverables. After my appointment as the new Finance Director in February 2023, we encountered further delays due to our previous audit partner's scheduling difficulties. This led us to engage with Aldrich Advisors, who committed to completing the FY22 audit for us within the calendar year 2023.

Corrective Action: To address the lack of capacity on the MHAO finance team, we successfully hired three new positions by the beginning of FY24: a Payroll Specialist, Accounts Payable Specialist, and an experienced Accounting Manager. We also recently promoted our Staff Accountant to a Senior Financial Analyst role, in charge of grants, contracts and compliance. We now have a strong and capable team to strengthen our internal financial processes and implement best practices in nonprofit financial management. To address this finding comprehensively, we have also implemented a new policy with two key components:

- A centralized tracking system for reporting deadlines, maintained by myself, our Accounting Manager, and our Senior Financial Analyst.
- Enhanced communication protocols for required submissions, including immediate communication with our audit team and funding partners in case of potential delays.

Future Measures: Integration of these measures into our internal financial management policies and procedures, ensuring consistent application and preventing future delays.

Contact person responsible for corrective action:
John Domingo, Finance & IT Director

Completion date: 10/17/2023

411 NE 19th Ave, Portland, OR 97232

p. 503-922-2377

f. 503-922-2360

2) **Finding 2020-002 Report Submission Delay**

- a. Program Information: 17.270 Reentry Employment Opportunities
- b. Criteria: In accordance with 2 CFR 200.329, non-Federal entities must submit quarterly financial reports at the interval required by the Federal awarding agency or pass-through entity no later than the specified due date. If a justified request is submitted by a non-Federal entity, the Federal agency may extend the due date for any quarterly financial report.
- c. Condition: During our audit, we identified one quarterly financial report that was submitted to the Contracting Officer's Representative (COR) after the stated due date.

Response:

Explanation: This delay was due to an unawareness of process limitations regarding the user application process for the Payment Management System (PMS), which is required for any new Finance Director. A formal application and access request form needs to be submitted along with documentation to support the request for access (including proof of identity, proof of employment, and role confirmation). These conditions, along with the 24-72 hour processing time required to get a user application approved by the PMS providers, led to our one-day-late submission of the required quarterly financial report.

Corrective Action: We have established a more proactive approach to managing reporting requirements and a protocol for timely submissions of reports. This includes:

- Mandatory PMS application processing as part of the early onboarding process for any new Finance Director.
- Early preparation of reports, scheduling reviews a month ahead of the submission deadline.
- Direct communication lines with the contract administrators and program directors.
- Standard procedures identified to request extensions in case of anticipated delays, specific to each contracting agency.

Future Measures: Regular training sessions for our team are planned to help staff stay informed about reporting requirements, procedures, and deadlines.

Contact person responsible for corrective action:
John Domingo, Finance & IT Director

Completion date: 07/01/2023

3) Finding 2020-003 Procurement Policy

- a. Program Information: N/A
- b. Criteria: The Uniform Guidance requires that, for covered transactions, the non-Federal entity verify that entities are not suspended, debarred, or otherwise excluded.
- c. Condition: During our audit, we inquired with management regarding their procurement policy that was implemented in April 2022. While policy exists, there were no specific procedures noted in the procurement policy to ensure that vendors are not suspended or debarred.

Response:

Explanation: Our procurement policy, updated in April 2022, lacked specific procedures for verifying that vendors are not suspended or debarred. Debarment attestation is necessary to ensure that federal funds are not misused or directed towards entities that have been found to violate legal or ethical standards. By verifying the status of vendors, a nonprofit can mitigate against the risk of its funds being misappropriated or wasted on entities that may not deliver against agreements due to their questionable legal standing.

Corrective Action: We have revised our procurement policy to include specific debarment language and procedures ensuring that vendors are not suspended or debarred. This revision includes:

- Regular checks against the list of suspended or debarred entities, showing no active exclusions from the System for Award Management (SAM).
- Requiring a signed Debarment Certification Form or debarment contract language included for all government purchases/contracts/agreements greater than \$25,000.
- Training for our accounts payable and procurement team members on these procedures.

Future Measures: We will conduct annual reviews of our procurement practices and records to ensure they remain compliant with our policies, federal regulations, and best practices.

Contact person responsible for corrective action:

John Domingo, Finance & IT Director

Completion date: 05/18/2023

We acknowledge the importance of these findings and are committed to implementing these corrective actions to strengthen our internal controls and ensure compliance with all relevant regulations. The corrective actions outlined above are integral to our commitment to uphold the highest standards of financial integrity and transparency.

Sincerely,



John Domingo,
Finance & IT Director, MHAO