

MENTAL HEALTH ASSOCIATION
OF ORANGE COUNTY

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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Mark Gray, CPA
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INDEPENDENT AUDITORS' REPORT

Board of Directors of
Mental Health Association
of Orange County
Santa Ana, CA

Report on the Financial Statements

We have audited the accompanying financial statements of Mental Health Association of Orange County (the "Association") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the 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 audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Orange County as of June 30, 2020 and 2019 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

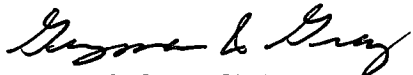
Other Matters

Other 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 information 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 5, 2021, on our consideration of the Association'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 the Association'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 the Association's internal control over financial reporting and compliance.



Guzman & Gray, CPAs
Long Beach, California
January 5, 2021

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

ASSETS

	2020	2019
CURRENT ASSETS		
Cash	\$ 392,899	\$ 588,297
Grants and program receivables	743,857	710,739
Prepaid expenses	187,018	1,000
Total Current Assets	1,323,774	1,300,036
 FURNITURE AND EQUIPMENT, net	-	-
 OTHER ASSETS		
Restricted cash - held in trust	165,754	349,083
Security deposits	75,101	88,976
Total Assets	\$ 1,564,629	\$ 1,738,095

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 20,219	\$ 61,610
Payroll payable	159,756	178,196
Accrued vacation	134,605	93,969
Deferred revenue	1,500	-
Total Current Liabilities	316,080	333,775
 OTHER LIABILITIES		
Trust liability	165,754	349,083
Total Liabilities	481,834	682,858
 NET ASSETS		
Without donor restrictions	1,018,072	993,216
With donor restrictions	64,723	62,021
Total Net Assets	1,082,795	1,055,237
Total Liabilities and Net Assets	\$ 1,564,629	\$ 1,738,095

See independent auditors' report and notes to financial statements.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grant revenues	\$ 8,070,430		\$ 8,070,430
Contributions	83,896	\$ 93,403	177,299
Program revenues	46,277		46,277
Thrift sales	9,550		9,550
In-kind contribution - legal services	51,539		51,539
Interest	2		2
Other Income	116		116
	<u>8,261,810</u>	<u>93,403</u>	<u>8,355,213</u>
 NET ASSETS RELEASED FROM RESTRICTION			
	<u>90,701</u>	<u>(90,701)</u>	<u>-</u>
 TOTAL SUPPORT AND REVENUE			
	<u>8,352,511</u>	<u>2,702</u>	<u>8,355,213</u>
 EXPENSES			
Program services	7,214,955		7,214,955
Management and general	1,067,248		1,067,248
Fundraising	45,452		45,452
TOTAL EXPENSES	<u>8,327,655</u>		<u>8,327,655</u>
 CHANGE IN NET ASSETS			
	24,856	2,702	27,558
 BEGINNING NET ASSETS			
	<u>993,216</u>	<u>62,021</u>	<u>1,055,237</u>
 ENDING NET ASSETS			
	<u>\$ 1,018,072</u>	<u>\$ 64,723</u>	<u>\$ 1,082,795</u>

See independent auditors' report and notes to financial statements.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grant revenues	\$ 8,075,122		\$ 8,075,122
Contributions	74,966	\$ 144,610	219,576
Program revenues	129,761		129,761
Thrift sales	12,282		12,282
Interest	34		34
Other Income	5,375		5,375
	<u>8,297,540</u>	<u>144,610</u>	<u>8,442,150</u>
 NET ASSETS RELEASED FROM RESTRICTION			
	<u>126,942</u>	<u>(126,942)</u>	<u>-</u>
 TOTAL SUPPORT AND REVENUE			
	<u>8,424,482</u>	<u>17,668</u>	<u>8,442,150</u>
 EXPENSES			
Program services	7,352,708		7,352,708
Management and general	983,650		983,650
Fundraising	47,010		47,010
TOTAL EXPENSES	<u>8,383,368</u>		<u>8,383,368</u>
 CHANGE IN NET ASSETS			
	41,114	17,668	58,782
 BEGINNING NET ASSETS			
	<u>952,102</u>	<u>44,353</u>	<u>996,455</u>
 ENDING NET ASSETS			
	<u>\$ 993,216</u>	<u>\$ 62,021</u>	<u>\$ 1,055,237</u>

See independent auditors' report and notes to financial statements.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Services	Management and General	Fundraising	Total Expenses
SALARIES AND RELATED EXPENSES				
Salaries and wages	\$ 3,810,140	\$ 449,873	\$ 33,000	\$ 4,293,013
Payroll taxes	282,071	33,305	2,443	317,819
Employee benefits	474,287	30,445	543	505,275
TOTAL SALARIES AND RELATED EXPENSES	4,566,498	513,623	35,986	5,116,107
OTHER EXPENSES				
Rent and utilities	1,153,920	170,160	292	1,324,372
Professional fees	607,645	246,022	4,954	858,621
Direct client expenses	124,122	-	-	124,122
Repairs and maintenance	168,440	9,525	134	178,099
Program expenses	14,316	-	-	14,316
Office expenses	133,301	42,082	981	176,364
Telephone	135,117	15,514	90	150,721
Travel	53,921	1,430	57	55,408
Insurance	108,201	-	438	108,639
Equipment leases	74,179	5,098	25	79,302
Dues and subscriptions	6,188	4,233	2	10,423
Printing	7,954	784	1,460	10,198
Staff training	8,901	2,361	12	11,274
Interest	-	1,816	-	1,816
Community Service Awards	10,550	-	21	10,571
Other	41,702	3,061	1,000	45,763
In-kind expense - legal services	-	51,539	-	51,539
TOTAL OTHER EXPENSES	2,648,457	553,625	9,466	3,211,548
TOTAL EXPENSES	\$ 7,214,955	\$ 1,067,248	\$ 45,452	\$ 8,327,655

See independent auditors' report and notes to financial statements.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
SALARIES AND RELATED EXPENSES				
Salaries and wages	\$ 3,832,825	\$ 392,345	\$ 33,000	\$ 4,258,170
Payroll taxes	311,645	27,397	3,425	342,467
Employee benefits	525,475	56,199	1,370	583,044
TOTAL SALARIES AND RELATED EXPENSES	<u>4,669,945</u>	<u>475,941</u>	<u>37,795</u>	<u>5,183,681</u>
OTHER EXPENSES				
Rent and utilities	1,116,159	180,278	147	1,296,584
Professional fees	586,049	233,289	5,116	824,454
Direct client expenses	208,919	3,084	-	212,003
Repairs and maintenance	205,437	9,523	150	215,110
Program expenses	37,259	5	-	37,264
Office expenses	123,272	44,707	823	168,802
Telephone	117,343	14,369	71	131,783
Travel	73,061	2,255	-	75,316
Insurance	99,319	-	391	99,710
Equipment leases	66,311	6,389	30	72,730
Dues and subscriptions	8,649	4,080	1,008	13,737
Printing	9,549	880	1,476	11,905
Staff training	7,108	960	3	8,071
Interest	-	6,889	-	6,889
Community Service Awards	8,653	-	-	8,653
Other	15,675	1,001	-	16,676
TOTAL OTHER EXPENSES	<u>2,682,763</u>	<u>507,709</u>	<u>9,215</u>	<u>3,199,687</u>
TOTAL EXPENSES	<u><u>\$ 7,352,708</u></u>	<u><u>\$ 983,650</u></u>	<u><u>\$ 47,010</u></u>	<u><u>\$ 8,383,368</u></u>

See independent auditors' report and notes to financial statements.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 27,558	\$ 58,782
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	-	-
(Increase) decrease in assets:		
Grants receivable	(33,118)	(31,362)
Prepaid expenses	(186,018)	3,758
Security deposits	13,875	(31,268)
Increase (decrease) in liabilities:		
Accounts payable	(41,391)	14,686
Payroll payable	(18,440)	6,077
Accrued vacation	40,636	(10,123)
Deferred revenue	1,500	-
Security deposits	-	(2,320)
Trust liability	(183,329)	12,656
NET CASH FROM OPERATING ACTIVITIES	(378,727)	20,886
NET CHANGE IN CASH AND RESTRICTED CASH	(378,727)	20,886
BEGINNING CASH AND RESTRICTED CASH	937,380	916,494
ENDING CASH AND RESTRICTED CASH	\$ 558,653	\$ 937,380

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position to the sum of the corresponding amounts within the statements of cash flows:

Cash	\$ 392,899	\$ 588,297
Restricted cash - held in trust	165,754	349,083
	\$ 558,653	\$ 937,380

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

INTEREST PAID	\$ 1,816	\$ 6,889
INCOME TAXES PAID	NONE	NONE

See independent auditors' report and notes to financial statements.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 1 – ORGANIZATION

The Orange County Association for Mental Health which is doing business as the Mental Health Association of Orange County (the “Association”) is a California, non-profit corporation formed to improve the quality of life for Orange County residents impacted by mental illness. This mission is achieved through direct services, advocacy, education, and information dissemination.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting.

Basis of Presentation

The accompanying financial statements of the Association are prepared on the accrual basis of accounting in accordance with accounting principles accepted in the United States of America. Net assets and revenue, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets are classified and reported as:

Without Donor Restrictions – Those resources not subject to donor-imposed restrictions. The board of directors has discretionary control over these resources. Designated amounts represent those net assets that the board has set aside for a particular purpose.

With Donor Restrictions – Those resources subject to donor imposed restrictions that will be satisfied by action of the Association or by the passage of time.

The Association has elected to present contributions with donor restrictions that are fulfilled in the same period within the net assets without donor restrictions class.

Revenues are reported as increases in revenue without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in revenue without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in revenue without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of revenue 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.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosures of contingent obligations at the date of the financial statements and accompanying notes.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

The Association has adopted the provisions of Fair Value Measurements and Disclosures for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date. The standard also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Cash Equivalents

For the purpose of the statements of cash flows, the Association considers all highly-liquid investments, which are readily convertible to known amounts of cash and which have an original maturity of three months or less, to be cash equivalents.

Restricted Cash – Held in Trust

The Association is the representative payee for various individuals and the funding for the program requires that the Association hold the individual's cash in a separate bank account. Amounts held for individuals at June 30, 2020 and 2019 totaled \$165,754 and \$349,083 respectively. A corresponding trust liability is reported in the accompanying statements of financial position.

Grants and Program Receivables

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Grant revenues earned, but not received, are recorded as a receivable.

Allowance for Doubtful Accounts

The Association uses the allowance method to record doubtful receivables. As of June 30, 2020 and 2019, the Association considers its receivables to be fully collectible and there is no allowance for doubtful accounts.

Furniture and Equipment

Furniture and equipment are carried at cost or, if donated, at the fair market value at date of donation. Depreciation is provided on the straight-line method over estimated useful lives of three to seven years. Additions and improvements that increase the capacity or lengthen the useful lives of the assets are capitalized. Repair and maintenance costs are expensed as incurred.

Grants and Program Income

Grant revenue and expenses relating to the Activity Center are recorded in the activity center group of accounts. General operations and programs are recorded in the operations group of accounts.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. All contributions are considered to be unrestricted unless specifically restricted by the donor. Any such contributions are recognized as an increase in net assets without donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Donated Services and Goods

Contribution of services shall be recognized if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services that do not meet the criteria shall not be recognized. For the year ended June 30, 2020, the Association received in-kind contribution for legal services. The value of these services totaled \$51,539 which is reported in the accompanying statement of activities and changes in net assets.

Donated goods are recorded as contributions at their estimated fair value at the date of donation. Unless the donor has restricted the donated goods to a specific purpose, such donations are reported as increases in net assets without donor restrictions.

Allocation of Functional Expenses

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

Exempt Organization Status and Income Taxes

The Association is exempt from Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Tax Code. Contributions to the Association are deductible for tax purposes under Section 170(c)(2) of the Internal Revenue Code. The Association is involved in no activities that are subject to unrelated business tax. As a result, no provision for income taxes has been made.

The Association evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the tax positions will more likely than not be sustained upon examination. Management does not believe the Association has any uncertain tax positions requiring accrual or disclosure at June 30, 2020 and 2019. The Association is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements Implemented

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenues from Contracts with Customers (Topic 606)*. The core principle of the guidance in Topic 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services using a five-step approach. The Association's adoption of this new guidance does not have a material impact on the Association's financial statements.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, with the stated purpose of providing guidance in evaluating whether transactions should be accounted for as contributions or exchanges, as well as distinguishing between conditional and unconditional contributions. The Association's adoption of this new guidance does not have a material impact on the Association's financial statements.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within fiscal years beginning after December 15, 2022. The Association is currently evaluating the impact of the adoption of the new standard on the financial statements.

Reporting of Subsequent Events

The Association has evaluated events and transactions for potential recognition or disclosure through January 5, 2021, which represents the date the financial statements were available to be issued.

NOTE 3 – GRANTS AND PROGRAM RECEIVABLES

Grants and program receivables consist of the following:

	June 30,	
	2020	2019
County of Orange	\$ 682,917	\$ 665,692
Other	60,940	45,047
	<u>\$ 743,857</u>	<u>\$ 710,739</u>

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 4 – FURNITURE AND EQUIPMENT, net

Furniture and equipment consists of the following:

	June 30,	
	2020	2019
Furniture and equipment	\$ 67,748	\$ 67,748
Less: accumulated depreciation	<u>(67,748)</u>	<u>(67,748)</u>
	<u>\$ -</u>	<u>\$ -</u>

There was no depreciation expense for the years ending June 30, 2020 and 2019.

NOTE 5 – ACCRUED VACATION

The Association accrues a liability for all employee vacation time and compensated time off which has been earned but not paid. Accrued vacation at June 30, 2020 and 2019 totaled \$134,605 and \$93,969, respectively.

NOTE 6 – LINE OF CREDIT

During June 2017, the Association renewed its line of credit from a bank for up to a maximum of \$750,000. The interest rate is based on the Wall Street Journal Prime Rate plus 2 index points. At June 30, 2020 and 2019, the line of credit bears an interest rate of 5.75% and is incurred on outstanding balances and payable on a monthly basis. All assets of the Association excluding the restricted cash – held in trust are collateral for the line of credit. There was no balance owed from the line of credit at June 30, 2020 and 2019.

NOTE 7 – RETIREMENT PLAN

The Association has a retirement plan for employees consisting of a tax-sheltered annuity plan. Under the provisions of the plan, the Association Employees may make voluntary contributions up to 15% of salary with the Association making a matching contribution up to 3% of salary. For the years ended June 30, 2020 and 2019, the Association made contributions to the plan of \$39,634 and \$44,343, respectively.

NOTE 8 – LEASE OBLIGATIONS

The Association is obligated under the terms of operating leases for the rental of certain facilities. For the years ended June 30, 2020 and 2019, rent expense of these facilities totaled \$1,284,584 and \$1,260,060, respectively. Leases have a cancellation clause option based upon an interruption of funding from contracts.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 8 – LEASE OBLIGATIONS (Continued)

The Association also entered into lease agreements to rent office equipment. The lease agreements require fixed monthly base rate and variable usage amounts. For the years ended June 30, 2020 and 2019, rent expense of office equipment totaled \$79,301 and \$72,370, respectively.

Future minimum payments, contingent on continued funding from contracts, associated with lease obligations are as follows:

<u>Year Ending June 30,</u>	<u>Equipment</u>	<u>Facilities</u>	<u>Total</u>
2021	\$ 50,143	\$ 1,027,584	\$ 1,077,727
2022	22,349	1,056,254	1,078,603
2023	2,293	1,013,905	1,016,198
2024	-	920,987	920,987
2025	-	577,216	577,216
Thereafter	-	141,180	141,180
	<u>\$ 74,785</u>	<u>\$ 4,737,126</u>	<u>\$ 4,811,911</u>

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Electronic Records	\$ 39,538	\$ 39,538
Homeless Programs	16,377	22,483
COVID PPE	8,808	-
	<u>\$ 64,723</u>	<u>\$ 62,021</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Homeless Programs	\$ 89,509	\$ 76,942
Other Programs	-	50,000
COVID PPE	1,192	-
	<u>\$ 90,701</u>	<u>\$ 126,942</u>

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 10 – CONCENTRATIONS, CREDIT RISKS AND UNCERTAINTIES

Concentrations

The Association provides services to the area of Orange County, California. For the years ended June 30, 2020 and 2019, the Association received 97% and 96%, respectively, of its support from grants from various agencies and municipalities. Management applies for grant funding each year. The grants have various objectives and compliance requirements. Management is satisfied that all objectives and requirements have been met.

Credit Risks

The Association maintains its cash and cash equivalents in financial institutions, which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash and cash equivalents.

Uncertainties

Toward the end of December 2019, an outbreak of a novel strain of coronavirus (“COVID19”) emerged globally. As a result, there have been mandates from federal, state and local authorities resulting in an overall decline in economic activity. The extent to which COVID19 may impact the Association’s results will depend on future developments, which are highly uncertain and cannot be predicted at this time.

NOTE 11 - CONTINGENCY

On January 13, 2020, the City of Santa Ana (the “City”) sued the Association and the owner of the real property from which the Association operates its homeless center. The City’s complaint asserts purported causes of action for public nuisance based on certain contentions by the City. The Association generally disputes and denies the City’s contentions and is vigorously contesting the lawsuit. The Association cannot estimate the amount or range of recovery or possible loss in the event of an unfavorable outcome.

NOTE 12 – LIQUIDITY AND AVAILABILITY

The Association maintains and manages adequate operating funds per policies set by the board of directors.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2020, comprise of the following:

Cash	\$ 392,899
Grants and program receivables	<u>743,857</u>
Financial assets, at year end	1,136,756
Less: Donor restrictions	<u>(64,723)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,072,033</u></u>

SUPPLEMENTARY INFORMATION

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30. 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program Award Amount	Revenue Recognized	Disbursements and Expenditures
FEDERAL FUNDING					
United States Department of Health and Human Services (Passed through County of Orange Health Care Agency) Projects for Assistance in Transition from Homelessness (PATH) *	93.150		\$ 548,588	\$ 548,588	\$ 548,588
United States Department of Health and Human Services (Passed through County of Orange Health Care Agency) Substance Abuse & Mental Health Services Administration (SAMHSA)	93.958		210,000	210,000	210,000
Total Federal Funding			<u>758,588</u>	<u>758,588</u>	<u>758,588</u>

* Major Program

See independent auditors' report.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2020

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the Association under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards. Because the Schedule presents only a selected portion of operations of the Association, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Association.

NOTE B - 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 Title 2 U.S. Code of Federal Regulation (CFR) Part 200, Uniform Administrative Requirements, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The Association uses a Cost Allocation Plan with an indirect cost rate not exceeding 15%. The Cost Allocation Plan is approved by the County of Orange, California.

NOTE D – IN-KIND PERSONAL PROTECTIVE EQUIPMENT (PPE)

The Association received no in-kind Personal Protective Equipment (PPE) during the year ending June 30, 2020.

Guzman & Gray

Certified Public Accountants

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Mark Gray, CPA
Patrick S. Guzman, CPA

INDEPENDENT AUDITORS' 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*

Board of Directors of
Mental Health Association
of Orange County
Santa Ana, CA

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 Association of Orange County (the "Association") which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated January 5, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 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.

INDEPENDENT AUDITORS' 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)

Internal Control over Financial Reporting (Continued)

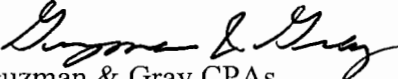
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of 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 determination of financial statement amounts. 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*.

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 Association'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Guzman & Gray CPAs
Long Beach, CA
January 5, 2021

Guzman & Gray

Certified Public Accountants

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

Board of Directors of
Mental Health Association
of Orange County
Santa Ana, CA

Report on Compliance for Each Major Federal Program

We have audited Mental Health Association of Orange County's (the "Association") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Association's major federal programs for the year ended June 30, 2020. The Association's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Association's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Association's compliance.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (Continued)

Opinion on Each Major Federal Program

In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audits of compliance, we considered the Association's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over compliance.

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 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. *A significant deficiency in internal control over compliance* is a deficiency, or 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.

Our consideration of internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (Continued)

Purpose of this Report

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.



Guzman & Gray CPAs
Long Beach, CA
January 5, 2021

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2020

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued:

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

_____ yes x no

Significant deficiency identified that is
not considered to be material weaknesses?

_____ yes x none reported

Noncompliance material to financial statements noted?

_____ yes x no

Federal Awards

Internal control over major programs:

Material weakness identified?

_____ yes x no

Significant deficiency identified that is
not considered to be a material weakness?

_____ yes x none reported

Type of auditors’ report issued on compliance
for major programs:

Unmodified

Any audit findings disclosed that are required to
be reported in accordance with 2 CFR section
200.516(a)?

_____ yes x no

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

93.150

Projects for Assistance in Transition from Homelessness
(PATH)

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?

_____ yes x no

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2020

SECTION II – FINDINGS - FINANCIAL STATEMENT AUDIT

There were no financial statement findings required to be reported in accordance with Government Auditing Standards.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no major federal award program findings required to be reported by 2 CFR section 200.516(a).

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
SUMMARY OF SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2020

There were no prior year audit findings or questioned costs relative to federal awards.