

**MENTAL HEALTH AMERICA OF EASTERN MISSOURI
(A NONPROFIT ASSOCIATION)**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021**

Mental Health America of Eastern Missouri

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Independent Auditors' Report

Board of Directors
Mental Health America of Eastern Missouri
St. Louis, Missouri

Opinion

We have audited the accompanying financial statements of Mental Health America of Eastern Missouri (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mental Health America of Eastern Missouri as of December 31, 2022 and 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mental Health America of Eastern Missouri's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mental Health America of Eastern Missouri'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.

Schmersahl Treloar & Co.

St. Louis, Missouri
June 15, 2023

FINANCIAL STATEMENTS

Mental Health America of Eastern Missouri
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,070,086	\$ 1,981,228
Restricted cash	506,966	395,565
Pledges receivable - Net	16,386	8,209
Grants receivable	45,000	63,006
Prepaid expenses	41,309	11,703
Total Current Assets	1,679,747	2,459,711
INVESTMENTS	518,587	590,683
BENEFICIAL INTEREST IN PERPETUAL TRUSTS	443,380	536,449
PROPERTY AND EQUIPMENT, NET	436,578	9,378
OPERATING LEASE RIGHT-OF-USE ASSET	782,364	-
TOTAL ASSETS	\$ 3,860,656	\$ 3,596,221

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 60,056	\$ 24,346
Accrued expenses	37,263	47,825
Current portion of operating lease liability	100,844	-
Custodial funds	506,966	395,565
Deferred income	3,000	2,209
Total Current Liabilities	708,129	469,945
LONG TERM LIABILITIES		
Long term operating lease liability	689,054	-
Total Long Term Liabilities	689,054	-
Total Liabilities	1,397,183	469,945
NET ASSETS		
Without donor restrictions		
Undesignated	1,953,657	2,508,130
With donor restrictions		
Perpetual in nature	443,380	536,449
Purpose restrictions	5,050	81,697
Time-restricted for future periods	61,386	-
Total Net Assets With Donor Restrictions	509,816	618,146
Total Net Assets	2,463,473	3,126,276
TOTAL LIABILITIES AND NET ASSETS	\$ 3,860,656	\$ 3,596,221

See accompanying notes to financial statements

Mental Health America of Eastern Missouri
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Representative Payee Fees:			
Amounts received on behalf of others	\$ 1,984,214	\$ -	\$ 1,984,214
Less: Amounts remitted to or held on behalf of others	(1,893,718)	-	(1,893,718)
Net Representative Payee Fees	<u>90,496</u>	<u>-</u>	<u>90,496</u>
Public Support			
United Way	99,674	-	99,674
Trusts	125,368	-	125,368
Non-government funds	160,296	45,000	205,296
Special events, net of direct expenses Of \$97,569	98,561	-	98,561
Contributions	43,487	-	43,487
Contributions of non-financial assets	40,829	-	40,829
Government grants	98,301	21,436	119,737
Special donation - BJC allocated funds	-	-	-
Program fees	<u>66,855</u>	<u>-</u>	<u>66,855</u>
Total Public Support	<u>733,371</u>	<u>66,436</u>	<u>799,807</u>
Revenue			
Change in beneficial interest in perpetual trusts	-	(93,069)	(93,069)
Investment return	(75,259)	-	(75,259)
Miscellaneous	2,088	-	2,088
Government grant PPP	-	-	-
Loss on disposal of fixed assets	(4,374)	-	(4,374)
Net assets released from restrictions	<u>81,697</u>	<u>(81,697)</u>	<u>-</u>
Total Revenue	<u>4,152</u>	<u>(174,766)</u>	<u>(170,614)</u>
Total Public Support and Revenue	<u>828,019</u>	<u>(108,330)</u>	<u>719,689</u>
EXPENSES			
Program Services	1,023,545	-	1,023,545
Management and general	238,420	-	238,420
Fundraising	<u>120,527</u>	<u>-</u>	<u>120,527</u>
Total Expenses	<u>1,382,492</u>	<u>-</u>	<u>1,382,492</u>
CHANGE IN NET ASSETS	(554,473)	(108,330)	(662,803)
NET ASSETS, Beginning of year	<u>2,508,130</u>	<u>618,146</u>	<u>3,126,276</u>
NET ASSETS, End of year	<u>\$ 1,953,657</u>	<u>\$ 509,816</u>	<u>\$ 2,463,473</u>

See accompanying notes to financial statements

Mental Health America of Eastern Missouri
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Representative Payee Fees:			
Amounts received on behalf of others	\$ 1,875,358	\$ -	\$ 1,875,358
Less: Amounts remitted to or held on behalf of others	(1,791,913)	-	(1,791,913)
Net Representative Payee Fees	<u>83,445</u>	<u>-</u>	<u>83,445</u>
Public Support			
United Way	-	-	-
Trusts	13,693	-	13,693
Non-government funds	202,771	-	202,771
Special events, net of direct expenses of \$72,690	128,787	-	128,787
Contributions	49,960	-	49,960
Contributions of non-financial assets	24,252	-	24,252
Government grants	-	44,738	44,738
Special donation - BJC allocated funds	97,924	-	97,924
Program fees	<u>123,540</u>	<u>-</u>	<u>123,540</u>
Total Public Support	<u>640,927</u>	<u>44,738</u>	<u>685,665</u>
Revenue			
Change in beneficial interest in perpetual trusts	-	56,683	56,683
Investment return	48,773	-	48,773
Miscellaneous	2,195	-	2,195
Government grant PPP	110,091	-	110,091
Loss on disposal of fixed assets	-	-	-
Net assets released from restrictions	<u>107,714</u>	<u>(107,714)</u>	<u>-</u>
Total Revenue	<u>268,773</u>	<u>(51,031)</u>	<u>217,742</u>
Total Public Support and Revenue	<u>993,145</u>	<u>(6,293)</u>	<u>986,852</u>
EXPENSES			
Program Services	754,626	-	754,626
Management and general	169,170	-	169,170
Fundraising	<u>89,043</u>	<u>-</u>	<u>89,043</u>
Total Expenses	<u>1,012,839</u>	<u>-</u>	<u>1,012,839</u>
CHANGE IN NET ASSETS	<u>(19,694)</u>	<u>(6,293)</u>	<u>(25,987)</u>
NET ASSETS, Beginning of year	<u>2,527,824</u>	<u>624,439</u>	<u>3,152,263</u>
NET ASSETS, End of year	<u>\$ 2,508,130</u>	<u>\$ 618,146</u>	<u>\$ 3,126,276</u>

See accompanying notes to financial statements

Mental Health America of Eastern Missouri
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022

	Program Services	Management and General	Fund- Raising	Cost of Direct Benefits to Donors	Total
EXPENSES					
Salaries	\$ 499,878	\$ 71,411	\$ 77,903	\$ -	\$ 649,192
Employee benefits	52,171	7,453	8,131	-	67,755
Payroll taxes	<u>37,459</u>	<u>5,351</u>	<u>5,838</u>	<u>-</u>	<u>48,648</u>
Total Salaries and Related Expenses	589,508	84,215	91,872	-	765,595
Consultant fees	274,131	108,383	9,958	-	392,472
Occupancy	85,599	17,675	-	-	103,274
Special events - fundraising	-	-	-	97,569	97,569
Miscellaneous	24,980	8,097	7,448	-	40,525
Depreciation	13,561	4,051	-	-	17,612
					-
Insurance	9,194	2,981	2,742	-	14,917
Supplies	8,182	2,652	2,440	-	13,274
Telephone	6,472	925	1,009	-	8,406
Advertising	5,773	1,401	-	-	7,174
Travel	3,022	2,074	63	-	5,159
Postage	16	3,169	982	-	4,167
Printing	-	328	3,614	-	3,942
Equipment rental and repairs	2,925	-	-	-	2,925
Dues	70	2,046	399	-	2,515
Interest Expense	-	423	-	-	423
Meetings and conferences	112	-	-	-	112
Local transportation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>1,023,545</u>	<u>238,420</u>	<u>120,527</u>	<u>97,569</u>	<u>1,480,061</u>
Less: Cost of Direct Benefit to Donors	<u>-</u>	<u>-</u>	<u>-</u>	<u>(97,569)</u>	<u>(97,569)</u>
TOTAL EXPENSES					
STATEMENT OF ACTIVITIES	<u>\$ 1,023,545</u>	<u>\$ 238,420</u>	<u>\$ 120,527</u>	<u>\$ -</u>	<u>\$ 1,382,492</u>

See accompanying notes to financial statements

Mental Health America of Eastern Missouri
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021

EXPENSES	Program Services	Management and General	Fund- Raising	Cost of Direct Benefits to Donors	Total
Salaries	\$ 417,978	\$ 59,711	\$ 65,139	\$ -	\$ 542,828
Employee benefits	64,364	9,194	10,031	-	83,589
Payroll taxes	<u>31,203</u>	<u>4,458</u>	<u>4,863</u>	-	<u>40,524</u>
Total Salaries and Related Expenses	513,545	73,363	80,033	-	666,941
Consultant fees	134,380	44,793	-	-	179,173
Occupancy	45,947	25,160	-	-	71,107
Special events - fundraising	-	-	-	72,690	72,690
Miscellaneous	11,365	2,491	1,624	-	15,480
Depreciation	21,351	6,377	-	-	27,728
Insurance	6,787	2,134	1,582	-	10,503
Supplies	11,148	1,737	1,592	-	14,477
Telephone	2,881	1,672	671	-	5,224
Advertising	550	3,926	-	-	4,476
Travel	2,719	398	5	-	3,122
Postage	34	3,422	644	-	4,100
Printing	610	1,211	2,807	-	4,628
Equipment rental and repairs	3,206	-	-	-	3,206
Dues	85	1,370	60	-	1,515
Interest Expense	-	-	-	-	-
Meetings and conferences	18	200	25	-	243
Local transportation	<u>-</u>	<u>916</u>	<u>-</u>	<u>-</u>	<u>916</u>
Total Expenses	<u>754,626</u>	<u>169,170</u>	<u>89,043</u>	<u>72,690</u>	<u>1,085,529</u>
Less: Cost of Direct Benefit to Donors	<u>-</u>	<u>-</u>	<u>-</u>	<u>(72,690)</u>	<u>(72,690)</u>
TOTAL EXPENSES	<u>\$ 754,626</u>	<u>\$ 169,170</u>	<u>\$ 89,043</u>	<u>\$ -</u>	<u>\$ 1,012,839</u>
STATEMENT OF ACTIVITIES	<u>\$ 754,626</u>	<u>\$ 169,170</u>	<u>\$ 89,043</u>	<u>\$ -</u>	<u>\$ 1,012,839</u>

See accompanying notes to financial statements

Mental Health America of Eastern Missouri
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	(\$ 662,803)	(\$ 25,987)
Adjustments to reconcile change in net assets to net change in cash and cash equivalents from operating activities:		
Depreciation	17,612	27,728
Change in beneficial interest in perpetual trusts	93,069	(56,683)
Loss on disposal of fixed assets	4,374	-
Reduction in carrying amount of Operating lease right-of-use asset	47,011	-
Net realized and unrealized losses (gains) on investments	92,246	(35,018)
(Increase) decrease in assets:		
Restricted cash	(111,401)	(24,389)
Pledges receivable, net of allowance	(8,177)	1,353
Grants receivable	18,006	99,694
Prepaid expenses	(29,606)	(4,542)
Increase (decrease) in liabilities:		
Accounts payable	35,710	19,336
Accrued expenses	(10,562)	19,556
Operating lease liability	(39,477)	-
Deferred income	791	2,209
Custodial funds	<u>111,401</u>	<u>24,389</u>
 Net Change in Cash and Cash Equivalents from Operating Activities	 <u>(441,806)</u>	 <u>47,646</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(449,186)	-
Proceeds from sale of investments	103,987	53,116
Purchases of investments	<u>(124,137)</u>	<u>(65,250)</u>
 Net Change in Cash and Cash Equivalents from Investing Activities	 <u>(469,336)</u>	 <u>(12,134)</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 <u>(911,142)</u>	 <u>35,512</u>
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,981,228</u>	<u>1,945,716</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 1,070,086</u>	<u>\$ 1,981,228</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:		
 Operating lease right-of-use asset obtained in exchange for operating lease liability upon adoption of ASC 842	 <u>\$ 829,375</u>	 <u>\$ -</u>

See accompanying notes to financial statements

Mental Health America of Eastern Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

Mental Health America of Eastern Missouri (the “Association”) was founded in 1945 as the St. Louis Mental Hygiene Society. The Association is a member of Mental Health America, a national Association. The mission of the Association is to promote mental health, prevent mental disorders and achieve victory over mental illness through advocacy, education, and service.

Basis of Presentation

The financial statements of the Association have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Association is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Change in Accounting Principle - Leases

Effective January 1, 2022, the Association adopted FASB ASC 842, Leases. The new standard establishes a right-of-use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the Statement of Financial Position for all leases and requires expanded qualitative and quantitative disclosures. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition on the Statement of Activities. Leases with a term of less than 12 months will not record a right of use asset and lease liability and the payments will be recognized on the Statement of Activities on a straight-line basis over the lease term.

The Association elected to adopt FASB ASC 842, *Leases*, using the effective date method that allows the Association to initially apply the new lease standard at the effective date. As a result, the comparative period presented in the financial statements is in accordance with FASB ASC 840.

New Accounting Pronouncement

In September of 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit entities for Contributed Nonfinancial Assets*, which enhances disclosures about contributions of nonfinancial assets, also known as “gifts in-kind”. The new guidance has been applied on a retrospective basis during the year ended December 31, 2021.

Mental Health America of Eastern Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Net Assets without Donor Restrictions

Net assets available for use in general operations and not subject to donor or certain grantor restrictions.

Net Assets with Donor Restrictions

Net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such assets be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

The Association considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

The Association maintains cash deposits in bank accounts which at times may exceed the federally insured limits. Bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) of up to \$250,000 at each financial institution. As of December 31, 2022, the Association had \$1,102,196 in excess of FDIC limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Pledges and Grants Receivable

Pledges and grants receivable are carried net of allowance for doubtful accounts. The allowance for doubtful accounts is increased by provisions charged to expense and reduced by uncollected receivables, net of recoveries. The allowance is maintained at a level considered adequate to provide for potential account losses based on management's evaluation of the anticipated impact on the balance of current economic conditions, changes in the character and size of the balance, past and expected future loss experience and other pertinent factors. At December 31, 2022 and 2021, the allowance for doubtful accounts for pledge receivable balances held a zero balance. There was no allowance on grants receivable at December 31, 2022 and 2021.

Mental Health America of Eastern Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Revenue Recognition

Contributions and Grants

All donations are considered to be available for general use unless specifically restricted by the donor. The Association reports gifts of cash, grants, and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. Donor restricted contributions and grants are recorded in the net assets with donor restrictions class for restrictions expiring during the year and transferred to the without donor restriction class as releases from restriction.

Program Revenue

Program revenue is derived from services provided by the Association for the Bridges program and other community education. Revenues are earned when the services are provided.

Special Event Revenue

The portion of ticket sales and sponsorship revenue that relates to the commensurate value the attendee receives in return is recognized when the related events are held and performance obligations are met.

Contributions of Nonfinancial Assets

Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The Association also receives donated services from other contributors and volunteers that are not measurable, and therefore, are not included in the financial statements.

Mental Health America of Eastern Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Concentration of Credit Risk

The Association generates receivables and revenues from grant agencies in the normal course of business. These grant agencies are located throughout the St. Louis metropolitan area. The Association does not require collateral to secure receivables from these agencies.

Financial Instruments

The following methods and assumptions were used by the Association in estimating its fair value disclosure for financial instruments.

The carrying amounts of cash and cash equivalents, restricted cash, pledges receivable, grants receivable, prepaid expenses, accounts payable, accrued expenses, deferred income and custodial funds approximate fair values due to the short-term maturities of these instruments.

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values based on quoted prices in active markets in the Statements of Financial Position. Net investment return is reported in the Statements of Activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Property and Equipment

Purchased furniture, fixtures, equipment, buildings and building improvements are stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which are seven years for furniture, fixtures and equipment, and thirty-nine years for the building and building improvements. Expenditures for repairs and maintenance are charged to operations while renewals and betterments are capitalized.

Beneficial Interests in Third Party Trusts

The Association is a beneficiary of two trusts in which the donors have established the perpetual trust administered by trustees. The Association has the irrevocable right to receive the income earned on the trust assets in perpetuity owning 2.94% and 2.00% interest in the income derived from the respective trust operations. The amounts recorded in the statement of financial position represents the estimated fair value of the underlying trusts' assets.

Mental Health America of Eastern Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Leases

The Association determines if an arrangement is or contains a lease at inception. Leases are included in the right-of-use (ROU) assets and lease liabilities on the Statement of Financial Position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Variable lease costs are not included in the calculation. Operating lease expense is recognized on a straight-line basis over the lease term. The Association does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as rent expense on a straight-line basis over the lease term. The Association does not have any financing leases as of December 31, 2022.

Income Taxes

The Association qualifies as a nonprofit Association and is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code. The Association does not have unrelated business income, excise taxes, or activities that would threaten its tax-exempt status. Accordingly, no provision for federal or state income taxes is provided. The Association files an information return, IRS Form 990.

The Association's tax returns for tax years 2019 and later remain subject to examination by taxing authorities.

The Association adopted the provisions relating to Accounting for Uncertainty in Income Taxes and management is not aware of any uncertain tax provisions of the Association related to the tax filings.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates.

Functional Expense Allocation

The Statements of Functional Expenses report certain categories of expenses that are attributable to one or more programs or supporting functions of the Association. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Due to the nature of the activities of the various programs and supporting services, the Association allocates these expenses based on the employees' time and effort.

Mental Health America of Eastern Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Subsequent Events

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through June 15, 2023, the date the financial statements were available to be issued.

Reclassification

Certain December 31, 2021 amounts have been reclassified to conform to December 31, 2022 financial statements presentation.

B. **INVESTMENTS**

Cost, fair values, and unrealized (depreciation) appreciation at December 31, 2022 and 2021, are summarized as follows:

	December 31, 2022		
	Cost	Fair Value	Unrealized (Depreciation)
Cash and cash equivalents	\$ 10,358	\$ 10,358	\$ -
Equities	181,016	194,115	13,099
Preferred depository shares	229,933	184,360	(45,573)
Fixed Income ETF & CDs	134,565	129,754	(4,811)
Total	\$555,872	\$518,587	(\$37,285)
	December 31, 2021		
	Cost	Fair Value	Unrealized Appreciation
Cash and cash equivalents	\$197,635	\$197,635	\$ -
Equities	131,258	209,038	77,780
Preferred depository shares	129,985	146,275	16,290
Fixed Income ETF & CDs	36,795	37,735	940
Total	\$495,673	\$590,683	\$95,010

Mental Health America of Eastern Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021
(Continued)

B. INVESTMENTS (Continued)

Interest and dividends and gains or losses included in Investment return in the Statements of Activities consist of the following at December 31:

	2022	2021
Net realized and unrealized (loss)/gain on investments	(\$92,246)	\$35,018
Interest and dividend income	16,987	13,755
Investment Return	(\$75,259)	\$48,773

C. FAIR VALUE MEASUREMENTS

The Association has established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Inputs to the valuation methodology are unobservable and supported by little or no market activity and that are significant to the fair value of the assets or liabilities including investments in certain hedge funds, commodities, managed futures, private equity, and real estate strategies.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Mental Health America of Eastern Missouri
NOTES TO FINANCIAL STATEMENTS
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(Continued)

C. **FAIR VALUE MEASUREMENTS** (Continued)

Fair values of assets measured on a recurring basis are as follows:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2022</u>				
Cash & Cash Equivalents	\$ 10,358	\$ 10,358	\$ -	\$ -
Equities	194,115	194,115	-	-
Preferred depository shares	184,360	-	184,360	-
Fixed Income ETF & CDs	129,754	-	129,754	-
Total	<u>\$518,587</u>	<u>\$204,473</u>	<u>\$314,114</u>	<u>\$ -</u>
Beneficial Interests in Perpetual Trusts	<u>\$443,380</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$443,380</u>

	<u>Fair Value Measurements at Reporting Date Using</u>			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2021</u>				
Cash & Cash Equivalents	\$197,635	\$197,635	\$ -	\$ -
Equities	209,038	209,038	-	-
Preferred depository shares	146,275	-	146,275	-
Fixed Income ETF & CDs	37,735	-	37,735	-
Total	<u>\$590,683</u>	<u>\$406,673</u>	<u>\$184,010</u>	<u>\$ -</u>
Beneficial Interests in Perpetual Trusts	<u>\$536,449</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$536,449</u>

The values of the underlying assets within the Association's beneficial interest in perpetual trusts are determined by the benefactors' investment managers, who have derived these values from available information in actively traded markets. However, the Association does not have access to any existing markets in which its beneficial interest could be bought or sold. As a result, management has classified its interest in beneficial trusts as Level 3, subject to unobservable inputs, for purposes of fair value disclosure.

Mental Health America of Eastern Missouri
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2022 and 2021
 (Continued)

D. BENEFICIAL INTEREST IN PERPETUAL TRUSTS

As of December 31, 2022 and 2021, the Association has a beneficial interest in perpetual trusts of \$443,380 and \$536,449 respectively. The trusts are maintained by outside fiscal agents and are not under the control of the Association. The Association's interest in the market value of the assets are recorded as net assets with donor restrictions since the trusts were created to continue in perpetuity.

The underlying investments in these trusts are comprised of marketable equity securities, fixed income, hedge funds, real estate, tangible assets, and temporary cash investments. Per donor's restrictions, the distributions received from the trusts shall be used for general operations, thus all income received has been recorded as contributions without donor restrictions.

For the years ended December 31, 2022 and 2021, the Association received income distributions of \$13,064 and \$13,693, respectively.

E. GRANTS RECEIVABLE

Grants receivable as of December 31st consist of the following:

	2022	2021
Baer Foundation	\$45,000	\$45,000
State of Missouri – Bridges Program	-	9,320
Behavioral Health Network	-	8,686
Total Grants Receivable	\$45,000	\$63,006

Of the grants receivable balance at December 31, 2022, \$45,000 is scheduled to be collected during 2023.

Mental Health America of Eastern Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021
(Continued)

F. PROPERTY AND EQUIPMENT

The components of the Association's property and equipment as of December 31st consist of the following:

	2022	2021
Furniture, fixtures, and equipment	\$304,876	\$142,415
Leasehold Improvements	276,760	-
Software	78,708	78,708
	660,344	221,123
Less: accumulated depreciation	(223,766)	(211,745)
Total Property and Equipment, Net	\$436,578	\$ 9,378

Depreciation expense for the years ended December 31, 2022, and 2021, was \$17,612 and \$27,728, respectively.

During the year ended December 31, 2022, significant leasehold improvements were completed and placed in service late in October.

G. RESTRICTED CASH

Restricted cash of \$506,966 and \$395,565 at December 31, 2022 and 2021 consists of custodial funds used for the Representative Payee Program which consist of the social security funds of assigned clients and are not used in the Association's program.

H. NET ASSETS WITH DONOR RESTRICTIONS

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

	December 31,	
	2022	2021
Subject to expenditure for a specific purpose		
Baer Foundation Grant	\$ 5,050	\$ 45,000
STL County Children's Services	-	36,697
	5,050	81,697
Subject to passage of time for periods		
After December 31,	61,386	-
Not subject to spending policy or appropriation		
Beneficial Interest in Perpetual Trust	443,380	536,449
Total Net Assets with Donor Restrictions	\$509,816	\$618,146

Net assets with donor restrictions are reclassified to net assets without donor restrictions when the funds are utilized for the restricted purpose.

Mental Health America of Eastern Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021
(Continued)

I. NET ASSETS RELEASED FROM DONOR RESTRICTION

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the years ended December 31:

	2022	2021
Purpose restrictions accomplished		
STL County Children’s Services	\$36,697	\$ 8,041
Baer Foundation	45,000	-
	81,697	8,041
Time restrictions expired		
Passage of time	-	99,673
	-	99,673
Total Net Assets Released from Restrictions	\$81,697	\$107,714

J. EMPLOYEE BENEFIT PLAN

The Association has a Simple IRA deferral plan which covers all employees from the start of their employment or the start of the plan, whichever is later. Each employee may elect to contribute up to 100%, not to exceed the limit set by the Internal Revenue Code, of annual compensation into the Plan. The Association makes contributions equal to 2% of an employee’s gross salary. The Association’s expense amounted to \$11,350 and \$6,837 in 2022 and 2021, respectively.

K. CONTRIBUTIONS OF NONFINANCIAL ASSETS

The Association receives contributions of donated services, facilities, and supplies. Contributed goods and services are valued based on current rates for similar goods and services. Contributions of nonfinancial assets were received for the following for the year ended December 31:

	2022	2021
Facilities	\$14,839	\$24,000
Professional fees	20,000	-
Supplies	5,990	252
	-	252
Total Contributions of Nonfinancial Assets	\$40,829	\$24,252

Mental Health America of Eastern Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021
(Continued)

L. OPERATING LEASES

During the year ended December 31, 2022, the Association secured a new office lease for general operations which commenced in August of 2022 and will continue for 85 months. The terms of this lease require base monthly payments of \$9,954 to \$11,884 through July, 2029. The operating lease right-of-use asset and operating lease liability of \$829,375 were recorded at the present value of the total lease payments remaining on the lease as of August 4, 2022, the beginning of the lease. The lease was discounted at 2.7%, which is the Association's estimated incremental borrowing rate at the beginning of the lease.

As of December 31, 2022, the operating lease right-of-use asset is \$782,364 and the operating lease liability is \$789,898, which are included on the statement of financial position. For the year ended December 31, 2022, the operating lease cost was \$54,304.

Future minimum rental payments under these operating leases are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2023	\$120,941
2024	124,580
2025	128,324
2026	132,161
2027	136,132
Thereafter	<u>223,395</u>
Less present value discount (75,635)	
Operating lease liability	<u>\$789,898</u>

Prior to the lease referred to above, The Association leased office space which expired in August of 2022. Per the lease agreement, the monthly expense was \$5,000 of which \$3,000 is cash and \$2,000 is considered a charitable contribution from the Lessor to the Association.

The total lease cost for these leases (included within occupancy expense) in the financial statements was \$91,401 and \$60,000 for the years ended December 31, 2022 and 2021.

Mental Health America of Eastern Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021
(Continued)

M. PAYCHECK PROTECTION PROGRAM GRANT

On December 27, 2020, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act) became law. The Economic Aid Act provides the opportunity to obtain a forgivable “second draw” PPP loan. During the year, the Association submitted an application for SBA loan funding under the second draw PPP.

The Association obtained the second PPP loan from Midwest BankCentre on February 26, 2021, for the amount of \$110,091. Under certain circumstances, all or part of the loan may be forgiven. On October 7, 2021, the Association received notification from their lender that the entirety of the second PPP loan was forgiven, at which point, the Association converted the full amount to grant income.

N. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Association regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Association receives contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Association maintains financial assets, consisting of cash and investments, on hand to meet its normal operating expenses based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis and financial assets on hand are adjusted as necessary. On a monthly basis, the Association determines the number of months their current cash balance would satisfy general operating expenditures.

The Association’s financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	2022	2021
Cash and cash equivalents	\$1,070,086	\$1,981,228
Pledges and grants receivable	61,386	71,215
Investments	518,587	590,683
Total financial assets	1,650,059	2,643,126
Less amounts not available to be used within one year:		
Donor-restricted for purpose	5,050	81,697
Financial assets available to meet cash needs for		
General expenditures within one year	\$1,645,009	\$2,561,429