

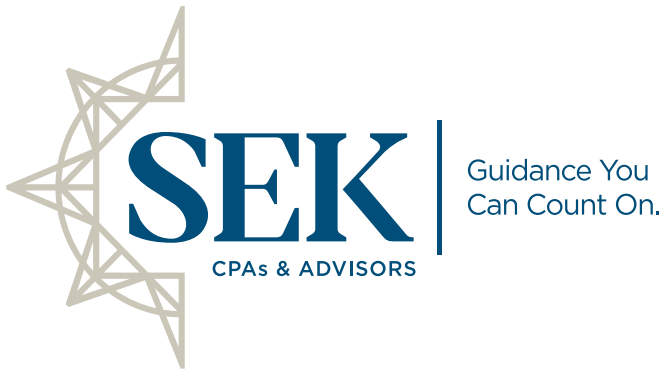
Audited
Financial
Statements

June 30,
2021

Mental Health
Association of
Frederick County, Inc.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mental Health Association of Frederick County, Inc.
Frederick, Maryland

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Mental Health Association of Frederick County, Inc., which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, 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.

Auditor's 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. Those standards require that we plan and perform the audit 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 auditor's 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 Frederick County, Inc. as of June 30, 2021 and 2020, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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, on page 27, as required by Title 2 U.S. Code of Federal Regulations (CFR) 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 combined financial statements as a whole.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the Association adopted new accounting guidance issued by the Financial Accounting Standards Board (FASB) related to revenue recognition. Our opinion is not modified with respect to this matter.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with Government Auditing Standards, we have also issued our report dated May 11, 2022, on our consideration of Mental Health Association of Frederick County, Inc.'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 of 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 the Association's internal control over financial reporting and compliance.

Smith Elliott Reardon & Company, LLC

Hagerstown, Maryland
May 11, 2022

MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.
Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 612,055	\$ 648,174
Investments	98,085	82,102
Grants receivable	518,607	472,542
Pledges receivable - net	17,052	30,708
Accounts receivable - Medicaid	49,589	130,439
Accounts receivable - other	34,374	2,770
Prepaid expenses	43,154	41,440
Deposits	-	2,030
Future Interest Endowment Fund held by CFFC	73,962	58,960
Land, building and equipment, net	<u>2,806,329</u>	<u>2,445,087</u>
TOTAL ASSETS	<u><u>\$ 4,253,207</u></u>	<u><u>\$ 3,914,252</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 278,856	\$ 265,269
Medicaid payments liability	86,038	186,017
Unexpended portion of grants received	116,638	49,841
Deferred sponsorships	-	9,250
Paycheck Protection Program loan	447,840	447,840
Notes payable	<u>1,054,571</u>	<u>1,095,581</u>
Total Liabilities	<u>1,983,943</u>	<u>2,053,798</u>
Net Assets		
Without donor restrictions		
Undesignated	2,119,316	1,725,508
Board designated	<u>149,948</u>	<u>134,946</u>
Total Net Assets	<u>2,269,264</u>	<u>1,860,454</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,253,207</u></u>	<u><u>\$ 3,914,252</u></u>

MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.
Statements of Activities
Years Ended June 30, 2021 and 2020

	2021	2020
REVENUES AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS		
Public grants	\$ 3,006,799	\$ 1,898,081
Program service revenue	656,032	471,933
Contract revenue	144,599	200,949
United Way	8,695	39,557
Donations and foundation grants, net of bad debt and present value discount	376,271	402,355
Special event revenue	134,312	16,075
In-kind donated goods and services	-	6,390
Other income	7,594	4,894
Investment income, net	34,310	6,600
	<u>4,368,612</u>	<u>3,046,834</u>
EXPENSES		
Program Services		
Preparing Resilient Children	756,209	716,559
Securing Vulnerable Families	498,069	507,091
Facing Crises Together	1,857,816	1,291,648
Supporting Our Whole Community	453,272	243,153
Total Program Services	<u>3,565,366</u>	<u>2,758,451</u>
Supporting Services		
Management and general	336,066	335,911
Fundraising	58,370	26,388
Total Supporting Services	<u>394,436</u>	<u>362,299</u>
Total Expenses	<u>3,959,802</u>	<u>3,120,750</u>
Change in Net Assets Without Donor Restrictions	408,810	(73,916)
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR	<u>1,860,454</u>	<u>1,934,370</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR	<u>\$ 2,269,264</u>	<u>\$ 1,860,454</u>

MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.
Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services				Supporting Services			Total
	Preparing Resilient Children	Securing Vulnerable Families	Facing Crises Together	Supporting Our Whole Community	Total Program Services	Management and General	Fundraising	
Salaries	\$ 541,686	\$ 372,847	\$ 1,414,335	\$ 211,450	\$ 2,540,318	\$ 220,416	\$ 11,268	\$ 2,772,002
Employee benefits	22,780	7,298	74,639	7,521	112,238	25,382	98	137,718
Payroll taxes	41,950	29,948	108,277	31,456	211,631	14,259	-	225,890
Total Salaries and Related Expenses	606,416	410,093	1,597,251	250,427	2,864,187	260,057	11,366	3,135,610
Advertising	1,548	-	1,558	5,380	8,486	-	-	8,486
Alterations	-	-	8,640	-	8,640	-	-	8,640
Building	-	-	-	1,282	1,282	-	-	1,282
Client training	35,345	5,568	174	2,853	43,940	-	-	43,940
Consulting	-	-	-	12,170	12,170	-	-	12,170
Depreciation	14,741	11,762	45,333	18,526	90,362	-	-	90,362
Dues and publications	4,848	910	4,659	1,378	11,795	2,133	-	13,928
Equipment	26,780	5,305	48,103	88,909	169,097	6,840	-	175,937
Fundraising direct expenses	-	-	-	-	-	-	46,617	46,617
Furniture	-	6,288	5,103	15,555	26,946	-	-	26,946
Insurance	5,025	3,485	12,960	1,682	23,152	2,083	112	25,347
Interest and finance charges	7,405	7,678	22,843	15,923	53,849	-	-	53,849
Interpreter services	-	325	8,753	-	9,078	-	-	9,078
Miscellaneous	10	1,351	41	7,964	9,366	320	-	9,686
Office supplies	2,076	169	1,707	1,059	5,011	6,370	-	11,381
Postage	547	212	230	428	1,417	327	2	1,746
Printing	-	1,496	70	-	1,566	361	-	1,927
Professional fees	3,189	2,230	8,356	1,113	14,888	15,686	77	30,651
Program library materials	190	-	-	271	461	-	-	461
Rent	2,829	2,279	-	-	5,108	2,027	-	7,135
Repairs and maintenance	18,526	15,634	31,514	7,341	73,015	21,026	182	94,223
Security and background checks	50	2,067	1,040	-	3,157	-	-	3,157
Staff training	8,340	6,264	9,613	3,311	27,528	12,733	-	40,261
Telephone	7,199	6,080	4,835	476	18,590	1,429	-	20,019
Travel and meetings	2,230	1,270	-	38	3,538	-	14	3,552
Utilities	3,060	2,317	8,967	423	14,767	2,090	-	16,857
Web programs	5,855	5,286	36,066	16,763	63,970	2,584	-	66,554
TOTAL EXPENSES	\$ 756,209	\$ 498,069	\$ 1,857,816	\$ 453,272	\$ 3,565,366	\$ 336,066	\$ 58,370	\$ 3,959,802

MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.
Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services				Supporting Services			Total
	Preparing Resilient Children	Securing Vulnerable Families	Facing Crises Together	Supporting Our Whole Community	Total Program Services	Management and General	Fundraising	
Salaries	\$ 524,345	\$ 385,243	\$ 1,014,218	\$ 141,764	\$ 2,065,570	\$ 236,422	\$ 10,218	\$ 2,312,210
Employee benefits	24,175	6,585	37,270	6,136	74,166	23,490	89	97,745
Payroll taxes	40,440	30,484	77,325	12,220	160,469	17,255	-	177,724
Total Salaries and Related Expenses	588,960	422,312	1,128,813	160,120	2,300,205	277,167	10,307	2,587,679
Advertising	762	62	499	1,142	2,465	-	-	2,465
Alterations	-	-	3,171	-	3,171	-	-	3,171
Client training	28,591	10,469	412	13,175	52,647	-	-	52,647
Consulting	-	-	-	15,450	15,450	-	-	15,450
Depreciation	18,164	11,932	41,829	13,062	84,987	-	-	84,987
Dues and publications	4,072	500	2,760	889	8,221	2,695	-	10,916
Equipment	1,510	14,525	10,317	2,490	28,842	-	-	28,842
Fundraising direct expenses	-	-	-	-	-	-	15,658	15,658
Insurance	5,164	3,821	15,591	938	25,514	2,397	75	27,986
Interest and finance charges	8,569	8,555	22,710	14,258	54,092	-	-	54,092
Interpreter services	790	43	8,757	-	9,590	-	-	9,590
Miscellaneous	-	652	259	3,663	4,574	287	-	4,861
Office supplies	4,186	498	1,952	4,505	11,141	5,742	-	16,883
Postage	1,051	521	218	700	2,490	300	43	2,833
Printing	-	766	207	184	1,157	346	-	1,503
Professional fees	4,001	2,893	7,729	860	15,483	14,746	77	30,306
Program library materials	86	-	-	202	288	-	-	288
Rent	3,222	2,006	-	35	5,263	2,131	-	7,394
Repairs and maintenance	12,688	8,039	16,626	2,850	40,203	13,581	228	54,012
Security and background checks	185	2,854	629	-	3,668	205	-	3,873
Staff training	9,616	2,318	503	426	12,863	11,701	-	24,564
Telephone	5,501	4,120	3,903	331	13,855	1,061	-	14,916
Travel and meetings	12,211	3,389	798	1,676	18,074	275	-	18,349
Utilities	3,250	2,089	7,469	424	13,232	2,085	-	15,317
Web programs	3,980	4,727	16,496	5,773	30,976	1,192	-	32,168
TOTAL EXPENSES	\$ 716,559	\$ 507,091	\$ 1,291,648	\$ 243,153	\$ 2,758,451	\$ 335,911	\$ 26,388	\$ 3,120,750

MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 408,810	\$ (73,916)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Write-off of pledges receivable	6,500	34,079
Allowance for pledges receivable	1,900	8,400
Depreciation	90,362	84,987
Net realized and unrealized (gain) loss on investments	(29,975)	90
(Increase) in grants receivable	(46,065)	(88,440)
Decrease in pledges receivable	5,256	7,771
(Increase) decrease in accounts receivable - Medicaid	80,850	(108,843)
(Increase) decrease in other receivables	(31,604)	2,292
(Increase) in prepaid expenses	(1,714)	(1,952)
Increase in unexpended portion of grants received	66,797	23,961
Increase (decrease) in deferred sponsorships	(9,250)	9,250
Increase in accounts payable and accrued expenses	13,587	100,843
Increase (decrease) in medicaid payments liability	(99,979)	186,017
	<u>455,475</u>	<u>184,539</u>
Net Cash Provided by Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(449,574)	(18,230)
Deposit paid on furniture	-	(2,030)
Purchases of investments	(57,270)	(87,768)
Proceeds from sale of investments	56,260	85,137
	<u>(450,584)</u>	<u>(22,891)</u>
Net Cash (Used in) Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	-	447,840
Proceeds from notes payable	-	1,054,486
Payments on notes payable	(41,010)	(1,116,195)
	<u>(41,010)</u>	<u>386,131</u>
Net Cash Provided by (Used in) Financing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents	(36,119)	547,779
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>648,174</u>	<u>100,395</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 612,055</u>	<u>\$ 648,174</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	\$ 45,817	\$ 45,768

MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Mental Health Association of Frederick County, Inc. (Association) is a not-for-profit organization founded in 1965. The Association works to build a strong foundation of emotional wellness for the whole community by preparing resilient children, securing vulnerable families, and standing with people to face crises together. The Association envisions a community where children can grow and thrive without fear, good mental health is valued, people of all ages know when and how to seek help for emotional or family problems without shame, and everyone will have access to services without barriers.

Through 13 active programs, the Association provides services that prepare resilient children, secure vulnerable families, stand beside people as they face crises, and support the whole community through mental health education and advocacy. Services include: 24-hour call center, professional development/capacity building for early childhood professionals, counseling services, court appointed special advocates, healthy families, mental health first aid, parent coaching, partnership for emotionally resilient kids, suicide prevention/intervention training, supervised visitation/monitored transfer, survivors of suicide support group, systems navigation, telephone reassurance, and walk-in behavioral health.

Preparing Resilient Children

The Association offers guidance to first-time parents on vital topics including pregnancy, child development, and medical care; partners with early childhood educators to ensure all children have an appropriate environment in which to learn; and supports children with behavioral issues because the key to a child's success tomorrow is building his/her mental and emotional resilience today. It makes a difference when every child in our community has the best start. The Association prepares children to adapt to whatever situations and setbacks they face in life and become strong, stable members of the community around them.

Securing Vulnerable Families

The Association provides families with support, stability, and the promise of a better tomorrow with a safe, neutral location for parents and children to develop, renew, and/or sustain a healthy relationship; secure transfer of children from one parent to another; and/or advocate for the best interests of children in the court system while facilitating their placement in loving, permanent homes.

Facing Crises Together

From intervention and a supporting voice at the moment of crisis to resources and information that show the way forward to sustained counseling and assistance for the weeks and months ahead, no one should have to face these struggles alone. The Association is available 24 hours a day, 7 days a week helping people and saving lives.

MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Supporting Our Whole Community

The Association does more than support the thousands of individuals who seek its services each year. It provides mental health education and advocacy on a community-wide basis, raising awareness of the importance of mental health and related services. This work strengthens our whole community by encouraging those who feel alone to seek support; promoting understanding; and bolstering mental and emotional well-being in schools, businesses, and homes.

Basis of Accounting and Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Under the accrual basis of accounting, support and revenue are recorded when earned and expenses are recorded when incurred. Net assets, revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions

Net assets not subject to donor-imposed restrictions.

Net Assets with Donor Restrictions

Net assets subject to donor-imposed restrictions. Such restrictions expire either by the passage of time or actions of the Association. When a restriction expires, 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 donor restrictions. At June 30, 2021 and 2020, the Association had no net assets with donor restrictions.

Donor-restricted contributions whose restrictions are met in the same reporting period are reported as revenue without donor restrictions.

Use of Estimates in the Preparation of Financial Statements

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 and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Investments

Investments are reported at fair value in the Statements of Financial Position. Realized and unrealized gains and losses are included in investment income, net in the Statements of Activities.

MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants Receivable

The Association considers grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when the determination is made.

Pledges Receivable

Pledges are recorded as revenue when a signed pledge form is received. It is the Association's policy to evaluate individual pledges annually to determine collectability. As such, the Association maintains an allowance for doubtful pledges based on historical write-off trends and other known conditions surrounding the pledge. Additionally, the Association calculates a present value adjustment for pledges receivable by determining the present value of the future contributions expected to be received, using a discount rate of 2.25%.

Property and Equipment

Property and equipment consist of land, building, furniture, and equipment and are stated at cost. The Association capitalizes property and equipment purchases over \$2,000 with estimated useful lives greater than one year. Lesser amounts are expensed. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to expense as incurred. Depreciation is calculated on the straight-line basis over the useful lives of the assets:

Buildings and improvements	5-39 years
Equipment	3-10 years
Furniture & fixtures	3-10 years
Computer equipment & software	3-5 years

Compensated Absences

The Association's personnel policies allow employees to accumulate a limited amount of earned but unused vacation leave, which will be paid to employees in the event of termination. Employees are not paid for sick leave accumulated at the time they terminate employment with the Association. The Association has recorded a provision for accumulated unused vacation leave in the financial statements.

MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Effect of Adopting of New Accounting Standard

On July 1, 2020, the Association adopted Accounting Standards Codification (“ASC”) Update 2014-09, Revenue from Contracts with Customers and all subsequent Accounting Standards Updates that modified this standard under the modified retrospective approach. Under the modified retrospective approach, guidance is applied to the most current period presented, recognizing the cumulative effect of the adoption change as an adjustment to beginning net assets. The Association has determined that the adoption of ASU 2014-09 did not require an adjustment to net assets as of July 1, 2020. Under this standard, the Association recognizes revenue when the control of goods or services are transferred to customers at an amount that reflects the consideration to which the Association expects to be entitled in exchange for those goods and services.

The sources of revenue for the Association that are recognized under ASU 2014-09 (ASC 606) are program service revenue, contract revenue, and special event revenue. Public grants, United Way, donations and foundation grants, in-kind income and investment income are recognized on the accrual basis, but these revenues are outside the scope of ASC 606.

Revenue Recognition – Exchange Transactions

Program Service Revenue

Program service revenues include Medicaid reimbursements, insurance and self-pay for counseling services and workshops. It is reported at the amount that reflects the consideration the Association expects to receive in exchange for the services provided. Service fee revenue is recorded at net realizable amounts from patients and third-party payors for services rendered. The Association provides an allowance for doubtful accounts based on a review of its receivables and its historical collection experience.

Service fee revenue is recognized as performance obligations are satisfied. The performance obligations inherent within the services the Association provides are suicide prevention and individual, group and family therapy services. The performance obligation is considered complete when the patient appointment is complete.

The Association receives a significant portion of its revenue from Medicaid which include discounts from established billing rates. The Association estimates the transaction price based on terms of the contract with the payor, correspondence with the payor, and historical payment trends. However, invoices amounts are subject to review and final approval or adjustment prior to payment. Laws and regulations governing Medicaid are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term.

Payments not made by third parties are due from the patient based on contract arrangements. In some cases, payment from the third party is considered payment in full and any remaining balance is written off as bad debt. In instances where balances are due from the patient after third party payments are applied, the Association recognizes revenue based on historical payment trends.

MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition – Exchange Transactions (Continued)

Contract Revenue

Contract revenue represents grants received which require the Association to perform services, such as medication management, individual, group and family services. The performance obligation is the service as specified in the grant agreement and is recognized at the time the service is performed.

Special Event Revenue

The Association conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event— the exchange component, and a portion represents a contribution to the Association. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Association. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Association, are recorded as costs of direct donor benefits in the statements of activities. The performance obligation is delivery of the event, which is usually accompanied by a presentation. The event fee is set by the Association. FASB ASU 2014-09 requires allocation of the transaction price to the performance obligations. Accordingly, the Association separately presents in Note 16 to the financial statements the exchange and contribution components of the gross proceeds from special events.

The balance of receivables related to contracts with customers was \$60,460 and \$34,067 at July 1, 2020 and June 30, 2021, respectively. Additionally, the balance of receivables related to contracts with customers was \$61,296 at July 1, 2019.

The Association implemented ASC 606 using a portfolio approach, that is, by grouping certain contracts with similar performance obligations and other characteristics into a single portfolio. Management reasonably expects the effects on the financial statements of applying this guidance to the portfolio would not differ significantly from applying this guidance to individual contracts (or performance obligations) within that portfolio.

Financing Component

The Association has elected the practical expedient allowed under generally accepted accounting principles for financing components associated with revenue recognition and does not adjust the promised amount of consideration from patients or third-party payors for the effects of significant financing components due to the Association's expectation that the period between the time the service is provided to a patient and the time the patient or third-party payor pays for the service will be one year or less.

MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition – Exchange Transactions (Continued)

Contract Costs

The Association has applied the practical expedient allowed under generally accepted accounting principles for certain costs associated with contracts with customers. As a result, all incremental contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Association would have recognized is one year or less.

Grants and Contributions

The Association's primary source of revenue is public grants. The Association is dependent on this source to continue its level of programs and services. Grants, pledges, and contributions are recorded when the donor makes a promise to give to the Association that is, in substance, unconditional. Conditional grant proceeds that are received in advance but have not been earned are recorded as the unexpended portion of grants received in the Statements of Financial Position.

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions.

Donated Goods and Services

Many volunteers have made significant contributions of time in furthering the Association's programs and objectives. The value of this contributed time is not recorded in the accompanying financial statements, because the contributed services provided do not require specialized skills or create or enhance non-financial assets. Donations in-kind are recorded at fair value at the date of the gift.

Functional Expenses

The costs of providing the Association's various programs and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Association. Certain costs have been allocated among the programs based upon estimates of actual time or resources devoted to each program.

Advertising

Advertising costs are expensed as incurred and included in program services.

MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

The Association has been recognized by the Internal Revenue Service as a not-for-profit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code on income from operations related to its tax-exempt purpose. In addition, the Internal Revenue Service has determined the Association is not a private foundation within the meaning of Section 509(a) of the Code.

The Association follows the FASB Accounting Standards Codification, which provides guidance on accounting for uncertainty in income taxes recognized in an organization's financial statements. The Association's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense in the financial statements. The Association's federal and state tax returns are subject to examination by the Internal Revenue Service and state tax authorities, generally for a period of three years after the returns are filed.

Statements of Cash Flows

For purposes of the statement of cash flows, the Association considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Concentration of Credit Risk

The Association maintains its cash in bank deposit accounts and money market funds which, at times, may exceed federally insured limits. The Association believes it is not exposed to any significant credit risk on cash and cash equivalents.

Market Risks

The Association's investments are exposed to various risks, such as interest rate, market, currency and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term would materially affect investments assets reported in the financial statements.

In addition, recent economic uncertainty and market events as a result of the COVID-19 pandemic and other market forces have led to unprecedented volatility in currency, commodity, credit and equity markets. These recent events underscore the level of investment risk associated with the current economic environment, and accordingly the level of risk in the investment portfolio.

MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risks and Uncertainties

Recent economic and government reactions to the COVID-19 pandemic have resulted in temporary reductions or ceasing of operations for some businesses and created economic uncertainties. These events could impact the ability of the Association to maintain its operating results at the same level. However, the financial impact and duration cannot be reasonably estimated at this time.

Reclassifications

Certain reclassifications of amounts previously reported have been made in the accompanying financial statements in order to make the June 30, 2020 amounts conform to classifications used for the year ended June 30, 2021.

Recent Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases* (Topic 842). 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 the Association as of July 1, 2022. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Association will be evaluating the effect that the standard will have on the financial statements.

NOTE 2 LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial Assets at Year-End	2021	2020
Cash and cash equivalents	\$ 612,055	\$ 648,174
Investments	98,085	82,102
Grants receivable	518,607	472,542
Pledges receivable due within one year, net of allowance	9,357	14,813
Accounts receivable - Medicaid	49,589	130,439
Accounts receivable - other	34,374	2,770
Future Interest Endowment Fund held by CFFC	73,962	58,960
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,396,029</u>	<u>\$ 1,409,800</u>

The Association regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.

Notes to Financial Statements

NOTE 2 LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

The Association has various sources of liquidity at its disposal, including cash and cash equivalents, and marketable exchange-traded funds.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Association considers all expenditures related to its ongoing activities of preparing resilient children, securing vulnerable families, standing beside people as they face crises, and supporting the whole community through mental health education and advocacy, as well as the type of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Association operates with a Board-approved budget and anticipates collecting sufficient revenue to cover general expenditures. In the event of an unanticipated liquidity need, the Association could draw upon their investments as well as their line of credit which is discussed further in Note 6.

NOTE 3 INVESTMENTS

Investments are carried at fair value at June 30, 2021 and 2020 and consist of the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,095	\$ 1,894
Exchange-traded funds	95,990	80,208
Total Investments	<u>\$ 98,085</u>	<u>\$ 82,102</u>

Investment earnings for the years ended June 30, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Unrealized gain (loss)	\$ 20,791	\$ (4,603)
Realized gain	1,916	4,646
Investment income, net of fees	11,603	6,557
	<u>\$ 34,310</u>	<u>\$ 6,600</u>

The Association invests in various securities, which are exposed to various risk, such as interest rate, credit and overall volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of securities will occur in the near term, and such changes could materially affect the amounts reported in the Statements of Financial Position.

MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.

Notes to Financial Statements

NOTE 4 PLEDGES RECEIVABLE

Pledges receivable at June 30, 2021 and 2020 consist of unconditional promises to give to be received by the Association in subsequent years. Pledges receivable are for general operating expenses and consist of the following:

	2021	2020
Pledges Receivable, Beginning of Year	\$ 39,702	\$ 97,100
New pledges	500	1,000
Write-offs	(6,500)	(34,079)
Payments received	<u>(14,527)</u>	<u>(24,319)</u>
Gross Pledges Receivable	19,175	39,702
Present value adjustment	(223)	(594)
Allowance for doubtful accounts	<u>(1,900)</u>	<u>(8,400)</u>
Pledges Receivable, End of Year	<u>\$ 17,052</u>	<u>\$ 30,708</u>

	2021	2020
Receivable in less than one year	\$ 11,257	\$ 23,213
Receivable in one to five years	7,918	16,139
Receivable in six to ten years	-	350
Total pledges receivable	<u>\$ 19,175</u>	<u>\$ 39,702</u>

NOTE 5 LAND, BUILDING AND EQUIPMENT

Land, building and equipment at June 30, 2021 and 2020 consists of the following:

	Cost	Accumulated Depreciation	Book Value
2021			
Land	\$ 257,481	\$ -	\$ 257,481
Building and improvements	3,304,939	785,041	2,519,898
Equipment	148,089	125,815	22,274
Furniture and fixtures	89,848	83,172	6,676
Computer equipment and software	49,760	49,760	-
	<u>\$ 3,850,117</u>	<u>\$ 1,043,788</u>	<u>\$ 2,806,329</u>
2020			
Land	\$ 257,481	\$ -	\$ 257,481
Building and improvements	2,868,037	700,991	2,167,046
Equipment	137,447	121,162	16,285
Furniture and fixtures	87,706	83,431	4,275
Computer equipment and software	49,760	49,760	-
	<u>\$ 3,400,431</u>	<u>\$ 955,344</u>	<u>\$ 2,445,087</u>

MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.

Notes to Financial Statements

NOTE 6 LINE OF CREDIT

In May 2019, the Association entered into a \$100,000 line of credit with Revere Bank with a variable interest rate of 1% plus the Wall Street Journal Prime Rate (3.25% at June 30, 2021). The line is secured by a deed of trust on real property located at 226 South Jefferson Street Frederick, Maryland and a third lien on all business assets of the Association. There was no outstanding balance on the line of credit at June 30, 2021 and 2020. Interest paid for the years ending June 30, 2021 and 2020 was approximately \$600 and \$0, respectively.

NOTE 7 LONG-TERM DEBT

Detail of the Association's indebtedness as of June 30 is as follows:

	2021	2020
Note payable to City of Frederick; payable upon transfer or sale of the land and building (see paragraph "a" below)	\$ 50,000	\$ 50,000
Mortgage note payable to Revere Bank, due March 2025 (see paragraph "b" below)	974,400	1,005,167
Note payable to Revere Bank, due May 2024 (see paragraph "c" below)	30,171	40,414
	<u>\$ 1,054,571</u>	<u>\$ 1,095,581</u>

- (a) In September 2010 (the Closing Date), the Association entered into a Community Development Block Grant agreement with the City of Frederick, Maryland for the acquisition of real property at 226 South Jefferson Street, Frederick, Maryland. The loan is non-interest bearing and is payable upon the transfer or sale of the land and building. This loan is secured by the land and building. The book value on the collateral at June 30, 2021 is \$2,777,380.
- (b) In February 2010, the Association entered into a loan agreement with Revere Bank (now Sandy Spring Bank) in the amount of \$1,250,000 to finance the acquisition of and improvements to the land and building at 226 South Jefferson Street, Frederick, Maryland. In March 2020, the Association refinanced this loan in the amount of \$1,014,486 with a monthly payment of \$6,027, including interest at a fixed rate of 4.375%. The loan is collateralized by a purchase money deed of trust on real property located at 226 South Jefferson Street, Frederick, Maryland, as well as a blanket assignment of rents and leases and a first lien on all business assets of the Association. The loan matures March 2025, at which time a balloon payment is due. The book value on the collateral at June 30, 2021 is \$2,777,380.
- (c) In May 2019, the Association entered into a loan agreement with Revere Bank (now Sandy Spring Bank) in the amount of \$50,000. The loan is collateralized by a purchase money deed of trust on real property located at 226 South Jefferson Street, Frederick, Maryland, as well as a blanket assignment of rents and leases and a second lien on all business assets of the Association. The loan requires monthly payments of \$968 including interest at a fixed rate of 5.95% and matures May 2024. The book value on the collateral at June 30, 2021 is \$2,777,380.

MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.

Notes to Financial Statements

NOTE 7 LONG-TERM DEBT

The Association is required to meet certain financial loan covenants, including a cash flow to debt service ratio of 1.0 to 1.0, maintaining total net assets of not less than \$500,000, and submitting audited financial statements to the bank by 120 days after fiscal year-end. For the years ended June 30, 2021 and 2020, the Association did not meet all of these covenants. The Association has obtained a waiver from the lender which waives the lender's right to call the loan in full as a result of noncompliance with loan covenants.

Maturities of long-term debt in each of the next five years are as follows:

<u>Year Ending June 30,</u>	
2022	\$ 40,275
2023	42,240
2024	42,366
2025	879,690
2026	-
Thereafter	50,000
	<u>\$ 1,054,571</u>

Total interest expense for the years ended June 30, 2021 and 2020 was \$46,277 and \$45,934, respectively.

NOTE 8 PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Association entered into a Paycheck Protection Program (PPP) loan agreement through the Small Business Administration (SBA) in the amount of \$447,840. The loan requires monthly principal and interest payments with a fixed rate of 1.00% starting November 2020 and maturing April 2022. However, if the Association submits a loan forgiveness application within ten months of the completion of the covered period, they are not required to make any payments until the forgiveness amount is remitted to the lender by the SBA. Forgiveness of the loan in full or partially, is contingent on the Association meeting certain requirements of the loan program regarding the use of the funds.

NOTE 9 RETIREMENT PLAN

The Association sponsors a 403(b) retirement plan covering employees who elect to defer part of their salaries into the plan for retirement. The Association does not contribute to the plan.

NOTE 10 COMMITMENTS AND CONTINGENCIES

Revenue and Support Dependency

The Association is significantly dependent on public grants from various state and federal agencies. Public grants represent 69% and 62% of total revenue for the years ended June 30, 2021 and 2020, respectively. Curtailment of grant funding by the grantor agencies could have a significant negative effect on the operations of the Association. Additionally, a delay in funding or reimbursements could have a significant impact on the Association.

MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.

Notes to Financial Statements

NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating Leases

The Association leases office facilities on a monthly basis. Total rent expense for the years ended June 30, 2021 and 2020 was \$6,883 and \$7,108, respectively.

NOTE 11 FUTURE INTEREST IN ENDOWMENT HELD BY THE CFFC

The Association established the Mental Health Association Endowment Fund (Fund) at the Community Foundation of Frederick County, Inc. (CFFC) during the year ended June 30, 2000. The purpose of the Fund is to provide financial support to the Association in fulfilling its mission. The Association has a future interest in the investments held by the CFFC. The Association is entitled to receive an annual distribution from the Fund in the amount of 5% of the market value of the Fund as of the last day of the CFFC's fiscal year or one-half of the annual return, whichever is larger. However, in the case of a catastrophic financial emergency which threatens the continuance of operating the Association or one of its programs, the principal may be distributed with the approval of the CFFC. The fair value of this account at June 30, 2021 and 2020 was \$73,962 and \$58,960, respectively.

NOTE 12 BOARD DESIGNATED NET ASSETS

Board designated net assets consist of the following at June 30:

	2021	2020
Future interest in endowment fund held by the Community Foundation of Frederick County, Inc.	\$ 73,962	\$ 58,960
Mortgage reserve	24,837	24,837
Building repairs and maintenance	51,149	51,149
	<u>\$ 149,948</u>	<u>\$ 134,946</u>

MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.

Notes to Financial Statements

NOTE 13 FAIR VALUE MEASUREMENTS

Accounting standards for fair value measurements establish a framework for measuring fair value, establish a three-level valuation hierarchy for disclosure of fair value measurement and enhance disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- **Level 1** – Represented by quoted prices that are available in an active market. Level 1 securities include highly liquid government bonds, treasury securities, mortgage products, exchange-traded equities, and mutual funds.
- **Level 2** – Represented by assets and liabilities similar to Level 1 where quoted prices are not available, but are observable, either directly or indirectly through corroboration with observable market data, such as quoted prices for similar securities and quoted prices in inactive markets and estimated using pricing models or discounted cash flows. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of state and political subdivisions and certain corporate, asset backed securities and swap agreements.
- **Level 3** – Represented by financial instruments where there is limited activity or unobservable market prices and pricing models significant to determining the fair value measurement include the reporting entity’s own assumptions about the market risk. Level 3 securities would include hedge funds, private equity securities, and private investments in public entities.

Description	Fair Value Measurements Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2021				
Cash and cash equivalents	\$ 2,095	\$ 2,095	\$ -	\$ -
Exchange-traded funds	95,990	95,990	-	-
Pledges receivable	17,052	-	-	17,052
CFFC endowment	73,962	-	73,962	-
	<u>\$ 189,099</u>	<u>\$ 98,085</u>	<u>\$ 73,962</u>	<u>\$ 17,052</u>
June 30, 2020				
Cash and cash equivalents	\$ 1,894	\$ 1,894	\$ -	\$ -
Exchange-traded funds	80,208	80,208	-	-
Pledges receivable	30,708	-	-	30,708
CFFC endowment	58,960	-	58,960	-
	<u>\$ 171,770</u>	<u>\$ 82,102</u>	<u>\$ 58,960</u>	<u>\$ 30,708</u>

The fair values for cash and cash equivalents, exchange-traded funds and the Community Foundation of Frederick County endowment are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values for pledges receivable are determined by calculating the present value of the pledges expected to be received, using a discount rate of 2.25%. Fair values of pledges receivable are also shown net of the estimated allowance for doubtful pledges.

MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.
Notes to Financial Statements

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

The changes in assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are as follows at June 30, 2021:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	2021	2020
Pledges Receivable, Beginning of Year	\$ 39,702	\$ 97,100
New pledges	500	1,000
Write-offs	(6,500)	(34,079)
Payments received	<u>(14,527)</u>	<u>(24,319)</u>
Gross Pledges Receivable	\$ 19,175	\$ 39,702
Present value adjustment	(223)	(594)
Allowance for doubtful accounts	<u>(1,900)</u>	<u>(8,400)</u>
Pledges Receivable, End of Year	<u>\$ 17,052</u>	<u>\$ 30,708</u>
The amount of total gains for the period included in changes in net assets	<u>\$ 371</u>	<u>\$ 2,005</u>

NOTE 14 MEDICAID PAYMENTS

In January 2020, the Maryland Department of Health engaged Optum Maryland (Optum) as the new payment provider for Medicaid claims. Beginning in January and continuing through fiscal year 2021, Optum paid weekly payments to the Association based on the average weekly payment the Association received in the prior fiscal year. As a result, payments were not applied to specific patient accounts. During the year ending June 30, 2021, Optum did start reconciling payments made during this time period to patient billings within the same period; however, there are still substantial amounts of unreconciled payments as of the date of this audit report.

As of June 30, 2021 and 2020, the Association has presented separately, on the Statements of Financial Position, a deferred revenue – Medicaid liability to reflect amounts received from Optum for services rendered as of June 30 but not yet applied to individual patient accounts. As a result, June 30, 2020 accounts receivable as reported in the Statement of Financial Position is substantially higher, as it reflects receivables for which payments have been made, but not yet reconciled. The liability and receivable will be reduced as Optum continues to reconcile payments made for services rendered. For the year ended June 30, 2021, total payments received were greater than amounts billed. As a result, it is possible that the Association will be required to repay the excess funds. As of the date of this audit report, the Association has not received any further guidance from Optum and the claims reconciliation process is still ongoing. Following is the net impact of amounts billed (Medicaid only) and payments received at June 30:

	2021	2020
Accounts receivable - Medicaid	\$ 49,589	\$ 130,439
Medicaid payments liability	<u>(86,038)</u>	<u>(186,017)</u>
Net	<u>\$ (36,449)</u>	<u>\$ (55,578)</u>

MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.

Notes to Financial Statements

NOTE 16 SPECIAL EVENT REVENUE

Gross receipts special fundraising events recorded by the Organization consist of exchange transaction revenue and contribution revenue. As a result of adopting FASB ASU 2014-09 during 2021, the Association is required to separately present the components of this revenue.

	2021
Contributions	\$ 88,732
Special event revenue	45,580
Special Event Revenue - Gross	<u>\$ 134,312</u>

NOTE 17 SUBSEQUENT EVENTS

The Association has evaluated events and transactions subsequent to June 30, 2021 through May 11, 2022, the date these financial statements were available to be issued. Based on the definitions of generally accepted accounting principles, management has not identified any events that occurred subsequent to June 30, 2021 and through May 11, 2022 that require recognition or disclosure in the financial statements other than as described below.

Subsequent to year-end, the Association applied for PPP loan forgiveness, and received notification from the SBA that their loan was partially forgiven in the amount of \$358,029. The unforgiven portion of the loan was repaid in full in March 2022. The total amount repaid was \$89,811.

In addition, in May 2022, the Association paid off the term loan with Revere Bank (now Sandy Spring Bank) that was scheduled to mature in May 2024.



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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
Mental Health Association of Frederick County, Inc.
Frederick, Maryland

We have audited the financial statements of Mental Health Association of Frederick County, Inc. as of and for the years ended June 30, 2021 and 2020 and our report thereon dated May 11, 2022, which expressed an unmodified opinion on those financial statements, appears on pages 1-2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole.

The Schedules of Facing Crises Together are presented for the purpose of additional analysis and are 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 audits 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.

Smith Elliott Ream & Company, LLC

Hagerstown, Maryland
May 11, 2022

MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.
Schedule of Program Expenses - Facing Crises Together
Year Ended June 30, 2021

	Urgent Care/Walk-In Facility	MHA Crisis Center	Other Facing Crises Together	Total Facing Crises Together
Salaries	\$ 45,628	\$ 493,958	\$ 874,749	\$ 1,414,335
Employee benefits	4,275	24,351	46,013	74,639
Payroll taxes	2,729	37,435	68,113	108,277
Total Salaries and Related Expenses	52,632	555,744	988,875	1,597,251
Advertising	-	738	820	1,558
Alterations	-	4,671	3,969	8,640
Client training	-	-	174	174
Depreciation	-	-	45,333	45,333
Dues and publications	-	100	4,559	4,659
Equipment	-	541	47,562	48,103
Furniture	-	-	5,103	5,103
Insurance	-	4,659	8,301	12,960
Interest and finance charges	-	-	22,843	22,843
Interpreter services	-	3,647	5,106	8,753
Miscellaneous	-	-	41	41
Office Supplies	-	85	1,622	1,707
Postage	-	-	230	230
Printing	-	-	70	70
Professional fees	-	2,971	5,385	8,356
Repairs and maintenance	-	6,327	25,187	31,514
Security and background checks	-	473	567	1,040
Staff training	-	-	9,613	9,613
Telephone	-	801	4,034	4,835
Utilities	-	2,594	6,373	8,967
Web programs and software licenses	-	1,026	35,040	36,066
TOTAL EXPENSES	\$ 52,632	\$ 584,377	\$ 1,220,807	\$ 1,857,816

THE MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.
Schedule of Program Expenses - Facing Crises Together
Year Ended June 30, 2020

	Maryland Crisis Hotline	MHA Crisis Center	Other Facing Crises Together	Total Facing Crises Together
Salaries	\$ 45,758	\$ 192,445	\$ 776,015	\$ 1,014,218
Employee benefits	6,874	19,780	10,616	37,270
Payroll taxes	-	1,149	76,176	77,325
Total Salaries and Related Expenses	52,632	213,374	862,807	1,128,813
Advertising	-	-	499	499
Alterations	-	3,171	-	3,171
Client training	-	266	146	412
Depreciation	-	-	41,829	41,829
Dues and publications	-	177	2,583	2,760
Equipment	-	9,806	511	10,317
Insurance	-	1,099	14,492	15,591
Interest and finance charges	-	-	22,710	22,710
Interpreter services	-	1,261	7,496	8,757
Miscellaneous	-	19	240	259
Office supplies	-	682	1,270	1,952
Postage	-	20	198	218
Printing	-	23	184	207
Professional fees	-	2,303	5,426	7,729
Repairs and maintenance	-	2,558	14,068	16,626
Security and background checks	-	333	296	629
Staff training	-	503	-	503
Telephone	-	70	3,833	3,903
Travel and meetings	-	18	780	798
Utilities	-	1,274	6,195	7,469
Web programs	-	3,848	12,648	16,496
TOTAL EXPENSES	\$ 52,632	\$ 240,805	\$ 998,211	\$ 1,291,648

THE MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Federal Expenditures
U.S. DEPARTMENT OF TREASURY			
Pass-Through Awards			
Passed through Frederick County, Maryland:			
Coronavirus Relief Fund *COVID-19 Funding			
Family Resource Network			
Construction	21.019	Unknown	\$ 461,000
BHA	21.019	20-667 E	109,089
Child Care Choices	21.019	Unknown	<u>22,935</u>
March 1, 2020 - December 31, 2020			593,024
Passed through State of Maryland:			
Coronavirus Relief Fund *COVID-19 Funding			
MD Nonprofit Recovery Initiative			
March 1, 2020 - December 31, 2020	21.019	Unknown	<u>50,000</u>
Total U.S. Department of Treasury			<u>\$ 643,024</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Awards			
Provider Relief Fund *COVID-19 Funding	93.498	Unknown	\$ 1,503
April 1, 2020 - June 30, 2020			
Provider Relief Fund *COVID-19 Funding	93.498	Unknown	<u>12,883</u>
July 1, 2020 - December 31, 2020			14,386
Pass-Through Awards			
Passed through 2-1-1 Maryland			
Health and Mental Hygiene:			
2-1-1 Call Specialists	93.958	Unknown	33,866
July 1, 2020 - June 30, 2021			
Passed through Maryland Department of Human Services			
Access and Visitation			
March 1, 2019 - September 30, 2019	93.597	CSA.AV.21-004	6,263
Passed through Frederick County Health Department			
Federal Block Grant			
July 1, 2020 - June 30, 2021	93.243	F846	12,887
Passed through Vibrant Emotional Health			
National Suicide Prevention Lifeline			
January 1, 2021 - December 31, 2021	93.243	Unknown	7,500
Passed through Maryland Family Network			
Professional Development Capacity Building			
July 1, 2020 - June 30, 2021	93.575	1901MDCCDF	147,494
Infant & Toddler	93.575	1901MDCCDF	<u>64,225</u>
July 1, 2020 - June 30, 2021			
Total U.S. Department of Health and Human Services			<u>\$ 286,621</u>
U.S. DEPARTMENT OF JUSTICE			
Pass-Through Awards			
Passed through Governor's Office of Crime Control and Prevention			
Victim of Crime Act			
October 1, 2019 - September 30, 2020	16.575	VOCA-2018-0055	\$ 46,322
Passed through Governor's Office of Crime Control and Prevention			
Victim of Crime Act			
July 1, 2020 - June 30, 2021	16.575	VOCA-2019-0010	<u>12,824</u>
Total U.S. Department of Health and Human Services			<u>\$ 59,146</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 988,791</u>

THE MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

NOTE 1 BASIS OF PRESENTATION

The schedule of expenditures of federal awards (the Schedule) reflects the federal grant activity of Mental Health Association of Frederick County, Inc. (Association) under programs of the federal government for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the 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 2 FISCAL PERIOD AUDITED

Single Audit testing procedures were performed for transactions occurring during the fiscal year ended June 30, 2021.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule includes all federal grants and loan programs of the Association which had expenditures or continuing loan compliance requirements during fiscal year 2021 on the accrual basis of accounting. This Schedule has been prepared in accordance with accounting principles generally accepted in the United States of America.

The Association charges only direct costs to federal award programs and has not negotiated an indirect cost rate with grantors or elected to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 PROVIDER RELIEF FUNDS

The Provider Relief Funds reported in the accompanying Schedule are based on OMB Compliance Supplement guidance. This amount differs from the amount reported in the accompanying financial statements. In accordance with generally accepted accounting principles, Provider Relief Fund revenues are reported in the financial statements when earned. The amount reported in the accompanying Schedule corresponds to total Provider Relief Funds received between April 1, 2020 and December 31, 2020. This amount was recognized as revenue in the fiscal year 2020 financial statements.



**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 Board of Directors
Mental Health Association of Frederick County, Inc.
Frederick, Maryland

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 Frederick County, Inc. (Association), which comprise the statements of financial position as of June 30, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 11, 2022.

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 Association’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 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 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.

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.

Smith Elliott Research Company, LLC

Hagerstown, Maryland
May 11, 2022



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

To the Board of Directors
Mental Health Association of Frederick County, Inc.
Frederick, Maryland

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Mental Health Association of Frederick County, Inc.'s (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, 2021. The Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's 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.

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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

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 audit 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 the internal control over compliance in accordance with 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 over compliance 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.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Smith Elliott Ream & Company, LLC

Hagerstown, Maryland
May 11, 2022

THE MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.

Schedule of Findings and Questioned Costs

SECTION I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal Control Over Financial Reporting

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are 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(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None Reported

Noncompliance material to federal awards? _____ Yes X 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 CFR section 200.516? _____ Yes X No

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund *COVID-19 Funding passed through Frederick County, Maryland

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

Auditee qualified as low-risk auditee? _____ Yes X No

SECTION II FINANCIAL STATEMENT FINDINGS

None reported in the current year.

SECTION III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported in the current year.