

Audited  
Financial  
Statements

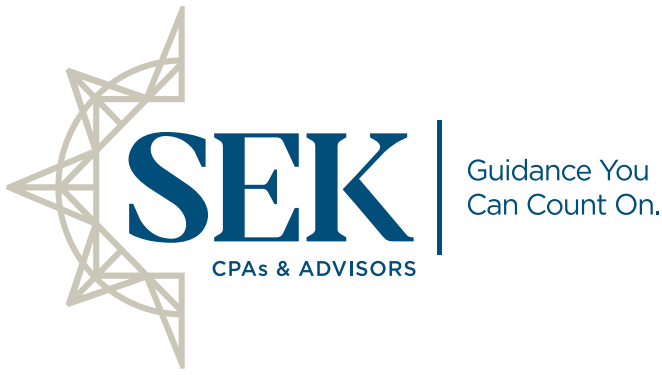
June 30,  
2022

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**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

### **OPINION**

We have audited the accompanying financial statements of Mental Health Association of Frederick County, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 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 Association of Frederick County, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mental Health Association of Frederick County, Inc. 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 Association of Frederick County, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in 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 Association of Frederick County, Inc.'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 Association of Frederick County, Inc.'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.

*Smith Elliott Keenan & Company, LLC*

Hagerstown, Maryland  
October 14, 2022

**MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**Statements of Financial Position**  
**June 30, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 685,537	\$ 612,055
Cash and cash equivalents - restricted for crisis services	50,000	-
Investments	84,114	98,085
Grants receivable	844,723	518,607
Pledges receivable - net	6,805	17,052
Accounts receivable - Medicaid	54,913	49,589
Accounts receivable - other	30,755	34,374
Prepaid expenses	52,124	43,154
Future Interest Endowment Fund held by CFFC	69,856	73,962
Land, building and equipment, net	<u>2,732,227</u>	<u>2,806,329</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 4,611,054</u></b>	<b><u>\$ 4,253,207</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 343,829	\$ 278,856
Medicaid payments liability	75,009	86,038
Unexpended portion of grants received	101,460	116,638
Paycheck Protection Program loan	-	447,840
Notes payable	<u>994,709</u>	<u>1,054,571</u>
Total Liabilities	<u>1,515,007</u>	<u>1,983,943</u>
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	2,900,141	2,119,316
Board designated	<u>145,906</u>	<u>149,948</u>
Total Net Assets without Donor Restrictions	<u>3,046,047</u>	<u>2,269,264</u>
With donor restrictions - restricted for crisis services	<u>50,000</u>	<u>-</u>
Total Net Assets	<u>3,096,047</u>	<u>2,269,264</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 4,611,054</u></b>	<b><u>\$ 4,253,207</u></b>

**MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**Statements of Activities**  
**Years Ended June 30, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>REVENUES AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS</b>		
Public grants	\$ 2,814,719	\$ 3,006,799
Program service revenue	1,196,432	656,032
Contract revenue	170,742	144,599
United Way	2,904	8,695
Donations and foundation grants, net of bad debt and present value discount	284,911	376,271
Special event revenue	279,556	134,312
In-kind donated goods and services	42,548	-
Paycheck Protection Program loan forgiveness	358,029	-
Other income	6,757	7,594
Investment income (loss), net	<u>(23,002)</u>	<u>34,310</u>
 Total Revenues and Other Support Without Donor Restrictions	 <u>5,133,596</u>	 <u>4,368,612</u>
<b>EXPENSES</b>		
Program Services		
Preparing Resilient Children	901,630	756,209
Securing Vulnerable Families	485,000	498,069
Facing Crises Together	2,251,512	1,857,816
Supporting Our Whole Community	<u>174,444</u>	<u>453,272</u>
Total Program Services	3,812,586	3,565,366
Supporting Services		
Management and general	401,520	336,066
Fundraising	<u>142,707</u>	<u>58,370</u>
Total Supporting Services	544,227	394,436
 Total Expenses	 <u>4,356,813</u>	 <u>3,959,802</u>
 Increase in Net Assets Without Donor Restrictions	 <u>776,783</u>	 <u>408,810</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Donation	<u>50,000</u>	<u>-</u>
 Increase in Net Assets with Donor Restrictions	 <u>50,000</u>	 <u>-</u>
 Increase in Net Assets	 826,783	 408,810
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>2,269,264</u>	<u>1,860,454</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 3,096,047</u>	<u>\$ 2,269,264</u>

**MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2022**

	Program Services				Supporting Services			
	Preparing Resilient Children	Securing Vulnerable Families	Facing Crises Together	Supporting Our Whole Community	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 601,563	\$ 353,581	\$ 1,775,906	\$ 77,922	\$ 2,808,972	\$ 262,148	\$ 25,853	\$ 3,096,973
Benefits	24,811	7,657	81,051	7,854	121,374	21,664	207	143,245
Payroll Taxes	48,100	29,577	141,712	7,730	227,119	20,192	2,114	249,425
<b>Total Salaries and Related Expenses</b>	<b>674,474</b>	<b>390,815</b>	<b>1,998,669</b>	<b>93,506</b>	<b>3,157,465</b>	<b>304,004</b>	<b>28,174</b>	<b>3,489,643</b>
Advertising	2,335	-	797	570	3,701	-	-	3,701
Building	-	-	-	1,962	1,962	-	-	1,962
Client training	46,542	8,215	174	3,513	58,444	-	-	58,444
Consultant	-	-	-	3,650	3,650	-	-	3,650
Depreciation	13,871	10,973	46,020	23,523	94,387	-	-	94,387
Dues and publications	7,169	586	10,621	704	19,080	2,833	-	21,913
Equipment	28,662	998	2,124	3,007	34,791	427	-	35,218
Fundraising direct expense	-	-	-	-	-	-	110,890	110,890
Furniture	5,652	-	595	1,038	7,285	320	-	7,605
Insurance	6,316	3,626	18,893	818	29,653	2,631	217	32,501
Interest and finance charges	7,565	8,261	28,745	11,401	55,972	-	2,932	58,904
Interpreter services	1,440	166	16,451	208	18,265	-	-	18,265
Miscellaneous	2,171	1,473	181	3,705	7,530	397	-	7,927
Office supplies	8,977	204	1,826	192	11,199	9,340	64	20,603
Postage	1,169	254	440	103	1,966	707	29	2,702
Printing	1,136	1,671	652	-	3,459	-	-	3,459
Professional fees	4,218	2,634	13,154	635	20,641	23,986	202	44,829
Program library materials	108	-	-	241	349	-	-	349
Rent	10,681	3,096	-	3	13,780	2,421	-	16,201
Repairs & maintenance	25,466	20,827	38,752	14,422	99,467	27,885	36	127,388
Security and background checks	413	2,386	1,157	-	3,956	103	163	4,222
Staff training	20,980	11,097	7,032	3,353	42,462	16,638	-	59,100
Travel and meetings	11,374	2,708	30	371	14,483	270	-	14,753
Telephone	7,219	6,302	5,431	543	19,495	1,624	-	21,119
Utilities	5,117	2,440	10,250	465	18,272	2,262	-	20,534
Web programs	8,575	6,268	49,518	6,511	70,872	5,672	-	76,544
	<b>\$ 901,630</b>	<b>\$ 485,000</b>	<b>\$ 2,251,512</b>	<b>\$ 174,444</b>	<b>\$ 3,812,586</b>	<b>\$ 401,520</b>	<b>\$ 142,707</b>	<b>\$ 4,356,813</b>

**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
<b>Total Salaries and Related Expenses</b>	<b>606,416</b>	<b>410,093</b>	<b>1,597,251</b>	<b>250,427</b>	<b>2,864,187</b>	<b>260,057</b>	<b>11,366</b>	<b>3,135,610</b>
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
<b>TOTAL EXPENSES</b>	<b>\$ 756,209</b>	<b>\$ 498,069</b>	<b>\$ 1,857,816</b>	<b>\$ 453,272</b>	<b>\$ 3,565,366</b>	<b>\$ 336,066</b>	<b>\$ 58,370</b>	<b>\$ 3,959,802</b>



**MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 826,783	\$ 408,810
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Forgiveness of Paycheck Protection Program loan	(358,029)	-
Provision for uncollectible pledges	3,620	8,400
Depreciation	94,387	90,362
Loss on sale of equipment	558	-
Net realized and unrealized (gain) loss on investments	23,969	(29,975)
(Increase) in grants receivable	(326,116)	(46,065)
Decrease in pledges receivable	6,627	5,256
(Increase) decrease in accounts receivable - Medicaid	(5,324)	80,850
(Increase) decrease in other receivables	3,619	(31,604)
(Increase) in prepaid expenses	(8,970)	(1,714)
Increase (decrease) in unexpended portion of grants received	(15,178)	66,797
(Decrease) in deferred sponsorships	-	(9,250)
Increase in accounts payable and accrued expenses	64,973	13,587
(Decrease) in medicaid payments liability	(11,029)	(99,979)
	<u>299,890</u>	<u>455,475</u>
Net Cash Provided by Operating Activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(20,843)	(449,574)
Purchases of investments	(88,850)	(57,270)
Proceeds from sale of investments	82,958	56,260
	<u>(26,735)</u>	<u>(450,584)</u>
Net Cash (Used in) Investing Activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Paycheck Protection Program loan	(89,811)	-
Payments on notes payable	(59,862)	(41,010)
	<u>(149,673)</u>	<u>(41,010)</u>
Net Cash (Used in) Financing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents	123,482	(36,119)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>612,055</u>	<u>648,174</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 735,537</u>	<u>\$ 612,055</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for:		
Interest	\$ 46,086	\$ 45,768
<b>RECONCILIATION OF CASH AND RESTRICTED CASH</b>		
Cash and cash equivalents	\$ 685,537	\$ 612,055
Cash and cash equivalents - restricted for crisis services	50,000	-
<b>TOTAL ENDING CASH AND CASH EQUIVALENTS</b>	<u>\$ 735,537</u>	<u>\$ 612,055</u>

# **MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**

## **Notes to Financial Statements**

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### **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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#### ***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**

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### **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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#### ***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, 2022 and 2021, the Association had net assets with donor restrictions of \$50,000 and \$0 respectively.

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.

# MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.

## Notes to Financial Statements

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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#### *Investments*

Investments of the Association are exposed to various risks, such as interest rate, market, currency, and credit risks. Market risks include global events which could impact the value of investment securities, such as a pandemic or international conflict. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect investment assets reported in the financial statements.

#### *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

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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#### *Revenue Recognition – Exchange Transactions*

The sources of revenue for the Association that are recognized under Accounting Standards Codification Topic 606 (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.

#### *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.

#### *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.

# MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.

## Notes to Financial Statements

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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#### *Revenue Recognition – Exchange Transactions (Continued)*

##### *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. ASC 606 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 \$90,030 and \$79,676 at July 1, 2021 and June 30, 2022, respectively. Additionally, the balance of receivables related to contracts with customers was \$193,269 at July 1, 2020. The Association's contract liability balance was \$186,017 and \$86,038 at July 1, 2021 and June 30, 2022, respectively. Additionally, the Association did not have contract liabilities at July 1, 2020.

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.

##### *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.

# **MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**

## **Notes to Financial Statements**

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### **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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#### ***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.

#### ***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.

# MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.

## Notes to Financial Statements

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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#### ***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. Market risks include global events which could impact the value of investment securities, such as a pandemic or international conflict. 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.

#### ***Reclassifications***

Certain reclassifications of amounts previously reported have been made in the accompanying financial statements in order to make the June 30, 2021 amounts conform to classifications used for the year ended June 30, 2022.

#### ***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 is currently evaluating the effect that the standard will have on the financial statements.



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

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**NOTE 2 LIQUIDITY AND AVAILABILITY OF RESOURCES**

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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:

<b>Financial Assets at Year-End</b>	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 685,537	\$ 612,055
Investments	84,114	98,085
Grants receivable	844,723	518,607
Pledges receivable due within one year, net of allowance	4,497	9,357
Accounts receivable - Medicaid	54,913	49,589
Accounts receivable - other	30,755	34,374
Future Interest Endowment Fund held by CFFC	69,856	73,962
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,774,395</u>	<u>\$ 1,396,029</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.

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

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.

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

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**NOTE 3 INVESTMENTS**

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Investments are carried at fair value at June 30, 2022 and 2021 and consist of the following:

	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 4,138	\$ 2,095
Exchange-traded funds	79,976	95,990
Total Investments	<u>\$ 84,114</u>	<u>\$ 98,085</u>

Investment earnings for the years ended June 30, 2022 and 2021 consist of the following:

	<b>2022</b>	<b>2021</b>
Unrealized gain (loss)	\$ (34,963)	\$ 20,791
Realized gain	344	1,916
Investment income, net of fees	11,617	11,603
	<u>\$ (23,002)</u>	<u>\$ 34,310</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.

**NOTE 4 PLEDGES RECEIVABLE**

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Pledges receivable at June 30, 2022 and 2021 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:

	<b>2022</b>	<b>2021</b>
Pledges Receivable, Beginning of Year	\$ 19,175	\$ 39,702
New pledges	-	500
Write-offs	(3,370)	(6,500)
Payments received	<u>(8,683)</u>	<u>(14,527)</u>
Gross Pledges Receivable	7,122	19,175
Present value adjustment	(67)	(223)
Allowance for doubtful accounts	<u>(250)</u>	<u>(1,900)</u>
Pledges Receivable, End of Year	<u>\$ 6,805</u>	<u>\$ 17,052</u>
	<b>2022</b>	<b>2021</b>
Receivable in less than one year	\$ 4,747	\$ 11,257
Receivable in one to five years	<u>2,375</u>	<u>7,918</u>
Total Pledges Receivable	<u>\$ 7,122</u>	<u>\$ 19,175</u>

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

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**NOTE 5 LAND, BUILDING AND EQUIPMENT**

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Land, building and equipment at June 30, 2022 and 2021 consists of the following:

	Cost	Accumulated Depreciation	Book Value
<b>2022</b>			
Land	\$ 257,481	\$ -	\$ 257,481
Building and improvements	3,304,939	872,154	2,432,785
Equipment	162,497	127,529	34,968
Furniture and fixtures	10,979	6,096	4,883
Computer equipment and software	43,531	41,421	2,110
	<u>\$ 3,779,427</u>	<u>\$ 1,047,200</u>	<u>\$ 2,732,227</u>
<b>2021</b>			
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>

**NOTE 6 LINE OF CREDIT**

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In May 2019, the Association entered into a \$100,000 line of credit with a bank with a variable interest rate of 1% plus the Wall Street Journal Prime Rate (5.75% at June 30, 2022). 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, 2022 and 2021. Interest paid for the years ending June 30, 2022 and 2021 was approximately \$0 and \$600, respectively.

# MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.

## Notes to Financial Statements

### NOTE 7 LONG-TERM DEBT

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

	2022	2021
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)	944,709	974,400
Note payable to Revere Bank, due May 2024 (see paragraph "c" below)	-	30,171
	<u>\$ 994,709</u>	<u>\$ 1,054,571</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, 2022 is \$2,690,267.
- (b) In February 2010, the Association entered into a loan agreement with a 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, 2022 is \$2,690,267.
- (c) In May 2019, the Association entered into a loan agreement with a 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. During the year ended June 30, 2022, the loan was paid in full.

# MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.

## Notes to Financial Statements

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### NOTE 7 LONG-TERM DEBT (CONTINUED)

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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.

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

<b>Year Ending June 30,</b>	
2023	\$ 31,561
2024	32,969
2025	880,179
2026	-
2027	-
Thereafter	50,000
	<u>\$ 994,709</u>

### 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 required monthly principal and interest payments with a fixed rate of 1.00% starting November 2020 and maturing April 2022. However, if the Association submitted a loan forgiveness application within ten months of the completion of the covered period, they were not required to make any payments until the forgiveness amount was remitted to the lender by the SBA. The loan was forgiven in November 2021 in the amount of \$358,029, which is included in other income on the Statements of Activities. The \$89,811 unforgiven portion of the loan was repaid in full in March 2022.

### NOTE 9 RETIREMENT PLAN

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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

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#### ***Revenue and Support Dependency***

The Association is significantly dependent on public grants from various state and federal agencies. Public grants represent 54% and 69% of total revenue for the years ended June 30, 2022 and 2021, 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**

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**NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

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*Operating Leases*

The Association leases office facilities on a monthly basis, and also leases office facilities under a contract expiring in April 2026. The lease requires monthly rental payments of \$1,240 plus CAM charges beginning May 2022. Total rent expense for the years ended June 30, 2022 and 2021 was \$15,841 and \$6,883, respectively. Future minimum annual lease payments are as follows:

<u>Year Ending June 30,</u>	
2023	\$ 14,880
2024	14,880
2025	14,880
2026	12,400
	<u>\$ 57,040</u>

**NOTE 11 FUTURE INTEREST IN ENDOWMENT HELD BY THE CFFC**

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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, 2022 and 2021 was \$69,856 and \$73,962, respectively.

**NOTE 12 BOARD DESIGNATED NET ASSETS**

---

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

	<u>2022</u>	<u>2021</u>
Future interest in endowment fund held by the Community Foundation of Frederick County, Inc.	\$ 69,856	\$ 73,962
Mortgage reserve	24,901	24,837
Building repairs and maintenance	51,149	51,149
	<u>\$ 145,906</u>	<u>\$ 149,948</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	Total Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>June 30, 2022</b>				
Cash and cash equivalents	\$ 4,138	\$ 4,138	\$ -	\$ -
Exchange-traded funds	79,976	79,976	-	-
Pledges receivable	6,805	-	-	6,805
CFFC endowment	69,856	-	69,856	-
	<u>\$ 160,775</u>	<u>\$ 84,114</u>	<u>\$ 69,856</u>	<u>\$ 6,805</u>
<b>June 30, 2021</b>				
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>

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**

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**NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)**

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

	<b>Fair Value Measurements Using Significant Unobservable Inputs (Level 3)</b>	
	<b>2022</b>	<b>2021</b>
Pledges Receivable, Beginning of Year	\$ 19,175	\$ 39,702
New pledges	-	500
Write-offs	(3,370)	(6,500)
Payments received	(8,683)	(14,527)
Gross Pledges Receivable	\$ 7,122	\$ 19,175
Present value adjustment	(67)	(223)
Allowance for doubtful accounts	(250)	(1,900)
Pledges Receivable, End of Year	<u>\$ 6,805</u>	<u>\$ 17,052</u>
 The amount of total gains for the period included in changes in net assets	 <u>\$ 156</u>	 <u>\$ 371</u>

**NOTE 14 MEDICAID PAYMENTS**

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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 into fiscal year 2022, 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 began 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, 2022 and 2021, the Association has presented separately, on the Statements of Financial Position, a Medicaid payments liability to reflect amounts received from Optum for services rendered as of June 30 but not yet applied to individual patient accounts. For the years ending June 30, 2022 and 2021, total payments received were greater than amounts billed. As a result, it is likely that the Association will be required to repay some portion up to the entire amount in excess funds. Following is the net impact of amounts billed (Medicaid only) and payments received at June 30:

	<b>2022</b>	<b>2021</b>
Accounts receivable - Medicaid	\$ 54,913	\$ 49,589
Medicaid payments liability	(75,009)	(86,038)
Net	<u>\$ (20,096)</u>	<u>\$ (36,449)</u>



# MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.

## Notes to Financial Statements

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### NOTE 15 ADOPTION OF NEW ACCOUNTING STANDARD – CONTRIBUTED NONFINANCIAL ASSETS

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On July 1, 2021, the Association adopted the Financial Standards Board (FASB) ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which clarifies the presentation and disclosure of contributed nonfinancial assets. The intention is to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received, and how they are used and recognized by the not-for-profit. The standard was applied using a full retrospective transition method. Implementation of this standard did not result in any change to beginning or ending net asset balances previously reported.

Nonfinancial contributions received by the Association for the years ended June 30, 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
Audio/video services	\$ 21,000	\$ -
Catoctin Affair live auction packages	21,548	-
Total	<u>\$ 42,548</u>	<u>\$ -</u>

All nonfinancial contributions represent services and items for the Association's annual Catoctin Affair fundraiser and were valued using estimates based on prices of identical or similar products as provided by the donor. No nonfinancial contributions were received during the year ended June 30, 2021, as the Catoctin Affair fundraiser was not held in its normal format. The live auction packages included \$14,553 in items, such as gift cards for food or entertainment, and \$6,995 in gift cards for services. The live auction packages were then provided to those individuals who won the bid at the event. The audio/video services were utilized during the fundraiser, while live auction packages were monetized. The Association does not have a formal policy regarding use of contributed nonfinancial assets, but generally the items are monetized and used to support the Association's programs in general. There were no donor-imposed restrictions associated with the contributed nonfinancial assets as of June 30, 2022.

### NOTE 16 SPECIAL EVENT REVENUE

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Gross receipts for special fundraising events recorded by the Association consist of exchange transaction revenue and contribution revenue. The Association is required to separately present the components of this revenue.

	<b>2022</b>	<b>2021</b>
Contributions	\$ 212,625	\$ 88,732
Special event revenue	66,931	45,580
Special Event Revenue - Gross	<u>\$ 279,556</u>	<u>\$ 134,312</u>

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

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**NOTE 17 SUBSEQUENT EVENTS**

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The Association has evaluated events and transactions subsequent to June 30, 2022 through October 14, 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, 2022 that require recognition or disclosure in the financial statements.



Guidance You  
Can Count On.

## **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, 2022 and 2021 and our report thereon dated October 14, 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 Program Expenses - 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 Reardon & Company, LLC*

Hagerstown, Maryland  
October 14, 2022

**MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, INC.**  
**Schedule of Program Expenses - Facing Crises Together**  
**Year Ended June 30, 2022**

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	Urgent Care/Walk-In Facility	MHA Crisis Center	Other Facing Crises Together	Total Facing Crises Together
Salaries	\$ 34,346	\$ 564,196	\$ 1,177,364	\$ 1,775,906
Employee benefits	3,112	18,928	59,011	81,051
Payroll taxes	2,594	44,924	94,194	141,712
<b>Total Salaries and Related Expenses</b>	<b>40,052</b>	<b>628,048</b>	<b>1,330,569</b>	<b>1,998,669</b>
Advertising	-	336	461	797
Client training	-	-	174	174
Depreciation	-	-	46,020	46,020
Dues and publications	-	-	10,621	10,621
Equipment	-	13	2,111	2,124
Furniture	-	595	-	595
Insurance	-	5,697	13,196	18,893
Interest and finance charges	-	-	28,745	28,745
Interpreters	-	5,205	11,246	16,451
Miscellaneous	-	-	181	181
Office Supplies	-	44	1,782	1,826
Postage	-	-	440	440
Printing	-	-	652	652
Professional fees	-	4,192	8,962	13,154
Repairs & maintenance	-	9,548	29,204	38,752
Security and background checks	-	709	448	1,157
Staff training	-	827	6,205	7,032
Telephone	-	1,296	4,135	5,431
Travel and meetings	-	2	28	30
Utilities	-	3,519	6,731	10,250
Web programs software licenses	-	13,340	36,178	49,518
<b>TOTAL EXPENSES</b>	<b>\$ 40,052</b>	<b>\$ 673,371</b>	<b>\$ 1,538,089</b>	<b>\$ 2,251,512</b>

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

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	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	<u>2,729</u>	<u>37,435</u>	<u>68,113</u>	<u>108,277</u>
 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	<u>-</u>	<u>1,026</u>	<u>35,040</u>	<u>36,066</u>
 <b>TOTAL EXPENSES</b>	 <u>\$ 52,632</u>	 <u>\$ 584,377</u>	 <u>\$ 1,220,807</u>	 <u>\$ 1,857,816</u>