

**Mental Health America of Greater Houston, Inc.  
and MHA of Greater Houston Foundation, Inc.**

Consolidated Financial Statements  
and Independent Auditors' Report  
for the years ended December 31, 2019 and 2018

# **Mental Health America of Greater Houston, Inc. and MHA of Greater Houston Foundation, Inc.**

## Table of Contents

---

	Page
<b>Independent Auditors' Report</b>	1
<b>Financial Statements:</b>	
Consolidated Statements of Financial Position as of December 31, 2019 and 2018	3
Consolidated Statement of Activities for the year ended December 31, 2019	4
Consolidated Statement of Activities for the year ended December 31, 2018	5
Consolidated Statements of Cash Flows for the years ended December 31, 2019 and 2018	6
Consolidated Statement of Functional Expenses for the year ended December 31, 2019	7
Consolidated Statement of Functional Expenses for the year ended December 31, 2018	8
Notes to Consolidated Financial Statements for the years ended December 31, 2019 and 2018	9
<b>Supplementary Information:</b>	
Supplemental Consolidating Statement of Financial Position as of December 31, 2019	19
Supplemental Consolidating Statement of Financial Position as of December 31, 2018	20
Supplemental Consolidating Statement of Activities for the year ended December 31, 2019	21
Supplemental Consolidating Statement of Activities for the year ended December 31, 2018	22

---

## Independent Auditors' Report

To the Board of Directors of  
Mental Health America of Greater Houston, Inc.:

We have audited the accompanying financial statements of Mental Health America of Greater Houston, Inc. and MHA of Greater Houston Foundation, Inc., which comprise the consolidated statements of financial position as of December 31, 2019 and 2018 and the related consolidated statements of activities, of cash flows, and of functional expenses for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mental Health America of Greater Houston, Inc. and MHA of Greater Houston Foundation, Inc. as of December 31, 2019 and 2018 and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. Information in the supplemental consolidating statements of financial position as of December 31, 2019 and 2018 and supplemental consolidating statements of activities for the years ended December 31, 2019 and 2018 are presented for purposes 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 our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Blazek & Vetterling*

March 26, 2020

**Mental Health America of Greater Houston, Inc. and  
MHA of Greater Houston Foundation, Inc.**

Consolidated Statements of Financial Position as of December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 2,320,282	\$ 1,605,874
Accounts receivable	18,514	135,644
Accrued interest receivable	11,734	8,342
Contributions receivable, net ( <i>Note 4</i> )	1,038,152	341,382
Investments ( <i>Note 6</i> )	6,528,934	5,503,382
Other assets	19,729	21,415
Property and equipment, net ( <i>Note 7</i> )	<u>102,196</u>	<u>120,872</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 10,039,541</u></b>	<b><u>\$ 7,736,911</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 412,565	\$ 197,794
Deferred special event revenue	50,000	50,000
Construction payable		84,701
Contract advance		<u>8,500</u>
Total liabilities	<u>462,565</u>	<u>340,995</u>
Net assets:		
Without donor restrictions ( <i>Note 8</i> )	1,929,622	1,378,590
With donor restrictions ( <i>Notes 9 and 10</i> )	<u>7,647,354</u>	<u>6,017,326</u>
Total net assets	<u>9,576,976</u>	<u>7,395,916</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 10,039,541</u></b>	<b><u>\$ 7,736,911</u></b>

*See accompanying notes to consolidated financial statements.*

**Mental Health America of Greater Houston, Inc. and  
MHA of Greater Houston Foundation, Inc.**

Consolidated Statement of Activities for the year ended December 31, 2019

---

	WITHOUT DONOR <u>RESTRICTIONS</u>	WITH DONOR <u>RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE:			
Contributions <i>(Note 4)</i>	\$ 329,575	\$ 3,751,043	\$ 4,080,618
United Way contributions		129,890	129,890
Special events	228,595		228,595
Direct donor benefit costs of special events	(48,251)		(48,251)
Government service contract fees	99,286		99,286
Program service fees	258,645		258,645
Net investment return	<u>92,997</u>	<u>838,127</u>	<u>931,124</u>
Total revenue	960,847	4,719,060	5,679,907
Net assets released from restrictions:			
Program expenditures	<u>3,089,032</u>	<u>(3,089,032)</u>	<u>                    </u>
Total	<u>4,049,879</u>	<u>1,630,028</u>	<u>5,679,907</u>
EXPENSES:			
Program services	2,593,905		2,593,905
Management and general	613,886		613,886
Fundraising	<u>291,056</u>		<u>291,056</u>
Total expenses	<u>3,498,847</u>		<u>3,498,847</u>
CHANGES IN NET ASSETS	551,032	1,630,028	2,181,060
Net assets, beginning of year	<u>1,378,590</u>	<u>6,017,326</u>	<u>7,395,916</u>
Net assets, end of year	<u>\$ 1,929,622</u>	<u>\$ 7,647,354</u>	<u>\$ 9,576,976</u>

*See accompanying notes to consolidated financial statements.*

---

**Mental Health America of Greater Houston, Inc. and  
MHA of Greater Houston Foundation, Inc.**

Consolidated Statement of Activities for the year ended December 31, 2018

---

	WITHOUT DONOR <u>RESTRICTIONS</u>	WITH DONOR <u>RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE:			
Contributions <i>(Note 4)</i>	\$ 148,872	\$ 2,452,441	\$ 2,601,313
United Way contributions		136,020	136,020
Special events	269,450		269,450
Direct donor benefit costs of special events	(23,879)		(23,879)
Government service contract fees	171,751		171,751
Program service fees	151,771		151,771
Net investment return	42,182	(278,749)	(236,567)
Other revenue	<u>9,983</u>		<u>9,983</u>
Total revenue	770,130	2,309,712	3,079,842
Net assets released from restrictions:			
Program expenditures	2,261,207	(2,261,207)	
Expiration of time restriction	<u>50,000</u>	<u>(50,000)</u>	
Total	<u>3,081,337</u>	<u>(1,495)</u>	<u>3,079,842</u>
EXPENSES:			
Program services	2,058,765		2,058,765
Management and general	471,261		471,261
Fundraising	<u>267,983</u>		<u>267,983</u>
Total expenses	<u>2,798,009</u>		<u>2,798,009</u>
CHANGES IN NET ASSETS	283,328	(1,495)	281,833
Net assets, beginning of year – restated <i>(Note 2)</i>	<u>1,095,262</u>	<u>6,018,821</u>	<u>7,114,083</u>
Net assets, end of year	<u>\$ 1,378,590</u>	<u>\$ 6,017,326</u>	<u>\$ 7,395,916</u>

*See accompanying notes to consolidated financial statements.*

---

**Mental Health America of Greater Houston, Inc. and  
MHA of Greater Houston Foundation, Inc.**

Consolidated Statements of Cash Flows for the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 2,181,060	\$ 281,833
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	33,455	13,369
Net realized and unrealized (gain) loss on investments	(773,998)	376,672
Changes in operating assets and liabilities:		
Accounts receivable	117,130	(6,395)
Accrued interest receivable	(3,392)	(3,279)
Contributions receivable	(696,770)	53,123
Other assets	1,686	(20,223)
Accounts payable and accrued expenses	214,771	(47,639)
Contract advance	<u>(8,500)</u>	<u>50,000</u>
Net cash provided by operating activities	<u>1,065,442</u>	<u>697,461</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	2,094,993	1,979,848
Purchases of investments	(1,873,629)	(2,002,687)
Net change in cash held as investments	(98,075)	(19,810)
Net change in certificates of deposit	(374,843)	(545,992)
Purchases of furniture and equipment	<u>(99,480)</u>	<u>(12,203)</u>
Net cash used by investing activities	<u>(351,034)</u>	<u>(600,844)</u>
<b>NET CHANGE IN CASH</b>	<b>714,408</b>	<b>96,617</b>
Cash, beginning of year	<u>1,605,874</u>	<u>1,509,257</u>
Cash, end of year	<u>\$ 2,320,282</u>	<u>\$ 1,605,874</u>

*See accompanying notes to consolidated financial statements.*



**Mental Health America of Greater Houston, Inc. and  
MHA of Greater Houston Foundation, Inc.**

Consolidated Statement of Functional Expenses for the year ended December 31, 2019

<u>EXPENSES</u>	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries	\$ 1,163,636	\$ 423,814	\$ 176,592	\$ 1,764,042
Employee benefits	154,579	56,300	23,459	234,338
Payroll taxes and related costs	<u>88,986</u>	<u>32,410</u>	<u>13,504</u>	<u>134,900</u>
Total salaries and related costs	1,407,201	512,524	213,555	2,133,280
Professional fees and contract services	501,907	44,289	26,725	572,921
Occupancy	118,414	25,551	15,385	159,350
Printing and publications	129,689	455	2,817	132,961
Conferences and meetings	126,295	2,006	1,912	130,213
Grants	125,000			125,000
Transportation	77,335	490	2,670	80,495
Equipment and software expense	39,343	4,471	18,022	61,836
Depreciation	24,861	5,364	3,230	33,455
Supplies	20,267	3,922	2,407	26,596
Membership dues	6,542	2,009	620	9,171
Telephone	6,250	1,154	695	8,099
Postage and shipping	663	363	974	2,000
Other	<u>10,138</u>	<u>11,288</u>	<u>2,044</u>	<u>23,470</u>
Total expenses	<u>\$ 2,593,905</u>	<u>\$ 613,886</u>	<u>\$ 291,056</u>	3,498,847
Direct donor benefit costs of special events				<u>48,251</u>
Total				<u>\$ 3,547,098</u>

See accompanying notes to consolidated financial statements.

**Mental Health America of Greater Houston, Inc. and  
MHA of Greater Houston Foundation, Inc.**

Consolidated Statement of Functional Expenses for the year ended December 31, 2018

<u>EXPENSES</u>	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries	\$ 926,515	\$ 295,181	\$ 166,752	\$ 1,388,448
Employee benefits	139,676	44,500	25,139	209,315
Payroll taxes and related costs	<u>71,926</u>	<u>22,915</u>	<u>12,945</u>	<u>107,786</u>
Total salaries and related costs	1,138,117	362,596	204,836	1,705,549
Professional fees and contract services	236,093	55,899	27,963	319,955
Occupancy	114,351	28,164	13,573	156,088
Printing and publications	96,731	216	3,004	99,951
Conferences and meetings	45,653	2,069	777	48,499
Grants	150,000			150,000
Transportation	32,335	3,319	76	35,730
Equipment and software expense	21,176	3,269	8,247	32,692
Depreciation	9,794	2,412	1,163	13,369
Supplies	13,105	1,657	1,188	15,950
Membership dues	3,915		1,402	5,317
Telephone	5,980	1,222	631	7,833
Postage and shipping	421	208	3,463	4,092
Subrecipient costs	178,753			178,753
Other	<u>12,341</u>	<u>10,230</u>	<u>1,660</u>	<u>24,231</u>
Total expenses	<u>\$ 2,058,765</u>	<u>\$ 471,261</u>	<u>\$ 267,983</u>	2,798,009
Direct donor benefit costs of special events				<u>23,879</u>
Total				<u>\$ 2,821,888</u>

See accompanying notes to consolidated financial statements.

## **Mental Health America of Greater Houston, Inc. and MHA of Greater Houston Foundation, Inc.**

Notes to Consolidated Financial Statements for the years ended December 31, 2019 and 2018

---

### **NOTE 1 – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES**

Organization – Mental Health America of Greater Houston, Inc. (MHA of Greater Houston) is a Texas nonprofit, tax-exempt corporation formed to enhance the mental health of all Houstonians and improve the lives of those with mental illness. MHA of Greater Houston accomplishes this through collaborations, education, outreach, and advocacy.

MHA of Greater Houston Foundation, Inc. (the Foundation) is a Texas nonprofit, tax-exempt corporation formed to provide support for the programs of MHA of Greater Houston. The sole member of the Foundation is MHA of Greater Houston.

Federal income tax status – MHA of Greater Houston and the Foundation are exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code. MHA of Greater Houston is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi). The Foundation is classified as a public charity under §509(a)(3)(B)(i) as a Type I supporting organization.

Basis of consolidation – The consolidated financial statements include the assets, liabilities, net assets and activities of MHA of Greater Houston and the Foundation (collectively MHA). All balances and transactions between the consolidated entities have been eliminated.

Cash – Bank deposits exceed the federally insured limit per depositor per institution. Cash held for investment purposes is grouped with investments and is excluded from cash for purposes of the statements of cash flows.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in more than one year are discounted, if material, to estimate the present value of future cash flows. Discounts are computed using risk-free interest rates applicable to the years in which the promises were received. Amortization of discounts is included in contribution revenue.

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

Property and equipment is reported at cost. Depreciation is recognized on a straight-line basis over estimated useful lives of 3 to 5 years. Expenditures greater than \$250, with a useful life greater than one year, are capitalized.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.

- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for the stipulated purpose.

Contributions are recognized as revenue at estimated fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional promises to give are recognized in contribution revenue when the conditions are substantially met.

Non-cash contributions – Donated materials and use of facilities are recognized at estimated fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Special event revenue is recognized when the event occurs. Amounts received for future events represent conditional contributions and are reported in the statement of financial position as deferred special event revenue until earned. Direct donor benefit costs represent the costs of goods and services provided to attendees of special events.

Service fees are derived from contracts with independent school districts, schools, other not-for-profits, and government agencies in Harris and surrounding counties to provide training on recognizing and addressing mental health issues. The revenue is recognized as the performance obligations are satisfied in an amount that reflects the consideration that MHA expects to be entitled to in exchange for those services based on negotiated contract terms.

All performance obligations related to revenue from contracts with customers are satisfied based on the output method over a period of time as the training is provided.

Subsequent changes as a result of an adverse change in the organization's ability to pay (change in credit risk) are recorded as bad debt expense. MHA had no material adjustments related to subsequent change in the estimate of the transaction price or subsequent changes of an adverse change in an organization's ability to pay for periods reported.

Amounts received in advance of satisfying performance obligations are recorded as a contract advance in the statement of financial position. There are no contract advances at December 31, 2019. At December 31, 2018 and 2017, contract advances were \$8,500 and \$30,000, respectively.

Accounts receivable at December 31, 2019, 2018, and 2017 were \$18,514, \$135,644, and \$129,249, respectively.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities,

materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Occupancy, maintenance, and other costs are directly charged when specifically related to a function and allocated on the basis of employee head count when attributable to more than one activity.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncement – In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease for both finance and operating leases. An entity may make an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of 12 months or less. Recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly. Qualitative and quantitative disclosures are required by lessees and lessors to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The ASU is effective for fiscal periods beginning after December 15, 2020. MHA plans to adopt this ASU for fiscal year ending December 31, 2021. Upon adoption, management expects to recognize lease commitments as both a right of use asset and a lease liability in the statement of financial position for commitments that are currently only disclosed in the financial statements.

## **NOTE 2 – ADOPTION OF ACCOUNTING STANDARDS**

MHA adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction and provide additional guidance on determining whether a contribution is conditional or unconditional. Adoption of this ASU had no impact on total net assets or total changes in net assets for 2018.

MHA adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of the new guidance is that the entity should recognize revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for transferred goods or services using a 5-step process to determine when performance obligations are satisfied and revenue is recognized and requires expanded disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. MHA adopted the ASU effective January 1, 2018 using the full retrospective method. The timing and amount of revenue recognized previously is consistent with how revenue is recognized under this ASU and therefore, adoption of this ASU had no impact on total beginning net assets, or changes in net assets for 2018, but resulted in additional disclosures and changes in presentation.

### NOTE 3 – 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 December 31 comprise the following:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Operating cash	\$ 2,320,282	\$ 1,605,874
Accounts receivable	18,514	135,644
Accrued interest receivable	11,734	8,342
Contributions receivable	1,038,152	341,382
Operating investments	1,568,966	1,194,123
Endowment investments	<u>4,959,968</u>	<u>4,309,259</u>
Total financial assets	9,917,616	7,594,624
Less financial assets not available for general expenditure:		
Donor-restricted endowment assets not approved for use in coming year	(4,787,680)	(4,168,746)
Donor-restricted contributions not expected to be used in coming year	(579,301)	(288,226)
Board-designated funds for operating reserves not approved for use in coming year	(485,000)	(378,365)
Board-designated funds for capital not approved for use in coming year	<u>                    </u>	<u>(74,064)</u>
Total financial assets available for general expenditure	<u>\$ 4,065,635</u>	<u>\$ 2,685,223</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, MHA considers all expenditures related to its ongoing activities of collaborations, education, outreach and advocacy on mental health, as well as the conduct of services undertaken to support those activities, to be general expenditures.

MHA receives significant contributions restricted by donors and government funds for specific programs which are ongoing, major, and central to its annual operations and considers these funds to be available to meet its cash needs for general expenditures. MHA's Board of Directors has designated \$485,000 of its unrestricted resources for operating reserves. These funds are invested but remain available and may be spent at the discretion of the Board of Directors. Additionally, included in financial assets available for general expenditure is the projected endowment appropriation for fiscal year 2020.

### NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows:

	<u>2019</u>	<u>2018</u>
Contributions receivable	\$ 1,063,610	\$ 341,382
Discount to net present value at 2.20%	<u>(25,458)</u>	<u>                    </u>
Contributions receivable, net	<u>\$ 1,038,152</u>	<u>\$ 341,382</u>

Contributions receivable at December 31, 2019 are expected to be collected as follows:

Less than one year	\$ 545,469
One to five years	<u>518,141</u>
Total contributions receivable	<u>\$ 1,063,610</u>

Approximately 94% of contributions receivable at December 31, 2019 are due from two donors. Approximately 73% of contributions were received from four donors in fiscal year 2019. Approximately 57% of contributions were received from four donors in fiscal year 2018.

#### **NOTE 5 – CONDITIONAL CONTRIBUTION**

In 2019, MHA received a conditional contribution from a foundation in the amount of \$2,250,000 for MHA's Houston Center for School Behavioral Health. Payments are contingent on meeting certain milestones and program outcomes as determined by the Foundation. MHA recognized \$750,000 of contribution revenue related to the conditional contribution in 2019, as the conditions had been met. At December 31, 2019, \$1,500,000 had not been recognized as the conditions had not been met.

#### **NOTE 6 – INVESTMENTS AND FAIR VALUE MEASUREMENTS**

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at December 31, 2019 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Common stocks:				
Technology and communications	\$ 822,022			\$ 822,022
Consumer goods and services	589,022			589,022
Healthcare	496,042			496,042
Financial industry	476,927			476,927
Industrial goods and services	360,196			360,196
Energy and related industries	164,103			164,103
Utilities	135,157			135,157
Real estate	109,350			109,350
Materials	70,051			70,051
Other	6,700			6,700
Negotiable certificates of deposit		\$ 1,568,966		1,568,966
U. S. Treasury notes	621,348			621,348
Exchange-traded funds	408,726			408,726
Corporate bonds		251,238		251,238
Energy limited partnership mutual fund	89,105			89,105
Equity mutual funds	63,605			63,605
Preferred stocks	12,458			12,458
Total assets measured at fair value	<u>\$ 4,424,812</u>	<u>\$ 1,820,204</u>	<u>\$ 0</u>	6,245,016
Cash				<u>283,918</u>
Total investments				<u>\$ 6,528,934</u>

Assets measured at fair value at December 31, 2018 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Common stocks:				
Technology and communications	\$ 706,887			\$ 706,887
Consumer goods and services	489,614			489,614
Healthcare	417,994			417,994
Financial industry	412,121			412,121
Industrial goods and services	269,944			269,944
Energy and related industries	180,251			180,251
Utilities	94,473			94,473
Real estate	115,187			115,187
Materials	72,815			72,815
Other	21,284			21,284
Negotiable certificates of deposit		\$ 1,194,123		1,194,123
U. S. Treasury notes	560,293			560,293
Exchange-traded funds	366,776			366,776
Corporate bonds		184,717		184,717
Energy limited partnership mutual fund	87,873			87,873
Equity mutual funds	54,839			54,839
Preferred stocks	22,762			22,762
Collateralized mortgage obligations		65,586		65,586
Total assets measured at fair value	<u>\$ 3,873,113</u>	<u>\$ 1,444,426</u>	<u>\$ 0</u>	5,317,539
Cash				<u>185,843</u>
Total investments				<u>\$ 5,503,382</u>



Valuation methods used for assets measured at fair value are as follows:

- *Common stocks, exchange-traded funds, and preferred stocks* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Negotiable certificates of deposit, corporate bonds and collateralized mortgage obligations* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas which may include market-corroborated inputs for credit risk factors, interest rate and yield curves and broker quotes to calculate fair values.
- *U. S. Treasury notes* are valued using prices obtained from active markets and inter-dealer brokers on a daily basis.
- *Mutual funds* are valued at the reported net asset value.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while MHA believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, 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 the amounts reported in the statement of financial position and statement of activities.

#### **NOTE 7 – PROPERTY AND EQUIPMENT**

Property and equipment is comprised of the following:

	<u>2019</u>	<u>2018</u>
Office furniture and equipment	\$ 150,403	\$ 156,671
Leasehold improvements	84,701	84,701
Artwork	<u>12,850</u>	<u>12,850</u>
Total property and equipment	247,954	254,222
Accumulated depreciation	<u>(145,758)</u>	<u>(133,350)</u>
Property and equipment, net	<u>\$ 102,196</u>	<u>\$ 120,872</u>

#### **NOTE 8 – NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets without donor restrictions are comprised of the following:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 1,342,426	\$ 805,289
Board-designated reserves:		
Operating reserves	485,000	378,365
Capital		74,064
Property and equipment, net	<u>102,196</u>	<u>120,872</u>
Total net assets without donor restrictions	<u>\$ 1,929,622</u>	<u>\$ 1,378,590</u>

MHA’s Board of Directors’ policy for board-designated reserves stipulates that the Board of Directors has the authority to designate the use of *net assets without donor restrictions* and approve the use of those designated net assets.

**NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted as follows:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Program activities	\$ 2,688,030	\$ 1,708,580
Endowments subject to spending policy and appropriation:		
Swalm Center for Community Action	4,145,757	3,623,948
Maureen Hackett Endowed Fund for Public Policy	455,408	379,672
General endowment	<u>358,159</u>	<u>305,126</u>
Total endowments	<u>4,959,324</u>	<u>4,308,746</u>
Total net assets with donor restrictions	<u>\$ 7,647,354</u>	<u>\$ 6,017,326</u>

**NOTE 10 – ENDOWMENT FUNDS**

The Foundation’s endowment consists of three endowment funds established for the purposes of community action, public policy, and general operating support. The Board of Trustees of the Foundation has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies the original value of gifts donated to the perpetual endowment as *net assets with donor restrictions* required to be maintained in perpetuity. The remaining portion of the donor-restricted endowment funds are classified as *net assets with donor restrictions* accumulated net investment return until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of MHA and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of MHA
- The investment policies of the Foundation

The Foundation assets include donor-restricted funds that the Foundation must hold in perpetuity, as well as unrestricted funds of the Foundation. The Board of Trustees of the Foundation is charged with preserving the corpus of the endowment, growing the total value of the endowment through investments and gifts, and financially supporting the mission and activities of MHA.

## Spending Policy

The Foundation has adopted a policy of appropriating for distribution each year 4%-5% of the lesser of 1) a rolling 36-month average unit of values of the endowment fund or 2) the unit value of the endowment fund at December 31. The Board of Trustees of the Foundation will review this policy annually. Any distributions from the corpus must be approved by two-thirds of the members of the Board of Trustees and the member.

## Investment Policy

Endowment funds are maintained in investment accounts which are managed by the Foundation's Board of Trustees with oversight provided by independent investment managers. Investment decisions follow guidance provided in an investment policy approved by the Board of Trustees of the Foundation. The investment policies attempt to provide a predictable stream of funding to programs supported while seeking to maintain the purchasing power of the endowment assets. The Foundation expects its endowment funds, over time, to provide an average rate-of-return of approximately 4-6 percentage points. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places an emphasis on a blend of equity-based investments and fixed-income investments to achieve its long-term return objectives within prudent risk constraints.

Changes in endowment net assets are as follows:

	<u>WITH DONOR RESTRICTIONS</u>		
	<u>ACCUMULATED</u>	<u>REQUIRED TO BE</u>	
	<u>NET INVESTMENT</u>	<u>MAINTAINED</u>	
	<u>RETURN</u>	<u>IN PERPETUITY</u>	<u>TOTAL</u>
Endowment net assets, December 31, 2017	\$ 1,203,007	\$ 3,438,514	\$ 4,641,521
Net investment return	(278,749)		(278,749)
Distributions	<u>(54,026)</u>	<u>                    </u>	<u>(54,026)</u>
Endowment net assets, December 31, 2018	870,232	3,438,514	4,308,746
Net investment return	838,127		838,127
Distributions	<u>(187,549)</u>	<u>                    </u>	<u>(187,549)</u>
Endowment net assets, December 31, 2019	<u>\$ 1,520,810</u>	<u>\$ 3,438,514</u>	<u>\$ 4,959,324</u>

## NOTE 11 – RETIREMENT PLAN

MHA maintains a contributory benefit plan that covers substantially all of its full-time employees. MHA contributes 6% of a participant's base salary to the plan and also matches the first 4% of additional voluntary employee contributions to the plan. Contributions to the plan were \$100,056 and \$89,601 for years ended December 31, 2019 and 2018, respectively.

**NOTE 12 – LEASE AGREEMENTS**

MHA has long-term leases for office space and equipment from unrelated parties under operating lease agreements. Lease expense was \$177,982 in 2019. Future lease commitments at December 31, 2019 are as follows:

2020	\$ 205,731
2021	211,598
2022	217,690
2023	<u>129,087</u>
Total	<u>\$ 764,106</u>

**NOTE 13 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 26, 2020, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

---

**Mental Health America of Greater Houston, Inc. and  
MHA of Greater Houston Foundation, Inc.**

Supplemental Consolidating Statement of Financial Position as of December 31, 2019

---

	MHA OF GREATER <u>HOUSTON</u>	<u>FOUNDATION</u>	<u>TOTAL</u>
ASSETS			
Cash	\$ 2,316,133	\$ 4,149	\$ 2,320,282
Accounts receivable	18,514		18,514
Accrued interest receivable	8,171	3,563	11,734
Contributions receivable	1,038,152		1,038,152
Investments	1,568,966	4,959,968	6,528,934
Other assets	19,729		19,729
Property and equipment, net	<u>102,196</u>	<u>                    </u>	<u>102,196</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 5,071,861</u></b>	<b><u>\$ 4,967,680</u></b>	<b><u>\$ 10,039,541</u></b>
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable and accrued expenses	\$ 404,209	\$ 8,356	\$ 412,565
Deferred revenue	<u>50,000</u>	<u>                    </u>	<u>50,000</u>
Total liabilities	<u>454,209</u>	<u>8,356</u>	<u>462,565</u>
Net assets:			
Without donor restrictions	1,929,622		1,929,622
With donor restrictions	<u>2,688,030</u>	<u>4,959,324</u>	<u>7,647,354</u>
Total net assets	<u>4,617,652</u>	<u>4,959,324</u>	<u>9,576,976</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 5,071,861</u></b>	<b><u>\$ 4,967,680</u></b>	<b><u>\$ 10,039,541</u></b>

---

**Mental Health America of Greater Houston, Inc. and  
MHA of Greater Houston Foundation, Inc.**

Supplemental Consolidating Statement of Financial Position as of December 31, 2018

---

	MHA OF GREATER <u>HOUSTON</u>	<u>FOUNDATION</u>	<u>TOTAL</u>
ASSETS			
Cash	\$ 1,602,045	\$ 3,829	\$ 1,605,874
Accounts receivable	135,644		135,644
Accrued interest receivable	5,296	3,046	8,342
Contributions receivable	341,382		341,382
Investments	1,194,123	4,309,259	5,503,382
Other assets	21,415		21,415
Property and equipment, net	<u>120,872</u>	<u>                    </u>	<u>120,872</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,420,777</u></b>	<b><u>\$ 4,316,134</u></b>	<b><u>\$ 7,736,911</u></b>
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable and accrued expenses	\$ 190,406	\$ 7,388	\$ 197,794
Deferred revenue	50,000		50,000
Construction payable	84,701		84,701
Contract advance	<u>8,500</u>	<u>                    </u>	<u>8,500</u>
Total liabilities	<u>333,607</u>	<u>7,388</u>	<u>340,995</u>
Net assets:			
Without donor restrictions	1,378,590		1,378,590
With donor restrictions	<u>1,708,580</u>	<u>4,308,746</u>	<u>6,017,326</u>
Total net assets	<u>3,087,170</u>	<u>4,308,746</u>	<u>7,395,916</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 3,420,777</u></b>	<b><u>\$ 4,316,134</u></b>	<b><u>\$ 7,736,911</u></b>

---

**Mental Health America of Greater Houston, Inc. and  
MHA of Greater Houston Foundation, Inc.**

Supplemental Consolidating Statement of Activities for the year ended December 31, 2019

---

	MHA OF GREATER <u>HOUSTON</u>	<u>FOUNDATION</u>	<u>ELIMINATIONS</u>	<u>TOTAL</u>
REVENUE:				
Contributions	\$ 4,260,618		\$ (180,000)	\$ 4,080,618
United Way contributions	129,890			129,890
Special events	228,595			228,595
Direct donor benefit costs of special events	(48,251)			(48,251)
Government awards	99,286			99,286
Program service fees	258,645			258,645
Net investment return	<u>92,997</u>	<u>\$ 838,127</u>		<u>931,124</u>
Total revenue	<u>5,021,780</u>	<u>838,127</u>	<u>(180,000)</u>	<u>5,679,907</u>
EXPENSES:				
Program services	2,593,905	180,000	(180,000)	2,593,905
Management and general	606,337	7,549		613,886
Fundraising	<u>291,056</u>			<u>291,056</u>
Total expenses	<u>3,491,298</u>	<u>187,549</u>	<u>(180,000)</u>	<u>3,498,847</u>
CHANGES IN NET ASSETS	1,530,482	650,578	0	2,181,060
Net assets, beginning of year	<u>3,087,170</u>	<u>4,308,746</u>		<u>7,395,916</u>
Net assets, end of year	<u>\$ 4,617,652</u>	<u>\$ 4,959,324</u>	<u>\$ 0</u>	<u>\$ 9,576,976</u>

---

**Mental Health America of Greater Houston, Inc. and  
MHA of Greater Houston Foundation, Inc.**

Supplemental Consolidating Statement of Activities for the year ended December 31, 2018

---

	MHA OF GREATER <u>HOUSTON</u>	<u>FOUNDATION</u>	<u>ELIMINATIONS</u>	<u>TOTAL</u>
REVENUE:				
Contributions	\$ 2,648,813		\$ (47,500)	\$ 2,601,313
United Way contributions	136,020			136,020
Special events	269,450			269,450
Direct donor benefit costs of special events	(23,879)			(23,879)
Government awards	171,751			171,751
Program service fees	151,771			151,771
Net investment return	42,182	\$ (278,749)		(236,567)
Other revenue	9,983			9,983
	<u>3,406,091</u>	<u>(278,749)</u>	<u>(47,500)</u>	<u>3,079,842</u>
EXPENSES:				
Program services	2,058,765	47,500	(47,500)	2,058,765
Management and general	464,735	6,526		471,261
Fundraising	267,983			267,983
	<u>2,791,483</u>	<u>54,026</u>	<u>(47,500)</u>	<u>2,798,009</u>
CHANGES IN NET ASSETS	614,608	(332,775)	0	281,833
Net assets, beginning of year	<u>2,472,562</u>	<u>4,641,521</u>		<u>7,114,083</u>
Net assets, end of year	<u>\$ 3,087,170</u>	<u>\$ 4,308,746</u>	<u>\$ 0</u>	<u>\$ 7,395,916</u>

---