# 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, 2020 and 2019

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

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## 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, 2020 and 2019 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, 2020 and 2019 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.

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**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, 2020 and 2019 and supplemental consolidating statements of activities for the years ended December 31, 2020 and 2019 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 22, 2021

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

Consolidated Statements of Financial Position as of December 31, 2020 and 2019

| | 2020 | 2019 |
|---|---|---|
| ASSETS | | |
| Cash | $ 2,003,633 | $ 2,320,282 |
| Accounts receivable | 30,911 | 18,514 |
| Accrued interest receivable | 12,501 | 11,734 |
| Contributions receivable, net *(Note 3)* | 1,141,573 | 1,038,152 |
| Investments *(Note 5)* | 6,894,074 | 6,528,934 |
| Other assets | 7,652 | 19,729 |
| Property and equipment, net *(Note 6)* | 97,570 | 102,196 |
| TOTAL ASSETS | $ 10,187,914 | $ 10,039,541 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | $ 253,088 | $ 412,565 |
| Contract advance | 3,000 | |
| Refundable advance – special event revenue | 50,000 | 50,000 |
| Refundable advance – Paycheck Protection Program *(Note 2)* | 381,900 | |
| Total liabilities | 687,988 | 462,565 |
| Net assets: | | |
| Without donor restrictions *(Note 7)* | 2,144,279 | 1,929,622 |
| With donor restrictions *(Notes 8 and 9)* | 7,355,647 | 7,647,354 |
| Total net assets | 9,499,926 | 9,576,976 |
| TOTAL LIABILITIES AND NET ASSETS | $ 10,187,914 | $ 10,039,541 |

*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, 2020

| | WITHOUT DONOR RESTRICTIONS | WITH DONOR RESTRICTIONS | TOTAL |
|---|---|---|---|
| REVENUE: | | | |
| Contributions *(Note 3)* | $ 468,702 | $ 2,257,807 | $ 2,726,509 |
| United Way contributions | | 120,272 | 120,272 |
| Government service contract fees | 99,286 | | 99,286 |
| Program service fees | 147,070 | | 147,070 |
| Net investment return | 60,236 | 451,676 | 511,912 |
| Total revenue | 775,294 | 2,829,755 | 3,605,049 |
| Net assets released from restrictions: | | | |
| Program expenditures | 3,121,462 | (3,121,462) | |
| Total | 3,896,756 | (291,707) | 3,605,049 |
| EXPENSES: | | | |
| Program services | 2,679,480 | | 2,679,480 |
| Management and general | 692,267 | | 692,267 |
| Fundraising | 310,352 | | 310,352 |
| Total expenses | 3,682,099 | | 3,682,099 |
| CHANGES IN NET ASSETS | 214,657 | (291,707) | (77,050) |
| Net assets, beginning of year | 1,929,622 | 7,647,354 | 9,576,976 |
| Net assets, end of year | $ 2,144,279 | $ 7,355,647 | $ 9,499,926 |

*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 RESTRICTIONS | WITH DONOR RESTRICTIONS | TOTAL |
|---|---|---|---|
| REVENUE: | | | |
| Contributions *(Note 3)* | $ 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 | 92,997 | 838,127 | 931,124 |
| Total revenue | 960,847 | 4,719,060 | 5,679,907 |
| Net assets released from restrictions: | | | |
| Program expenditures | 3,089,032 | (3,089,032) | |
| Total | 4,049,879 | 1,630,028 | 5,679,907 |
| EXPENSES: | | | |
| Program services | 2,593,905 | | 2,593,905 |
| Management and general | 613,886 | | 613,886 |
| Fundraising | 291,056 | | 291,056 |
| Total expenses | 3,498,847 | | 3,498,847 |
| CHANGES IN NET ASSETS | 551,032 | 1,630,028 | 2,181,060 |
| Net assets, beginning of year | 1,378,590 | 6,017,326 | 7,395,916 |
| Net assets, end of year | $ 1,929,622 | $ 7,647,354 | $ 9,576,976 |

*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, 2020 and 2019

| | 2020 | 2019 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Changes in net assets | $ (77,050) | $ 2,181,060 |
| Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities: | | |
| Contributions restricted for endowment | (11,000) | |
| Depreciation | 36,817 | 33,455 |
| Net realized and unrealized (gain) loss on investments | (381,703) | (773,998) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (12,397) | 117,130 |
| Accrued interest receivable | (767) | (3,392) |
| Contributions receivable | (103,421) | (696,770) |
| Other assets | 12,077 | 1,686 |
| Accounts payable and accrued expenses | (159,477) | 214,771 |
| Contract advance | 3,000 | (8,500) |
| Refundable advance – Paycheck Protection Program | 381,900 | |
| Net cash provided (used) by operating activities | (312,021) | 1,065,442 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from sale of investments | 4,003,068 | 2,094,993 |
| Purchases of investments | (3,500,774) | (1,873,629) |
| Net change in cash held as investments | (368,297) | (98,075) |
| Net change in certificates of deposit | (117,434) | (374,843) |
| Purchases of furniture and equipment | (32,191) | (99,480) |
| Net cash used by investing activities | (15,628) | (351,034) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Contributions received restricted for endowment | 11,000 | |
| NET CHANGE IN CASH | (316,649) | 714,408 |
| Cash, beginning of year | 2,320,282 | 1,605,874 |
| Cash, end of year | $ 2,003,633 | $ 2,320,282 |

*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, 2020

| EXPENSES | PROGRAM SERVICES | MANAGEMENT AND GENERAL | FUNDRAISING | TOTAL |
|---|---|---|---|---|
| Salaries | $ 1,421,997 | $ 486,810 | $ 212,860 | $ 2,121,667 |
| Employee benefits | 196,757 | 67,358 | 29,453 | 293,568 |
| Payroll taxes and related costs | 108,951 | 37,299 | 16,309 | 162,559 |
| Total salaries and related costs | 1,727,705 | 591,467 | 258,622 | 2,577,794 |
| Professional fees and contract services | 311,342 | 44,632 | 3,421 | 359,395 |
| Conferences and meetings | 241,844 | 1,510 | 795 | 244,149 |
| Occupancy | 140,885 | 30,400 | 18,305 | 189,590 |
| Printing and publications | 110,449 | 827 | 2,799 | 114,075 |
| Equipment and software expense | 45,083 | 3,405 | 16,197 | 64,685 |
| Depreciation | 27,359 | 5,903 | 3,555 | 36,817 |
| Grants | 30,000 | | | 30,000 |
| Supplies | 9,167 | 1,978 | 1,191 | 12,336 |
| Telephone | 8,796 | 1,833 | 1,240 | 11,869 |
| Transportation | 11,051 | 90 | 497 | 11,638 |
| Membership dues | 3,239 | 2,227 | 840 | 6,306 |
| Postage and shipping | 1,435 | 702 | 1,802 | 3,939 |
| Other | 11,125 | 7,293 | 1,088 | 19,506 |
| Total expenses | $ 2,679,480 | $ 692,267 | $ 310,352 | $ 3,682,099 |

*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

| EXPENSES | PROGRAM SERVICES | MANAGEMENT AND GENERAL | FUNDRAISING | TOTAL |
|---|---|---|---|---|
| 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 | 88,986 | 32,410 | 13,504 | 134,900 |
| 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 |
| Conferences and meetings | 126,295 | 2,006 | 1,912 | 130,213 |
| Occupancy | 118,414 | 25,551 | 15,385 | 159,350 |
| Printing and publications | 129,689 | 455 | 2,817 | 132,961 |
| Equipment and software expense | 39,343 | 4,471 | 18,022 | 61,836 |
| Depreciation | 24,861 | 5,364 | 3,230 | 33,455 |
| Grants | 125,000 | | | 125,000 |
| Supplies | 20,267 | 3,922 | 2,407 | 26,596 |
| Transportation | 77,335 | 490 | 2,670 | 80,495 |
| Telephone | 6,250 | 1,154 | 695 | 8,099 |
| Membership dues | 6,542 | 2,009 | 620 | 9,171 |
| Postage and shipping | 663 | 363 | 974 | 2,000 |
| Other | 10,138 | 11,288 | 2,044 | 23,470 |
| Total expenses | $ 2,593,905 | $ 613,886 | $ 291,056 | 3,498,847 |
| Direct donor benefit costs of special events | | | | 48,251 |
| Total | | | | $ 3,547,098 |

*See accompanying notes to consolidated financial statements.*

## 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, if material. Discounts are computed using risk-free interest rates applicable to the years in which the promises are 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 $500, 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. 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 with donor restrictions. Conditional contributions and government grants are subject to one or more barriers that must be overcome before the organization is entitled to receive or retain funding. Conditional contributions and government grants are recognized in the same manner when the conditions have been met. Funding received before conditions are met is reported as refundable advances.

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 refundable advances – 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. Service fees are due in accordance with negotiated terms of the contract and the invoice is due upon receipt. Amounts receivable represent non-interest bearing balances due for services for which all performance obligations have been performed and are recognized at their net realizable value.

Subsequent changes as a result of an adverse change in the organization's ability to pay 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. Contract advances at December 31, 2020, 2019 and 2018 were $3,000, $0 and $8,500, respectively. Accounts receivable at December 31, 2020, 2019, and 2018 were $30,911, $18,514, and $135,644, 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, 2021. MHA plans to adopt this ASU for fiscal year ending December 31, 2022. 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 – 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:

| | 2020 | 2019 |
|---|---|---|
| Financial assets: | | |
| Cash | $ 2,003,633 | $ 2,320,282 |
| Accounts receivable | 30,911 | 18,514 |
| Accrued interest receivable | 12,501 | 11,734 |
| Contributions receivable, net | 1,141,573 | 1,038,152 |
| Investments | 6,894,074 | 6,528,934 |
| Total financial assets | 10,082,692 | 9,917,616 |
| Less financial assets not available for general expenditure: | | |
| Donor-restricted endowment assets not approved for use in coming year | (5,045,226) | (4,787,680) |
| Donor-restricted contributions not expected to be used in coming year | (422,132) | (579,301) |
| Board-designated funds for operating reserves not approved for use in coming year | (595,000) | (485,000) |
| Total financial assets available for general expenditure | $ 4,020,334 | $ 4,065,635 |

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.

In March 2020, the Director-General of the World Health Organization declared a pandemic related to the global outbreak of the new coronavirus COVID-19 and a national emergency was declared in the United States. Stay-at-home orders have caused mandated and voluntary closings of MHA's facilities; however, most program services continued using on-line resources and social distancing precautions. The extent of the impact of COVID-19 on MHA's future operational and financial performance will depend on developments such as the duration and spread of the outbreak, impact on the City of Houston, as well as MHA's donors, employees, and vendors, all of which are uncertain and cannot be predicted. While MHA expects this matter to negatively impact its operating results and financial position, the financial impact cannot be reasonably estimated at this time.

MHA has maintained full-time employment for its employees in spite of COVID-19 closures. In May 2020, MHA received financial relief of approximately $381,900 from the Paycheck Protection Program (PPP) loan. Some or all of the PPP loan may be forgiven if MHA meets eligibility requirements and uses the loan for qualified payroll and other eligible costs. Any amounts not forgiven bear interest at 1.0% and are due within 2 years. Management believes substantially all of the loan will be forgiven.

Subsequent to December 31, 2020, MHA was approved for a $467,228 Second Draw PPP loan under essentially the same terms as the original PPP loan.

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 $595,000 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 2021.

## NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows:

| | 2020 | 2019 |
|---|---|---|
| Contributions receivable | $ 1,144,695 | $ 1,063,610 |
| Discount to net present value at .36%-1.69% | (3,122) | (25,458) |
| Contributions receivable, net | $ 1,141,573 | $ 1,038,152 |

Contributions receivable at December 31, 2020 are expected to be collected as follows:

| | |
|---|---|
| Less than one year | $ 769,535 |
| One to five years | 372,038 |
| Total contributions receivable | $ 1,141,573 |

Approximately 98% and 94% of contributions receivable are due from two donors for the years ended December 31, 2020 and 2019, respectively. Approximately 48% and 73% of contributions were received from two and four donors in fiscal years 2020 and 2019, respectively.

## NOTE 4 – 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 MHA 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 2020 and in 2019, as the conditions had been met. At December 31, 2020, $750,000 had not been recognized as the conditions had not been met.

## NOTE 5 – 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, 2020 are as follows:

| | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL |
|---|---|---|---|---|
| Investments: | | | | |
| Common stocks: | | | | |
| Technology and communications | $ 1,154,155 | | | $ 1,154,155 |
| Consumer goods and services | 579,361 | | | 579,361 |
| Industrial goods and services | 489,228 | | | 489,228 |
| Financial industry | 405,757 | | | 405,757 |
| Healthcare | 380,439 | | | 380,439 |
| Materials | 185,759 | | | 185,759 |
| Energy and related industries | 77,018 | | | 77,018 |
| Utilities | 22,537 | | | 22,537 |
| Real estate | 6,958 | | | 6,958 |
| Negotiable certificates of deposit | | $ 1,686,400 | | 1,686,400 |
| Corporate bonds | | 621,537 | | 621,537 |
| U. S. Treasury notes | 457,396 | | | 457,396 |
| Equity mutual funds | 126,654 | | | 126,654 |
| Exchange-traded funds | 48,660 | | | 48,660 |
| Total assets measured at fair value | $ 3,933,922 | $ 2,307,937 | $ 0 | 6,241,859 |
| Cash | | | | 652,215 |
| Total investments | | | | $ 6,894,074 |

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

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

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* and *corporate bonds* 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 6 – PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

| | 2020 | 2019 |
|---|---|---|
| Office furniture and equipment | $ 180,900 | $ 150,403 |
| Leasehold improvements | 84,701 | 84,701 |
| Artwork | 12,850 | 12,850 |
| Total property and equipment | 278,451 | 247,954 |
| Accumulated depreciation | (180,881) | (145,758) |
| Property and equipment, net | $ 97,570 | $ 102,196 |

## NOTE 7 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

| | 2020 | 2019 |
|---|---|---|
| Undesignated | $ 1,451,709 | $ 1,342,426 |
| Board-designated operating reserve | 595,000 | 485,000 |
| Property and equipment, net | 97,570 | 102,196 |
| Total net assets without donor restrictions | $ 2,144,279 | $ 1,929,622 |

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 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

| | 2020 | 2019 |
|---|---|---|
| Subject to expenditure for specified purpose: | | |
| Program activities | $ 2,125,421 | $ 2,688,030 |
| Endowments subject to spending policy and appropriation: | | |
| Swalm Center for Community Action | 4,337,417 | 4,145,757 |
| Maureen Hackett Endowed Fund for Public Policy | 498,037 | 455,408 |
| General endowment | 394,772 | 358,159 |
| Total endowments | 5,230,226 | 4,959,324 |
| Total net assets with donor restrictions | $ 7,355,647 | $ 7,647,354 |

**NOTE 9 – ENDOWMENT FUNDS**

The Foundation's endowment was established to provide long-term support to community action, public policy and general operating support. Donor-restricted endowment funds are maintained in accordance with explicit donor stipulations and are subject to the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA). TUPMIFA provides guidelines about what constitutes prudent spending and explicitly requires consideration of preservation of the fund. The Board of Directors of the Foundation has interpreted TUPMIFA as requiring a focus on the entirety of donor-restricted endowment funds, including original gift amounts and net appreciation, allowing the Foundation to appropriate for expenditure or accumulate as much of an endowment fund as considered prudent for the uses, benefits, purposes, and duration for which the fund was established, subject to explicit donor stipulations.

As a result of this interpretation, the Foundation classifies contributions to an endowment plus any donor-stipulated accumulations as *net assets with donor restrictions* required to be maintained in perpetuity. This amount is not reduced by investment losses or by appropriation and spending. The portion of the endowment not required to be maintained in perpetuity is also classified as *net assets with donor restrictions* until appropriated in accordance with spending policies and used for the stipulated purpose, if any.

An endowment fund is *underwater* if the fair value of the fund's investments falls below the amount required to be maintained in perpetuity because of declines in the fair value of investments and/or continued appropriation and spending in accordance with prudent spending. There were no such deficiencies at December 31, 2020 or 2019.

**Spending Policy**

The Foundation has adopted a policy of appropriating for distribution each year 4%-5% of the lessor 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 of the Foundation 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:

| | WITH DONOR RESTRICTIONS | | |
|---|---|---|---|
| | ACCUMULATED NET INVESTMENT RETURN | REQUIRED TO BE MAINTAINED IN PERPETUITY | TOTAL |
| Endowment net assets, December 31, 2018 | $ 870,232 | $ 3,438,514 | $ 4,308,746 |
| Net investment return | 838,127 | | 838,127 |
| Distributions | (187,549) | | (187,549) |
| Endowment net assets, December 31, 2019 | 1,520,810 | 3,438,514 | 4,959,324 |
| Contributions | | 11,000 | 11,000 |
| Net investment return | 451,676 | | 451,676 |
| Distributions | (191,774) | | (191,774) |
| Endowment net assets, December 31, 2020 | $ 1,780,712 | $ 3,449,514 | $ 5,230,226 |

## NOTE 10 – 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 $113,807 and $100,056 for years ended December 31, 2020 and 2019, respectively.

## NOTE 11 – LEASE AGREEMENTS

MHA has long-term leases for office space and equipment from unrelated parties under operating lease agreements. Lease expense was $186,589 in 2020. Future lease commitments at December 31, 2020 are as follows:

| | |
|---|---|
| 2021 | $ 211,598 |
| 2022 | 217,690 |
| 2023 | 129,087 |
| Total | $ 558,375 |

## NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 22, 2021, which is the date that the financial statements were available for issuance. As a result of this evaluation, other than the on-going circumstances of the COVID-19 pandemic and the receipt of the Second Draw PPP loan (Note 2), no other 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, 2020

| | MHA OF GREATER HOUSTON | FOUNDATION | TOTAL |
|---|---|---|---|
| **ASSETS** | | | |
| Cash | $ 1,988,484 | $ 15,149 | $ 2,003,633 |
| Accounts receivable | 30,911 | | 30,911 |
| Accrued interest receivable | 5,098 | 7,403 | 12,501 |
| Contributions receivable | 1,141,573 | | 1,141,573 |
| Investments | 1,686,400 | 5,207,674 | 6,894,074 |
| Other assets | 7,652 | | 7,652 |
| Property and equipment, net | 97,570 | | 97,570 |
| TOTAL ASSETS | $ 4,957,688 | $ 5,230,226 | $ 10,187,914 |
| **LIABILITIES AND NET ASSETS** | | | |
| Liabilities: | | | |
| Accounts payable and accrued expenses | $ 253,088 | | $ 253,088 |
| Contract advance | 3,000 | | 3,000 |
| Refundable advance – special event revenue | 50,000 | | 50,000 |
| Refundable advance – Paycheck Protection Program | 381,900 | | 381,900 |
| Total liabilities | 687,988 | | 687,988 |
| Net assets: | | | |
| Without donor restrictions | 2,144,279 | | 2,144,279 |
| With donor restrictions | 2,125,421 | $ 5,230,226 | 7,355,647 |
| Total net assets | 4,269,700 | 5,230,226 | 9,499,926 |
| TOTAL LIABILITIES AND NET ASSETS | $ 4,957,688 | $ 5,230,226 | $ 10,187,914 |

**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 HOUSTON | FOUNDATION | TOTAL |
|---|---|---|---|
| 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 | 102,196 | | 102,196 |
| TOTAL ASSETS | $ 5,071,861 | $ 4,967,680 | $ 10,039,541 |
| LIABILITIES AND NET ASSETS | | | |
| Liabilities: | | | |
| Accounts payable and accrued expenses | $ 404,209 | $ 8,356 | $ 412,565 |
| Refundable advance – special event revenue | 50,000 | | 50,000 |
| Total liabilities | 454,209 | 8,356 | 462,565 |
| Net assets: | | | |
| Without donor restrictions | 1,929,622 | | 1,929,622 |
| With donor restrictions | 2,688,030 | 4,959,324 | 7,647,354 |
| Total net assets | 4,617,652 | 4,959,324 | 9,576,976 |
| TOTAL LIABILITIES AND NET ASSETS | $ 5,071,861 | $ 4,967,680 | $ 10,039,541 |

## 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, 2020

| | MHA OF GREATER HOUSTON | FOUNDATION | ELIMINATIONS | TOTAL |
|---|---|---|---|---|
| REVENUE: | | | | |
| Contributions | $ 2,899,509 | $ 11,000 | $ (184,000) | $ 2,726,509 |
| United Way contributions | 120,272 | | | 120,272 |
| Government service contract fees | 99,286 | | | 99,286 |
| Program service fees | 147,070 | | | 147,070 |
| Net investment return | 60,236 | 451,676 | | 511,912 |
| Total revenue | 3,326,373 | 462,676 | (184,000) | 3,605,049 |
| EXPENSES: | | | | |
| Program services | 2,679,480 | 184,000 | (184,000) | 2,679,480 |
| Management and general | 684,493 | 7,774 | | 692,267 |
| Fundraising | 310,352 | | | 310,352 |
| Total expenses | 3,674,325 | 191,774 | (184,000) | 3,682,099 |
| CHANGES IN NET ASSETS | (347,952) | 270,902 | 0 | (77,050) |
| Net assets, beginning of year | 4,617,652 | 4,959,324 | | 9,576,976 |
| Net assets, end of year | $ 4,269,700 | $ 5,230,226 | $ 0 | $ 9,499,926 |

## 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 HOUSTON | FOUNDATION | ELIMINATIONS | TOTAL |
|---|---|---|---|---|
| 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 | 92,997 | $ 838,127 | | 931,124 |
| Total revenue | 5,021,780 | 838,127 | (180,000) | 5,679,907 |
| EXPENSES: | | | | |
| Program services | 2,593,905 | 180,000 | (180,000) | 2,593,905 |
| Management and general | 606,337 | 7,549 | | 613,886 |
| Fundraising | 291,056 | | | 291,056 |
| Total expenses | 3,491,298 | 187,549 | (180,000) | 3,498,847 |
| CHANGES IN NET ASSETS | 1,530,482 | 650,578 | 0 | 2,181,060 |
| Net assets, beginning of year | 3,087,170 | 4,308,746 | | 7,395,916 |
| Net assets, end of year | $ 4,617,652 | $ 4,959,324 | $ 0 | $ 9,576,976 |