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, 2022 and 2021

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

Table of Contents

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2022 and 2021, 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 consolidated financial statements.

In our opinion, the accompanying financial statements 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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Mental Health America of Greater Houston, Inc. and MHA of Greater Houston Foundation, 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 America of Greater Houston, Inc. and MHA of Greater Houston Foundation, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mental Health America of Greater Houston, Inc. and MHA of Greater Houston Foundation, 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 America of Greater Houston, Inc. and MHA of Greater Houston Foundation, 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. Supplementary information in the supplemental consolidating statements of financial position as of December 31, 2022 and 2021 and the supplemental consolidating statements of activities for the years ended December 31, 2022 and 2021 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our 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.

Blazek & Vetterling

March 24, 2023

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

Consolidated Statements of Financial Position as of December 31, 2022 and 2021

	2022	2021
ASSETS		
Cash	$ 1,634,935	$ 3,001,040
Accounts receivable	19,087	31,778
Accrued interest receivable	18,948	14,973
Contributions receivable, net *(Note 3)*	430,496	392,956
Government grant receivable *(Note 3)*		194,853
Investments *(Note 4)*	7,331,069	7,975,691
Other assets	7,241	17,316
Operating lease right-of-use assets, net *(Note 10)*	129,087	
Property and equipment, net *(Note 5)*	35,215	64,086
TOTAL ASSETS	$ 9,606,078	$ 11,692,693
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 118,459	$ 161,461
Contract advance	1,300	1,700
Refundable advance – special event revenue		162,250
Operating lease liabilities *(Note 10)*	129,087	
Total liabilities	248,846	325,411
Net assets:		
Without donor restrictions *(Note 6)*	2,545,708	2,730,861
With donor restrictions *(Notes 7 and 8)*	6,811,524	8,636,421
Total net assets	9,357,232	11,367,282
TOTAL LIABILITIES AND NET ASSETS	$ 9,606,078	$ 11,692,693

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, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions *(Note 3)*	$ 229,821	$ 1,444,580	$ 1,674,401
Government grants		430,431	430,431
Special events	184,050		184,050
Direct donor benefit costs of special events	(25,855)		(25,855)
Government service contract fees	99,286		99,286
Program service fees	45,221		45,221
Net investment return	(103,247)	(849,303)	(952,550)
Total revenue	429,276	1,025,708	1,454,984
Net assets released from restrictions:			
Program expenditures	2,850,605	(2,850,605)	
Total	3,279,881	(1,824,897)	1,454,984
EXPENSES:			
Program services	2,608,808		2,608,808
Management and general	556,612		556,612
Fundraising	330,014		330,014
Total expenses	3,495,434		3,495,434
CHANGES IN NET ASSETS	(215,553)	(1,824,897)	(2,040,450)
Net assets, beginning of year	2,730,861	8,636,421	11,367,282
Cumulative effect of new lease accounting standard *(Note 10)*	30,400		30,400
Net assets, end of year	$ 2,545,708	$ 6,811,524	$ 9,357,232

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, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions *(Note 3)*	$ 489,858	$ 2,673,317	$ 3,163,175
Government grants *(Note 2)*		1,173,581	1,173,581
United Way contributions		90,280	90,280
Government service contract fees	99,286		99,286
Program service fees	111,136		111,136
Net investment return	(17,699)	912,689	894,990
Total revenue	682,581	4,849,867	5,532,448
Net assets released from restrictions:			
Program expenditures	3,569,093	(3,569,093)	
Total	4,251,674	1,280,774	5,532,448
EXPENSES:			
Program services	2,722,227		2,722,227
Management and general	630,166		630,166
Fundraising	312,699		312,699
Total expenses	3,665,092		3,665,092
CHANGES IN NET ASSETS	586,582	1,280,774	1,867,356
Net assets, beginning of year	2,144,279	7,355,647	9,499,926
Net assets, end of year	$ 2,730,861	$ 8,636,421	$ 11,367,282

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, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ (2,040,450)	$ 1,867,356
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Contributions restricted for endowment	(16,000)	(16,000)
Amortization of operating right-of-use assets	214,413	
Depreciation	33,199	35,701
Net realized and unrealized (gain) loss on investments	924,432	(833,121)
Changes in operating assets and liabilities:		
Accounts receivable	12,691	(867)
Accrued interest receivable	(3,975)	(2,472)
Contributions receivable	(38,540)	749,617
Government grant receivable	194,853	(194,853)
Other assets	10,075	(9,664)
Accounts payable and accrued expenses	(12,602)	(91,627)
Contract advance	(400)	(1,300)
Refundable advance – special event revenue	(162,250)	112,250
Refundable advance – Paycheck Protection Program		(381,900)
Operating lease liabilities	(214,413)	
Net cash provided (used) by operating activities	(1,098,967)	1,233,120
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	692,580	1,196,275
Purchases of investments	(528,664)	(1,709,581)
Net change in cash held as investments	(49,613)	618,979
Net change in certificates of deposit	(394,113)	(354,169)
Purchases of furniture and equipment	(4,328)	(2,217)
Net cash used by investing activities	(284,138)	(250,713)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for endowment	17,000	15,000
NET CHANGE IN CASH	(1,366,105)	997,407
Cash, beginning of year	3,001,040	2,003,633
Cash, end of year	$ 1,634,935	$ 3,001,040

Supplemental disclosure of cash flow information:
Operating lease right-of-use assets financed by new lease liabilities $15,039

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, 2022

EXPENSES	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries	$ 1,655,613	$ 371,390	$ 215,044	$ 2,242,047
Employee benefits	220,079	49,368	28,586	298,033
Payroll taxes and related costs	137,907	30,936	17,912	186,755
Total salaries and related costs	2,013,599	451,694	261,542	2,726,835
Professional fees and contract services	164,677	42,777	5,313	212,767
Occupancy	164,249	25,474	17,005	206,728
Grants	105,000			105,000
Equipment and software expense	29,125	15,702	16,971	61,798
Conferences and meetings	30,725	1,808	5,303	37,836
Depreciation	26,377	4,091	2,731	33,199
Printing and publications	20,714	676	8,976	30,366
Transportation	13,487	114	455	14,056
Telephone	9,120	1,139	870	11,129
Supplies	8,771	1,360	908	11,039
Postage and shipping	2,455	394	3,879	6,728
Membership dues	3,781	2,033	605	6,419
Other	16,728	9,350	5,456	31,534
Total expenses	$ 2,608,808	$ 556,612	$ 330,014	3,495,434
Direct donor benefit costs of special events				25,855
Total				$ 3,521,289

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, 2021

EXPENSES	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries	$ 1,608,663	$ 426,885	$ 208,849	$ 2,244,397
Employee benefits	238,308	63,239	30,939	332,486
Payroll taxes and related costs	126,630	33,603	16,440	176,673
Total salaries and related costs	1,973,601	523,727	256,228	2,753,556
Professional fees and contract services	167,221	34,661	5,619	207,501
Occupancy	138,716	30,083	15,041	183,840
Grants	290,000			290,000
Equipment and software expense	28,280	20,706	16,537	65,523
Conferences and meetings	23,896	1,716	1,499	27,111
Depreciation	26,938	5,842	2,921	35,701
Printing and publications	28,236	99	4,694	33,029
Transportation	12,046	946	1,265	14,257
Telephone	7,425	1,908	1,244	10,577
Supplies	8,310	1,802	901	11,013
Postage and shipping	773	221	3,116	4,110
Membership dues	3,155	2,058	695	5,908
Other	13,630	6,397	2,939	22,966
Total expenses	$ 2,722,227	$ 630,166	$ 312,699	$ 3,665,092

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 – These 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 and government grant 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.

Lease adoption elections – Certain accounting policy elections were required for the implementation of the new lease standard. MHA has made the following elections:

- *Relief package* – For leases that commenced before the effective date, MHA did not reassess 1) whether any expired or existing contracts contain leases, 2) the lease classification for any expired or existing leases, and 3) initial indirect costs for any existing leases.
- *Hindsight* – MHA did not make the practical expedient election to use hindsight in determining the lease term and in assessment impairments of MHA's right-of-use assets.
- *Lease and non-lease components* – MHA elected a practical expedient for real estate leases and copier rentals to not separate the lease components and the non-lease components and instead to account for it as a single lease component.

- *Short-term leases* – MHA elected to not apply the recognition requirements in ASC 842 to short-term leases. Instead, these leases are recognized as expense on a straight-line basis over the lease term.
- *Discount rates* – MHA elected to use risk-free discount rate when the rate implicit in a lease is not readily determinable.

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.

Right-of-use assets – operating are recognized at the present value of the lease payments at inception of the lease. Lease expense is recognized on a straight-line basis as rent expense in the statement of activities.

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 and government grants 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 the total amount paid by sponsors and attendees of an event and includes elements of both contributions and exchange transactions. 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 advance – special event revenue until earned. Direct donor benefit costs represent the costs of goods and services provided to attendees of the special event.

Program 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 changes in the estimate of the transaction price or subsequent changes of an adverse change in an organization's ability to pay for the periods reported.

Amounts received in advance of satisfying performance obligations are reported as a contract advance in the statement of financial position. Contract advances at December 31, 2022, 2021 and 2020 were \$1,300, \$1,700 and \$3,000, respectively. Accounts receivable at December 31, 2022, 2021 and 2020 were \$19,087, \$31,778 and 30,911, 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.

Adoption of accounting standard – MHA adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the current leasing guidance. 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 are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. The ASU also required expanded disclosures related to the amount, timing and uncertainty of cash flows arising from leases. ASU 2018-11, *Leases (Topic 842) – Targeted Improvements* – provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. MHA elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of January 1, 2022, using the modified retrospective method, without restating any prior year amounts or disclosures. The adoption resulted in the recognition of operating right-of-use assets totaling \$343,500, as well as operating lease liabilities totaling \$343,500, respectively, as of January 1, 2022. An adjustment to net assets (without donor restrictions) of \$30,400 was reported as of January 1, 2022.

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:

	2022	2021
Financial assets:		
Cash	$ 1,634,935	$ 3,001,040
Accounts receivable	19,087	31,778
Accrued interest receivable	18,948	14,973
Contributions receivable, net	430,496	392,956
Government grant receivable		194,853
Investments	7,331,069	7,975,691
Total financial assets	9,434,535	11,611,291
Less financial assets not available for general expenditure:		
Donor-restricted endowment assets not approved for use in coming year	(4,728,618)	(5,769,523)
Donor-restricted contributions not expected to be used in coming year	(483,256)	(247,499)
Board-designated funds for operating reserves not approved for use in coming year	(765,000)	(715,000)
Total financial assets available for general expenditure	$ 3,457,661	$ 4,879,269

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 contract and service fees 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 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 2023.

MHA received financial relief of approximately $849,000 under the Small Business Administration's Paycheck Protection Program (PPP), including the Second Draw PPP. MHA met the eligibility requirements for forgiveness for both loans and recognized the government grant revenue in fiscal year 2021. Additionally, MHA qualified to receive Employee Retention Tax Credits under the CARES Act. During fiscal year 2021, MHA recognized government grant revenue of approximately $194,000 related to such credits.

NOTE 3 – CONTRIBUTIONS AND GOVERNMENT GRANT RECEIVABLE

Contributions receivable are as follows:

	2022	2021
Contributions receivable	$ 430,496	$ 397,301
Discount to net present value at 1.26%		(4,345)
Contributions receivable, net	$ 430,496	$ 392,956

Contributions receivable at December 31, 2022 are expected to be collected within one year.

Approximately 94% and 88% of contributions receivable are due from four and one donors for the years ended December 31, 2022 and 2021, respectively. Approximately 40% and 65% of contributions were received from one and two donors in fiscal years 2022 and 2021, respectively.

NOTE 4 – 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, 2022 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments:				
Common stocks:				
Technology and communications	$ 1,023,658			$ 1,023,658
Consumer goods and services	566,488			566,488
Industrial goods and services	474,315			474,315
Financial industry	413,226			413,226
Healthcare	405,994			405,994
Energy and related industries	279,811			279,811
Materials	87,535			87,535
Real estate	31,991			31,991
Negotiable certificates of deposit		$ 2,434,682		2,434,682
Corporate bonds		1,295,809		1,295,809
U. S. Treasury notes	166,264			166,264
Equity mutual funds	68,447			68,447
Total assets measured at fair value	$ 3,517,729	$ 3,730,491	$ 0	7,248,220
Cash				82,849
Total investments				$ 7,331,069

Assets measured at fair value at December 31, 2021 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments:				
Common stocks:				
Technology and communications	$ 1,510,454			$ 1,510,454
Consumer goods and services	790,174			790,174
Industrial goods and services	540,348			540,348
Financial industry	520,607			520,607
Healthcare	459,956			459,956
Energy and related industries	166,291			166,291
Materials	124,198			124,198
Real estate	44,168			44,168
Negotiable certificates of deposit		$ 2,040,569		2,040,569
Corporate bonds		1,393,078		1,393,078
U. S. Treasury notes	268,741			268,741
Equity mutual funds	83,871			83,871
Total assets measured at fair value	$ 4,508,808	$ 3,433,647	$ 0	7,942,455
Cash				33,236
Total investments				$ 7,975,691

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

- *Common 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 5 – PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

	2022	2021
Office furniture and equipment	$ 184,842	$ 183,115
Leasehold improvements	84,701	84,701
Artwork	12,850	12,850
Total property and equipment	282,393	280,666
Accumulated depreciation	(247,178)	(216,580)
Property and equipment, net	$ 35,215	$ 64,086

NOTE 6 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	2022	2021
Undesignated	$ 1,780,708	$ 2,015,861
Board-designated operating reserve	765,000	715,000
Total net assets without donor restrictions	$ 2,545,708	$ 2,730,861

MHA's 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 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	2022	2021
Subject to expenditure for specified purpose:		
Program activities	$ 1,882,906	$ 2,669,898
Endowments subject to spending policy and appropriation:		
Swalm Center for Community Action	4,010,717	4,906,950
Maureen Hackett Endowed Fund for Public Policy	503,451	586,485
General endowment	414,450	473,088
Total endowments	4,928,618	5,966,523
Total net assets with donor restrictions	$ 6,811,524	$ 8,636,421

NOTE 8 – 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 Trustees 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, 2022 or 2021.

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 reviews 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 MHA of Greater Houston.

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, 2020	$ 1,780,712	$ 3,449,514	$ 5,230,226
Contributions		16,000	16,000
Net investment return	912,689		912,689
Distributions	(192,392)		(192,392)
Endowment net assets, December 31, 2021	2,501,009	3,465,514	5,966,523
Contributions		16,000	16,000
Net investment return	(849,303)		(849,303)
Distributions	(204,602)		(204,602)
Endowment net assets, December 31, 2022	$ 1,447,104	$ 3,481,514	$ 4,928,618

NOTE 9 – 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 $152,770 and $144,469 for years ended December 31, 2022 and 2021, respectively.

NOTE 10 – LEASE AGREEMENTS

MHA has long-term leases for office space and equipment from unrelated parties under operating lease agreements. At December 31, 2022, operating lease right-of-use assets and lease liabilities included real estate lease for office space in Houston and copier equipment. Right-of-use assets are recognized at the present value of the lease payments at the inception of the lease adjusted, as appropriate, for certain other payments and allowances related to obtaining the lease and placing the asset in service. Operating lease right-of-use assets are amortized so that lease costs remain constant over the lease term.

The components of lease cost for the year ended December 31, 2022 are as follows:

Operating lease cost	$ 188,187
Total lease cost	$ 188,187

Lease costs recognized during the year ended December 31, 2021, prior to the adoption of the new accounting standard was $206,394.

Cash paid for amounts included in the measurement of lease liabilities during the year ended December 31, 2022:

Operating cash flows for operating leases	$217,690

The weighted-average term and discount rates for operating leases outstanding as of December 31, 2022:

Weighted-average remaining lease term	7 months
Risk-free discount rate	1.26%

Undiscounted cash flows related to operating lease liabilities as of December 31, 2022 are as follows:

2023	$ 131,103
Total undiscounted cash flows	131,103
Less present value discount	(2,016)
Total present value of lease liabilities	$ 129,087

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 24, 2023, 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, 2022

	MHA OF GREATER HOUSTON	FOUNDATION	TOTAL
ASSETS			
Cash	$ 1,614,785	$ 20,150	$ 1,634,935
Accounts receivable	19,087		19,087
Accrued interest receivable	6,867	12,081	18,948
Contributions receivable, net	430,496		430,496
Investments	2,434,682	4,896,387	7,331,069
Other assets	7,241		7,241
Operating lease right-of-use assets, net	129,087		129,087
Property and equipment, net	35,215		35,215
TOTAL ASSETS	$ 4,677,460	$ 4,928,618	$ 9,606,078
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable and accrued expenses	$ 118,459		$ 118,459
Contract advance	1,300		1,300
Operating lease liabilities	129,087		129,087
Total liabilities	248,846		248,846
Net assets:			
Without donor restrictions	2,545,708		2,545,708
With donor restrictions	1,882,906	$ 4,928,618	6,811,524
Total net assets	4,428,614	4,928,618	9,357,232
TOTAL LIABILITIES AND NET ASSETS	$ 4,677,460	$ 4,928,618	$ 9,606,078

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

Supplemental Consolidating Statement of Financial Position as of December 31, 2021

	MHA OF GREATER HOUSTON	FOUNDATION	TOTAL
ASSETS			
Cash	$ 2,981,891	$ 19,149	$ 3,001,040
Accounts receivable	31,778		31,778
Accrued interest receivable	3,721	11,252	14,973
Contributions receivable, net	391,956	1,000	392,956
Government grant receivable	194,853		194,853
Investments	2,040,569	5,935,122	7,975,691
Other assets	17,316		17,316
Property and equipment, net	64,086		64,086
TOTAL ASSETS	$ 5,726,170	$ 5,966,523	$ 11,692,693
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable and accrued expenses	$ 161,461		$ 161,461
Contract advance	1,700		1,700
Refundable advance – special event revenue	162,250		162,250
Total liabilities	325,411		325,411
Net assets:			
Without donor restrictions	2,730,861		2,730,861
With donor restrictions	2,669,898	$ 5,966,523	8,636,421
Total net assets	5,400,759	5,966,523	11,367,282
TOTAL LIABILITIES AND NET ASSETS	$ 5,726,170	$ 5,966,523	$ 11,692,693

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, 2022

	MHA OF GREATER HOUSTON	FOUNDATION	ELIMINATIONS	TOTAL
REVENUE:				
Contributions	$ 1,855,401	$ 16,000	$ (197,000)	$ 1,674,401
Government grants	430,431			430,431
Special events	184,050			184,050
Direct donor benefit costs of special events	(25,855)			(25,855)
Government service contract fees	99,286			99,286
Program service fees	45,221			45,221
Net investment return	(103,247)	(849,303)		(952,550)
Total revenue	2,485,287	(833,303)	(197,000)	1,454,984
EXPENSES:				
Program services	2,608,808	197,000	(197,000)	2,608,808
Management and general	549,010	7,602		556,612
Fundraising	330,014			330,014
Total expenses	3,487,832	204,602	(197,000)	3,495,434
CHANGES IN NET ASSETS	(1,002,545)	(1,037,905)	0	(2,040,450)
Net assets, beginning of year	5,400,759	5,966,523		11,367,282
Cumulative effect of new lease accounting standard *(Note 10)*	30,400			30,400
Net assets, end of year	$ 4,428,614	$ 4,928,618	$ 0	$ 9,357,232

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, 2021

	MHA OF GREATER HOUSTON	FOUNDATION	ELIMINATIONS	TOTAL
REVENUE:				
Contributions	$ 3,332,175	$ 16,000	$ (185,000)	$ 3,163,175
Government grants	1,173,581			1,173,581
United Way contributions	90,280			90,280
Government service contract fees	99,286			99,286
Program service fees	111,136			111,136
Net investment return	(17,699)	912,689		894,990
Total revenue	4,788,759	928,689	(185,000)	5,532,448
EXPENSES:				
Program services	2,722,227	185,000	(185,000)	2,722,227
Management and general	622,774	7,392		630,166
Fundraising	312,699			312,699
Total expenses	3,657,700	192,392	(185,000)	3,665,092
CHANGES IN NET ASSETS	1,131,059	736,297	0	1,867,356
Net assets, beginning of year	4,269,700	5,230,226		9,499,926
Net assets, end of year	$ 5,400,759	$ 5,966,523	$ 0	$ 11,367,282