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, 2023 and 2022

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.:

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. (MHA), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, 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 MHA as of December 31, 2023 and 2022, 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 MHA 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 MHA'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 MHA'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 MHA'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, 2023 and 2022 and the supplemental consolidating statements of activities for the years ended December 31, 2023 and 2022 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 22, 2024

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

Consolidated Statements of Financial Position as of December 31, 2023 and 2022

	2023	2022
ASSETS		
Cash	$ 1,187,007	$ 1,634,935
Accounts receivable	13,271	19,087
Accrued interest receivable	21,723	18,948
Contributions receivable *(Note 3)*	67,274	430,496
Operating investments *(Note 4)*	2,642,034	2,434,682
Other assets	11,505	7,241
Operating lease right-of-use assets, net *(Note 10)*	602,109	129,087
Endowment investments *(Note 4)*	5,412,476	4,896,387
Property and equipment, net *(Note 5)*	18,162	35,215
TOTAL ASSETS	$ 9,975,561	$ 9,606,078
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 115,252	$ 118,459
Contract advance	1,350	1,300
Refundable advance – special events revenue	50,000	
Operating lease liabilities *(Note 10)*	623,498	129,087
Total liabilities	790,100	248,846
Net assets:		
Without donor restrictions *(Note 6)*	2,744,556	2,545,708
With donor restrictions *(Notes 7 and 8)*	6,440,905	6,811,524
Total net assets	9,185,461	9,357,232
TOTAL LIABILITIES AND NET ASSETS	$ 9,975,561	$ 9,606,078

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, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions *(Note 3)*	$ 134,368	$ 1,434,894	$ 1,569,262
Government grants		215,909	215,909
Special events	230,274		230,274
Direct donor benefit costs of special events	(34,782)		(34,782)
Government service contract fees	99,286		99,286
Program service fees	82,154		82,154
Net investment return	149,085	706,820	855,905
Total revenue	660,385	2,357,623	3,018,008
Net assets released from restrictions:			
Program expenditures	2,728,242	(2,728,242)	
Total	3,388,627	(370,619)	3,018,008
EXPENSES:			
Program services	2,290,363		2,290,363
Management and general	562,068		562,068
Fundraising	337,348		337,348
Total expenses	3,189,779		3,189,779
CHANGES IN NET ASSETS	198,848	(370,619)	(171,771)
Net assets, beginning of year	2,545,708	6,811,524	9,357,232
Net assets, end of year	$ 2,744,556	$ 6,440,905	$ 9,185,461

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 Statements of Cash Flows for the years ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ (171,771)	$ (2,040,450)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Contributions restricted for endowment	(16,575)	(16,000)
Amortization of operating right-of-use assets	216,620	214,413
Depreciation	19,431	33,199
Net realized and unrealized (gain) loss on investments	(625,203)	924,432
Changes in operating assets and liabilities:		
Accounts receivable	5,816	12,691
Accrued interest receivable	(2,775)	(3,975)
Contributions receivable	363,222	(38,540)
Government grant receivable		194,853
Other assets	(4,264)	10,075
Accounts payable and accrued expenses	(3,207)	(12,602)
Contract advance	50	(400)
Refundable advance – special event revenue	50,000	(162,250)
Operating lease liabilities	(195,231)	(214,413)
Net cash used by operating activities	(363,887)	(1,098,967)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	1,062,800	692,580
Purchases of investments	(940,441)	(528,664)
Net change in cash held as investments	(13,630)	(49,613)
Net change in certificates of deposit	(206,967)	(394,113)
Purchases of furniture and equipment	(2,378)	(4,328)
Net cash used by investing activities	(100,616)	(284,138)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for endowment	16,575	17,000
NET CHANGE IN CASH	(447,928)	(1,366,105)
Cash, beginning of year	1,634,935	3,001,040
Cash, end of year	$ 1,187,007	$ 1,634,935

Supplemental disclosure of cash flow information:

Operating lease right-of-use assets financed by new lease liabilities	$689,642	$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, 2023

EXPENSES	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries	$ 1,495,319	$ 393,210	$ 222,383	$ 2,110,912
Employee benefits	197,523	51,941	29,375	278,839
Payroll taxes and related costs	122,359	32,175	18,197	172,731
Total salaries and related costs	1,815,201	477,326	269,955	2,562,482
Professional fees and contract services	232,823	34,715	12,273	279,811
Occupancy	116,704	22,542	14,838	154,084
Equipment and software expense	25,042	11,299	6,441	42,782
Conferences and meetings	18,382	826	4,790	23,998
Printing and publications	10,538	465	10,715	21,718
Depreciation	14,717	2,843	1,871	19,431
Grants	15,000			15,000
Telephone	11,379	1,223	1,020	13,622
Transportation	10,628	109	1,246	11,983
Membership dues	6,794	2,221	610	9,625
Supplies	4,277	1,380	1,365	7,022
Postage and shipping	210	302	3,767	4,279
Other	8,668	6,817	8,457	23,942
Total expenses	$ 2,290,363	$ 562,068	$ 337,348	3,189,779
Direct donor benefit costs of special events				34,782
Total				$ 3,224,561

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
Equipment and software expense	29,125	15,702	16,971	61,798
Conferences and meetings	30,725	1,808	5,303	37,836
Printing and publications	20,714	676	8,976	30,366
Depreciation	26,377	4,091	2,731	33,199
Grants	105,000			105,000
Telephone	9,120	1,139	870	11,129
Transportation	13,487	114	455	14,056
Membership dues	3,781	2,033	605	6,419
Supplies	8,771	1,360	908	11,039
Postage and shipping	2,455	394	3,879	6,728
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.

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 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.

Right-of-use assets are recognized at the present value of the lease payments at 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. MHA utilizes the risk-free discount rate when the rate implicit in a lease is not readily determinable. MHA elected to separate the lease components and the non-lease components for equipment leases.

MHA has elected to not apply the recognition requirements of the lease standard to short-term leases, leases with a term of 12 months or less at inception. Instead, the leases are recognized as expense on a straight-line basis over the lease term.

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

Government service contract fees and 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, 2023, 2022, and 2021 were $1,350, $1,300 and $1,700, respectively. Accounts receivable at December 31, 2023, 2022, and 2021 were $13,271, $19,087 and $31,778, 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.

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:

	2023	2022
Financial assets:		
Cash	$ 1,187,007	$ 1,634,935
Accounts receivable	13,271	19,087
Accrued interest receivable	21,723	18,948
Contributions receivable	67,274	430,496
Investments	8,054,510	7,331,069
Total financial assets	9,343,785	9,434,535
Less financial assets not available for general expenditure:		
Donor-restricted endowment assets not approved for use in coming year	(5,243,747)	(4,728,618)
Donor-restricted contributions not expected to be used in coming year	(127,609)	(483,256)
Board-designated funds for operating reserves not approved for use in coming year	(765,000)	(765,000)
Total financial assets available for general expenditure	$ 3,207,429	$ 3,457,661

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 2024.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2023 and 2022 are $67,274 and $430,496, respectively. Contributions receivable at December 31, 2023 are expected to be collected within one year.

Approximately 99% and 94% of contributions receivable are due from two and four donors for the years ended December 31, 2023 and 2022, respectively. Approximately 59% and 46% of contributions were received from three and two donors in fiscal years 2023 and 2022, 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, 2023 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments:				
Common stocks:				
Technology and communications	$ 1,323,737			$ 1,323,737
Consumer goods and services	596,876			596,876
Industrial goods and services	530,499			530,499
Financial industry	512,866			512,866
Healthcare	376,547			376,547
Energy and related industries	303,076			303,076
Materials	90,504			90,504
Real estate	28,064			28,064
Negotiable certificates of deposit		$ 2,641,649		2,641,649
Corporate bonds		1,328,719		1,328,719
U. S. Treasury notes	113,772			113,772
Exchange-traded funds	111,722			111,722
Total assets measured at fair value	$ 3,987,663	$ 3,970,368	$ 0	7,958,031
Cash				96,479
Total investments				$ 8,054,510

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

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

- *Common stocks* and *exchange-traded funds* 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:

	2023	2022
Office furniture and equipment	$ 148,158	$ 184,842
Leasehold improvements	84,701	84,701
Artwork	12,850	12,850
Total property and equipment	245,709	282,393
Accumulated depreciation	(227,547)	(247,178)
Property and equipment, net	$ 18,162	$ 35,215

NOTE 6 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	2023	2022
Undesignated	$ 1,979,556	$ 1,780,708
Board-designated operating reserve	765,000	765,000
Total net assets without donor restrictions	$ 2,744,556	$ 2,545,708

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:

	2023	2022
Subject to expenditure for specified purpose:		
Program activities	$ 997,157	$ 1,882,906
Endowments subject to spending policy and appropriation:		
Swalm Center for Community Action	4,383,807	4,010,717
Maureen Hackett Endowed Fund for Public Policy	577,131	503,451
General endowment	482,810	414,450
Total endowments	5,443,748	4,928,618
Total net assets with donor restrictions	$ 6,440,905	$ 6,811,524

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, 2023 or 2022.

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, 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
Contributions		16,575	16,575
Net investment return	706,820		706,820
Distributions	(208,265)		(208,265)
Endowment net assets, December 31, 2023	$ 1,945,659	$ 3,498,089	$ 5,443,748

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 $142,647 and $152,770 for years ended December 31, 2023 and 2022, respectively.

NOTE 10 – LEASE AGREEMENTS

MHA has long-term leases for office space and equipment from unrelated parties under operating lease agreements. Operating lease costs for the years ended December 31, 2023 and 2022 are:

Operating lease costs	$ 150,870	$ 188,187
Short-term lease costs	1,080	866
Total lease costs	$ 151,950	$ 189,053

Cash paid for amounts included in the measurement of operating lease liabilities during the years ended December 31, 2023 and 2022 are $140,260 and $217,690, respectively.

The weighted-average term and discount rates for operating leases outstanding as of December 31, 2023 and 2022:

	2023	2022
Weighted-average remaining lease term	57 months	7 months
Weighted-average discount rate	3.57%	1.26%

Undiscounted cash flows related to operating lease liabilities at December 31, 2023 are as follows:

2024	$ 78,451
2025	169,623
2026	129,919
2027	174,769
2028	132,731
Total undiscounted cash flows	685,493
Less present value discount	(61,995)
Total present value of lease liabilities	$ 623,498

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 22, 2024, 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, 2023

	MHA OF GREATER HOUSTON	FOUNDATION	TOTAL
ASSETS			
Cash	$ 1,166,262	$ 20,745	$ 1,187,007
Accounts receivable	13,271		13,271
Accrued interest receivable	11,196	10,527	21,723
Contributions receivable	67,274		67,274
Other investments	2,642,034		2,642,034
Other assets	11,505		11,505
Operating lease right-of-use assets, net	602,109		602,109
Endowment investments		5,412,476	5,412,476
Property and equipment, net	18,162		18,162
TOTAL ASSETS	$ 4,531,813	$ 5,443,748	$ 9,975,561
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable and accrued expenses	$ 115,252		$ 115,252
Contract advance	1,350		1,350
Refundable advance – special events revenue	50,000		50,000
Operating lease liabilities	623,498		623,498
Total liabilities	790,100		790,100
Net assets:			
Without donor restrictions	2,744,556		2,744,556
With donor restrictions	997,157	$ 5,443,748	6,440,905
Total net assets	3,741,713	5,443,748	9,185,461
TOTAL LIABILITIES AND NET ASSETS	$ 4,531,813	$ 5,443,748	$ 9,975,561

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	430,496		430,496
Other investments	2,434,682		2,434,682
Other assets	7,241		7,241
Operating lease right-of-use assets, net	129,087		129,087
Endowment investments		4,896,387	4,896,387
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 Activities for the year ended December 31, 2023

	MHA OF GREATER HOUSTON	FOUNDATION	ELIMINATIONS	TOTAL
REVENUE:				
Contributions	$ 1,752,687	$ 16,575	$ (200,000)	$ 1,569,262
Government grants	215,909			215,909
Special events	230,274			230,274
Direct donor benefit costs of special events	(34,782)			(34,782)
Government service contract fees	99,286			99,286
Program service fees	82,154			82,154
Net investment return	149,085	706,820		855,905
Total revenue	2,494,613	723,395	(200,000)	3,018,008
EXPENSES:				
Program services	2,290,363	200,000	(200,000)	2,290,363
Management and general	553,803	8,265		562,068
Fundraising	337,348			337,348
Total expenses	3,181,514	208,265	(200,000)	3,189,779
CHANGES IN NET ASSETS	(686,901)	515,130	0	(171,771)
Net assets, beginning of year	4,428,614	4,928,618	0	9,357,232
Net assets, end of year	$ 3,741,713	$ 5,443,748	$ 0	$ 9,185,461

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	30,400			30,400
Net assets, end of year	$ 4,428,614	$ 4,928,618	$ 0	$ 9,357,232