Mental Health America, Inc.

Financial Report
December 31, 2019

Contents

Independent Auditor's Report

Executive Committee of the Board of Directors
Mental Health America, Inc.

Report on the Financial Statements
We have audited the accompanying financial statements of Mental Health America, Inc. (MHA), which comprise the statement of financial position as of December 31, 2019, the related statements of activities, functional expenses and cash flows for the year 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 auditor's 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 financial position of Mental Health America, Inc. as of December 31, 2019, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited MHA's December 31, 2018, financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

McLean, Virginia
July 22, 2020

Mental Health America, Inc.

Statement of Financial Position
December 31, 2019
(With Comparative Totals for 2018)

	2019	2018
Assets		
Cash and cash equivalents	$ 1,367,082	$ 738,138
Investments	3,830,578	3,052,584
Receivables, net	794,029	1,054,398
Prepaid expenses	93,509	79,155
Inventory	58,691	53,225
Property and equipment, net	649,222	617,291
Other assets	2,911	-
	$ 6,796,022	$ 5,594,791
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 158,282	$ 105,315
Deferred revenue	86,742	20,600
Capital lease obligations	81,068	56,223
Deferred rent and incentives	555,725	605,343
Deferred compensation	143,466	125,506
Total liabilities	1,025,283	912,987
Commitments (Note 10)		
Net assets:		
Without donor restrictions		
Undesignated	700,752	430,951
Board designated	3,146,678	2,284,026
	3,847,430	2,714,977
With donor restrictions	1,923,309	1,966,827
	5,770,739	4,681,804
	$ 6,796,022	$ 5,594,791

See notes to financial statements.

Mental Health America, Inc.

Statement of Activities
Year Ended December 31, 2019
(With Comparative Totals for 2018)

	2019			
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	2018 Total
Support and revenue:				
Nonfederal contributions	**$ 2,070,069**	**$ 1,701,629**	**$ 3,771,698**	$ 3,488,111
Contracts and exchange transactions	**348,729**	**-**	**348,729**	100,900
Affiliates dues	**218,606**	**-**	**218,606**	237,279
In-kind contributions	**80,821**	**-**	**80,821**	52,952
Federal contracts and grants	**107,932**	**-**	**107,932**	88,516
Royalties	**95,550**	**-**	**95,550**	183,398
Conference registrations	**184,680**	**-**	**184,680**	130,471
Combined federal campaign	**30,663**	**-**	**30,663**	36,899
Product and other sales	**299,915**	**-**	**299,915**	222,959
Investment income (loss), net	**368,568**	**59,857**	**428,425**	(150,884)
Net assets released from restrictions	**1,805,004**	**(1,805,004)**	**-**	-
Total support and revenue	**5,610,537**	**(43,518)**	**5,567,019**	4,390,601
Expenses:				
Program services:				
Public education, policy and advocacy	**1,608,024**	**-**	**1,608,024**	1,272,478
Constituency services	**1,079,134**	**-**	**1,079,134**	971,997
Mental health programs and services	**960,820**	**-**	**960,820**	929,565
Total program services	**3,647,978**	**-**	**3,647,978**	3,174,040
Supporting services:				
Management and general	**453,725**	**-**	**453,725**	456,821
Fundraising	**376,381**	**-**	**376,381**	376,110
Total expenses	**4,478,084**	**-**	**4,478,084**	4,006,971
Change in net assets	**1,132,453**	**(43,518)**	**1,088,935**	383,630
Net assets:				
Beginning	**2,714,977**	**1,966,827**	**4,681,804**	4,298,174
Ending	**$ 3,847,430**	**$ 1,923,309**	**$ 5,770,739**	$ 4,681,804

See notes to financial statements.

Mental Health America, Inc.

Statement of Functional Expenses
Year Ended December 31, 2019
(With Comparative Totals for 2018)

	Program Services				Supporting Services			
	Public Education, Policy and Advocacy	Constituency Services	Mental Health Programs and Services	Total Program Services	Management and General	Fundraising	2019 Total	2018 Total
Salaries and benefits	$ 937,681	$ 475,922	$ 671,630	$ 2,085,233	$ 288,328	$ 261,547	$ 2,635,108	$ 2,292,169
Operating fees	38,691	12,916	21,226	72,833	11,792	6,289	90,914	84,884
Professional fees and contracts service payments	74,265	50,378	71,210	195,853	40,207	20,173	256,233	300,606
Communications	21,424	7,409	15,112	43,945	7,550	4,332	55,827	57,764
Postage and shipping	53,556	5,892	599	60,047	4,273	1,044	65,364	46,983
Occupancy	83,815	26,489	59,562	169,866	33,163	17,659	220,688	214,136
Printing and design	104,511	24,274	2,303	131,088	1,437	611	133,136	83,469
Conference and meetings	71,139	349,449	5,065	425,653	23,760	11,955	461,368	370,374
Travel	33,732	77,292	29,110	140,134	3,985	9,574	153,693	119,196
Subscriptions and dues	26,976	7,440	14,360	48,776	7,093	17,027	72,896	65,201
Grants (refunds of grants)	72,341	7,000	(1,495)	77,846	-	-	77,846	118,217
Office supplies and activities	15,309	10,832	11,141	37,282	5,181	8,206	50,669	46,549
In-kind expenses	27,646	9,019	27,646	64,311	8,428	8,082	80,821	52,952
Depreciation and amortization	46,938	14,822	33,351	95,111	18,528	9,882	123,521	133,471
Bad debt expense	-	-	-	-	-	-	-	21,000
Total	$ 1,608,024	$ 1,079,134	$ 960,820	$ 3,647,978	$ 453,725	$ 376,381	$ 4,478,084	$ 4,006,971

See notes to financial statements.

Mental Health America, Inc.

Statement of Cash Flows
Year Ended December 31, 2019
(With Comparative Totals for 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	**$ 1,088,935**	$ 383,630
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**123,521**	133,471
Change in allowance for doubtful accounts	**3,306**	8,564
Unrealized and realized (gain) loss on investments, net	**(354,765)**	231,692
Deferred rent and incentives	**(49,618)**	(43,576)
Loss on disposal of property and equipment	**14,690**	2,953
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	**257,063**	(158,260)
Prepaid expenses	**(14,354)**	5,625
Inventory	**(5,466)**	(10,661)
Other assets	**(2,911)**	-
Increase (decrease) in:		
Accounts payable and accrued expenses	**52,967**	(20,440)
Deferred revenue	**66,142**	11,765
Deferred compensation	**17,960**	(3,262)
Net cash provided by operating activities	**1,197,470**	541,501
Cash flows from investing activities:		
Proceeds from sales of investments	**29,990**	30,961
Purchases of investments	**(453,219)**	(296,692)
Purchases of property and equipment	**(104,542)**	(15,832)
Net cash used in investing activities	**(527,771)**	(281,563)
Cash flows from financing activities:		
Principal payments on capital lease obligations	**(40,755)**	(36,181)
Net cash used in financing activities	**(40,755)**	(36,181)
Net increase in cash and cash equivalents	**628,944**	223,757
Cash and cash equivalents:		
Beginning	**738,138**	514,381
Ending	**$ 1,367,082**	$ 738,138
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	**$ 2,424**	$ 1,132
Cash paid during the year for taxes	**$ 4,074**	$ 5,600
Supplemental schedule of noncash financing and investment activities:		
Acquisition of property and equipment through capital lease obligation	**$ 65,600**	$ -

See notes to financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Mental Health America, Inc. (MHA) was founded in 1909 and is the nation's leading community-based nonprofit dedicated to helping all Americans achieve wellness by living mentally healthier lives. MHA's work is driven by its commitment to promote mental health as a critical part of overall wellness, including prevention services for all, early identification and intervention for those at risk and integrated care and treatment for those who need it, with recovery as the goal.

A summary of MHA's significant accounting policies follows:

Basis of accounting: The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby unconditional support is recognized when notification of the contribution is received, revenue is recognized when earned and expenses are recognized when incurred.

Adoption of recent accounting pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in generally accepted accounting principles in the United States of America (U.S. GAAP). ASU 2014-09 also requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. MHA adopted this guidance effective for the year ended December 31, 2019, using the modified retrospective with cumulative-effect transition method that is applied to all agreements and contracts as of January 1, 2019. The adoption did not have a material effect on the financial statements for the year ended December 31, 2019. Refer to the "Support and Revenue" portion of this note for enhanced disclosures.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarified the guidance used by entities other than not-for-profits to identify and account for contributions made. This standard was adopted by MHA for the year ended December 31, 2019, using the modified prospective transition method. The adoption did not have a material effect on the financial statements for the year ended December 31, 2019.

Basis of presentation: The financial statement presentation follows the recommendations of the FASB Accounting Standards Codification (ASC). As required by the Not-For-Profit Entities Topic of the FASB ASC, MHA is required to report information regarding its financial position and activities according to two classes of net assets: those without donor restrictions and those with donor restrictions.

Affiliates: Each of the mental health associations affiliated with MHA elects its own Board of Directors, conducts service programs independent of MHA and maintains its own financial accounts. Accordingly, due to lack of control, the financial statements of MHA do not include the accounts and activities of these affiliated organizations. MHA made grants to and received dues from affiliates, which totaled $77,846 and $218,606, respectively, for the year ended December 31, 2019.

Cash and cash equivalents: For purposes of reporting cash flows, MHA considers all highly liquid securities with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents included in the investment portfolio are considered investments.

Financial risk: MHA maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. MHA has not experienced any losses in such accounts.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

MHA invests in a professionally managed portfolio that contains mutual funds. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Receivables: Receivables are carried at original invoice amounts less an estimate for doubtful receivables based on an annual review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. At December 31, 2019, management has established an allowance for doubtful accounts of $17,356.

Promises to give are recognized when the donor makes a written promise to give to MHA that is, in substance, unconditional. Management determines the allowance for doubtful promises by regularly evaluating individual promises to give and considering prior history of donor and proven collectability of past donations. Promises to give are written off when deemed uncollectible. Recoveries of promises to give previously written off are recorded when received. Management has determined promises to give were fully collectible and no provision for doubtful promises to give was necessary. Promises to give due in greater than a year are carried at net present value.

Bequests are recognized in the year the promise to give becomes unconditional, which is at the time the probate court declares the will valid and the proceeds are measurable in amount.

Inventory: Inventory is stated at cost determined on a first-in, first-out (FIFO) basis, or net realizable value and consists of publications on hand at the end of the year. Management periodically reviews inventory for obsolete publications. Management has determined no reserve for obsolete inventory was required at December 31, 2019.

Investments: Investments with readily determinable fair values are reflected at fair value. To adjust the carrying value of these investments, the change in fair value is charged or credited to current operations.

Property and equipment: MHA capitalizes all property and equipment purchased with a cost of $1,000 or more. Property and equipment are stated at cost and are being depreciated on a straight-line basis over the estimated useful lives of the assets, ranging from three to five years. Leasehold improvements are amortized over the shorter of the remaining lease term or the estimated useful lives of the improvements.

Valuation of long-lived assets: MHA requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. MHA had no impairments of long-lived assets during the year ended December 31, 2019.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Deferred rent: MHA has a lease agreement for rental space in Alexandria, Virginia. Rent expense is being recognized on a straight-line basis over the life of the lease. The difference between rent expense recognized and rental payments, as stipulated in the lease, is reflected as deferred rent in the statement of financial position. In addition, rent abatement was provided, as well as a tenant improvement allowance for leasehold improvements. The abatement and improvement allowance are also being recognized on a straight-line basis over the life of the lease agreement.

Classification of net assets: The net assets of MHA are reported according to the following classes of net assets:

Net assets without donor restrictions represent the portion of expendable funds that are available for support of MHA's operations. It also includes the net assets of the reserve fund, net property and equipment and the Jo Blaylock Memorial Fund, all of which have been designated by the Board of Directors (see Note 8).

Net assets with donor restrictions represent the portion of net assets that are subject to donor-imposed restrictions that will be met by the passage of time or other events specified by the donor, or those that require resources to be maintained in perpetuity and that only the earnings on such amounts be used in the manner specified by the donor, which includes endowment funds. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Support and revenue: Unconditional contributions, including combined federal campaign, are recognized when received. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions that are designated for future periods or restricted by the donor for specific purposes are reported as donor restricted contributions based on the nature of the restriction. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), donor restricted net assets are reclassified to without donor restricted net assets and reported in the statements of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same year are shown as without donor restrictions. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed based on market trends for interest rates applicable to the years in which the promises are received.

Revenue from contracts with customers is derived primarily from affiliate dues, royalties, conference registrations, and product and other sales.

Exchange contracts are placed into deferred revenue at time of cash receipt and recorded to revenue as the performance obligation is satisfied. Affiliate dues are billed at the beginning of the year. In exchange for their dues, MHA's performance obligation is to provide training, toolkits, and technical assistance to these affiliates on issues including, but not limited to, implementation of the Affordable Care Act, mental health parity advocacy, and public education about mental health issues and wellness strategies. Revenue from affiliate dues is recorded ratably over the applicable membership period, which is the calendar year. Amounts received in advance, if any, are recorded as deferred revenue. Affiliate dues provide economic as well as other benefits to affiliates and are therefore accounted for as exchange transactions rather than as contributions. MHA's performance obligations are available and consumed throughout the membership period and therefore recognized over time.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Royalty revenues are related to interest in oil mineral rights contributed by various oil companies in previous years. Revenue is recognized at a point in time when the new rights are discovered and production during the year. MHA receives monthly statements detailing royalty received based on stated rates.

Conference registrations are recognized over time when the conferences are held and performance obligations satisfied.

Product and other sales revenue is recognized at a point in time when the product is shipped to the buyer.

There are no rights of return or refunds for any revenue streams. Payments from contracts with customers are typically due upon receipt of invoice by the customer. MHA did not have any impairment or credit losses on any receivables or contract assets arising from contracts with customers. There are also no incremental costs of obtaining a contract and no significant financing components. Finally, there are no significant changes in the judgements affecting the determination of the amount and timing of revenue from contracts with customers. The level of revenue generated through contracts with customers can fluctuate due to overall economic factors.

In-kind contributions: Donated materials, services and facilities are received from private donors and recorded as in-kind contributions at the estimated fair value as of the date of the donation. In-kind contributions for the year ended December 31, 2019, are $80,821.

Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on direct costs.

Direct costs associated with specific programs are recorded as program expenses. Fringe benefits are pooled and allocated based on salaries and programmatic time codes charged in timesheets. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but that provide for the overall support and direction of MHA and are allocated based on management's assessment of employee work.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recent accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. MHA is currently evaluating the impact of the adoption of this guidance on the financial statements.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Income taxes: MHA is generally exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (IRC). In addition, MHA qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Business income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. MHA had no net unrelated business income for the year ended December 31, 2019.

Management evaluated MHA’s tax positions and concluded that MHA had taken no uncertain tax positions that require adjustment to the financial statements. Generally, MHA is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2016.

Prior year information: The financial statements include certain prior year summarized comparative information in total but not by net asset class or function. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with MHA’s financial statements for the year ended December 31, 2018, from which the summarized comparative information was derived.

Reclassifications: Certain reclassifications were made to the 2018 financial statements to conform to the 2019 presentation. These reclassifications have no effect on previously reported net assets or change in net assets.

Subsequent events: MHA evaluated subsequent events through July 22, 2020, which is the date the financial statements were available to be issued.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a Public Health Emergency of International Concern and on March 11, 2020, declared it to be a pandemic. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area and sectors in which MHA operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for businesses affected by the coronavirus pandemic.

As part of the CARES Act, MHA applied and was approved for a loan of $432,438 through the Small Business Administration (SBA) Paycheck Protection Program (PPP).

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to MHA. The extent of the impact of COVID-19 on MHA’s operations and financial performance are uncertain and cannot be predicted. Management is continually monitoring the impact of COVID-19.

Note 2. Liquidity

MHA regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. As of December 31, 2019, the following financial assets are available to meet annual operating needs of the 2020 fiscal year:

Cash and cash equivalents	$	1,367,082
Investments		3,830,578
Receivables, net		794,029
Total financial assets		5,991,689
Less assets with donor restrictions		1,523,309
Less deferred compensation cash and investments		143,466
Less long term receivables		400,000
Less assets with Board designations		3,146,678
Financial assets available for general expenditure in 2020	$	778,236

MHA manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability.
- Maintaining a sufficient level of asset liquidity.
- Monitoring and maintaining reserves to provide reasonable assurance that long-term commitments and obligations related to donor restrictions will continue to be met.

MHA receives donor restricted promises to give from time to time, which are not available for general expenditures. MHA's Board of Directors has also designated funds for an operating reserve in the event of unforeseen revenue shortfalls. These Board designated funds are not immediately available to cover general expenditures unless approved by the Board of Directors upon management's request in the event of unforeseen circumstances.

Note 3. Receivables

Receivables at December 31, 2019, consist of the following:

Contracts, sales and other	$	236,543
Promise to give		600,000
		836,543
Less allowance for doubtful accounts		17,356
Less present value discount		25,158
	$	794,029

At December 31, 2019, the promise to give is from one donor. MHA expects to receive the remainder in equal annual payments of $100,000 through the year ending December 31, 2024, for which MHA recorded a present value discount of $25,158 using a rate of 2.65%.

Note 4. Investments

Investments at December 31, 2019, consist of the following:

Mutual funds	$	3,204,979
Cash and cash equivalents		483,212
Deferred compensation plan mutual funds		142,387
	$	3,830,578

Investment gain for the year ended December 31, 2019, consists of the following:

Unrealized and realized gain, net	$	354,765
Interest and dividends		99,960
Investment fees		(26,300)
	$	428,425

Note 5. Fair Value Measurements

The Fair Value Measurement topic of the FASB ASC establishes a fair value hierarchy that is based on the valuation inputs used in the fair value measurements. This topic applies to all assets and liabilities that are being measured and reported on a fair value basis. The topic requires disclosure that establishes a framework for measuring fair value in U.S. GAAP and expands disclosure used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values.

This topic requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs corroborated by market data.

Level 3: Unobservable inputs not corroborated by market data.

To determine the appropriate levels, MHA performs a detailed analysis of the assets and liabilities that are subject to the Fair Value Measurement topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets or liabilities held by MHA at December 31, 2019.

Note 5. Fair Value Measurements (Continued)

The table below presents the balances of assets and liabilities at December 31, 2019, measured at fair value on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Assets:				
Mutual funds:				
Equity:				
Diversified emerging markets	$ 159,990	$ 159,990	$ -	$ -
Foreign large blend	167,221	167,221	-	-
Foreign large growth	143,340	143,340	-	-
Foreign large value	125,485	125,485	-	-
Global real estate	32,894	32,894	-	-
Large blend	313,193	313,193	-	-
Large growth	53,665	53,665	-	-
Large value	577,368	577,368	-	-
Mid cap blend	177,786	177,786	-	-
Mid cap value	47,897	47,897	-	-
Real estate	88,864	88,864	-	-
Small blend	62,292	62,292	-	-
Small growth	17,939	17,939	-	-
Small value	80,876	80,876	-	-
World large stock	6,186	6,186	-	-
	2,054,996	2,054,996	-	-
Fixed income:				
Bank loan	18,726	18,726	-	-
Corporate bond	38,644	38,644	-	-
Emerging markets bond	3,208	3,208	-	-
High yield bond	56,587	56,587	-	-
Inflation-protected bond	196,314	196,314	-	-
Intermediate core-plus bond	648,440	648,440	-	-
Intermediate government	23,977	23,977	-	-
Intermediate-term bond	18,620	18,620	-	-
Multisector bond	145,467	145,467	-	-
	1,149,983	1,149,983	-	-
	3,204,979	3,204,979	-	-
Deferred compensation plan:				
Mutual funds:				
Equity:				
Large growth	62,566	62,566	-	-
Fixed income:				
Intermediate core-plus bond	53,311	53,311	-	-
World bond	26,510	26,510	-	-
	142,387	142,387	-	-
	$ 3,347,366	$ 3,347,366	$ -	$ -
Liabilities:				
Deferred compensation	$ 142,387	$ -	$ 142,387	$ -

Note 5. Fair Value Measurements (Continued)

Cash and cash equivalents in the amount of $483,212 are recorded at cost and, are therefore, not included in the above schedule.

The fair value of mutual funds is determined based on quoted market prices, when available, or market prices provided by a recognized broker dealer; thus, they are categorized as Level 1.

The fair value of the deferred compensation liability is based on observable market data, as the underlying assets comprise Level 1 investments; however, the liability is not actively traded and as a result deferred compensation is considered a Level 2 item.

Note 6. Property and Equipment

Property and equipment and accumulated depreciation at December 31, 2019, consist of the following:

Office furniture and equipment	$	289,043
Leasehold improvements		585,529
Website		115,043
Equipment under capital leases		104,153
		1,093,768
Less accumulated depreciation and amortization		444,546
	$	649,222

Depreciation and amortization expense for the year ended December 31, 2019, was $123,521.

Note 7. Capital Leases

MHA has two active capital leases, which both expire in 2023. The leased equipment is included in property and equipment at a cost of $104,153, with accumulated amortization of $27,781 at December 31, 2019.

Future minimum lease payments required under MHA's capital leases are as follows:

Years ending December 31:		
2020	$	21,828
2021		21,828
2022		21,828
2023		19,968
Total future minimum lease payments		85,452
Less amounts representing interest		4,384
Present value of net minimum lease payments	$	81,068

Note 8. Board Designated Net Assets

The Board of Directors of MHA has designated certain net assets without donor restrictions into a reserve fund for MHA's general operating purposes. The objective of the reserve fund is to stabilize the financial position by providing cash availability and asset growth and to provide a method of funding programs not supported by other funding sources. The Board designated net assets include the gain from the sale of its building in 2002, as well as any unrestricted bequest income that was contributed to MHA. The Board of Directors has approved a policy whereby contributions to the fund are made in an amount of 20% of the change in net assets without donor restrictions before depreciation and less bequest revenue recorded. Withdrawals from these funds require approval by the Board of Directors on an as needed basis.

During the year ended December 31, 2019, there were additions of investment income, net of investment fees, of $830,171 to the reserve fund and expenditures of $20,253, from the reserve fund.

Also included in net assets without donor restrictions is a fund designated by the Board of Directors for property and equipment. This amount is calculated by subtracting the amount owed on property and equipment (e.g., the capital lease obligations and tenant allowance) from the net carrying value of total property and equipment.

The Board of Directors of MHA has also designated net assets without donor restrictions to create the Jo Blaylock Memorial Fund. The fund was created to recognize Mr. and Mrs. Blaylock's contribution to mental health. The $50,000 initially designated, plus any investment earnings thereon, are to be used for educational purposes.

Board designated net assets consist of the following at December 31, 2019:

Reserve fund	$ 2,850,592
Net property and equipment	237,201
Jo Blaylock Memorial Fund	58,885
	$ 3,146,678

Note 9. Donor Restricted Net Assets

Donor restricted net assets consist of the following at December 31, 2019:

Donor restrictions for time and purpose:	
Public education, policy and advocacy	$ 677,631
Constituency services	40,964
Prevention, early intervention and other	739,722
	1,458,317
Donor restrictions to be held in perpetuity:	
Prevention, early intervention and other	464,992
	$ 1,923,309

The time restricted promise to give is included in prevention, early intervention and other and totals $474,842.

Note 9. Donor Restricted Net Assets (Continued)

Net assets with donor restrictions held in perpetuity include the following:

The Quayle Bequest: Contribution that requires that the principal be invested in perpetuity and that only the income be expended to support the training and use of volunteers and/or to pay hospital attendants servicing those who are mentally ill. The principal and accumulated earnings total $310,614 at December 31, 2019.

The Anna Belle Edwards Bequest: Contribution that requires that the principal be invested in perpetuity, and that only the income be expended to support research as to the cause and cure of mental illness, giving attention to the therapeutic use of mega-vitamins. The principal and accumulated earnings total $154,378 at December 31, 2019.

The interest income earned and unrealized gains on the above bequests are recorded as donor restricted revenue in the accompanying statement of activities and are released from restriction when appropriated for the programs.

Interpretation of relevant law: The Board of Directors of MHA has interpreted the Virginia enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, MHA classifies as net assets with donor restrictions the original value of gifts donated to the donor restricted endowment, the original value of subsequent gifts to the donor restricted endowment and accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund is classified as such until those amounts are appropriated for expenditure by MHA in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, MHA considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

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

Return objectives and risk parameters: MHA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the organization must hold in perpetuity. The objective of the net assets with donor restrictions is the preservation of capital.

Note 9. Donor Restricted Net Assets (Continued)

Strategies employed for achieving objectives: To satisfy its long-term rate of return objectives, MHA 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). MHA has two restricted investments, the endowment and the charitable gift annuity account (CGA). MHA's current asset allocation for the endowment targets a composition of equities between 50% and 70%, fixed income between 30% and 50%, and cash equivalents between 0% and 10%. The target for CGA is 50% equities, 45% fixed income, and 5% cash equivalents.

Spending policy: The earnings on the net assets with donor restrictions are released from restricted funds and are used in accordance with donor stipulations.

Changes in endowment net assets for the year ended December 31, 2019, are as follows:

Endowment net assets, beginning of the year	$	402,427
Accumulated investment income		62,565
Endowment net assets, end of the year	$	464,992

Note 10. Commitments

Leases: MHA leases its office space under a non-cancelable operating lease. The lease term is 11 years, which started on April 1, 2016, and can be renewed for an additional five years. The lease provides for fixed annual rental increases and, at the beginning of the lease term, the landlord granted MHA an abatement of the base rent for the first lease year and an allowance for leasehold improvements, both of which are required to be amortized over the life of the lease on a straight-line basis as an offset to rent expense. The difference between cash payments and straight-line rent expense is reflected as deferred rent and incentives in the accompanying statement of financial position.

Future minimum lease payments required under the office lease are as follows:

Years ending December 31:		
2020	$	231,963
2021		238,342
2022		244,897
2023		251,631
2024		258,551
Thereafter		607,330
	$	1,832,714

Occupancy expense for the year ended December 31, 2019, was $220,688.

Employment agreement: MHA has entered into an executive employment agreement with the President/Chief Executive Officer, with an expiration date of December 31, 2023. Under certain circumstances, upon early termination of this agreement, MHA is obligated for six months of base pay as a severance.

Note 10. Commitments (Continued)

Hotel agreement: MHA has entered into a contract for hotel and conference rooms for meetings and shows through June 2023. In the event of cancellation, MHA is required to pay various cancellation fees as stipulated in the contracts, the amounts of which are dependent on the dates of cancellation. As of the date of this report, the 2020 hotel agreement has been cancelled due to COVID-19, however the hotel has waived cancellation fees in light of the pandemic.

Note 11. Retirement Plans

Defined contribution plan: MHA has a non-contributory, defined contribution retirement plan, which is available to all employees who attained 21 years of age. Employer contributions are made based on percentages and employees are vested immediately, as defined in the plan document. Pension expense for the year ended December 31, 2019, was $79,449 and is included in salary and benefits on the accompanying statement of functional expenses.

Supplemental executive retirement plan: MHA offers its executives or highly compensated employees an opportunity to defer compensation pursuant to Section 457(b) of the IRC to supplement such employees' retirement benefits under the employer's qualified retirement plan. Employees are fully vested when plan contributions are made. Under the 457(b) plan, MHA may make matching contributions; however, no matching contributions were made during the year ended December 31, 2019.