

MENTAL HEALTH AMERICA, INC.
(A Nonprofit Organization)
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

MENTAL HEALTH AMERICA, INC.
(A Nonprofit Organization)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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INDEPENDENT AUDITOR'S REPORT

To the Finance and Administration Committee of the Board of Directors
Mental Health America, Inc.

Opinion

We have audited the accompanying financial statements of Mental Health America, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, and the results of its changes in net assets and its 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mental Health America, 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, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

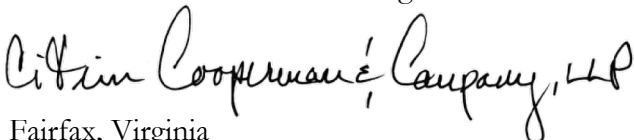
Auditor's Responsibilities for the Audit of the Financial Statements

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 auditor's 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, 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, 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.



Fairfax, Virginia

June 26, 2024

MENTAL HEALTH AMERICA, INC.
(A Nonprofit Organization)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 4,318,179	\$ 5,641,171
Account receivables, net	131,084	34,343
Promises to give, net	1,938,540	513,056
Inventory	13,830	52,061
Prepaid expenses and other assets	250,718	156,100
Investments	6,939,369	5,378,761
Property and equipment, net	340,091	388,260
Finance lease right-of-use assets, net	68,786	61,786
Operating lease right-of-use assets, net	<u>554,860</u>	<u>718,712</u>
TOTAL ASSETS	<u>\$ 14,555,457</u>	<u>\$ 12,944,250</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 590,922	\$ 425,368
Deferred revenue	107,714	52,508
Refundable advance	305,929	532,436
Deferred compensation	162,625	141,791
Operating lease liability	848,297	1,087,644
Finance lease liabilities	<u>70,876</u>	<u>64,195</u>
Total liabilities	<u>2,086,363</u>	<u>2,303,942</u>
Commitments and contingencies (Notes 8 and 11)		
Net assets:		
Without donor restrictions:		
Undesignated	4,136,927	4,317,703
Board designated	<u>5,365,410</u>	<u>4,505,504</u>
	9,502,337	8,823,207
With donor restrictions	<u>2,966,757</u>	<u>1,817,101</u>
Total net assets	<u>12,469,094</u>	<u>10,640,308</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,555,457</u>	<u>\$ 12,944,250</u>

See accompanying notes to financial statements.

MENTAL HEALTH AMERICA, INC.
(A Nonprofit Organization)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Support and revenue:			
Nonfederal contributions	\$ 4,431,767	\$ 5,572,303	\$ 10,004,070
Contracts and exchange transactions	1,125,467	-	1,125,467
Affiliate dues	152,770	-	152,770
In-kind contributions	39,253	-	39,253
Royalties	83,204	-	83,204
Conference registrations	260,491	-	260,491
Combined federal campaign	47,310	-	47,310
Product and other sales	233,717	-	233,717
Investment income, net	715,661	57,134	772,795
Net assets released from restrictions	<u>4,479,781</u>	<u>(4,479,781)</u>	<u>-</u>
Total support and revenue	<u>11,569,421</u>	<u>1,149,656</u>	<u>12,719,077</u>
Expenses:			
Program services:			
Policy and advocacy	1,955,943	-	1,955,943
Education	2,322,068	-	2,322,068
Constituency services	2,342,781	-	2,342,781
Research	<u>2,444,903</u>	<u>-</u>	<u>2,444,903</u>
Total program services	<u>9,065,695</u>	<u>-</u>	<u>9,065,695</u>
Supporting services:			
Management and general	867,403	-	867,403
Fundraising	<u>957,193</u>	<u>-</u>	<u>957,193</u>
Total supporting services	<u>1,824,596</u>	<u>-</u>	<u>1,824,596</u>
Total expenses	<u>10,890,291</u>	<u>-</u>	<u>10,890,291</u>
Changes in net assets	679,130	1,149,656	1,828,786
Net assets - beginning	<u>8,823,207</u>	<u>1,817,101</u>	<u>10,640,308</u>
NET ASSETS - ENDING	<u>\$ 9,502,337</u>	<u>\$ 2,966,757</u>	<u>\$ 12,469,094</u>

See accompanying notes to financial statements.

MENTAL HEALTH AMERICA, INC.
(A Nonprofit Organization)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Support and revenue:			
Nonfederal contributions	\$ 2,715,065	\$ 3,303,580	\$ 6,018,645
Contracts and exchange transactions	723,054	-	723,054
Affiliate dues	115,000	-	115,000
In-kind contributions	77,664	-	77,664
Royalties	113,258	-	113,258
Conference registrations	113,204	-	113,204
Combined federal campaign	31,011	-	31,011
Product and other sales	219,258	-	219,258
Investment loss, net	(753,525)	(81,425)	(834,950)
Net assets released from restrictions	<u>4,798,819</u>	<u>(4,798,819)</u>	<u>-</u>
Total support and revenue	<u>8,152,808</u>	<u>(1,576,664)</u>	<u>6,576,144</u>
Expenses:			
Program services:			
Policy and advocacy	1,731,660	-	1,731,660
Education	2,084,553	-	2,084,553
Constituency services	1,832,239	-	1,832,239
Research	<u>1,754,725</u>	<u>-</u>	<u>1,754,725</u>
Total program services	<u>7,403,177</u>	<u>-</u>	<u>7,403,177</u>
Supporting services:			
Management and general	803,414	-	803,414
Fundraising	<u>850,398</u>	<u>-</u>	<u>850,398</u>
Total supporting services	<u>1,653,812</u>	<u>-</u>	<u>1,653,812</u>
Total expenses	<u>9,056,989</u>	<u>-</u>	<u>9,056,989</u>
Changes in net assets	(904,181)	(1,576,664)	(2,480,845)
Net assets - beginning	<u>9,727,388</u>	<u>3,393,765</u>	<u>13,121,153</u>
NET ASSETS - ENDING	<u>\$ 8,823,207</u>	<u>\$ 1,817,101</u>	<u>\$ 10,640,308</u>

See accompanying notes to financial statements.

MENTAL HEALTH AMERICA, INC.
(A Nonprofit Organization)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

2023

	Program services				Total program services	Supporting services		
	Policy and advocacy	Education	Constituency services	Research		Management and general	Fundraising	Total
Salaries and benefits	\$ 1,101,442	\$ 1,382,645	\$ 1,137,331	\$ 911,455	\$ 4,532,873	\$ 529,513	\$ 735,028	\$ 5,797,414
Professional fees and contracts service payments	361,552	359,915	241,842	237,869	1,201,178	117,357	53,104	1,371,639
Occupancy	44,557	63,318	53,937	25,796	187,608	23,451	23,451	234,510
Printing and design	7,214	57,351	58,386	1,863	124,814	811	468	126,093
Depreciation and amortization	17,283	24,560	20,922	10,006	72,771	9,096	9,096	90,963
Operating and insurance fees	21,689	31,090	26,255	12,557	91,591	11,415	11,505	114,511
Grants	114,543	166,711	361,547	1,089,721	1,732,522	-	-	1,732,522
Subscriptions and dues	46,119	64,810	47,082	41,160	199,171	30,620	55,546	285,337
Postage and shipping	1,097	13,411	13,691	667	28,866	2,500	9,319	40,685
In-kind expenses	405	10,763	7,648	14,688	33,504	1,824	3,925	39,253
Communications	9,402	10,971	10,615	5,658	36,646	4,156	4,720	45,522
Conference and meetings	155,044	97,966	273,548	67,326	593,884	79,521	28,995	702,400
Office supplies and activities	4,394	6,750	8,504	3,102	22,750	2,105	1,973	26,828
Travel	<u>71,202</u>	<u>31,807</u>	<u>81,473</u>	<u>23,035</u>	<u>207,517</u>	<u>55,034</u>	<u>20,063</u>	<u>282,614</u>
TOTAL	\$ <u>1,955,943</u>	\$ <u>2,322,068</u>	\$ <u>2,342,781</u>	\$ <u>2,444,903</u>	\$ <u>9,065,695</u>	\$ <u>867,403</u>	\$ <u>957,193</u>	\$ <u>10,890,291</u>

See accompanying notes to financial statements.

MENTAL HEALTH AMERICA, INC.
(A Nonprofit Organization)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022					Supporting services			
	Program services				Total program services	Management and general		Fundraising	Total
	Policy and advocacy	Education	Constituency services	Research		Management and general	Fundraising		
Salaries and benefits	\$ 1,061,362	\$ 1,371,239	\$ 911,073	\$ 670,881	\$ 4,014,555	\$ 413,360	\$ 671,055	\$ 5,098,970	
Professional fees and contracts									
service payments	244,795	208,574	170,532	123,260	747,161	64,247	48,210	859,618	
Occupancy	33,340	60,429	33,340	33,340	160,449	31,257	16,670	208,376	
Printing and design	8,277	88,529	37,352	2,120	136,278	287	783	137,348	
Depreciation and amortization	21,190	38,407	21,190	21,190	101,977	19,865	10,595	132,437	
Operating and insurance fees	18,187	32,964	18,187	18,187	87,525	17,051	9,094	113,670	
Grants	107,042	60,425	302,443	772,812	1,242,722	-	-	1,242,722	
Subscriptions and dues	18,000	56,491	27,406	22,626	124,523	16,777	35,072	176,372	
Postage and shipping	1,104	39,310	5,643	660	46,717	6,654	23,713	77,084	
In-kind expenses	393	9,998	7,124	13,658	31,173	42,831	3,660	77,664	
Communications	8,969	14,576	8,993	7,947	40,485	7,321	4,578	52,384	
Conference and meetings	118,615	69,417	191,654	44,648	424,334	81,006	7,952	513,292	
Office supplies and activities	4,543	7,575	7,074	4,222	23,414	3,836	2,211	29,461	
Travel	<u>85,843</u>	<u>26,619</u>	<u>90,228</u>	<u>19,174</u>	<u>221,864</u>	<u>98,922</u>	<u>16,805</u>	<u>337,591</u>	
TOTAL	<u>\$ 1,731,660</u>	<u>\$ 2,084,553</u>	<u>\$ 1,832,239</u>	<u>\$ 1,754,725</u>	<u>\$ 7,403,177</u>	<u>\$ 803,414</u>	<u>\$ 850,398</u>	<u>\$ 9,056,989</u>	

See accompanying notes to financial statements.

MENTAL HEALTH AMERICA, INC.
(A Nonprofit Organization)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,828,786	\$ (2,480,845)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	90,963	132,437
Non-cash lease expense	177,912	176,147
Unrealized and realized gain (loss) on investments, net	(466,118)	1,007,870
Changes in assets and liabilities:		
Account receivables	(1,522,225)	1,584,359
Inventory	38,231	(8,663)
Prepaid expenses and other assets	(94,618)	(11,676)
Accounts payable and accrued expenses	165,554	21,401
Deferred revenue	55,206	40,216
Refundable advance	(226,507)	532,436
Deferred compensation	20,834	(32,948)
Operating lease liabilities	<u>(251,631)</u>	<u>(244,897)</u>
Net cash provided by (used in) operating activities	<u>(183,613)</u>	<u>715,837</u>
Cash flows from investing activities:		
Proceeds from sales of investments	432,254	104,150
Purchases of investments	(1,526,745)	(1,461,888)
Purchases of property and equipment	<u>(25,256)</u>	<u>(29,932)</u>
Net cash used in investing activities	<u>(1,119,747)</u>	<u>(1,387,670)</u>
Cash flows from financing activities:		
Repayment of finance lease liabilities	<u>(19,632)</u>	<u>(21,123)</u>
Net cash used in financing activities	<u>(19,632)</u>	<u>(21,123)</u>
Net decrease in cash and cash equivalents	(1,322,992)	(692,956)
Cash and cash equivalents - beginning	<u>5,641,171</u>	<u>6,334,127</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 4,318,179</u>	<u>\$ 5,641,171</u>
Supplemental schedules for non-cash investing and financing activities:		
Operating lease liability recognized in connection with implementation of ASC 842 on January 1, 2022	<u>\$ -</u>	<u>\$ 1,317,247</u>
Operating lease right-of-use assets recognized in connection with implementation of ASC 842 on January 1, 2022	<u>\$ -</u>	<u>\$ 879,555</u>
Property and equipment obtained in connection with finance leases	<u>\$ 27,410</u>	<u>\$ -</u>

See accompanying notes to financial statements.

MENTAL HEALTH AMERICA, INC.
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1. ORGANIZATION

Mental Health America, Inc. ("MHA" or the "Organization") advances the mental health and well-being of all people living in the U.S. through public education, research, advocacy and public policy, and direct service. Operating nationally and in communities across the country, MHA advocates for closing the mental health equity gap while increasing nationwide awareness and understanding through public education, direct services, tools, and research. Since its founding in 1909 by former psychiatric patient Clifford W. Beers, MHA has continued to achieve positive reform in the landscape of American mental health through its public mental health approach. MHA envisions a world in which all people and communities have equitable opportunity for mental well-being and are enabled to flourish and live with purpose and meaning.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Organization presents its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis of presentation

MHA reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in support of MHA's general operations. The board of directors has designated, from net assets without donor restrictions, net assets for a reserve fund, net property and equipment, and the Jo Blaylock Memorial Fund (see Note 9).

Net assets with donor restrictions - Net assets 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 include endowment funds.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

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 received dues from affiliates, which totaled \$152,770 and \$115,000 for the years ended December 31, 2023 and 2022, respectively. MHA made grants to affiliates, which

MENTAL HEALTH AMERICA, INC.
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Affiliates (continued)

totaled \$1,254,732 and \$1,078,120 for the years ended December 31, 2023 and 2022, respectively. Grants to affiliates are included within "Grants" expenses in the accompanying statements of functional expenses.

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 within the investment portfolio are considered investments.

Financial risk

MHA maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. During the years ended December 31, 2023 and 2022, the Organization maintained cash amounts in excess of federally insured limits in the aggregate amount of \$3,906,074 and \$4,988,996, respectively.

MHA invests in a professionally managed portfolio that contains mutual funds. Such investments are exposed to various risks, such as market risk and credit risk. 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

Accounts receivable are stated at the amount the Organization expects to collect and consists primarily of promises to give. The Organization assesses collectibility by reviewing accounts receivable on a collective basis where similar risks characteristics exist. In determining the allowance for uncollectible accounts receivable, management considers historical collectibility and makes judgments about the creditworthiness of the pool of customers based on credit evaluations. Current market conditions and reasonable and supportable forecasts of future economic conditions adjust the historical losses to determine the appropriate allowance for uncollectible amounts. Uncollectible accounts are written off when all collection efforts have been exhausted.

The allowance for doubtful accounts as of December 31, 2023 and 2022 was \$3,762 and \$3,680, respectively. Accounts receivables amounted to \$131,084, \$34,343 and \$67,176, at December 31, 2023, 2022 and 2021, respectively.

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 basis, or net realizable value and consists of merchandise on hand at the end of the year. Management periodically reviews inventory for obsolete merchandise. Management has determined no reserve for obsolete inventory was required at December 31, 2023 and 2022.

MENTAL HEALTH AMERICA, INC.
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recorded as unrealized gains and losses as a component of investment income, net, in the statements of activities.

Property and equipment

MHA capitalizes all property and equipment purchased with a cost of \$1,000 or more. Maintenance and repair costs are charged to expense as incurred. When property and equipment is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the change in net assets for the respective period. 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 seven years. Leasehold improvements are amortized over the shorter of the remaining lease term or the estimated useful lives of the improvements.

Leases

The Organization has an operating lease agreement for certain office space, expiring in 2027, and finance leases for copier and postage equipment expiring through 2028. The Organization determines if an arrangement is a lease at the inception of the contract. At the lease commencement date, each lease is evaluated to determine whether it will be classified as an operating or finance lease. For leases with a lease term of 12 months or less (a "Short-term" lease), any fixed lease payments are recognized on a straight-line basis over such term, and are not recognized on the statements of financial position.

Lease terms include the noncancellable portion of the underlying leases along with any reasonably certain lease periods associated with available renewal periods, termination options and purchase options. The Organization has lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices. The Organization uses the risk-free discount rate when the rate implicit in the lease is not readily determinable at the commencement date in determining the present value of lease payments.

Leases with an initial term of 12 months or less are not recorded on the statements of financial position; the Organization recognizes lease expense for these leases on a straight-line basis over the lease term. There are no such leases during 2023.

Recently adopted accounting standard

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13 *Financial Instruments - Credit Losses* (Topic 326) ("ASC 326") along with subsequently issued related ASUs, which require financial assets (or groups of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected, among other provisions. ASC 326 eliminates the probable initial threshold for recognition of credit losses for financial assets recorded at amortized cost, which could result in earlier recognition of credit losses. It utilizes a lifetime expected credit loss measurement model for the recognition of credit losses at

MENTAL HEALTH AMERICA, INC.
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently adopted accounting standard (continued)

the time the financial asset is originated or acquired. The Organization adopted ASC 326 using the modified retrospective method at January 1, 2023 and it did not have a material impact on the financial statements.

Valuation of long-lived assets

The Organization's long-lived assets, including the Organization's right-of-use assets, are reviewed 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 years ended December 31, 2023 and 2022.

Support and revenue

Unconditional contributions, including combined federal campaign support, are recognized when received. Conditional contributions and promises to give are reported at fair value when the conditions are substantially met. Contributions that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions 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.

Revenue from contracts with customers is derived from exchange contracts, affiliate dues, royalties, conference registrations and product and other sales. MHA recognizes revenue in accordance with FASB ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), which provides a five-step model for recognizing revenue from contracts with customers, which are as follows: (i) identify the contract with the customer, (ii) identify performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to performance obligations, and (v) recognize revenue when (or as) performance obligations are satisfied.

Exchange contracts are recorded as deferred revenue at time of cash receipt and recognized as revenue as the performance obligation is satisfied. Affiliates' 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 the 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. Therefore, affiliate dues provide economic, as well as other, benefits to affiliates and are accounted for as exchange transactions. MHA's performance obligations are available and consumed throughout the membership period and therefore recognized over time over the applicable membership period, which generally

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DECEMBER 31, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and revenue (continued)

is the calendar year. Amounts received in advance are recorded as deferred revenue.

Royalty revenues are related to interest in mineral rights contributed by various donors in previous years. Revenue is recognized at a point in time when the new rights are discovered and as production occurs during the year. MHA receives monthly statement division orders detailing the 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 are 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 judgments 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.

Disaggregation of revenue

The following table discloses revenues recognition for revenues subject to ASC 606 for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Point in time	\$ 577,412	\$ 445,721
Over time	<u>1,278,237</u>	<u>838,054</u>
	<u>\$ 1,855,649</u>	<u>\$ 1,283,775</u>

In-kind contributions

In-kind contributions consist of contributed nonfinancial assets in the form of professional services and are valued and reported at the estimated fair value in the financial statements based on current rates for similar services. In-kind contributions for the years ended December 31, 2023 and 2022, are \$39,253 and \$77,664, respectively.

Functional expenses

The costs of program and supporting services activities have been summarized on a functional basis in the accompanying statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Occupancy	Full time equivalent
Depreciation and amortization	Full time equivalent

MENTAL HEALTH AMERICA, INC.
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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassification adjustments had no effect on the Organization's previously reported change in net assets.

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 years ended December 31, 2023 and 2022.

MHA files informational returns in the U.S. federal jurisdiction and in various state and local jurisdictions. In accordance with FASB ASC 740, *Income Taxes*, the Organization has applied the "more likely than not" threshold to the recognition and derecognition of tax positions in its financial statements. Management has evaluated the Organization's tax positions and has concluded there are no uncertain tax positions that qualified for either recognition or disclosure in the financial statements as of December 31, 2023 and 2022.

Subsequent events

MHA evaluated subsequent events through June 26, 2024, the date on which the financial statements were available to be issued. MHA is not aware of any material events that require recognition or disclosure in the accompanying financial statements.

NOTE 3. LIQUIDITY AND AVAILABILITY

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, 2023 and 2022, the following financial assets are available to meet annual operating needs over the following 12 months:

MENTAL HEALTH AMERICA, INC.
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NOTES TO FINANCIAL STATEMENTS
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NOTE 3. LIQUIDITY AND AVAILABILITY (CONTINUED)

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 4,318,179	\$ 5,641,171
Promises to give	793,540	513,056
Account receivables, net	131,084	34,343
Investments	<u>6,939,369</u>	<u>5,378,761</u>
Total financial assets at year end	12,182,172	11,567,331
Less: amounts not available to be used within one year:		
Deferred compensation assets	162,625	141,791
Net assets with donor restrictions, less pledges to be collected within one year	2,129,073	1,817,101
Net assets with board designations	<u>5,365,410</u>	<u>4,505,504</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 4,525,064</u>	<u>\$ 5,102,935</u>

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 are 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 4. RECEIVABLES

Receivables at December 31, 2023 and 2022, consisted of the following:

	<u>2023</u>	<u>2022</u>
Contracts, sales and other	\$ 134,846	\$ 38,023
Less: allowance for doubtful accounts	<u>3,762</u>	<u>3,680</u>
	<u>\$ 131,084</u>	<u>\$ 34,343</u>

MHA invoices the customer as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Generally, revenue recognition occurs before billing, resulting in contract assets. These contract assets are referred to as unbilled receivables and are reported within "Contracts, sales and other" in the table above.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 4. RECEIVABLES (CONTINUED)

Promises to give are summarized as follows at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Gross promises to give expected to be collected in:		
Less than one year	\$ 837,684	\$ 513,056
One year to five years	<u>1,145,000</u>	<u>-</u>
	1,982,684	513,056
Less: discount for present value	<u>44,144</u>	<u>-</u>
Promises to give, net	<u>\$ 1,938,540</u>	<u>\$ 513,056</u>

NOTE 5. INVESTMENTS

Investments at December 31, 2023 and 2022, consisted of the following:

	<u>2023</u>	<u>2022</u>
Mutual funds	\$ 6,439,500	\$ 5,145,479
Cash and cash equivalents	337,244	91,491
Deferred compensation plan mutual funds	<u>162,625</u>	<u>141,791</u>
	<u>\$ 6,939,369</u>	<u>\$ 5,378,761</u>

Net investment income (loss) for the years ended December 31, 2023 and 2022, consisted of the following:

	<u>2023</u>	<u>2022</u>
Unrealized and realized gain (loss), net	\$ 503,544	\$ (978,185)
Interest and dividends	306,677	172,920
Investment fees	<u>(37,426)</u>	<u>(29,685)</u>
	<u>\$ 772,795</u>	<u>\$ (834,950)</u>

NOTE 6. FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, *Fair Value Measurement*, 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.

MENTAL HEALTH AMERICA, INC.
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NOTES TO FINANCIAL STATEMENTS
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NOTE 6. FAIR VALUE MEASUREMENTS (CONTINUED)

Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Under this standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. To determine the appropriate levels, MHA performs a detailed analysis of the assets and liabilities that are subject to the *Fair Value Measurement* topic.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - inputs that utilize unadjusted quoted prices in active markets for identical assets or liabilities that MHA has the ability to access at the measurement date.

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.

Level 3 - inputs which are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

MENTAL HEALTH AMERICA, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 6. FAIR VALUE MEASUREMENTS (CONTINUED)

The tables below present the balances of assets and liabilities at December 31, 2023 and 2022, measured at fair value on a recurring basis by level within the hierarchy:

	2023			
	Total	Level 1	Level 2	Level 3
Assets:				
Mutual funds:				
Equity funds:				
Large cap	\$ 1,848,431	\$ 1,848,431	\$ -	\$ -
International	639,117	639,117	-	-
Emerging markets	458,775	458,775	-	-
Mid cap	449,602	449,602	-	-
Small cap	209,136	209,136	-	-
Real estate	<u>155,240</u>	<u>155,240</u>	-	-
	<u>3,760,301</u>	<u>3,760,301</u>	-	-
Fixed income funds:				
Corporate bond	247,688	247,688	-	-
International bond	10,954	10,954	-	-
High yield bond	129,502	129,502	-	-
Inflation-protected bond	17,840	17,840	-	-
Intermediate government	32,608	32,608	-	-
Intermediate-term bond	1,137,959	1,137,959	-	-
Multisector bond	<u>1,102,647</u>	<u>1,102,647</u>	-	-
	<u>2,679,198</u>	<u>2,679,198</u>	-	-
	<u>6,439,499</u>	<u>6,439,499</u>	-	-
Deferred compensation plan:				
Mutual funds:				
Equity funds:				
Large cap	<u>52,321</u>	<u>52,321</u>	-	-
Fixed income funds:				
Intermediate core-plus bond	86,060	86,060	-	-
Instl U.S. govt money market	2,803	2,803	-	-
International bond	<u>21,442</u>	<u>21,442</u>	-	-
	<u>110,305</u>	<u>110,305</u>	-	-
Total investments at fair value	6,602,125	<u>\$ 6,602,125</u>	<u>\$ -</u>	<u>\$ -</u>
Cash, held at cost	<u>337,244</u>			
Total investments	<u>\$ 6,939,369</u>			
Liabilities:				
Deferred compensation	<u>\$ 162,625</u>	<u>\$ -</u>	<u>\$ 162,625</u>	<u>\$ -</u>

MENTAL HEALTH AMERICA, INC.
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NOTES TO FINANCIAL STATEMENTS
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NOTE 6. FAIR VALUE MEASUREMENTS (CONTINUED)

	2022			
	Total	Level 1	Level 2	Level 3
Assets:				
Mutual funds:				
Equity funds:				
Large cap	\$ 1,545,503	\$ 1,545,503	\$ -	\$ -
International	676,014	676,014	-	-
Emerging markets	278,803	278,803	-	-
Mid cap	477,388	477,388	-	-
Small cap	180,170	180,170	-	-
Real estate	<u>142,148</u>	<u>142,148</u>	-	-
	<u>3,300,026</u>	<u>3,300,026</u>	-	-
Fixed income funds:				
Corporate bond	56,568	56,568	-	-
High yield bond	119,204	119,204	-	-
Inflation-protected bond	6,455	6,455	-	-
Intermediate government	29,406	29,406	-	-
Intermediate-term bond	982,301	982,301	-	-
Multisector bond	648,220	648,220	-	-
International bond	<u>3,299</u>	<u>3,299</u>	-	-
	<u>1,845,453</u>	<u>1,845,453</u>	-	-
	<u>5,145,479</u>	<u>5,145,479</u>	-	-
Deferred compensation plan:				
Mutual funds:				
Equity funds:				
Large cap	<u>38,121</u>	<u>38,121</u>	-	-
Fixed income funds:				
Intermediate core-plus bond	81,079	81,079	-	-
Instl US govt money market	2,558	2,558	-	-
World bond	<u>20,033</u>	<u>20,033</u>	-	-
	<u>103,670</u>	<u>103,670</u>	-	-
Total investments at fair value	5,287,270	<u>\$ 5,287,270</u>	<u>\$ -</u>	<u>\$ -</u>
Cash, held at cost	<u>91,491</u>			
Total investments	<u>\$ 5,378,761</u>			
Liabilities:				
Deferred compensation	<u>\$ 141,791</u>	<u>\$ -</u>	<u>\$ 141,791</u>	<u>\$ -</u>

Cash and cash equivalents in the amount of \$337,244 and \$91,491 are recorded at cost for the years ended December 31, 2023 and 2022, respectively, and are therefore not included in the fair value hierarchy. Of this amount, \$52,320 and \$38,121 is held in cash for the deferred compensation plan assets for the years ended December 31, 2023 and 2022, respectively.

The fair value of mutual funds is determined based on the closing price reported in the active markets in which they are traded; 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.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 7. PROPERTY AND EQUIPMENT

At December 31, 2023 and 2022, property and equipment and accumulated depreciation consisted of the following:

	<u>2023</u>	<u>2022</u>
Office furniture and equipment	\$ 358,760	\$ 335,709
Leasehold improvements	587,952	587,952
Websites	<u>238,937</u>	<u>238,937</u>
	1,185,649	1,162,598
Less: accumulated depreciation and amortization	<u>845,558</u>	<u>774,338</u>
	<u>\$ 340,091</u>	<u>\$ 388,260</u>

Depreciation and amortization expense for the years ended December 31, 2023 and 2022, was \$90,963 and \$132,437, respectively.

NOTE 8. COMMITMENTS

Finance leases

The Organization acquired copiers and postage equipment under finance leases with interest rates ranging from 2.5% to 4.418%, expiring through September 2028.

Components of finance lease expense for the years ended December 31, 2023 and 2022, were as follows:

	<u>2023</u>	<u>2022</u>
Finance lease costs:		
Amortization of finance lease liabilities	\$ 17,842	\$ 20,079
Interest on lease liabilities	<u>1,790</u>	<u>1,044</u>
Total finance lease costs	<u>\$ 19,632</u>	<u>\$ 21,123</u>

Operating lease

In addition to the finance leases, the Organization also has an operating lease for certain office space expiring in March 2027. Total operating lease expense was \$176,137 and \$176,137 for the years ended December 31, 2023 and 2022, respectively.

MENTAL HEALTH AMERICA, INC.
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NOTES TO FINANCIAL STATEMENTS
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NOTE 8. COMMITMENTS (CONTINUED)

Operating lease (continued)

Maturities of lease liabilities as of December 31, 2023, are as follows:

<u>Year ending December 31:</u>	<u>Finance leases</u>	<u>Operating leases</u>
2024	\$ 18,615	\$ 258,551
2025	18,615	265,661
2026	18,615	272,967
2027	16,525	68,701
2028	<u>3,038</u>	<u>-</u>
Net minimum lease payments	75,408	865,880
Less: interest	<u>4,532</u>	<u>17,583</u>
Present value of lease liabilities	<u>\$ 70,876</u>	<u>\$ 848,297</u>

Supplemental cash flow information related to leases was as follows:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities:		-
Operating cash flows from operating leases	<u>\$ 251,631</u>	<u>\$ 244,897</u>
Operating cash flows from finance leases	<u>\$ 1,790</u>	<u>\$ 1,044</u>
Finance cash flows from finance leases	<u>\$ 19,632</u>	<u>\$ 21,123</u>
Weighted-average remaining lease term (in years)		
Finance leases	4.13	4.48
Operating leases	3.25	4.25
Weighted-average discount rate (%)		
Finance leases	3.29	2.64
Operating leases	1.28	1.28

Hotel agreements

MHA has entered into contracts for hotel and conference rooms for meetings and shows through June 2025. 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.

NOTE 9. NET ASSETS

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

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NOTE 9. NET ASSETS (CONTINUED)

Board-designated net assets (continued)

before depreciation and less bequest revenue recorded. The bequest portion of this transfer policy was suspended for 2021. Withdrawals from these funds require approval by the board of directors on an as-needed basis.

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 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 consisted of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Operating reserve fund	\$ 5,261,961	\$ 4,429,699
Property and equipment reserve	44,564	16,920
Jo Blaylock Memorial Fund	<u>58,885</u>	<u>58,885</u>
	<u>\$ 5,365,410</u>	<u>\$ 4,505,504</u>

Net assets with donor restrictions

Donor-restricted net assets consisted of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Donor restrictions for time and purpose:		
Public education, policy and advocacy	\$ 1,273,639	\$ 857,368
Constituency services	1,311,033	354,302
Prevention, early intervention and other	<u>93,114</u>	<u>316,460</u>
	2,677,786	1,528,130
Donor restrictions to be held in perpetuity:		
Public education, policy and advocacy	<u>288,971</u>	<u>288,971</u>
Total net assets with donor restrictions	<u>\$ 2,966,757</u>	<u>\$ 1,817,101</u>

During the years ended December 31, 2023 and 2022, net assets were released from donor restrictions by incurring expenses satisfying purpose restrictions or by the passage of time:

	<u>2023</u>	<u>2022</u>
Programs:		
Public education, policy and advocacy	\$ 2,759,124	\$ 2,232,823
Constituency services	1,157,413	1,500,516
Prevention, early intervention and other	<u>563,244</u>	<u>1,065,480</u>
Total programs	<u>\$ 4,479,781</u>	<u>\$ 4,798,819</u>

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NOTE 10. ENDOWMENT FUNDS

MHA has the following endowments:

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 is \$357,410 and \$320,273 at December 31, 2023 and 2022, respectively.

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 is \$177,252 and \$157,255 at December 31, 2023 and 2022, respectively.

The interest income earned and unrealized gains (losses) on the above bequests are recorded as donor-restricted revenue in the accompanying statements 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

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NOTE 10. ENDOWMENT FUNDS (CONTINUED)

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.

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'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%.

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 years ended December 31, 2023 and 2022, are as follows:

	Restricted in perpetuity	Accumulated gains and other	Total
Endowment net assets - December 31, 2021	\$ 288,971	\$ 269,982	\$ 558,953
Investment loss, net	<u>-</u>	<u>(81,425)</u>	<u>(81,425)</u>
Endowment net assets - December 31, 2022	288,971	188,557	477,528
Investment income, net	<u>-</u>	<u>57,134</u>	<u>57,134</u>
Endowment net assets - December 31, 2023	<u>\$ 288,971</u>	<u>\$ 245,691</u>	<u>\$ 534,662</u>

NOTE 11. REFUNDABLE ADVANCES AND CONDITIONAL PROMISES TO GIVE

MHA has received cash under certain conditional grants. Amounts that remain conditional as of December 31, 2023 and 2022 total \$305,929 and \$532,436, respectively. These funds are presented as refundable advances in the accompanying statement of financial position and are considered to be a conditional contribution under FASB 958-605 as they include a right of return and a barrier. At December 31, 2023 and 2022, there were \$1,566,668 and \$2,333,334, respectively, in outstanding conditional promises to give.

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NOTE 12. 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 years ended December 31, 2023 and 2022, was \$163,678 and \$139,908, respectively, and is included in "Salaries and benefits" in the accompanying statements 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 ("457(b) plan") 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 years ended December 31, 2023 and 2022.