MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

JUNE 30, 2021

(With Comparative Totals for 2020)

SOBEL & CO. LLC
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.

JUNE 30, 2021 AND 2020

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SOBELCO

293 Eisenhower Parkway
Livingston, NJ 07039-1711
Office: 973.994.9494
Fax: 973.994.1571
www.SobelCoLLC.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mental Health Association of Essex and Morris, Inc.
Montclair, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of Mental Health Association of Essex and Morris, Inc. ("Association"), a New Jersey nonprofit organization, which comprise the statements of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those assessments, the auditors consider internal control relevant to the Association'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 Association'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mental Health Association of Essex and Morris, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The Organization adopted Financial Accounting Standards Board Accounting Standards Update, *Revenue from Contracts with Customers*, and *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,* as described in Note 2. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying statement of activities by designated period included on page 29, as required by the State of New Jersey Department of Human Services Division of Mental Health and Addiction Services and the accompanying schedule of expenditures of federal and state awards, shown on pages 30 and 31, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey Office of Management and Budget Circular Letter 15-08, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2020, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Association's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 22, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sobel & Co. LLC

Certified Public Accountants

Livingston, New Jersey
October 21, 2021

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MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
STATEMENTS OF FINANCIAL POSITION

	June 30, 2021	June 30, 2020
ASSETS		
CURRENT ASSETS:		
Cash	$ 3,485,561	$ 4,411,272
Escrow and security deposits	457,673	456,411
Investments	4,319,472	1,905,932
Accounts receivable	329,824	410,911
Grants and contracts receivable	370,502	232,171
Charitable lead annuity trusts, current	30,720	30,720
Prepaid expenses and other assets	210,884	215,792
Total Current Assets	9,204,636	7,663,209
PROPERTY AND EQUIPMENT, Net	6,595,477	6,708,942
NONCURRENT ASSETS:		
Charitable lead annuity trusts, noncurrent, net	37,504	60,335
Intangible assets, net	57,558	10,102
Total Noncurrent Assets	95,062	70,437
Total Assets	$ 15,895,175	$ 14,442,588
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 121,746	$ 121,340
Accounts payable and accrued expenses	257,015	244,082
Accrued payroll and related liabilities	617,053	536,190
State advances payable	1,899,952	2,507,810
Refundable advance	-	1,813,667
Deferred revenue	836,068	199,007
Total Current Liabilities	3,731,834	5,422,096
LONG-TERM DEBT - Mortgages		
Principal amount	4,873,358	4,995,311
Less: Unamortized debt issuance costs	135,351	143,919
Mortgage Notes Payable Less Unamortized Debt Issuance Costs	4,738,007	4,851,392
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Without donor-restrictions:		
Available for operations	6,878,598	3,673,164
With donor-restrictions	546,736	495,936
Total Net Assets	7,425,334	4,169,100
Total Liabilities and Net Assets	$ 15,895,175	$ 14,442,588

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2021
(With Summarized, Comparative Totals for the Year Ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
REVENUES, GAINS, AND SUPPORT:				
Government grants and contracts:				
NJ Division of Mental Health Services and Other Government Support	$ 5,195,453	$ -	$ 5,195,453	$ 5,653,798
Nutrition Program	18,891	-	18,891	68,086
NJ Child Assault Prevention Program	73,922	-	73,922	64,571
Essex County Housing and Community Development	28,679	-	28,679	9,700
Community Development Block Grant	14,327	-	14,327	27,774
Total Support	5,331,272	-	5,331,272	5,823,929
Revenues:				
Medicaid, Medicare, Welfare and private insurance	5,619,978	-	5,619,978	6,152,265
Non-Medicaid (fee for service)	1,591,547	-	1,591,547	1,719,747
Managed Care Organization	284,895	-	284,895	199,769
Fees for service	1,365	-	1,365	3,518
Net realized and unrealized gain (loss) on investments	299,844	39,290	339,134	(42,408)
Interest and dividends	48,808	2,867	51,675	61,541
Rental income	205,107	-	205,107	206,550
Amortized income on mortgages	111,096	-	111,096	111,096
Other revenue	1,840,113	-	1,840,113	42,180
Total Revenues	10,002,753	42,157	10,044,910	8,454,258
Public Support:				
Contributions and membership dues	128,255	12,528	140,783	125,074
Bequests and annuities	1,196,300	-	1,196,300	11,399
Grants	634,347	164,967	799,314	273,442
Special events	87,086	-	87,086	74,638
Total Public Support	2,045,988	177,495	2,223,483	484,553
Net assets released from restrictions	168,852	(168,852)	-	-
Total Revenues, Gains and Support	17,548,865	50,800	17,599,665	14,762,740
EXPENSES:				
Program services	11,889,813	-	11,889,813	11,850,341
Supporting services:				
Management and general	2,217,906	-	2,217,906	2,109,692
Fundraising	235,712	-	235,712	231,845
Total Expenses	14,343,431	-	14,343,431	14,191,878
CHANGES IN NET ASSETS	3,205,434	50,800	3,256,234	570,862
NET ASSETS - Beginning of year	3,673,164	495,936	4,169,100	3,598,238
NET ASSETS - End of year	$ 6,878,598	$ 546,736	$ 7,425,334	$ 4,169,100

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021
(With Summarized, Comparative Totals for the Year Ended June 30, 2020)

	Program Services																	
	Integrated Case Management Service Program	**Prospect House Program**	**Supported Employment Programs**	**Family Support Programs**	**Youth Programs**	**Criminal Justice/ Jail Diversion Program**	**Community Support Services**	**Center for Behavioral Health**	**RCC**	**AOT Programs**	**Homeless Services Programs**	**CECE Programs**	**FEMA Crisis Counseling**	**Total Program Services**	**Management and General**	**Fundraising**	**Total 2021**	**Total 2020**
Salaries and wages	$ 1,428,181	$ 824,634	$ 109,723	$ 354,968	$ 69,321	$ 315,943	$ 1,281,326	$ 295,450	$ 113,844	$ 523,136	$ 823,841	$ 300,119	$ 114,623	$ 6,555,109	$ 1,363,610	$ 162,844	$ 8,081,563	$ 7,968,079
Payroll taxes and employee benefits	460,813	266,074	35,403	114,533	22,367	101,941	413,429	95,329	36,732	168,794	265,819	96,836	36,984	2,115,054	439,979	52,543	2,607,575	2,467,090
Therapists/consultants	3,938	109,916	-	-	69,480	-	23,883	-	-	76,883	20,192	-	-	304,292	-	-	304,292	247,484
Occupancy	172,823	90,474	16,165	15,773	5,473	10,434	303,113	8,338	-	52,880	79,308	30,184	-	784,965	95,266	-	880,231	902,283
Equipment rental and maintenance	15,502	12,915	2,474	8,705	300	5,380	11,541	4,670	-	9,220	8,861	1,708	-	81,276	8,055	-	89,331	91,541
Telephone	42,230	18,486	3,644	12,761	1,835	6,219	53,791	4,445	-	14,650	29,187	6,684	1,015	194,947	20,519	-	215,466	163,696
Supplies	16,221	47,132	1,379	7,459	3,917	949	71,449	5,713	-	10,830	11,637	12,395	-	189,081	22,822	3,628	215,531	234,609
Travel, transportation and conference	71,528	41,423	6,667	8,769	5,683	13,352	73,288	5,839	505	21,971	46,276	16,424	-	311,725	12,116	1,440	325,281	360,790
Insurance	65,327	36,454	5,092	10,274	6,278	11,112	65,418	5,512	-	20,068	31,127	11,948	-	268,610	30,471	-	299,081	303,342
Advertising and promotion	2,773	745	370	135	340	145	1,933	110	295	1,320	2,568	295	74	11,103	393	-	11,496	14,234
Professional fees	17,993	27,883	1,347	3,405	3,146	3,155	15,783	5,654	-	5,354	10,214	65,668	-	159,602	65,408	-	225,010	232,962
Food	-	32,181	-	-	-	-	-	-	-	-	-	-	-	32,181	-	-	32,181	83,876
Postage and printing	876	215	60	364	488	426	439	426	-	159	242	69	-	3,764	1,073	863	5,700	6,513
Subscriptions and publications	1,359	2,685	94	274	218	329	3,085	1,332	-	688	827	575	-	11,466	8,984	2,607	23,057	26,603
Information technology	21,523	22,610	1,729	5,239	4,609	2,783	16,689	5,943	-	8,197	15,503	4,602	-	109,427	56,690	8,686	174,803	161,826
Mental Health Association dues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,110	-	12,110	13,297
Consumer assistance	6,192	5,387	520	100	-	1,821	91,475	410	-	2,707	65,300	357	-	174,269	-	-	174,269	273,605
Public awareness	8,578	8,578	8,578	11,431	8,578	11,431	10,068	8,578	25,040	12,857	11,431	46,910	27,440	199,498	-	-	199,498	144,464
Special events	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,031	3,031	16,380
Depreciation and amortization	34,875	52,313	4,359	4,359	1,744	4,359	231,049	1,308	2,616	13,950	21,797	4,359	-	377,088	58,852	-	435,940	430,582
Minor equipment	274	730	239	141	-	28	281	971	-	239	430	-	-	3,333	489	-	3,822	25,693
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,437	-	10,437	10,418
Miscellaneous	336	211	211	336	-	436	236	296	-	461	337	163	-	3,023	10,632	70	13,725	12,511
Total Operating Expenses	$ 2,371,342	$ 1,601,046	$ 198,054	$ 559,026	$ 203,777	$ 490,243	$ 2,668,276	$ 450,324	$ 179,032	$ 944,364	$ 1,444,897	$ 599,296	$ 180,136	$ 11,889,813	$ 2,217,906	$ 235,712	$ 14,343,430	$ 14,191,878

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
STATEMENTS OF CASH FLOWS

	Year Ended June 30, 2021	2020
CASH FLOWS PROVIDED BY:		
OPERATING ACTIVITIES:		
Changes in net assets	$ 3,256,234	$ 570,862
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	435,941	430,582
Noncash interest expense (amortization of debt issuance costs)	8,568	8,568
Net realized and unrealized losses on investments	(339,134)	42,408
(Gain) loss on disposal of fixed assets	-	(1,986)
Amortized income on mortgages	(111,096)	(111,096)
Changes in certain assets and liabilities:		
Escrow and security deposits	(1,262)	14,369
Accounts receivable	81,087	(33,707)
Grants and contracts receivable	(138,331)	22,633
Pledges receivable	-	9,827
Charitable lead annuity trusts	22,831	20,650
Prepaid expenses	4,908	(7,571)
Accounts payable and accrued expenses	12,933	(151,479)
Accrued payroll and related liabilities	80,863	96,653
State advances payables	(607,858)	1,164,479
Refundable advance	(1,813,667)	1,813,667
Deferred revenue	637,061	20,822
Net Cash Provided by Operating Activities	1,529,078	3,909,681
INVESTING ACTIVITIES:		
Purchases of property and equipment	(369,932)	(406,247)
Proceeds from sale of investments	566,977	264,990
Purchases of investments	(2,641,383)	(357,662)
Net Cash Used for Investing Activities	(2,444,338)	(498,919)
FINANCING ACTIVITIES:		
Payments on long term debt	(10,451)	(39,250)
Net Cash Used for Financing Activities	(10,451)	(39,250)
NET (DECREASE) INCREASE IN CASH	(925,711)	3,371,512
CASH		
Beginning of year	4,411,272	1,039,760
End of year	$ 3,485,561	$ 4,411,272
SUPPLEMENTAL DISCLOSURE OF CASH-FLOW INFORMATION:		
Cash paid for interest	$ 10,437	$ 10,418

NOTE 1 - NATURE OF ORGANIZATION:

The Mental Health Association of Essex and Morris, Inc. ("Association") is a nonprofit organization serving Essex, Morris, Sussex and Passaic Counties in New Jersey, whose mission is to promote mental health, including the integration of physical healthcare, to improve the care and treatment of individuals with mental illness, and to remove the stigma associated with emotional and mental disorders. This is accomplished through advocacy, education, prevention, early intervention, treatment and service. The Association's revenues are derived principally from state funding, third-party reimbursements, and support from the general public.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:
The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation:
Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

> Net Assets without Donor Restrictions - Net assets not subject to donor-imposed stipulations.
>
> Net Assets with Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Association and/or the passage of time and other net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. Generally, the donors of these assets permit the Association to use all or part of the income earned on any related investments for general or specific purposes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

In the absence of donor restrictions, contributions and bequests are considered to be available for unrestricted use. All income is recognized in the period when the contribution, pledge, or unconditional promise to give is received.

The Association records donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Fair Value:
Fair value measurements are defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three defined hierarchical levels based on the quality of inputs used that directly relate to the amount of subjectivity associated with the determination of fair value.

The fair value hierarchy defines the three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3: Valuations based on unobservable inputs used when little or no market is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

In determining fair value, the Association utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considers counterparty credit risk (or other parties such as counterparty in a swap) in its assessment of fair value.

The fair value of investments is summarized as follows:

Mutual funds – valued at the net asset value of shares held by the Association at year-end.

Certificates of deposit – estimated using rates currently offered for deposits of similar remaining maturities.

Bonds – valued using pricing models maximizing the use of observable inputs for similar securities.

Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the statements of activities and changes in net assets as increases or decreases in unrestricted net assets unless the use was restricted by explicit donor stipulations or by law.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Investments:
Investment income is presented net of investment advisory/management fees and is reflected as realized and unrealized gain (loss) on investments in the accompanying statements of activities and changes in net assets. All investment income is credited directly to unrestricted net assets unless otherwise restricted by the donor. All capital appreciation/depreciation earned on investments is reported as a change in unrestricted net assets unless otherwise restricted by the donor. All investments are carried at fair value with the related gains and losses in the statements of activities and changes in net assets.

Accounts Receivable:
Accounts receivable represents amounts due from Medicaid. The amounts are stated at the amount management expects to collect from outstanding balances based on historical trends. The Association charges uncollectible accounts receivable to operations when determined to be uncollectible.

Grants and Contracts Receivable:
Grants and contracts receivable is stated at the amount management expects to collect from outstanding balances. The Association charges uncollectible accounts receivable to operations when determined to be uncollectible.

Financial assistance received from federal, state, and local government entities in the form of grants are recognized on a cost-reimbursement basis and are recorded in government grants and contracts on the accompanying statements of activities and changes in net assets. Grants receivable from government agencies are periodically reviewed by management for collectability. Consequently, no allowance has been recorded.

Contributions:
Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions with restrictions that are met in the same reporting period as they are received are reported as unrestricted support.

Notes Payable:
The Association occasionally enters into notes payable transactions with various state government agencies, some of which are forgivable upon the passage of time and the performance of the terms of the loans. It is the Association's policy to ratably write off applicable loans to revenue over their lives. The Association does not discount noninterest-bearing or below-market-rate loans from government agencies.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Deferred Revenue:
Deferred revenue represents revenues received in advance not yet earned.

Property and Equipment:
Fixed assets are recorded at cost on the date of acquisition, or at the fair market value of the asset, based on values of comparable assets at the date of gift for donated assets. Property and equipment are depreciated using the straight-line method over their estimated useful lives ranging from 3 to 40 years. The estimated lives of the assets are as follows:

Asset	**Estimated Useful Life**
Computer software	3-5 years
Buildings and improvements	5-40 years
Furniture and fixtures	5-7 years
Transportation equipment	5 years
Computer equipment	5 years

In the absence of donor-imposed restrictions on the use of the asset, gifts of long-lived assets are reported as unrestricted support. When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts. Maintenance, repairs, and minor renewals are charged to operations as incurred, significant renewals and betterments greater than $7,500 that increase the useful life of the assets are capitalized.

Although the title to all property and equipment is held by the Association, state funding sources may maintain an equitable interest in the property purchased with grant monies, as well as the right to determine the use of proceeds from the sale of those assets.

State Advances Payable:
State advances payable represents amounts due back to the state due to underspending on certain programs. The amount owed to the state as of June 30, 2021 and 2020, is $1,899,952 and $2,507,810, respectively, and is included on the accompanying statement of financial position.

Debt Issuance Costs:
Debt issuance costs are reported on the statement of financial position as a direct deduction from the face amount of the debt. The debt issuance costs are being amortized over the term of the debt on a method that approximates the interest method. The Association reflects amortization of debt issuance costs within interest expense.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Revenue Recognition:
Funds received from various federal, state, and local agencies represent grants awarded to the Association to provide program services. Revenue with respect to these awards is recognized to the extent of expenses incurred under the award terms, pursuant to donor-imposed restrictions. Upon completion or expiration of a grant, unexpended funds are not available to the Association and must be returned to the awarding agency. Amounts received from granting agencies in excess of incurred expenditures are recorded as refundable advances, included in accounts payable and accrued expenses on the statements of financial position.

The Association is reimbursed by Medicaid for services provided to consumers, subject to the rules and regulations of the program. Medicaid revenue is recognized when the services have been provided and billed to the Medicaid program. Related expenses are offset primarily by Medicaid and, secondarily, by other state funding. Revenue generated from those services are included on the statements of activities and changes in net assets. Service fees are recorded at estimated, net realizable amounts from consumers, third-party payers, and others for services rendered and include estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Estimated adjustments are accrued in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Functional Allocation of Expenses:
Program services, management and general, and fundraising expenses have been recorded in the statement of activities and changes in net assets and on the statement of functional expenses based on both a direct-costing method for those expenses directly attributable to a particular program or special event, or on an allocation basis based on the salary percentage of each program to total salaries for joint costs attributable to all functions. The Association's management allocates management and general expenses based upon analysis of time expended on various grants.

Advertising:
The Association expenses advertising costs as incurred. Advertising is primarily for staff recruitment.

Income Taxes:
The Association is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The Association follows standards that provide clarification on accounting for uncertainty in income taxes recognized in the Association's financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Income Taxes: (Continued)
The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken, or expected to be taken, in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure and transition. The Association's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense. No interest and penalties were recorded during the fiscal years ended June 30, 2021 and 2020. There are no significant income tax uncertainties at June 30, 2021 and 2020.

Endowment Funds:
The Association reports permanently restricted net assets held for educational purposes and other related activities in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates:
In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prior Year Summarized Comparative Information:
The financial statements include certain prior-year, summarized, comparative information in total, but not by net asset class or functional area. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the fiscal year ended June 30, 2020, from which the summarized information was derived.

Recent Accounting Pronouncements:
The FASB issued an accounting pronouncement, *Leases*, which requires lessees to recognize a right-of-use asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Under this new pronouncement, a modified retrospective transition approach is required, and the new standard is applied to all leases existing at the date of initial application. The pronouncement is effective for annual periods beginning after December 15, 2021. It will be effective for the Association for the year ended June 30, 2023. The Association is currently evaluating the effect the new pronouncement will have on its financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Subsequent Events:
The Association has evaluated events subsequent to the statement of financial position date as of June 30, 2021 through October 21, 2021, the date that the financial statements were available to be issued.

Reclassification:
Certain amounts have been reclassified in the 2020 financial statements to confirm to the 2021 presentation.

NOTE 3 - INVESTMENTS:

The Association has categorized its investments, based on the priority of inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in the active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the investments fall within the different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the investments.

Investments consist of both permanently restricted net assets and assets designated by the Board of Directors for long-term purposes. They were invested in money market funds, certificates of deposit, corporate bonds (financial markets), and mutual funds.

The Investment Committee periodically monitors the investment portfolios for consistency in each investment manager's investment philosophy, return relative to objectives and investment risk measured by asset concentration, exposure to extreme economic conditions and volatility.

Cash and cash equivalents include short-term, highly liquid investments with maturity dates of three months or less on the date of acquisition.

	FAIR VALUE MEASUREMENTS AS OF JUNE 30, 2021			
	LEVEL 1	**LEVEL 2**	**LEVEL 3**	**TOTAL**
Cash and cash equivalents	$ 424,731	$ -	$ -	$ 424,731
Certificates of deposit	-	636,921	-	636,921
Bonds	-	1,324,690	-	1,324,690
Mutual funds	1,933,130	-	-	1,933,130
Investments at Fair Value	$ 2,357,861	$ 1,961,611	$ -	$ 4,319,472

NOTE 3 - INVESTMENTS: (Continued)

FAIR VALUE MEASUREMENTS
AS OF JUNE 30, 2020

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Cash and cash equivalents	$ 29,802	$ -	$ -	$ 29,802
Certificates of deposit	-	810,618	-	810,618
Bonds	-	196,333	-	196,333
Mutual funds	869,179	-	-	869,179
Investments at Fair Value	$ 898,981	$ 1,006,951	$ -	$ 1,905,932

NOTE 4 - CHARITABLE LEAD ANNUITY TRUSTS:

Under the 2016 agreements, the Association will receive monthly installments over a seven-year period. The present value of the Association's future interest in its charitable lead annuity trusts is summarized as follows as of June 30, 2021 and 2020:

	2021	2020
Fair market value of assets to be received in less than one year	$ 30,720	$ 30,720
Fair market value of assets to be received in one to three years	46,098	76,812
Less: Discount to present value	(8,594)	(16,477)
Present Value of Future Interest	$ 68,224	$ 91,055

The present value of the estimated future interest is calculated using the discount rate of 0.84% for June 30, 2021 and 2020, and applicable life expectancy tables. The present value of the charitable lead annuity trusts is included in the accompanying statements of financial position.

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT:

	June 30, 2021	**June 30, 2020**
Land	$ 2,073,191	$ 2,073,191
Building and improvements	6,533,796	6,463,240
Furniture and fixtures	332,820	332,820
Transportation equipment	1,925,453	1,757,786
Computer equipment	104,013	104,013
	10,969,273	10,731,050
Less: Accumulated depreciation	4,373,796	4,022,108
Property and Equipment, Net	$ 6,595,477	$ 6,708,942

Depreciation expense for the years ended June 30, 2021 and 2020 was $433,397 and $428,038, respectively.

NOTE 6 - LONG-TERM DEBT:

	June 30, 2021	**June 30, 2020**
Mortgage payable to New Jersey Housing and Mortgage Finance Agency ("NJHMFA") due November 2023, bearing no interest. Principal to be repaid with 25% of the project's annual available cash flow (for a term not to exceed 15 years). The note is collateralized by land and building on Bay Avenue in Bloomfield, New Jersey, and the property is restricted to specific uses specified by NJHMFA. The unpaid balance at maturity will be renegotiable under new terms. The loan is shown net of unamortized debt issuance costs of $3,823 at June 30, 2021.	$ 360,069	$ 358,173
Mortgage payable to the county of Essex due April 2028, bearing no interest. The note is collateralized by land and building on Bay Avenue in Bloomfield, New Jersey. The mortgage is scheduled to be forgiven over the 20-year compliance period; scheduled to be completely forgiven at maturity.	62,082	71,178

NOTE 6 - LONG-TERM DEBT: (Continued)

	June 30, 2021	June 30, 2020
Mortgage payable to the county of Essex due July 2029, bearing no interest. The note is collateralized by land and building in Nutley, New Jersey. The mortgage is scheduled to be forgiven over the 20-year compliance period; scheduled to be completely forgiven at maturity.	111,962	125,966
Mortgage payable to NJHMFA due October 2039, bearing no interest. Principal to be repaid with 25% of the project's annual available cash flow (for a term not to exceed 30 years). The note is collateralized by land and building on 16th Street in Bloomfield, New Jersey, and the property is restricted to specific uses specified by NJHMFA. The unpaid balance at maturity will be renegotiable under new terms. The loan is shown net of unamortized debt issuance costs of $18,202 at June 30, 2021.	485,035	484,017
Mortgage payable to NJHMFA due October 2039, bearing no interest. Principal to be repaid with 25% of the project's annual available cash flow (for a term not to exceed 30 years). The note is collateralized by land and building in Nutley, New Jersey, and the property is restricted to specific uses specified by NJHMFA. The unpaid balance at maturity will be renegotiable under new terms. The loan is shown net of unamortized debt issuance costs of $41,539 at June 30, 2021.	1,142,649	1,140,347
Mortgage payable to the county of Essex due March 2029, bearing no interest. The note is collateralized by land and building on 16th Street in Bloomfield, New Jersey. The mortgage is scheduled to be forgiven in full over the 20-year compliance period.	42,663	48,159
Mortgage payable to NJHMFA due August 2042, bearing no interest. Principal to be repaid with 25% of the project's annual available cash flow (for a term not to exceed 30 years). The note is collateralized by land and building in Montclair, New Jersey, and the property is restricted to specific uses specified by NJHMFA. The unpaid balance at maturity will be renegotiable under new terms. The loan is shown net of unamortized debt issuance costs of $71,787 at June 30, 2021.	1,544,625	1,541,079

NOTE 6 - LONG-TERM DEBT: (Continued)

	June 30, 2021	2020
Mortgage payable to the Department of Housing and Urban Development due November 2030, bearing no interest. The note is collateralized by land and building in Montclair, New Jersey. The mortgage is scheduled to be forgiven over the 20-year compliance period; scheduled to be completely forgiven at maturity.	520,000	560,000
Mortgage payable to the county of Essex due July 2029, bearing no interest. The note is collateralized by land and building in Bloomfield, New Jersey. The mortgage is scheduled to be forgiven over the 20-year compliance period; scheduled to be completely forgiven at maturity.	552,500	595,000
Note payable to an auto finance agency, payments of $446 per month, due June 2025, bearing no interest. The note is collateralized by a vehicle, with a net book value of approximately $25,000. Imputed interest has not been calculated since, in the opinion of management, it is not material to these financial statements.	21,398	26,738
Note payable to an auto finance agency, payments of $564 per month, due April 2024, bearing 7.34% interest. The note is collateralized by a vehicle, with a net book value of approximately $17,000. Imputed interest has not been calculated since, in the opinion of the project's management, it is not material to these financial statements.	16,770	22,075
Total Long-term Debt, net of unamortized debt issuance costs	4,859,753	4,972,732
Less: Current maturities	121,746	121,340
Long-term Debt, Net of Current Maturities and Unamortized Debt Issuance Costs	$ 4,738,007	$ 4,851,392

Amortization of debt issuance costs of approximately $8,600 for the years ended June 30, 2021 and 2020, is reported on the statement of activities and changes in net assets as interest expense.

NOTE 6 - LONG-TERM DEBT: (Continued)

At June 30, 2021, the aggregate maturities of long-term debt are as follows:

	Year	Amount
	2022	$ 121,746
	2023	122,156
	2024	122,603
	2025	116,443
	2026	111,096
	Thereafter	4,401,060
		4,995,104
Less: Unamortized debt issuance costs		135,351
Long-term debt, net of unamortized debt issuance costs		$ 4,859,753

NOTE 7 - REFUNDABLE ADVANCE:

The Association obtained a Paycheck Protection Program loan of $1,813,667 in April 2020. The loan is to provide the Association with working capital for the purpose of maintaining employment levels and paying occupancy costs during a stay-at-home period ordered by the governor of New Jersey. Paycheck Protection Program loans may be forgiven in part or in whole if the borrower maintains its employee count, as well as salary levels, during a specified period.

The Organization recorded the $1,813,667 received as a conditional government grant and recognized revenue as expenses were incurred, which satisfied the conditions set forth by the U.S. Small Business Administration. As of June 30, 2021, all amounts received under the PPP were expended and recognized as government contributions on the statements of activities and changes in net assets. The Organization received forgiveness of $1,770,253 from the Small Business Administration on February 22, 2021. This revenue is reflected within other revenue on the accompanying statement of activities. The remaining amount of $43,414 was paid back to the Small Business Administration during the year ended June 30, 2021.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS:

	June 30, 2021	June 30, 2020
Net Assets with Donor Restrictions:		
Restricted due to time or use	$ 476,487	$ 426,977
Restricted in perpetuity - endowment	70,249	68,959
Total Net Assets with Donor Restrictions	$ 546,736	$ 495,936

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS: (Continued)

Net assets released from restrictions were $168,852 and $229,131 for the year ended June 30, 2021 and 2020, respectively.

NOTE 9 - ENDOWMENT FUNDS:

Donor-designated Endowment:
The Association's endowment consists of individual funds established for the purpose of supporting Mental Health Association of Essex and Morris, Inc.'s client programs. Its endowment includes donor-restricted funds.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Association follows accounting standards that provide clarification on accounting for donor-restricted endowment funds. The guidance prescribes that the portion of donor-restricted endowment funds that are classified as permanently restricted should not be reduced by losses on the investment of the fund or an organization's appropriations from the fund.

The Board of Directors' interpretation requires 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, the Association classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association. The Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

NOTE 9 - ENDOWMENT FUNDS: (Continued)

(1) The duration and preservation of the principal of contributions
(2) The purposes of the Association and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effects of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Association
(7) The investment policies of the Association

Investment Return Objectives, Risk Parameters and Strategies

The Association has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost, total real rate of return, including investment income, as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent, inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Therefore, the Association expects its endowment assets, over time, to produce an average rate of return exceeding the Consumer Price Index by 3% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund's investment assets and allocation between asset classes. Strategies are managed so as not to expose the fund to unacceptable levels of risk.

Spending Policy

The Association has a policy of each year appropriating for distribution 5% of the average total net assets at year-end for the five-year period ended with the most recent fiscal year-end. In establishing this policy, the Association considered the long-term expected return on its investment assets; the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions; and the possible effects of inflation. The Association expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 3% annually. This is consistent with the Association's objective to maintain the purchasing power of the endowment assets, as well as to provide additional growth through new gifts and investment return.

NOTE 9 - ENDOWMENT FUNDS: (Continued)

Endowment net asset composition by type of fund is as follows as of June 30, 2021 and 2020:

	2021		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 70,500	$ 70,500
Accumulated investment losses	-	251	251
	$ -	$ 70,249	$ 70,249

	2020		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 70,500	$ 70,500
Accumulated investment losses	-	1,541	1,541
	$ -	$ 68,959	$ 68,959

Changes in endowment net assets for the years ended June 30, 2021 and 2020:

	2021		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment Net Assets, Beginning of year	$ -	$ 70,500	$ 70,500
Investment return, net	-	(251)	(251)
Endowment Net Assets, End of year	$ -	$ 70,249	$ 70,249

NOTE 9 - ENDOWMENT FUNDS: (Continued)

	2020		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment Net Assets, Beginning of year	$ -	$ 70,500	$ 70,500
Investment return, net	-	(1,541)	(1,541)
Endowment Net Assets, End of year	$ -	$ 68,959	$ 68,959

Contributions include donor-restricted contributions, the change in the allowance for uncollectible pledges, and amortization of present value of pledges made for more than one year. Endowment funds are invested with operating funds and all investment income is available for operating expenses at the Board of Director's discretion.

Funds with Deficiencies:
From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or law (underwater endowments). The Association has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") to permit spending from underwater endowments in accordance with prudent measures required under law.

At June 30, 2021, funds with deficiencies of $251 were reported in net assets with donor restrictions.

	June 30, 2021
Fair value of endowment funds	$ 70,249
Original endowment gift amount	70,500
Deficiencies of endowment funds	$ (251)

At June 30, 2020, funds with deficiencies of $1,541 were reported in net assets with donor restrictions.

	June 30, 2020
Fair value of endowment funds	$ 68,959
Original endowment gift amount	70,500
Deficiencies of endowment funds	$ (1,541)

NOTE 10 - PENSION PLANS:

The Association currently maintains a defined contribution safe harbor profit-sharing plan. The Plan is open to all employees who meet certain eligibility requirements. The Safe Harbor Plan provides up to a 4% match and discretionary employer contributions to be determined at year-end by the Board of Directors. As of June 30, 2021 and 2020, there were 149 and 148 employees participating in the plan, respectively. Contribution expense for the years ended June 30, 2021 and 2020, was approximately $519,069 and $465,200, respectively.

NOTE 11 - NEW JERSEY CHILD ASSAULT PREVENTION PROGRAM:

As a participant in the New Jersey Child Assault Prevention Program ("NJCAP"), the Association receives the funds necessary to pay staff stipends and other expenses associated with the program. Advances of $69,368 and $60,017 are included in support, and disbursements of $69,480 and $52,749 are included in program expenses, for the years ended June 30, 2021 and 2020, respectively. Timing differences in the recording of advances and expenses may result in the appearance of a slight program deficit or a surplus in any given year. As required by the NJCAP, a separate bank account is maintained for all program receipts and disbursements.

NOTE 12 - CONCENTRATIONS OF RISKS:

Financial instruments that expose the Association to concentrations of credit risk consist primarily of cash, cash equivalents, receivables, investments, and debt. The Association maintains its cash in bank deposit accounts at high-quality financial institutions. These balances at times may exceed federally insured limits.

The Association receives the majority of its funding from various federal, state, and local governmental agencies. The operations of the Association are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies. Such administrative directives, rules, and regulations are subject to changes that may occur because of inadequate funding with little notice to pay for the related costs, including the additional administrative burden, to comply with a change. In addition, under the terms of certain state of New Jersey grants, periodic audits of the grants are required. Such audits could result in claims against the Association for disallowed costs or noncompliance with grantor restrictions. Provisions for estimated adjustments resulting from audit and final settlement have been recorded. Differences between the estimated adjustments and the amount settled are recorded in the year of settlement.

NOTE 12 - CONCENTRATIONS OF RISKS: (Continued)

The Association receives support and revenue primarily from grants, fees from governmental agencies, resident and private fees and special events. A significant reduction of such support could have a material impact on the Association's operations. Management does not expect that its support will be materially reduced.

Approximately 31% and 40% of the Association's revenue for the years ended June 30, 2021 and 2020, respectively, is from government grants and contracts and fee for service (non-Medicaid) revenue.

The Association's receivables are concentrated with Medicaid and a significant amount of its debt financing is concentrated with governmental agencies. A considerable balance of the Association's investments is concentrated in mutual funds and certificates of deposit. The Association's exposure to concentrations of credit risk is limited by its policy of investing in diverse investments that can be easily converted to cash.

NOTE 13 - COMMITMENTS AND CONTINGENCIES:

Contributions:
The Association is committed to contributing to the support of the State and National Mental Health Associations. The Association has paid or accrued its commitment of $13,297 for the years ended June 30, 2021 and 2020.

Leases:
The Association leases facilities in Newton and Passaic, New Jersey, under month-to-month leases. The Association is responsible for security expenses and for all utilities metered to these spaces.

The Association also leases office facilities in Parsippany, New Jersey. The term of the lease is two years and eight months and will expire in March 2023.

During March 2019, the Association entered into a lease agreement for a facility and office space located in West Orange, New Jersey. The term of the lease is five years and ten months and will expire in May 2026.

NOTE 13 - COMMITMENTS AND CONTINGENCIES: (Continued)

Leases: (Continued)

Future minimum payments on these leases are as follows:

Year Ending June 30,	**Amount**
2022	$ 469,261
2023	465,446
2024	250,609
2025	245,147
2026	212,268
Thereafter	19,941
	$1,662,672

Rent expense for facilities for the years ended June 30, 2021 and 2020, totaled $483,329 and $477,685, respectively. Equipment rental expense for the years ended June 30, 2021 and 2020, totaled $85,952 and $84,476, respectively.

Grant Advances:

During the years ended June 30, 2021 and 2020, the Association estimated that approximately $765,000 and $114,000, respectively, of the state contract was projected to be unused by the end of the grant years. The Association was granted the approval to use these funds by the state with a requirement to submit the purpose for the use of such funds. The amount is included in deferred revenue for the year ended June 30, 2021, in the accompanying statements of financial position.

Litigation:

The Association is involved in various claims, potential unasserted claims, employment claims, and legal actions arising in the ordinary course of business. Management does not believe any of them will have a material adverse effect on the Association’s financial position and changes in net assets.

NOTE 14 - LINE OF CREDIT:

The Association has a revolving line of credit with a bank to fund temporary deficits in its working capital. The available balance on this line of credit is $1,250,000 for the years ended June 30, 2021 and 2020. The revolving line of credit renews annually. At June 30, 2021 and 2020, the Association has no borrowings under the line. Interest on the line of credit is payable based on the prime rate as published by the financial institution, not to fall below 5%. The interest rate at June 30, 2021 was 5.13%. Borrowings under this line of credit are secured by all Uniform Commercial Code business assets of the Association.

NOTE 15 - TAX RETURNS:

At June 30, 2021 and 2020, all required tax returns have been filed.

NOTE 16 - LIQUIDITY AND AVAILABILITY:

The following represents the Association's financial assets at June 30, 2021 and 2020, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor imposed restrictions or internal designations.

	2021	2020
Cash	$ 3,485,561	$ 4,411,272
Investments (Level 1)	2,357,862	898,981
Accounts receivable	329,824	410,911
Grants and contracts receivable	370,502	232,171
Pledges and charity lead annuity trusts receivable, current	30,720	30,720
Total Financial Assets	6,574,469	5,984,055
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(546,736)	(495,936)
Financial assets available to meet general expenditures over the next 12 months	$ 6,027,733	$ 5,488,119

NOTE 16 - LIQUIDITY AND AVAILABILITY: (Continued)

The Association has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Association has a line of credit in the amount of $1,250,000 that is fully available to meet cash needs when necessary.

NOTE 17 - RISKS AND UNCERTAINTIES:

The Association is actively monitoring the recent COVID-19 outbreak and its potential impact on its employees, volunteers, donors, and operations. It is not known at this time how much effect the virus will have on operations and/or financial results. The potential impact of COVID-19 is not foreseeable due to various uncertainties, including the severity of the disease, the duration of the outbreak, and actions that may be taken by governmental authorities.

NOTE 18 - SUBSEQUENT EVENTS:

On September 15, 2021 the Organization entered into a lease agreement for a location in Clifton, New Jersey. Rent of $3,500 is due on the first day of each month commencing December 1, 2021, and expiring November 30, 2026.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.

STATEMENT OF ACTIVITIES BY DESIGNATED PERIOD

	July 2019 - February 2020	March 2020 - June 2020	Total for the Year Ended June 30, 2020	July 2020 - September 2020	October 2020 - June 2021	Total for the Year Ended June 30, 2021
REVENUES:						
DMHAS Contract Revenue	$ 3,883,191	$ 1,941,595	$ 5,824,786	$ 1,456,197	$ 3,883,191	$ 5,339,388
Excluding PPP Loan Forgiveness Related to DMHAS Contract	-	-	-	-	-	-
PPP Loan Forgiveness Related to DMHAS Contract	-	-	-	-	-	-
Total DMHAS Contract Revenue	3,883,191	1,941,595	5,824,786	1,456,197	3,883,191	5,339,388
PPP Loan Forgiveness - Not Related to DMHAS Contract	-	-	-	-	1,770,253	1,770,253
All Other Revenues, including Federal grants and Medicaid	5,895,718	3,042,236	8,937,954	2,231,751	8,258,273	10,490,024
Total Revenues	9,778,909	4,983,831	14,762,740	3,687,948	13,911,717	17,599,665
EXPENSES:						
Program, Management and General (Without DMHAS Contract)	6,225,626	3,241,091	9,466,717	2,211,751	7,087,809	9,299,560
DMHAS Contract	3,137,400	1,587,761	4,725,161	1,216,514	3,827,357	5,043,871
All Other Expenses	-	-	-	-	-	-
Total Expenses	9,363,026	4,828,852	14,191,878	3,428,265	10,915,164	14,343,431
Change in Net Assets	$ 415,883	$ 154,979	$ 570,862	$ 259,683	$ 2,996,553	$ 3,256,234

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2021

Federal Grantor/ Pass-through Grantor/Program Title	Isl #	Federal CFDA Number	Pass-through Grantor's Number	Award Period	Program Award or Loan Amount	Loan Balance at Beginning of Year	Expenditures
Federal Awards							
U.S. Department of Health and Human Services							
Substance Abuse and Mental Health Services Administration:							
Passed through state of New Jersey							
Department of Human Services							
Division of Mental Health and Addiction Services							
Block Grants for Community Mental Health Services		93.958	30209	7/1/20 - 6/30/21	$ 867,253	$ -	$ 867,253
Projects for Assistance in Transition from Homelessness		93.150	30209	7/1/20 - 6/30/21	267,487	-	267,487
U.S. Department of Housing and Urban Development							
Supportive Housing		14.235		N/A	829,000	560,000	-
Passed through Essex County, New Jersey, Community:							
Development Block Grant		14.218	R-2021-00122	N/A	28,679	-	28,679
Passed through city of East Orange, Community							
Development Block Grant		14.218	N/A	N/A	14,327	-	14,327
Continuum of Care Program:							
Supportive Housing Program		14.267	NJ0116L2F091912	7/1/20 - 6/30/21	42,633	-	14,513
Continuum of Care Program:							
Passed through from Homeless Solutions, Inc.							
Safe Haven		14.267	22-2491675	7/1/20 - 12/31/20	6,075	-	6,075
Continuum of Care Program:							
Passed through NJ 2-1-1 Partnership:							
Homeless Outreach Services		14.267		7/1/20 - 6/30/21	20,592	-	20,592
U.S. Department of Homeland Security							
Federal Emergency Management Agency:							
Passed through State of New Jersey							
Department of Human Services							
Division of Mental Health and Addiction Services							
Regular Services Program, Crisis Counseling		97.032	68005	9/22/20 - 6/21/21	175,556	-	169,300
Total Federal Awards					**$ 2,251,602**	**$ 560,000**	**$ 1,388,226**

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)
YEAR ENDED JUNE 30, 2021

Federal Grantor/ Pass-through Grantor/Program Title	Isl #	Federal CFDA Number	Pass-through Grantor's Number	Award Period	Program Award or Loan Amount	Loan Balance at Beginning of Year	Expenditures
State Awards							
State of New Jersey - Division of Mental Health and Addiction Services:							
Involuntary Outpatient Commitment							
Criminal Justice Program							
Collaborative Justice Services (Jail Diversion)		N/A	30209	7/1/20 - 6/30/21	$ 4,484,890	$ -	$ 3,834,941
Projects for Assistance in Transition from Homelessness		N/A	30209	7/1/20 - 6/30/21	205,156	-	100,019
Passed through New Jersey Child Assault Prevention				7/1/20 - 6/30/21	69,368	-	69,368
State of New Jersey - Department of Children and Families:							
Children's System of Care		N/A	21CVGR	7/1/20 - 6/30/21	150,000	-	150,000
New Jersey Department of Community Affairs							
SRAP (State Rental Assistance Program)		N/A		7/1/20 - 6/30/21	170,436	-	170,436
New Jersey Department of Labor and Workforce Development		N/A	027-00075		49,860	-	49,860
NJ Incumbent Worker Training Grant							
New Jersey Division of Food and Nutrition							
Adult Care Food		N/A			18,224	-	18,224
New Jersey Housing and Mortgage Finance Agency							
NJHMFA		N/A		11/24/08 - 6/30/21	3,667,528	3,667,528	-
Total State Awards					**8,815,462**	**3,667,528**	**4,392,848**
Total Federal and State Awards					**$ 11,067,064**	**$ 4,227,528**	**$ 5,781,074**

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL
AND STATE AWARDS
JUNE 30, 2021

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the Association and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 - SUBRECIPIENTS:

During the year ended June 30, 2021, the Association did not provide any funds relating to their federal or state programs to subrecipients.

NOTE 3 - INDIRECT COSTS:

During the year ended June 30, 2021, the Association did not elect to use the de minimis cost rate when allocating indirect costs to its federal or state programs.

NOTE 4 - LOAN AND LOAN GUARANTEE PROGRAMS:

As of June 30, 2021, $520,000 was outstanding on the federal loan program. As of June 30, 2021, $3,667,528 was outstanding on the state loan program.

293 Eisenhower Parkway
Livingston, NJ 07039-1711
Office: 973.994.9494
Fax: 973.994.1571
www.SobelCoLLC.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Mental Health Association of Essex and Morris, Inc.
Montclair, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of Mental Health Association of Essex and Morris, Inc. ("Association") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and on compliance and other matters, and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting, compliance, and other matters. Accordingly, this communication is not suitable for any other purpose.

Sobel & Co. LLC

Certified Public Accountants

Livingston, New Jersey
October 21, 2021

SOBELCO
293 Eisenhower Parkway
Livingston, NJ 07039-1711
Office: 973.994.9494
Fax: 973.994.1571
www.SobelCoLLC.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND NEW JERSEY OFFICE OF MANAGEMENT AND BUDGET CIRCULAR LETTER 15-08

To the Board of Directors
Mental Health Association of Essex and Morris, Inc.
Montclair, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited Mental Health Association of Essex and Morris, Inc.'s ("Association") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *Compliance Supplement* and the New Jersey Office of Management and Budget ("NJOMB") Circular Letter 15-08 that could have a direct and material effect on each of the Association's major federal and state programs for the year ended June 30, 2021. The Association's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Association's major programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and NJOMB Circular Letter 15-08. Those standards, the Uniform Guidance, and NJOMB Circular Letter 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major program. However, our audit does not provide a legal determination of the Association's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Association is responsible for establishing and maintaining effective internal control over the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Association's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJOMB Circular Letter 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control and compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and NJOMB Circular Letter 15-08. Accordingly, this report is not suitable for any other purpose.

Sobel & Co. LLC

Certified Public Accountants

Livingston, New Jersey
October 21, 2021

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I. Summary of Auditors' Results

Financial Statements

The auditors' report issued on the financial statements of Mental Health Association of Essex and Morris, Inc., was an unmodified opinion.

Internal control over financial reporting:

• Material weaknesses identified?	______ Yes	__X__ No
• Significant deficiencies identified?	______ Yes	__X__ No

Noncompliance material to financial statements noted?	______ Yes	__X__ No

Major Federal and State Awards

Internal control over the major federal and state programs:

• Material weaknesses identified?	______ Yes	__X__ No
• Significant deficiencies identified?	______ Yes	__X__ No

Type of auditors' report issued on compliance for the major federal and state programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance and NJOMB Circular Letter 15-08?	______ Yes	__X__ No

The following federal and state programs were designated as major programs:

CFDA Number	Grant Number	Name of Federal and State Program or Cluster
93.958	30209	U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration, passed through state of New Jersey Department of Human Services, Division of Mental Health and Addiction Services
	30209	State of New Jersey - Division of Mental Health and Addiction Services - Collaborative Justice Services (Jail Diversion): Projects for Assistance in Transition from Homelessness

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as a low-risk auditee? __X__ Yes ______ No

II. Financial Statement Findings NONE

III. Compliance Findings NONE

IV. Follow-up of Prior-year Audit Findings NONE