MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
JUNE 30, 2023
(With Comparative Totals for 2022)

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.

JUNE 30, 2023 AND 2022

CONTENTS

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Mental Health Association of Essex and Morris, Inc. (the Association), a New Jersey nonprofit organization, which comprise the statements of financial position as of June 30, 2023, 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.

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, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. 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 the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Adjustments to Prior Period Financial Statements

The financial statements of Mental Health Association of Essex and Morris, Inc. were audited by Sobel & Co. LLC, whose shareholders and professional staff joined CliftonLarsonAllen LLP as of February 1, 2023, and has subsequently ceased operations, Sobel & Co., LLC's report dated October 24, 2022, expressed an unmodified opinion on those financial statements. As more fully described in Note 19, the Association has restated its June 30, 2022 financial statements during the current year to properly account for certain forgive-able loans, in accordance with accounting principles generally accepted in the United States of America. Sobel & Co. LLP reported on the June 30, 2022 financial statements before the restatement.

As part of our audit of the June 30, 2023 financial statements, we also audited the adjustment described in Note 19 that was applied to restate the 2022 financial statements. In our opinion, such adjustments are appropriate and has been properly applied. We were not engaged to audit, review or apply procedures to the 2022 financial statements of the Association other than with respect to the adjustment and, accordingly, we do not express an opinion or any other form of assurance on the 2022 financial statements as a whole.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2023, the Association adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with terms great than one year. Our opinion is not modified with respect to this matter.

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 the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government 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, including omissions, 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 and *Government 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 the Association'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 the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 schedule of expenditures of federal awards 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 27, 2023, 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, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Association’s 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

The financial statement of the Association as of June 30, 2022, were audited by Sobel & Co. LLC, whose shareholders and professional staff joined CliftonLarsonAllen LLP as of February 1, 2023, and has subsequently ceased operations. Sobel & Co., LLC’s report dated October 24, 2022, expressed an unmodified opinion on those financial statements. In our opinion, the summarized, comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Livingston, New Jersey
October 27, 2023

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

	June 30, 2023	June 30, (As Restated) 2022
ASSETS		
CURRENT ASSETS:		
Cash	$ 3,239,220	$ 3,142,555
Escrow and security deposits	276,725	529,598
Investments	4,790,483	4,443,045
Accounts receivable	309,560	367,738
Grants and contracts receivable	505,772	1,396,583
Charitable lead annuity trusts, current	15,074	30,720
Prepaid expenses and other assets	182,172	201,113
Total Current Assets	9,319,006	10,111,352
PROPERTY AND EQUIPMENT, Net	9,847,538	6,658,467
Operating ROU Asset	1,300,188	-
NONCURRENT ASSETS:		
Charitable lead annuity trusts, noncurrent, net	-	12,238
Intangible assets, net	49,487	56,630
Total Noncurrent Assets	49,487	68,868
Total Assets	$ 20,516,219	$ 16,838,687
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 121,817	$ 122,652
Accounts payable and accrued expenses	255,092	221,710
Current Lease Liability - Operating	511,958	-
Accrued payroll and related liabilities	908,859	619,914
State advances payable	2,298,104	3,113,782
Deferred revenue	685,408	758,940
Total Current Liabilities	4,781,238	4,836,998
LONG-TERM DEBT - Mortgages		
Principal amount	3,561,760	3,572,402
Less: Unamortized debt issuance costs	118,215	126,783
Mortgage Notes Payable Less Unamortized Debt Issuance Costs	3,443,545	3,445,619
Long-Term Lease Liability - Operating	832,642	-
Total Long-Term Liabilities	4,276,187	3,445,619
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Without donor-restrictions:		
Available for operations	9,858,544	6,879,875
With donor-restrictions	1,600,250	1,676,195
Total Net Assets	11,458,794	8,556,070
Total Liabilities and Net Assets	$ 20,516,219	$ 16,838,687

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2023
(With Summarized, Comparative Totals for the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	2023 Total	(As Restated) 2022 Total
REVENUES, GAINS, AND SUPPORT:				
Government grants and contracts:				
NJ Division of Mental Health Services and Other Government Support	$ 12,474,694	$ -	$ 12,474,694	$ 6,834,240
Nutrition Program	89,172	-	89,172	55,589
NJ Child Assault Prevention Program	82,662	-	82,662	108,159
Essex County Housing and Community Development	29,000	-	29,000	29,000
Community Development Block Grant	41,377	-	41,377	31,378
Total Support	12,716,905	-	12,716,905	7,058,366
Revenues:				
Medicaid, Medicare, Welfare and private insurance	5,759,833	-	5,759,833	5,250,583
Non-Medicaid (fee for service)	1,454,715	-	1,454,715	1,394,515
Managed Care Organization	309,539	-	309,539	332,770
Fees for service	1,090	-	1,090	1,933
Net realized and unrealized gain (loss) on investments	158,860	26,793	185,653	(570,658)
Interest and dividends	197,903	11,935	209,838	199,347
Rental income	245,274	-	245,274	218,814
Amortized income on mortgages	0	-	-	-
Other revenue	108,211	-	108,211	41,644
Total Revenues	8,235,425	38,728	8,274,153	6,868,948
Public Support:				
Contributions and membership dues	60,088	-	60,088	49,854
Bequests and annuities	623	-	623	-
Grants	602,855	143,155	746,010	696,690
Special events	162,855	-	162,855	165,345
Total Public Support	826,421	143,155	969,576	911,889
Net assets released from restrictions	257,828	(257,828)	-	-
Total Revenues, Gains (Losses) and Support	22,036,579	(75,945)	21,960,634	14,839,203
EXPENSES:				
Program services	16,246,571	-	16,246,571	12,465,846
Supporting services:				
Management and general	2,508,415	-	2,508,415	2,234,746
Fundraising	302,924	-	302,924	297,082
Total Expenses	19,057,910	-	19,057,910	14,997,674
CHANGES IN NET ASSETS	2,978,669	(75,945)	2,902,724	(158,471)
NET ASSETS - Beginning of year, as restated	6,879,875	1,676,195	8,556,070	8,714,541
NET ASSETS - End of year	$ 9,858,544	$ 1,600,250	$ 11,458,794	$ 8,556,070

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023
(With Summarized, Comparative Totals for the Year Ended June 30, 2022

	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	EISS Programs	FEMA Crisis Counseling	NJ4S	Substance Abuse Programs	Total Program Services	Management and General	Fundraising	Total 2023	Total 2022
Salaries and wages	$ 1,589,153	$ 984,288	$ 178,210	$ 389,534	$ 65,089	$ 751,602	$ 1,349,791	$ 313,596	$ 135,373	$ 703,923	$ 1,081,724	$ 418,480	$ 579,641	$ 47,251	$ 36,827	$ 130,904	$ 8,755,386	$ 1,559,752	$ 179,773	$ 10,494,911	$ 8,311,528
Payroll taxes and employee benefits	436,538	270,382	48,954	107,004	17,880	206,464	370,785	86,144	37,187	193,366	297,148	114,956	159,226	12,980	10,116	35,959	2,405,089	428,461	49,383	2,882,933	2,418,533
Therapists/consultants	2,187	108,405	-	-	136,591	822	13,975	-	-	77,468	27,736	-	4,571	-	-	17,640	389,395	-	-	389,395	325,698
Occupancy	175,716	119,420	16,064	19,796	-	123,475	299,796	9,800	6,606	65,441	98,497	36,436	101,367	-	4,400	2,784	1,079,598	121,843	-	1,201,441	965,419
Equipment rental and maintenance	15,046	13,761	266	8,382	-	10,898	11,503	5,538	303	9,021	8,869	2,004	4,143	-	231	178	90,143	9,816	-	99,959	96,377
Telephone	29,568	16,961	3,072	12,950	460	11,358	37,650	7,767	1,798	11,791	23,821	10,382	10,714	-	102	1,543	179,937	21,513	-	201,450	183,154
Supplies	21,223	69,912	1,195	14,914	3,961	21,759	67,582	8,461	1,581	17,635	18,082	39,445	50,759	-	1,246	3,859	341,614	33,913	6,046	381,573	299,111
Travel, transportation and conference	92,346	55,840	3,482	7,306	895	27,189	88,202	1,155	863	36,430	47,758	41,418	8,310	-	16,881	690	428,765	47,856	4,186	480,807	359,204
Insurance	74,279	37,952	4,370	11,785	6,870	30,073	78,083	4,351	1,823	25,064	37,473	14,986	21,404	-	1,130	1,668	351,311	40,699	-	392,010	326,482
Advertising and promotion	10,729	6,708	400	2,623	-	13,647	15,760	2,110	20	11,167	15,708	3,489	7,084	-	4,353	2,400	96,198	270	-	96,468	42,854
Professional fees	20,606	30,257	2,146	4,753	38,196	11,518	27,266	6,381	682	7,355	12,878	84,924	10,162	-	5,258	1,336	263,718	55,523	-	319,241	308,276
Food	-	69,165	-	-	-	-	-	-	-	-	-	-	-	-	-	-	69,165	-	-	69,165	33,192
Postage and printing	991	95	57	422	500	583	2,643	472	13	284	446	346	15	-	-	38	6,905	2,193	728	9,826	7,414
Subscriptions and publications	1,669	2,404	59	192	140	1,344	3,347	1,652	29	1,651	1,300	1,492	1,711	-	781	1,869	19,640	10,193	1,086	30,919	25,434
Information technology	40,035	53,910	2,645	7,763	5,772	18,773	37,484	6,988	1,793	12,458	21,065	10,415	42,503	-	47,665	2,093	311,362	69,918	7,849	389,129	282,708
Mental Health Association dues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,368	-	12,368	12,368
Consumer assistance	14,741	11,134	1,558	1,268	-	13,795	246,665	565	-	7,275	468,344	3,328	7,227	-	-	7,468	783,368	-	-	783,368	222,349
Public awareness	13,163	13,163	13,163	13,163	13,163	13,163	13,163	13,163	13,163	13,163	13,163	13,163	13,163	-	13,162	13,163	197,444	-	-	197,444	212,661
Special events	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	53,591	53,591	48,327
Depreciation and amortization	41,193	61,790	5,149	5,149	2,060	5,149	272,905	1,545	1,545	16,477	25,746	5,149	14,418	-	-	1,545	459,820	55,096	-	514,916	467,116
Minor equipment	-	-	-	638	-	1,379	-	-	-	160	-	-	1,596	-	-	-	3,773	2,501	-	6,274	9,021
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,222	-	9,222	9,501
Miscellaneous	2,019	252	28	28	-	28	1,791	189	-	1,779	2,180	1,990	72	-	1,717	1,867	13,940	27,278	282	41,500	30,947
Total Operating Expenses	$ 2,581,202	$ 1,925,799	$ 280,818	$ 607,670	$ 291,577	$ 1,263,019	$ 2,938,391	$ 469,877	$ 202,779	$ 1,211,908	$ 2,201,938	$ 802,403	$ 1,038,086	$ 60,231	$ 143,869	$ 227,004	$ 16,246,571	$ 2,508,415	$ 302,924	$ 19,057,910	$ 14,997,674

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

	Year Ended June 30, 2023	(As Restated) 2022
CASH FLOWS PROVIDED BY:		
OPERATING ACTIVITIES:		
Changes in net assets	$ 2,902,724	$ (158,471)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	514,916	467,116
Noncash interest expense (amortization of debt issuance costs)	8,568	8,568
Net realized and unrealized (gains)losses on investments	(185,653)	570,658
Loss on disposal of fixed assets	-	6,388
Changes in certain assets and liabilities:		
Escrow and security deposits	252,873	(71,925)
Accounts receivable	58,178	(37,914)
Grants and contracts receivable	890,811	(1,016,859)
Charitable lead annuity trusts	27,884	25,266
Prepaid expenses	18,941	9,771
Accounts payable and accrued expenses	33,382	(35,305)
Accrued payroll and related liabilities	288,945	2,861
State advances payables	(815,678)	1,213,830
Intangible assets	7,143	-
Deferred revenue	(73,532)	(86,350)
Net Cash Provided by Operating Activities	3,929,502	897,634
INVESTING ACTIVITIES:		
Purchases of property and equipment	(3,703,987)	(535,566)
Proceeds from sale of investments	198,227	10,316
Purchases of investments	(315,600)	(704,547)
Net Cash Used for Investing Activities	(3,821,360)	(1,229,797)
FINANCING ACTIVITIES:		
Payments on long term debt	(11,477)	(10,843)
Net Cash Used for Financing Activities	(11,477)	(10,843)
NET INCREASE (DECREASE) IN CASH	96,665	(343,006)
CASH		
Beginning of year	3,142,555	3,485,561
End of year	$ 3,239,220	$ 3,142,555
SUPPLEMENTAL DISCLOSURE OF CASH-FLOW INFORMATION:		
Cash paid for interest	$ 9,222	$ 9,501

NOTE 1 - NATURE OF ORGANIZATION:

The Mental Health Association of Essex and Morris, Inc. (“Association”) is a nonprofit organization serving Essex, Morris, Sussex, Passaic and Middlesex Counties in New Jersey, whose mission is to promote mental health and addiction recovery, including the integration of physical healthcare, to improve the care and treatment of individuals with mental illness and addictions, 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:

> <u>Net Assets without Donor Restrictions</u> - Net assets not subject to donor-imposed stipulations.
>
> <u>Net Assets with Donor Restrictions</u> - 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 and changes in net assets 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 takes those loans into Net assets with donor restrictions when received and annually release to Net assets without donor restrictions, ratably over the life of the loan. 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, 2023 and 2022, is $2,298,104 and $3,113,782, respectively, and is included on the accompanying statements 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 also derives its revenue from Medicaid, Medicare, Welfare, private insurance, Non-Medicaid (New Jersey Mental health Application for Payment Processing "NJMHAPP") and Managed Care programs. All are subject to the rules and regulations of the various programs. Revenues are recognized when services are transferred to the Association's clients in an amount that reflects the consideration the Association expects to be entitled to in exchange for those services. For the performance obligation relating to Medicaid, Medicare, Welfare and private insurance, control transfers to the client over time as the vices are provided to the client. Revenue under direct receipts for services are recognized based on agreed-upon hourly rates. There are no significant financing components or variable considerations provided to clients.

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, 2023 and 2022. There are no significant income tax uncertainties at June 30, 2023 and 2022.

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, 2022, from which the summarized information was derived.

Adoption of New Accounting Standards:
In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Association adopted the requirements of the guidance effective July 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption, while continuing to present the comparative period in accordance with the guidance under the lease standard in effect during that period. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840. The Association has elected the package of practical expedients available in the year of adoption.

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

Adoption of New Accounting Standards: (Continued)

The Association elected the available practical expedients to account for existing operating leases as operating leases, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Association recognized on July 1, 2022 a lease liability of $1,344,600 which represents the present value of the remaining operating lease payments of $1,397,780 discounted using the risk-free discount rate comparable to the corresponding lease terms, and right of use asset of $1,300,188.

The standard had a material impact on the statement of financial position but did not have a significant impact on the statement of activities and changes in net assets, nor statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

ROU assets represent the Association's right to use an underlying asset for the lease term and the lease liabilities present the Association's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. As most leases do not provide an implicit rate, the Association uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The Operating lease ROU assets also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain the Association will exercise that option. The lease expense for the lease payments is recognized on a straight-line basis over the lease term. The Association has elected to recognize payments for short-term leases with a lease term of 12 months or less as an expense incurred and the leases are not included as lease liabilities or right-of-use assets on the statements of financial position.

The Association's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Association considers factors such as if the Association obtained substantially of the rights to the underlying assets through exclusivity, if the Association can direct the use of the asset by making decisions about how and for what purpose the asset will be used if the lessor has a substantive substation rights. This evaluation may require significant judgement.

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, 2023 through REPORT DATE, 2023, the date that the financial statements were available to be issued.

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 permanently restricted net assets. 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, 2023

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Cash and cash equivalents	$ 198,332	$ -	$ -	$ 198,332
Certificates of deposit	-	964,354	-	964,354
Bonds	-	1,525,663	-	1,525,663
Mutual funds	2,102,134	-	-	2,102,334
Investments at Fair Value	$ 2,300,466	$ 2,490,017	$ -	$ 4,790,483

NOTE 3 - INVESTMENTS: (Continued)

FAIR VALUE MEASUREMENTS
AS OF June 30, 2022

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Cash and cash equivalents	$ 169,966	$ -	$ -	$ 169,966
Certificates of deposit	-	909,003	-	909,003
Bonds	-	1,260,297	-	1,260,297
Mutual funds	2,103,779	-	-	2,103,779
Investments at Fair Value	$ 2,273,745	$ 2,169,299	$ -	$ 4,443,045

NOTE 4 - CHARITABLE LEAD ANNUITY TRUSTS:

In December 2016, the Association received two 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, 2023 and 2022:

	2023	2022
Fair market value of assets to be received in less than one year	$ 15,360	$ 30,720
Fair market value of assets to be received in one to three years	-	15,360
Less: Discount to present value	(316)	(3,122)
Present Value of Future Interest	$ 15,074	$ 42,958

The present value of the estimated future interest is calculated using the discount rate of 0.84% for June 30, 2023 and 2022, 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, 2023	June 30, 2022
Land	$ 3,744,676	$ 2,073,191
Building and improvements	7,974,095	6,707,599
Furniture and fixtures	332,820	332,820
Transportation equipment	2,476,731	2,096,568
Computer equipment	104,013	104,013
	14,838,376	11,314,191
Less: Accumulated depreciation	4,990,838	4,655,724
Property and Equipment, Net	$ 9,847,538	$ 6,658,467

Depreciation expense for the years ended June 30, 2023 and 2022 was $507,772 and $460,577, respectively.

NOTE 6 - LONG-TERM DEBT:

	June 30, 2023	June 30, 2022
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 $31 at June 30, 2023.	$ 363,861	$ 361,965

NOTE 6 - LONG-TERM DEBT: (Continued)

	June 30, 2023	June 30, 2022
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 $16,162 and $17,182 at June 30, 2023 and 2022, respectively.	487,075	486,055
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 $36,931 and $39,234 at June 30, 2023 and 2022, respectively.	1,147,257	1,144,953
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 $65,093 and $68,440 at June 30, 2023 and 2022, respectively.	1,551,118	1,547,771

NOTE 6 - LONG-TERM DEBT: (Continued)

	June 30, 2023	June 30, 2022
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.	10,675	16,032
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.	5,376	11,495
Total Long-term Debt, net of unamortized debt issuance costs	3,565,362	3,568,271
Less: Current maturities	121,817	122,652
Long-term Debt, Net of Current Maturities and Unamortized Debt Issuance Costs	$ 3,443,545	$ 3,445,619

NOTE 6 - LONG-TERM DEBT: (Continued)

Amortization of debt issuance costs of approximately $8,600 for the years ended June 30, 2023 and 2022, is reported on the statements of activities and changes in net assets as interest expense.

At June 30, 2023, the aggregate maturities of long-term debt are as follows:

	Year	Amount
	2024	$ 121,817
	2025	116,443
	2026	111,096
	2027	111,096
	2028	109,506
	Thereafter	3,113,619
		3,683,577
Less: Unamortized debt issuance costs		118,215
Long-term debt, net of unamortized debt issuance costs		$ 3,565,362

NOTE 7 - CONTINGENT LIABILITIES:

The Association entered into four loan agreements in prior years with Essex County under the Homes Program for years ranging from 2008 through 2009. The funds were used to build projects of affordable housing. The loans have a term of twenty years, but are forgiven at that time, as long as the Association meets certain specific requirements for the loan term. The Association is required to house residents who are of very low income as defined by applicable regulations. If the Association uses the property for other than as housing for the residents who are very low income, the total amount of the loan will become due and payable. The agreements totaled approximately $2.2 million at loan inception and are recorded in net assets with donor restrictions.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS:

	June 30, 2023	June 30, 2022
Net Assets with Donor Restrictions:		
Restricted due to time or use	$ 1,531,720	$ 1,613,737
Restricted in perpetuity - endowment	68,530	62,458
Total Net Assets with Donor Restrictions	$ 1,600,250	$ 1,676,195

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

Net assets released from restrictions were $ 257,828 and $243,643 for the years ended June 30, 2023 and 2022, 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:

(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

NOTE 9 - ENDOWMENT FUNDS: (Continued)

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.

Endowment net asset composition by type of fund is as follows as of June 30, 2023 and 2022:

	2023		
	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	$ -	$ 62,458	$ 62,458
Accumulated investment gains	-	6,071	6,071
	$ -	$ 68,530	$ 68,530

NOTE 9 - ENDOWMENT FUNDS: (Continued)

	2022		
	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	-	8,042	8,042
	$ -	$ 62,458	$ 62,458

Changes in endowment net assets for the years ended June 30, 2023 and 2022:

	2023		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment Net Assets, Beginning of year	$ -	$ 62,458	$ 62,458
Investment return, net	-	6,071	6,071
Endowment Net Assets, End of year	$ -	$ 68,530	$ 68,530

	2022		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment Net Assets, Beginning of year	$ -	$ 70,249	$ 70,249
Investment return, net	-	(7,791)	(7,791)
Endowment Net Assets, End of year	$ -	$ 62,458	$ 62,458

NOTE 9 - ENDOWMENT FUNDS: (Continued)

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 Directors' 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, 2023, funds with deficiencies of $1,969 were reported in net assets with donor restrictions.

	June 30, 2023
Fair value of endowment funds	$ 68,530
Original endowment gift amount	70,500
Deficiencies of endowment funds	$ (1,970)

At June 30, 2022, funds with deficiencies of $8,042 were reported in net assets with donor restrictions.

	June 30, 2022
Fair value of endowment funds	$ 62,458
Original endowment gift amount	70,500
Deficiencies of endowment funds	$ (8,042)

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, 2023 and 2022, there were 162 and 149 employees participating in the plan, respectively. Contribution expense for the years ended June 30, 2023 and 2022, was approximately $579,335 and $478,466, 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 $79,672 and $103,605 are included in support, and disbursements of $73,554 and $103,605 are included in program expenses, for the years ended June 30, 2023 and 2022, 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.

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 57% and 46% of the Association's revenue for the years ended June 30, 2023 and 2022, 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 - LEASES – ASC 842:

The Association leases equipment and office space under noncancelable operating leases that expire through 2027. In the normal course of business, it is expected that the leases will be renewed or replaced by a similar leases.

The following table provides quantitative information concerning the Association's leases:

		2023
Lease Cost		
Operating Lease cost	$	752,127
Other Information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	736,943
Right-of-use assets obtained in exchange for new operating lease liabilities	$	2,035,603
Weighted-average remaining lease term		2.75 years
Weighted-average discount rate		2.92%

The Association classifies the total discounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023, is as follows:

June 30,	Amount
2024	$ 543,018
2025	482,027
2026	330,649
2027	39,571
2028	2,516
Undiscounted cash flows	$ 1,397,781
(Less) Imputed interest	(53,181)
Total Present Value	$ 1,344,600

NOTE 14 - LEASES – ASC 840

Leases:
The Association leases a facility in Newton, New Jersey, under a month-to-month lease. The Association is responsible for security expenses and for all utilities metered to the space.

During March 2018, the Association entered into a lease for office facilities in Parsippany, New Jersey. The lease term is five years and will expire in March 2023.

NOTE 14 - LEASES – ASC 840: (Continued)

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.

During December 2021, the Association entered into a lease agreement for a facility and office space located in Clifton, New Jersey. The term of the lease is five years and two months and will expire in November 2026.

During December 2021, the Association entered into a lease agreement for office space located in Morristown, New Jersey. The term of the lease is three years and will expire in January 2025.

During June 2022, the Association entered into a lease agreement for additional office space located in Newton, New Jersey. The term of the lease is three years and will expire in May 2025.

Future minimum payments on these leases are as follows:

Year Ending June 30,	Amount
2023	$ 717,696
2024	500,994
2025	453,631
2026	293,739
2027	37,328
	$2,003,388

Rent expense for facilities for the year ended June 30, 2022, totaled $517,036. Equipment rental expense for the year ended June 30, 2022, totaled $86,353.

NOTE 15 - 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, 2023 and 2022.

Grant Advances:
During the years ended June 30, 2023 and 2022, the Association estimated that approximately $399,000 and $669,000, 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, 2023, 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 16 - 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 was $1,250,000 for the years ended June 30, 2023 and 2022. The revolving line of credit renews annually. At June 30, 2023 and 2022, 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 rates at June 30, 2023 and 2022, were 9.63% and 5.13%, respectively. Borrowings under this line of credit are secured by all Uniform Commercial Code business assets of the Association.

NOTE 17 - TAX RETURNS:

At June 30, 2023 and 2022, all required tax returns have been filed.

NOTE 18 - LIQUIDITY AND AVAILABILITY:

The following represents the Association's financial assets at June 30, 2023 and 2022, 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.

	2023	2022
Cash	$ 3,239,220	$3,142,555
Investments (Level 1)	2,300,466	2,273,745
Accounts receivable	309,560	367,738
Grants and contracts receivable	505,772	1,396,583
Pledges and charity lead annuity trusts receivable, current	15,074	30,720
Total Financial Assets	6,370,092	7,211,341
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(1,600,250)	(1,676,195)
Financial assets available to meet general expenditures over the next 12 months	$ 4,769,842	$ 5,635,146

The Association has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 19 - PRIOR PERIOD ADJUSTMENT:

During the period 2008 through 2014, the Association received forgivable loans, which provided housing for some of its consumers. At that time, the Association reported the loans and the recognition of the forgiveness based upon professional guidance. In 2018, new Revenue Recognition standards were adopted. However, the Association did not change the accounting for these loans as they were reported in the audited financial statements from 2018 through 2022, thereby causing the Association to restate certain financial balances. The overall net effect is a positive adjustment to net assets. The Adjustments are as follows:

	As Previously Reported	Adjustment	As Adjusted
Net Assets -			
With Donor Restrictions	$ 498,084	$1,178,111	$ 1,676,195
Long-term Debt - Mortgages	4,750,513	(1,178,111)	3,572,402
Amortized income on mortgages	111,096	(111,096)	-
Net assets released from restrictions	(137,548)	111,096	(248,644)
Changes in Net Assets	(47,375)	(111,096)	(158,471)
Opening Net Assets - with Donor Restrictions	546,736	1,289,207	1,835,943

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2023

Federal Grantor/ Pass-through Grantor/Program Title	Federal AL 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	7/1/22 - 6/30/23	$ 1,112,081	$ -	$ 1,112,081
Projects for Assistance in Transition from Homelessness	93.150	30209	7/1/22 - 6/30/23	283,409	-	283,409
Provider Relief Fund	93.498			103,483	-	103,483
Congressional Directive Spending Projects	93.498	H79FG000848	09/30/22-09/30/23	300,000	-	187,605
Total U.S. Department of Health and Human Services						1,686,578
U.S. Department of Housing and Urban Development						
Supportive Housing	14.235		N/A	829,000	480,000	-
Passed through Essex County, New Jersey, Community:						
Development Block Grant	14.218	R-2022-00957	N/A	29,000	-	29,000
Passed through city of East Orange, Community						
Development Block Grant	14.218	N/A	N/A	36,377	-	36,377
Continuum of Care Program:						
Homeless Outreach Services	14.267		07/01/22-06/30/23	20,592	-	18,716
Passed through the County of Morris	14.CDBG			124,907		124,907
Cares Act - Community Development Block Grant						
						209,000
Total U. S. Department of Housing and Urban Development						
U.S. Department of Homeland Security						
Passed through State of New jersey						
New Jersey Office of Emergency Management	97.036			9,334		9,334
Cora Brown Fund	97.032			110,581		52,832
Total U. S. Department of Homeland Security						62,166
Total Federal Awards				**$ 2,958,764**	**$ 480,000**	**$ 1,957,744**

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)
YEAR ENDED JUNE 30, 2023

Federal Grantor/ Pass-through Grantor/Program Title	Federal AL Number	Pass-through Grantor's Number	Award Period	Award or Loan Amount	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	7/1/22 - 6/30/23	$ 7,271,662	$ -	$ 5,843,591
Projects for Assistance in Transition from Homelessness	N/A	30209	7/1/22 - 6/30/23	261,616	-	239,936
Total 30209						6,083,527
Passed through New Jersey Child Assault Prevention			7/1/22 - 6/30/23	140,319	-	140,319
State of New Jersey - Department of Children and Families:						
Children's System of Care	N/A	23CVGR	7/1/22 - 6/30/23	150,000	-	150,000
Family and Community Partnerships	N/A	MF0122	4/01/23-6/30/24	3,198,751		167,152
New Jersey Department of Community Affairs						
SRAP (State Rental Assistance Program)	N/A		7/1/22 - 6/30/23	156,853	-	156,853
New Jersey Division of Food and Nutrition						
Adult Care Food	N/A			84,647	-	84,647
New Jersey Department of Community Affairs						
Mental health Association Morris & Essex 2023	N/A	2023-05306-0161-00	7/01/22-6/30/23	3,000,000		3,000,000
Division of Housing and Community Services	N/A	2021-05224-0282-06	07/01/20-06/30/23	694,917		508,453
New Jersey Housing and Mortgage Finance Agency						
NJHMFA	N/A		11/24/08 - 6/30/23	3,667,528	3,667,528	-
Total State Awards				**18,626,293**	**3,667,528**	**10,290,951**
Total Federal and State Awards				**$ 21,585,057**	**$ 4,147,528**	**$ 12,248,695**

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
JUNE 30, 2023

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, 2023, 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, 2023, 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, 2023, $440,000 was outstanding on the federal loan program. As of June 30, 2023, $3,667,528 was outstanding on the state loan program.

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

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. (the Association) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, 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 27, 2023.

Report on 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Ee did identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Item 2023-001 that we consider to be a material weakness.

Board of Directors
Mental Health Association of Essex and Morris, Inc.

Report on 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*.

Response to Findings
Government Auditing Standards requires the Auditor to perform limited procedures on the response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Auditee's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control 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 and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Livingston, New Jersey
October 27, 2023

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

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

Report on Compliance for Each Major Federal and State Program

Opinion on Compliance for Each Major Federal and State Program

We have audited Mental Health Association of Essex and Morris Inc.'s (the 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 the Association's major programs for the year ended June 30, 2023. Mental Health Association of Essex and Morris, Inc.'s major programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Association complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal and State Program

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. Our responsibilities under those standards, and the Uniform Guidance and NJOMB Circular Letter 15-08 are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Mental Health Association of Essex and Morris and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of Mental Health Association of Essex and Morris' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to each major federal and state program.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Mental Health Association of Essex and Morris' compliance based on our audit. 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, *Government Auditing Standards*, the Uniform Guidance and NJOMB Circular Letter 15-08 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Mental Health Association of Essex and Morris' compliance with the requirements of the federal and state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and NJ OMB Circular Letter 15-8 we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 Mental Health Association of Essex and Morris' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Mental Health Association of Essex and Morris' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Mental Health Association of Essex and Morris' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Board of Directors
Mental Health Association of Essex and Morris, Inc.

Report on 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 program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal 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 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 Auditors' Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Livingston, New Jersey
October 27, 2023

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?	X Yes	___ 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:

AL 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, Block Grants for Community Mental Health Services
N/A	N/A	New Jersey Department of Community Affairs Loan
	2023-0536-0161-00	Building Purchase MHA, passed through Division of Housing and Community Resources

Dollar threshold used to distinguish between type A and type B programs:

Federal - $750,000   State - $750,000

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

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

II. Financial Statement Findings

Material Weakness:

2023-001:	Finding:	During the current year audit, it was noted that in prior periods, certain loans were recorded on a basis not consistent with accounting principles generally accepted in the United States (US GAAP).
	Criteria:	The recording on historic forgivable loans was not in accordance with current US GAAP, and therefore an adjustment was needed in the current year.
	Condition:	The incorrect recording of loans in the prior periods required a prior period adjustment to be recorded.
	Cause:	Forgivable loans were not evaluated upon adoption of ASU 2018-08.
	Effect:	Prior year balances needs to be restated in the current year to properly reflect the recording of forgivable loans.
	Questioned Costs:	None
	Recommendation :	As new accounting standards evolve, management should continue to evaluate historic positions to determine that accounting treatment remains appropriate.
	View of Responsible Officials:	See Corrective Action Plan

III. Compliance Findings NONE

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