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Mental Health Association of Essex and Morris, Inc.

Financial Statements and Supplementary Information

June 30, 2026 (With Comparative Totals For 2025)

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
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June 30, 2026

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

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 statement of financial position as of June 30, 2026, 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, 2026, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Auditors' 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.

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 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.

Report on Summarized Comparative Information

We have previously audited the Association's 2025 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2025, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 28 to 29, 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 25-12-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid, 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 and state 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 26, 2026, 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.



MAGONE ADVISORS

Parsippany, New Jersey
October 26, 2026

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Statement of Financial Position
June 30, 2026
(With Comparative Totals as of June 30, 2025)

	2026	2025
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,529,655	$ 3,529,755
Accounts held in escrow	203,682	202,998
Investments	5,935,924	4,878,730
Accounts receivable, net	505,157	450,212
Grants and contracts receivable	995,440	1,135,428
Prepaid expenses and other current assets	361,287	344,771
TOTAL CURRENT ASSETS	10,531,145	10,541,894
RESTRICTED INVESTMENTS	642,445	937,947
PROPERTY AND EQUIPMENT, NET	10,092,723	10,527,883
RIGHT-OF-USE ASSETS UNDER OPERATING LEASES	2,899,482	2,010,582
TOTAL ASSETS	$ 24,165,795	$ 24,018,306

The accompanying notes are an integral part of these financial statements.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Statement of Financial Position
June 30, 2026
(With Comparative Totals as of June 30, 2025)

	2026	2025
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current maturities of mortgage notes payable	$ -	$ 363,892
Current maturities of operating lease liabilities	726,530	717,843
Accounts payable and accrued expenses	290,025	307,906
Accrued payroll and related liabilities	1,326,234	1,238,424
State advances payable	2,945,242	4,135,624
Deferred revenue	116,265	138,782
TOTAL CURRENT LIABILITIES	5,404,296	6,902,471
LONG-TERM LIABILITIES:		
Mortgage notes payable, net of current maturities	3,211,136	3,202,566
Operating lease liabilities, net of current maturities	2,203,234	1,311,932
Forgivable loans payable	2,251,000	2,251,000
TOTAL LONG-TERM LIABILITIES	7,665,370	6,765,498
TOTAL LIABILITIES	13,069,666	13,667,969
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Without donor restrictions	10,414,944	9,376,590
With donor restrictions	681,185	973,747
TOTAL NET ASSETS	11,096,129	10,350,337
TOTAL LIABILITIES AND NET ASSETS	$ 24,165,795	$ 24,018,306

The accompanying notes are an integral part of these financial statements.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.

Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2026
(With Comparative Totals for the Year Ended June 30, 2025)

	Without Donor Restrictions	With Donor Restrictions	Total 2026	Total 2025
REVENUES, GAINS AND SUPPORT:				
Government Grants and Contracts:				
Federal and state grants and contracts	$ 16,649,374	$ -	$ 16,649,374	$ 14,863,227
Morris County grants and contracts	454,893	-	454,893	453,054
Total Government Grants and Contracts	17,104,267	-	17,104,267	15,316,281
Revenues:				
Medicaid and medicare	5,211,772	-	5,211,772	5,163,649
New Jersey Mental Health Application for Payment Processing	2,535,879	-	2,535,879	2,446,589
Managed care organization	2,055,191	-	2,055,191	1,163,314
Net realized and unrealized gain on investments	497,416	40,769	538,185	265,399
Forgiveness of debt	363,893	-	363,893	-
Rental income	294,752	-	294,752	273,544
Interest and dividends	234,679	12,035	246,714	228,226
Fee for service	100,530	-	100,530	239,544
Other revenue	20,323	-	20,323	62,968
Net assets released from restrictions	394,670	(394,670)	-	-
Total Revenues	11,709,105	(341,866)	11,367,239	9,843,233
Public Support:				
Contributions and membership dues	71,868	-	71,868	115,038
Grants	442,955	49,304	492,259	791,025
Special events	176,692	-	176,692	237,271
Total Public Support	691,515	49,304	740,819	1,143,334
TOTAL REVENUE, GAINS AND SUPPORT - BALANCE CARRIED FORWARD	$ 29,504,887	$ (292,562)	$ 29,212,325	$ 26,302,848

The accompanying notes are an integral part of these financial statements.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.

Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2026
(With Comparative Totals for the Year Ended June 30, 2025)

	Without Donor Restrictions	With Donor Restrictions	Total 2026	Total 2025
TOTAL REVENUE, GAINS AND SUPPORT - BALANCE BROUGHT FORWARD	$ 29,504,887	$ (292,562)	$ 29,212,325	$ 26,302,848
EXPENDITURES:				
Program services	24,774,265	-	24,774,265	22,559,465
Management and general	3,385,391	-	3,385,391	3,074,418
Fundraising	306,878	-	306,878	354,070
TOTAL EXPENDITURES:	28,466,533	-	28,466,533	25,987,953
CHANGE IN NET ASSETS	1,038,354	(292,562)	745,792	314,895
NET ASSETS, BEGINNING	9,376,590	973,747	10,350,337	10,035,442
NET ASSETS, ENDING	$ 10,414,944	$ 681,185	$ 11,096,129	$ 10,350,337

The accompanying notes are an integral part of these financial statements.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2026
(With Comparative Totals for the Year Ended June 30, 2025)

	Program Services																				Total	
	Integrated Case Management Service Program	Prospect House Programs	Supported Employment Programs	Family Support Programs	Youth Programs	Criminal Justice/Jail Diversion Programs	Community Support Services	Center for Behavioral Health	Riskin Children's Center	Assisted Outpatient Treatment Programs	Homeless Services Programs	CECE Programs	Early Intervention Support Services	Co-Response Programs	NJ4S	MCORT	Substance Abuse Program	Total Program Services	Management and General	Fundraising	2026	2025
Salaries and wages	$ 1,969,676	$ 1,112,858	$ 222,114	$ 423,080	$ 67,952	$ 876,130	$ 1,756,941	$ 301,410	$ 159,380	$ 668,616	$ 872,801	$ 706,904	$ 698,072	$ 948,092	$ 1,627,599	$ 1,935,975	$ 155,933	14,503,532	$ 2,009,509	$ 168,080	$ 16,681,120	$ 14,768,571
Fringe benefits and payroll taxes	603,570	336,457	69,954	128,370	21,401	275,935	533,061	86,541	50,196	205,701	258,112	222,638	219,856	298,600	484,707	584,569	49,111	4,428,779	758,837	66,071	5,253,687	4,449,657
Depreciation	109,370	68,167	6,581	20,991	7,932	34,603	237,478	9,485	2,738	32,223	38,699	32,165	18,492	23,212	37,828	17,989	10,449	708,402	39,839	-	748,241	711,589
Occupancy	113,071	-	13,812	16,653	-	114,406	72,768	1,842	-	32,859	53,697	82,155	96,325	-	264	73,457	23	671,332	14,028	-	685,360	529,754
Repairs and maintenance	21,461	185,723	1,541	16,196	7,720	8,991	185,750	10,028	-	10,674	18,159	19,590	17,386	-	23,671	6,476	11,402	544,768	55,863	-	600,631	519,279
Consumer assistance	24,293	7,885	2,790	3,987	-	19,261	231,633	2,432	-	14,724	247,885	21,032	4,463	-	-	1,109	7,041	588,535	-	-	588,535	908,140
Insurance	91,060	40,997	4,779	12,979	9,745	34,011	90,060	5,126	2,337	27,467	35,637	32,399	23,470	16,103	32,075	38,565	4,428	501,238	63,934	-	565,172	466,123
Professional fees	9,308	79,770	1,357	2,869	71,541	7,602	56,870	5,665	227	76,492	6,943	69,099	8,092	1,130	5,281	6,242	28,108	436,596	103,000	-	539,596	699,621
Travel, transportation and conference	102,580	51,753	1,474	7,921	1,066	34,817	99,252	446	-	32,727	47,935	37,677	3,032	15,165	26,810	8,551	168	471,374	54,256	496	526,126	496,902
Information technology	55,251	37,705	4,304	9,991	9,231	22,888	48,096	6,647	2,067	13,870	20,718	20,059	20,088	6,142	27,883	39,559	2,399	346,898	81,747	11,368	440,013	415,501
Telephone	30,769	17,253	3,059	9,048	40	15,652	38,975	9,013	536	10,153	18,581	19,270	9,788	11,716	18,322	27,937	2,458	242,570	23,325	-	265,895	241,252
Utilities	14,945	48,489	1,228	5,298	3,360	8,911	76,469	4,366	-	3,475	8,760	12,256	-		17,801	6,389	8,665	220,412	23,625	-	244,037	204,971
Supplies	16,328	13,598	782	8,824	713	7,551	44,776	2,811	1,034	6,994	10,619	39,218	16,584		16,516	13,606	3,570	203,524	23,882	1,797	229,203	278,204
Equipment rental and maintenance	17,659	21,154	307	11,127	779	13,321	16,176	6,892	281	10,629	7,620	15,796	7,505	-	21,107	12,846	1,065	164,264	16,471	-	180,735	157,844
Food	-	161,998	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	161,998	-	-	161,998	143,380
Public awareness	4,388	4,388	4,388	4,388	4,388	4,388	7,388	4,388	4,388	4,388	4,388	4,831	4,388	4,388	74,491	6,111	4,388	149,865	260	-	150,125	203,347
Training	10,921	4,218	759	2,276	1,673	5,398	8,161	2,706	257	2,304	3,656	3,998	4,155	1,487	74,515	11,420	1,793	139,697	7,521	392	147,610	206,766
Advertising	11,252	6,672	1,445	818	192	3,575	20,089	395	14	5,628	3,343	6,025	3,896	6,028	5,561	27,807	1,097	103,837	4,916	32	108,785	125,036
Payroll expenses	13,986	7,346	1,030	2,396	3,383	6,214	13,693	1,367	510	3,778	5,562	6,130	7,671	561	7,927	10,224	684	92,462	9,333	-	101,795	86,911
Condo association	7,256	-	-	-	-	-	7,256	-	-	7,256	7,256	7,256	-	-	7,256	-	7,256	50,792	7,256	-	58,048	47,496
Special events	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	55,696	55,696	105,184
Subscriptions, publications and dues	2,230	2,597	100	104	142	436	3,614	1,686	22	274	437	743	2,311	104	885	496	1,135	17,316	12,170	2,280	31,766	37,274
Real estate tax expenses	1,571	-	-	-	-	-	1,571	-	-	1,571	1,571	1,571	-	-	1,571	-	1,575	11,001	1,571	-	12,572	35,392
Postage and printing	1,098	66	23	474	95	90	1,126	392	142	147	198	437	24		1,004	124	87	5,527	6,300	619	12,446	12,501
Mental Health Association dues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,368	-	12,368	12,368
Equipment	1,618	-	360	-	-	964	1,856	-	-	429	1,385	-	889	-	-	774		8,275	3,195	-	11,470	27,820
Unrelated business tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,311	-	10,311	20,672
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,572	-	8,572	8,572
Miscellaneous	25	190	-	-	-	-	-	35	-	26	120	663	-	-	92	-	120	1,271	33,302	47	34,620	67,826
TOTAL EXPENDITURES	$ 3,233,686	$ 2,209,284	$ 342,187	$ 687,790	$ 211,353	$ 1,495,144	$ 3,553,059	$ 463,673	$ 224,129	$ 1,172,405	$ 1,674,082	$ 1,361,912	$ 1,166,487	$ 1,332,728	$ 2,513,166	$ 2,830,226	$ 302,955	$ 24,774,265	$ 3,385,391	$ 306,878	$ 28,466,533	$ 25,987,953

The accompanying notes are an integral part of these financial statements.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.

Statement of Cash Flows
For the Year Ended June 30, 2026
(With Comparative Totals for the Year Ended June 30, 2025)

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 745,792	$ 314,895
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	748,241	711,589
Amortization of debt issuance costs	8,570	8,572
Net unrealized gains on the investments	(538,185)	(466,753)
Forgiveness of debt	(363,892)	-
(Recovery of) provision for credit losses	(10,231)	22,904
Gain on sale of property and equipment	(7,739)	(22,726)
NET CHANGES IN OPERATING ASSETS AND LIABILITIES:		
(Increase) decrease in operating assets:		
Accounts receivable	(44,714)	(118,318)
Grants and contracts receivable	139,988	(317,411)
Prepaid expenses and other current assets	(24,945)	(768)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(17,881)	(69,741)
Accrued payroll and related liabilities	87,810	149,509
State advances payable	(1,190,382)	1,660,831
Operating lease liabilities	11,089	(11,138)
Deferred revenue	(22,517)	(614,624)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(478,996)	1,246,821
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	7,739	22,726
Acquisitions of property and equipment	(304,652)	(862,574)
Proceeds from sale of investments	794,617	1,675,579
Purchases of investments	(1,018,124)	(1,659,845)
NET CASH USED IN INVESTING ACTIVITIES	(520,420)	(824,114)
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(999,416)	422,707
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - BEGINNING OF YEAR	3,732,753	3,310,046
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	$ 2,733,337	$ 3,732,753
Disclosure of noncash operating and financing activities:		
Leased assets obtained in exchange for operating lease liabilities	$ 1,711,693	$ 1,641,345

The accompanying notes are an integral part of these financial statements.

Note 1 - Nature of Activities

The Mental Health Association of Essex and Morris, Inc. (the "Association") is a nonprofit organization serving Essex, Morris, Sussex, Passaic, Middlesex and Hudson Counties in New Jersey. The Association's mission is to promote health and total wellness for individuals facing challenges associated with mental illness and addiction recovery. This is accomplished through increasing community awareness while enhancing mental well-being through advocacy, education, prevention, treatment and services. The Association's revenues are derived principally from state and federal funding, 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.

Comparative Data

The amounts shown for the year ended June 30, 2025 in the accompanying financial statements are included to provide a basis for comparison with 2026 and present summarized totals only. Accordingly, the 2025 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2025, from which the summarized information was derived.

Financial Statement Presentation

Net assets, revenues, 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.

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Financial Statement Presentation (cont'd.)

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 net assets.

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 in its assessment of fair value.

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 net assets without donor restrictions unless the use was restricted by explicit donor stipulations or by law.

Cash and Cash Equivalents

For the purpose of reporting of cash flows, the Association considers all highly liquid investments purchased with a maturity of three months or less at acquisition as cash and cash equivalents in the accompanying statements of financial position.

Note 2 - Summary of Significant Accounting Policies (cont'd.)

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 statement of activities and changes in net assets. All investment income is credited directly to net assets without donor restrictions 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 statement of activities and changes in net assets.

Receivables and Allowance for Credit Losses

Accounts receivable represents amounts due from Medicaid.

Grants and contracts receivable represent amounts due for financial assistance received from federal, state, and local government entities in the form of grants recognized on a cost-reimbursement basis and are recorded in government grants and contracts on the accompanying statement of activities and changes in net assets.

The amounts are stated net of an allowance for credit losses. An allowance for credit losses is maintained at a level which in management's judgment is adequate to absorb losses for bad debts inherent in the account. The amount of the allowance for credit losses is based on management's evaluation of the collectability of the receivables, including the account's nature, credit concentrations, trends in historical loss experience, economic conditions, and other risks inherent in the account. The allowance is increased by a provision for credit losses, which is charged to expense, and reduced by write-offs, net of recoveries. An allowance for credit losses in the amounts of $12,673 and $22,904 have been recorded as of June 30, 2026 and 2025, respectively.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received or promised. 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Mortgage Notes Payable

The Association occasionally enters into mortgage notes payable transactions with various state government agencies, some of which are forgivable upon passage of time and the performance of the terms of the loans. The Association does not discount noninterest-bearing or below-market-rate loans from government agencies.

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Deferred Revenue

Deferred revenue represents revenues received in advance not yet earned.

Property and Equipment

Property and equipment 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 useful lives of the assets are as follows:

Buildings and improvements	5 - 40 years
Furniture and fixtures	5 - 7 years
Transportation equipment	5 years
Computer equipment	3 - 5 years

In the absence of donor imposed restrictions on the use of the asset, gifts of long-lived assets are reported as unrestricted net assets. 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 amounts owed to the state as of June 30, 2026 and 2025 were $2,945,242 and $4,135,624, respectively.

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 (cont'd.)

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 state advances payable in the statement of financial position. Rental income is recognized as earned on a monthly basis.

The Association also derives its revenue from Medicaid, Medicare, Welfare, private insurance, Non- Medicaid (New Jersey Mental Health Application for Payment Processing or "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 services 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.

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.

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.

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Income Taxes (cont'd.)

No interest and penalties were recorded during the fiscal years ended June 30, 2026 and 2025. Accordingly, there are no significant income tax uncertainties identified at June 30, 2026 and 2025.

Endowment Funds

The Association reports permanently restricted net assets held for educational purposes and other related activities as part of net assets with donor restrictions that are perpetual in nature.

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.

Leases

The Association recognizes right-of-use assets and lease liabilities when the Association has both the right to obtain substantially all of the economic benefits from use of the identified asset, and the right to direct the use of the identified asset.

The Association utilizes the rate implicit in the lease if it is readily determinable, regardless of whether it is higher than the Association's incremental borrowing rate, in determining the lease liability. If the rate implicit in the lease is not readily determinable, the discount rate reflects the Association's incremental secured borrowing rate.

The Association has elected the short-term lease exemption permitted under ASC 842, Leases, for all classes of underlying assets. Short-term leases are defined as leases with a noncancellable term of 12 months or less and that do not include an option to purchase the underlying asset that the Association is reasonably certain to exercise. For such leases, the Association does not recognize right-of-use assets or lease liabilities on the balance sheet. Lease payments associated with short-term leases are recognized as lease expense on a straight-line basis over the lease term. Variable lease payments for short-term leases are recognized in the period in which the obligation for those payments is incurred.

Subsequent Events

The Association has evaluated subsequent events through October 26, 2026, the date that the financial statements were available to be issued.

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Reclassification

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on previously reported total net assets or the change in net assets for the year ended June 30, 2025.

Note 3 - Disaggregation of Revenue

The following table disaggregates revenue by funding source, which the Association believes best depicts how the nature, amount, timing and uncertainty of its revenue and cash flows are affected by economic factors for the years ended June 30:

	2026	2025
Federal and State Grants and Contracts:		
New Jersey Division of Mental Health Services	$ 12,016,693	$ 10,218,278
New Jersey Department of Children and Families	2,690,143	2,897,856
Other	1,942,538	1,747,093
	$ 16,649,374	$ 14,863,227
Medicaid & Medicare:		
Medicaid	$ 5,080,847	$ 5,024,739
Medicare	121,170	134,978
Other	9,755	3,932
	$ 5,211,772	$ 5,163,649

Note 4 - Statement of Cash Flows

The following table provides a reconciliation of cash and restricted cash reported within the statement of financial position that sums to the total of the same such amounts in the statements of cash flows for the years ended June 30:

	2026	2025
Cash and cash equivalents	$ 2,529,655	$ 3,529,755
Accounts held in escrow	203,682	202,998
	$ 2,733,337	$ 3,732,753

Amounts included in accounts held in escrow consist of various escrow accounts as required by a regulatory authority.

Note 4 - Statement of Cash Flows (cont'd.)

Lease assets obtained in exchange for operating lease obligations were $1,711,693 and $1,641,345, during the years ended June 30, 2026 and 2025, respectively.

Note 5 - Investments

The Association holds investments in various mutual funds and exchange traded funds. 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 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.

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.

The following tables present investments measured at fair value as of June 30:

2026	Level 1	Level 2	Level 3	Total
Exchange Traded Funds	$ 2,593,756	$ -	$ -	$ 2,593,756
Mutual Funds	2,555,721	-	-	2,555,721
Investments at Fair Value	5,149,477	-	-	5,149,477
Cash and cash equivalents	-	-	-	214,764
Investments in Real Estate Income Trust	-	-	-	1,214,128
Total	$ 5,149,477	$ -	$ -	$ 6,578,369

2025	Level 1	Level 2	Level 3	Total
Exchange Traded Funds	$ 1,953,854	$ -	$ -	$ 1,953,854
Mutual Funds	2,650,043	-	-	2,650,043
Investments at Fair Value	4,603,897	-	-	4,603,897
Cash and cash equivalents	-	-	-	192,917
Investments in Real Estate Income Trust	-	-	-	1,019,863
Total	$ 4,603,897	$ -	$ -	$ 5,816,677

Note 5 - Investments (cont'd.)

The Association's valuation methods are summarized as follows:

- Exchange Traded Funds (ETF) – ETFs traded on national securities exchanges are valued at the last reported sales price on the day of valuation and are classified as Level 1 in the fair value hierarchy.
- Mutual funds – Mutual funds are valued at quoted market prices, which represent the net asset value ("NAV") of shares held by the Association at year-end. These are classified as Level 1 measurements within the fair value hierarchy.
- Investments in Real Estate Income Trust (REIT) – The Association holds investments in non-traded REIT which are valued using NAV as a practical expedient in accordance with ASC 820-10-35-59. These investments do not have readily determinable fair values and are measured at fair value on a recurring basis.

Restricted Investments

The Association's investments include assets that are restricted as to withdrawal or use. These restricted investments consist primarily of mutual funds for which donors have specified that only the earnings may be used for designated purposes, such as supporting the wellbeing of individuals with mental illness, housing, and similar initiatives. Access to the principal is permitted only with donor approval. These investments are reported separately on the statement of financial position as restricted investments. The carrying amounts of restricted investments as of June 30, 2026 and 2025, were $642,445 and $937,947, respectively. See Note 9 to the financial statements for the related net assets with donor restrictions.

Note 6 - Property and Equipment

Property and equipment consist of the following at June 30:

	2026	2025
Building and improvements	$ 9,152,414	$ 9,038,007
Transportation equipment	2,863,543	2,860,912
Furniture and fixtures	342,006	342,768
Computer equipment	186,447	177,604
	12,544,410	12,419,291
Less accumulated depreciation	6,196,363	5,636,084
	6,348,047	6,783,207
Add land	3,744,676	3,744,676
	$ 10,092,723	$ 10,527,883

Depreciation expense for the years ended June 30, 2026 and 2025 was $748,241 and $711,589, respectively.

Note 7 - Mortgage Notes Payable

Mortgage notes payable consists of the following at June 30:

	2026	2025
Mortgage payable to New Jersey Housing and Mortgage Finance Agency ("NJHMFA") which had an original maturity date in 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 mortgage 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 mortgage was forgiven by the NJHMFA on March 25, 2026, reported as forgiveness of debt in the statement of activities.	$ -	$ 363,892
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.	503,237	503,238
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.	1,184,188	1,184,188
Balance carried forward	$ 1,687,425	$ 2,051,318

Note 7 - Mortgage Notes Payable (cont'd.)

Mortgage notes payable consists of the following at June 30 (cont'd.):

	2026	2025
Balance brought forward	$ 1,687,425	$ 2,051,318
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.	1,616,211	1,616,211
	3,303,636	3,667,529
Less: Current maturities	-	363,892
Debt issuance costs	92,500	101,071
	$ 3,211,136	$ 3,202,566

Amortization of debt issuance costs of approximately $8,600 for the years ended June 30, 2026 and 2025, is reported as interest expense in the statement of functional expenses.

At June 30, 2026, the aggregate maturities of mortgage notes payable are as follows for the years ending June 30:

2027	$ -
2028	-
2029	-
2030	-
2031	-
Thereafter	3,303,636
	$ 3,303,636

Note 8 - Forgivable Loans Payable

Forgivable loans payable consists of the following at June 30:

	2026	2025
Mortgage payable to the County of Essex in the amount of $182,000, due in April 2028, bearing no interest and requiring no principal payments as long as the Association abides by the restriction in the mortgage note. The mortgage note is collateralized by land and building on Bay Avenue in Bloomfield, New Jersey. The mortgage note is scheduled to be forgiven after the 20-year compliance period.	$ 182,000	$ 182,000
Mortgage payable to the County of Essex in the amount of $110,000, due in March 2029, bearing no interest and requiring no principal payments as long as the Association abides by the restriction in the mortgage note. The mortgage note is collateralized by land and building on 16th Street in Bloomfield, New Jersey. The mortgage note is scheduled to be forgiven after the 20-year compliance period.	110,000	110,000
Mortgage payable to the County of Essex in the amount of $280,000, due in July 2029, bearing no interest and requiring no principal payments as long as the Association abides by the restriction in the mortgage note. The mortgage note is collateralized by land and building on Kingsland Street in Nutley, New Jersey. The mortgage note is scheduled to be forgiven after the 20-year compliance period.	280,000	280,000
Mortgage payable to the Department of Housing and Urban Development in the amount of $829,000, due in November 2030, bearing no interest and requiring no principal payments as long as the Association abides by the restriction in the mortgage note. The mortgage note is collateralized by land and building in Newark, New Jersey. The mortgage note is scheduled to be forgiven after the 20-year compliance period.	829,000	829,000
Balance carried forward	$ 1,401,000	$ 1,401,000

Note 8 - Forgivable Loans Payable (cont'd.)

Forgivable loans payable consists of the following at June 30 (cont'd.):

	2026	2025
Balance brought forward	$ 1,401,000	$ 1,401,000
Mortgage payable to the County of Essex in the amount of $850,000, due in July 2029, bearing no interest and requiring no principal payments as long as the Association abides by the restriction in the mortgage note. The mortgage note is collateralized by land and building on Orange Road, Bloomfield, New Jersey. The mortgage note is scheduled to be forgiven after the 20-year compliance period.	850,000	850,000
	$ 2,251,000	$ 2,251,000

At June 30, 2026, the aggregate maturities of forgivable loans payable are as follows for the years ending June 30:

2027	$ -
2028	182,000
2029	110,000
2030	1,130,000
2031	829,000
	$ 2,251,000

Note 9 - Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at June 30, 2026 and 2025:

	2026	2025
Net Assets with Donor Restrictions:		
Restricted Due to Time or Purpose:		
Prospect House	$ 259,854	$ 229,574
Supportive Housing	160,094	149,681
Children's Psychiatric Services	130,990	126,292
Other	38,025	35,801
Total Restricted Due to Time or Purpose	588,963	541,348
Restriction in perpetuity – endowment	92,222	432,399
Total Net Assets with Donor Restrictions	$ 681,185	$ 973,747

Note 9 - Net Assets with Donor Restrictions (cont'd.)

Net assets released from restrictions were $394,670 and $122,136 for the years ended June 30, 2026 and 2025, respectively.

Endowment

The Association's endowment consists of donor-restricted funds held in restricted investments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Association has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with SPMIFA, 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 various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Association, and (7) the Association's investment policies.

Changes in endowment net assets for the years ended June 30:

	2026	2025
Endowment net assets, beginning of the year	$ 432,399	$ 401,450
Endowment released from donor restrictions	(392,981)	-
Investment return:		
Interest and dividends	12,035	6,103
Net realized and unrealized gains	40,769	24,846
Endowment net assets, end of the year	$ 92,222	$ 432,399

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Association to retain as a fund of perpetual duration. There were no deficiencies of this nature noted as of June 30, 2026 and 2025.

Note 9 - Net Assets with Donor Restrictions (cont'd.)

Return objective and risk parameters

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to support operations while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Association must hold in perpetuity or for a donor specified period and unrestricted funds that may be used for general operations. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that seeks to balance real capital growth with income and principal stability.

Strategies employed for achieving objectives

To satisfy its long-term objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation that places equal emphasis on equity-based investments and bond based investments in order to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy

To the greatest extent possible, the Association wishes to preserve the historic dollar value of the endowment fund by limiting distributions to endowment fund earnings. This is consistent with the Association's objective of holding assets for the Association's exclusive use that are not wholly expendable on a current basis under the terms of the investment policy.

Note 10 – Retirement Plan

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 4% match and discretionary employer contributions to be determined at year-end by the Board of Directors. As of June 30, 2026 and 2025, there were 278 and 294 employees participating in the plan, respectively. Contribution expense for the years ended June 30, 2026 and 2025, was $1,019,651 and $859,096, respectively.

Note 11 - Concentrations of Risks

Financial instruments that expose the Association to concentrations of credit risk consist primarily of cash and cash equivalents, receivables and investments. The Association maintains its cash in various financial institutions. The balances in the Association's operating accounts are insured by the Federal Deposit Insurance Corporation up to $250,000. From time to time, the Association's balances may exceed this limit. As of June 30, 2026 and 2025, the uninsured amounts were $2,213,262 and $3,257,896, respectively.

Note 11 - Concentrations of Risks (cont'd.)

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. These directives, rules, and regulations may change with little notice, and a change may come without adequate funding to pay for the related costs, including the additional administrative burden of complying with it. 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 60% and 57% of the Association's revenue for the years ended June 30, 2026 and 2025, respectively, was 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 portion of the Association's investments are concentrated in mutual funds and exchange-traded funds. 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 12 - Leasing Activities

The Association leases nine office spaces under operating leases having lease terms of up to 98 months with monthly lease payments totaling $68,804 and $53,924 as of June 30, 2026 and 2025, respectively. Certain leases include renewal options that can extend the lease term up to 3 years. The exercise of lease renewal option is at the Association's sole discretion and is not included in measurement of lease assets and liabilities as it is not reasonably certain that the option to renew will be exercised. These leases are recognized as operating leases in accordance with ASC 842.

Common area maintenance, taxes and other charges are accounted for as variable lease components. Rent paid amounted to $774,147 and $503,743 for the years ended June 30, 2026 and 2025, respectively.

Note 12 - Leasing Activities (cont'd.)

The Association also leases equipment and vehicles having lease terms ranging from 36 to 60 months with monthly lease payments ranging from $129 to $4,016 and $129 to $4,508 as of June 30, 2026 and 2025, respectively. These leases are recognized as operating leases in accordance with ASC 842.

The following summarizes the line items in the statement of financial position which include amounts for the operating leases as of June 30, 2026 and 2025:

	2026	2025
Right-of-use assets under operating leases	$ 2,899,482	$ 2,010,582
Current maturities of operating lease liabilities	$ 726,530	$ 717,843
Operating lease liabilities, net of current maturities	2,203,234	1,311,932
Total operating lease liabilities	$ 2,929,764	$ 2,029,775

Weighted average remaining lease term for operating leases as of June 30, 2026 and 2025, is 52 and 47 months, respectively. Weighted average discount rate for operating leases as of June 30, 2026 and 2025, is 3.98% and 3.79%, respectively.

At June 30, 2026, the aggregate maturities of operating lease liabilities are as follows for the years ending June 30:

2027	$ 825,650
2028	727,354
2029	598,619
2030	573,929
2031	339,743
Thereafter	122,019
	3,187,314
Less interest	257,550
Present value of operating lease liabilities	$ 2,929,764

The line item in the statement of activities which includes the components of lease expense is the operating lease expense, included in occupancy, travel, and equipment rental, amounting to $859,035 and $687,859, for the years ended June 30, 2026 and 2025, respectively.

Note 13 - 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 as of June 30, 2026 and 2025. The revolving line of credit renews annually. At June 30, 2026 and 2025, the Association had no borrowings under the line of credit. 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, 2026 and 2025, was 8.380% and 8.875%, respectively. Borrowings under this line of credit are secured by all Uniform Commercial Code business assets of the Association.

Note 14 - Liquidity and Availability

The following represents the Association's financial assets at June 30, 2026 and 2025, 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.

	2026	2025
Cash and cash equivalents	$ 2,529,655	$ 3,529,755
Investments	6,578,369	5,816,677
Accounts receivables, net	505,157	450,212
Grants and contracts receivables	995,440	1,135,428
Total financial assets	10,608,621	10,932,072
Less amount not available to be used within one year:		
Net assets with donor restrictions	681,185	973,747
Financial assets available to meet general expenditures over the next 12 months	$ 9,927,436	$ 9,958,325

The Association has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, the Association maintains a line of credit with a financial institution in the amount of $1,250,000, available through February 1, 2027. There was no outstanding balance on the line of credit as of June 30, 2026 and 2025.

SUPPLEMENTARY INFORMATION

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2026

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Grantor's Number	Award Period	Program Award or Loan Amount	Loan at the Beginning of the Year	Expenditures for the Year	Cumulative Expenditures
Federal Awards:							
U.S. Department of Health and Human Services:							
Passed through to 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	7/01/25-6/30/26	$ 1,221,534		$ 1,221,534	$ 1,221,534
Block Grants for Community Mental Health Services	93.958	30209CJR	7/01/25-6/30/26	231,075		231,075	231,075
Total Block Grants for Community Mental Health Services				1,452,609		1,452,609	1,452,609
Projects for Assistance in Transition from Homelessness	93.150	30209	7/01/25-6/30/26	283,737		283,737	283,737
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	7/01/25-6/30/26	877		877	877
Opioid STR	93.788	N/A	3/01/26 - 5/31/26	617		617	617
Office of Aging, Disabilities and Community Programming	93.044	26-14-038	1/01/26-12/31/26	69,743		67,860	67,860
Total U.S. Department of Health and Human Services				1,807,583		1,805,700	1,805,700
U.S. Department of Housing and Urban Development:							
Community Development Block Grants:							
Passed through Essex County	14.218	R202600019	N/A	27,000		27,000	27,000
Passed through City of East Orange	14.218	N/A	N/A	20,000		20,000	20,000
CARES ACT - Pass-through County of Morris - Department of Human Services (COVID-19)	14.CDBG	SPS-1506	N/A	162,270		152,078	152,078
Total Community Development Block Grants				209,270		199,078	199,078
Supportive Housing Program - Passed through to State of New Jersey - NJ-504-New Newark Project Loan	14.235	NJ0223B2F40900	N/A	829,000	829,000	829,000	N/A
Home Investment Partnership Program - Passed through to County of Essex:							
354 Orange Road Project - Loan	14.239	N/A	N/A	850,000	850,000	850,000	N/A
134 Bay Avenue Project - Loan	14.239	N/A	N/A	182,000	182,000	182,000	N/A
16th Street Project - Loan	14.239	N/A	N/A	110,000	110,000	110,000	N/A
184 Kingsland Street Project - Loan	14.239	N/A	N/A	280,000	280,000	280,000	N/A
Total Home Investment Partnership Program				1,422,000	1,422,000	1,422,000	
Continuum of Care Program - Pass-through to State of New Jersey:							
Supportive Housing Program	14.267	NJ0582L2F09 2406	7/1/25 - 6/30/26	268,271		146,451	146,451
Supportive Housing Program - Homeless Outreach Services	14.267	N/A	8/01/24-7/31/25	20,592		1,595	18,902
Total Continuum of Care Program				288,863		148,046	165,353
Section 8 Housing Choice Vouchers - Passed through to State of New Jersey Department of Community Affairs State Rental Assistance Program	14.871	N/A	7/01/25-6/30/26	166,837		166,837	166,837
Total U.S. Department of Housing and Urban Development				2,915,970	2,251,000	2,764,961	531,268
U.S. Department of Justice:							
Bureau of Justice Assistance:							
Passed through Mount Olive Township Police Department BJA FY 23 Connect and Protect: Law Enforcement Behavioral Health Response Program	16.745	15PBJA-23-GG-02174-MENT	10/01/23-9/30/26	183,546		183,546	183,546
Passed through Perth Amboy Police Department BJA FY 22 Connect and Protect: Law Enforcement Behavioral Health Response Program	16.745	15PBJA-22-GG-03013-MENT	10/01/22-9/30/25	128,692		128,692	128,692
Total U.S. Department of Justice:				312,238		312,238	312,238
U.S. Department of Treasury:							
Coronavirus State and Local Fiscal Recovery Funds - Family and Community Partnership - Passed through State of New Jersey Department of Children and Families (COVID-19)	21.027	26MF0122	7/01/25-6/30/26	122,533		39,990	39,990
Total U.S. Department of Treasury				122,533		39,990	39,990
U.S. Department of Agriculture:							
Child and Adult Care Food Program - Passed through State of New Jersey Division of Food and Nutrition	10.558	14-0028	7/01/25-6/30/26	142,420		142,420	142,420
Total U.S. Department of Agriculture				142,420		142,420	142,420
Total Expenditures of Federal Awards - balance carried forward				**$ 5,300,744**	**$ 2,251,000**	**$ 5,065,309**	**$ 2,831,616**

See independent auditors' report and notes to the schedule of expenditures of federal and state awards.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2026

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Grantor's Number	Award Period	Program Award or Loan Amount	Loan at the Beginning of the Year	Expenditures for the Year	Cumulative Expenditures
Total Expenditures of Federal Awards - balance brought forward				**$ 5,300,744**	**$ 2,251,000**	**$ 5,065,309**	**$ 2,831,616**
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	7/01/25-6/30/26	10,270,624		9,804,600	9,804,600
Projects for Assistance in Transition from Homelessness	N/A	30209	7/01/25-6/30/26	271,715		329,713	329,713
Substance Use Recovery and Empowerment	N/A	30209	7/01/25-6/30/26	125,000		125,000	125,000
Recovery Community Center	N/A	30209	7/01/25-6/30/26	125,000		125,000	125,000
COVID Surplus Retention (COVID-19)	N/A	30209	N/A	33,034		33,034	307,907
Total State of New Jersey - Division of Mental Health and Addiction Services				10,825,373		10,417,347	10,692,220
State of New Jersey - Department of Children and Families:							
Family and Community Partnerships	N/A	26MF0122	7/01/25-6/30/26	3,135,755		2,650,153	2,650,153
Total State of New Jersey - Department of Children and Families:				3,135,755		2,650,153	2,650,153
State of New Jersey Department of Law and Public Safety:							
ARRIVE Together Program in Morris County	N/A	N/A	1/15/25-6/30/26	1,025,000		688,801	688,801
ARRIVE Together Program in Morris County	N/A	N/A	1/15/25-6/30/26	109,888		70,756	70,756
Total State of New Jersey Department of Law and Public Safety				1,134,888		759,557	759,557
State of New Jersey Department of Community Affairs:		2024-05224-					
Division of Housing and Community Resources	N/A	0229-005	2/01/24-1/31/26	620,000		174,845	595,110
Total State of New Jersey Department of Community Affairs				620,000		174,845	595,110
New Jersey Housing & Mortgage Finance Agency:							
Bloomfield Project - Loan	N/A	2374	10/2009 -	393,237	393,237	393,237	N/A
Bloomfield Project - Loan	N/A	2374	10/2009 -	110,000	110,000	110,000	N/A
Nutley Project - Loan	N/A	2376	10/2009 -	1,184,188	1,184,188	1,184,188	N/A
Montclair Project - Loan	N/A	2541	10/2012 - 8/2042	1,616,211	1,616,211	1,616,211	N/A
Total New Jersey Housing & Mortgage Finance Agency				3,303,636	3,303,636	3,303,636	
Total Expenditures of State Awards				**$ 19,019,652**	**$ 3,303,636**	**$ 17,305,538**	**$ 14,697,040**
Total Expenditures of State and Federal Awards				**$ 24,320,396**	**$ 5,554,636**	**$ 22,370,847**	**$ 17,528,656**

See independent auditors' report and notes to the schedule of expenditures of federal and state awards.

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Notes to Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2026

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (the "Schedule") includes the federal and state grant activity of the Mental Health Association of Essex and Morris, Inc. (the "Association") under programs of the federal and state government for the year ended June 30, 2026. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) and the New Jersey OMB Circular 25-12. Because the Schedule presents only a selected portion of the operations of the Association, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Association.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Administrative Requirements (CFR) Part 200, Cost Principles for Non-Profit Organizations, and the New Jersey OMB Circular 25-12, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through Entities

Pass-through entity identifying numbers are presented where available.

15% De Minimis Indirect Cost Rate

The Association has elected not to use the 15% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 - Subrecipients

During the year ended June 30, 2026, the Association did not provide any funds relating to their federal or state programs to subrecipients.

Note 4 - Loan and Loan Guarantee Programs

As of June 30, 2026, $2,251,000 and $3,303,636 were outstanding from federal and state loan programs, respectively.

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 of
Mental Health Association of Essex and Morris, Inc.

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, the financial statements of Mental Health Association of Essex and Morris, Inc. (the "Association") (a New Jersey Nonprofit Organization), which comprise the statement of financial position as of June 30, 2026, 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 26, 2026.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free from 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 financial statements. 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 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.



MAGONE ADVISORS

Parsippany, New Jersey
October 26, 2026

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR LETTER 25-12

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

Report on Compliance for Each Major Federal and State Program

Opinion on 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 identified as subject to audit in the OMB Compliance Supplement and the State of New Jersey State Grant Compliance Supplement 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, 2026. 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.

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, 2026.

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 (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards); 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 New Jersey Office of Management and Budget Circular Letter 25-12-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid (NJ OMB Circular 25-12-OMB). Our responsibilities under those standards, the Uniform Guidance, and NJ OMB Circular 25-12-OMB are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the Association's 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 the Association's federal and state programs.

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 the Association's 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 GAAS, Government Auditing Standards, the Uniform Guidance and New Jersey OMB Circular Letter 25-12 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 the Association's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, the Uniform Guidance, and NJ OMB Circular 25-12-OMB, 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 the Association's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Association's 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 and NJ OMB Circular 25-12-OMB, but not for the purpose of expressing an opinion on the effectiveness of the Association's 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.

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 or state 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 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 Auditors' Responsibilities for the Audit of Compliance section above 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 NJ OMB Circular 25-12-OMB. Accordingly, this report is not suitable for any other purpose.



MAGONE ADVISORS

Parsippany, New Jersey
October 26, 2026

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2026

1. Summary of Auditors' Results

Financial Statements

(i)	Type of independent auditors' report issued?	Unmodified
(ii)	Internal control over financial reporting:	
	- Material weakness identified?	[ ] Yes [X] No
	- Significant deficiencies identified that are not considered to be material weaknesses?	[ ] Yes [X] None Reported
(iii)	Noncompliance or other matters material to financial statements noted?	[ ] Yes [X] No

Federal and State Awards

(iv)	Internal control over major program:	
	- Material weakness identified?	[ ] Yes [X] No
	- Significant deficiencies identified that are not considered to be material weaknesses?	[ ] Yes [X] None Reported
(v)	Type of independent auditors' report issued on compliance for major programs?	Unmodified
(vi)	Any audit findings disclosed that are required to be reported under 2CFR § 200.516(a) and New Jersey OMB Circular 25-12?	[ ] Yes [X] No

(vii) Identification of major programs:

Federal Award Programs:

- U.S. Department of Health and Human Services – Block Grants for Community Mental Health Services – Pass-through to the State of New Jersey Department of Human Services – Division of Mental Health and Addiction Services – AL #93.958 – Grant Number 30209
- U.S. Department of Justice – Bureau of Justice Assistance – Pass-through Mount Olive Township Police Department - AL #16.745 - Grant Number 15PBJA-23-GG-02174-MENT
- U.S. Department of Justice – Bureau of Justice Assistance – Pass-through Perth Amboy Police Department - AL #16.745 - Grant Number 15PBJA-22-GG-03013-MENT

MENTAL HEALTH ASSOCIATION OF ESSEX AND MORRIS, INC.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2026

1. Summary of Auditors' Results (cont'd.)

(viii) Identification of major programs (cont'd.):

State Award Programs:

- The State of New Jersey – Division of Mental Health and Addiction Services – Involuntary Outpatient Commitment – Criminal Justice Program: Collaborative Justice Services (Jail Diversion) – Grant Number 30209
- The State of New Jersey – Division of Mental Health and Addiction Services – Involuntary Outpatient Commitment – Criminal Justice Program – Projects for Assistance in Transition from Homelessness – Grant Number 30209

(ix) The dollar threshold used to distinguish between Type A and Type B programs was $1,000,000 for federal programs and $1,000,000 for state programs.

(x) The Mental Health Association of Essex and Morris, Inc. was determined to be a low-risk auditee.

2. Financial Statement Findings

None reported.

3. Federal and State Awards Findings and Questioned Costs

None reported.

4. Status of Prior Audit Findings

There were no findings reported in the prior year's audit.