Mental Health America, Inc.

Financial Report
December 31, 2020

Contents

RSM US LLP

Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying financial statements of Mental Health America, Inc. (MHA), which comprise the statement of financial position as of December 31, 2020, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mental Health America, Inc. as of December 31, 2020, 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.

Report on Summarized Comparative Information
We have previously audited MHA's December 31, 2019, financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 22, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

McLean, Virginia
September 20, 2021

Mental Health America, Inc.

Statement of Financial Position
December 31, 2020
(With Comparative Totals for 2019)

	2020	2019
Assets		
Cash and cash equivalents	**$ 3,806,570**	$ 1,367,082
Investments	**4,562,763**	3,830,578
Receivables, net	**1,438,059**	794,029
Prepaid expenses	**269,364**	93,509
Inventory	**42,353**	58,691
Property and equipment, net	**603,563**	649,222
Other assets	**2,914**	2,911
	$ 10,725,586	$ 6,796,022
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 370,200**	$ 158,282
Deferred revenue	**121,679**	86,742
Refundable advance	**432,438**	-
Capital lease obligations	**67,407**	81,068
Deferred rent	**499,898**	555,725
Deferred compensation	**166,773**	143,466
Total liabilities	**1,658,395**	1,025,283
Commitments and contingency (Note 11)		
Net assets:		
Without donor restrictions:		
Undesignated	**2,612,371**	700,752
Board designated	**3,385,779**	3,146,678
	5,998,150	3,847,430
With donor restrictions	**3,069,041**	1,923,309
	9,067,191	5,770,739
	$ 10,725,586	$ 6,796,022

See notes to financial statements.

Mental Health America, Inc.

Statement of Activities
Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020			
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	2019 Total
Support and revenue:				
Nonfederal contributions	**$ 3,250,223**	**$ 3,637,888**	**$ 6,888,111**	$ 3,680,022
Contracts and exchange transactions	**316,412**	**-**	**316,412**	348,729
Affiliate dues	**138,293**	**-**	**138,293**	218,606
In-kind contributions	**74,647**	**-**	**74,647**	80,821
Federal contracts and grants	**272,144**	**-**	**272,144**	199,608
Royalties	**37,172**	**-**	**37,172**	95,550
Conference registrations	**-**	**-**	**-**	184,680
Combined federal campaign	**30,841**	**-**	**30,841**	30,663
Product and other sales	**395,095**	**-**	**395,095**	299,915
Investment income, net	**261,977**	**37,780**	**299,757**	428,425
Net assets released from restrictions	**2,529,936**	**(2,529,936)**	**-**	-
Total support and revenue	**7,306,740**	**1,145,732**	**8,452,472**	5,567,019
Expenses:				
Program services:				
Public education, policy and advocacy	**2,429,267**	**-**	**2,429,267**	1,608,024
Mental health programs and services	**1,102,534**	**-**	**1,102,534**	960,820
Constituency services	**784,274**	**-**	**784,274**	1,079,134
Total program services	**4,316,075**	**-**	**4,316,075**	3,647,978
Supporting services:				
Management and general	**474,022**	**-**	**474,022**	453,725
Fundraising	**365,923**	**-**	**365,923**	376,381
Total expenses	**5,156,020**	**-**	**5,156,020**	4,478,084
Change in net assets	**2,150,720**	**1,145,732**	**3,296,452**	1,088,935
Net assets:				
Beginning	**3,847,430**	**1,923,309**	**5,770,739**	4,681,804
Ending	**$ 5,998,150**	**$ 3,069,041**	**$ 9,067,191**	$ 5,770,739

See notes to financial statements.

Mental Health America, Inc.

Statement of Functional Expenses
Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020							
	Program Services				Supporting Services			
	Public Education, Policy and Advocacy	Mental Health Programs and Services	Constituency Services	Total Program Services	Management and General	Fundraising	Total	2019 Total
Salaries and benefits	$ 1,534,804	$ 808,863	$ 511,718	$ 2,855,385	$ 304,384	$ 263,250	$ 3,423,019	$ 2,635,108
Professional fees and contracts service payments	290,648	107,186	155,712	553,546	34,257	31,871	619,674	256,233
Occupancy	77,849	44,763	19,462	142,074	38,924	13,624	194,622	220,688
Printing and design	149,847	2,641	15,763	168,251	1,213	348	169,812	133,136
Depreciation and amortization	62,702	36,054	15,676	114,432	31,351	10,973	156,756	123,521
Operating fees	43,232	24,858	10,808	78,898	21,616	7,566	108,080	90,914
Grants	81,500	8,690	15,000	105,190	-	-	105,190	77,846
Subscriptions and dues	35,183	16,821	9,209	61,213	11,819	18,157	91,189	72,896
Postage and shipping	73,173	900	2,783	76,856	9,738	1,209	87,803	65,364
In-kind expenses	29,285	29,285	7,579	66,149	1,032	7,465	74,646	80,821
Communications	19,663	10,958	5,964	36,585	8,649	3,747	48,981	55,827
Conference and meetings	18,886	1,444	3,466	23,796	6,411	963	31,170	461,368
Office supplies and activities	9,063	6,331	5,438	20,832	3,414	6,397	30,643	50,669
Travel	3,432	3,740	5,696	12,868	1,214	353	14,435	153,693
	$ 2,429,267	$ 1,102,534	$ 784,274	$ 4,316,075	$ 474,022	$ 365,923	$ 5,156,020	$ 4,478,084

See notes to financial statements.

Mental Health America, Inc.

Statement of Cash Flows
Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	**$ 3,296,452**	$ 1,088,935
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**156,756**	123,521
Increase in allowance for doubtful accounts	**4,694**	3,306
Unrealized and realized gain on investments, net	**(183,133)**	(354,765)
Deferred rent	**(55,827)**	(49,618)
Loss on disposal of property and equipment	**-**	14,690
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	**(648,724)**	257,063
Prepaid expenses	**(175,855)**	(14,354)
Inventory	**16,338**	(5,466)
Other assets	**(3)**	(2,911)
Increase in:		
Accounts payable and accrued expenses	**211,918**	52,967
Deferred revenue	**34,937**	66,142
Refundable advance	**432,438**	-
Deferred compensation	**23,307**	17,960
Net cash provided by operating activities	**3,113,298**	1,197,470
Cash flows from investing activities:		
Proceeds from sales of investments	**33,282**	29,990
Purchases of investments	**(582,334)**	(453,219)
Purchases of property and equipment	**(104,482)**	(104,542)
Net cash used in investing activities	**(653,534)**	(527,771)
Cash flows from financing activities:		
Principal payments on capital lease obligations	**(20,276)**	(40,755)
Net cash used in financing activities	**(20,276)**	(40,755)
Net increase in cash and cash equivalents	**2,439,488**	628,944
Cash and cash equivalents:		
Beginning	**1,367,082**	738,138
Ending	**$ 3,806,570**	$ 1,367,082
Supplemental schedule of noncash financing and investment activities:		
Acquisition of property and equipment through capital lease obligation	**$ 6,615**	$ 65,600

See notes to financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

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

A summary of MHA's significant accounting policies follows:

Adoption of recent accounting pronouncements: In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarified the guidance used by entities other than nonprofits to identify and account for contributions made. MHA has adopted the guidance in this new standard for contributions made effective for the year ended December 31, 2020, using the modified prospective method. Based on MHA's review of the contributions it makes, the timing and amount of expense recognized previously is similar with how expense is recognized under this new standard. Therefore, the adoption of the contributions made portion of the guidance in this new standard did not have a material effect on the financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*. ASU 2018-15 aligns the requirements for capitalizing implementation costs in a cloud computing arrangement that is a service contract with the requirements for capitalizing implementation costs incurred for internal-use software. ASU 2018-15 is effective for MHA beginning on January 1, 2021, however, due to software costs incurred in 2020, MHA elected to adopt early, as of January 1, 2020, using the prospective approach.

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

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

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

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

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

Affiliates: Each of the mental health associations affiliated with MHA elects its own Board of Directors, conducts service programs independent of MHA and maintains its own financial accounts. Accordingly, due to lack of control, the financial statements of MHA do not include the accounts and activities of these affiliated organizations. MHA made grants to and received dues from affiliates, which totaled $86,190 and $138,293, respectively, for the year ended December 31, 2020. Grants made to non-affiliates totaled $15,000.

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

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

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

Investments: Investments with readily determinable fair values are reflected at fair value. To adjust the carrying value of these investments, the change in fair value is recorded as unrealized gains and losses as a component of investment income, net in the statement of activities.

Receivables: Receivables are carried at original invoice amounts, less an estimate for doubtful receivables, based on an annual review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. At December 31, 2020, management has established an allowance for doubtful accounts of $22,050.

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

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

Inventory: Inventory is stated at cost determined on a first-in, first-out basis, or net realizable value and consists of publications on hand at the end of the year. Management periodically reviews inventory for obsolete publications. Management has determined no reserve for obsolete inventory was required at December 31, 2020.

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

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

Valuation of long-lived assets: MHA requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. MHA had no impairments of long-lived assets during the year ended December 31, 2020.

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

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

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

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

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

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

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

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

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

In-kind contributions: Donated materials, services and facilities are received from private donors and recorded as in-kind contributions at the estimated fair value as of the date of the donation. In-kind contributions for the year ended December 31, 2020, are $74,646.

Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Direct costs associated with specific programs are recorded as program expenses. Expenses are allocated among the programs and supporting services benefited in the statement of functional expenses and statement of activities, based on management's assessment of employee efforts. Remaining management and general expenses are unallocated in the statement of activities.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

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

In July 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendment is intended to increase transparency of contributed nonfinancial assets for not-for-profit entities through enhancements in presentation and disclosure requirements. Under the new ASU, not-for-profit entities will be required to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU will be effective for MHA for the year ending December 31, 2022. MHA is currently evaluating the impact of the adoption of this guidance on the financial statements.

Income taxes: MHA is generally exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (IRC). In addition, MHA qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Business income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. MHA had no net unrelated business income for the year ended December 31, 2020.

Management evaluated MHA's tax positions and concluded that MHA had taken no uncertain tax positions that require adjustment to the financial statements. Generally, MHA is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2017.

Prior year information: The financial statements include certain prior year summarized comparative information in total but not by net asset class or function. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with MHA's financial statements for the year ended December 31, 2019, from which the summarized comparative information was derived.

Subsequent events: MHA evaluated subsequent events through September 20, 2021, the date on which the financial statements were available to be issued.

Note 2. Liquidity

MHA regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. As of December 31, 2020, the following financial assets are available to meet annual operating needs of the 2021 fiscal year:

Cash and cash equivalents	$ 3,806,570
Investments	4,562,763
Receivables, net	1,438,059
Total financial assets	9,807,392
Less assets with donor restrictions	2,869,041
Less deferred compensation cash and investments	166,773
Less assets with board designations	3,385,779
Financial assets available for general expenditure in 2021	$ 3,385,799

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

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

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

Note 3. Investments

Investments at December 31, 2020, consist of the following:

Mutual funds	$ 3,520,925
Cash and cash equivalents	876,546
Deferred compensation plan mutual funds	165,292
	$ 4,562,763

Net investment income for the year ended December 31, 2020, consists of the following:

Unrealized and realized gain, net	$ 183,133
Interest and dividends	146,215
Investment fees	(29,591)
	$ 299,757

Note 4. Receivables

Receivables at December 31, 2020, consist of the following:

Contracts, sales and other	$ 975,334
Promise to give	500,000
	1,475,334
Less allowance for doubtful accounts	22,050
Less present value discount	15,225
	$ 1,438,059

At December 31, 2020, the promise to give is from one donor. MHA expects to receive the remainder in equal annual payments of $100,000 through the year ending December 31, 2024, for which MHA recorded a present value discount of $15,225 using a rate of 2.65%.

Note 5. Fair Value Measurements

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

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

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

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

Level 3: Unobservable inputs not corroborated by market data.

To determine the appropriate levels, MHA performs a detailed analysis of the assets and liabilities that are subject to the Fair Value Measurement topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs, are classified as Level 3. There were no Level 3 inputs for any assets or liabilities held by MHA at December 31, 2020.

Note 5. Fair Value Measurements (Continued)

The table below presents the balances of assets and liabilities at December 31, 2020, measured at fair value on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Assets:				
Mutual funds:				
Equity:				
Diversified emerging markets	$ 283,008	$ 283,008	$ -	$ -
Foreign large blend	191,683	191,683	-	-
Foreign large growth	21,525	21,525	-	-
Foreign large value	114,730	114,730	-	-
Global real estate	30,360	30,360	-	-
Large blend	428,900	428,900	-	-
Large growth	76,091	76,091	-	-
Large value	585,601	585,601	-	-
Mid cap blend	207,744	207,744	-	-
Mid cap value	49,721	49,721	-	-
Real estate	83,836	83,836	-	-
Small blend	73,719	73,719	-	-
Small growth	21,403	21,403	-	-
Small value	98,227	98,227	-	-
World large stock	10,535	10,535	-	-
	2,277,083	2,277,083	-	-
Fixed income:				
Bank loan	13,729	13,729	-	-
Corporate bond	30,803	30,803	-	-
Emerging markets bond	3,362	3,362	-	-
High yield bond	58,686	58,686	-	-
Inflation-protected bond	6,741	6,741	-	-
Intermediate core-plus bond	892,624	892,624	-	-
Intermediate government	33,282	33,282	-	-
Intermediate-term bond	19,482	19,482	-	-
Multisector bond	185,133	185,133	-	-
	1,243,842	1,243,842	-	-
	3,520,925	3,520,925	-	-
Deferred compensation plan:				
Mutual funds:				
Equity:				
Large growth	46,418	46,418	-	-
Fixed income:				
Intermediate core-plus bond	95,833	95,833	-	-
World bond	23,041	23,041	-	-
	165,292	165,292	-	-
Total investments at fair value	3,686,217	$ 3,686,217	$ -	$ -
Cash, held at cost	876,546			
Total investments	$ 4,562,763			
Liabilities:				
Deferred compensation	$ 166,773	$ -	$ 166,773	$ -

Note 5. Fair Value Measurements (Continued)

Cash and cash equivalents in the amount of $876,546 are recorded at cost and are therefore not included in the above schedule. Of this amount, $1,481 is held in cash for the deferred compensation plan assets.

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

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

Note 6. Property and Equipment

Property and equipment and accumulated depreciation at December 31, 2020, consist of the following:

Office furniture and equipment	$ 336,400
Leasehold improvements	587,952
Website	169,418
Equipment under capital leases	111,094
	1,204,864
Less accumulated depreciation and amortization	601,301
	$ 603,563

Depreciation and amortization expense for the year ended December 31, 2020, was $156,756.

Note 7. Capital Leases

MHA has three active capital leases, which expire at various dates through 2025. The leased equipment is included in property and equipment at a cost of $111,094 with accumulated amortization of $48,153 at December 31, 2020.

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

Years ending December 31:	
2021	$ 23,168
2022	23,168
2023	21,308
2024	1,340
2025	1,005
Total future minimum lease payments	69,989
Less amounts representing interest	2,582
Present value of net minimum lease payments	$ 67,407

Note 8. Board Designated Net Assets

The Board of Directors of MHA has designated certain net assets without donor restrictions into a reserve fund for MHA's general operating purposes. The objective of the reserve fund is to stabilize the financial position by providing cash availability and asset growth, and to provide a method of funding programs not supported by other funding sources. The board-designated net assets include the gain from the sale of its building in 2002, as well as any unrestricted bequest income that was contributed to MHA. The Board of Directors has approved a policy, whereby contributions to the fund are made in an amount of 20% of the change in net assets without donor restrictions before depreciation and less bequest revenue recorded. The bequest portion of this transfer policy was suspended for 2020 and 2021. Withdrawals from these funds require approval by the Board of Directors on an as needed basis.

During the year ended December 31, 2020, there were additions of investment income, net of investment fees of $248,901 to the reserve fund and expenditures of $23,451 from the reserve fund.

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

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

Board-designated net assets consist of the following at December 31, 2020:

Reserve fund	$ 3,076,042
Net property and equipment	250,852
Jo Blaylock Memorial Fund	58,885
	$ 3,385,779

Note 9. Donor Restricted Net Assets

Donor-restricted net assets consist of the following at December 31, 2020:

Donor restrictions for time and purpose:	
Public education, policy and advocacy	$ 1,542,235
Constituency services	70,229
Prevention, early intervention and other	953,805
	2,566,269
Donor restrictions to be held in perpetuity:	
Prevention, early intervention and other	502,772
	$ 3,069,041

The time-restricted promise to give is included in prevention, early intervention and other, and the total is $484,775.

Note 9. Donor Restricted Net Assets (Continued)

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

The Quayle Bequest: Contribution that requires that the principal be invested in perpetuity and that only the income be expended to support the training and use of volunteers, and/or to pay hospital attendants servicing those who are mentally ill. The principal and accumulated earnings total is $336,681 at December 31, 2020.

The Anna Belle Edwards Bequest: Contribution that requires that the principal be invested in perpetuity, and that only the income be expended to support research as to the cause and cure of mental illness, giving attention to the therapeutic use of mega-vitamins. The principal and accumulated earnings total is $166,091 at December 31, 2020.

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

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

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

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

Strategies employed for achieving objectives: To satisfy its long-term rate of return objectives, MHA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). MHA has two restricted investments, the endowment and the charitable gift annuity account (CGA). MHA's current asset allocation for the endowment targets a composition of equities between 50% and 70%, fixed income between 30% and 50%, and cash equivalents between 0% and 10%. The target for CGA is 50% equities, 45% fixed income, and 5% cash equivalents.

Note 9. Donor Restricted Net Assets (Continued)

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

Changes in endowment net assets for the year ended December 31, 2020, are as follows:

Endowment net assets, beginning of the year	$ 464,992
Investment income, net	37,780
Endowment net assets, end of the year	$ 502,772

Note 10. Refundable Advance

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES) was signed into law to provide emergency assistance and health care response for individuals, families and businesses affected by the 2020 coronavirus pandemic. Under the CARES Act, MHA applied for a PPP loan with a bank that is administered by the Small Business Administration (SBA), and received $432,438 during April 2020. The PPP loan has a 1.0% rate of interest and a six-month deferral of principal and interest payments; thereafter, if not forgiven, monthly principal and interest payments are due over consecutive months, with a final payment in April 2022. The loan can be prepaid without penalty at any time. MHA used the full amount of the PPP funds for payroll and other qualified expenses and expects the loan to be forgiven when the submission is approved by the bank in the SBA. Because MHA believes that it meets the forgiveness requirements, the funds are considered to be a conditional contribution under FASB 958-605 as they include a right of return and a barrier. In June 2021, the loan was forgiven. At December 31, 2020, the PPP loan was recognized as a refundable advance of $432,438 on the balance sheet.

Note 11. Commitments and Contingency

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

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

Years ending December 31:	
2021	$ 238,342
2022	244,897
2023	251,631
2024	258,551
2025	265,661
Thereafter	341,668
	$ 1,600,750

Occupancy expense for the year ended December 31, 2020 was $194,622.

Note 11. Commitments and Contingency (Continued)

Hotel agreement: MHA has entered into a contract for hotel and conference rooms for meetings and shows through June 2023. In the event of cancelation, MHA is required to pay various cancelation fees, as stipulated in the contracts, the amounts of which are dependent on the dates of cancelation.

Pandemic: Subsequent to the coronavirus outbreak in 2020 in the United States, there has been substantial volatility in financial markets and the economy. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus, and actions taken to mitigate it, have and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which MHA operates. Since this could have long lasting impacts on MHA, management will continue to review and adjust planned expenditures should it be determined the outbreak will significantly impact the balance sheet and statement of activities of MHA.

Note 12. Retirement Plans

Defined contribution plan: MHA has a non-contributory, defined contribution retirement plan, which is available to all employees who attained 21 years of age. Employer contributions are made based on percentages and employees are vested immediately, as defined in the plan document. Pension expense for the year ended December 31, 2020, was $101,506 and is included in salaries and benefits on the accompanying statement of functional expenses.

Supplemental executive retirement plan: MHA offers its executives, or highly compensated employees, an opportunity to defer compensation pursuant to Section 457(b) of the IRC to supplement such employees' retirement benefits under the employer's qualified retirement plan. Employees are fully vested when plan contributions are made. Under the 457(b) plan, MHA may make matching contributions; however, no matching contributions were made during the year ended December 31, 2020.