

MENTAL HEALTH AMERICA OF THE HEARTLAND

YEARS ENDED DECEMBER 31, 2019 AND 2018



HOUSE PARK DOBRATZ & WIEBLER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

MENTAL HEALTH AMERICA OF THE HEARTLAND

YEARS ENDED DECEMBER 31, 2019 AND 2018

CONTENTS

	Page
Independent auditors' report	1
Financial statements:	
Statements of financial position	2
Statements of activities and changes in net assets	3-4
Statements of functional expenses	5-6
Statements of cash flows	7
Notes to financial statements	8-15



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Independent Auditors' Report

Board of Directors
Mental Health America of the Heartland
Kansas City, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of Mental Health America of the Heartland (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 of the Heartland as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

House Park Dobratz & Wiebler, P.C

Kansas City, Missouri
November 25, 2020

MENTAL HEALTH AMERICA OF THE HEARTLAND

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Current assets:		
Cash	\$ 220,795	\$ 154,123
Restricted cash	148,586	122,590
Accounts receivable, no allowance considered necessary	3,237	2,406
Current portion of contribution receivables, less allowance for doubtful accounts (Note 2)	40,994	71,455
Prepaid expenses	<u>544</u>	<u>544</u>
Total current assets	414,156	351,118
Property and equipment, net (Notes 3 and 5)	718,804	758,429
Contribution receivable, less current portion (Note 2)	<u>5,000</u>	<u>25,635</u>
	<u>\$ 1,137,960</u>	<u>\$ 1,135,182</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 12,810	\$ 18,647
Accrued expenses	33,569	19,271
Current portion of note payable (Note 5)	<u>156,618</u>	<u>3,763</u>
Total current liabilities	202,997	41,681
Long-term liabilities:		
Note payable, less current portion (Note 5)		165,488
Security deposits	<u>10,334</u>	<u>14,606</u>
Total liabilities	213,331	221,775
Contingency (Note 9)		
Net assets:		
Without donor restriction	807,626	756,513
With donor restriction (Note 4)	<u>117,003</u>	<u>156,894</u>
Total net assets	<u>924,629</u>	<u>913,407</u>
	<u>\$ 1,137,960</u>	<u>\$ 1,135,182</u>

See notes to financial statements.

MENTAL HEALTH AMERICA OF THE HEARTLAND
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2019

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>Total</u>
Revenues, gains, and other support:			
Contributions and grants	\$ 520,402	\$ 288,554	\$ 808,956
Program service fees (Note 7)	19,205		19,205
Rental income	110,120		110,120
Other income	4,466		4,466
Net assets released from restrictions	<u>328,445</u>	<u>(328,445)</u>	<u> </u>
Total revenues, gains, and other support	<u>982,638</u>	<u>(39,891)</u>	<u>942,747</u>
Program services	<u>660,059</u>		<u>660,059</u>
Supporting expenses:			
Management and general	254,353		254,353
Fundraising	<u>17,113</u>		<u>17,113</u>
	<u>271,466</u>		<u>271,466</u>
Total expenses	<u>931,525</u>		<u>931,525</u>
Change in net assets	51,113	(39,891)	11,222
Net assets, beginning of year	<u>756,513</u>	<u>156,894</u>	<u>913,407</u>
Net assets, end of year	<u>\$ 807,626</u>	<u>\$ 117,003</u>	<u>\$ 924,629</u>

See notes to financial statements.

MENTAL HEALTH AMERICA OF THE HEARTLAND
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2018

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>Total</u>
Revenues, gains, and other support:			
Contributions and grants	\$ 533,834	\$ 185,426	\$ 719,260
Program service fees (Note 7)	29,071		29,071
Rental income	109,076		109,076
Other income	577		577
Net assets released from restrictions	<u>127,596</u>	<u>(127,596)</u>	
Total revenues, gains, and other support	<u>800,154</u>	<u>57,830</u>	<u>857,984</u>
Program services	<u>571,462</u>		<u>571,462</u>
Supporting expenses:			
Management and general	215,425		215,425
Fundraising	<u>15,208</u>		<u>15,208</u>
	<u>230,633</u>		<u>230,633</u>
Total expenses	<u>802,095</u>		<u>802,095</u>
Change in net assets	(1,941)	57,830	55,889
Net assets, beginning of year	<u>758,454</u>	<u>99,064</u>	<u>857,518</u>
Net assets, end of year	<u>\$ 756,513</u>	<u>\$ 156,894</u>	<u>\$ 913,407</u>

See notes to financial statements.

MENTAL HEALTH AMERICA OF THE HEARTLAND

STATEMENT OF FUNCTIONAL EXPENSE

YEAR ENDED DECEMBER 31, 2019

	Advocacy and recovery <u>services</u>	Mental health <u>promotion</u>	Child and youth mental health <u>initiative</u>	Heartland housing <u>initiative</u>	Peer <u>support</u>	Total program <u>services</u>	Management and general	<u>Fundraising</u>	<u>Total</u>
Compensation	\$ 3,790	\$ 63,792	\$ 7,665	\$ 165,240	\$ 52,140	\$ 292,627	\$ 114,000	\$ 8,243	\$ 414,870
Payroll taxes	280	4,698	583	11,380	3,705	20,646	7,992	611	29,249
Employee benefits (Note 6)	<u>177</u>	<u>4,990</u>	<u>85</u>	<u>8,447</u>	<u>7,356</u>	<u>21,055</u>	<u>15,697</u>	<u>390</u>	<u>37,142</u>
	4,247	73,480	8,333	185,067	63,201	334,328	137,689	9,244	481,261
Bad debt expense							12,832		12,832
Building maintenance and repairs				26,430		26,430	10,485		36,915
Client assistance				92,164		92,164			92,164
Contractors		2,365		12,470	2,320	17,155	13,908	4,100	35,163
Depreciation (Note 3)	95	3,574	1,068	44,086	7,301	56,124			56,124
Dues and subscriptions	1,050	127	128	1,100		2,405	3,432	3,549	9,386
Food and refreshment	23	43		581	78	725	1,625		2,350
Insurance				21,687		21,687	14,153		35,840
Interest (Note 5)		14				14	8,241		8,255
Miscellaneous	3	122	64	8,232	114	8,535	7,230		15,765
Office equipment rent and maintenance				250		250	12,005		12,255
Office supplies		1,373		1,119		2,492	2,762		5,254
Other program expenses	1,117	15,268	122	6,267	2,276	25,050	461		25,511
Postage and printing		90	229	98	301	718	1,230	197	2,145
Professional fees	53	1,970	589	5,404	4,025	12,041	5,527		17,568
Telephone	300			2,621	600	3,521	11,230		14,751
Travel and transportation expenses	401	12,721	557	5,724	34	19,437	735	23	20,195
Utilities				<u>36,983</u>		<u>36,983</u>	<u>10,808</u>		<u>47,791</u>
	<u>\$ 7,289</u>	<u>\$ 111,147</u>	<u>\$ 11,090</u>	<u>\$ 450,283</u>	<u>\$ 80,250</u>	<u>\$ 660,059</u>	<u>\$ 254,353</u>	<u>\$ 17,113</u>	<u>\$ 931,525</u>

See notes to financial statements.

MENTAL HEALTH AMERICA OF THE HEARTLAND

STATEMENT OF FUNCTIONAL EXPENSE

YEAR ENDED DECEMBER 31, 2018

	Advocacy and recovery <u>services</u>	Mental health <u>promotion</u>	Child and youth mental health <u>initiative</u>	Heartland housing <u>initiative</u>	Total program <u>services</u>	Management and general	Fundraising	<u>Total</u>
Compensation	\$ 43,454	\$ 55,445	\$ 11,706	\$ 156,148	\$ 266,753	\$ 110,559	\$ 9,257	\$ 386,569
Payroll taxes	3,440	4,389	927	12,360	21,116	8,750	733	30,599
Employee benefits (Note 6)	<u>3,060</u>	<u>3,293</u>	<u>66</u>	<u>8,620</u>	<u>15,039</u>	<u>18,670</u>	<u>322</u>	<u>34,031</u>
	49,954	63,127	12,699	177,128	302,908	137,979	10,312	451,199
Bad debt expense						1,780		1,780
Building maintenance and repairs				12,241	12,241	6,289		18,530
Client assistance				74,723	74,723			74,723
Contractors	8,580			9,907	18,487	8,447	105	27,039
Depreciation (Note 3)	4,882	2,901	422	44,253	52,458	4,401		56,859
Dues and subscriptions	550	400		1,100	2,050	1,588	1,838	5,476
Food and refreshment				44	44	973		1,017
Insurance				20,644	20,644	3,464		24,108
Interest (Note 5)						8,236		8,236
Miscellaneous	496	350	351	8,161	9,358	3,316	793	13,467
Office equipment rent and maintenance		67			67	9,553		9,620
Office supplies		1,458		484	1,942	1,673		3,615
Other program expenses	340	3,126	108	7,081	10,655			10,655
Postage and printing	452	936	10	65	1,463	1,205	745	3,413
Professional fees	4,280	1,148	865	4,939	11,232	1,720	1,279	14,231
Telephone	525			2,660	3,185	11,263		14,448
Travel and transportation expenses	216	6,224	392	4,502	11,334	1,011	136	12,481
Utilities				<u>38,671</u>	<u>38,671</u>	<u>12,527</u>		<u>51,198</u>
	<u>\$ 70,275</u>	<u>\$ 79,737</u>	<u>\$ 14,847</u>	<u>\$ 406,603</u>	<u>\$ 571,462</u>	<u>\$ 215,425</u>	<u>\$ 15,208</u>	<u>\$ 802,095</u>

See notes to financial statements.

MENTAL HEALTH AMERICA OF THE HEARTLAND

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 11,222	\$ 55,889
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense	12,832	1,780
Depreciation	56,124	56,859
Changes in assets and liabilities:		
Accounts and contributions receivable	37,433	(55,326)
Accounts payable	(5,837)	(2,417)
Accrued expenses	14,298	(6,644)
Security deposits	(4,272)	1,600
Net cash provided by operating activities	<u>121,800</u>	<u>51,741</u>
 Cash flows from investing activities, purchase of property and equipment	 (16,499)	 (14,778)
 Cash flows from financing activities:		
Proceeds from note payable		15,000
Payments on note payable	(12,633)	(11,237)
Net cash provided (used) by financing activities	<u>(12,633)</u>	<u>3,763</u>
 Net change in cash	 80,035	 44,489
 Cash and restricted cash, beginning of year	 <u>276,713</u>	 <u>235,987</u>
 Cash and restricted cash, end of year	 <u>\$ 356,748</u>	 <u>\$ 280,476</u>
 <i>Supplemental cash flow information:</i>		
Interest paid	<u>\$ 8,255</u>	<u>\$ 8,236</u>

See notes to financial statements.

MENTAL HEALTH AMERICA OF THE HEARTLAND

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

1. Organization and summary of significant accounting policies:

Organization and program descriptions:

Mental Health America of the Heartland (the Organization) is headquartered in Kansas City, Kansas, and serves the greater Kansas City metropolitan area in both Missouri and Kansas. Most of the Organization's programs are performed in seven counties in Missouri and Kansas. The Organization also performs system level advocacy in the state capitals in Topeka, Kansas and Jefferson City, Missouri. The Organization is dedicated to promoting the mental health of the community and improving the quality of life for persons with mental illness through advocacy, education and support.

The Organization is incorporated as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code and classified as a public charity. The Organization is supported primarily through contributions and grants.

Following are the primary programs performed by the Organization:

Advocacy and Recovery Services – The program promotes the integration of persons with mental illness into the community by providing peer and professional support services, advocacy, linkage and intervention, particularly in the areas of housing, employment and overall wellness to ensure full receipt of and benefit from traditional psychiatric and social services. This program includes a consumer-run warm line, individual case advocacy, legislative advocacy, systemic advocacy, wellness and support advocacy.

Mental Health Promotion – The program promotes the mental health of the community by increasing awareness and decreasing stigma. This program includes information and referral services, a self-help and support group directory, workshops and seminars and a speaker's bureau.

Child and Youth Mental Health Initiative – The program works to increase knowledge of mental health issues and symptoms in children and youth and to increase understanding of the importance and effectiveness of early treatment. This program includes teen suicide prevention workshops and community workshops for parents, teachers and youth service professionals.

Heartland Housing Initiative – The program increases access to permanent, safe, decent and affordable housing by providing housing options for individuals and families who are disabled and/or have special needs. This program includes housing and on-site support services.

Basis of accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting. All financial transactions have been recorded in and reported by the following net asset groups:

MENTAL HEALTH AMERICA OF THE HEARTLAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2019 AND 2018

1. Organization and summary of significant accounting policies (continued):

Basis of accounting (continued):

Net assets without donor restrictions represent resources over which the Board of Directors has discretionary control and are used to carry out operations of the Organization in accordance with its bylaws.

Net assets with donor restriction represent resources available for use currently or in the future, but expendable only for purposes specified by the donor or within a donor-designated time period. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Cash:

Under a grant agreement with the Department of Housing and Urban Development (HUD), the Organization is required to maintain a separate operating account for the grant funds received and a separate account for the deposits being held on the rental units. The total amounts related to HUD funds were \$148,586 and \$122,590 as of December 31, 2019 and 2018, respectively.

Accounts receivables and allowance for doubtful accounts:

The Organization carries its accounts receivable at their face amounts less an allowance for doubtful accounts. On a regular basis, the Organization evaluates its accounts receivable and establishes the allowance for doubtful accounts based on a combination of specific client circumstances, as well as credit conditions and history of write-offs and collections. Accounts receivable are considered past due if payments have not been received within sixty days subsequent to the agreed upon payment date and the client is not responding to Organization communications.

Contribution receivables:

Contribution receivables consist of unconditional gifts and grants expected to be collected within one year are reported at their net realizable value. Unconditional gifts and grants expected to be collected in future years are determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the straight-line method and is reported as contribution revenue.

Conditional gifts and grants depending on the occurrence of a specified future and uncertain event to bind the potential donor are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

MENTAL HEALTH AMERICA OF THE HEARTLAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2019 AND 2018

1. Organization and summary of significant accounting policies (continued):

Contribution receivables (continued):

A contribution receivable is considered past due if payments have not been received within sixty days subsequent to the promised donation date and the donor is no longer responding to inquiries. Contribution receivables are written off when they are deemed uncollectible. The allowance for uncollectible gifts and grants is estimated based on a review of outstanding gifts, collection information and existing economic conditions.

Property and equipment and depreciation and amortization:

Property and equipment are stated at cost (fair market value if donated) less accumulated depreciation. The Organization capitalizes purchase of greater than \$1,000 that have a useful life in excess of one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Concentrations:

Financial instruments which potentially subject the Organization to significant concentrations of credit risk consist principally of cash deposits. The Organization maintains cash with financial institutions, where accounts up to \$250,000 are insured by the Federal Deposit Insurance Corporation.

A majority of contributions are from individuals, corporate and charitable entities in the Greater Kansas City area. The Organization received HUD grants representing 31% and 30% of its revenues in 2019 and 2018, respectively. Four donors/grantors accounted for 78% and one donor accounted for 14% of total revenues for the years ended December 31, 2019 and 2018, respectively.

Contributed services:

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

A number of individuals contribute their services to the Organization as volunteers who assist in staffing fundraising events, helping with programs, and assisting in other day-to-day operations. The value of this contributed time is not reflected in these financial statements since it did not enhance non-financial assets or require specialized skills.

MENTAL HEALTH AMERICA OF THE HEARTLAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2019 AND 2018

1. Organization and summary of significant accounting policies (continued):

Functional allocation of expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on management's estimate of resources devoted to the program or support service.

Income taxes:

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

The Organization follows accounting principles generally accepted in the United States of America related to uncertain tax positions. The Organization's accounting policy is to provide liabilities for uncertain income tax provisions when a liability is probable and estimable. Management is not aware of any violation of its tax status as an organization exempt from income taxes. The Organization is no longer subject to audits by the IRS for years prior to 2016.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses. Actual results could differ from those estimates.

Reclassifications:

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Recent accounting pronouncement:

On January 1, 2019, the Organization adopted ASU 2014-09 *Revenue from Contracts with Customers and all subsequent amendments to the ASU* (collectively, "ASC 606"), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets. Program and rental revenues fall within the scope of ASC 606 and are recognized as revenue as the Organization satisfies its obligations. The Organization adopted the provisions of ASC 606 under a retrospective basis and there was no effect on net assets in connection with the Organization's implementation.

MENTAL HEALTH AMERICA OF THE HEARTLAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2019 AND 2018

1. Organization and summary of significant accounting policies (continued):

Recent accounting pronouncement (continued):

On January 1, 2019, the Organization adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies the accounting guidance for contributions received and made, including guidance to help an entity evaluate whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determine whether a contribution is conditional. The Organization adopted the provisions of ASU 2018-08 under a retrospective basis and there was no effect on net assets in connection with the Organization's implementation.

Subsequent events:

Subsequent events have been evaluated through _____, 2020, which is the date the financial statements were available to be issued.

2. Contribution receivables:

Receivables comprise the following:

	<u>2019</u>	<u>2018</u>
Grants and contracts receivable	\$ 40,194	\$ 74,735
Pledges receivable	<u>7,300</u>	<u>25,635</u>
	47,494	100,370
Allowance for uncollectible pledges	(1,500)	(3,280)
Current portion of contribution receivable	<u>(40,994)</u>	<u>(71,455)</u>
Non-current portion of contribution receivable	<u>\$ 5,000</u>	<u>\$ 25,635</u>

As of December 31, 2019, pledges receivable are scheduled for collection as follows:

<u>Year ending</u> <u>December 31,</u>	<u>Amount</u>
2020	\$ 42,494
2021	<u>5,000</u>
	<u>\$ 47,494</u>

MENTAL HEALTH AMERICA OF THE HEARTLAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2019 AND 2018

3. Property and equipment:

	<u>2019</u>	<u>2018</u>
Land	\$ 70,674	\$ 70,674
Buildings	1,221,114	1,221,114
Building improvements	703,312	687,812
Office equipment, furniture and computers	<u>135,171</u>	<u>134,172</u>
	2,130,271	2,113,772
Accumulated depreciation	<u>(1,411,467)</u>	<u>(1,355,343)</u>
	<u>\$ 718,804</u>	<u>\$ 758,429</u>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$56,124 and \$56,859, respectively.

4. Net assets with donor restrictions:

Net assets with donor restrictions are designated for the following:

	<u>2019</u>	<u>2018</u>
Wellness and Support Peer Advocacy Program	\$ 82,003	\$ 121,894
Housing assistance	<u>35,000</u>	<u>35,000</u>
	<u>\$ 117,003</u>	<u>\$ 156,894</u>

5. Note payable:

	<u>2019</u>	<u>2018</u>
Bank note payable, monthly installments of \$1,571, including interest at 4.875%, maturing on June 3, 2020 when all remaining principal and interest is due, collateralized by real estate, balance was paid in full during 2020	\$ 156,618	\$ 169,251
Less current portion	<u>156,618</u>	<u>3,763</u>
	<u>\$ --</u>	<u>\$ 165,488</u>

All interest has been expensed.

6. Retirement plan:

The Organization sponsors a 403(b) retirement plan under which eligible employees may contribute a portion of their salary on a pre-tax basis, subject to certain Internal Revenue Code limits. The plan covers employees who meet the eligibility requirements stated in the plan document. The Organization's elective contribution to the Plan was \$0 and \$7,170 for the years ended December 31, 2019 and 2018, respectively. Retirement plan administration expenses were \$5,701 and \$6,185 for the years ended December 31, 2019 and 2018, respectively, and are included with employee benefits on the statements of functional expenses.

MENTAL HEALTH AMERICA OF THE HEARTLAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2019 AND 2018

7. Related party transactions:

The Organization is the sponsor and management agent for Kan-Do Apartments, Inc. (Kan-Do), which consists of two eight-unit apartment buildings in Kansas City, Kansas for chronically mentally ill persons. They were constructed using funds provided under Section 811 of the National Affordable Housing Act and are regulated by the U.S. Department of Housing and Urban Development (HUD) regarding rental charges and operating methods.

The Organization received management and accounting fees of \$6,951 and \$13,902 from Kan-Do for 2019 and 2018, respectively, which amounts are included in program service revenues.

Capsule audited financial statements of Kan-Do as of December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Total assets	<u>\$ 348,169</u>	<u>\$ 369,506</u>
Total liabilities	\$ 20,248	\$ 13,114
Net assets	<u>327,921</u>	<u>356,392</u>
	<u>\$ 348,169</u>	<u>\$ 369,506</u>
Total revenue	\$ 83,578	\$ 81,194
Total expenses	<u>112,049</u>	<u>114,228</u>
Operating loss	<u>(\$ 28,471)</u>	<u>(\$ 33,034)</u>

8. Liquidity and availability of resources:

The Organization's financial assets available within one year of December 31, 2019 for general expenditures are as follows:

Cash, without donor restriction	\$ 220,795
Receivables due within one year	44,231
Accounts payable and accrued expenses	(46,379)
Current portion of note payable	(156,618)
Net assets with donor restriction	(117,003)
Shortfall	<u>(\$ 54,974)</u>

MENTAL HEALTH AMERICA OF THE HEARTLAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2019 AND 2018

8. Liquidity and availability of resources (continued):

Liquidity at year-end 2019 shows as (\$54,974). This is largely the result of the early mortgage payoff of \$156,618. This note was repaid in full in March 2020, following the sale of 2751 Campbell for \$300,000, with a concurrent partnership agreement that retains MHAH as manager of that apartment complex and provider of support services for all residents at 8% of rents, payable to MHAH by the new owner monthly. In addition, the agency was recipient in early 2020 of several unexpected and unbudgeted sources of funding including but not limited to grants of \$5,000 (ATT), \$10,000 (Veterans United Fund) \$41,110 (Greater Kansas City COVID Response Fund); a third party fundraiser which raised \$1,500 over budget; and \$86,405 from the Payroll Protection Plan, which we believe will be fully forgiven. Finally, the agency established a \$25,000 Line of Credit at the beginning of the COVID-19 pandemic which has not been accessed to date.

9. COVID-19:

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As of the date of the Independent Auditors' Report, we cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact our financial position, results of operations, and cash flows in 2020 and future periods.

10. Subsequent event (Note 8):

During 2020, the Organization sold the building at 2751 Campbell, otherwise known as the Heartland Apartments, for \$300,000, with a concurrent partnership agreement that retains the Organization as manager of that apartment complex and provider of support services for all residents at 8% of rents, payable to the Organization by the new owner monthly.