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Financial Statements
with Report of Independent Auditors'

Mental Health Association of San Francisco

June 30, 2023 and 2022

Mental Health Association of San Francisco

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Mental Health Association of San Francisco
San Francisco, California

Opinion

We have audited the accompanying financial statements of Mental Health Association of San Francisco (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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 San Francisco as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Mental Health Association of San Francisco and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Mental Health Association of San Francisco's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITORS' REPORT – continued

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 auditor's 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 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, 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 Mental Health Association of San Francisco'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 Mental Health Association of San Francisco's ability to continue as a going concern for a reasonable period of time.

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INDEPENDENT AUDITORS' REPORT – continued

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.

SD Mayer & Associates, LLP

S D Mayer & Associates, LLP

San Francisco, CA
March 19, 2024

MENTAL HEALTH ASSOCIATION OF SAN FRANCISCO
STATEMENTS OF FINANCIAL POSITION
As of June 30, 2023 and 2022

ASSETS

		2023		2022
Current Assets:				
Cash	$	690,619	$	116,394
Contracts and grants receivable		1,763,280		1,952,006
Prepaid expenses		75,559		2,305
Total Current Assets		2,529,458		2,070,705
Non-Current Assets:				
Property and equipment, net		30,335		42,876
Operating lease right-of-use asset		1,239,950		-
Deposits		25,590		32,993
Total Assets	$	3,825,333	$	2,146,574

LIABILITIES AND NET ASSETS

		2023		2022
Current Liabilities:				
Accounts payable	$	98,245	$	170,053
Accrued liabilities		289,241		190,439
Deferred rent		-		20,354
Other current liabilities		9,264		9,766
Refundable contract advance		48,519		96,956
Notes payable - current portion		52,599		118,425
SBA loan - current portion		3,643		3,544
Line of credit		725,025		575,000
Operating lease liability - current portion		234,531		-
Finance lease liability- current portion		11,347		10,688
Total Current Liabilities		1,472,414		1,195,225
Long-Term Liabilities:				
Notes payable, long-term		47,974		96,217
SBA loan - long term		146,357		146,456
Operating lease liability - long term		1,011,042		-
Finance lease liability - long-term		7,951		19,298
Total Long-Term Liabilities		1,213,324		261,971
Total Liabilities		2,685,738		1,457,196
Net Assets				
Net assets without donor restrictions		1,139,595		689,378
Total Net Assets		1,139,595		689,378
Total Liabilities and Net Assets	$	3,825,333	$	2,146,574

The accompanying notes are an integral part of these financial statements

MENTAL HEALTH ASSOCIATION OF SAN FRANCISCO
STATEMENTS OF ACTIVITIES
For the years ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Government contracts	$ 11,152,551	$ -	$ 11,152,551	$ 8,385,061	$ -	$ 8,385,061
Conference and program fees	86,012	-	86,012	233,754		233,754
Foundation contributions	3,787	-	3,787	2,520	-	2,520
Individual contributions	14,341	-	14,341	30,408	-	30,408
Corporate contributions	23,820	-	23,820	25,179	-	25,179
PPP loan forgiveness	-	-	-	94,801	-	94,801
Other revenue	7	-	7	6,278	-	6,278
Net assets released from restrictions	-	-	-	160,581	(160,581)	-
Total Revenue and Support	11,280,518	-	11,280,518	8,938,582	(160,581)	8,778,001
Expenses:						
Program services	10,045,576	-	10,045,576	7,646,357	-	7,646,357
Supporting services:						
Management and general	737,980	-	737,980	619,360	-	619,360
Fundraising	46,745	-	46,745	127,204	-	127,204
Total expenses	10,830,301	-	10,830,301	8,392,921	-	8,392,921
Change in Net Assets	450,217	-	450,217	545,661	(160,581)	385,080
Net Assets at beginning of year	689,378	-	689,378	143,717	160,581	304,298
			-			-
Net Assets at end of year	$ 1,139,595	$ -	$ 1,139,595	$ 689,378	$ -	$ 689,378

The accompanying notes are an integral part of these financial statements

MENTAL HEALTH ASSOCIATION OF SAN FRANCISCO
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2023

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Personnel costs	$ 7,103,159	$ 372,236	$ 32,825	$ 405,061	$ 7,508,220
Fringe benefits and payroll taxes	1,656,241	57,027	6,374	63,401	1,719,642
Occupancy	372,605	8,092	3,458	11,550	384,155
Advertising	73,731	8,411	153	8,564	82,295
Events	16,691	-	1,250	1,250	17,941
Legal and professional services	2,195	71,758	-	71,758	73,953
Communications and website	313,712	10,013	1,686	11,699	325,411
Computer hardware and software	113,608	2,107	218	2,325	115,933
Subcontractors and trainers	189,034	-	240	240	189,274
Bank fees and interest	5	78,417	50	78,467	78,472
Printing	1,826	98	15	113	1,939
Insurance	25,156	6,375	220	6,595	31,751
Travel and training	60,868	7,343	-	7,343	68,211
Dues and subscriptions	770	19,920	-	19,920	20,690
Supplies	22,897	5,450	93	5,543	28,440
Stipends	71,872	500	-	500	72,372
Meals and food	16,671	4,095	149	4,244	20,915
Depreciation	-	12,541	-	12,541	12,541
Payroll services	-	56,720	-	56,720	56,720
Miscellaneous expenses	4,535	16,877	14	16,891	21,426
Total Expenses	$ 10,045,576	$ 737,980	$ 46,745	$ 784,725	$ 10,830,301

The accompanying notes are an integral part of these financial statements

MENTAL HEALTH ASSOCIATION OF SAN FRANCISCO
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2022

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Personnel costs	$ 5,456,703	$ 366,472	$ 87,632	$ 454,104	$ 5,910,807
Fringe benefits and payroll taxes	1,101,423	75,596	17,599	93,195	1,194,618
Occupancy	354,221	(7,231)	8,218	987	355,208
Advertising	118,533	3,899	780	4,679	123,212
Events	20,897	-	692	692	21,589
Legal and professional services	3,884	68,889	-	68,889	72,773
Communications and website	310,662	16,276	2,949	19,225	329,887
Computer hardware and software	105,222	(8,557)	237	(8,320)	96,902
Subcontractors and trainers	52,215	2,067	440	2,507	54,722
Bank fees and interest	95	8,999	187	9,186	9,281
Interest	-	21,709	-	21,709	21,709
Printing	12,489	(11,266)	274	(10,992)	1,497
Insurance	16,075	1,214	359	1,573	17,648
Travel and training	22,722	9,799	23	9,822	32,544
Dues and subscriptions	1,234	10,916	-	10,916	12,150
Supplies	55,849	746	7,337	8,083	63,932
Stipends	8,965	(90)	450	360	9,325
Meals and food	2,296	4,033	-	4,033	6,329
Depreciation	-	10,269	-	10,269	10,269
Payroll services	-	40,661	-	40,661	40,661
Miscellaneous expenses	2,872	4,959	27	4,986	7,858
Total Expenses	$ 7,646,357	$ 619,360	$ 127,204	$ 746,564	$ 8,392,921

The accompanying notes are an integral part of these financial statements

MENTAL HEALTH ASSOCIATION OF SAN FRANCISCO
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 450,217	$ 385,080
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation expense	12,541	10,269
PPP Loan forgiveness	-	(94,801)
(Increase) decrease in assets:		
Government contracts receivable	188,726	(675,860)
Grants and contributions receivable	-	161,765
Prepaid expenses	(73,254)	1,700
Operating lease right-of-use asset	(1,239,950)	-
Deposits	7,403	-
Increase (decrease) in liabilities:		
Accounts payable	(71,808)	115,583
Accrued liabilities	98,802	(66,969)
Deferred rent	(20,354)	(35,105)
Other current liabilities	(502)	7,185
Refundable contract advance	(48,437)	(64,596)
Operating lease liability	1,245,573	-
Net cash provided by (used in) operating activities	548,957	(255,749)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	-	(11,363)
Net cash used in investing activities	-	(11,363)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	2,432,501	2,790,000
Repayments on line of credit	(2,282,476)	(2,565,000)
Payments made on finance lease liability	(10,688)	(10,067)
Proceeds from notes payable	-	100,000
Repayment of notes payable	(114,069)	(65,457)
Repayment of short-term related party notes payable	-	(110,000)
Proceeds from issuance of short-term related party notes payable	-	110,000
Net cash provided by financing activities	25,268	249,476
Net increase (decrease) in cash	574,225	(17,636)
Cash at beginning of year	116,394	134,030
Cash at end of year	$ 690,619	$ 116,394
Supplemental disclosures of cash flow information:		
Interest paid	$ 68,052	$ 21,709
Equipment acquired through a finance lease	$ -	$ -
Operating lease asset financed through a lease liability	$ 1,239,950	$ -

The accompanying notes are an integral part of these financial statements

1. Organization and Nature of Activities:

Mental Health Association of San Francisco (“MHASF” or the “Organization”) is a California tax-exempt nonprofit corporation formed in 1947 to improve mental health in San Francisco.

The mission of MHASF is to improve the mental health of residents in the diverse communities of San Francisco through education, advocacy, research, and service. In all of its programs, MHASF brings people and families challenged by mental illness together with the agencies that serve them to promote prevention, access to services, leadership, and independence. MHASF’s vision is for a just, humane, and healthy community where, free from stigma and prejudice, all people are accorded respect, dignity, and the opportunity to achieve their full potential.

- Education and training programs include information and referrals, trainings for people with mental illness and mental health providers, support groups, and educational events for the public.

- Policy and advocacy programs include representing the needs of people with mental illness at local policy meetings, organizing people with mental illness to advocate for mental health reform, participating in city policy committees, coordinating collaborative coalition groups, and educating and informing elected officials and other policy makers about mental health issues.

MHASF is an affiliate of Mental Health America ("MHA," formerly known as National Mental Health Association) and the Mental Health Association in California ("MHAC"). Although both MHA and MHAC assist with information resources, training, publications, and in other ways, MHASF is directly responsible for its own operations.

2. Summary of Significant Accounting Policies:

Basis of Accounting:

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis of Presentation:

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

2. Summary of Significant Accounting Policies, continued**:**

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets that are subject to donor-imposed restrictions that will be met either by actions of MHASF and/ or the passage of time. Other donor-imposed stipulations may neither expire by the passage of time nor can otherwise be removed by actions of MHASF. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions were $0 as of June 30, 2023 and 2022, respectively.

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, 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.

Cash

MHASF maintains cash balances at several financial institutions. The balances are insured by the Federal Deposit Insurance Corporation. Deposits held by banks may exceed the amount of insurance provided by the federal government on such deposits.

Contracts and Grants Receivable

MHASF receives a portion of its funding from federal, state, and city agencies. MHASF recognizes receivables based on cost reimbursement basis. Management's full reimbursement of expenditures is pursuant to a contractual agreement. Receivables are considered impaired if full payments are not received in accordance with the contract terms. It is MHASF's policy to provide an allowance for doubtful accounts receivable when management determines the receivable will not be collected. Management determined that no allowance for bad debts is required at June 30, 2023 and 2022. Contracts and grants receivable amounted to $1,763,280, $1,952,006, and $1,437,911 at June 30, 2023, 2022, and 2021, respectively.

Property and Equipment, Net

Property and equipment are stated at cost or, if donated, at fair value on the date of the gift. MHASF capitalizes assets with a cost greater than $2,000 and a life expectancy of more than one year. Maintenance and repair costs are expensed as incurred.

2. Summary of Significant Accounting Policies, continued**:**

Depreciation is recorded using the straight-line method over the estimated useful lives of the assets or the term of the lease, whichever is shorter, which are as follows:

Leasehold improvements (shorter of lease term or expected useful life)	5 years
Computers and equipment	5 years
Finance lease assets	5 years
Furniture and fixtures	7 years

Deposits

Deposit amounts relate to security deposits on operating leases. See Note 5 for further discussion on operating leases.

Concentrations

For the years ended June 30, 2023 and June 30, 2022, respectively, 73% and 67% of total revenues came from two major government sources.

As of June 30, 2023, approximately 44% of contracts and grants receivables are due from one government entity. As of June 30, 2022, approximately 73% of government contracts and grants receivables are due from two government entities.

Revenue Recognition

Under Accounting Standards Codification ("ASC") Topic 958, a contribution is considered to be conditional when one or more barriers exist and the right to receive or retain payment or delivery of the promised asset is conditioned on meeting those barriers. Conditional contributions are recognized when the conditions upon which they depend are substantially met.

Donor-restricted contributions are reported as increases in net assets with donor restriction. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction. Donor-restricted contributions whose restrictions are met in the same reporting period in which received are reported as net assets without donor restrictions. There were no restricted contributions received during the years ended June 30, 2023 and 2022. Unconditional Contributions are recognized when contributions are received.

The majority of the Organization's revenue is derived from cost-reimbursable government contracts and are treated as revenue upon satisfying certain performance requirements and recognized over the period of time that the allowable qualifying expenses are incurred.

2. Summary of Significant Accounting Policies, continued**:**

Revenue Recognition

Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures for which a barrier and right to return exist are reported as refundable contract advance in the statement of financial position. Approximately more than 90% of the Organization's revenue is directly or indirectly from government sources during the years ended June 30, 2023 and 2022.

MHASF receives amounts in advance of actual expenses submitted for reimbursement. MHASF records a liability as a refundable advance until the services are performed and expenses are submitted for reimbursement. Refundable contract advance amounted to $48,519 and $96,956 at June 30, 2023 and 2022, respectively.

Income Taxes
The Internal Revenue Service has determined that MHASF is exempt from federal income under the provisions of Sections 501(c)(3) of the Internal Revenue Code. The Franchise Tax Board has determined that MHASF is exempt from state income taxes under and 23701(d) of the California Revenue and Taxation Code. However, income from certain activities not directly related to MHASF's tax-exempt purpose may be subject to taxation as unrelated business income. The Organization has evaluated its current tax positions and has concluded that, as of June 30, 2023 and 2022, it does not have any significant uncertain tax positions for which a reserve would be necessary. Fiscal years ended June 30, 2019 through 2022 remain open for examination.

Functional Allocation of Expenses

The costs of providing the MHASF's program services and supporting services have been summarized on a functional basis in the statements of functional expenses. The statements of functional expenses present natural classification of expenses. Program services include expenses that are directly related to education, training programs, and policy and advocacy programs. Supporting services include management and general and fundraising. Fundraising includes expenses for conducting fundraising events, preparing and distributing fundraising materials, and solicitation of contributions from individuals and corporations. Management and general includes expenses for general oversight and management of MHASF. The financial statements report certain categories of expenses that are attributable to one or more program or supporting services; therefore, these expenses require allocation on a reasonable basis that is consistently applied. These expenses include salaries, fringe benefits and payroll taxes, occupancy, communications and website, meals, payroll service, printing, and supplies, which are allocated on the basis of estimated of time and effort.

2. Summary of Significant Accounting Policies, continued**:**

Commitments and Contingencies

In the ordinary course of conducting its business, MHASF may be subjected to loss contingencies arising from general business matters or lawsuits. Management believes that the outcome of such matters, if any, will not have a material impact on the MHASF's financial position or results of future operations.

Leases

ASC 842, "Leases", requires entities to recognize right-of-use ("ROU") assets and lease liabilities for operating and finance leases. The ROU represents the right to use the leased asset for the lease term. The lease liability represents the present value of the lease payments under the lease. A lease is classified as a finance lease if any one of the following criteria are met: the lease transfers ownership of the asset by the end of the lease term, the lease contains an option to purchase the asset that is reasonably certain to be exercised, the lease term is for a major part of the remaining useful life of the asset or the present value of the lease payments equals or exceeds substantially all of the fair value of the asset. A lease is classified as an operating lease if it does not meet any one of these criteria. The right-of-use asset is initially measured at cost, which primarily comprises the initial amount of the lease liability, plus any initial direct costs incurred, less any lease incentives received. All right-of-use assets are reviewed for impairment. The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease or, the risk-free rate for the same term as the underlying lease. For its operating lease, the Organization used the risk-free rate of 3.60% as its weighted-average discount rate. For its finance (capital) lease, the Organization used the interest rate implicit in the lease as its weighted-average discount rate. Lease expense for operating leases consists of the lease payments plus any initial direct costs and is recognized on a straight-line basis over the lease term. Lease expense for finance leases consists of the amortization of the right-of-use asset on a straight-line basis over the lease term and interest expense determined on an amortized cost basis. The Organization elected the practical expedient to account for lease components and non-lease components as a single lease component. The Organization does not record leases in the statement of financial position that are classified as short term (less than one year). Short-term lease cost for operating leases with a term of less than 12 months are included in rent expense, which is part of occupancy and related costs line item in the statement of functional expenses.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on the previously reported net assets or changes in net assets.

2. Summary of Significant Accounting Policies, continued**:**

Advertising Costs

The Organization expenses advertising costs as they are incurred. Total advertising costs of $82,295 and $123,212 were incurred in 2023 and 2022, respectively.

Recent Accounting Pronouncements

The Organization adopted Accounting Standards Update 842, Leases, (ASC 842) effective July 1, 2022. This pronouncement requires lessees to record most leases on the statement of financial position as right-of-use (ROU) assets and lease liabilities based on the value of discounted future lease payments, while expense recognition on the statement of activities remains similar to current lease accounting guidance. In adopting ASC 842, the Organization elected to apply the practical expedients available, which includes not reevaluating if a contract is or contains a lease, not reevaluating the classification of a lease, and not reevaluating initial direct costs. The Organization used the modified retrospective alternative method, and no cumulative-effect adjustments were required. Adoption of the new standard resulted in the recording of additional lease assets and lease liabilities on the statement of financial position, with no cumulative impact to net assets, and did not have a material impact on the Organization’s changes in net assets or cash flows for the year ended June 30, 2023.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which is essentially the final rule on use of the so-called CECL model, or current expected credit losses. Among other things, the amendments in this ASU require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. For private entities, the amendments in this ASU are effective for fiscal years beginning after December 15, 2022. The Organization will adopt this ASU in its financial statements for the year ending June 30, 2024 and does not expect to have a material impact from this ASU on the financial statements.

3. Liquidity and Availability of Resources:

Financial assets available for general expenditures within one year of the statements of financial position dates comprise of the following at June 30, 2023 and 2022:

	2023	2022
Cash	$ 690,619	$ 116,394
Contracts and grants receivable	1,763,280	1,952,006
Total financial assets available to meet cash needs for general expenditures within one year	$ 2,453,899	$ 2,068,400

The Organization's goal is to maintain sufficient liquid financial assets to meet general expenditures and obligations as they become due. As of June 30, 2023 and 2022, the Organization's financial assets are equal to approximately three months of operating expenses.

4. Property and Equipment, Net:

Property and equipment is comprised of the following at June 30, 2023 and 2022:

	2023	2022
Computers and equipment	$ 85,782	$ 85,782
Capital lease assets	47,217	47,217
Leasehold improvements	46,206	46,206
Furniture and fixtures	40,088	40,088
	219,293	219,293
Less: accumulated depreciation and amortization	(188,958)	(176,417)
Property and equipment, net	$ 30,335	$ 42,876

Depreciation expense was $12,541 and $10,269 for the years ended June 30, 2023 and 2022, respectively. Amortization of the asset under finance lease amounted to $9,443 for each of the years ended June 30, 2023 and 2022, and is included in total depreciation expense. The asset under finance lease amounted to $47,217 at June 30, 2023 and 2022, and is included in property and equipment.

5. Operating Leases:

On February 28, 2023, the Organization signed a new lease agreement for its office space in San Francisco starting on March 1, 2023 and continuing through February 29, 2028. The lease requires monthly payments of approximately $33,000.

Supplemental information related to operating office lease as of June 30, 2023 is as follows:

Operating lease right-of-use asset	$	1,239,950
Operating lease liability - current portion	$	234,531
Operating lease liability - long term	$	1,011,042

The following summarizes the weighted average remaining lease term and discount rate as of June 30, 2023:

Weighted average remaining lease term (in years)	4.67
Weighted average discount rate	3.60%

Lease cost is recorded in operating expenses and amounted to during the years ended June 30, 2023 and 2022:

	June 30, 2023		June 30, 2022	
Office lease expense included in the statement of functional expenses	$	384,155	$	355,207

The maturities of operating lease liabilities as of June 30, 2023 were as follows:

Fiscal years ending:		
June 30, 2024	$	275,560
June 30, 2025		283,828
June 30, 2026		292,344
June 30, 2027		301,112
June 30, 2028		204,720
Total minimum lease payments		1,357,564
Less amount representing interest		(111,991)
Present value of lease liability		1,245,573
Less current portion of lease liability		(234,531)
Lease liability - long term	$	1,011,042

On July 8, 2022, the Organization entered into a lease for office space in San Rafael, California to operate the Marin Peer & Family Support and Peer Investment Workforce programs. The lease is set to expire by June 30, 2023. The monthly rent was $3,100. Total rent expense for this space was $34,100 for the fiscal year ended June 30, 2023.

6. Notes Payable:

The Organization had an original note payable in the amount of $180,099 with a maturity date of May 2, 2025 and annual interest rate of 1%. The outstanding balance on this note payable amounted to $100,573 and $147,976 at June 30, 2023 and 2022, respectively. The note payable balance of $100,573 at June 30, 2023 will be payable as follows: $52,599 due in the year ended June 30, 2024 and $47,974 due in the year ended June 30, 2025.

On November 29, 2021, the Organization signed a loan with a third-party lender in the amount of $100,000 payable in 15 monthly payments of $6,667 beginning on February 1, 2021 and ending on April 1, 2023. The loan is intended to be short-term to finance operating needs. This note bears no interest. The outstanding balance on this note was $0 and $66,666 at June 30, 2023 and 2022, respectively.

7. SBA Loan:

On January 19, 2021, the Organization received a $150,000 emergency Economic Injury Disaster Loan (EIDL) from the Small Business Administration (SBA). Monthly installment payments, including principal and interest, of $641 will begin twelve (12) months from the date of the loan. This EIDL is payable over thirty years and bears 2.75% annual fixed interest with first payment beginning January 2022.

The future principal payments on this loan as of June 30, 2023 are as follows:

Year ended June 30:		
2024	$	3,643
2025		3,744
2026		3,849
2027		3,956
2028		4,066
Thereafter		130,742
Total	$	150,000

8. Line of Credit:

The Organization has a line of credit ("the line") with Heritage Bank of Commerce providing borrowings up to $2,500,000 and maturity date of October 2, 2024. Interest on the line is 0.30% over the Prime Rate of 8.50%, resulting in an annual interest rate of 8.80% at June 30, 2023. Interest rate was 6.25% at June 30, 2022. Borrowings under the line during the fiscal years ended June 30, 2023 and 2022 amounted to $2,432,501 and $2,790,000, respectively. Repayments on the line during the fiscal years ended June 30, 2023 and 2022 amounted to $2,282,476 and $2,565,000, respectively. Outstanding balances were $725,025 and $575,000 at June 30, 2023 and 2022, respectively. The line is secured by certain assets of the Organization.

9. Related Party Transactions:

The Organization entered into various short-term note payable agreements with employees of the Organization. Short-term notes payable totaled $110,000 during the year ended June 30, 2022, bearing an annual interest of 6% and maturing on or before June 30, 2022. Interest expense related to these notes was approximately $352 for the year ended June 30, 2022. As of June 30, 2022, the outstanding balance on these notes has been paid in full.

There were no similar notes for the year ended June 30, 2023.

10. Finance Lease:

The Organization entered into a lease for two office copiers in October 2020. The lease requires monthly payments of approximately $1,016 at an annual interest rate of 6%. The lease is scheduled to expire in 53 (fifty-three) months from commencement date of October 2020. The following is the schedule of annual future minimum lease payments due under the finance (capital) lease:

Year ended June 30:		
2024	$	12,196
2025		8,131
Total future minimum lease payments		20,327
Less: amount representing interest at 6%		(1,029)
Present value of future minimum lease payments		19,298
Less: Finance lease liability – short term		(11,347)
Finance lease liability – long term	$	7,951

11. Defined Contribution Pension Plan:

MHASF provides a defined contribution retirement plan, under Section 403(b) of the Internal Revenue Code, to all its employees. MHASF is not required to make contributions to the plan and made no contributions to the plan for the years ending June 30, 2023 and 2022.

12. Net Assets With Donor Restrictions:

Net assets with donor restrictions which were time and/or purpose restricted as of June 30, 2023 and 2022 amounted to $0. Releases of net assets with donor restrictions amounted to $0 and $160,581 during the years ended June 30, 2023 and 2022, respectively.

13. Subsequent Events:

The Organization evaluated subsequent events for recognition and disclosure through March 19, 2024, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2023 that required recognition or disclosure in the financial statements.

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