

MENTAL HEALTH ASSOCIATION
OF ORANGE COUNTY

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1 - 3
FINANCIAL STATEMENTS	
Statements of Financial Position	4
Statements of Activities and Changes in Net Assets	5 - 6
Statements of Functional Expenses	7 - 8
Statements of Cash Flows	9
Notes to Financial Statements	10 - 22
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	23 -24
REPORTS REQUIRED BY THE UNIFORM GUIDANCE	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25 - 26
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	27 - 30
Schedule of Findings and Questioned Costs	31 - 33
Summary of Schedule of Prior Year Audit Findings	34



INDEPENDENT AUDITOR'S REPORT

Board of Directors of Mental
Health Association of
Orange County
Santa Ana, CA

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Mental Health Association of Orange County (the "Association") (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 present fairly, in all material respects, the financial position of Mental Health Association of Orange County 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the Mental Health Association of Orange County 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 opinions.

INDEPENDENT AUDITOR'S REPORT (Continued)

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

Auditor's 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mental Health Association of Orange County'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 Orange County's ability to continue as a going concern for a reasonable period of time.

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2024 on our consideration of Mental Health Association of Orange County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mental Health Association of Orange County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mental Health Association of Orange County's internal control over financial reporting and compliance.



GuzmanGray
Long Beach, CA
April 23, 2024

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

ASSETS

	2023	2022
CURRENT ASSETS		
Cash	\$ 666,811	\$ 755,200
Grants and program receivables	672,203	698,910
Prepaid expenses	111,262	478
Total Current Assets	1,450,276	1,454,588
FURNITURE AND EQUIPMENT, net	-	-
OTHER ASSETS		
Security deposits	75,101	75,101
Operating lease right of use assets	2,273,604	-
TOTAL ASSETS	\$ 3,798,981	\$ 1,529,689

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 118,836	\$ 23,542
Payroll payable	163,136	150,156
Accrued vacation	119,981	121,013
Liability settlement	-	175,000
Line of credit	50,000	-
Operating lease liability, current portion	990,504	-
Total Current Liabilities	1,442,457	469,711
NON CURRENT LIABILITIES		
Operating lease liability, non-current portion	1,370,317	-
Total Liabilities	2,812,774	469,711
NET ASSETS		
Without donor restrictions	963,527	996,945
With donor restrictions	22,680	63,033
	986,207	1,059,978
TOTAL LIABILITIES AND NET ASSETS	\$ 3,798,981	\$ 1,529,689

See independent auditor's report and notes to financial statements.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grant revenues	\$ 7,192,609		\$ 7,192,609
Contributions	45,425	\$ 148,187	193,612
Program revenues	150,276		150,276
Thrift sales	7,041		7,041
In-kind contribution - legal services	681,732		681,732
In-kind contribution - program	86,647		86,647
Interest	7		7
Other Income	4,807		4,807
	8,168,544	148,187	8,316,731
NET ASSETS RELEASED FROM RESTRICTION	188,540	(188,540)	-
TOTAL SUPPORT AND REVENUE	8,357,084	(40,353)	8,316,731
 EXPENSES			
Program Services	6,692,363		6,692,363
Support Services			
Management and general	1,552,144		1,552,144
Fundraising	58,778		58,778
TOTAL EXPENSES	8,303,285		8,303,285
CHANGE IN NET ASSETS BEFORE LEASE EXPENSE DUE TO IMPLEMENTATION OF NEW LEASE PRONOUNCEMENT	53,799	(40,353)	13,446
Lease expense due to implementation of new lease pronouncement	(87,217)		(87,217)
TOTAL CHANGE IN NET ASSETS	(33,418)	(40,353)	(73,771)
BEGINNING NET ASSETS	996,945	63,033	1,059,978
ENDING NET ASSETS	\$ 963,527	\$ 22,680	\$ 986,207

See independent auditor's report and notes to financial statements.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grant revenues	\$ 6,510,900		\$ 6,510,900
Contributions	100,575	\$ 172,483	273,058
Program revenues	118,955		118,955
Thrift sales	9,643		9,643
In-kind contribution - legal services	338,138		338,138
In-kind contribution - program	57,550		57,550
Interest	8		8
Other Income	10,135		10,135
	7,145,904	172,483	7,318,387
 NET ASSETS RELEASED FROM RESTRICTION			
	210,797	(210,797)	-
TOTAL SUPPORT AND REVENUE	7,356,701	(38,314)	7,318,387
 EXPENSES			
Program services	6,023,262		6,023,262
Support Services			
Management and general	1,222,856		1,222,856
Fundraising	50,419		50,419
TOTAL EXPENSES	7,296,537		7,296,537
 CHANGE IN NET ASSETS	60,164	(38,314)	21,850
 BEGINNING NET ASSETS	936,781	101,347	1,038,128
 ENDING NET ASSETS	\$ 996,945	\$ 63,033	\$ 1,059,978

See independent auditor's report and notes to financial statements.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	Program Services	Management and General	Fundraising	Total Expenses
SALARIES AND RELATED EXPENSES				
Salaries and wages	\$ 3,269,608	\$ 421,657	\$ 37,500	\$ 3,728,765
Payroll taxes	253,630	32,709	2,909	289,248
Employee benefits	455,942	53,922	421	510,285
TOTAL SALARIES AND RELATED EXPENSES	3,979,180	508,288	40,830	4,528,298
OTHER EXPENSES				
Covid	2,076	11	1	2,088
Rent and utilities	1,049,082	156,518	3,051	1,208,651
Professional fees	637,301	144,133	6,453	787,887
Direct client expenses	176,396	-	-	176,396
Repairs and maintenance	108,290	2,135	107	110,532
Program expenses	10,976	-	-	10,976
Office expenses	231,651	27,005	3,785	262,441
Telephone	123,808	14,659	110	138,577
Travel	47,411	428	122	47,961
Insurance	142,077	1,222	919	144,218
Equipment leases	59,782	3,371	24	63,177
Dues and subscriptions	12,718	2,030	63	14,811
Printing	2,952	447	1,777	5,176
Staff training	6,861	864	36	7,761
Interest	-	668	-	668
Community Service Awards	13,833	10	-	13,843
Other	1,322	8,623	1,500	11,445
In-kind expense - legal services	-	681,732	-	681,732
In-kind expense - program	86,647	-	-	86,647
TOTAL OTHER EXPENSES	2,713,183	1,043,856	17,948	3,774,987
TOTAL EXPENSES	\$ 6,692,363	\$ 1,552,144	\$ 58,778	\$ 8,303,285

See independent auditor's report and notes to financial statements.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
SALARIES AND RELATED EXPENSES				
Salaries and wages	\$ 2,719,370	\$ 426,912	\$ 32,740	\$ 3,179,022
Payroll taxes	209,897	32,951	2,527	245,375
Employee benefits	410,015	44,689	427	455,131
TOTAL SALARIES AND RELATED EXPENSES	<u>3,339,282</u>	<u>504,552</u>	<u>35,694</u>	<u>3,879,528</u>
OTHER EXPENSES				
Rent and utilities	996,632	149,924	2,907	1,149,463
Professional fees	637,537	158,957	4,997	801,491
Direct client expenses	166,503	-	-	166,503
Repairs and maintenance	124,288	2,977	135	127,400
Program expenses	8,756	-	-	8,756
Office expenses	292,502	14,949	1,256	308,707
Telephone	123,740	24,381	136	148,257
Travel	39,070	369	-	39,439
Insurance	107,840	10,000	696	118,536
Equipment leases	55,508	3,289	25	58,822
Dues and subscriptions	14,268	2,896	524	17,688
Printing	803	291	1,798	2,892
Staff training	18,966	2,821	21	21,808
Interest	-	1,145	-	1,145
Community Service Awards	11,466	-	-	11,466
Other	28,551	8,167	2,230	38,948
In-kind expense - legal services	-	338,138	-	338,138
In-kind expense - program	57,550	-	-	57,550
TOTAL OTHER EXPENSES	<u>2,683,980</u>	<u>718,304</u>	<u>14,725</u>	<u>3,417,009</u>
TOTAL EXPENSES	<u>\$ 6,023,262</u>	<u>\$ 1,222,856</u>	<u>\$ 50,419</u>	<u>\$ 7,296,537</u>

See independent auditor's report and notes to financial statements.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (73,771)	\$ 21,850
Adjustments to reconcile change in net assets to net cash from operating activities:		
Operating lease right-of-use assets, net	1,139,605	-
(Increase) decrease in assets:		
Grants receivable	26,707	(190,369)
Prepaid expenses	(110,784)	38,332
Increase (decrease) in liabilities:		
Accounts payable	95,294	(59,255)
Payroll payable	12,980	4,471
Accrued vacation	(1,032)	10,303
Liability settlement	(175,000)	-
Line of credit	50,000	-
Operating lease liability	(1,052,388)	-
NET CASH USED BY OPERATING ACTIVITIES	(88,389)	(174,668)
NET CHANGE IN CASH	(88,389)	(174,668)
BEGINNING CASH	755,200	929,868
ENDING CASH	\$ 666,811	\$ 755,200
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
INTEREST PAID	\$ 668	\$ 1,145
INCOME TAXES PAID	NONE	NONE

See independent auditor's report and notes to financial statements.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 1 - ORGANIZATION

The Orange County Association for Mental Health which is doing business as the Mental Health Association of Orange County (the "Association") is a California, non-profit corporation formed to improve the quality of life for Orange County residents impacted by mental illness. This mission is achieved through direct services, advocacy, education, and information dissemination.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting.

Basis of Presentation

The accompanying financial statements of the Association are prepared on the accrual basis of accounting in accordance with accounting principles accepted in the United States of America. Net assets and revenue, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets are classified and reported as:

Without Donor Restrictions - Those resources not subject to donor-imposed restrictions. The board of directors has discretionary control over these resources. Designated amounts represent those net assets that the board has set aside for a particular purpose.

With Donor Restrictions - Those resources subject to donor-imposed restrictions that will be satisfied by action of the Association or by the passage of time.

The Association has elected to present contributions with donor restrictions that are fulfilled in the same period within the net assets without donor restrictions class.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosures of contingent obligations at the date of the financial statements and accompanying notes.

Cash Equivalents

For the purpose of the statements of cash flows, the Association considers all highly-liquid investments, which are readily convertible to known amounts of cash and which have an original maturity of three months or less, to be cash equivalents.

Grants and Program Receivables

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Grant revenues earned, but not received, are recorded as a receivable.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Doubtful Accounts

The Association uses the allowance method to record doubtful receivables. As of June 30, 2023 and 2022, the Association considers its receivables to be fully collectible and there is no allowance for doubtful accounts.

Cash Equivalents

For the purpose of the statements of cash flows, the Association considers all highly-liquid investments, which are readily convertible to known amounts of cash and which have an original maturity of three months or less, to be cash equivalents.

Furniture and Equipment

Furniture and equipment are carried at cost or, if donated, at the fair market value at date of donation. Depreciation is provided on the straight-line method over estimated useful lives of three to seven years. Additions and improvements that increase the capacity or lengthen the useful lives of the assets are capitalized. Repair and maintenance costs are expensed as incurred.

Revenue Recognition

The Association applies the five-step model to contracts when it is probable that the Association will collect the consideration it is entitled. To determine revenue recognition for arrangements within the scope of ASC Topic 606, Revenue from Contracts with Customers, the Association performs the following five steps: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when or as the Association satisfies a performance obligation. The Association then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when or as the performance obligation is satisfied.

A summary of significant revenue recognition policies is as follows:

Grants and Contributions

The Association recognizes contributions when cash, securities, other assets, or unconditional promise to give are received. Grants and contributions that are not restricted by the grantor or donor are reported as increases in net assets without donor restrictions. Grantor or donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with grantor or donor restrictions are reclassified to net assets without donor restrictions. Grants and donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Program Revenues

Program revenues include fees received for mental health services offered by the Association. Program revenues are recognized at the time the service is provided. Any amounts collected, but unearned, are classified as deferred revenue and recognized as income in the applicable period.

Thrift Sales

Thrift sales are recognized as revenue at the point of sale.

Donated Services and Goods

Contribution of services shall be recognized if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services that do not meet the criteria shall not be recognized.

Donated goods are recorded as contributions at their estimated fair value at the date of donation. Unless the donor has restricted the donated goods to a specific purpose, such donations are reported as increases in net assets without donor restrictions.

Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash and cash equivalents, grants and program receivable, accounts payable, and accrued liabilities approximate fair value due to their short-term nature.

Fair Value Measurements

The Association follows the provisions of Fair Value Measurements and Disclosures of financial assets and financial liabilities and for fair value of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date. The standard also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Allocation of Functional Expenses

The costs of program and support services activities have been summarized on a functional basis in the statements of activities and changes in net assets. The statements of functional expenses present the natural classification detail expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exempt Organization Status and Income Taxes

The Association is exempt from Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Tax Code. Contributions to the Association are deductible for tax purposes under Section 170(c)(2) of the Internal Revenue Code. The Association is involved in no activities that are subject to unrelated business tax. As a result, no provision for income taxes has been made.

The Association evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the tax positions will more likely than not be sustained upon examination. Management does not believe the Association has any uncertain tax positions requiring accrual or disclosure at June 30, 2023 and 2022. The Association is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

New Accounting Pronouncements Implemented

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958). ASU 2020-07 aims to increase transparency of contributed nonfinancial assets, commonly known as gifts-in-kind, through enhancement to presentation and disclosures. Not-for-Profit entities are required to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and to disclose the disaggregation of the amount contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets. Each category is subject to certain additional disclosures. ASU 2020-07 should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The Association's adoption of this new guidance does not have a material impact on the Association's financial statements.

Effective July 1, 2022, the Association adopted FASB ASC 842, Leases ("ASC 842"), which establishes a right-of-use ("ROU") model that requires a lessee to record an ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. Leases with a term of less than 12 months will not record a ROU asset and lease liability and the payments will be recognized in the change in net assets on a straight-line basis over the lease term.

The Association elected to adopt ASC 842 using the optional transition method that allows the Association to initially apply ASC 842 at the adoption date and recognize a cumulative effect adjustment to the opening balance of net assets in the period of adoption. As a result, the Association reporting for the comparative period presented in the financial statements is in accordance with FASB ASC 842.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements Implemented (Continued)

The Association elected to adopt the package of practical expedients available under the transition guidance with ASC 842. This package includes the following relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract.

The Association also elected to adopt the practical expedient to use hindsight to determine the lease term and assess the impairment of the ROU assets.

Adoption of ASC 842 resulted in the recording of ROU asset – operating leases of \$3,333,776 and lease liability – operating leases of \$3,413,209 as of July 1, 2022. The difference in ROU asset and lease liability was the result in the elimination of the deferred rent account from the statements of financial position.

NOTE 3 - GRANTS AND PROGRAM RECEIVABLES

Grants and program receivables consist of the following:

	June 30,	
	2023	2022
County of Orange	\$ 581,573	\$ 664,635
Other	90,630	34,275
	\$ 672,203	\$ 698,910

NOTE 4 - FURNITURE AND EQUIPMENT, net

Furniture and equipment consists of the following:

	June 30,	
	2023	2022
Furniture and equipment	\$ 67,748	\$ 67,748
Less: accumulated depreciation	(67,748)	(67,748)
	\$ -	\$ -

There was no depreciation expense for the years ended June 30, 2023 and 2022.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 5 - ACCRUED VACATION

The Association accrues a liability for all employee vacation time and compensated time off which has been earned but not paid. Accrued vacation at June 30, 2023 and 2022 totaled \$119,981 and \$121,013, respectively.

NOTE 6 – LIABILITY SETTLEMENT

In August 2021, the Association entered into a Memorandum of Understanding of Settlement (MOU) agreement relating to Private Attorneys General Act (PAGA) claims brought forth prior to the fiscal year ending June 30, 2021 by certain current and former non-exempt employees of the Association in the amount of \$175,000.

NOTE 7 - LINE OF CREDIT

During June 2017, the Association renewed its line of credit from a bank for up to a maximum of \$750,000. The interest rate is based on the Wall Street Journal Prime Rate plus 2 index points. At June 30, 2023 and 2022, the line of credit bears an interest rate of 7.75% and 5.75%, respectively and is incurred on outstanding balances and payable on a monthly basis. All assets of the Association excluding the restricted cash - held in trust are collateral for the line of credit. The balance owed from the line of credit was \$50,000 and \$0 at June 30, 2023 and 2022, respectively.

NOTE 8 - RETIREMENT PLAN

The Association has a retirement plan for employees consisting of a tax-sheltered annuity plan. Under the provisions of the plan, the Association Employees may make voluntary contributions up to 15% of salary with the Association making a matching contribution up to 3% of salary. For the years ended June 30, 2023 and 2022, the Association made contributions to the plan of \$38,223 and \$26,447 respectively.

NOTE 9 – OPERATING LEASING ACTIVITIES

The Association has various operating leases for office and program facilities in Anaheim, Costa Mesa, Garden Grove, Lake Forest, and Santa Ana, California, with various terms ranging from 4 to 7 years.

At the inception of an arrangement, the Association determines if the arrangement contains a lease based on facts and circumstances present in that arrangement. For arrangements that contain a lease, the Association identifies lease and non-lease components, determines the consideration in the contract, determines whether the lease is an operating or financing lease, and recognizes lease right of use (“ROU”) assets and lease liabilities as presented on the statement of financial position.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 9 – OPERATING LEASING ACTIVITIES (Continued)

Lease liabilities and their corresponding ROU assets are recorded based on the present value of lease payments over the expected lease term. The Association used the implicit rate or treasury rate based on the information available on the commencement date for each lease. Some leases include options to renew or cancel the lease, which may impact the lease term. The exercise of these options is at the Association's discretion and the Association does not include any of these options within the expected lease term where it is not reasonably certain that these options will be exercised. Leases with an initial term of twelve months or less are not recorded on the statement of financial position and are expensed on a straight-line basis.

Operating Leases

The Association has the following non-cancelable operating leases for mental health care programs and administrative activities:

On March 6th, 2019 the Association signed an extension to a non-cancellable operating lease to use for program activities. The lease requires a monthly base rent of approximately \$26,593 and may be subject to an increase every one year. The lease expired on February 29, 2024 and the Association signed an extension on February 29, 2024, the extension started on March 1, 2024 and is set to expire on December 31, 2024 with a monthly base rent of approximately \$40,414.

On April 29, 2020 the Association signed an extension to a non-cancellable operating lease to use for program activities. The lease requires a monthly base rent of approximately \$11,386 and may be subject to an increase every one year. The lease expires on June 30, 2025.

On February 4, 2021 the Association signed an extension to a non-cancellable operating lease to use for program activities. The lease requires a monthly base rent of approximately \$11,780 and may be subject to an increase every one year. The lease expires on December 31, 2026.

On September 17, 2018 the Association signed an extension to a non-cancellable operating lease to use for program activities. The lease requires a monthly base rent of approximately \$12,509 and may be subject to an increase every one year. The lease expires on February 28, 2025.

On June 6, 2019 the Association signed an extension to a non-cancellable operating lease to use for program activities. The lease requires a monthly base rent of approximately \$14,213 and may be subject to an increase every one year. The lease expires on March 31, 2026.

On March 1, 2021 the Association signed an extension to a non-cancellable operating lease to use for program activities. The lease requires a monthly base rent of approximately \$11,641 and may be subject to an increase every year. The lease expires on February 28, 2027.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 9 – OPERATING LEASING ACTIVITIES (Continued)

The following summarizes the line items in the statement of financial position which include amounts for operating leases at June 30, 2023:

Operating lease right-of-use assets	<u>\$ 2,273,604</u>
Operating lease liabilities, current portion	\$ 990,504
Operating lease liabilities, noncurrent portion	<u>1,370,317</u>
Total operating lease liabilities	<u>\$ 2,360,821</u>

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

Weighted Average Remaining Lease Term	
Operating leases	<u>32 months</u>
Weighted Average Discount Rate	
Operating leases	<u>1.84%</u>

The maturities of the lease liabilities are as follows at June 30, 2023:

<u>Year Ending June 30,</u>	
2024	\$ 1,016,307
2025	752,737
2026	452,903
2027	<u>185,156</u>
Total lease payments	2,407,103
Less: Interest	<u>(46,282)</u>
Present value of lease liabilities	<u>\$ 2,360,821</u>

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 9 – OPERATING LEASING ACTIVITIES (Continued)

The following summaries the line items in the statement of activities which include the components of lease expense for the year ended June 30, 2023:

Operating lease cost	<u>\$ 1,113,884</u>
----------------------	---------------------

The following summaries cash flow information related to leases for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows - fixed payments	<u>\$ 1,106,100</u>
Operating cash flows - liability reduction	<u>\$ 1,052,388</u>
Lease assets obtained in exchange for new lease obligations:	
Operating leases	<u>\$ 5,469,108</u>

For June 30, 2023 the Association recorded lease expenses \$87,217 due to the implementation of the new lease pronouncement as presented on the statement of activities and changes in net assets.

The following is the lease obligations for June 30, 2022:

The Association is obligated under the terms of operating leases for the rental of certain facilities. For the year ended June 30, 2022 rent expense of these facilities totaled \$1,113,450. Leases have a cancellation clause option based upon an interruption of funding from contracts.

The Association also entered into lease agreements to rent office equipment. The lease agreements require fixed monthly base rate and variable usage amounts. For the year ended June 30, 2022 rent expense of office equipment totaled \$58,822.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 9 – OPERATING LEASING ACTIVITIES (Continued)

Future minimum payments, contingent on continued funding from contracts, associated with lease obligations are as follows:

<u>Year Ending June 30,</u>	<u>Equipment</u>	<u>Facilities</u>	<u>Total</u>
2023	\$ 9,659	\$ 1,105,966	\$ 1,115,625
2024	1,633	1,028,307	1,029,940
2025	-	752,737	752,737
2026	-	452,903	452,903
2027	-	239,138	239,138
Thereafter	-	80,973	80,973
	<u>\$ 11,292</u>	<u>\$ 3,660,024</u>	<u>\$ 3,671,316</u>

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Electronic Records	\$ 14,094	\$ 14,538
Homeless Programs	3,586	37,143
COVID PPE	-	6,352
Time Restricted	5,000	5,000
	<u>\$ 22,680</u>	<u>\$ 63,033</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose:

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

	June 30,	
	2023	2022
Electronic Records	\$ 444	\$ 25,000
Homeless Programs	176,743	185,178
COVID PPE	6,353	419
Wellness West	-	200
Time Restricted	5,000	-
	\$ 188,540	\$ 210,797

NOTE 11- CONCENTRATIONS, CREDIT RISKS AND UNCERTAINTIES

Concentrations

The Association provides services to the area of Orange County, California. For the years ended June 30, 2023 and 2022, the Association received 86% and 89%, respectively, of its support from grants from various agencies and municipalities. Management applies for grant funding each year. The grants have various objectives and compliance requirements. Management is satisfied that all objectives and requirements have been met.

Credit Risks

The Association maintains its cash and cash equivalents in financial institutions, which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash and cash equivalents. As of June 30, 2023 and 2022, the cash balances held at financial institutions exceeded the amounts by \$505,139 and \$657,751, respectively.

NOTE 12 - CONTINGENCY

On January 13, 2020, the City of Santa Ana (the "City") sued the Association and the owner of the real property from which the Association operates its homeless center. The City's complaint asserts purported causes of action for public nuisance based on certain contentions by the City. The Association generally disputes and denies the City's contentions and is vigorously contesting the lawsuit. The Association cannot estimate the amount or range of recovery or possible loss in the event of an unfavorable outcome.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 13 - LIQUIDITY AND AVAILABILITY

The Association maintains and manages adequate operating funds per policies set by the board of directors.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2023, comprise of the following:

Cash		\$	666,811
Grants and program receivables			<u>672,203</u>
Financial assets, at year end			1,339,014
Less: Donor restrictions			<u>(22,680)</u>
Financial assets available to meet cash needs for general expenditures within one year			<u>\$ 1,316,334</u>

NOTE 14 – IN-KIND CONTRIBUTIONS

The Association received donated goods for use in their programs and operations. The values of these contributions have been determined by management or contributor based on the market value for comparable goods or services, average costs for similar goods or services based on national averages and other means deemed appropriate based on the nature and use of the contributions.

In-kind contributions for the years ended June 30, 2023 and 2022, are as follows:

Type	Valuation	Activity	2023	2022
<u>In-kind Materials</u>				
Food, clothes, household items, and personal items	Market Value	Mental health services and related programs	<u>\$ 86,647</u>	<u>\$ 57,550</u>
<u>In-kind Services</u>				
Legal fees and related costs	Market Value	Administrative services	<u>\$681,732</u>	<u>\$338,138</u>

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 14 – IN-KIND CONTRIBUTIONS (Continued)

For the year ended June 30, 2023 the Association recognized expenses of \$86,647 and \$681,732 and presented in food, clothing, household items, personal items and legal fees on the statement of functional expenses. For the year ended June 30, 2022 the Association recognized expenses of \$57,550 and \$338,138 and presented in food, clothing, household items, personal items and legal fees on the statement of functional expenses.

NOTE 15 – SUBSEQUENT EVENTS

The Association has evaluated events and transactions for potential recognition or disclosure through April 23, 2024, which represents the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program Award Amount	Revenue Recognized	Disbursements and Expenditures
FEDERAL FUNDING					
United States Department of Health and Human Services (Passed through County of Orange Health Care Agency) Projects for Assistance in Transition from Homelessness (PATH) *	93.150		\$ 548,505	\$ 548,505	\$ 548,505
United States Department of Health and Human Services (Passed through County of Orange Health Care Agency) Substance Abuse & Mental Health Services Administration (SAMHSA)	93.958		249,240	249,240	249,240
Total Federal Funding			<u>\$ 797,745</u>	<u>\$ 797,745</u>	<u>\$ 797,745</u>

* Major Program

See independent auditors' report.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2023

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the Association under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards. Because the Schedule presents only a selected portion of operations of the Association, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Association.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulation (CFR) Part 200, Uniform Administrative Requirements, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - INDIRECT COST RATE

The Association uses a Cost Allocation Plan with an indirect cost rate not exceeding 15%. The Cost Allocation Plan is approved by the County of Orange, California.

NOTE D - IN-KIND PERSONAL PROTECTIVE EQUIPMENT (PPE)

The Association did not receive any federally funded in-kind Personal Protective Equipment (PPE) during the year ending June 30, 2023.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors of
Mental Health Association
of Orange County
Santa Ana, CA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mental Health Association of Orange County (the "Association") which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated April 23, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Continued)

Report on Internal Control over Financial Reporting (Continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2023-001.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



GuzmanGray
Long Beach, California
April 23, 2024



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors of
Mental Health Association
of Orange County
Santa Ana, CA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Mental Health Association of Orange County's (the "Association") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Association's major federal programs for the year ended June 30, 2023. The Association's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (Continued)

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Association's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal controls. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Association's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Association's compliance with the compliance requirements referred to above and perform such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Association's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over compliance. Accordingly, no such opinion is expressed.

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (Continued)

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on Mental Health Association of Orange County's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Mental Health Association of Orange County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a significant deficiency.

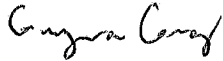
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (Continued)

Report on Internal Control over Compliance (Continued)

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



GuzmanGray
Long Beach, California
April 23, 2024

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

yes no

Significant deficiency identified that is
not considered to be material weaknesses?

yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

Material weakness identified?

yes no

Significant deficiency identified that is
not considered to be a material weakness?

yes none reported

Type of auditor's report issued on compliance
for major programs:

Unmodified

Any audit findings disclosed that are required to
be reported in accordance with 2 CFR section
200.516(a)7

yes no

Identification of major programs:

CFDANumber

Name of Federal Program or Cluster

93.150

Projects for Assistance in Transition from Homelessness
(PATH)

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?

X yes no

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2023

SECTION II- FINDINGS - FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

2023-001 Single Audit Report

Condition: Single Audit Report should have been submitted nine months after year end.

Criteria: Uniform Guidance requires organizations that expend \$750,000 and greater of federal funds to conduct a Single Audit and submit the data collection form to the Federal Audit Clearinghouse no later than nine months after year end.

Cause: In July 2023, the Association hired Guzman & Gray to conduct the audit. GuzmanGray purchased Guzman & Gray in December 2023. Due to no fault of the Association, GuzmanGray was delayed in completing the Single Audit within nine months after year end. GuzmanGray completed the Single Audit in May 2024.

Effect: The Association's Single Audit report was not submitted nine months after year end.

Questioned Costs: None noted.

Perspective Information: The issue appears to be an isolated incident and is unlikely to happen in the future.

Recommendation: The Association should conduct the audit earlier in the year to submit the report no later than nine months after year end.

Views of Responsible Officials and Planned Corrective Actions: The Association, unfortunately, did not meet the deadline due to factors out of their control, the audit firm that was engaged to conduct the audit was sold in December 2023, and the successor audit firm that took over the engagement completed the Single Audit in May 2024.

No corrective action plan deemed necessary.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

JUNE 30, 2023

SECTION III- FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2023-002 CFDA 93.150 Projects for Assistance in Transition from Homelessness (PATH) – Year Ended June 30, 2023

Significant Deficiency: As discussed at Finding 2023-001, the Association expended federal funds over \$750,000 requiring a Single Audit to be performed. However, the Association was unable to meet the Uniform Guidance requirement of submitting the Single Audit report nine months after year end. No Corrective Action Plan deemed necessary.

No corrective action plan deemed necessary.

Name of Contact Person Responsible for Corrective Plan:
Trisha McDaniel,
Chief Financial Officer

Anticipated Completion Date: Not Applicable

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
SUMMARY OF SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2023

SECTION IV- PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

There were no financial statement findings required to be reported in accordance with Government Auditing Standards.

SECTION V- PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no major federal award program findings required to be reported by 2 CFR section 200.516(a).