Treatment Advocacy Center

Financial Statements
and
Independent Auditor's Report

June 30, 2023

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Independent Auditor's Report

To the Board of Directors
Treatment Advocacy Center
Arlington, Virginia

Opinion

We have audited the accompanying financial statements of Treatment Advocacy Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Treatment Advocacy Center as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Treatment Advocacy Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis-of-Matter Regarding Adoption of New Accounting Standard

As discussed in Note 3 to the financial statements, Treatment Advocacy Center adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 842, *Leases*, which supersedes prior lease accounting principles generally accepted in the United States of America under ASC Topic 840. The adoption of this Topic resulted in a change to the accounting for leases; primarily resulting in the recognition of a right-of-use asset and a lease liability for an operating and finance lease. Our opinion is not modified with respect to this matter.

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 Treatment Advocacy Center'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 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 Treatment Advocacy Center'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 Treatment Advocacy Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Sikich LLP

Alexandria, Virginia
January 2, 2024

Treatment Advocacy Center

Statement of Financial Position

June 30, 2023

Assets

Cash	$ 123,778
Marketable investments	5,010
Contributions receivable	481,504
Contracts receivable	2,143
Contract asset - unbilled receivables	48,953
Government grant receivable	208,414
Prepaid expenses	91,092
Property and equipment, net	130,600
Marketable investments, board-designated	1,483,631
Finance lease right-of-use asset	13,929
Operating lease right-of-use asset	204,827
Total assets	$ 2,793,881

Liabilities and Net Assets

Accounts payable	$ 53,588
Accrued expenses	127,142
Deferred revenue	3,750
Finance lease liability	13,929
Operating lease liability	222,944
Total liabilities	421,353
Net assets:	
Without donor restrictions	335,605
Without donor restrictions, board-designated	1,483,631
Total without donor restrictions	1,819,236
With donor restrictions	553,292
Total net assets	2,372,528
Total liabilities and net assets	$ 2,793,881

See accompanying notes to the financial statements.

Treatment Advocacy Center

Statement of Activities

For the Year Ended June 30, 2023

	Without donor restrictions	With donor restrictions	Total
Revenues:			
Other contributions	$ 1,136,117	$ 671,504	$ 1,807,621
Stanley Foundation contributions	600,000	-	600,000
Contract revenue	278,234	-	278,234
Government grant revenue	202,151	-	202,151
Investment income, net	142,996	-	142,996
In-kind contributions	6,557	-	6,557
Other income	2,597	-	2,597
Net assets released from restrictions:			
Satisfaction of donor restrictions	372,326	(372,326)	-
Total revenues	2,740,978	299,178	3,040,156
Expenses:			
Program services:			
Education and advocacy	2,121,650	-	2,121,650
Support services:			
Management and general	509,485	-	509,485
Fundraising	202,666	-	202,666
Total support services	712,151	-	712,151
Total expenses	2,833,801	-	2,833,801
Change in net assets	(92,823)	299,178	206,355
Net assets, beginning of year	1,912,059	254,114	2,166,173
Net assets, end of year	$ 1,819,236	$ 553,292	$ 2,372,528

See accompanying notes to the financial statements.

Treatment Advocacy Center

Statement of Functional Expenses

For the Year Ended June 30, 2023

	Education and advocacy	Management and general	Fundraising	Total support services	Total expenses
Salaries	$ 1,169,047	$ 167,408	$ 130,629	$ 298,037	$ 1,467,084
Retirement plan	31,025	4,430	3,467	7,897	38,922
Employee benefits	89,495	15,991	9,101	25,092	114,587
Payroll taxes	90,806	12,828	10,038	22,866	113,672
Office supplies	8,948	884	780	1,664	10,612
Telephone	16,690	2,383	1,865	4,248	20,938
Postage and shipping	2,018	101	2,339	2,440	4,458
Occupancy	116,890	16,691	13,061	29,752	146,642
Equipment rental and maintenance	5,908	844	660	1,504	7,412
Printing and communications	22,325	147	9,335	9,482	31,807
Travel	64,571	10,672	389	11,061	75,632
Conferences, conventions and meetings	122,225	120	507	627	122,852
Depreciation and amortization	-	35,280	-	35,280	35,280
Property taxes and state registration fees	-	11,149	-	11,149	11,149
Insurance	-	12,295	-	12,295	12,295
Computer equipment and support	26,615	3,795	2,969	6,764	33,379
Dues, subscriptions and reference materials	59,526	5,721	3,029	8,750	68,276
Consulting fees	285,561	35,522	10,756	46,278	331,839
Service fees	-	20,451	-	20,451	20,451
Bank fees	-	3,423	3,741	7,164	7,164
Accounting fees	-	149,350	-	149,350	149,350
Sub-grants	10,000	-	-	-	10,000
Total expenses	$ 2,121,650	$ 509,485	$ 202,666	$ 712,151	$ 2,833,801

See accompanying notes to the financial statements

Treatment Advocacy Center

Statement of Cash Flows

For the Year Ended June 30, 2023

Cash flows from operating activities:	
Change in net assets	$ 206,355
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	35,280
Unrealized gain on investments	(100,887)
Realized loss on investments	950
Donated investments	(59,526)
Deferred rent	(49,779)
Non-cash lease expense	18,117
Amortization of right-of-use assets	3,312
Decrease (increase) in assets:	
Contributions receivable	(433,504)
Contracts receivable	25,766
Contract asset - unbilled receivables	(48,953)
Government grant receivable	(208,414)
Prepaid expenses	(33,183)
Deposit	22,218
Increase (decrease) in liabilities:	
Accounts payable	14,478
Accrued expenses	1,150
Deferred revenue	(11,667)
Total adjustments	(824,642)
Net cash used in operating activities	(618,287)
Cash flows from investing activities:	
Purchases of marketable investments	(286,305)
Proceeds from sales of marketable investments	182,277
Purchases of property and equipment	(72,990)
Net cash used in investing activities	(177,018)
Cash flows from financing activities:	
Principal payments for finance lease liability	(3,312)
Net cash used in financing activities	(3,312)
Net decrease in cash	(798,617)
Cash, beginning of year	922,395
Cash, end of year	$ 123,778
Supplemental disclosures of cash flow information:	
Interest paid	$ 444

1. Organization

The Treatment Advocacy Center (the Organization) is a nonprofit organization that was incorporated in Arlington, Virginia and began operations in 1998. The Organization's mission is to support and conduct research into the treatment for and causes of serious mental illness, and to promote and support the adoption and implementation of laws and practices which increase access to timely and humane treatment for persons with serious brain disorders, incorporating current scientific knowledge, thereby decreasing homelessness, jailings, suicide, violence and other devastating consequences of lack of treatment to the individual and the community. The Organization promotes the benefits of treating severe mental illness by compiling information about those benefits and educating individuals, the public, media, lawmakers and policymakers. The Organization's main source of support is contributions.

<u>Description of program and supporting services</u>

The following program and supporting services are included in the accompanying financial statements:

<u>Education and Advocacy</u> - Education and advocacy program activities are conducted to eliminate barriers to treatment for individuals suffering from severe mental illness. The Organization also serves as an information clearinghouse through its website and publication of on-line and hardcopy newsletters.

<u>Management and general</u> - This supporting service includes the functions necessary to secure proper administrative functioning of the Board of Directors, maintain an adequate working environment, and manage financial and budgetary responsibilities of the Organization.

<u>Fundraising</u> - Fundraising activities include inducing potential donors to contribute money, securities, services, materials, or time through direct mail, electronic and personal contact solicitations.

2. Summary of Significant Accounting Policies

a. Basis of presentation

The Organization's financial statements are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for nonprofit organizations. Under those principles, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

- *Net Assets Without Donor Restrictions* represent resources that are not subject to donor imposed restrictions and are available for operations at management's discretion. Included in net assets without donor restrictions are $1,483,631 of board-designated funds at June 30, 2023. These funds may be used for implementation of the Organization's strategic plan and any activities approved by the board. During the year ended June 30, 2023, $58,745 of board-designated funds were used.

- *Net Assets With Donor Restrictions* represent resources restricted by donors. Some donor restrictions are temporary in nature and those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

b. Basis of accounting

The Organization's financial statements are prepared on the accrual basis of accounting in accordance with U.S. GAAP.

c. Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses and their functional allocation during the reporting period. Actual results could differ from those estimates.

d. Fair value measurements

U.S. GAAP establishes a framework for measuring fair value. The framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. U.S. GAAP requires the Organization to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

Valuation techniques

Following is a description of the valuation techniques used for assets measured at fair value on a recurring basis. There have been no changes to the techniques used during the year ended June 30, 2023. There were no Level 2 and Level 3 inputs for any assets held by the Organization at June 30, 2023.

- Mutual funds: valued at the NAV of shares on the last trading day of the fiscal year.

e. Income taxes

The Organization is exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provision of state law. The Organization is not classified as a private foundation.

The Organization is not aware of any activities that would jeopardize their tax-exempt status that would require recognition in the accompanying financial statements. Generally, tax returns are subject to examination by taxing authorities for up to three years from the date a completed return is filed. If material omissions of income exist, tax returns may be subject to examination for up to six years. It is the Organization's policy to disclose interest and/or penalties related to uncertain tax positions, if any, in the accompanying financial statements. As of June 30, 2023, the Organization had no uncertain tax positions which should be disclosed. The Organization is no longer subject to U.S. federal or state examinations by tax authorities for tax years prior to 2019.

f. Contributions receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are stated at their net realizable value. Amounts that are expected to be collected in more than one year are recorded at the present value of their estimated future cash flows. The cash flows are discounted at a discount rate commensurate with the risk involved. Amortization of the resulting discount is recognized as additional contribution revenue. Reserves are established for receivables that are delinquent and considered uncollectible based on periodic reviews by management. At June 30, 2023, management estimates that all receivables are fully collectible, therefore no allowance for doubtful accounts have been recognized. However, write-offs may occur.

g. Contracts receivable

Contracts receivable are due in less than one year and stated at their net realizable value. Reserves are established for receivables that are delinquent and considered uncollectible based on periodic reviews by management. At June 30, 2023, management believes all receivables are fully collectible, therefore, no allowance for doubtful accounts has been recognized.

h. Contract asset - unbilled receivables

Revenue for providing services to customers is recognized as an unbilled receivable when services are performed, prior to being billed to the customers. Revenue includes the cost of labor and other reimbursable expenses plus any profits earned.

i. Investments

Investments are reported at fair value and interest, dividend, realized and unrealized gains and losses are reported in the statement of activities as increases or decreases in net assets without donor restrictions, unless the income or loss is restricted by donor restrictions or law. The Organization invests in a variety of investments that are exposed to various risks, such as fluctuations in market value and credit risk. It is reasonably possible that changes in risks in the near term could materially affect investment balances and amounts reported in the accompanying financial statements. Donated securities are recorded at their fair value on the date of the donation. Investment income is reported net of external and direct internal investment expenses.

j. Property and equipment, net

Property and equipment acquisitions are recorded in the financial statements at cost, net of accumulated depreciation and amortization. Donated property and equipment is stated at fair value at the date of donation. Depreciation and amortization expense is computed using the straight-line method over the estimated useful lives of the assets as follows:

Website	3 years
Computer equipment	5 years
Furniture and fixtures	5 years

The Organization's policy is to capitalize major additions and improvements over $1,000. Repairs and maintenance which do not significantly add to the value of assets are expensed as incurred.

k. Revenue recognition

Contributions: The Organization recognizes other contributions and Stanley Foundation contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received.

The Organization reports gifts of cash and other assets as donor restricted support if they are received or promised with donor stipulations that limit the use of the donated assets to the Organization's programs or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions. Conditional promises to give, such as matching grants, are not recognized as revenue until they become unconditional, that is, until all conditions on which they depend are substantially met. Conditional amounts received prior to all conditions being met are recorded as refundable advances on the accompanying statements of financial position. There were no conditional contributions awarded, but not received at June 30, 2023.

Contracts: Contract revenue is measured based on the consideration specified in a contract with a customer. The Organization provides learning material and performs research studies as a subrecipient of cost plus fixed fee federal contracts. The Organization recognizes revenue over time, each month, to the extent of hours worked, expenses incurred and indirect cost allocated to the contract, based primarily on the input method which is contract costs incurred to date compared to total estimated cost, plus the fee earned. This method is the most accurate depiction of the Organization's performance because it directly measures the value of the services transferred to the customer. Determining when control transfers requires management to make judgments that affect the timing of revenue recognized. The Organization believes that methods used provide a faithful depiction of the transfer of control of its products and services. Payments are typically due within thirty days of billing. The revenue stream described does not include variable consideration estimated by the Organization.

In-kind contributions: Donated materials, services and use of facilities are recorded at fair value when an unconditional commitment is received and are recognized as in-kind contributions as revenue and expense in the accompanying financial statements. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of such services is recorded based on the estimated fair value of services provided and is classified as in-kind contributions revenue and expense charged to programs and supporting services based on the program or support services directly benefited. Many individuals volunteer their time and perform a variety of tasks that assist the Organization. The value of these contributed services is not recorded as in-kind contributions since the criteria for recognition was not met.

l. Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. The financial statements report certain categories of expenses that are attributable to the program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Accordingly, certain costs, such as salaries, retirement plan, employee benefits, payroll taxes, office supplies, telephone, postage and shipping, occupancy, equipment rental and maintenance, and computer equipment and support have been allocated among programs and supporting services based on staff level of effort.

m. Leases

The Organization leases office space and equipment. The Organization determines if an arrangement is a lease at inception. The operating lease is included in operating lease right-of-use (ROU) asset and operating lease liability on the accompanying statement of financial position. The finance lease is included in finance lease right-of-use (ROU) asset and finance lease liability on the accompanying statement of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that such options will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization’s lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Organization does not have short term leases or lease agreements with non-lease components.

3. Recently Adopted Accounting Guidance - Leases

In February 2016, FASB issued guidance (ASC 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective July 1, 2022 and recognized and measured leases existing at, or entered into after, July 1, 2022 using a modified retrospective approach, with certain practical expedients available.

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022 a lease liability of $329,037, which represents the present value of the remaining operating lease payments of $391,173, discounted using the risk-free rate of 2.84%, and a right-of-use asset of $329,037. The Organization also recognized on July 1, 2022, a lease liability at the carrying amount of the capital lease obligations of $17,241 and a right-of-use asset at the carrying amount of the capital lease asset of $17,241.

The standard had a material impact on the statement of financial position, but did not have an impact on the statement of activities, nor statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the accounting for finance leases remained substantially unchanged.

4. Liquidity and Availability

The following represents the Organization’s financial assets at June 30, 2023:

Cash	$ 123,778
Marketable investments	1,488,641
Contributions receivable	481,504
Contracts receivable	2,143
Contract asset - unbilled receivables	48,953
Government grant receivable	208,414
Total financial assets	2,353,433
Less amounts not available within one year:	
Restricted by donor with purpose restrictions	(553,292)
Board-designated amount set aside for sustainability	(1,483,631)
Total	(2,036,923)
Financial assets available to meet general expenditures within one year	$ 316,510

The Organization’s goal is generally to maintain liquid financial assets to meet ninety days of operating expenses. As part of its liquidity plan, board-designated reserves are invested in short term investments, including money market accounts and other marketable investments. Additionally, the Organization's board designated a fund intended for long term sustainability. The sustainability fund is invested in mutual funds and released in annual increments to fund operations, if necessary.

5. Concentrations of Credit Risk

The Organization maintains bank deposits that, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) limits. At June 30, 2023, there were no deposits in excess of FDIC limits. The Organization has not experienced any losses related to this credit risk and management believes it is not exposed to any significant credit risks on cash.

6. Contributions Receivable

Contributions receivable consist of unconditional promises to give and are summarized as follows at June 30, 2023:

Unconditional promises to give expected to be collected in:	
Less than one year	$ 296,000
One to three years	195,000
Total	491,000
Less:	
Discount to net present value	(9,496)
Contributions receivable	$ 481,504

Contributions receivable with due dates extending beyond one year are discounted using Treasury bill rates for similar term investments. The applicable rate at June 30, 2023 was 4.87%.

7. Investments and Fair Value Measurements

Assets measured at fair value on a recurring basis as of June 30, 2023 are follows:

	Level 1	Level 2	Level 3	Total
Assets				
Mutual fund	$ 1,387,343	$ -	$ -	$ 1,387,343
Total assets	$ 1,387,343	$ -	$ -	1,387,343
Cash (reported at cost)				101,298
Total investments				$ 1,488,641

8. Property and Equipment, Net

The following is a summary of property and equipment held at June 30, 2023:

Website	$ 193,208
Computer equipment	41,293
Furniture and equipment	47,697
Property and equipment	282,198
Accumulated depreciation and amortization	(151,598)
Total property and equipment, net	$ 130,600

Depreciation and amortization expense was $35,280 during the year ended June 30, 2023.

9. Employee Retention Credit

The CARES Act provides an employee retention credit ("CARES Employee Retention Credit"), which is a refundable tax credit against certain employment taxes of up to $5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at $10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to $10,000 of qualified wages per quarter.

The Organization is eligible for the Employee Retention Credit ("ERC") under the CARES Act. Grants receivable including interest for the ERC at June 30, 2023 are $208,414 which represents refunds due on the 2021 Form 941-X Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund for the quarters ended March 31, 2021 and June 30, 2021.

The IRS has extended the statute of limitations to five years with respect to ERC claims. Should the IRS subsequently audit ERC amounts and determine the Organization did not meet the eligibility requirements, a legal liability for repayment of previously recognized ERC amounts could be incurred.

10. Paycheck Protection Program

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan is repaid in full and to provide that documentation to the SBA upon request. The Organization does not believe the results of any audits or reviews by the SBA would have a material impact on the financial statements.

11. Net Assets With Donor Restrictions

Net assets were released from donor restrictions during the year ended June 30, 2023 the following purposes:

Midwest Mental Health	$ 146,319
AOT Conference	130,007
Time restricted	96,000
Total net assets released from restrictions	$ 372,326

At June 30, 2023, net assets with donor restrictions were available for the following purposes:

Midwest mental health	$ 505,292
Time restricted	48,000
Total net assets with donor restrictions	$ 553,292

12. Related Party Transactions

The Organization received total contributions from board members of $448,565 for the year ended June 30, 2023.

13. Sustainability Fund

The Organization's quasi-endowment consists of funds which are designated by the Board of Directors for long-term sustainability. As required by U.S. GAAP, endowment funds that are board-designated and do not contain any donor-imposed restrictions are classified as net assets without donor restrictions.

Spending Policy. The Organization has a policy of appropriating for distribution each year 5% of its endowment balance. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, and the possible effects of inflation.

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Change in quasi-endowment net assets for the year ended June 30, 2023 was:

	Without Donor Restrictions
Quasi-endowment net assets, beginning of year	$ 1,207,419
Investment return	
Investment income, net	35,832
Net appreciation	99,126
Total investment return	134,958
Amounts appropriated for expenditures	(58,746)
Contributions	200,000
Quasi-endowment net assets, end of year	$ 1,483,631

14. In-kind Contributions

The Organization receives in-kind contributions from The Stanley Medical Research Institute (SMRI). All donated services are utilized by the Organization's management and general function. There were no donor-imposed restrictions associated with the donated services.

Health, life, and disability insurance invoices totaling $4,360 were paid by SMRI on behalf the Organization. The contributed nonfinancial assets are estimated based on the invoices which approximate cost. The Organization also received contributed services from SMRI in the form of personnel salaries and benefits totaling $2,197. The personnel salaries and benefits are reported using the personnel’s current rates for the salaries and benefits.

15. Concentrations of Support Revenue and Receivable Risk

The Organization received a substantial portion of its support from two donors for the year ended June 30, 2023. These contributions constituted approximately 40% of total support and revenue. At June 30, 2023, contributions receivable included $380,504 from one donor, which is approximately 58% of total receivables. Any significant reduction in revenue and support may adversely impact the Organization financial position and operations.

16. Disaggregation of Revenue and Contract Balances

Revenue and related profit from research and learning material contracts is recognized as the Organization's performance obligations are satisfied over time. The Organization entered into one year contracts with two non-profit organizations in the United States of America who receive federal funding. The contracts are cost plus fixed fee agreements and the Organization bills for costs incurred on a monthly basis. As a subcontractor receiving federal funds, the Organization develops online learning modules on Assisted Outpatient Treatment and performs research studies on mental disorders.

Various economic factors affect the recognition of revenue and cash flows, including the Organization's ability to conduct research and provide learning material. Any negative economic impact to the area could significantly affect revenues and cash slows. Additionally, cost-based contracts involve less risk, but often are less profitable. No significant events occurred that had a material impact on the Organization's revenue recognition or cash flows for the year ended June 30, 2023.

The timing of revenue recognition, billings and cash collections results in billed contracts receivable, unbilled receivables (contract assets), and deferred revenue (contract liability) on the statement of financial position. Deferred revenue is liquidated when services are performed or events have occurred. Amounts are billed as work progresses in accordance with agreed-upon contractual terms on a monthly basis.

The beginning and ending contract balances were as follows at June 30:

	2023	2022
Contracts receivables	$ 2,143	$ 27,909
Contract asset - unbilled receivables	$ 48,953	$ -
Deferred revenue	$ 3,750	$ 15,417

17. Leases

In February 2014, the Organization amended its lease agreement for office space for an additional 10 years and 3 months commencing on August 1, 2024. The agreement calls for monthly lease payments of $10,824 with annual rent escalations of 3%. The agreement will expire in October 2024. In August 2022, the Organization entered into a finance lease agreement for office equipment. The agreement calls for monthly lease payments of $313. The agreement will expire in August 2027.

The components of lease expense were as follows:

Operating lease cost	$	146,312
Finance lease cost		
Amortization of right-of-use assets	$	3,312
Interest on lease liabilities		444
Total finance lease cost	$	3,756

Other information related to leases was as follows:

Supplemental cash flows information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	164,228
Operating cash flows from finance lease	$	444
Financing cash flows from finance lease	$	3,312
Right-of-use assets obtained in exchange for lease obligation:		
Operating leases	$	329,037
Finance lease	$	17,241

Weighted average remaining lease term	
Operating lease	1.3 years
Finance lease	4.0 years
Weighted average discount rate	
Operating lease	2.84%
Finance lease	2.88%

Future minimum lease payments under non-cancellable leases as of June 30, 2023 were as follows:

	Operating leases	Finance lease
Years Ending June 30,		
2024	$ 169,149	$ 3,756
2025	57,796	3,756
2026	-	3,756
2027	-	3,443
Total future minimum lease payments	226,945	14,711
Less imputed interest	(4,001)	(782)
Total	$ 222,944	$ 13,929

Reported as of June 30, 2023

Operating lease liabilities	$ 222,944
Finance lease liabilities	13,929
Total	$ 236,873

18. Retirement Plan

The Organization has a defined contribution retirement plan covering employees who meet certain eligibility requirements. The Organization makes contributions to the plan that equal four percent of employee compensation. The plan's assets are held by a third-party administrator, TIAA-CREF, and are invested based on the participants' instructions. Retirement plan expense for the year ended June 30, 2023 was $38,922.

19. Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are issued or are available to be issued. These events and transactions either provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at the date of the statement of financial position but arose after that date (that is, nonrecognized subsequent events).

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 2, 2024, which is the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, these financial statements.