



*RIVERDALE MENTAL HEALTH ASSOCIATION, INC.
d/b/a MOSAIC MENTAL HEALTH*

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

RIVERDALE MENTAL HEALTH ASSOCIATION, INC.
d/b/a MOSAIC MENTAL HEALTH

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019
TABLE OF CONTENTS**

Independent Auditors' Report	1
<i>Audited Financial Statements</i>	
Statements of Financial Position	3
Statements of Activities	4
Statement of Functional Expenses - For the Year Ended June 30, 2020	5
Statement of Functional Expenses - For the Year Ended June 30, 2019	6
Statements of Cash Flows	7
Notes to Financial Statements	8



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Riverdale Mental Health Association, Inc. d/b/a Mosaic Mental Health
5676 Riverdale Avenue
Bronx, New York 10471

Report on the Financial Statements

We have audited the accompanying financial statements of the Riverdale Mental Health Association, Inc. d/b/a Mosaic Mental Health ("Mosaic," a not-for-profit corporation), which are comprised of the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mosaic as of June 30, 2020 and 2019, 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.

Cerini & Associates LLP

March 4, 2021
Bohemia, New York

RIVERDALE MENTAL HEALTH ASSOCIATION, INC.
d/b/a MOSAIC MENTAL HEALTH

STATEMENTS OF FINANCIAL POSITION
JUNE 30,

	2020	2019
ASSETS		
Current Assets:		
Cash and cash equivalents.....	\$ 564,249	\$ 313,001
Accounts receivable:		
Clinical services, net of allowance for doubtful accounts.....	363,123	1,014,517
Grants and contracts.....	561,979	534,318
Other receivables.....	8,082	-
Prepaid expenses and other current assets.....	5,850	9,426
	TOTAL CURRENT ASSETS	1,871,262
Property and equipment, net of accumulated depreciation and amortization.....	662,526	562,313
Security deposits.....	94,803	64,765
	TOTAL ASSETS	\$ 2,498,340
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Loans payable.....	\$ -	\$ 42,529
Accounts payable and accrued expenses.....	443,627	511,594
Due to third parties.....	893,447	1,027,935
Deferred revenue.....	-	174,678
	TOTAL CURRENT LIABILITIES	1,756,736
Paycheck Protection Program loan payable.....	693,535	-
Deferred rent liability.....	23,743	-
	TOTAL LIABILITIES	1,756,736
Net Assets:		
Without donor restrictions.....	206,260	741,604
	TOTAL LIABILITIES AND NET ASSETS	\$ 2,498,340

The accompanying notes are an integral part of these financial statements.

RIVERDALE MENTAL HEALTH ASSOCIATION, INC.
d/b/a MOSAIC MENTAL HEALTH

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

2020

2019

OPERATING SUPPORT AND REVENUE:

Grants and contracts.....	\$ 2,802,470	\$ 2,890,747
Clinic fees - mental health and substance abuse.....	2,562,801	3,136,854
Residential program fees.....	158,264	137,333
Contributions.....	297,736	146,990
Investment income/(loss).....	679	(2)
Special events, net of direct expenses.....	162,113	86,900
	<u>5,984,063</u>	<u>6,398,822</u>
TOTAL OPERATING SUPPORT AND REVENUE	5,984,063	6,398,822

OPERATING EXPENSES:

Program Services:

Mental health.....	1,830,210	1,984,208
Substance abuse.....	200,939	162,536
Supported housing.....	918,209	1,082,989
PROS.....	1,203,172	758,561
Vocational.....	357,227	357,000
Community based geriatrics.....	130,373	133,108
School based.....	19,427	34,820
Crisis respite.....	809,795	703,235
	<u>5,469,352</u>	<u>5,216,457</u>
TOTAL PROGRAM SERVICES	5,469,352	5,216,457

Supporting Services:

Management and general.....	1,120,703	1,048,752
Fundraising.....	101,973	110,470
	<u>1,222,676</u>	<u>1,159,222</u>
TOTAL SUPPORTING SERVICES	1,222,676	1,159,222

TOTAL OPERATING EXPENSES	<u>6,692,028</u>	<u>6,375,679</u>
---------------------------------	------------------	------------------

CHANGE IN NET ASSETS FROM OPERATIONS	(707,965)	23,143
---	-----------	--------

NON-OPERATING INCOME:

Other income.....	172,621	1,342
	<u>(535,344)</u>	<u>24,485</u>
CHANGE IN NET ASSETS	(535,344)	24,485
Net assets, beginning of year.....	741,604	717,119
Net assets, end of year.....	<u>\$ 206,260</u>	<u>\$ 741,604</u>

The accompanying notes are an integral part of these financial statements.

RIVERDALE MENTAL HEALTH ASSOCIATION, INC.
d/b/a MOSAIC MENTAL HEALTH

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services								Supporting Services			Total	
	Mental Health	Substance Abuse	Supported Housing	PROS	Vocational	Community Based Geriatrics	School Based	Crisis Respite	Total	Management and General	Fundraising	Total	Operating Expenses
Salaries.....	\$ 1,138,140	\$ 125,349	\$ 196,895	\$ 362,014	\$ 229,053	\$ 73,230	\$ 17,618	\$ 518,877	\$ 2,661,176	\$ 529,499	\$ 76,157	\$ 605,656	\$ 3,266,832
Payroll taxes.....	98,720	9,967	14,110	29,385	17,264	7,687	1,809	43,895	222,837	63,757	6,378	70,135	292,972
Employee benefits.....	36,082	4,772	11,106	16,550	19,538	10,315	-	14,296	112,659	45,684	-	45,684	158,343
Occupancy costs.....	142,862	47,857	607,077	259,118	77,734	32,390	-	11,048	1,178,086	32,388	-	32,388	1,210,474
Office expenses.....	50,394	424	3,631	915	743	-	-	14,544	70,651	10,071	3,254	13,325	83,976
Professional fees.....	9,109	-	-	-	-	-	-	100	9,209	361,290	-	361,290	370,499
Dues, registration, and travel.....	41,139	3,022	1,969	6,779	641	-	-	3,802	57,352	-	5,398	5,398	62,750
Interest expense.....	-	-	-	-	-	-	-	-	-	7,478	-	7,478	7,478
Program expenses.....	5,932	114	47,924	8,589	1,011	-	-	62,069	125,639	1,770	4,453	6,223	131,862
Information and technology.....	81,023	3,083	6,672	23,943	9,279	3,619	-	29,138	156,757	27,789	3,792	31,581	188,338
Repairs and maintenance.....	31,780	2,838	11,008	2,536	-	-	-	35,922	84,084	2,569	-	2,569	86,653
Insurance.....	26,972	3,513	12,212	16,836	1,916	-	-	10,814	72,263	4,979	1,220	6,199	78,462
Depreciation and amortization.....	5,739	-	1,148	1,435	-	-	-	30,836	39,158	16,879	-	16,879	56,037
Bad debt expense.....	157,623	-	361	475,072	-	3,132	-	9,231	645,419	-	-	-	645,419
Funding source recovery.....	-	-	-	-	-	-	-	24,001	24,001	-	-	-	24,001
Miscellaneous expenses.....	4,695	-	4,096	-	48	-	-	1,222	10,061	16,550	1,321	17,871	27,932
TOTAL EXPENSES	\$ 1,830,210	\$ 200,939	\$ 918,209	\$ 1,203,172	\$ 357,227	\$ 130,373	\$ 19,427	\$ 809,795	\$ 5,469,352	\$ 1,120,703	\$ 101,973	\$ 1,222,676	\$ 6,692,028

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services								Supporting Services			Total Operating Expenses	
	Mental Health	Substance Abuse	Supported Housing	PROS	Vocational	Community Based Geriatrics	School Based	Crisis Respite	Total	Management and General	Fundraising		Total
Salaries.....	\$ 1,220,903	\$ 97,688	\$ 264,607	\$ 422,380	\$ 251,889	\$ 109,508	\$ 27,142	\$ 512,470	\$ 2,906,587	\$ 532,237	\$ 58,427	\$ 590,664	\$ 3,497,251
Payroll taxes.....	114,264	10,002	25,269	40,885	17,558	8,824	3,292	43,669	263,763	45,000	4,928	49,928	313,691
Employee benefits.....	37,431	2,126	3,918	24,079	15,664	14,102	3,730	9,772	110,822	36,660	4,189	40,849	151,671
Occupancy costs.....	226,932	40,115	609,052	226,717	68,015	-	-	13,065	1,183,896	22,369	-	22,369	1,206,265
Office expenses.....	60,980	607	4,505	2,470	520	674	526	15,539	85,821	1,909	4,355	6,264	92,085
Professional fees.....	35,006	-	3,912	-	-	-	-	-	38,918	239,656	1,250	240,906	279,824
Dues, registration, and travel.....	66,439	5,498	9,516	17,249	1,118	-	-	10,279	110,099	1,608	22,136	23,744	133,843
Interest expense.....	-	-	-	-	-	-	-	-	-	67,498	-	67,498	67,498
Program expenses.....	8,890	598	66,496	9,245	480	-	130	41,823	127,662	842	2,041	2,883	130,545
Information and technology.....	126,595	-	-	212	-	-	-	-	126,807	165	1,205	1,370	128,177
Repairs and maintenance.....	34,903	2,704	51,352	-	-	-	-	29,301	118,260	-	-	-	118,260
Insurance.....	18,762	3,198	11,117	15,324	1,744	-	-	9,845	59,990	3,642	1,110	4,752	64,742
Depreciation and amortization.....	30,026	-	32,641	-	-	-	-	13,757	76,424	-	-	-	76,424
Bad debt expense.....	-	-	-	-	-	-	-	-	-	28,505	-	28,505	28,505
Funding source recovery.....	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous expenses.....	3,077	-	604	-	12	-	-	3,715	7,408	68,661	10,829	79,490	86,898
TOTAL EXPENSES	\$ 1,984,208	\$ 162,536	\$ 1,082,989	\$ 758,561	\$ 357,000	\$ 133,108	\$ 34,820	\$ 703,235	\$ 5,216,457	\$ 1,048,752	\$ 110,470	\$ 1,159,222	\$ 6,375,679

RIVERDALE MENTAL HEALTH ASSOCIATION, INC.
d/b/a MOSAIC MENTAL HEALTH

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets.....	\$ (535,344)	\$ 24,485
<u>Adjustments to reconcile change in net assets to net cash</u> <u>(used in)/provided by operating activities:</u>		
Depreciation and amortization.....	56,037	76,424
Bad debt expense.....	645,419	28,505
Deferred rent liability.....	23,743	-
Accrued interest on Paycheck Protection Program loan payable.....	1,062	-
<u>Changes in operating assets and liabilities:</u>		
Accounts receivable - clinical services.....	5,975	158,439
Accounts receivable - grants and contracts.....	(27,661)	(311,170)
Accounts receivable - other receivables.....	(8,082)	-
Prepaid expenses and other current assets.....	3,576	323
Security deposits.....	(30,038)	5,653
Accounts payable and accrued expenses.....	(67,967)	(71,785)
Due to third parties.....	(134,488)	340,606
Deferred revenue.....	(174,678)	155,694
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	(242,446)	407,174
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Purchases of property and equipment.....	(156,250)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program loan payable.....	692,473	-
Principal payments on loans payable.....	(42,529)	(171,586)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	649,944	(171,586)
Net change in cash and cash equivalents.....	251,248	235,588
Cash and cash equivalents, beginning of year.....	313,001	77,413
Cash and cash equivalents, end of year.....	<u>\$ 564,249</u>	<u>\$ 313,001</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest.....	<u>\$ 6,416</u>	<u>\$ 67,498</u>

The accompanying notes are an integral part of these financial statements.

RIVERDALE MENTAL HEALTH ASSOCIATION, INC.
d/b/a MOSAIC MENTAL HEALTH

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Riverdale Mental Health Association, Inc. d/b/a Mosaic Mental Health (hereinafter “Mosaic”) is presented to assist in understanding Mosaic’s financial statements. The financial statements and notes are representations of Mosaic’s management, which is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Organization

Mosaic, founded in 1959, provides clinical treatment; continuing day treatment; critical time intervention; substance abuse treatment; apartment treatment; supervised and supported housing services; vocational services for individuals with mental health disabilities; and personalized recovery oriented services (“PROS”). Mosaic operates a crisis respite center in the Bronx, New York. Mosaic also provides services for children and adolescents at several school sites in the community. Mosaic provides services from its offices located in the Bronx, New York. Mosaic offered a new Home and Community Based Services program during the year ended June 30, 2018. During the year ended June 30, 2018, Mosaic filed its d/b/a that was approved by New York State.

New Accounting Pronouncements

During the year ended June 30, 2020, Mosaic adopted Accounting Standards Update (“ASU”) 2014-09 *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, Accounting Standards Codification (“ASC”) 606), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of non-financial assets. Mosaic’s services that fall within the scope of ASC 606 are presented within grants and contracts, clinic fees for mental health and substance abuse, residential program fees, and special events revenue, and are recognized as revenue as Mosaic satisfies its obligations to its customers and other parties. There was no impact to net assets attributable to the adoption of this ASU.

During the year ended June 30, 2020, Mosaic also adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 amends ASC 958, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU were intended to assist entities in (i) evaluating whether (reciprocal) transactions are subject to other guidance (i.e. ASC 606) and (ii) determining whether a contribution(s) is conditional. Mosaic has determined that there is no impact to the financial statements as a result of the adoption of this ASU.

RIVERDALE MENTAL HEALTH ASSOCIATION, INC.
d/b/a MOSAIC MENTAL HEALTH

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

Mosaic is exempt from federal income tax under section 501(c)(3), and is publicly supported, as described in section 509(a), of the Internal Revenue Code. Mosaic evaluated its IRS Form 990's for uncertain tax positions and has determined that there were no uncertain tax positions for 2020 and 2019.

Mosaic files a form 990 and respective state and local tax returns. These returns are subject to review and examination by federal, state, and local taxing authorities. Mosaic's management has registered in all states in which it believes it is required to be registered.

Basis of Accounting

These financial statements are presented on the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board as they apply to not-for-profit organizations. Mosaic is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by action of Mosaic and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Mosaic had no funds that were stipulated by the donor to be maintained in perpetuity as of June 30, 2020 and 2019.

Revenue Recognition and Deferred Revenue

Clinical fees revenue from Medicaid, Medicare, Managed Care Organizations, commercial insurance providers, and other third-party payers are recognized at approved rates on a per unit basis when Mosaic satisfies its performance obligations under contracts by transferring services to individuals. Mosaic's performance obligations include providing clinical treatment, apartment treatment, vocational, PROS, and crisis respite services to individuals with mental health disabilities. The transaction prices are based on established charges for services provided set by the New York State Office of Mental Health ("OMH"), New York State Office of Addiction Services and Supports ("OASAS"), New York State Education Department ("SED"), New York State Department of Health ("DOH"), or on a sliding fee scale for self-pay individuals.

RIVERDALE MENTAL HEALTH ASSOCIATION, INC.
d/b/a MOSAIC MENTAL HEALTH

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition and Deferred Revenue (continued)

Performance obligations for all of Mosaic's clinical fees services are provided and consumed at points in time, not over time, and therefore these types of fees allocated to performance obligations are not left unsatisfied or partially unsatisfied at the end of the reporting period.

Revenue under Medicaid, Medicare, and other third-party payer agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payer settlements are provided in the period the related services are rendered. Settlements with third-party payers for retroactive revenue adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing services using the most likely outcome method. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known, (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

Laws and regulations governing the Medicaid and Medicare programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Mosaic recognizes revenue from government grants and contracts as revenue up to contracted levels when eligible costs are incurred, or services are provided. A receivable is recognized to the extent revenue earned exceeds cash advances. Conversely, deferred revenue and refundable advances are recorded when cash advances exceed support and revenue earned. Revenue received under government grants is restricted as to the use specified in the grant agreement. Grant contracts are generally expended within a one-year cycle.

Supported housing residential program fees are recorded based upon occupied units. Recognition of revenue from contributions and private foundation grants is treated in accordance with the policies set forth in the "Contributions" policy note below.

Contributions

Contributions are recognized when the donor makes a promise to give to Mosaic that is, in substance, unconditional. At the time such a promise is made, contributions receivable are recorded. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

RIVERDALE MENTAL HEALTH ASSOCIATION, INC.
d/b/a MOSAIC MENTAL HEALTH

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions (continued)

Conditional contributions received are recognized as deferred revenue until donor-imposed conditions are met, at which time the contributions are recognized as revenue.

Cash and Cash Equivalents

Mosaic considers all unrestricted, highly-liquid investments with an initial maturity of three months or less to be cash equivalents. Pursuant to contracts with OMH, Mosaic is required to maintain cash in separate bank accounts for several of the programs it operates.

Mosaic maintains cash and investments in bank accounts which are insured by the Federal Deposit Insurance Corp and Securities Investor Protection Corporation. From time to time, Mosaic may have cash on deposit and investments with financial institutions that are in excess of Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits.

Accounts Receivable, Net

Grants and contracts receivable consist of amounts due from State and local agencies and private foundations for various mental health and supervised supported housing programs. Clinic fees receivable consist of amounts due from New York State, Managed Care Organizations, and commercial insurance providers for mental health services billed under its various State certified mental health programs. Mosaic uses the allowance method to estimate uncollectible receivables. Receivables are charged to bad debt expense when management deems the possibility of collecting amounts due is unlikely. At June 30, 2020 and 2019, an allowance for doubtful accounts in the amounts of \$126,628 and \$113,206, respectively, was established.

Estimates

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment are stated at original cost or estimated fair value if donated. Maintenance and repairs are charged to expense and betterments valued at more than \$1,000 are capitalized. Depreciation is computed using the straight-line method over each asset's estimated useful life or the shorter of the lease term or estimated useful life with respect to leasehold improvements. Estimated useful lives are as follows:

Building and renovations.....	25 years
Leasehold improvements.....	5-10 years
Furniture and fixtures.....	5-7 years
Equipment and software.....	5 years

RIVERDALE MENTAL HEALTH ASSOCIATION, INC.
d/b/a MOSAIC MENTAL HEALTH

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expenses

The costs of providing services have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, the direct costs of providing programs have all been allocated to program services. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support of Mosaic. The material expenses that are allocated, and their respective allocation methods, include the following:

- Salaries - Time and effort
- Payroll taxes - Time and effort
- Occupancy - Square footage
- Professional fees - Purpose

Advertising

Mosaic primarily uses advertising to seek qualified individuals to provide various program and administrative services. The production costs of advertising are expensed as incurred, and are reflected in the accompanying statements of functional expenses.

Special Events

Mosaic holds fundraising events to provide additional support for its operations. Revenue from these events is recorded when performance obligations are met, at the time each event takes place. Costs incurred for which a donor receives a direct benefit are considered exchange transactions and are offset against the revenue earned. Other costs related to the event for which the donor does not receive a direct benefit are classified as fundraising costs in the accompanying statements of functional expenses.

Donated Services

Mosaic benefits from volunteer services in program, fundraising, and administrative duties from Board members and other volunteers. Donated services are recorded at their estimated fair values at the dates of donation. For the year ended June 30, 2020, Mosaic recorded donated accounting and legal services with an estimated fair value of \$112,000, as contributions within the accompanying statement of activities, and in professional fees within the accompanying statement of functional expenses for the year then ended. No such donated services were provided or recorded in the financial statements during the year ended June 30, 2019.

Compensated Absences

Employees of Mosaic are entitled to paid vacation and sick days. It is Mosaic's policy that employees use all accrued unused vacation time earned during the fiscal year within three months after the fiscal year-end or they must forfeit this unused vacation time without compensation. During the year ended June 30, 2020, Mosaic decreased the maximum amount of accrued unused vacation time eligible for carry over from two weeks to one week.

RIVERDALE MENTAL HEALTH ASSOCIATION, INC.
d/b/a MOSAIC MENTAL HEALTH

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences (continued)

Upon termination, employees are paid for any unused vacation time but not for unused sick time. The accumulated leave accrual at June 30, 2020 and 2019 amounted to \$38,300 and \$97,558, respectively, and is included in accounts payable and accrued expenses in the accompanying statements of financial position.

Subsequent Events

Mosaic has evaluated events and transactions that occurred between July 1, 2020 and March 4, 2021, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

NOTE 2 - CONCENTRATIONS OF RECEIVABLES

At June 30, 2020 and 2019, approximately 86% and 93%, respectively, of outstanding receivables from clinical services were due from Medicaid and Managed Care Organizations. At June 30, 2020 and 2019, approximately 14% and 7%, respectively, of outstanding receivables from clinical services were due from the New York State Education Department. At June 30, 2020 and 2019, 69% and 31%, respectively, of grants and contracts receivable were due from New York State and local agencies in connection with various programs. At June 30, 2020 and 2019, 69% and 54%, respectively, of grants and contracts receivable was due from one grantor.

NOTE 3 - CONCENTRATIONS OF REVENUE

For the years ended June 30, 2020 and 2019, Mosaic received approximately 30% and 29%, respectively, of its grant and contract revenue from OMH. For the years ended June 30, 2020 and 2019, Mosaic received approximately 24% and 23%, respectively, of its grant and contract revenue from the New York City Department of Health and Mental Hygiene ("DOHMH"). For the years ended June 30, 2020 and 2019, Mosaic received approximately 24% and 19%, respectively, of its clinical fees for mental health services from Medicaid, with the remainder primarily due from Managed Care Organizations, Medicare, and other commercial insurers.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30,:

	<u>2020</u>	<u>2019</u>
Land.....	\$ 125,000	\$ 125,000
Building and renovations	1,454,583	1,506,908
Leasehold improvements	362,371	323,989
Furniture and fixtures.....	-	212,595
Equipment and software	289,194	690,634
Property and equipment, at cost	<u>2,231,148</u>	<u>2,859,126</u>
Less: accumulated depreciation and amortization...	<u>(1,568,622)</u>	<u>(2,296,813)</u>
Property and equipment, net.....	<u>\$ 662,526</u>	<u>\$ 562,313</u>

RIVERDALE MENTAL HEALTH ASSOCIATION, INC.
d/b/a MOSAIC MENTAL HEALTH

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 5 - DUE TO THIRD PARTIES

In the past, Mosaic provided clinical mental health services that were reimbursed primarily under Medicaid's Comprehensive Outpatient Programs ("COPS"). Mosaic was subject to a dollar threshold limitation for the reimbursement it could receive under COPS. Any reimbursement received in excess of this threshold was required to be returned to Medicaid subject to final review by Medicaid. From time-to-time, Mosaic exceeded the COPS threshold and was subject to Medicaid recoupments.

During the year ended June 30, 2012, OMH initiated a follow-up to a past audit performed by the Office of the Medicaid Inspector General ("OMIG") to attempt recovery of COPS/CSP add-ons that were associated with the Medicaid payments cited in the OMIG audit, in the amount of \$1,110,801. During the year ended June 30, 2014, Mosaic submitted an appeal to OMH that was denied. Accordingly, Mosaic had accrued a liability in the amount of \$1,110,801 as of June 30, 2014, based on the status of negotiations as of the related audit report date.

After continued negotiations during the year ended June 30, 2015, Mosaic received confirmation from OMIG that the liability would be reduced to \$250,000. Mosaic reduced the liability relating to this claim accordingly as of June 30, 2015. During the year ended June 30, 2018, Mosaic reached a repayment agreement with OMIG. Repayments are being deducted from Mosaic's future Medicaid reimbursements.

At June 30, 2020 and 2019, liabilities due to third parties included an estimated liability of approximately \$358,000 due to DOHMH representing past contract payments that were in excess of allowable expenses incurred. Mosaic is in communication with DOHMH to negotiate final repayment terms and amounts. No amounts have been repaid through the report date.

NOTE 6 - LEASES

On February 1, 2000, Mosaic entered into a lease for its main office space in Riverdale, New York, which it expanded during March 2007 and renegotiated effective February 2010 for a combined rent of \$464,772 per year plus annual increases linked to the Consumer Price Index ("CPI"). Mosaic renegotiated its lease again, effective February 1, 2011, and the landlord informally agreed to an annual base rent of \$468,829 (\$39,069 per month), plus annual escalations based on the CPI, commencing annually, on February 1, 2013. Another renegotiated lease took effect on January 1, 2014, requiring base monthly rent payments of \$40,500, subject to 2% annual escalations through its expiration on January 31, 2020. Another renegotiated lease took effect on February 1, 2020, requiring base monthly rent payments of \$50,000, subject to 2% annual escalations through its expiration on January 31, 2030. Mosaic is also obligated to pay 25% of the building's annual utilities costs and 25% of any increase in real estate taxes on the building over the base year.

RIVERDALE MENTAL HEALTH ASSOCIATION, INC.
d/b/a MOSAIC MENTAL HEALTH

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 6 - LEASES (continued)

In accordance with accounting principles generally accepted in the United States of America, the rental payments required to be made by Mosaic pursuant to this lease agreement will be amortized and expensed over the term of the lease on a straight-line basis. At June 30, 2020, Mosaic had a deferred rent liability of \$23,743. No such deferred rent liability existed at June 30, 2019.

In connection with its Supported Housing programs, Mosaic has entered into lease agreements for thirty-two apartments. Each lease term is between one and two years, with expiration dates ranging from August 2020 to September 2021. The monthly rent for each apartment ranges from approximately \$1,000 to \$1,950, with qualified residents contributing 30% of their monthly income towards the payment of rent.

The future minimum commitments under these leases are as follows for the years ending June 30,:

	<u>Facility</u>	<u>Housing</u>	<u>Total</u>
2021.....	\$ 605,000	\$ 303,876	\$ 908,876
2022.....	617,100	92,776	709,876
2023.....	629,442	6,623	636,065
2024.....	642,031	-	642,031
2025.....	654,871	-	654,871
2026 and thereafter.....	3,171,388	-	3,171,388
Total	<u>\$ 6,319,832</u>	<u>\$ 403,275</u>	<u>\$ 6,723,107</u>

NOTE 7 - PENSION PLAN

Effective June 1, 1996, Mosaic established a defined contribution retirement plan for its employees that meet certain age and service requirements. The plan provides for employee contributions and for employer contributions that are at the discretion of management. During the year ended June 30, 2019, Mosaic approved an annual matching contribution of up to 5% for employees with greater than twenty years of service. During the years ended June 30, 2020 and 2019, Mosaic contributed \$18,260 and \$3,564, respectively, to the plan.

NOTE 8 - LITIGATION

From time to time Mosaic is subject to certain claims or litigation. Management of Mosaic is committed to the highest level of review and is of the opinion that any claims are either without merit or that the present insurance coverage is sufficient to meet the financial obligations, if any, arising out of such claims or litigation.

RIVERDALE MENTAL HEALTH ASSOCIATION, INC.
d/b/a MOSAIC MENTAL HEALTH

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 9 - LOANS PAYABLE

During the years ended June 30, 2018 and 2017, Mosaic obtained short term bridge loan funding of \$331,050 and \$21,500, respectively, from the Fund for the City of New York to cover operating expenses incurred pursuant to grant agreements with DOHMH. The loans are interest-free and must be repaid upon release of grant funds from DOHMH. All bridge loans payable were fully repaid as of June 30, 2020. As of June 30, 2019, \$42,529 of bridge loans payable remained outstanding.

During February 2018, Mosaic obtained a short-term unsecured cash advance of \$161,400 from a private lender for a purchase amount of \$219,250. Pursuant to the terms of the cash advance agreement, the cash advance was to be repaid in 225 daily installments of \$974 that commenced during February 2018. The balance was fully repaid during the year ended June 30, 2019.

During February 2018, Mosaic obtained a second short-term unsecured cash advance of \$48,795 from a private lender for a purchase amount of \$71,500. Pursuant to the terms of the cash advance agreement, the cash advance was to be repaid in 108 daily installments of \$662 that commenced during February 2018. The balance was fully repaid during the year ended June 30, 2019.

NOTE 10 - AVAILABILITY AND LIQUIDITY

The following represents Mosaic's financial assets at June 30,:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 564,249	\$ 313,001
Clinical services receivable, net of allowance for doubtful accounts	363,123	1,014,517
Grants and contracts receivable	561,979	534,318
Other receivables	8,082	-
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,497,433</u>	<u>\$ 1,861,836</u>

Mosaic's goal in general is to maintain financial assets to meet sixty days of operating expenses (approximately \$985,000).

NOTE 11 - FINANCIAL IMPACTS RELATED TO THE COVID-19 PANDEMIC

As a result of the spread of COVID-19 coronavirus, economic uncertainties have arisen, which may negatively impact operating results. The financial impact of this matter, if any, cannot be estimated at this time.

RIVERDALE MENTAL HEALTH ASSOCIATION, INC.
d/b/a MOSAIC MENTAL HEALTH

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 11 - FINANCIAL IMPACTS RELATED TO THE COVID-19 PANDEMIC *(continued)*

As a result of the Coronavirus Aid, Relief, and Economic Security Act (hereinafter, "CARES Act"), on May 5, 2020, Mosaic received a long-term note from the United States Small Business Administration ("SBA") maturing in twenty-four months for a total of \$692,473. The note was originally issued with a six-month deferral period that did not require payments to be made until November 2020. Interest accrues on the unpaid principal, retroactive to the date of the loan, at a rate of 1.00% per annum.

The loan was granted as part of the Paycheck Protection Program ("PPP") to help businesses impacted by the COVID-19 pandemic. Under the terms of the loan, a portion or all of the loan may be forgiven as a grant with the ultimate amount payable depending on the uses of the loan and the criteria set forth in the CARES Act, subsequent guidance, and regulations. Forgiveness revenue will be recorded at the time the SBA approves Mosaic's request for forgiveness, which must be submitted prior to August 15, 2021. Any amount not forgiven will be payable ratably between the date of the SBA forgiveness decision and May 4, 2022, the date the loan matures. Management expects most, if not all, of the loan will be forgiven.

In order to balance the budget, New York State has made and is exploring additional cuts, which could potentially have an adverse impact on Mosaic's ongoing operations, however the impact, if any, cannot be determined at this time. Management continues to monitor regulatory and reimbursement changes and will take appropriate action, as necessary, so as to preserve Mosaic's long-term financial health.

NOTE 12 - PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2020, management became aware of errors in the previously issued financial statements for the year ended June 30, 2019 whereby grants and contracts receivable and liabilities due to third parties were understated by \$357,029. These balances have accordingly been restated in the accompanying statement of financial position as of June 30, 2019.