



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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
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CERINI
&
ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS

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, 2021 and 2020, 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, 2021 and 2020, 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

January 19, 2022
Bohemia, New York

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

STATEMENTS OF FINANCIAL POSITION
JUNE 30,

	2021	2020
ASSETS		
Current Assets:		
Cash and cash equivalents.....	\$ 727,298	\$ 564,249
Accounts receivable:		
Clinical services, net of allowance for doubtful accounts.....	455,262	363,123
Grants and contracts.....	919,663	561,979
Other receivables.....	-	8,082
Prepaid expenses and other current assets.....	330,594	5,850
	TOTAL CURRENT ASSETS	1,503,283
Property and equipment, net of accumulated depreciation and amortization.....	592,142	662,526
Security deposits.....	110,517	94,803
	TOTAL ASSETS	\$ 2,260,612
	\$ 3,135,476	\$ 2,260,612
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current portion of Paycheck Protection Program loans payable.....	\$ 701,219	\$ -
Accounts payable and accrued expenses.....	281,833	443,627
Due to third parties.....	769,331	893,447
Deferred revenue.....	207,683	-
	TOTAL CURRENT LIABILITIES	1,337,074
Paycheck Protection Program loans payable, net of current portion.....	694,749	693,535
Deferred rent liability.....	157,626	23,743
	TOTAL LIABILITIES	2,054,352
Net Assets:		
Without donor restrictions.....	323,035	206,260
	TOTAL LIABILITIES AND NET ASSETS	\$ 2,260,612
	\$ 3,135,476	\$ 2,260,612

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

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

2021

2020

OPERATING SUPPORT AND REVENUE:

Grants and contracts.....	\$ 2,414,702	\$ 2,802,470
Clinic fees - mental health, substance abuse, and crisis respite.....	2,713,532	2,562,801
Residential program fees.....	180,913	158,264
Contributions.....	255,520	185,736
In-kind contributions.....	193,000	112,000
Special events, net of direct expenses.....	26,450	162,113
Other - operating.....	3,920	3,213

TOTAL OPERATING SUPPORT AND REVENUE	5,788,037	5,986,597
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OPERATING EXPENSES:

Program Services:

Mental health.....	1,530,995	1,980,010
Substance abuse.....	192,571	200,939
Supported housing.....	1,232,858	918,209
PROS.....	708,889	1,203,172
Vocational.....	266,833	357,227
Crisis respite.....	1,004,566	809,795

TOTAL PROGRAM SERVICES	4,936,712	5,469,352
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Supporting Services:

Management and general.....	1,142,305	1,120,703
Fundraising.....	88,633	101,973

TOTAL SUPPORTING SERVICES	1,230,938	1,222,676
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TOTAL OPERATING EXPENSES	6,167,650	6,692,028
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CHANGE IN NET ASSETS FROM OPERATIONS	(379,613)	(705,431)
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NON-OPERATING REVENUE:

Investment income.....	2	679
Other income.....	496,386	169,408

TOTAL NON-OPERATING REVENUE	496,388	170,087
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CHANGE IN NET ASSETS	116,775	(535,344)
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Net assets, beginning of year.....	206,260	741,604
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Net assets, end of year.....	\$ 323,035	\$ 206,260
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RIVERDALE MENTAL HEALTH ASSOCIATION, INC.
d/b/a MOSAIC MENTAL HEALTH

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services						Supporting Services			Total	
	Mental Health	Substance Abuse	Supported Housing	PROS	Vocational	Crisis Respite	Total	Management and General	Fundraising	Total	Operating Expenses
Salaries.....	\$ 1,028,815	\$ 111,936	\$ 252,415	\$ 325,030	\$ 138,490	\$ 617,365	\$ 2,474,051	\$ 455,281	\$ 70,808	\$ 526,089	\$ 3,000,140
Payroll taxes.....	95,854	8,878	21,029	28,347	11,129	58,701	223,938	42,971	6,095	49,066	273,004
Employee benefits.....	34,911	4,877	19,572	17,402	17,087	36,725	130,574	21,602	-	21,602	152,176
Occupancy costs.....	195,540	53,016	660,417	290,291	87,087	11,003	1,297,354	13,492	-	13,492	1,310,846
Office expenses.....	26,815	1,085	4,360	5,846	2,297	8,988	49,391	4,907	865	5,772	55,163
Professional fees.....	2,825	-	-	-	-	28,200	31,025	542,422	-	542,422	573,447
Dues, registration, and travel.....	2,048	1,728	5,811	110	-	6,666	16,363	10,962	2,367	13,329	29,692
Interest expense.....	-	-	-	-	-	-	-	10,223	-	10,223	10,223
Program expenses.....	2,582	65	93,088	618	169	78,823	175,345	1,752	33	1,785	177,130
Information and technology.....	57,081	4,056	2,418	8,654	3,365	10,619	86,193	10,794	2,007	12,801	98,994
Repairs and maintenance.....	10,561	2,479	41,842	14,164	4,249	74,075	147,370	611	-	611	147,981
Insurance.....	22,707	4,451	15,033	18,427	2,960	19,683	83,261	10,818	6,458	17,276	100,537
Depreciation and amortization.....	40,552	-	-	-	-	29,832	70,384	-	-	-	70,384
Bad debt expense.....	-	-	2,925	-	-	-	2,925	-	-	-	2,925
Funding source recovery.....	10,645	-	100,228	-	-	23,563	134,436	-	-	-	134,436
Miscellaneous expenses.....	59	-	13,720	-	-	323	14,102	16,470	-	16,470	30,572
TOTAL OPERATING EXPENSES	\$ 1,530,995	\$ 192,571	\$ 1,232,858	\$ 708,889	\$ 266,833	\$ 1,004,566	\$ 4,936,712	\$ 1,142,305	\$ 88,633	\$ 1,230,938	\$ 6,167,650

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	Crisis Respite	Total	Management and General	Fundraising	Total	Operating Expenses
Salaries.....	\$ 1,228,988	\$ 125,349	\$ 196,895	\$ 362,014	\$ 229,053	\$ 518,877	\$ 2,661,176	\$ 529,499	\$ 76,157	\$ 605,656	\$ 3,266,832
Payroll taxes.....	108,216	9,967	14,110	29,385	17,264	43,895	222,837	63,757	6,378	70,135	292,972
Employee benefits.....	46,397	4,772	11,106	16,550	19,538	14,296	112,659	45,684	-	45,684	158,343
Occupancy costs.....	175,252	47,857	607,077	259,118	77,734	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.....	84,642	3,083	6,672	23,943	9,279	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.....	160,755	-	361	475,072	-	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 OPERATING EXPENSES	\$ 1,980,010	\$ 200,939	\$ 918,209	\$ 1,203,172	\$ 357,227	\$ 809,795	\$ 5,469,352	\$ 1,120,703	\$ 101,973	\$ 1,222,676	\$ 6,692,028

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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets.....	\$ 116,775	\$ (535,344)
<u>Adjustments to reconcile change in net assets to net cash used in operating activities:</u>		
Depreciation and amortization.....	70,384	56,037
Bad debt expense.....	2,925	645,419
Deferred rent liability.....	133,883	23,743
Accrued interest on Paycheck Protection Program loans payable.....	9,960	1,062
<u>Changes in operating assets and liabilities:</u>		
Accounts receivable - clinical services.....	(95,064)	5,975
Accounts receivable - grants and contracts.....	(357,684)	(27,661)
Accounts receivable - other receivables.....	8,082	(8,082)
Prepaid expenses and other current assets.....	(324,744)	3,576
Security deposits.....	(15,714)	(30,038)
Accounts payable and accrued expenses.....	(161,794)	(67,967)
Due to third parties.....	(124,116)	(134,488)
Deferred revenue.....	207,683	(174,678)
NET CASH USED IN OPERATING ACTIVITIES	(529,424)	(242,446)
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Purchases of property and equipment.....	-	(156,250)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program loans payable.....	692,473	692,473
Principal payments on loans payable.....	-	(42,529)
NET CASH PROVIDED BY FINANCING ACTIVITIES	692,473	649,944
Net change in cash and cash equivalents.....	163,049	251,248
Cash and cash equivalents, beginning of year.....	564,249	313,001
Cash and cash equivalents, end of year.....	<u>\$ 727,298</u>	<u>\$ 564,249</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest.....	<u>\$ 263</u>	<u>\$ 6,416</u>

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements (continued)

Effective for the year ended June 30, 2023, Mosaic will be required to adopt Financial Accounting Standard Board ASC Topic 842, *Leases*, for all operating leases. Under this new accounting pronouncement, Mosaic will recognize a right-of-use asset and a lease liability calculated based on the present value of the lease payments not yet paid, discounted using an appropriate discount rate at the lease commencement date. The right-of-use asset will initially be equal to the lease liability plus any initial direct costs and prepaid lease payments, less any lease incentives received. Under this approach, amortization of right-of-use assets is charged to occupancy costs, which is recorded on the straight-line basis over the term of each lease, unless another systematic and rational basis is more representative of the time pattern in which the use benefit is derived from the leased property, in which case that basis will be used.

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 2021 and 2020.

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, 2021 and 2020.

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition and Deferred Revenue (continued)

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. 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, 2021 and 2020, an allowance for doubtful accounts in the amounts of \$118,145 and \$126,628, 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.

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 \$5,000 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

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.

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Services (continued)

For the years ended June 30, 2021 and 2020, Mosaic recorded donated accounting and legal services with an estimated fair value of \$193,000 and \$112,000, respectively, in contributions within the accompanying statements of activities, and in professional fees within the accompanying statements of functional expenses for the years then ended.

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. Upon termination, employees are paid for any unused vacation time but not for unused sick time. The accumulated leave accrual at June 30, 2021 and 2020 amounted to \$28,490 and \$38,300, 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, 2021 and January 19, 2022, 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, 2021 and 2020, approximately 89% and 86% of outstanding receivables from clinical services were due from Medicaid and Managed Care Organizations, respectively. At June 30, 2021 and 2020, approximately 11% and 14% of outstanding receivables from clinical services were due from the New York State Education Department, respectively. At June 30, 2021 and 2020, 99% and 69% of grants and contracts receivable were due from New York State and local agencies in connection with various programs, respectively.

NOTE 3 - CONCENTRATIONS OF REVENUE

For the years ended June 30, 2021 and 2020, Mosaic received approximately 36% and 30% of its grant and contract revenue from OMH, respectively. For the years ended June 30, 2021 and 2020, Mosaic received approximately 35% and 24% of its grant and contract revenue from the New York City Department of Health and Mental Hygiene ("DOHMH"), respectively. For the years ended June 30, 2021 and 2020, Mosaic received approximately 25% and 24% of its clinical fees for mental health services from Medicaid, respectively, with the remainder primarily due from Managed Care Organizations, Medicare, and other commercial insurers.

RIVERDALE MENTAL HEALTH ASSOCIATION, INC.
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 4 - PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Land.....	\$ 125,000	\$ 125,000
Building and renovations.....	1,454,583	1,454,583
Leasehold improvements.....	362,371	362,371
Equipment and software.....	289,194	289,194
Property and equipment, at cost.....	2,231,148	2,231,148
Less: accumulated depreciation and amortization....	(1,639,006)	(1,568,622)
Property and equipment, net.....	<u>\$ 592,142</u>	<u>\$ 662,526</u>

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 currently being deducted from Mosaic’s future Medicaid reimbursements.

At June 30, 2021 and 2020, liabilities due to third parties included an estimated liability of approximately \$415,000 and \$381,000, respectively, 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. Mosaic has made a payment to DOHMH of \$64,204 on December 14, 2021.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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. A 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. Due to the impact of the COVID-19 pandemic, effective March 1, 2021 through August 31, 2021, Mosaic's landlord granted a monthly rent concession of \$26,000.

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, 2021 and 2020, Mosaic had a deferred rent liability of \$157,626 and \$23,743, respectively.

In connection with its Supported Housing programs, Mosaic has entered into lease agreements for thirty-nine apartments. Each lease term is between one and two years, with expiration dates ranging from August 2021 to June 2023. The monthly rent for each apartment ranges from approximately \$1,100 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>
2022	\$ 565,100	\$ 375,782	\$ 940,882
2023	629,442	155,062	784,504
2024	642,031	-	642,031
2025	654,871	-	654,871
2026	667,969	-	667,969
2027 and thereafter	2,503,420	-	2,503,420
Total	<u>\$ 5,662,833</u>	<u>\$ 530,844</u>	<u>\$ 6,193,677</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. 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, 2021 and 2020, Mosaic contributed \$13,107 and \$18,260, respectively, to the plan.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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.

NOTE 9 - AVAILABILITY AND LIQUIDITY

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents.....	\$ 727,298	\$ 564,249
Clinical services receivable, net of allowance for doubtful accounts.....	455,262	363,123
Grants and contracts receivable	919,663	561,979
Other receivables.....	-	8,082
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,102,223</u>	<u>\$ 1,497,433</u>

Mosaic's goal in general is to maintain financial assets to meet sixty days of operating expenses (approximately \$1,002,000).

NOTE 10 - 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.

As a result of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, on May 5, 2020, Mosaic received a long-term note from the United States Small Business Administration ("SBA") 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 accrued 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.

Subsequent to year-end, the SBA approved the loan forgiveness for the full amount and will be recognized as revenue for the year ending June 30, 2022.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 10 - FINANCIAL IMPACTS RELATED TO THE COVID-19 PANDEMIC (continued)

On February 5, 2021, Mosaic received another long-term note from the SBA 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 August 2021. 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 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. Any amount not forgiven will be payable ratably between the date of the SBA forgiveness decision and February 4, 2026, the date the loan matures. Subsequent to year-end, the SBA approved the loan forgiveness.

During the year ended June 30, 2021 Mosaic also applied for Employee Retention Tax Credits ("ERTC"). The ERTC is a payroll tax credit (not an income tax credit) and is ultimately to be reported on IRS Form 941. Eligible employers can claim the ERTC by computing the ERTC amount for a pay period and decreasing the required payroll deposit by that amount. To be eligible, organizations must meet one of the following criteria: (1) the organization's operations were either fully or partially suspended due to a COVID-19 government order; or (2) the organization suffered a significant reduction in gross receipts as compared with the same calendar quarter in 2019. Mosaic was eligible to apply and has recognized \$305,998 in ERTC within other current assets on the statement of financial position at June 30, 2021 and within other income on the statement of activities for the year ended June 30, 2021.

New York State has made and is exploring budget 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 11 - HEALTH CARE ENTITIES

Healthcare entities need to report "charity care," which represents health care services that are provided to patients but are never expected to result in cash flows. Charity care is provided to a patient with demonstrated inability to pay. Charity care is different than uncompensated services because uncompensated services are services provided to patients that are expected to be paid for, though they may subsequently be written off after non-payment. Charity care is provided to patients with the intention of never getting paid for those services. For the year ended June 30, 2021, 203 nights/units of service were provided with the expectation of being free to the patient.

Health care entities also need to report malpractice insurance claims that may exist but are not covered by Mosaic's insurance policy. There were no such claims for the years ended June 30, 2021 or 2020 for Mosaic.