



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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022



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

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022
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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

Opinion

We have audited the financial statements of the Riverdale Mental Health Association, Inc. d/b/a Mosaic Mental Health ("Mosaic," a not-for-profit corporation), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Mosaic as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of Mosaic and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 6 and Note 12 to the financial statements, during the year ended June 30, 2023, Mosaic retrospectively adopted Accounting Standards Codification ("ASC") 842, *Leases*, resulting in a restatement of the financial statements as of and for the year ended June 30, 2022. 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 U.S. GAAP, 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 Mosaic's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audits 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 auditors' 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 GAAS will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than 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 GAAS, 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 Mosaic'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 Mosaic'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Cerini & Associates LLP

Bohemia, New York
January 2, 2024

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

STATEMENTS OF FINANCIAL POSITION
JUNE 30,

	2023	2022
ASSETS		
Current Assets:		
Cash and cash equivalents.....	\$ 1,079,812	\$ 853,773
Accounts receivable:		
Clinical services, net of allowance for doubtful accounts.....	391,678	462,472
Grants and contracts.....	1,364,370	1,300,156
Other receivables.....	-	2,152
Prepaid expenses and other current assets.....	745,178	757,789
TOTAL CURRENT ASSETS	3,581,038	3,376,342
Property and equipment, net of accumulated depreciation and amortization.....	495,077	558,881
Security deposits.....	118,149	104,780
Operating lease right-of-use assets, net of accumulated amortization.....	1,620,397	1,775,500
TOTAL ASSETS	\$ 5,814,661	\$ 5,815,503
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses.....	\$ 290,544	\$ 483,471
Due to third parties.....	1,285,877	1,226,272
Deferred revenue.....	257,231	47,628
Current portion of operating lease liabilities.....	800,460	778,914
TOTAL CURRENT LIABILITIES	2,634,112	2,536,285
Operating lease liabilities, net of current portion.....	834,107	997,734
TOTAL LIABILITIES	3,468,219	3,534,019
Net Assets:		
Without donor restrictions.....	2,346,442	2,281,484
TOTAL LIABILITIES AND NET ASSETS	\$ 5,814,661	\$ 5,815,503

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

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

	2023	2022
OPERATING SUPPORT AND REVENUE:		
Grants and contracts.....	\$ 2,261,673	\$ 2,486,989
Clinic fees - mental health, substance abuse, and crisis respite.....	3,326,575	3,149,651
Residential program fees.....	144,153	175,251
Contributions.....	129,848	241,750
In-kind contributions.....	172,085	11,901
Special events, net of direct expenses.....	25,739	177,498
Other.....	2,600	3,409
	6,062,673	6,246,449
TOTAL OPERATING SUPPORT AND REVENUE		
OPERATING EXPENSES:		
Program Services:		
Mental health.....	1,097,276	1,229,422
Substance abuse.....	233,268	259,559
Supported housing.....	1,460,879	1,229,007
PROS.....	563,186	732,078
Vocational.....	214,003	268,020
Crisis respite.....	1,204,829	1,531,253
	4,773,441	5,249,339
TOTAL PROGRAM SERVICES		
Supporting Services:		
Management and general.....	1,163,672	1,099,339
Fundraising.....	79,890	103,004
	1,243,562	1,202,343
TOTAL SUPPORTING SERVICES		
	6,017,003	6,451,682
TOTAL OPERATING EXPENSES		
	45,670	(205,233)
CHANGE IN NET ASSETS FROM OPERATIONS		
NON-OPERATING REVENUE/(EXPENSE):		
Investment income.....	31,021	781
Funding source recovery, net.....	(11,733)	(458,225)
Paycheck Protection Program loan forgiveness income.....	-	1,400,065
Employee Retention Tax Credits.....	-	740,506
Other income.....	-	31,818
Gain on lease termination.....	-	415,009
	19,288	2,129,954
NET NON-OPERATING REVENUE		
	64,958	1,924,721
CHANGE IN NET ASSETS		
Net assets, beginning of year.....	2,281,484	356,763
Net assets, end of year.....	\$ 2,346,442	\$ 2,281,484

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, 2023

	Program Services							Supporting Services			Total
	Mental Health	Substance Abuse	Supported Housing	PROS	Vocational	Crisis Respite	Total	Management and General	Fundraising	Total	Operating Expenses
Salaries.....	\$ 819,879	\$ 155,745	\$ 386,106	\$ 389,659	\$ 155,933	\$ 731,588	\$ 2,638,910	\$ 412,338	\$ 54,986	\$ 467,324	\$ 3,106,234
Payroll taxes.....	71,887	13,458	31,995	33,407	13,632	70,814	235,193	34,495	4,768	39,263	274,456
Employee benefits.....	25,070	18,864	12,548	27,317	15,522	29,555	128,876	36,587	-	36,587	165,463
Occupancy costs.....	80,834	22,017	806,152	62,385	20,378	22,448	1,014,214	84,635	6,517	91,152	1,105,366
Office expenses.....	10,771	2,855	4,447	5,860	1,878	10,577	36,388	39,867	2,081	41,948	78,336
Professional fees.....	2,750	4,300	28,615	-	-	79,962	115,627	461,673	-	461,673	577,300
Dues, registration, and travel.....	883	1,508	15,730	-	-	3,708	21,829	7,452	-	7,452	29,281
Interest expense.....	-	-	-	-	-	-	-	-	-	-	-
Program expenses.....	814	135	106,884	1,035	86	114,709	223,663	5,437	43	5,480	229,143
Information and technology.....	29,826	4,114	8,719	20,323	1,345	32,290	96,617	66,704	2,560	69,264	165,881
Repairs and maintenance.....	5,074	600	30,984	1,878	658	42,495	81,689	3,707	314	4,021	85,710
Minor equipment and furniture.....	-	-	-	-	-	-	-	-	-	-	-
Insurance.....	16,740	9,672	27,165	21,322	4,571	33,817	113,287	10,226	8,621	18,847	132,134
Depreciation and amortization.....	32,748	-	-	-	-	31,056	63,804	-	-	-	63,804
Miscellaneous expenses.....	-	-	1,534	-	-	1,810	3,344	551	-	551	3,895
TOTAL OPERATING EXPENSES	\$ 1,097,276	\$ 233,268	\$ 1,460,879	\$ 563,186	\$ 214,003	\$ 1,204,829	\$ 4,773,441	\$ 1,163,672	\$ 79,890	\$ 1,243,562	\$ 6,017,003

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

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services						Supporting Services			Total	
	Mental Health	Substance Abuse	Supported Housing	PROS	Vocational	Crisis Respite	Total	Management and General	Fundraising	Total	Operating Expenses
Salaries.....	\$ 882,489	\$ 163,172	\$ 291,485	\$ 349,292	\$ 148,200	\$ 720,683	\$ 2,555,321	\$ 444,043	\$ 74,846	\$ 518,889	\$ 3,074,210
Payroll taxes.....	77,716	14,064	21,724	29,641	12,441	68,350	223,936	39,418	6,831	46,249	270,185
Employee benefits.....	35,533	17,276	9,650	22,837	13,806	29,699	128,801	41,152	-	41,152	169,953
Occupancy costs.....	157,642	47,668	784,484	264,128	79,239	27,596	1,360,757	35,871	-	35,871	1,396,628
Office expenses.....	9,316	2,687	1,388	3,028	1,096	12,251	29,766	30,164	3,841	34,005	63,771
Professional fees.....	2,000	4,489	-	-	-	104,231	110,720	338,387	-	338,387	449,107
Dues, registration, and travel.....	1,399	635	6,879	369	-	3,926	13,208	10,973	954	11,927	25,135
Interest expense.....	-	-	-	-	-	-	-	-	4,098	4,098	4,098
Program expenses.....	49	350	70,773	740	-	85,485	157,397	8,927	4,373	13,300	170,697
Information and technology.....	17,405	1,813	4,044	10,918	25	18,229	52,434	34,495	341	34,836	87,270
Repairs and maintenance.....	12,546	3,031	15,791	17,282	5,161	374,113	427,924	9,616	-	9,616	437,540
Minor equipment and furniture.....	-	-	-	-	-	26,485	26,485	-	-	-	26,485
Insurance.....	22,634	4,374	20,148	18,002	3,300	29,611	98,069	9,199	7,720	16,919	114,988
Depreciation and amortization.....	10,693	-	-	15,841	4,752	30,594	61,880	1,980	-	1,980	63,860
Miscellaneous expenses.....	-	-	2,641	-	-	-	2,641	95,114	-	95,114	97,755
TOTAL OPERATING EXPENSES	\$ 1,229,422	\$ 259,559	\$ 1,229,007	\$ 732,078	\$ 268,020	\$ 1,531,253	\$ 5,249,339	\$ 1,099,339	\$ 103,004	\$ 1,202,343	\$ 6,451,682

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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets.....	\$ 64,958	\$ 1,924,721
<u>Adjustments to reconcile change in net assets to net cash provided by operating activities:</u>		
Depreciation and amortization.....	63,804	63,860
Amortization of right-of-use assets.....	895,234	1,118,754
Accrued interest on Paycheck Protection Program loans payable.....	-	4,097
Paycheck Protection Program loans forgiveness income.....	-	(1,400,065)
Gain on lease termination.....	-	(415,009)
<u>Changes in operating assets and liabilities:</u>		
Accounts receivable - clinical services.....	70,794	(7,210)
Accounts receivable - grants and contracts.....	(64,214)	(380,493)
Accounts receivable - other receivables.....	2,152	(2,152)
Prepaid expenses and other current assets.....	12,611	(427,195)
Security deposits.....	(13,369)	5,737
Accounts payable and accrued expenses.....	(192,927)	201,638
Due to third parties.....	59,605	456,941
Deferred revenue.....	209,603	(160,055)
Operating lease liabilities.....	(882,212)	(826,495)
NET CASH PROVIDED BY OPERATING ACTIVITIES	226,039	157,074
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Purchases of property and equipment.....	-	(30,599)
Net change in cash and cash equivalents.....	226,039	126,475
Cash and cash equivalents, beginning of year.....	853,773	727,298
Cash and cash equivalents, end of year.....	<u>\$ 1,079,812</u>	<u>853,773</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Recognition of right-of-use asset and lease liability.....	<u>\$ 740,131</u>	<u>\$ 1,718,061</u>

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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, who 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 (“U.S. GAAP”) 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. During the year ended June 30, 2018, Mosaic filed its d/b/a that was approved by New York State.

New Accounting Pronouncement

Mosaic retrospectively adopted the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 842, *Leases*, for all material, long-term operating leases during the year ended June 30, 2023. Under this accounting pronouncement, Mosaic recognized 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 is initially 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.

Income Tax Status

Mosaic is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and is publicly supported, as described in section 509(a). Donors may deduct contributions made to Mosaic within the requirements of the Internal Revenue Service (“IRS”).

Mosaic evaluated its activities for uncertain tax positions and has determined that there were no uncertain tax positions taken during the years ended June 30, 2023 and 2022.

Mosaic files an IRS Form 990 and respective state and local tax returns. These tax 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.

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

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 or other stipulations that may or will be met, either by action of Mosaic and/or the passage of time. When a restriction expires, these net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Other donor restrictions may be perpetual in nature, whereby the donor may stipulate that the funds be maintained in perpetuity. At June 30, 2023 and 2022, Mosaic had no net assets with donor restrictions.

Revenue Recognition and Deferred Revenue

Clinical fees revenue from Medicaid, Medicare, Managed Care Organizations ("MCOs"), 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 prices for providing services using the most likely outcome method.

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition and Deferred Revenue (continued)

These settlements are estimated based on the terms of the payment agreements with the payers, correspondence from the payers, and historical settlement activity, including assessments to ensure that it is probable that significant reversals in the amount of cumulative revenue recognized will not occur when the uncertainties associated with the retroactive adjustments are 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 years 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.

Supported housing residential program fees are recorded based upon occupied units. This funding stream is funded entirely by residents. Recognition of revenue from government grants, contributions, and private foundation grants is treated in accordance with the policies set forth in the "Contributions" policy note below.

Disaggregation of clinic fees revenue by program and payer are as follows for the year ended June 30, 2023:

Payer	Mental Health	Substance Abuse	Supported Housing	PROS	Crisis Respite	Total
Medicaid.....	\$ 91,082	\$ 1,278	\$ 532,907	\$ 211,184	\$ -	\$ 836,451
MCOs.....	1,010,216	15,575	5,446	369,742	879,210	2,280,189
Medicare.....	45,234	147	-	1,570	-	46,951
Other.....	129,761	2,673	-	7,280	23,270	162,984
Total.....	<u>\$ 1,276,293</u>	<u>\$ 19,673</u>	<u>\$ 538,353</u>	<u>\$ 589,776</u>	<u>\$ 902,480</u>	<u>\$ 3,326,575</u>

Disaggregation of clinic fees revenue by program and payer are as follows for the year ended June 30, 2022:

Payer	Mental Health	Substance Abuse	Supported Housing	PROS	Crisis Respite	Total
Medicaid.....	\$ 102,659	\$ 1,557	\$ 331,944	\$ 383,611	\$ 7,753	\$ 827,524
MCOs.....	878,895	21,009	81,825	354,452	724,055	2,060,236
Medicare.....	41,704	-	-	2,037	-	43,741
Other.....	205,997	4,203	204	504	7,242	218,150
Total.....	<u>\$ 1,229,255</u>	<u>\$ 26,769</u>	<u>\$ 413,973</u>	<u>\$ 740,604</u>	<u>\$ 739,050</u>	<u>\$ 3,149,651</u>

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions are recognized when donors make promises to give to Mosaic that are, in substance, unconditional. At the time such promises are made, contributions receivable are recorded. Contributions that are restricted by donors 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 restrictions expire, 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.

Mosaic's government grants and contracts are considered conditional contributions. 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.

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 Corporation ("FDIC") and Securities Investor Protection Corporation ("SIPC"). From time to time, Mosaic may have cash on deposit and investments with financial institutions that are in excess of FDIC and SIPC 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, MCOs, 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, 2023 and 2022, an allowance for doubtful accounts in the amounts of \$48,582 and \$74,360, respectively, was established.

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 \$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 costs - Square footage
- Professional fees - Purpose
- Repairs and maintenance - 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.

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 years ended June 30, 2023 and 2022, Mosaic recorded donated legal services with an estimated fair value of \$172,085 and \$11,901 in in-kind contributions, respectively, within the accompanying statements of activities, and in professional fees within the accompanying statements of functional expenses for the years then ended. These donated services are recorded at their estimated fair values at the dates of donation based on prevailing hourly rates for such services. There were no donor-imposed restrictions on these in-kind contributions.

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.

Upon termination, employees are paid for any unused vacation time but not for unused sick time. The accumulated leave accrual at June 30, 2023 and 2022 amounted to \$66,420 and \$53,967, 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, 2023 and January 2, 2024, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - CONCENTRATIONS OF RECEIVABLES

At June 30, 2023 and 2022, approximately 88% and 91% of outstanding receivables from clinical services were due from Medicaid and MCOs, respectively. At June 30, 2023 and 2022, approximately 12% and 9% of outstanding receivables from clinical services were due from SED, respectively. At June 30, 2023 and 2022, 100% of grants and contracts receivable were due from New York State and local agencies in connection with various programs.

NOTE 3 - CONCENTRATIONS OF REVENUE

For the years ended June 30, 2023 and 2022, Mosaic received approximately 51% and 36% of its grant and contract revenue from OMH, respectively. For the years ended June 30, 2023 and 2022, Mosaic received approximately 38% and 53% of its grant and contract revenue from the New York City Department of Health and Mental Hygiene (“DOHMH”), respectively. For both of the years ended June 30, 2023 and 2022, Mosaic received approximately 25% of its clinical fees for mental health services from Medicaid, with the remainder primarily due from MCOs, Medicare, and other commercial insurers.

NOTE 4 - PROPERTY AND EQUIPMENT

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

	2023	2022
Land	\$ 125,000	\$ 125,000
Building and renovations.....	1,485,183	1,485,183
Leasehold improvements.....	362,371	362,371
Equipment and software.....	289,194	289,194
Property and equipment, at cost.....	<u>2,261,748</u>	<u>2,261,748</u>
Less: accumulated depreciation and amortization....	<u>(1,766,671)</u>	<u>(1,702,867)</u>
Property and equipment, net.....	<u>\$ 495,077</u>	<u>\$ 558,881</u>

NOTE 5 - DUE TO THIRD PARTIES

Due to third parties consisted of the following at June 30,:

	2023	2022
[A].....	\$ -	\$ 67,908
[B]	193,898	267,550
[C]	295,508	295,508
[D]	107,645	100,228
[E]	48,264	8,469
[F]	486,609	486,609
[G]	153,953	-
Total.....	<u>\$ 1,285,877</u>	<u>\$ 1,226,272</u>

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 5 - DUE TO THIRD PARTIES (continued)

[A] 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 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 were being deducted from Mosaic's future Medicaid reimbursements and were completed in March 2023.

[B] This balance includes amounts due to DOHMH for past contract payments that were in excess of allowable expenses incurred. Mosaic began repayments during December 2021 and expects to complete repayments during December 2024.

[C] This balance includes amounts due to OMH comprising estimates of grant and clinic fee overpayments within Mosaic's PROS program. The final amount of such liabilities and future repayment terms have not been determined as of the report date.

[D] This balance includes amounts due to OMH comprising estimates of grant overpayments within Mosaic's supported housing program. The final amount of such liabilities and future repayment terms have not been determined as of the report date.

[E] This balance includes amounts due to residents comprising estimates of overpayments within Mosaic's supported housing program. The final amount of such liabilities and future repayment terms have not been determined as of the report date.

[F] This balance includes amounts due to OMH and DOHMH comprising estimates of grant overpayments due to the receipt of COVID-19 pandemic relief funding. The final amount of such liabilities and future repayment terms have not been determined as of the report date.

[G] This balance includes amounts due to DOHMH comprising clinic safety net funds for clinic services. The final amount of such liabilities and future repayment terms have not been determined as of the report date.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 6 - LEASES

[a] 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 annual escalations. Another renegotiated lease took effect on February 1, 2020, requiring base monthly rent payments to increase from \$45,600 to \$50,000, subject to annual escalations. Due to the impact of the COVID-19 pandemic, effective March 1, 2021 through May 2022, Mosaic's landlord granted a monthly rent concession of \$26,000. This lease was terminated and a new lease negotiated with a start date of June 1, 2022 and end date of May 31, 2026, requiring base monthly payments of \$25,000, subject to 3% annual escalations through its expiration. Mosaic is also obligated to pay 17% of the building's annual utilities costs and 17% of any increase in real estate taxes on the building over the base year.

[b] In connection with its Supported Housing programs, Mosaic has entered into lease agreements for forty-three apartments. Each lease term is two years, with expiration dates ranging through May 2025. The monthly rent for each apartment ranges from approximately \$700 to \$2,800, with qualified residents contributing 30% of their monthly income towards the payment of rent.

Operating lease costs incurred during the years ended June 30, 2023 and 2022, inclusive of right-of-use asset amortization, totaled \$1,024,609 and \$1,306,209, respectively, and are included as part of occupancy costs in the statements of functional expenses.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities under these leases for the years ending June 30,:

	<u>[a] Facility</u>	<u>[b] Housing</u>	<u>Total</u>
2024.....	\$ 309,773	\$ 532,051	\$ 841,824
2025.....	319,066	239,839	558,905
2026.....	300,500	-	300,500
Total.....	<u>\$ 929,339</u>	<u>\$ 771,890</u>	<u>\$ 1,701,229</u>

The weighted average remaining lease term (in months) and discount rate for the above mentioned leases were as follows for the year ended June 30, 2023:

Weighted average remaining lease term.....	27.25
Weighted average discount rate	3.23%

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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, 2023 and 2022, Mosaic contributed \$15,620 and \$14,714, 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.

NOTE 9 - AVAILABILITY AND LIQUIDITY

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents.....	\$ 1,079,812	\$ 853,773
Clinical services receivable, net of allowance for doubtful accounts.....	391,678	462,472
Grants and contracts receivable.....	1,364,370	1,300,156
Other receivables.....	-	2,152
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,835,860</u>	<u>\$ 2,618,553</u>

Mosaic's goal in general is to maintain financial assets to meet ninety days of operating expenses (approximately \$1,468,000).

NOTE 10 - FINANCIAL IMPACTS RELATED TO THE COVID-19 PANDEMIC

Mosaic received two Paycheck Protection Program ("PPP") loans from the United States Small Business Administration ("SBA"). The first PPP loan was approved on April 29, 2020 and deposited into Mosaic's account on May 5, 2020 for \$692,473. The second PPP loan was approved on February 4, 2021 and deposited into Mosaic's account on February 5, 2021 for \$692,473. The first and second PPP loans were formally forgiven by the SBA as of July 16, 2021 and February 1, 2022, respectively. Mosaic accordingly recognized Paycheck Protection Program loan forgiveness income in the amount of \$1,400,065, representing total loan principal and the accrued interest on these loans, during the year ended June 30, 2022.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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

During the year ended June 30, 2022, Mosaic also applied for additional Employee Retention Tax Credits ("ERTC"). Mosaic was eligible to apply and has recognized \$740,506 of ERTC on the statement of activities for the year ended June 30, 2022. Outstanding credits have been accrued and are reported within the other current assets on the statements of financial position at June 30, 2023 and 2022.

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 years ended June 30, 2023 and 2022, 105 and 183 nights/units of service were provided with the expectation of being free to the patients.

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, 2023 or 2022 for Mosaic.

NOTE 12 - PRIOR PERIOD ADJUSTMENT

As of July 1, 2022, Mosaic adopted ASC Topic 842, *Leases*, which was applied retrospectively. Due to the change in accounting principle, Mosaic recognized operating lease right-of-use assets of \$5,620,189, operating lease liabilities of \$5,744,088, an elimination of the deferred rent liability of \$157,626, and an increase in net assets of \$33,728 as of July 1, 2021. Additionally, occupancy expense was increased by \$330,517, and a gain on lease termination of \$415,009 was recognized during the year ended June 30, 2022.