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State Examiner

INDIANA STATE BOARD OF ACCOUNTS

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May 20, 2025

Board of Directors
Mental Health Association in Indiana, Inc.
d/b/a Mental Health America of Indiana
Marion County, Indiana

We have reviewed the audit report of Mental Health Association in Indiana, Inc. d/b/a Mental Health America of Indiana, which was opined upon by Blue & Co., LLC, Independent Public Accountants, for the period July 1, 2021 to June 30, 2022. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Mental Health America in Indiana, Inc. d/b/a Mental Health America of Indiana as of June 30, 2022 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the finding included in the report on pages 25 and 26. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's Corrective Action Plan appears on page 27.

In our opinion, Blue & Co., LLC prepared the audit report in accordance with the guidelines established by the Indiana State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

Tammy R. White, CPA
Deputy State Examiner



CONSOLIDATED FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

JUNE 30, 2022 AND 2021

CPAs / ADVISORS



MENTAL HEALTH AMERICA OF INDIANA, INC.

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JUNE 30, 2022 AND 2021

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Mental Health America of Indiana, Inc.
Indianapolis, Indiana

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Mental Health Association in Indiana, Inc. d/b/a Mental Health America of Indiana, Inc. (the Organization), a nonprofit organization, which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources, issued by the Indiana State Board of Accounts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

2021 Consolidated Financial Statements

The consolidated financial statements of the Organization as of and for the year ended June 30, 2021, were audited by other auditors whose report thereon dated September 28, 2022, expressed an unmodified opinion on those consolidated financial statements.

Board of Directors
Mental Health America of Indiana, Inc.
Indianapolis, Indiana

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Organization'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 consolidated financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Board of Directors
Mental Health America of Indiana, Inc.
Indianapolis, Indiana

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidated schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidated schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2024 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the *Government Auditing Standards* internal control over financial reporting and compliance.

Blue & Co., LLC

Indianapolis, Indiana
June 13, 2024

MENTAL HEALTH AMERICA OF INDIANA, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION JUNE 30, 2022 AND 2021

ASSETS

	2022	2021
Current assets		
Cash and cash equivalents	\$ 69,507	\$ 984,789
Program and grants receivable	3,644,645	1,398,604
Prepaid expenses	99,496	13,582
Total current assets	3,813,648	2,396,975
Property and equipment, net	1,190,883	1,295,803
Investments	1,009,500	1,174,912
Total assets	<u>\$ 6,014,031</u>	<u>\$ 4,867,690</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 815,877	\$ 484,286
Accrued wages and related liabilities	379,604	243,115
Deferred revenue	1,344,149	703,293
Line of credit	282,000	-0-
Current portion of long-term debt	31,397	25,796
Total current liabilities	2,853,027	1,456,490
Long-term debt, net of current portion	270,190	305,247
Total liabilities	3,123,217	1,761,737
Net assets - without donor restrictions	2,890,814	3,105,953
Total liabilities and net assets	<u>\$ 6,014,031</u>	<u>\$ 4,867,690</u>

See accompanying notes to consolidated financial statements.

MENTAL HEALTH AMERICA OF INDIANA, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Revenue, gains, and support		
Membership fees	\$ 88,533	\$ 94,915
Program fees	1,339,710	560,522
Contributions	205,683	138,387
Public support	7,283,910	5,573,134
Total revenue, gains and support	8,917,836	6,366,958
Expenses		
Salaries and wages	3,571,773	1,731,721
Employee benefits	670,775	365,957
Insurance	21,641	20,600
Professional fees	3,269,746	2,489,110
Rent and leases	22,456	-0-
Repairs and maintenance	105,779	116,820
Supplies	108,285	161,402
Utilities	125,259	117,023
Travel and related expenses	59,658	10,186
Training, public education, and seminars	588,945	466,157
Interest	18,427	18,796
Depreciation	161,389	166,387
Special events	71,296	599
Other	172,057	73,116
Total expenses	8,967,486	5,737,874
Revenue, gains and support over (under) expenses	(49,650)	629,084
Nonoperating gains (losses)		
Investment return, net	(165,352)	213,010
Other income (loss)	(137)	73,977
Total nonoperating gains (losses)	(165,489)	286,987
Change in net assets	(215,139)	916,071
Net assets without donor restrictions		
Beginning of year	3,105,953	2,189,882
End of year	\$ 2,890,814	\$ 3,105,953

See accompanying notes to consolidated financial statements.

MENTAL HEALTH AMERICA OF INDIANA, INC.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2022 AND 2021

	2022			
	Program Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 3,038,530	\$ 520,868	\$ 12,375	\$ 3,571,773
Employee benefits	553,530	115,215	2,030	670,775
Insurance	20,077	1,352	212	21,641
Professional fees	3,214,355	46,312	9,079	3,269,746
Rent and leases	20,344	1,841	271	22,456
Repairs and maintenance	104,157	1,375	247	105,779
Supplies	107,701	522	62	108,285
Utilities	114,435	10,362	462	125,259
Travel and related expenses	58,487	1,171	-0-	59,658
Training, public education, and seminars	588,945	-0-	-0-	588,945
Interest	16,635	1,792	-0-	18,427
Depreciation	159,698	970	721	161,389
Special events	71,296	-0-	-0-	71,296
Other	140,195	30,380	1,482	172,057
Total expenses	\$ 8,208,385	\$ 732,160	\$ 26,941	\$ 8,967,486

See accompanying notes to consolidated financial statements.

MENTAL HEALTH AMERICA OF INDIANA, INC.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2022 AND 2021

	2021			
	Program Services	General and Administrative	Fundraising	Total
Salaries and wages	1,473,186	252,535	6,000	\$ 1,731,721
Employee benefits	301,991	62,858	1,108	365,957
Insurance	19,111	1,287	202	20,600
Professional fees	2,446,943	35,255	6,912	2,489,110
Repairs and maintenance	115,029	1,519	272	116,820
Supplies	160,531	778	93	161,402
Utilities	106,911	9,681	431	117,023
Travel and related expenses	9,986	200	-0-	10,186
Training, public education, and seminars	466,157	-0-	-0-	466,157
Interest	16,968	1,828	-0-	18,796
Depreciation	164,644	1,000	743	166,387
Special events	599	-0-	-0-	599
Other	59,576	12,910	630	73,116
Total expenses	<u>\$ 5,341,632</u>	<u>\$ 379,851</u>	<u>\$ 16,391</u>	<u>\$ 5,737,874</u>

See accompanying notes to consolidated financial statements.

MENTAL HEALTH AMERICA OF INDIANA, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Operating activities		
Change in net assets	\$ (215,139)	\$ 916,071
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Forgiveness of note payable - PPP	-0-	(362,300)
Depreciation	161,389	166,387
Net realized and unrealized gains on investments	207,974	(203,846)
Changes in operating assets and liabilities		
Program and grants receivable	(2,246,041)	(440,984)
Prepaid expenses	(85,914)	2,656
Accounts payable	331,591	208,062
Accrued wages and related liabilities	136,489	54,723
Deferred revenue	640,856	299,919
Net cash flows from operating activities	(1,068,795)	640,688
Investing activities		
Purchase of property and equipment	(56,469)	(69,199)
Proceeds from the sale of investments	308,722	12,928
Purchase of investments	(351,284)	(21,286)
Net cash flows from investing activities	(99,031)	(77,557)
Financing activities		
Draws on line of credit	1,050,260	-0-
Payments on line of credit	(768,260)	-0-
Principal payments on notes payable	(29,456)	(25,796)
Net cash flows from financing activities	252,544	(25,796)
Net change in cash and cash equivalents	(915,282)	537,335
Cash and cash equivalents		
Beginning of year	984,789	447,454
End of year	\$ 69,507	\$ 984,789

See accompanying notes to consolidated financial statements.

MENTAL HEALTH AMERICA OF INDIANA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The consolidated financial statements include the accounts of Mental Health Association in Indiana, Inc. d/b/a Mental Health America of Indiana, Inc., (MHAI), Indiana Mental Health Memorial Foundation, Inc. (Foundation) and Community Addiction Services of Indiana, Inc. known as Emberwood Center (Emberwood), collectively referred to as the "Organization". These entities are incorporated as a nonprofit corporations under the laws of the State of Indiana. The Organization's mission is to work for Indiana's mental health and victory over mental illness. This is achieved through programs that provide prevention, education, counseling, crisis, recovery and other services related to mental health.

The significant accounting policies followed by the Organization in the preparation of its consolidated financial statements are summarized below.

Principles of Consolidation

The consolidated financial statements include the accounts of the wholly controlled subsidiaries of MHAI, Foundation and Emberwood. All material inter-company transactions and accounts have been eliminated in the consolidated financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with 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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers highly liquid investments available for operating purposes with an original maturity of 90 days or less to be cash and cash equivalents. The Organization maintains its cash in bank deposit accounts which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Program and Grants Receivable

The Organization records outstanding/invoiced program and grants as receivables. The Organization expects receipt for these receivables within the next year according to contracts and related agreements. As of June 30, 2022 and 2021, grants receivable were approximately \$3,645,000 and \$1,399,000, respectively. No allowance was deemed necessary for these receivables as of June 30, 2022 and 2021. Program and grants receivable approximated \$958,000 as of July 1, 2020.

MENTAL HEALTH AMERICA OF INDIANA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Property, Equipment, and Depreciation

Property and equipment are stated at cost. Donated items are recorded at fair value at the date of the donation. Costs of improvements are capitalized, and costs of repairs and maintenance are expensed as incurred. Depreciation is recorded over the estimated useful lives of the assets utilizing the straight-line method. The lives of these assets range from 3 to 30 years.

Investments and Investment Return

Investments consist of cash, equity securities, mutual funds, corporate bonds, and government securities which are reported at fair value. Investment return, net of any investment expenses, includes interest, dividends and net realized and unrealized gains and losses which are reported as nonoperating gains (losses) in the statements of activities and changes in net assets. Interest income is recorded on the accrual basis.

Deferred Revenue

Deferred revenue consists of membership dues and refundable advances from members and grantors. As of July 1, 2020, deferred revenue approximated \$403,000.

Consolidated Financial Statement Presentation and Net Assets

The accompanying consolidated financial statements have been prepared on the accrual basis and have been prepared with a focus on the entity as a whole. Net assets, support, revenues, gains, and losses are classified based on the existence or absence of donor restrictions. Accordingly, the net assets of the Organization are classified and reported as follows:

- Net assets without donor restrictions: Net assets that are currently available for operating purposes under the direction of the board or designated by the board for specific use.
- Net assets with donor restrictions: Net assets subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations or specific purposes. As of June 30, 2022 and 2021, the Organization did not have any net assets with donor restrictions.

Membership and Program Fees

Membership fees are paid by members for three distinct benefits: advocacy efforts, member services, and discounted annual conference and program fees. These dues are recognized as contract liabilities at the time they are received and recognized as revenues as the separate performance obligations are realized.

Program fees (including event sponsorships and event registrations) are recognized as contract liabilities when received and recognized as revenue in the period in which the program occurs. To the extent receipt of fee has not occurred as of the program, a receivable is accrued. These fees are recognized as the performance obligations are satisfied at a point in time. There are no significant financing components and no variable consideration with regard to these fees.

MENTAL HEALTH AMERICA OF INDIANA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Contributions and Public Support

The Organization recognizes contributions and public support when cash or other assets are received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

The Organization receives cost-reimbursable federal and state grants for providing services in specific program areas. Federal and state grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Receipt of these funds is subject to the fulfillment of certain obligations by the Organization as prescribed by these programs and funds may be subject to repayment upon a determination of noncompliance made by a funding agency. The receipt of future revenues by the Organization is subject to among other factors, federal and state policies, economic conditions that may include an inability to control expenses in periods of inflation, increased competition, market pressures and other conditions which are impossible to predict. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statements of financial position.

The Organization reports gifts of land, buildings, and equipment as support without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Donor and time restrictions that are met in the same period as they are received are reported as net assets without donor restrictions.

Income Taxes

The consolidated entities of the Organization are organized as a not-for-profit corporation under Section 501(c)(3) of the United States Internal Revenue Code. As such, the Organization is generally exempt from federal and state income taxes. However, the Organization is required to file Federal Form 990 – Return of Organization Exempt from Income Tax, which is an informational return only.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if they have taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2022 and 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

The Organization has filed its Federal Form 990 tax returns through June 30, 2023. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

MENTAL HEALTH AMERICA OF INDIANA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Functional Expenses Allocation

The costs of providing program and supporting services have been summarized on a natural basis in the consolidated statements of activities and changes in net assets and have been summarized on a functional basis in the consolidated statements of functional expenses. Certain costs have been allocated among one program, general and administrative and fundraising categories based on actual direct expenditures incurred and cost allocations based upon time and effort spent by the Organization's personnel, which primarily include salaries and wages, employee benefits, professional fees, travel and related expenses. The other expenses that are allocated include insurance, rent and leases, repairs and maintenance, supplies, utilities, interest, depreciation, and other, which are allocated based on a ratio of total direct expenses charged to the category to total expenses. Although the methods used were appropriate, alternative methods may provide different results.

Retirement Plan

The Organization maintains a contributory defined contribution plan, which covers employees who meet certain eligibility requirements and provides a profit-sharing contribution by the Organization. The Organization recognized retirement plan expense of approximately \$9,000 and \$14,000 for 2022 and 2021, respectively.

Reclassifications

Certain amounts in the prior year consolidated financial statements have been reclassified to conform to the current year presentation. The reclassifications did not impact previously reported net assets or change in net assets.

Subsequent Events

The Organization has evaluated events or transactions occurring subsequent to the financial position date for recognition and disclosure in the accompanying consolidated financial statements through the date the consolidated financial statements were available to be issued which is June 13, 2024.

Upcoming Accounting Standard

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The Organization is not required to adopt this ASU until its fiscal year ending June 30, 2023. The ASU is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statement of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity's statement of financial position.

The Organization is presently evaluating the effects that this ASU will have on its future consolidated financial statements, including related disclosures.

MENTAL HEALTH AMERICA OF INDIANA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 2022 and 2021:

	2022	2021
Buldings and building improvements	\$ 1,858,745	\$ 1,828,485
Land and land improvements	294,697	294,697
Furnishings and equipment	146,190	146,191
Software	190,771	188,971
Construction in process	24,410	1,757
Less accumulated depreciation	1,323,930	1,164,298
	<u>\$ 1,190,883</u>	<u>\$ 1,295,803</u>

There were no significant commitments related to property and equipment as of June 30, 2022.

3. INVESTMENTS

Investments, at fair value, consist of the following as of June 30, 2022 and 2021:

	2022	2021
Cash	\$ 32,729	\$ 29,100
Equity securities	190,887	323,214
Equity mutual funds	470,724	434,409
Fixed income mutual funds	221,771	271,996
Corporate bonds	34,964	38,107
Government securities	58,425	78,086
	<u>\$ 1,009,500</u>	<u>\$ 1,174,912</u>

Investment return consists of the following for 2022 and 2021:

	2022	2021
Unrealized gains (losses)	\$ (237,122)	\$ 142,689
Realized gains	29,148	61,157
Interest and dividends	56,433	22,092
Investment fees	(13,811)	(12,928)
	<u>\$ (165,352)</u>	<u>\$ 213,010</u>

MENTAL HEALTH AMERICA OF INDIANA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

4. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2022 and 2021:

- *Equity securities*: Valued at the closing price reported on the active market on which the individual securities are traded.
- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Corporation are actively traded.
- *Corporate bonds*: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.
- *Government securities*: Valued using pricing models maximizing the use of observable inputs for similar securities.

MENTAL HEALTH AMERICA OF INDIANA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Assets measured at fair value on a recurring basis as of June 30, 2022 and 2021 are as follows:

		June 30, 2022			
		Total	Level 1	Level 2	Level 3
Assets					
Investments					
Equity securities	\$	190,887	\$ 190,887	\$ -0-	\$ -0-
Equity mutual funds		470,724	470,724	-0-	-0-
Fixed income mutual funds		221,771	221,771	-0-	-0-
Corporate bonds		34,964	-0-	34,964	-0-
Government securities		58,425	-0-	58,425	-0-
		976,771	<u>\$ 883,382</u>	<u>\$ 93,389</u>	<u>\$ -0-</u>
Cash		32,729			
Total investments	\$	<u>1,009,500</u>			
		June 30, 2021			
		Total	Level 1	Level 2	Level 3
Assets					
Investments					
Equity securities	\$	323,214	\$ 323,214	\$ -0-	\$ -0-
Equity mutual funds		434,409	434,409	-0-	-0-
Fixed income mutual funds		271,996	271,996	-0-	-0-
Corporate bonds		38,107	-0-	38,107	-0-
Government securities		78,086	-0-	78,086	-0-
		1,145,812	<u>\$ 1,029,619</u>	<u>\$ 116,193</u>	<u>\$ -0-</u>
Cash		29,100			
Total investments	\$	<u>1,174,912</u>			

The Organization holds investments which are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying consolidated financial statements.

MENTAL HEALTH AMERICA OF INDIANA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

5. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available and liquidity resource available for general expenditure within one year of the June 30, 2022 and 2021 statement of financial position dates are as follows:

	2022	2021
Financial assets		
Cash and cash equivalents	\$ 69,507	\$ 984,789
Program and grants receivable	3,644,645	1,398,604
	<u>3,714,152</u>	<u>2,383,393</u>
Liquidity resource		
Bank line of credit (\$282,000 in use as of June 30, 2022 - matures in March 2025)	53,000	-0-
Total financial assets and liquidity resource	<u>\$ 3,767,152</u>	<u>\$ 2,383,393</u>

As part of the Organization's liquidity management, it has a policy to structure financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization periodically invests excess cash in investments. The Organization has no plans to liquidate investments for general expenditure.

6. LINE OF CREDIT

In February 2022, the Organization entered into a revolving line of credit agreement with a principal amount not to exceed \$335,000. At June 30, 2022 and 2021, the balance on the line of credit was \$282,000 and \$-0-. The line of credit bears variable interest at prime rate plus 1.00% per annum. As of June 30, 2022, the interest rate was 5.75%. Borrowings are collateralized by substantially all assets of the Organization. The line of credit expires on March 31, 2025.

7. LONG-TERM DEBT

In April 2015, the Organization entered into a mortgage agreement for the main building with principal amount of \$291,000. At June 30, 2022 and 2021, the balance on the mortgage loan was approximately \$181,000 and \$198,000, respectively. The mortgage loan features monthly principal and interest, fixed at 5.20% per annum, payments for the 180-month period beginning April 2015 through April 2030. The promissory note is secured by property and equipment with a net book value of approximately \$180,000 as of June 30, 2022.

In October 2020, the Organization entered into a mortgage agreement for the Carriage House with principal amount of \$139,000. At June 30, 2022 and 2021, the balance on the mortgage loan was approximately \$121,000 and \$133,000, respectively. The mortgage loan features monthly principal and interest, fixed at 4.90% per annum, payments for the 120-month period beginning November 2020 through November 2030. The promissory note is secured by property and equipment with a net book value of approximately \$121,000 as of June 30, 2022.

MENTAL HEALTH AMERICA OF INDIANA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Scheduled future payments of long-term debt are as follows:

Year Ending December 31,		
2023	\$	31,397
2024		32,925
2025		34,699
2026		36,530
2027		38,458
Thereafter		<u>127,577</u>
	\$	<u>301,587</u>

8. PUBLIC SUPPORT

The Organization received approximately 82% and 88% of its total revenue, gains and support for 2022 and 2021, respectively, from public support. The majority of the public support revenue for 2022 and 2021, was received directly from the federal government or passed through the State of Indiana. Grants receivable related to the public support approximated 61% and 29% of total assets as of June 30, 2022 and 2021, respectively. In the event that this public support was to be significantly reduced or eliminated, it is likely that the Organization would need to reduce its current operations.

The Organization does not expect in any way that the support from these sources will be lost in the near term. Public support for 2022 and 2021 consists of the following:

	<u>2022</u>	<u>2021</u>
Public support		
US Department of Health and Human Services	\$ 6,488,472	\$ 5,070,160
State of Indiana	284,116	103,360
Other	<u>511,322</u>	<u>399,614</u>
Total public support	<u>\$ 7,283,910</u>	<u>\$ 5,573,134</u>

SUPPLEMENTARY INFORMATION

MENTAL HEALTH AMERICA OF INDIANA, INC.

**CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number (FALN)	Award Number	Federal Expenditures
Major programs:			
US Department of Health and Human Services (DHHS)			
Indiana Division of Mental Health and Addictions (DMHA)			
Be Well Crisis Helpline	93.958	33701, 57190	\$ 1,480,492
Mental Health Ombudsman	93.958	26121	<u>53,393</u>
Total Block Grants for Community Mental Health Services - 93.958			1,533,885
DHHS			
DMHA			
DHHS - Community Mental Health Services Block Grant - DMHA			
Coalition to Reduce Underage Drinking	93.959	27975	415,587
Be Well Crisis Helpline	93.959	57190	708,012
Substance Abuse Prevention and Treatment (SAPT) - HAP	93.959	51045	498,531
Fetal Alcohol Syndrome Disorder	93.959	47448	144,431
IAC - Self-Advocacy	93.959	51360	82,486
Recovery Hubs	93.959	59348	1,654
COVID-19 - PEER CRSSA	93.959	59348	<u>105,981</u>
Total Block Grants for Prevention and Treatment of Substance Abuse - 93.959			<u>1,956,682</u>
Total major programs			3,490,567
Non-major programs:			
DHHS			
DMHA			
Hubs Technical Assistance	93.788	N/A	42,772
Workforce Development	93.788	19159 & 49897	18,279
Recovery Hubs - Opioid Response	93.788	30347	2,602,102
Recovery Residence Expansion	93.788	43576	104,970
Regional Recovery Hub Summit	93.788	43576	83,562
Coalition to Reduce Underage Drinking	93.788	27975	5,061
DMHA Waitlist II	93.788	50702	35,191
Purdue University - Research and Development			
Opioids/Stimulant Misuse Training and Education Outreach	93.788	11001045-022	<u>238,012</u>
Total Opioid STR - 93.788			3,129,949
DHHS			
DMHA			
Suicide Prevention	93.243	58344	196,031
Indiana Department of Health (IDH)			
First Responder - Comprehensive Addiction and Recovery - Building Recovery Networks	93.243	59268	<u>232,455</u>
Total Substance Abuse and Mental Health Services - Projects of Regional and National Significance - 93.243			428,486
DHHS			
DMHA			
Child Care Development Block Grant - Infancy Onward-Office of Early Childhood and Out-of-School Learning	93.575	39361	218,938
Mental Health Disaster Assistance and Emergency Mental Health - Crisis Counseling	93.982	46658	14,393
IDH			
Injury Prevention and Control Research and State and Community Based Programs - Overdose to Data Action	93.136	51766	146,548
Epidemiology and Laboratory Capacity for Infectious Diseases - Training on Trauma Informed Care	93.323	58289	15,013
Department of Justice			
Indiana Criminal Justice Institute			
Crime Victim Assistance	16.575	71983	<u>326,579</u>
Total non-major programs			<u>4,279,906</u>
Total expenditures of federal awards			<u>\$ 7,770,473</u>

See report of independent auditors on pages 1 through 3.

MENTAL HEALTH AMERICA OF INDIANA, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2022

1. BASIS OF PRESENTATION

The accompanying consolidated schedule of expenditures of federal awards (SEFA) includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, functional expenses, or cash flows of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

3. SUBRECIPIENTS

The Organization did not pass-through federal awards to subrecipients during the year ended June 30, 2022.



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

Board of Directors
 Mental Health America of Indiana, Inc.
 Indianapolis, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources, issued by the Indiana State Board of Accounts the consolidated financial statements of Mental Health Association in Indiana, Inc. d/b/a Mental Health America of Indiana (the Organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 13, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001, that we consider to be a significant deficiency.

Board of Directors
Mental Health America of Indiana, Inc.
Indianapolis, Indiana

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Organization's Response to Findings

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

Purpose of this Report

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

Blue & Co., LLC

Indianapolis, Indiana
June 13, 2024



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

Board of Directors
 Mental Health America of Indiana, Inc.
 Indianapolis, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Mental Health Association in Indiana, Inc. d/b/a Mental Health America of Indiana's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above is that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

Board of Directors
Mental Health America of Indiana, Inc.
Indianapolis, Indiana

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

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

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

Blue & Co., LLC

Indianapolis, Indiana
June 13, 2024

MENTAL HEALTH AMERICA OF INDIANA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Section I - Summary of audit results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal controls over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? yes X no

Identification of major programs:

<u>FALN</u>	<u>Name of Federal Programs or Clusters</u>
93.958	Block Grants for Community Mental Health Services
93.959	Substance Abuse Prevention and Treatment Block Grant

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

Auditee qualified as low-risk auditee? X yes no

Section II – Findings related to consolidated financial statements reported in accordance with Government Auditing Standards:

Finding 2022-001 – Financial Close and Reporting and Delay in Reporting – Significant Deficiency

Criteria – Management is responsible for establishing and maintaining effective internal control over financial reporting inclusive of meeting reporting deadlines as part of the closing process.

MENTAL HEALTH AMERICA OF INDIANA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2022

Additionally, per Title 2, Appendix VII, the data collection form should be submitted within a nine-month period subsequent to June 30, 2022.

Condition – The Organization's June 30, 2022 consolidated financial statements closing process experienced delays due to certain turnover in management, capacity constraints, and a delay in engaging and independent auditor and the Organization did not meet their reporting deadline of March 31, 2023.

Cause – The Organization's controls over financial close and reporting did not operate effectively during the year ended June 30, 2022.

Effect – The financial close and the data collection form were not submitted in a timely manner.

Recommendation – We recommend management strengthen its existing policies and procedures surrounding financial close and reporting, including prioritizing risks based on their potential impact on the timeliness of financial reporting. Management should also clearly define responsibilities related to the financial reporting process.

Management's Response – While it did not impact the accuracy of the consolidated financial statements, management agrees with the recommendation to strengthen existing policies and procedures surrounding financial close and reporting. During 2024, the Organization has adopted stronger close processes to ensure the timeliness and accuracy of reporting. The Organization has adopted policies which include:

- Month-end check lists that ensure completeness of general ledger transactions
- Month-end, quarter-end and year-end deadlines that ensure timeliness of financial reporting
- Additional oversight, through the hiring of an Accounting Manager, that ensures accuracy of GAAP reporting

Section III – Findings and questioned costs relating to Federal awards:

None reported

Section IV – Summary schedule of prior audit findings:

None reported



June 13, 2024

Blue & Co., LLC
500 N. Meridian Street, Suite 200
Indianapolis, IN 46204

Subject: Finding 2022-001 – Financial Close and Reporting and Delay in Reporting – Significant Deficiency

While it did not impact the accuracy of the consolidated financial statements, management agrees with the recommendation to strengthen existing policies and procedures surrounding financial close and reporting. During 2024, Mental Health Association in Indiana, Inc. d/b/a Mental Health America of Indiana, Inc. (the Organization) has adopted stronger close processes to ensure the timeliness and accuracy of reporting. The Organization has adopted policies which include:

- Month-end check lists that ensure completeness of general ledger transactions
- Month-end, quarter-end and year-end deadlines that ensure timeliness of financial reporting
- Additional oversight, through the hiring of an Accounting Manager, that ensures accuracy of GAAP reporting

DocuSigned by:

Steve McCaffrey

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Stephen C. McCaffrey, President and CEO

DocuSigned by:

Stephanie L. Anderson

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Stephanie L. Anderson, Chief Operating Officer,
VP of Strategic Initiatives & Quality Improvement