Mental Health Center of North Central Alabama, Inc.
Financial Statements
September 30, 2022 and 2021

Independent Auditor's Report

Board of Directors
Mental Health Center of North Central Alabama, Inc.
Decatur, Alabama

Disclaimer of Opinion and Unmodified Opinions

We have audited the accompanying financial statements of the Mental Health Center of North Central Alabama, Inc. (the "Center") as of and for the years ended September 30, 2022 and 2021, and the related notes to the financial statements. We were not engaged to audit the financial statements of the Foundation for Mental Health in North Central Alabama, Inc. (the "Foundation"), a discretely presented component unit of the Center. These financial statements collectively comprise the Center's basic financial statements, as listed in the table of contents.

Summary of Opinions

Opinion Unit	Type of Opinion
Mental Health Center of North Central Alabama, Inc.	Unmodified
Foundation for Mental Health in North Central Alabama, Inc.	Disclaimer

Disclaimer of Opinion on the Discretely Presented Component Unit

Because of the significance of the matter described in the Basis for Disclaimer of Opinion and Unmodified Opinions section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Foundation for Mental Health in North Central Alabama, Inc., a discretely presented component unit of the Center as of and for the year ended June 30, 2022. Accordingly, we do not express an opinion on these financial statements.

Unmodified Opinion on the Mental Health Center of North Central Alabama, Inc.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Center, as of September 30, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Disclaimer of Opinion and Unmodified Opinions

We conducted our audits 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. 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 Center, 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 unmodified audit opinions.

Matters Giving Rise to Disclaimer of Opinion on the Discretely Presented Component Unit

The financial statements of the Foundation have not been audited, and we were not engaged to audit the Foundation's financial statements as part of our audit of the Center's basic financial statements. The Foundation's financial activities are included in the Center's basic financial statements as a discretely presented component unit and represents 100% of the assets, net position, and revenues, respectively, of the Center's discretely presented component units.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Because of the matter described in the Basis for Disclaimer of Opinion and Unmodified Opinions section, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the discretely presented component unit. 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 a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-14, schedule of changes in the net pension liability and related ratios on page 51, and the schedule of employer contributions on page 52, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mental Health Center of North Central Alabama, Inc.'s basic financial statements.

The accompanying schedule of operating revenues on page 53 and the accompanying schedule of operating expenses on page 54 are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of operating revenues and schedule of operating expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Board of Directors and Officials on page 55 and the Legal Authority on page 56, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2023 on our consideration of the Mental Health Center of North Central Alabama, Inc.'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 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 Mental Health Center of North Central Alabama Inc.'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 Mental Health Center of North Central Alabama, Inc.'s internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Athens, AL
July 18, 2023

The Mental Health Center of North Central Alabama, Inc. presents its financial statements for the fiscal year ended September 30, 2022. The Center accounts for its transactions in accordance with the pronouncements issued by the Governmental Account Standards Board (GASB).

The Center is classified as a special-purpose government engaged only in business-type activities as outlined in the **Codification of Governmental Accounting and Financial Reporting Standards**, Section Sp20.107. The Center presents its statements as a business-type activity (BTA) under the provision of GASB Statement Nos. 34 and 35. The BTA format includes accounting on an accrual basis and the recording of depreciation. The BTA format also requires presentation of 1) assets and liabilities as current and non-current, 2) revenues and expenses as operating and non-operating, 3) the use of the direct method for statement of cash flows, and 4) a management's discussion and analysis of the financial results.

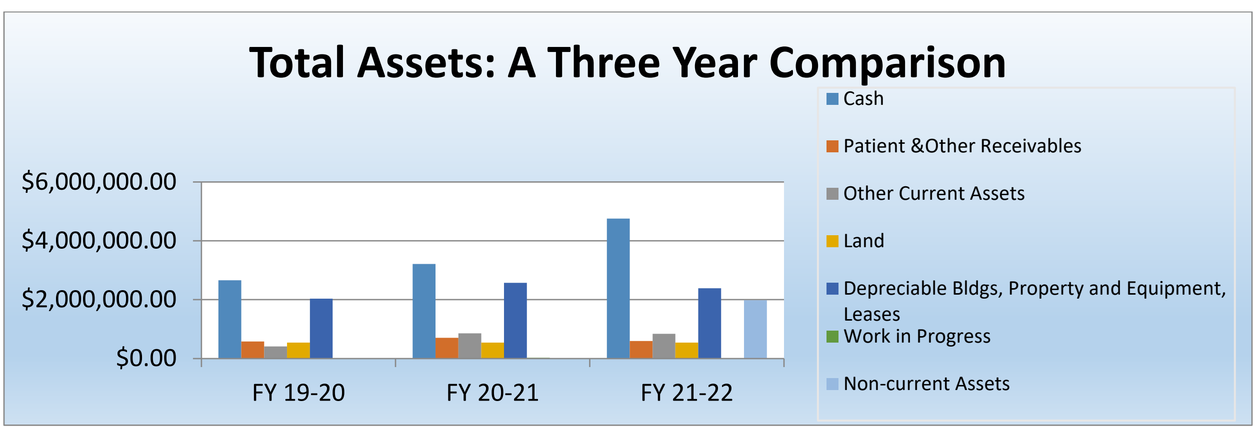
This discussion and analysis is designed to assist the reader in focusing on any significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

FINANCIAL HIGHLIGHTS

Center net position as of September 30, 2022 was $6,542,459. The Center's revenues and capital contributions exceeded expenses by $2,098,214, resulting in a 147.2% increase in Net Position from fiscal year 2021. In fiscal year 20-21, the Center's revenues and capital contributions exceeded expenses by $2,486,890, resulting in a 227.0% increase in Net Position from fiscal year 2020.

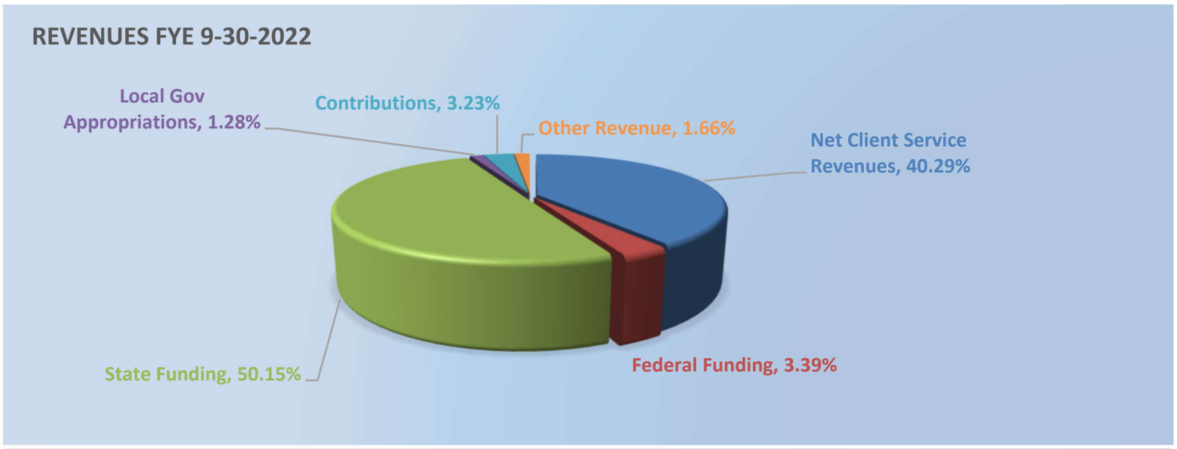
Operational revenues increased from prior year (up 7.26%), while operational expenses were stable with only a slight decrease from prior year (down 0.12%).

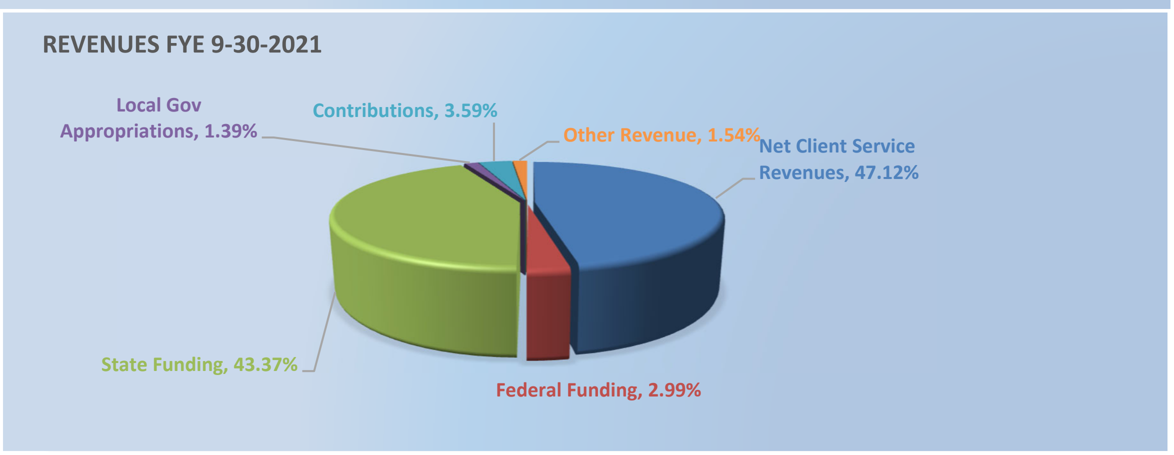
The following graph presents a representation of Total Assets by category for the fiscal years ended September 30, 2022 as compared to fiscal year ended September 30, 2021 and September 30, 2020.



The following charts provide a graphical presentation of the Center's revenue, by category, for fiscal year 2022, as well as fiscal year 2021.

When considering each category as a percentage of revenues for the year, Net Client Service Revenues had a decrease of 6.83%, Federal funding increased by 0.40%, State funding increased by 6.78%, Local Government Appropriations decreased by of 0.11%, Contributions decreased by 0.36%, and Other Revenue had an increase of 0.12%.





USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements prepared in accordance with the Governmental Accounting Standards Board (GASB) Statements No. 34 and 35. One of the most important questions asked about the Center's finances is whether the Center is better or worse off as a result of the year's activities. The statement of net position and the statement of revenues, expenses, and changes in net position report information on the Center and its activities in a way that helps answer this question. These statements present financial information in a form similar to that used by corporations. Examining the Center's net assets is one way to evaluate the Center's financial health. Over time, increases or decreases in net assets are one indicator of whether its financial health is improving or deteriorating.

THE STATEMENT OF NET POSITION

The statement of net position presents the assets, deferred outflows, liabilities, deferred inflows, and net assets of the Center as of the end of the fiscal year. The statement of net position is a point in time financial statement.

The purpose of the statement of net position is to present to the readers of the financial statements a fiscal snapshot of the Mental Health Center of NCA, Inc. The statement of net position presents end-of-year data concerning assets (current, non-current), deferred outflows, liabilities (current, non-current), deferred inflows, and net position (assets and deferred outflows minus liabilities and deferred inflows) and their availability for use by the Center.

From the data presented, readers of the statement of net position are able to determine the assets available to continue the operations of the Center. They are also able to determine how much the Center owes vendors and other entities. Finally, the statement of net position provides a picture of the net position (assets and deferred outflows minus liabilities and deferred inflows) and their availability for use by the Center.

Net position is divided into three major categories. The first category is net investment in capital assets. This represents the Center's equity in property, plant, and equipment, net of related debt. The next net position category is expendable restricted net position. Expendable restricted net position is available for use by the Center, but must be spent for purposes as determined by grantors and external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position. Unrestricted net position is available for use by the Center for any lawful purpose of the Center.

A condensed statement of net position for the Center for the fiscal years ending September 30, 2022 and September 30, 2021 is shown in the following table:

Statement of Net Position
September 30, 2022 & 2021

Assets	2022	2021
Current Assets	$6,189,010	$4,768,340
Non-current Assets	1,979,874	12,351
Capital Assets, Net of Depreciation	2,936,420	3,132,146
Deferred Outflows Related to Pensions	584,191	788,055
Total Assets and Deferred Outflows	11,689,495	8,700,892
Liabilities		
Current Liabilities	1,238,795	1,115,512
Non-current Liabilities	1,576,827	2,281,616
Deferred Inflows Related to Pensions	2,331,414	859,519
Total Liabilities and Deferred Inflows	5,147,036	4,256,647
Net Position		
Net Investment in Capital Assets	1,246,119	1,246,502
Restricted for Debt Service	58,504	53,999
Unrestricted	5,237,836	3,143,744
Total Net Position	$6,542,459	$4,444,245
Increase in Net Position	$2,098,214	$2,486,890

Total Assets and Deferred Outflows for the Center increased 34.35% in 2022. This is a result of an increase in cash and non-current assets.

Current Liabilities increased from prior year (up 11.05%), Non-Current Liabilities decreased 30.89%, while Deferred Inflows Related to Pensions increased (up 171.25%) resulting in an overall increase of 20.92% to Total Liabilities. The increased Current Liabilities was related to funds owed to Contractual Agencies. The decrease in Total Liabilities was primarily a result of an increase in Notes Payable and Net Pension Liability. For a more detailed understanding of the Center's net position, the reader should review the statement of net position and notes to financial statements.

THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The statement of revenues, expenses, and changes in net position presents the revenues earned and expenses incurred during the year on an accrual basis. Activities on this statement are reported as either operating or non-operating. The utilization of capital assets is reflected as depreciation expense, which amortizes the cost of an asset over its estimated useful life.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the Center. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the Center. Non-operating revenues are revenues received for which goods and services are not provided. A condensed statement of revenues, expenses, and changes in net position for the Center is shown in the following table.

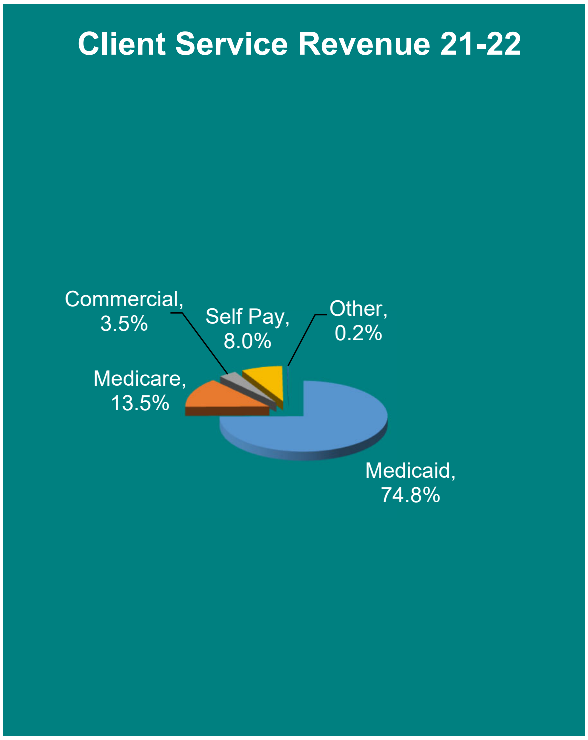
Operating Results For the Years Ended September 30, 2022 & 2021

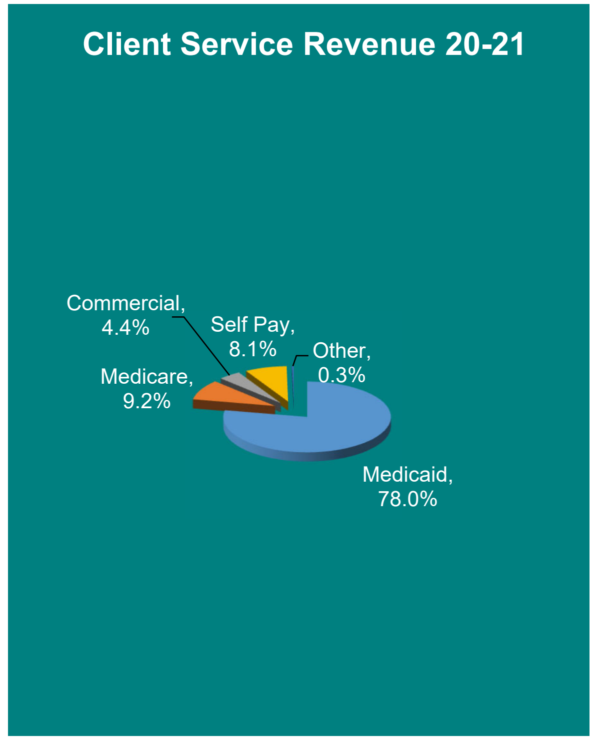
	2022	2021
Operating Revenues	$10,836,348	$10,103,013
Operating Expenses	(8,871,078)	(8,882,016)
Operating Income	1,965,270	1,220,997
Non-operating Revenue (Expense)	132,944	1,265,893
Excess Before Capital Appropriations and Contributions	2,098,214	2,486,890
Capital Appropriations and Contributions	0	0
Increase in Net Position	2,098,214	2,486,890
Net Position, Beginning of Year	4,444,245	1,957,355
Net Position, End of Year	$6,542,459	$4,444,245

The Center realized an increase in net position for the year of $2,098,214, as compared to an increase of $2,486,890 for the preceding year. The Center's operating revenue in FY 21-22 was $10,836,348. For a more detailed understanding of the Center's financial activities, the reader should review the statement of revenues, expenses, and changes in net position and notes to financial statements. Some highlights of Center operations are as follows:

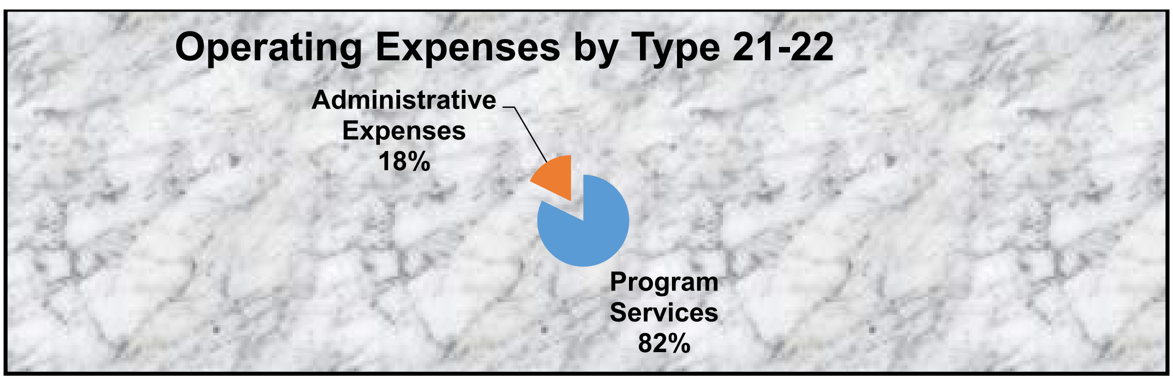
- Client Service Revenue decreased by 8.34% in FY 2022, compared to a 7.13% increase in FY 2021
- State and Federal contract dollars increased by 23.82% compared to a 32.99% increase in FY 2021
- Operating Expenses decreased 0.12% compared to a 7.26% increase in Operating Revenues
- Center staff delivered 78,148 clinical units to 3,466 distinct clients
- Clinical units delivered increased 0.64% in FY 2022 as compared to a 12.54% decrease the previous year
- Clients served decreased 0.55% compared to a 3.2% decrease in the previous period

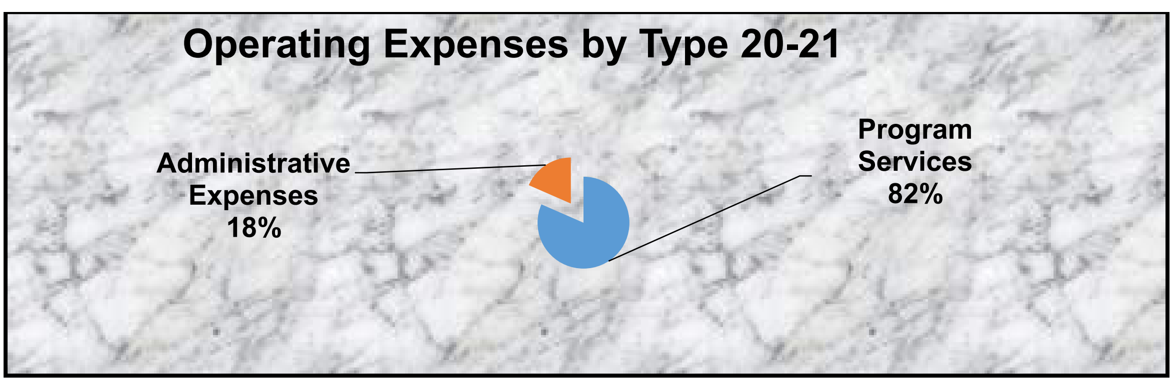
Client Service revenue made up 40.29% of the Center's total operating revenues. Due to this significant composition of the revenue of the Center, additional information is presented in the following charts with a comparison noted to the previous year. Medicare Revenues increased, while Medicaid and Commercial Revenues decreased from FY 2021. Overall Client Service revenues increased by 9.33% over prior year.



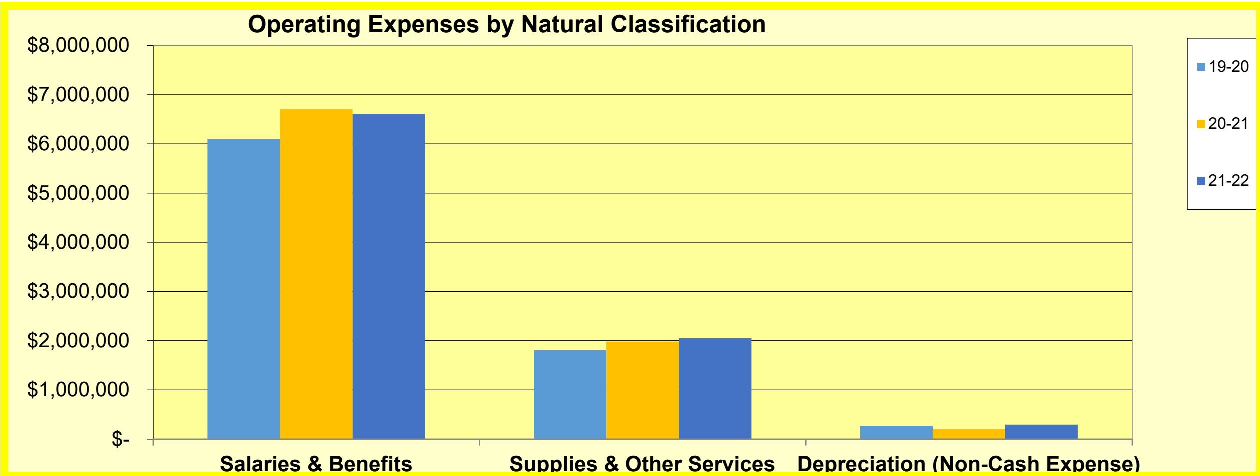


Since operating expenses are one of the most significant items, additional information for the Center is graphically depicted in the following charts. Program and Administrative expenses remained proportionally steady.





The following graph depicts operating expenses by natural classification. Natural classifications are personal services, supplies and other services, and depreciation. Personal services are salaries, wages, and fringe benefits paid to employees. Supplies and other services are the normal maintenance and operations of the Center. Of these operating expenses, Personal Services are by far the largest expense of the Center, as it would be in any service organization.



THE STATEMENT OF CASH FLOWS

Another way to assess the financial health of an institution is to look at the statement of cash flows. The primary purpose of the statement of cash flows is to provide an understanding of the Center's cash activity and its relationships to its various financial activities, operations, and overall changes in cash balances.

The statement of cash flows presents detailed information about the cash activity of the Center during the year. The statement of cash flows also helps users assess an entity's:

- Ability to generate future cash flows.
- Ability to meet obligations as they come due.
- Needs for external financing.

A condensed statement of cash flows for the Center for the fiscal year ended September 30, 2022 and 2021 is shown in the following table:

Cash Flows for the Year

	2021-2022	**2020-2021**
Cash Flows from Operating Activities	$1,708,197	$677,662
Cash Flows from Noncapital Financing Activities	191,137	202,146
Cash Flows from Capital & Related Financing Activities	(379,509)	(378,472)
Cash Flows from Investing Activities	20,418	56,187
Net Increase (Decrease) in Cash and Cash Equivalents	1,540,243	557,523
Cash and Cash Equivalents, Beginning of Year	3,213,343	2,655,820
Cash and Cash Equivalents, End of Year	$4,753,586	$3,213,343

Cash includes petty cash funds, amounts in demand deposits and money market accounts. Cash Equivalents are short-term investments with an original maturity date of three months or less. For a more detailed understanding of the Center's cash activity, see the actual statement of cash flows. This statement is divided into three parts. The first part deals with operating cash flows and shows the net cash provided by the operating activities of the Center. The second section deals with cash flows from capital and related financing activities, such as cash used for the acquisition and construction of capital and related items. The third section reflects the cash flows from investing activities and shows investments purchased and sold and interest received from investing activities, which is followed by a summary of the overall change in cash and cash equivalents for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2022, the Center had $2,403,339 of capital assets, net of accumulated depreciation and $533,081 in Right to Use Leased Assets, net of accumulated depreciation. A summary of capital assets, leased assets and accumulated depreciation at September 30, 2022 and 2021 is shown in the following table.

Net Capital Assets at September 30, 2022 & 2021

Capital Assets	**2022**	**2021**
Land	$539,320	$539,320
Land Improvements	146,860	146,860
Work in Progress	10,064	24,501
Building Improvements	3,891,223	3,884,998
Leasehold Improvements	145,684	140,709
Manufactured Housing	7,417	7,417
Equipment (Vehicles, Furniture)	1,711,081	1,636,968
Total	6,451,649	6,380,773
Less Accumulated Depreciation	4,048,310	3,929,996
Total Capital Assets, Net	**$2,403,339**	**$2,450,777**
Right to Use Lease Assets		
Buildings	564,144	564,144
Equipment	177,294	177,294
Total	741,438	741,438
Less Accumulated Depreciation	208,357	60,069
Total Right to Use Lease Assets, Net	**$533,081**	**$681,369**

Debt
At September 30, 2022, the Center had $1,690,301 in long-term debt and lease liabilities compared to $1,885,644 long-term debt and lease liabilities the prior year. The decrease in debt is the result of principal payments being made on outstanding debts. Additional information about debt and other obligations of the Center are included in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The Foundation for Mental Health in North Central Alabama was incorporated for the sole benefit of the Center. The Foundation completed construction on a $2.4 million dollar office building in January 2004 that houses the Administrative Offices, Options program staff, and the Professional Development Center of the Mental Health Center. The Mental Health Center is a guarantor on the existing debt of this facility. As of September 30, 2022 the outstanding debt on this obligation was $527,375, a reduction of $112,500 from the previous year.

In addition, the economic outlook for the Center is closely tied to that of the State Department of Mental Health (DMH). The Center must be able to provide the required match from a state dollar to bill Medicaid. With Medicaid revenues dependent on the State contract, the Center's reliance on State and State controlled Federal contract dollars creates an economic dependence on state contracts. Revenues tied to these contracts account for 83% of the Center's revenues, which is consistent with the last five fiscal years where the numbers have fluctuated between 79% and 85%.

Over the past several years, there have been multiple external factors that have affected both State and State controlled dollars. The largest factors have been the new dollars funded to community mental health providers as a part of the DMH EPSDT settlement agreement and dollars provided to assist with Workforce Recruitment and Retention. The EPSDT funding is to both increase current children's services and implement new children's programs, while Recruitment and Retention funding has assisted providers in their efforts to combat the workforce shortages attributed to the national pandemic.

In addition, we continue to anticipate changes to our DMH contract. Community Mental Health Centers expect to see DMH contracts changes that will increase ambulatory line item funding, as well as increase funding to target specific services and client populations aimed at keeping the state psychiatric hospital census at acceptable levels, and providing services to persons in the least restrictive setting possible. This, along with national and state recognition that our overall mental health system is underfunded, could potentially result in an increase to our state contract funding stream. We expect DMH to fund a new Crisis Residential Unit with construction expected to begin in FY 2024.

The current overall funding environment seems to be improving from past years where there have been many unknowns. The national pandemic continues to have a definite impact on current revenues, and while it appears to be improving, it has left many industries with workforce shortages which could potentially affect future revenues as well. Management continues its efforts to identify ways to improve hiring and retention practices, improve efficiencies in our workflows, and increase revenues, while also increasing the quality of services provided to our clients.

These financial statements are designed to provide a general overview of the Center and its component unit's financial activities and to demonstrate the Center's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Melanie Reid, The Mental Health Center, 1316 Somerville Road, SE, Suite 1, Decatur, AL 35601.

Mental Health Center of North Central Alabama, Inc.
Statements of Net Position
September 30, 2022 and 2021

Assets	2022	2021
Current Assets		
Cash	$ 4,753,586	$ 3,213,343
Patient Receivables (Net of Allowance for Uncollectible Receivables and Contractual Provision of $203,563 in 2022 and $194,881 in 2021)	595,903	700,046
Federal Block Grant Receivable	7,701	13,437
Other Receivables	798,619	817,577
Prepaid Expenses	33,201	23,937
Total Current Assets	6,189,010	4,768,340
Capital Assets		
Land	539,320	539,320
Depreciable Buildings, Property, and Equipment, Net	1,853,955	1,886,956
Right to Use Assets – Leases, Net	533,081	681,369
Work in Progress	10,064	24,501
Capital Assets, Net	2,936,420	3,132,146
Non-Current Assets		
Net Pension Asset	1,961,654	-
Deposits	18,220	12,351
Total Non-Current Assets	1,979,874	12,351
Total Assets	11,105,304	7,912,837
Deferred Outflows		
Deferred Outflows of Resources Related to Pensions	584,191	788,055
Total Deferred Outflows	584,191	788,055

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

Mental Health Center of North Central Alabama, Inc.
Statements of Net Position
September 30, 2022 and 2021

Liabilities	2022	2021
Current Liabilities		
Accounts Payable	$ 133,298	$ 142,602
Payroll Liabilities	284,432	338,021
Accrued Compensated Absences	306,792	349,102
Accrued Expenses	12,924	13,330
Client Funds Payable	75,230	69,928
Due to Contractual Agencies	225,215	8,547
Current Portion - Notes Payable	64,342	52,632
Current Portion - Lease Liabilities	136,562	141,350
Total Current Liabilities	1,238,795	1,115,512
Non-Current Liabilities		
Accrued Compensated Absences	87,430	99,488
Notes Payable	1,090,807	1,148,605
Lease Liabilities	398,590	543,057
Net Pension Liability	-	490,466
Total Non-Current Liabilities	1,576,827	2,281,616
Total Liabilities	2,815,622	3,397,128
Deferred Inflows		
Deferred Inflows of Resources Related to Pensions	2,331,414	859,519
Total Deferred Inflows	2,331,414	859,519
Net Position		
Net Investment in Capital Assets	1,246,119	1,246,502
Restricted:		
Expendable:		
Debt Service	58,504	53,999
Unrestricted	5,237,836	3,143,744
Total Net Position	$ 6,542,459	$ 4,444,245

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

Foundation for Mental Health in North Central Alabama, Inc.
Discretely Presented Component Unit
Statement of Financial Position (Unaudited)
June 30, 2022

Assets	
Current Assets	
Cash	$ 278,079
Prepaid Expenses	6,342
Total Current Assets	284,421
Property, Plant and Equipment	
Land	817,278
Land Held for Sale	15,400
Building and Improvements	2,677,873
Equipment and Furniture	34,355
Less: Accumulated Depreciation	(1,197,982)
Net Property, Plant and Equipment	2,346,924
Total Assets	$ 2,631,345
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	$ 79,755
Accrued Expenses	9,345
Current Maturities of Long–Term Debt	429,782
Other Current Liabilities	3,256
Total Current Liabilities	522,138
Non–Current Liabilities	
Somerville Place Deposits	7,721
Long-Term Debt	122,937
Total Non–Current Liabilities	130,658
Total Liabilities	652,796
Net Assets	
Without Donor Restrictions	1,955,326
With Donor Restrictions	23,223
Total Net Assets	1,978,549
Total Liabilities and Net Assets	$ 2,631,345

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

Mental Health Center of North Central Alabama, Inc.
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended September 30, 2022 and 2021

	2022	2021
Operating Revenues		
Net Client Service Revenue (Net of Bad Debt of $179,858 in 2022 and $140,424 in 2021)	$ 4,451,154	$ 4,856,069
Federal Block Grant Funding	309,074	308,005
State Grant Funding	5,540,497	4,324,804
Other Grants	65,732	144,689
Contributed Facilities	305,333	306,777
Other Contributions	1,377	4,125
Other Revenue	163,181	158,544
Total Operating Revenues	10,836,348	10,103,013
Operating Expenses		
Administrative Expenses	1,577,571	1,638,652
Program Expenses	7,293,507	7,243,364
Total Operating Expenses	8,871,078	8,882,016
Operating Income	1,965,270	1,220,997
Non-operating Revenues (Expenses)		
County Appropriations	91,000	96,899
Municipal Appropriations	50,149	46,499
United Way Funds	49,988	58,748
Income on Investments	20,418	56,187
Payroll Protection Program Loan Forgiveness	-	1,076,836
Loss on Disposal of Property and Equipment	(10,602)	(525)
Interest Expense	(68,009)	(68,751)
Total Non-operating Revenues, Net	132,944	1,265,893
Increase in Net Position	2,098,214	2,486,890
Net Position – Beginning of Year	4,444,245	1,957,355
Net Position – End of Year	$ 6,542,459	$ 4,444,245

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

Foundation for Mental Health in North Central Alabama, Inc.
Discretely Presented Component Unit
Statement of Activities (Unaudited)
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities			
Revenues and Support:			
Lease Income	$ 207,919	$ -	$ 207,919
Contributions	7,398	9,554	16,952
Fundraising Proceeds	31,643	3,290	34,933
Non-Cash Donations	5,073	-	5,073
Net Assets Released from Restrictions	12,844	(12,844)	-
Total Revenues and Support	264,877	-	264,877
Expenses:			
Program Services	109,308	-	109,308
Management and General	50,469	-	50,469
Fundraising Expenses	25,387	-	25,387
Total Expenses	185,164	-	185,164
Change in Net Assets from Operating	79,713	-	79,713
Nonoperating Activities			
Interest Income	112	-	112
Change in Net Assets from Nonoperating	112	-	112
Change in Net Assets	79,825	-	79,825
Net Assets – Beginning of Year	1,875,501	23,223	1,898,724
Net Assets – End of Year	$ 1,955,326	$ 23,223	$ 1,978,549

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

Mental Health Center of North Central Alabama, Inc.
Statements of Cash Flows
For the Years Ended September 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Cash Received from Clients and Other Funding Sources	$ 10,970,487	$ 9,342,708
Cash Payments to Suppliers and Contractual Agencies	(2,907,781)	(2,414,970)
Cash Payments to Employees for Services	(6,354,509)	(6,250,076)
Net Cash Provided by Operating Activities	1,708,197	677,662
Cash Flows from Noncapital Financing Activities		
County and Municipal Appropriations	141,149	143,398
Donations	49,988	58,748
Net Cash Provided by Noncapital Financing Activities	191,137	202,146
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(123,995)	(107,288)
Proceeds from Disposal of Capital Assets	8,244	6,744
Interest Paid	(68,415)	(57,019)
Repayments on Notes Payable	(46,088)	(179,689)
Payments on Leases Liabilities	(149,255)	(41,220)
Net Cash Used in Capital and Related Financing Activities	(379,509)	(378,472)
Cash Flows from Investing Activities		
Income from Investments	20,418	56,187
Net Cash Provided by Investing Activities	20,418	56,187
Net Increase in Cash and Cash Equivalents	1,540,243	557,523
Cash and Cash Equivalents, Beginning of Year	3,213,343	2,655,820
Cash and Cash Equivalents, End of Year	$ 4,753,586	$ 3,213,343

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

Mental Health Center of North Central Alabama, Inc.
Statements of Cash Flows
For the Years Ended September 30, 2022 and 2021

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

	2022	2021
Operating Income	$ 1,965,270	$ 1,220,997
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	152,587	197,368
Amortization	148,288	43,540
Bad Debt Expense	179,858	140,424
Pension Expense Adjustment	(776,361)	(448,460)
Changes in Operating Assets and Liabilities:		
Patient Receivable	(75,715)	(260,751)
Federal Block Grant Receivable	5,736	(10,600)
Other Receivables	18,958	(711,717)
Prepaid Expenses	(9,264)	6,180
Deposits	(5,869)	(28)
Accounts Payable	(9,304)	40,703
Due to/from Contractual Agencies	216,668	277,981
Payroll Liabilities	(53,589)	164,062
Client Funds Payable	5,302	19,292
Accrued Compensated Absences	(54,368)	(1,329)
Total Adjustments	(257,073)	(543,335)
Net Cash Provided by Operating Activities	$ 1,708,197	$ 677,662

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Center conform to generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the Center are described below.

Nature of the Organization

The Mental Health Center of North Central Alabama, Inc. (the "Center"), formerly the North Central Alabama Mental Health Board, Inc., was incorporated to promote the mental health and general welfare of the people of the North Central Alabama area. This area includes Morgan, Limestone, and Lawrence counties. Although a system of fees has been established for those who are able to pay some or all of the cost of services, the Center does not operate as a for profit entity.

Reporting Entity

The Center follows GASB's Codification, *Determining Whether Certain Organizations are Component Units*. This Statement amends the former GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations for which the Center is not financially accountable should be reported as component units based on the nature and significance of their relationship with the Center.

As defined by generally accepted accounting principles established by the GASB, the financial reporting entity consists of the Center, as well as its component unit, the Foundation for Mental Health in North Central Alabama, Inc. (the "Foundation").

Scope of Statements

The Foundation for Mental Health in North Central Alabama, Inc., was incorporated to benefit the Mental Health Center of North Central Alabama, Inc. The Foundation accepts public donations and private charity for the support of the Center. The Foundation devotes all its income and profits, after paying its expenses, for the benefit of the Center.

Organizations that are legally separate, tax-exempt entities and that meet all of the following criteria should be discretely presented as component units. These criteria are:

> The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
>
> The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.

The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The Foundation meets all of these criteria and accordingly is presented as a discrete component unit of the Center. A copy of the Foundation's unaudited financial statements is available upon request.

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting using governmental accounting standards applicable to an enterprise fund in accordance with GASB's Codification, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting.*

The Center presents its financial statements and required supplementary information (RSI) in accordance with the guidance for special-purpose governments engaged only in business-type activities as outlined in the *Codification of Governmental Accounting and Financial Reporting Standards,* Section Sp20.107. Section Sp20 states that, "Special-purpose governments may be engaged in governmental, business-type, or fiduciary activities. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. These services are usually reported in enterprise funds."

Cash and Cash Equivalents

Cash includes petty cash funds, amounts in demand deposits and money market accounts.

At September 30, 2021 and 2020, the Center's deposits were held by financial institutions in the State of Alabama's Security of Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the ***Code of Alabama 1975***, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits.

In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged failed to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

Receivables

Receivables include amounts due from clients for unpaid patient services and amounts due from third parties. As of September 30, 2022, and 2021, $203,563 and $194,881, respectively, have been reserved as uncollectible patient receivables based upon prior history of uncollected receivables from patient services.

Capital Assets

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Capital assets are shown at cost less accumulated depreciation in the financial statements.

Depreciation is provided on the straight-line basis over the estimated useful lives of the assets ranging from two to forty years. Depreciation expense for the years ended September 30, 2022 and 2021 was $152,587 and $197,368, respectively.

Leases

Lessee – The Center is a lessee for noncancellable leases of buildings and equipment. The Center recognizes a lease liability and an intangible right-to-use lease asset in the statement of net position.

At the commencement of a lease, the Center initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Center determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments:

- The Center uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Center uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the Center is reasonably certain to exercise, if applicable.

The Center monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as right-to-use assets and lease liabilities are reported as lease liabilities on the statement of net position

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Center has one item that qualifies for reporting in this category. That is the deferred outflow of resources related to pensions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Center has one item that qualifies for reporting in this category. That is the deferred inflow of resources related to pensions.

Accrued Compensated Absences

A liability is recorded for annual, sick leave, and paid time off (PTO). For employees hired before January 1, 2017, they can earn up to 12 days of sick leave each year with accumulation limited to 150 days. Upon termination of employment in good standing, employees are paid for one-half of unused sick leave in excess of 30 days. Full-time employees earn from 10 to 20 ¼ days of annual leave each year, depending upon length of employment, with accumulation limited to 30 days. For employees hired after January 1, 2017, they can earn PTO up to 24 days each year, depending upon length of employment, with accumulation limited to 30 days. Payment is made to employees for unused annual leave and PTO at termination or retirement.

Pensions

The Employees' Retirement System of Alabama (the Plan or ERS) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

Operating Revenues and Expenses

The Center's statement of revenues, expenses, and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing mental health services, the Center's principal activity.

Non-exchange revenues, excluding operating grants and contributions, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide mental health services, other than financing costs.

Net Position

Net Position is required to be classified for accounting and reporting purposes into the following categories:

- *Net Investment in Capital Assets* – Capital assets, including restricted capital assets, reduced by accumulated depreciation and by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. Any significant unspent related debt proceeds or inflows of resources at year end related to capital assets are not included in this calculation.

- *Restricted* –
  - *Nonexpendable* – Net Position subject to externally imposed stipulations that they be maintained permanently by the Center.
  - *Expendable* – Net Position whose use by the Center is subject to externally imposed stipulations that can be fulfilled by actions of the Center pursuant to those stipulations or that expire by the passage of time.

- *Unrestricted* – Net Position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted resources may be designated for specific purposes by action of management or the Board.

Statements of Cash Flow

For purposes of the Statements of Cash Flow, the Center considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through July 18, 2023, which was the date the financial statements were available to be issued.

NOTE 2 – CAPITAL ASSETS

Capital assets consist of the following at September 30, 2022:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets being depreciated:					
Land Improvements	$ 146,860	$ -	$ -	$ -	$ 146,860
Buildings & Improvements	3,884,998	6,225	-	-	3,891,223
Equipment	1,636,968	104,424	(53,119)	22,808	1,711,081
Manufactured Housing	7,417	-	-	-	7,417
Leasehold Improvements	140,709	4,975	-	-	145,684
Total capital assets being depreciated	5,816,952	115,624	(53,119)	22,808	5,902,265
Capital assets not being depreciated:					
Land	539,320	-	-	-	539,320
Work in Progress	24,501	8,371	-	(22,808)	10,064
Total capital assets not being depreciated	563,821	8,371	-	(22,808)	549,384
Less accumulated depreciation:					
Land Improvements	80,819	5,984	-	-	86,803
Buildings & Improvements	2,295,322	73,930	-	-	2,369,252
Equipment	1,470,666	65,856	(34,273)	-	1,502,249
Manufactured Housing	4,079	297	-	-	4,376
Leasehold Improvements	79,110	6,520	-	-	85,630
Total capital assets being depreciated	3,929,996	152,587	(34,273)	-	4,048,310
Total capital assets, net	$ 2,450,777	$ (28,592)	$ (18,846)	$ -	$ 2,403,339

Capital assets consist of the following at September 30, 2021:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets being depreciated:					
Land Improvements	$ 146,860	$ -	$ -	$ -	$ 146,860
Buildings & Improvements	3,869,940	15,058	-	-	3,884,998
Equipment	1,606,567	62,282	(37,081)	5,200	1,636,968
Manufactured Housing	22,252	-	(14,835)	-	7,417
Leasehold Improvements	134,919	5,790	-	-	140,709
Total capital assets being depreciated	5,780,538	83,130	(51,916)	5,200	5,816,952
Capital assets not being depreciated:					
Land	539,320	-	-	-	539,320
Work in Progress	5,543	24,158	-	(5,200)	24,501
Total capital assets not being depreciated	544,863	24,158	-	(5,200)	563,821
Less accumulated depreciation:					
Land Improvements	74,001	6,818	-	-	80,819
Buildings & Improvements	2,204,233	91,089	-	-	2,295,322
Equipment	1,415,220	92,527	(37,081)	-	1,470,666
Manufactured Housing	11,348	297	(7,566)	-	4,079
Leasehold Improvements	72,473	6,637	-	-	79,110
Total capital assets being depreciated	3,777,275	197,368	(44,647)	-	3,929,996
Total capital assets, net	$ 2,548,126	$ (90,080)	$ (7,269)	$ -	$ 2,450,777

NOTE 3 – RIGHT TO USE LEASE ASSETS

Right to use lease assets consist of the following at September 30, 2022:

	Beginning Balance	Additions	Decreases	Ending Balance
Buildings	$ 564,144	$ -	$ -	$ 564,144
Equipment	177,294	-	-	177,294
Total	741,438	-	-	741,438
Less Accumulated Amortization	(60,069)	(148,288)	-	(208,357)
Total Capital Assets, Net	$ 681,369	$ (148,288)	$ -	$ 533,081

Right to use lease assets consist of the following at September 30, 2021:

	Beginning Balance	Additions	Decreases	Ending Balance
Buildings	$ -	$ 564,144	$ -	$ 564,144
Equipment	43,120	134,174	-	177,294
Total	43,120	698,318	-	741,438
Less Accumulated Amortization	(16,529)	(43,540)	-	(60,069)
Total Capital Assets, Net	$ 26,591	$ 654,778	$ -	$ 681,369

NOTE 4 – TAX AND CORPORATE STATUS

The Center is exempt from paying income tax under Section 501(c)(3) of the Internal Revenue Code and the Code of Alabama 1975, S22-51-1 through 22-51-14. Accordingly, there is no provision for federal or state income taxes.

NOTE 5 – PENSION

General Information about the Pension Plan

Plan description

The Employees' Retirement System of Alabama (ERS), an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and, on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 15 trustees. Act 390 of the Legislature of 2021 created two additional representatives to the ERS Board of Control Effective October 1, 2021. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 15 trustees as follows:

1) The Governor, ex officio.
2) The State Treasurer, ex officio.
3) The State Personnel Director, ex officio.
4) The State Director of Finance, ex officio.
5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
6) Eight members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
    a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
    b. Two vested active state employees.
    c. One full time employee of a participating municipality or city in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
    d. One full time employee of a participating county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
    e. One full time employee or retiree of a participating employer in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
    f. One full time employee of a participating employer other than a municipality, city or county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

Benefits provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a formula method.

Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation. State Police are allowed 2.375% for each year of State Police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 590 employers adopted Act 2019-132.

Act 316 of the Legislature of 2019 allows employees at the time of retirement to receive a partial lump sum (PLOP) distribution as a single payment not to exceed the sum of 24 months of the maximum monthly retirement allowance the member could receive. This option may be selected in addition to the election of another retirement allowance option at a reduced amount based upon the amount of partial lump sum distribution selected.

The ERS serves approximately 879 local participating employers. The ERS membership includes approximately 104,510 participants. As of September 30, 2021, membership consisted of:

Retirees and beneficiaries currently receiving benefits	29,727
Terminated employees entitled to but not yet receiving benefits	2,130
Terminated employees not entitled to a benefit	16,415
Active Members	56,184
Post-DROP Retired Members Still in Active Service	54
Total	104,510

The breakdown of the employees' specific to the Mental Health Center of North Central Alabama, Inc., are as follows:

Retirees and beneficiaries currently receiving benefits	60
Terminated employees entitled to but not yet receiving benefits	12
Terminated employees not entitled to a benefit	96
Active Members	134
Post-DROP Retired Members Still in Active Service	-
Total	302

Contributions

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation.

Employers participating in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* were not required by statute to increase covered member contribution rates but were provided the opportunity to do so through Act 2011-676. By adopting Act 2011-676, Tier 1 regular members' contribution rates increased from 5% to 7.5% of earnable compensation and Tier 1 certified law enforcement, correctional officers', and firefighters' member contribution rates increased from 6% to 8.5% of earnable compensation.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with additional amounts to finance any unfunded accrued liability, the preretirement death benefit, and administrative expenses of the Plan. For the years ended September 30, 2022 and 2021, the Center's active employee contribution rate was 5% (Tier 1) and 6% (Tier 2) of covered employee payroll. For the year ended September 30, 2022, the Center's average contribution rate to fund the normal and accrued liability costs was 3.57% (Tier 1) and 0.90% (Tier 2) of covered employee payroll. For the year ended September 30, 2021, the Center's average contribution rate to fund the normal and accrued liability costs was 3.77% (Tier 1) and 1.18% (Tier 2) of covered employee payroll.

The Center's contractually required contribution rate for the year ended September 30, 2022 was 3.94% of pensionable pay for Tier 1 employees, and 1.27% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2019, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability.

The Center's contractually required contribution rate for the year ended September 30, 2021 was 4.14% of pensionable pay for Tier 1 employees, and 1.55% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2018, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Center were $97,385 and $130,380 for the years ended September 30, 2022 and 2021, respectively.

Net Pension Liability

The Center's net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2020, rolled forward to September 30, 2021, using standard roll-forward techniques as shown in the following table:

	Expected	Actual Before Act 2019-132	Actual After Act 2019-132	Actual After 2020 Experience Study
(a) TPL as of September 30, 2020	$ 18,057,141	$ 17,579,227	$ 17,579,227	$ 18,125,302
(b) Discount Rate	7.70%	7.70%	7.70%	7.45%
(c) Entry Age Normal Cost for the period October 1, 2020 - September 30, 2021	385,248	385,248	385,248	422,255
(d) Transfers Among Employers	-	17,546	17,546	17,546
(e) Actual Benefit Payments and Refunds for the period October 1, 2020 - September 30, 2021	(1,018,816)	(1,018,816)	(1,018,816)	(1,018,816)
(f) TPL as of September 30, 2021 =[(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5 x (b))]	$ 18,774,748	$ 18,277,582	$ 18,277,582	$ 18,858,671
(g) Difference between Expected and Actual:	-	$ (497,166)	-	-
(h) Less Liability Transferred for Immediate Recognition:	-	17,546	-	-
(i) Difference between Expected and Actual - Experience (Gain)/Loss	-	$ (514,712)	-	-
(j) Difference between Actual TPL Before and After Act 2019-132 – Benefit Change	-	-	-	-
(k) Difference between Actual TPL Before and After Act 2020 Experience Study - Assumption	-	-	-	-
(Gain)/Loss	-	-	-	$ 581,089

Actuarial assumptions

The total pension liability as of September 30, 2021 and 2020, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2020 and 2019, respectively. The key actuarial assumptions are summarized below:

Inflation	2.50% (2020) and 2.75% (2019)
Salary increases	3.25% - 6.00% (2020) and 5.00% (2019)
Investment rate of return*	7.45% (2020) and 7.70% (2019)

**Net of pension plan investment expense, including inflation*

Mortality rates were based on the Pub-2010 Below-Median Tables, projected generationally using the MP-2020 scale, which is adjusted by 66-2/3% beginning with year 2019:

Group	Membership Table	Set Forward (+)/ Setback (-)	Adjustment to Rates
Non-FLC Service Retirees	General Healthy Below Median	Male: +2, Female: +2	Male: 90% ages < 65, 96% ages >= 65 Female: 96% all ages
FLC/State Police Service Retirees	Public Safety Healthy Below Median	Male: +1, Female: none	None
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: +2	None
Non-FLC Disabled Retirees	General Disability	Male: +7, Female: +3	None
FLC/State Police Disabled Retirees	Public Safety Disability	Male: +7, Female: none	None

The actuarial assumptions used in the September 30, 2020 valuation were based on the results of an actuarial experience study for the period October 1, 2015 – September 30, 2020.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	15.00%	2.80%
US Large Stocks	32.00%	8.00%
US Mid Stocks	9.00%	10.00%
US Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	9.00%
Real Estate	10.00%	6.50%
Cash Equivalents	5.00%	1.50%
Total	100.00%	

**Includes assumed rate of inflation of 2.00%.*

Discount rate

The discount rate used to measure the total pension liability at September 30, 2022 and 2021 were the long term rates of return, 7.45% and 7.70%, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at September 30, 2019	$ 17,547,323	$ 17,147,117	$ 400,206
Changes for the year:			
Service cost	405,556	-	405,556
Interest	1,313,148	-	1,313,148
Changes of assumptions	-	-	-
Difference between expected and actual experience	(242,380)	-	(242,380)
Contributions - employer	-	154,141	(154,141)
Contributions - employee	-	267,652	(267,652)
Net investment income	-	964,271	(964,271)
Benefits paid and refunds of employee contributions	(986,911)	(986,911)	-
Administrative expense	-	-	-
Transfers Among Employers	20,405	20,405	-
Balances at September 30, 2020	$ 18,057,141	$ 17,566,675	$ 490,466
Changes for the year:			
Service cost	385,248	-	385,248
Interest	1,351,175	-	1,351,175
Changes of assumptions	581,089	-	581,089
Difference between expected and actual experience	(514,712)	-	(514,712)
Contributions - employer	-	137,707	(137,707)
Contributions - employee	-	280,950	(280,950)
Net investment income	-	3,836,263	(3,836,263)
Benefits paid and refunds of employee contributions	(1,018,816)	(1,018,816)	-
Administrative expense	-	-	-
Transfers Among Employers	17,546	17,546	-
Net changes	801,530	3,253,650	(2,452,120)
Balances at September 30, 2021	$ 18,858,671	$ 20,820,325	$ (1,961,654)

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following table presents the Center's net pension asset calculated using the discount rate of 7.45%, as well as what the Center's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.45%) or 1- percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
2022 Plan's Net Pension Liability (Asset)	$ 77,810	($1,961,654)	($3,685,947)

The following table presents the Center's net pension liability calculated using the discount rate of 7.70%, as well as what the Center's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1- percentage-point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
2021 Plan's Net Pension Liability (Asset)	$ 2,399,511	$ 490,466	($1,128,148)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2021. The auditor's report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended September 30, 2022 and 2021, the Center recognized pension expense (income) of ($671,649) and ($318,805), respectively calculated as follows:

	2022	2021
Service Cost	$ 385,248	$ 405,556
Interest on the Total Pension Liability	1,351,175	1,313,148
Current-period benefit changes	-	-
Expensed Portion of Current Period Difference Between Expected & Actual Experience in the Total Pension Liability	(109,513)	(56,367)
Expensed Portion of Current-Period Changes of Assumptions	123,636	-
Member Contributions	(280,950)	(267,652)
Projected Earnings on Plan Investments	(1,330,203)	(1,299,357)
Expensed Portion of Current-Period Differences Between Actual and Projected Earnings on Plan Investments	(501,212)	67,017
Transfers Among Employers	-	-
Recognition of Beginning Deferred Outflows of Resources as Pension Expense	126,501	(147)
Recognition of Beginning Deferred Inflows of Resources as Pension Expense	(436,331)	(481,003)
Pension Expense (Income)	$ (671,649)	$ (318,805)

At September 30, 2022, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ 828,387
Changes of Assumptions	486,806	-
Net Difference Between Projected and Actual Earnings on Earnings on Pension Plan Investments	-	1,503,027
Employer Contributions Subsequent to the Measurement Date	97,385	-
Total	$ 584,191	$ 2,331,414

At September 30, 2021, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ 859,519
Changes of Assumptions	110,921	-
Net Difference Between Projected and Actual Earnings on Earnings on Pension Plan Investments	546,754	-
Employer Contributions Subsequent to the Measurement Date	130,380	-
Total	$ 788,055	$ 859,519

The $97,385 and $130,380 reported as deferred outflows of resources related to pensions at September 30, 2022 and 2021, respectively, resulting from the Center's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2023 ($97,385) and 2022 ($130,380).

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended September 30,	
2023	$ (551,302)
2024	(359,393)
2025	(442,586)
2026	(491,327)
2027	-
Thereafter	-
Total	$(1,844,608)

NOTE 6 – ACCRUED COMPENSATED ABSENCES

A liability is recorded for the accumulated unpaid annual, sick leave, and paid time off (PTO). The total liability at September 30, 2022 and 2021 is $394,222 and $448,590, respectively.

NOTE 7 – LONG-TERM DEBT

A schedule of changes in the Center's direct borrowings and lease liabilities for the year ended September 30, 2022 is as follows:

	Balance 10/01/2021	Additions	Payments	Balance 9/30/2022
Direct Borrowings:				
Note Payable – Cadence Bank	$ 432,111	$ -	$ (29,627)	$ 402,484
Note Payable – USDA	769,126	-	(16,461)	752,665
Lease liabilities	684,407	-	(149,255)	535,152
	1,885,644	-	(195,343)	1,690,301
Less current portion	193,982			200,904
Total long-term debt	$ 1,691,662			$ 1,489,397

A schedule of changes in the Center's direct borrowings and lease liabilities for the year ended September 30, 2021 is as follows:

	Balance 10/01/2020	Additions	Payments	Balance 9/30/2021
Direct Borrowings:				
Note Payable – Renasant Bank	$ 118,680	$ -	$ (118,680)	$ -
Note Payable – Cadence Bank	453,670	-	(21,559)	432,111
Note Payable – Regions	21,103	-	(21,103)	-
Note Payable – USDA	787,473	-	(18,347)	769,126
Lease liabilities	27,309	698,318	(41,220)	684,407
	1,408,235	698,318	(220,909)	1,885,644
Less current portion	613,142			193,982
Total long-term debt	$ 795,093			$ 1,691,662

Direct Borrowings

The Center had a note payable agreement with Renasant Bank bearing interest at 4.95% and called for monthly principal and interest payments of $1,995. The note was secured by real estate and matured in June 2021.

The Center had a note payable agreement with Cadence Bank bearing interest at 4.75% and calling for monthly principal and interest payments of $3,319. During the year ended September 30, 2015, the balance on this note of $258,828 was consolidated with a new construction loan for a total principal amount of $577,456. This loan currently bears interest at 3.29% and calls for monthly principal and interest payments of $3,499. The new construction loan is a future advance mortgage and is secured by real estate. During the year ended September 30, 2017, the Center received $214,436 in associated loan proceeds. The loan matures in October 2031. At September 30, 2022 and 2021, the balance due on this note was $402,484 and $432,111, respectively.

During the year ended September 30, 2014 the Center obtained a note payable with a principal amount of $855,062 through the United States Department of Agriculture to finance the construction of the MLCC Annex, a day treatment facility. The note incurs interest at 3.375%. The note calls for annual interest only payments until April 16, 2017, then calls for annual principal and interest payments of $44,924, with remaining principal and interest due April 16, 2054. The note is secured by a pledge of revenue and a lien on the MLCC Annex facility. At September 30, 2022 and 2021, the balance due on this note was $752,665 and $769,126, respectively.

During the year ended September 30, 2017 the Center obtained a note payable with a principal amount of $63,920 through Regions Bank to finance the purchase of a residential facility. The note incurred interest at 5.60%. This loan called for monthly principal and interest payments of $1,226 through maturity. Although this loan was set to mature in March 2022, the Mental Health Center paid the full outstanding balance in August 2021. This note was a future advance mortgage and was secured by the residential facility.

Lease Liabilities

In July 2021, the Center entered into a five year lease agreement as lessee with a related party, Foundation for Mental Health in North Central Alabama, Inc., as lessee for the use of a building. An initial lease liability was recorded in the amount of $56,697. As of September 30, 2022 and 2021, the value of the lease liability was $43,116 and $54,013, respectively. The Center is required to make monthly principal and interest payments in the amount of $1,000. The lease has an interest rate of 2.25%. The building has a five year estimated useful life and the value of the right to use asset as of the end of September 30, 2022 and 2021 was $56,697, respectively, and had accumulated amortization of $14,175 and $2,835 as of September 30, 2022 and 2021, respectively.

In July 2021, the Center entered into a five year lease agreement as lessee with a related party, Foundation for Mental Health in North Central Alabama, Inc., as lessee for the use of a building. An initial lease liability was recorded in the amount of $453,583. As of September 30, 2022 and 2021, the value of the lease liability was $344,921 and $432,094, respectively. The Center is required to make monthly principal and interest payments in the amount of $8,000. The lease has an interest rate of 2.25%. The building has a five year estimated useful life and the value of the right to use asset as of the end of September 30, 2022 and 2021 was $453,583, respectively, and had accumulated amortization of $113,396 and $22,679 as of September 30, 2022 and 2021, respectively.

In July 2021, the Center entered into a five year lease agreement as lessee with a related party, Foundation for Mental Health in North Central Alabama, Inc., as lessee for the use of a building. An initial lease liability was recorded in the amount of $53,863. As of September 30, 2022 and 2021, the value of the lease liability was $40,959 and $51,311, respectively. The Center is required to make monthly principal and interest payments in the amount of $950. The lease has an interest rate of 2.25%. The building has a five year estimated useful life and the value of the right to use asset as of the end of September 30, 2022 and 2021 was $53,863, respectively, and had accumulated amortization of $13,465 and $2,693 as of September 30, 2022 and 2021, respectively.

In July 2021, the Center entered into a five year lease agreement as lessee for the use of various copier and printer equipment. An initial lease liability was recorded in the amount of $134,175. As of September 30, 2022 and 2021, the value of the lease liability was $103,999 and $128,304, respectively. The Center is required to make monthly principal and interest payments in the amount of $2,563. The lease has an interest rate of 5.50%. The equipment has a five year estimated useful life and the value of the right to use asset as of the end of September 30, 2022 and 2021 was $134,175, respectively, and had accumulated amortization of $33,544 and $6,709 as of September 30, 2022 and 2021, respectively.

In September 2014, the Center entered into a lease agreement for a telephone system. Under the terms of this lease, the Center will pay monthly payments of $1,238 for 60 months. The Center has an option to purchase the system for $1 at the end of the lease term. During the year ended September 30, 2015, the capital lease agreement was amended resulting in an increase of $1,776 in the total obligation. The monthly payment under the amended capital lease agreement was $1,267 and the term of the lease did not change. In November 2018, The Center did a partial disposal and upgrade to the phone system. Under the new amendment, The Center will pay monthly payments of $719 for 60 months. An initial lease liability was recorded in the amount of $43,120. As of September 30, 2022 and 2021, the value of the lease liability was $10,832 and $18,685, respectively. The lease has an interest rate of 5.50%. The equipment has a five year estimated useful life and the value of the right to use asset as of the end of the September 30, 2022 and 2021 was $43,120, respectively, and had accumulated amortization of $33,777 and $25,153 as of September 30, 2022 and 2021, respectively.

Interest incurred and charged to expense totaled $68,009 and $68,751 as of September 30, 2022 and 2021, respectively.

At September 30, 2022, scheduled principal and interest repayments on direct borrowings and lease liabilities are as follows:

Year Ending September 30,	Direct Borrowings		Lease Liabilities	
	Principal	Interest	Principal	Interest
2023	$ 64,342	$ 37,938	$ 136,562	$ 13,920
2024	59,458	36,023	141,969	9,633
2025	61,501	33,980	144,639	5,515
2026	63,582	31,899	111,982	1,354
2027	65,733	29,748	-	-
2028-2032	316,550	114,512	-	-
2033-2037	146,159	78,461	-	-
2038-2042	172,546	52,074	-	-
2043-2047	205,278	20,925	-	-
Total	$ 1,155,149	$ 435,560	$ 535,152	$ 30,422

NOTE 8 – STATE OF ALABAMA, MENTAL HEALTH CENTER

The Center entered into a lease agreement with the State of Alabama whereby the Center leases the property on which the Mental Health Center is located. The property is leased for an annual fee of $1 with the provision that the property will be used for the purpose of providing a full range of services of a comprehensive mental health center for residents within its defined geographical region. The lease was entered into on February 21, 1974, and is to continue for 99 years, provided the property is used for the purpose stated above. During the year ended September 30, 1991, the State of Alabama Mental Health Finance Authority, through 1988 Bond issue monies, funded the addition of the new wing of the Mental Health Center building at a cost of $500,092.

During the fiscal year ended September 30, 1998, a residential facility was constructed on the grounds of the leased property. The construction of the facility was coordinated by the Department of Mental Health and was financed through Phase II of the Mental Health Finance Authority bond project. The total cost of the construction was $360,719. According to the terms of the land lease described above, the Center retains any interest and any improvements to or construction on the leased premises.

The construction costs of the projects described above total $860,811 and have been recorded in capital assets. Due to the nominal amount of the lease payments required under the lease, no amounts have been recorded in the accompanying financial statements to recognize the related liability.

NOTE 9 – RELATED PARTY TRANSACTIONS

The Foundation for Mental Health in North Central Alabama, Inc. (the "Foundation"), was incorporated to benefit the Center. The Foundation accepts public donations and private charity for the support of the Center. The Foundation devotes all its income and profits, after paying its expenses, for the benefit of the Center. The Foundation is a discrete component unit of the Center. A summary of the transactions between the Foundation and the Center is as follows:

In January 2002, the Foundation acquired land on Somerville Road in Decatur, Alabama. A portion of the land was purchased and the Mental Health Board of North Central Alabama, Inc. donated the remaining portion. During the year ended September 30, 2004, the Foundation completed construction of a building on the land that is used as administrative offices as well as rental space for the Center.

The Center has entered into three lease agreements with the Foundation during the year ended September 30, 2021. Lease payments made under these agreements totaled $111,600 during the years ended September 30, 2022 and 2021.

During the year ended September 30, 2021, the Center had $47,436 in receivables from the Foundation, which were included in other receivables on the statements of net position. During the year ended September 30, 2022, the Center did not have any receivables from the Foundation.

On August 29, 2003, the Mental Health Authority of Morgan County issued bonds totaling $1,859,000 (tax-exempt) and $541,000 (taxable) to finance the remaining cost of the building construction and to pay off the construction loan. The Foundation and the Mental Health Center of North Central Alabama, Inc. guarantee these bonds. The Foundation holds title to the property and is responsible for making the repayments on the bonds. The Center leases the majority of the space from the Foundation.

NOTE 10 – RISK MANAGEMENT

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Center carries commercial insurance for all risks of loss, including worker's compensation, employees' health and accident insurance, professional liability, and comprehensive general liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage for the years ending September 30, 2022 and 2021. Management is of the opinion that none of the current claims would exceed this coverage. Therefore, no provision for any such losses has been recorded in the accompanying financial statements.

NOTE 11 – ECONOMIC DEPENDENCY

The Center receives a significant amount of its revenues under its contracts to provide mental health services with the State of Alabama Department of Mental Health and Mental Retardation. Funds received under these contracts include Medicaid and federal block grant funds. The total operating revenues received, or accrued under these contracts, for the fiscal years ended September 30, 2022 and 2021, were $9,680,500 and $8,463,738 or 89% and 84% of total operating revenues in each year, respectively.

NOTE 12 – DISCRETE COMPONENT UNIT NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

The Foundation for Mental Health in North Central Alabama, Inc., (the Foundation) was incorporated to benefit the Mental Health Center of North Central Alabama, Inc., (the Center). The Foundation accepts public donations and private charity for the support of the Center. The Foundation devotes all its income and profits, after paying its expenses, for the benefit of the Center. The Foundation is a component unit of the Center.

Since 1985 the Foundation for Mental Health has worked diligently to support services provided by the Mental Health Center of North Central Alabama. Through direct requests, fundraising events, program development, grant writing and other activities the Foundation has been able to support activities of the Mental Health Center such as treatment, housing, transportation, and numerous other services. Thousands of children and adults have directly benefited from the Foundation's efforts.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting. All financial transactions have been recorded and reported as either with or without donor restrictions based on the existence or absence of donor imposed restrictions.

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the Guide). ASC 958-205 was effective January 1, 2018. Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, the net assets of the Foundation and changes therein are classified as follows:

- *Net Assets without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation.

- *Net Assets with Donor Restrictions* – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Net assets released from restrictions represent expenses incurred during the year that satisfy the restricted purpose.

Use of Estimates

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

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Foundation considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2022.

Cash balances are maintained by two financial institutions. Balances may exceed insured amounts from time to time. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances.

Property, Plant and Equipment

Property, plant and equipment is stated at cost or, if donated, at the approximate fair market value at the date of donation. The cost of property, plant, and equipment in excess of $1,000 is capitalized. Additions, improvements or expenditures for repairs and maintenance that significantly add to the productivity or extend the economic life of the assets are capitalized. At the time items are retired or sold, the applicable cost and accumulated depreciation are removed from the accounts and the difference, net of proceeds, is charged or credited to operations. Expenses for repairs and maintenance are charged to operations as incurred.

Depreciation of property, plant and equipment is provided using the straight-line method over the estimated useful lives of the assets ranging from five to forty-five years.

In the absence of donor-imposed restrictions on the use of donated property, plant and equipment, the Foundation has adopted a policy of reporting these donations as unrestricted support.

Impairment of Long-Lived Assets

The Foundation reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment losses have been recognized during the year ended June 30, 2022.

Revenue Recognition

Substantially all revenues are derived from the leasing of various properties as further described in Note C below. The Foundation follows FASB's *Lease* presentation and disclosure guidance for revenue recognition of its rental agreements. Each tenant enters into a rental agreement, which are generally multi-year. Rental revenues are recorded under the straight-line method over the lease terms, and are recognized when the rent is due monthly.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions to be received after one year are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivables is provided based upon management's judgment.

Concentration of Risk

Financial instruments which subject the Foundation to concentrations of credit risk consist principally of cash. The Foundation maintains its cash in accounts with high quality, federally insured banks.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Income Taxes

The Foundation is exempt from paying tax under Section 501(c)(3) of the Internal Revenue Code and the Code of Alabama 1975, Section 10-3A-1 except on net income derived from unrelated business activities. The Foundation had no unrelated business activities that are subject to taxes. Accordingly, there is no provision for federal or state income taxes. The Foundation is a non-private, non-profit corporation. The Foundation's Federal Exempt Organization Business Income Tax Returns are subject to examination by the IRS, generally for three years after they were filed.

B. CASH

Cash includes amounts in demand deposit accounts. The Foundation maintains its cash balances with one financial institution. At June 30, 2022, the carrying amount of the Foundation's deposits was $278,079, of which $28,079 was in excess of the FDIC insurable limit.

C. LEASES

On September 1, 2000, the Foundation entered into a lease agreement with the Center. The Center agreed to rent a commercial building located in Moulton, Alabama, to be used to house the Lawrence County Counseling Center. The original term of the lease was for a period of ten years, commencing on September 1, 2000, and ending on October 1, 2010. The Center agreed to pay $2,544 per month for a period of ten years. On March 18, 2004, this lease amount was renegotiated and the lease payments were reduced to $875. The Center had the right to extend the term of this lease for an additional period of one year and then a month to month agreement became effective. As of June 30, 2022, the month to month agreement is still in effect. The cost of land and construction of this building was $175,088. The accumulated depreciation on this building was $122,625 at year end.

In January 2002, the Foundation acquired land on Somerville Road in Decatur, Alabama. A portion of the land was purchased and the Mental Health Board of North Central Alabama, Inc. donated the remaining portion. The Foundation constructed a building on the land to be used as administrative offices as well as rental space.

On August 29, 2003, the Mental Health Authority of Morgan County issued bonds to finance the remaining cost of the building construction and to pay off the construction loan.

The Foundation and the Mental Health Center of North Central Alabama, Inc. guarantee these bonds. The Foundation will hold title to the property and is responsible for making the repayments on the bonds. On August 29, 2003, the Foundation entered into a lease agreement with the Center. The Center agreed to lease the new building, known as Somerville Place, until March 1, 2024. The amount of the lease payments required is equal to the debt service due on the related bonds minus amounts collected from other tenants. During the year ended June 30, 2022, the Foundation recognized $111,600 in lease income from the Center. As of June 30, 2022, the Foundation had one tenant, whose lease is currently on a month to month basis, from whom the Foundation receives $1,991 in monthly base rent.

Additionally, there were two tenants that signed lease agreements during the year ending June 30, 2015. The first entered into a lease agreement with the Foundation dated April 30, 2015, from whom the Foundation will receive $2,307 in monthly base rent through May 31, 2023. The second entered into a lease agreement with the Foundation dated June 15, 2015, from whom the Foundation will received $1,370 on a month to month basis. This lease was renewed on December 1, 2018 with a monthly base rent of $1,398 through June 15, 2023. The cost of the land and the building was $2,775,765. The accumulated depreciation on this building was $967,446 at year end.

On February 1, 2002, the Foundation entered into a lease agreement with the Center. The Center agreed to rent a commercial building located in Decatur, Alabama, to be used to house the Albany Clinic. The original term of this lease was for a period of ten years, commencing on February 1, 2002, and ending on March 1, 2012. The Center agreed to pay $925 per month for a period of ten years. The Center had the right to extend the term of this lease for an additional period of one year and then a month to month agreement became effective. As of June 30, 2022, the month to month agreement is still in effect. The property was donated to the Foundation and had an appraised value of $485,076 at the time of donation, that included land with an appraised value of $322,000. The accumulated depreciation on this building was $73,556 at year end.

Future minimum lease income under the non-cancelable portion of the leases to be received over the next five years is as follows:

Year Ending June 30,	
2023	$ 155,552
2024	90,900
2025	23,400
2026	23,400
Thereafter	-
	$ 293,252

D. LONG-TERM DEBT

On August 29, 2003 the Mental Health Authority of Morgan County issued $1,859,000 in tax–exempt revenue bonds and $541,000 in taxable revenue bonds to finance the construction of Somerville Place. The Foundation, along with the Center, guarantees these bonds.

The Foundation is responsible for the debt service on the bonds and has a mortgage with the bondholder, Regions Bank. The mortgage is secured by the Somerville Place building and land which have a net carrying amount of $1,808,319 at June 30, 2022. Payments on the debt service are made monthly.

Principal payments vary dependent on the bond redemption schedule. Interest payments vary and are based on LIBOR. In December 2010, the Foundation paid off the taxable revenue bond. As of June 30, 2022, the face amount of the tax-exempt revenue bonds was $555,500 and the interest rate was 1.826%.

As of June 30, 2022, the Foundation's long-term debt consisted of tax-exempt revenue bonds totaling $552,719, net of unamortized issuance costs of $2,781. The bonds are scheduled to mature on March 1, 2024.

Bond Redemption Schedule for the tax-exempt revenue bonds is as follows:

Year	Principal	Issuance Costs	Total
2023	$ 432,168	$ 2,386	$ 429,782
2024	123,332	395	122,937
Total	$ 555,500	$ 2,781	$ 552,719

In prior years the Foundation had reported debt issuance costs as a deferred charge in the statement of financial position and amortization of such costs in the statement of activities as amortization. To comply with new GAAP presentation requirements, in 2017 the Foundation began reporting such costs as a direct deduction from the face amount of the related debt. The change did not affect net assets.

Similarly, the Foundation reports amortization of debt issuance costs ($2,386 in 2022) as interest expense.

E. DONATED SERVICES

The Foundation receives donated services from the Center's employees. The fair market value for these services has been recognized under Generally Accepted Accounting Principles. During the year ending June 30, 2022, the total value of these services was $5,073 which is included in the statement of activities as both non–cash donations and professional services expense.

F. RELATED PARTY

In addition to the lease income discussed in Note C above and the donated services discussed in Note E above, the Foundation also made various payments during the year to the Mental Health Center of North Central Alabama, Inc., of which it is a component unit, for the reimbursement of Foundation payroll, payroll taxes and related payroll benefits as well as other expenses. At June 30, 2022, the Foundation owes the Center $72,159, which is included in accounts payable on the statement of financial position.

REQUIRED SUPPLEMENTAL INFORMATION

Mental Health Center of North Central Alabama, Inc.
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios (Unaudited)

	For the Measurement Period Ended September 30, 2021	For the Measurement Period Ended September 30, 2020	For the Measurement Period Ended September 30, 2019	For the Measurement Period Ended September 30, 2018	For the Measurement Period Ended September 30, 2017	For the Measurement Period Ended September 30, 2016
Total pension liability						
Service cost	$ 385,248	$ 405,556	$ 375,715	$ 393,930	$ 424,623	$ 483,164
Interest	1,351,175	1,313,148	1,283,248	1,242,657	1,277,041	1,263,434
Changes of assumptions	581,089	-	-	88,051	-	398,098
Differences between expected and actual experience	(514,712)	(242,380)	(285,803)	(107,666)	(1,116,660)	(659,296)
Transfers among employers	17,546	20,405	27,315	(3,224)	(125,986)	21,596
Benefit payments, including refunds of employee contributions	(1,018,816)	(986,911)	(1,037,410)	(927,537)	(877,838)	(766,105)
Net change in total pension liability	801,530	509,818	363,065	686,211	(418,820)	740,891
Total pension liability – beginning	18,057,141	17,547,323	17,184,258	16,498,047	16,916,867	16,175,976
Total pension liability – ending (a)	$ 18,858,671	$ 18,057,141	$ 17,547,323	$ 17,184,258	$ 16,498,047	$ 16,916,867
Plan fiduciary net position						
Contributions – employer	$ 137,707	$ 154,141	$ 163,444	$ 203,339	$ 236,342	$ 260,024
Contributions – employee	280,950	267,652	258,232	245,224	255,717	258,665
Net investment income	3,836,263	964,271	436,647	1,485,773	1,878,677	1,390,243
Benefit payments, including refunds of employee contributions	(1,018,816)	(986,911)	(1,037,410)	(927,537)	(877,838)	(766,105)
Transfers among employers	17,546	20,405	27,315	(3,224)	(125,986)	21,596
Net change in plan fiduciary net position	3,253,650	419,558	(151,772)	1,003,575	1,366,912	1,164,423
Plan fiduciary net position – beginning	17,566,675	17,147,117	17,298,889	16,295,314	14,928,402	13,763,979
Plan fiduciary net position – ending (b)	20,820,325	17,566,675	17,147,117	17,298,889	16,295,314	14,928,402
Net pension liability (asset) ending (a) – (b)	$ (1,961,654)	$ 490,466	$ 400,206	$ (114,631)	$ 202,733	$ 1,988,465
Plan fiduciary net position as a percentage of the total pension liability (asset)	110.40%	97.28%	97.72%	100.67%	98.77%	88.25%
Covered-employee payroll	$ 5,327,098	$ 5,148,447	$ 4,884,649	$ 3,879,163	$ 4,837,031	$ 4,869,567
Net pension liability (asset) as a percentage of covered- employee payroll	-36.82%	9.53%	8.19%	-2.96%	4.19%	40.83%

Notes to the Schedule of Changes in the Net Pension Liability and Related Ratios

This schedule presents only six years of information, rather than ten years, as only six years of trend information are available.

Schedule of Employer Contributions

	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	$ 97,385	$ 130,380	$ 154,866	$ 160,485	$ 206,058	$ 237,345
Contributions in relation to the actuarially determined contribution	97,385	130,380	154,866	160,485	206,058	237,345
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$5,686,994	$5,327,098	$5,148,447	$4,884,649	$3,879,163	$4,837,031
Contributions as a percentage of covered- employee payroll	1.71%	2.45%	3.01%	3.29%	5.31%	4.91%

Notes to the Schedule of Employer Contributions

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2022 were based on the September 30, 2019 actuarial valuation date.

Methods and assumptions used to determine contribution rates for the period October 1, 2021 to September 30, 2022:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	N/A years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25 – 5.00%, including inflation
Investment rate of return	7.70%, net of pension plan investment expense, including inflation

Other Information

This schedule presents only six years of information, rather than ten years, as only six years of trend information are available.

SUPPLEMENTAL INFORMATION

Mental Health Center of North Central Alabama, Inc.
Schedule of Operating Revenues
For the Year Ended September 30, 2022

	Federal Government	State Government	Fees	Other
Net Client Service Revenue	$ -	$ -	$ 4,451,154	$ -
Federal Block Grant Funding	309,074	-	-	-
Other Grants	65,732	-	-	-
State Grant Funding	-	5,540,497	-	-
Contributed Facilities	-	-	-	305,333
Other Contributions and Revenue	-	-	-	164,558
Totals	$ 374,806	$ 5,540,497	$ 4,451,154	$ 469,891

Mental Health Center of North Central Alabama, Inc.
Schedule of Operating Expenses
For the Year Ended September 30, 2022

	Administrative Expenses	Program Expenses	Total Expenses
Salaries	$ 1,006,802	$ 4,850,151	$ 5,856,953
Employee Benefits and Retirement	190,170	199,429	389,599
Staff Development	16,049	38,088	54,137
Staff Travel	16,477	37,948	54,425
Rent	146,395	158,938	305,333
Utilities	20,831	168,257	189,088
Telephone	21,476	120,623	142,099
Janitorial	1,451	9,649	11,100
Repairs & Maintenance	19,911	176,988	196,899
Medical	-	212	212
Food Supplies	848	29,505	30,353
Other Supplies	12,399	132,948	145,347
Printing	1,897	11,262	13,159
Insurance & Bonding	30,286	223,997	254,283
Professional Fees	54,618	397,211	451,829
Contract Labor	937	360,321	361,258
Depreciation	4,261	148,326	152,587
Amortization	-	148,288	148,288
Marketing	2,307	11,371	13,678
Client Transportation	2,513	62,945	65,458
Donation Expense	5,799	-	5,799
Dues & Subscriptions	16,132	844	16,976
Miscellaneous Expense	6,012	6,206	12,218
Totals	$ 1,577,571	$ 7,293,507	$ 8,871,078

Mental Health Center of North Central Alabama, Inc.
Schedule of Board of Directors and Officials
September 30, 2022

Name	Address	Title	Term Ends
Payne, Lisa C.	17173 Forest Hills Dr Athens, AL 35613	Executive Committee	04/2023
White, Henry	2431 S. Hine St Athens, AL 35611	President	04/2025
Frye, Wanda	705 South Clinton Street Athens, AL 35611	Board Member	10/2027
Pippen, Bert	2022 Park Terrace SE Decatur, AL 35601	Board Member	07/2027
Slaton, Luke	2032 Park Terrace SE Decatur, AL 35601-5194	Vice President	12/2023
Whitley, John E.	2201 Woodland St Decatur, AL 35601	Board Member	04/2026
Lee, Rita	1105 Jodi Circle, SE Hartselle, AL 35640	Board Member	06/2025
Penn, Franklin	627 Avalon Dr SW Hartselle, AL 35640	Board Member	04/2025
Sittason, Jennifer	1033 Main Street E Hartselle, AL 35640	Executive Committee	04/2024
Hudson, Billy	1803 Woodmont Drive SE Decatur, AL 35601	Board Member	11/2026
Vest, Theresa	28 Walnut Place Moulton, AL 35650	Executive Committee	05/2023
Bolden, Terrina	3821 Hwy 31 South, Decatur, AL 35603	Board Member	03/2027
King, John Wayne	11183 Snake Rd Athens, AL 35611	Board Member	04/2023
Turner, Johnny	18090 Circle Drive Athens, AL 35613	Board Member	6/2027
Bowman, Blythe	185 Oak Grove Dr. Danville, AL 35619	Board Member	07/2026
Griffith, John	401 Woodfield Street SW Hartselle, AL 35640	Executive Committee	08/2023
Thomas, Judy	805 Line St NE Decatur, AL 35601	Treasurer	08/2027
Henry, Judy	659 North Street Moulton, AL 35650	Board Member	04/2023
Norwood, Dianne	200 Montgomery Dr Moulton, AL 35650	Secretary	07/2026
Stephenson, Freda	202 Montgomery Dr Moulton, AL 35650	Board Member	06/2024

Organized under Act No. 310, Acts of Alabama 1967, page 853, which fulfill requirements of the Code of Alabama 1975, S22-21-4 and S41-5-1 through 41-5-25.

MAULDIN & JENKINS
CPAs & ADVISORS

Independent Auditor's Report 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 Center of North Central Alabama, Inc.
Decatur, Alabama

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, the financial statements of Mental Health Center of North Central Alabama, Inc. (the "Center"), as of and for the year ended September 30, 2022, and the related notes to the financial statements and have issued our report thereon dated July 18, 2023. Our report includes a disclaimer of opinion on the financial statements of the Foundation for Mental Health in North Central Alabama, Inc. (the "Foundation"). The financial statements of the Foundation were not audited in accordance with Government Auditing Standards, and accordingly, this report does not include reporting on internal controls over financial reporting or instances of reportable noncompliance associated with the Foundation.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 entity's 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.

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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. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's 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 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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Athens, AL
July 18, 2023

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP:	Unmodified for Mental Health Center of North Central Alabama, Inc.
Internal control over financial reporting:	
Material weakness(es) identified?	____ yes __x__ no
Significant deficiency(ies) identified?	____ yes __x__ none reported
Noncompliance material to financial statements noted?	____ yes __x__ no

Section II – Financial Statement Findings

The audit did not disclose any financial statement findings required to be reported.

MAULDIN & JENKINS
CPAs & ADVISORS

Report on Compliance with the Department of Mental Health Contract

Board of Directors
Mental Health Center of North Central Alabama, Inc.
Decatur, Alabama

We have audited contract numbers G1-1357-24, G1-0335-49, G1-1357-24P, G1-4189-37, G1-3410-28, G1-3522-27, and G1-1357-75 between the Department of Mental Health (DMH) and the Mental Health Center of North Central Alabama, Inc. as of and for the year ended September 30, 2022.

Compliance with DMH contracts, Provider Agreement and all applicable laws, rules, and regulations applicable to the Mental Health Center of North Central Alabama, Inc. is the responsibility of the Mental Health Center of North Central Alabama, Inc.'s management. As part of obtaining reasonable assurance about whether the contracts, Provider Agreement and all applicable laws, rules, and regulations were complied with, we performed certain tests of transactions and made other determinations as outlined in each requirement of Section 12, Audit for Compliance with the Contract of the DMH Audit Guidelines. Revenues and expenditures were analyzed to determine if they were in compliance with applicable terms and conditions of the contracts. Funds claimed as match for federal programs were audited to determine if they were allowable and adequate to match the federal funds received.

The results of our tests disclosed no material instances of noncompliance with the DMH contract, Provider Agreement and all applicable laws, rules, and regulations.

This report is intended for the information of management and DMH. However, this report is a matter of public record and its distribution is not limited.

Mauldin & Jenkins, LLC

Athens, AL
July 18, 2023