
MOMENTUM FOR MENTAL HEALTH

(a California non-profit organization)

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

Nichols, Rick & Company

CERTIFIED PUBLIC ACCOUNTANTS

**MOMENTUM FOR MENTAL HEALTH
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	2
Statements of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 14
Schedule of Expenditures of Federal, State, and Local Awards	15
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	16
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	17
Schedule of Findings and Questioned Costs	18

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Momentum for Mental Health
San Jose, California

Report on the Financial Statements

We have audited the accompanying financial statements of Momentum for Mental Health (a California non-profit organization), which comprise the statements of financial position as of June 30, 2015 and June 30, 2014, the related statements of cash flows for the years then ended, the related statements of activities and functional expenses for the year ended June 30, 2015, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Momentum for Mental Health as of June 30, 2015 and June 30, 2014, the changes in its cash flows for the years then ended, and the changes in its net assets for the year ended June 30, 2015 in accordance with accounting principles generally accepted in the United States of America.

Other Matters-Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal, state, and local awards for the year ended June 30, 2015, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 22, 2015 on our consideration of Momentum for Mental Health's internal control over financial reporting and 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 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 Momentum for Mental Health's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Momentum for Mental Health's June 30, 2014 financial statements, and our report dated September 19, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Morgan Hill, CA
September 22, 2015

MOMENTUM FOR MENTAL HEALTH

Statements of Financial Position As of June 30, 2015 and June 30, 2014

	2015	2014
<u>ASSETS</u>		
Assets:		
Cash	\$ 8,895,689	\$ 5,901,114
Accounts receivable, net	1,801,238	1,678,834
Grants receivable	853,718	3,714,239
Pledges receivable	-	28
Prepaid expenses	169,358	98,699
Total current assets	11,720,003	11,392,914
Fixed assets, net	10,966,709	11,281,201
Deposits	583,189	538,316
Deposits relating to bonds	1,495,352	1,482,400
Intangible assets, net	480,671	549,338
TOTAL ASSETS	<u>\$ 25,245,924</u>	<u>\$ 25,244,169</u>
<u>LIABILITIES & NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 396,918	\$ 397,583
Accrued salaries & vacation	2,240,377	2,048,488
Deposits held	68,258	92,342
Accrued interest, current portion	112,600	130,908
Bonds payable, current portion	535,000	510,000
Notes payable, current portion	-	-
Total current liabilities	3,353,153	3,179,321
Accrued interest, net	747,562	702,968
Bonds payable, net	4,487,400	5,022,400
Notes payable, net	1,611,107	1,611,107
Total long term liabilities	6,846,069	7,336,475
Total liabilities	10,199,222	10,515,796
Net assets:		
Unrestricted	14,551,972	14,259,723
Temporarily restricted	494,730	468,650
Permanently restricted	-	-
Total net assets	15,046,702	14,728,373
TOTAL LIABILITIES & NET ASSETS	<u>\$ 25,245,924</u>	<u>\$ 25,244,169</u>

MOMENTUM FOR MENTAL HEALTH

Statement of Activities

For the Year Ended June 30, 2015

With summarized financial information for the year ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	June 30, 2015 Totals	Comparative summary totals for the year ended June 30, 2014
SUPPORT & REVENUE					
Support received directly					
Contributions	\$ 61,280	\$ 155,696	\$ -	\$ 216,976	\$ 223,351
Contributions in-kind	61,828			61,828	28,300
Support received indirectly					
United Way	2,326			2,326	1,980
Total Support	125,434	155,696	-	281,130	253,631
Revenue					
Government grants & fees	25,993,832			25,993,832	24,854,927
Interest & dividend income	1,599			1,599	3,346
Fees for services	7,318,915			7,318,915	6,195,725
Miscellaneous income	44,484			44,484	9,923
Total Revenue	33,358,830	-	-	33,358,830	31,063,921
Net assets released from restrictions	129,616	(129,616)	-	-	-
TOTAL SUPPORT & REVENUE	33,613,880	26,080	-	33,639,960	31,317,552
EXPENSES					
Program Services					
Crisis & Transitional Residential	8,422,946			8,422,946	8,882,845
Outpatient Services	18,176,632			18,176,632	14,200,051
Day Treatment Services	713,660			713,660	1,668,786
Total Program Services	27,313,238	-	-	27,313,238	24,751,682
Support Services					
Management & General	5,558,491			5,558,491	4,962,538
Development	449,902			449,902	422,738
Total Support Services	6,008,393	-	-	6,008,393	5,385,276
TOTAL EXPENSES	33,321,631	-	-	33,321,631	30,136,958
Change in net assets from operations	292,249	26,080	-	318,329	1,180,594
Net assets at beginning of year	14,259,723	468,650	-	14,728,373	13,547,779
Net assets at end of year	<u>\$ 14,551,972</u>	<u>\$ 494,730</u>	<u>\$ -</u>	<u>\$ 15,046,702</u>	<u>\$ 14,728,373</u>

MOMENTUM FOR MENTAL HEALTH
Statement of Functional Expenses
For the Year Ended June 30, 2015
With summarized financial information for the year ended June 30, 2014

	PROGRAM SERVICES				
	Crisis & Transitional Services	Outpatient Services	Day Treatment Services	June 30, 2015 Total Program Services	Comparative summary totals for the year ended June 30, 2014
Salaries	\$ 4,668,591	\$ 12,907,886	\$ 493,327	\$ 18,069,804	\$ 16,051,065
Employee benefits	824,930	1,707,592	77,655	2,610,177	2,588,777
Payroll taxes	630,508	1,202,405	57,260	1,890,173	1,649,658
Total salaries & related expenses	6,124,029	15,817,883	628,242	22,570,154	20,289,500
Professional fees	(95,607)	388,235	-	292,628	524,040
Supplies	658,532	203,820	18,896	881,248	661,704
Telephone	45,890	115,774	5,667	167,331	170,048
Postage & shipping	157	4,467	23	4,647	5,684
Occupancy	649,791	593,078	30,544	1,273,413	1,001,503
Equipment rent & maintenance	49,503	54,196	4,832	108,531	132,005
Printing, subscriptions, & publications	97	3,515	-	3,612	1,015
Travel & transportation	59,507	198,226	643	258,376	243,017
Conference, conventions, & meetings	3,925	7,179	504	11,608	31,764
Specific assistance	49,718	389,466	306	439,490	496,986
Memberships, dues, & licenses	4,243	5,355	2	9,600	2,760
Interest expense	135,625	107,484	7,885	250,994	260,737
Advertising & recruitment	3,958	13,018	331	17,307	11,257
Insurance	134,385	170,639	13,807	318,831	319,256
Bad debts	264,060	36,000	-	300,060	300,060
Miscellaneous	91,081	15,549	256	106,886	34,829
Total expenses before depreciation	8,178,894	18,123,884	711,938	27,014,716	24,486,165
Depreciation	244,052	52,748	1,722	298,522	265,517
TOTAL EXPENSES	<u>\$ 8,422,946</u>	<u>\$ 18,176,632</u>	<u>\$ 713,660</u>	<u>\$ 27,313,238</u>	<u>\$ 24,751,682</u>

MOMENTUM FOR MENTAL HEALTH
Statement of Functional Expenses
For the Year Ended June 30, 2015
With summarized financial information for the year ended June 30, 2014

	TOTAL PROGRAM SERVICES	SUPPORT SERVICES			JUNE 30, 2015 PROGRAM & SUPPORT SERVICES TOTALS	Comparative Summary Totals for the Year ended June 30, 2014
		Management & General	Development	Totals		
Salaries	\$ 18,069,804	\$ 3,279,406	\$ 283,047	\$ 3,562,453	\$ 21,632,257	\$ 19,109,732
Employee benefits	2,610,177	545,612	40,598	586,210	3,196,387	3,129,286
Payroll taxes	1,890,173	285,201	26,980	312,181	2,202,354	1,907,408
Total salaries & related expenses	22,570,154	4,110,219	350,625	4,460,844	27,030,998	24,146,426
Professional fees	292,628	431,703	24,765	456,468	749,096	1,179,290
Supplies	881,248	70,955	4,934	75,889	957,137	701,901
Telephone	167,331	45,023	5,784	50,807	218,138	219,549
Postage & shipping	4,647	4,045	1,710	5,755	10,402	10,593
Occupancy	1,273,413	126,928	17,176	144,104	1,417,517	1,112,495
Equipment rent & maintenance	108,531	12,610	7,379	19,989	128,520	162,745
Printing, subscriptions, & publications	3,612	941	22,010	22,951	26,563	21,585
Travel & transportation	258,376	61,393	952	62,345	320,721	283,811
Conference, conventions, & meetings	11,608	30,999	1,827	32,826	44,434	59,816
Specific assistance	439,490	230		230	439,720	496,986
Memberships, dues, & licenses	9,600	39,496	303	39,799	49,399	44,162
Interest expense	250,994	34,403	4,380	38,783	289,777	303,676
Amortization of bond costs		68,667		68,667	68,667	68,667
Advertising & recruitment	17,307	16,708	1,568	18,276	35,583	22,075
Insurance	318,831	59,697	2,571	62,268	381,099	381,524
Bad debts	300,060			-	300,060	300,060
Miscellaneous	106,886	60,706	508	61,214	168,100	51,844
Total expenses before depreciation	27,014,716	5,174,723	446,492	5,621,215	32,635,931	29,567,205
Depreciation	298,522	383,768	3,410	387,178	685,700	569,753
TOTAL EXPENSES	\$ 27,313,238	\$ 5,558,491	\$ 449,902	\$ 6,008,393	\$ 33,321,631	\$ 30,136,958

MOMENTUM FOR MENTAL HEALTH
Statements of Cash Flows
For the Years Ended June 30, 2015 and June 30, 2014

	2015	2014
Cash flows from operating activities:		
Increase in net assets from operations	\$ 318,329	\$ 1,180,594
Adjustments to reconcile increase in net assets from operations to net cash provided (used) by operating activities:		
Depreciation	685,700	569,753
Bond amortization	68,667	68,667
Changes in assets & liabilities:		
Decrease (increase) in accounts receivable	(122,404)	(448,264)
Decrease (increase) in grants receivable	2,860,521	945,331
Decrease (increase) in pledges receivable	28	3,260
Decrease (increase) in prepaid expenses	(70,659)	121,091
Decrease (increase) in deposits	(44,873)	(110,745)
(Decrease) increase in payables and accrued liabilities	217,510	270,134
(Decrease) increase in client deposits	(24,084)	45,099
Net cash provided (used) by operating activities	<u>3,888,735</u>	<u>2,644,920</u>
Cash flows from investing activities:		
Acquisition of building, land, & equipment	<u>(371,208)</u>	<u>(172,633)</u>
Net cash (used) provided by investing activities	(371,208)	(172,633)
Cash flows from financing activities:		
(Increase) decrease in deposits relating to bonds	(12,952)	(15,662)
Repayment of notes payable		(84,419)
Repayment of bond principal	<u>(510,000)</u>	<u>(485,000)</u>
Net cash used by financing activities	<u>(522,952)</u>	<u>(585,081)</u>
Net increase (decrease) in cash	<u>2,994,575</u>	<u>1,887,206</u>
Cash, beginning of year	5,901,114	4,013,908
Cash, end of year	<u><u>\$ 8,895,689</u></u>	<u><u>\$ 5,901,114</u></u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for:		
Interest	\$ 263,491	\$ 272,799
Income taxes	\$ 0	\$ 0
Noncash transactions:		
Assets acquired via loan	\$ 0	\$ 0
Cost basis of assets disposed of	\$ 0	\$ 2,195,038

**MOMENTUM FOR MENTAL HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

1. NATURE OF ORGANIZATION:

Momentum for Mental Health (the "Agency"), a nonprofit California corporation formed in 1997, exists to help individuals achieve mental and emotional health, discover and reach their potential, and fully participate in life. Through staff and volunteers, collaboration with other agencies, client fees, public and private contributions, and grants from federal, state and local government agencies, the Agency provides services to people with mental illness in Northern California through several programs serving youth, adults, and older adults.

These include residential programs and housing services that range from crisis care and licensed residential care, to supporting independent living in the community. The outpatient services are provided by teams of mental health care professionals and paraprofessionals and include case management, medication, mental health treatment, and crisis intervention. The Agency has a specialized integrated service program that offers residential and outpatient services for people with mental illness who have become involved with the justice system. Day rehabilitation services provide life skills education, activities, peer support, and socialization. Youth and family programs include outpatient services for youth, with focus on the family. Finally, vocational services provide employment assessment, job placement, and assistance for clients to obtain and maintain employment.

Momentum for Mental Health serves approximately 5,400 individuals annually throughout Santa Clara County. The Agency's staff represents over 50 cultures, languages and dialects, as well as American Sign Language.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation: The Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Agency is required to present a statement of cash flows. These financial statements do not include the operations or financial position of the Foundation for Mental Health, a California non-profit organization under common control, but with variance power as to the entities and activities it may support. These financial statements also do not include the operations or financial position of Home Base Homes, Inc., a California non-profit organization under common control subject to its own unique Department of Housing and Urban Development financial reporting requirements. As of June 30, 2015, the Agency had advanced \$1,814 to Home Base Homes, Inc. and charged \$23,581 for services and expenses during the year then ended. Key financial data for Home Base Homes, Inc. as of June 30, 2014, its most recent financial reporting, is:

<u>Balance Sheet:</u>	
Assets	<u>\$ 825,700</u>
Liabilities	\$ 998,900
Accumulated Deficit	<u>(173,200)</u>
	<u>\$ 825,700</u>
<u>Income Statement:</u>	
Income	\$ 276,000
Expenses	<u>249,300</u>
Change in Net Assets	<u>\$ 26,700</u>

Contributions: Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. In addition, pledges and unconditional promises to give are required to be reported as temporarily restricted support upon date of notification and are then released from restrictions upon satisfaction of the time or use requirement. If a restriction is fulfilled in the same time period in which the contribution is received, the Agency reports the support as unrestricted.

Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

**MOMENTUM FOR MENTAL HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Cash and Cash Equivalents: For purposes of the statements of cash flows, the Agency considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of these instruments. Included in cash as of June 30, 2015 and June 30, 2014 is \$61,776 and \$44,093, respectively, restricted for property repairs and improvements by the lenders.

Accounts Receivable: Accounts receivable are shown net of allowances for doubtful program service fees.

Income Taxes: The Agency is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3), from California income taxes under Section 23701(d) of the California Bank and Corporation Tax Law, and has been determined to be an organization that is not a private foundation. Management has determined the implementation of ASC 740-10-65 did not have a material impact on its financial statements. Tax years for the years ended June 30, 2011 through June 30, 2015 remain open for examination by taxing authorities.

Comparative Information: The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Depreciation: Fixed assets are reported at cost or donated value, and are depreciated using the straight-line method over the estimated useful life of the asset, ranging from three to forty years. The Agency's policy is to capitalize items greater than or equal to \$1,000. Additions to fixed assets for the years ended June 30, 2015 and June 30, 2014 totaled \$371,209 and \$172,633, respectively. At June 30, 2015 and June 30, 2014, the cost and related accumulated depreciation for fixed asset components is as follows:

	2015	2014
Land and improvements	\$ 4,237,078	\$ 4,237,078
Buildings and improvements	14,884,861	14,488,052
Furniture, equipment, and improvements	1,062,688	1,088,288
Vehicles	<u>206,983</u>	<u>206,983</u>
	20,391,610	20,020,401
less: accumulated depreciation	<u>9,424,901</u>	<u>8,739,200</u>
Total	<u>\$ 10,966,709</u>	<u>\$ 11,281,201</u>

Depreciation expense charged to operations for the years ended June 30, 2015 and June 30, 2014 totaled \$685,700 and \$569,753, respectively.

Expenses: The Agency has in place a cost allocation plan employed to allocate indirect expenses to each program on a basis proportionate to the direct staff time or other cost driver used for each program.

Accrued Compensation: Full-time employees accrue 120 to 248 hours of flexible time off (FTO), depending on length of employment and representation status. The FTO hours may be used for vacation, sick leave, family emergencies, religious observances, preventive health or dental care, and personal time. Upon termination, employees are compensated for unused FTO hours. In addition, all employees receive 80 hours of holiday time off (HTO) annually. HTO may be used for the same purposes as FTO, but may not be carried forward nor are employees compensated for unused HTO upon termination. Benefited part-time employees receive the FTO and HTO benefits on a prorated basis.

Donations: All donations are considered to be available for unrestricted use unless specifically restricted by the donor. Donated professional services and fixed assets are reflected as contributions in the accompanying statements at their estimated fair market value, net of assumed liabilities, at date of notification. For the years ended June 30, 2015 and June 30, 2014, donated materials, supplies, and services totaled \$61,828 and \$28,300, respectively.

**MOMENTUM FOR MENTAL HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Legacies and Bequests:

Legacies and bequests are received by the Agency under various wills and trust agreements. The amounts are recorded upon legal validation.

Revenue Recognition, Grants Receivable, and Grants Payable: The Agency receives cost reimbursement contract revenue as well as fixed rate contract revenue. Revenue is recognized when the corresponding service has been provided according to the agreement, subject to the contract limit, if any. Under fixed rate contracts, the Agency agrees to provide certain services in specified quantities at a prescribed rate per unit of service provided. Certain contracts have provisions for annual settlements to provide for recovery of costs for service capacity required to be provided, but not utilized, and for repayment of amounts billed in excess of contract limits. Estimated settlements are accrued by the Agency as a grant receivable or grant payable for contracts for which cost reports have not been finalized. The carrying amounts for grants receivable and payable reported in the statements of financial position approximate fair values as all amounts are expected to be received or paid within one year.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising: The Agency's policy is to expense advertising costs to operations as incurred. For the years ending June 30, 2015 and 2014, \$17,909 and \$11,288, respectively, were expensed.

3. INVESTMENTS:

Investments are carried at fair market value, as based on quoted market prices for these or similar instruments. In accordance with ASC 820-10, Level 1 inputs have been used, when applicable, to value publicly held common stock investments. Donated investments are recorded at the estimated fair market value at the donation date.

4. ACCOUNTS, GRANTS, and PLEDGES RECEIVABLE:

The carrying amounts for accounts, grants, and pledges receivable reported in the statements of financial position approximate fair values as all amounts are expected to be received within one year. The following amounts are reported as receivables as of June 30, 2015 and June 30, 2014:

	<u>2015</u>	<u>2014</u>
Accounts receivable:		
Program service fees	\$ 2,144,275	\$ 1,980,294
Less: allowance for doubtful accounts	<u>343,037</u>	<u>301,460</u>
Accounts receivable, net	<u>\$ 1,801,238</u>	<u>\$ 1,678,834</u>
Grants receivable:		
Santa Clara County, net of cost report reserves	\$ 570,600	\$ 3,392,310
Department of Rehabilitation	275,077	311,960
Other	<u>8,041</u>	<u>9,969</u>
Grants receivable, total	<u>\$ 853,718</u>	<u>\$ 3,714,239</u>
Pledges receivable:		
United Way designations and private parties	<u>\$ -</u>	<u>\$ 28</u>

**MOMENTUM FOR MENTAL HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

5. BONDS PAYABLE:

On November 17, 2003, the Agency defeased the remaining \$6,305,000 of the 1992 *Insured Revenue Certificates of Participation (Rehabilitation Mental Health Services, Inc. Project)* bonds and the remaining \$2,230,000 of the 1992 *Insured Revenue Certificates of Participation (Miramonte Mental Health Services, Inc. Project)* bonds and issued new bonds, Series 2003, dated October 1, 2003. As of June 30, 2015, the California Health Facilities Financing Authority Insured Refunding Revenue Bonds (Momentum for Mental Health), Series 2003, consist of:

Description	Interest Rates	Due Dates	Current Amount	Total Due
Serial bonds	1.55 % to 5.25 %	July 1, 2015 to July 1, 2022	\$ 535,000	\$5,022,400

Terms of the bonds require the Agency to maintain certain financial measurements and conditions. As of June 30, 2015 and June 30, 2014, the Agency was in compliance with these requirements. Certain fixed assets of the Agency as well as a pledge and assignment of Agency revenues secure the bonds. These bonds have semi-annual interest payments, and are subject to certain future redemption provisions at the Agency's option. Bond interest expense incurred during the years ended June 30, 2015 and June 30, 2014 totaled \$245,183 and \$261,816, respectively. The future annual maturities for the bonds outlined above are as follows:

Year Ending June 30,	Amount
2016	\$ 535,000
2017	560,000
2018	585,000
2019	610,000
2020	635,000
Thereafter	<u>2,097,400</u>
Total	<u>\$ 5,022,400</u>

Intangible assets include deferred bond issue costs, relating to the 2003 bond placements, of \$1,273,109, less accumulated amortization of \$792,438. Amortization for the years ended June 30, 2015 and June 30, 2014 totaled \$68,667 and \$68,667, respectively. The deposits relating to bonds presented in the statements of financial position consist of funds held in trust by a third party for the purpose of maintaining required reserves and bond compliance.

6. NOTES PAYABLE:

As of June 30, 2015, notes payable consist of:

Description	Interest Rate	Due Dates	Current Amount	Total Due
California Department of Housing and Community Development, secured by real property, annual interest of \$5,859 deferred	3.00 %	June 14, 2041	\$ 0	\$ 195,285
U.S. Department of Housing and Urban Development, secured by real property, annual interest of \$3,570 deferred	3.00 %	June 14, 2021		119,005
State of California, secured by real property, annual interest of \$19,533 deferred	3.00 %	June 3, 2028		651,106

**MOMENTUM FOR MENTAL HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

6. NOTES PAYABLE: (continued)

Description	Interest Rate	Due Dates	Current Amount	Total Due
State of California, secured by real property, annual interest of \$3,120 deferred	3.00 %	Oct. 29, 2032		104,000
U.S. Department of Housing and Urban Development, passed through City of Sunnyvale, secured by real property, annual interest of \$12,841 deferred	3.00 %	Dec. 2, 2040 and Nov. 28, 2041		431,714
Housing Trust of Santa Clara County, secured by real property	0.00 %	Aug. 8, 2043	-	109,997
Totals			<u>\$ -</u>	<u>\$ 1,611,107</u>

Interest expense incurred from these borrowings during the years ended June 30, 2015 and June 30, 2014 totaled \$44,593 and \$41,858, respectively.

The future annual maturities for the notes payable outlined above are as follows:

Year Ending June 30,	Amount
2016	\$ -
2017	-
2018	-
2019	-
2020	-
Thereafter	1,611,107
Total	<u>\$ 1,611,107</u>

The Agency also has in place a \$1,000,000 line of credit which is secured by accounts receivable and personal property. The line bears interest at prime plus .75%, subject to a 4% minimum rate, and expires June 2016.

7. REAL PROPERTY CONTINGENT LIABILITIES:

The Agency has received a Community Development Block Grant (CDBG) from the City of San Jose, totaling \$468,650. This amount is secured by a Trust Deed and will be forgiven no later than December 2016 as long as the subject property continues to be used in accordance with the grant provisions. Since the Agency intends to comply with the grant restrictions, the above amount has been recorded as a grant and not as a mortgage loan requiring mandatory payback. However, disposition of the property prior to fulfillment of the use restrictions generates a mandatory payment of principal.

MOMENTUM FOR MENTAL HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

8. LEASE COMMITMENTS:

The Agency is obligated under two long-term facility leases, expiring through October 2019, and various month-to-month facility leases for program facilities. The total expense incurred under these leases for the years ended June 30, 2015 and June 30, 2014 was \$445,824 and \$392,277, respectively. The future minimum lease commitment for these facility leases is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 158,630
2017	163,388
2018	168,290
2019	173,339
2020	57,779

The Agency is also obligated under five noncancellable leases for office equipment, scheduled to expire at various dates through April 2019. The total expense incurred under these leases for the years ended June 30, 2015 and June 30, 2014 was \$35,606 and \$56,527, respectively. The future minimum lease commitment for these equipment leases is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 31,371
2017	10,200
2018	10,200
2019	6,800

9. RETIREMENT PLAN:

The Agency maintains a 403(b) thrift plan, which, after completion of one year of service, provides for a company match ranging from 4% to 9% of a participant's salary, determined by continuous years of service. The Agency contributed \$660,071 and \$629,988 during the years ended June 30, 2015 and June 30, 2014, respectively. These matches have a five-year graduated vesting provision.

10. CONCENTRATIONS AND CONTINGENCIES:

At times during the fiscal years ended June 30, 2015 and June 30, 2014, the Agency maintained cash balances in excess of insured levels at various financial institutions. In addition, approximately 70% of the Agency's operating revenue base is derived from its largest government contract. Agency management believes that any potential disallowance of previously funded program costs is immeasurable and immaterial. Approximately 75% of the Agency's employees are covered under membership in a collective bargaining agreement which expires October 2016.

The Agency, during the normal course of operating its business, may be subject to various lawsuits, licensing reviews, and government audits. Management believes that losses resulting from these matters, if any, would either be covered under the Agency's insurance policy or is immeasurable. Management further believes the losses, if any, would not have a material effect on the financial position of the Agency.

**MOMENTUM FOR MENTAL HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

11. RESTRICTED NET ASSETS:

As of June 30, 2015 and 2014, the Agency's temporarily restricted net assets consisted of the following:

	<u>2015</u>	<u>2014</u>
Time restrictions	\$ 0	\$ 0
Use restrictions		
HUD liens	468,650	468,650
Program specific use restrictions	<u>26,080</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 494,730</u>	<u>\$ 468,650</u>

12. NET ASSETS RELEASED FROM RESTRICTIONS:

Temporarily restricted net assets were decreased as a result of the following restriction releases and transfers during the years ended June 30, 2015 and June 30, 2014:

	<u>2015</u>	<u>2014</u>
Time restrictions	\$ 0	\$ 0
Use restrictions		
HUD liens satisfied		
Program specific use restrictions satisfied	<u>129,616</u>	<u>-</u>
Total temporary restrictions released	<u>\$ 129,616</u>	<u>\$ -</u>

13. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through September 22, 2015, the date on which the financial statements were available to be issued.

MOMENTUM FOR MENTAL HEALTH
Schedule of Expenditures of Federal, State, and Local Awards
For the Year Ended June 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Program or Award Amount	Receipts/ Revenue Recognized	Disbursements/ Expenditures Incurred
<u>Major programs</u>				
Department of Education, passed through State of California Department of Rehabilitation Vocational Rehabilitation, Contract 28824	84.126A	\$ 900,000	\$ 877,252	\$ 877,252
<u>Totals -major programs</u>		900,000	877,252	877,252
Total federal financial assistance		900,000	877,252	877,252
<u>State & local government assistance</u>				
City of Palo Alto, Outreach Services, Contract C-14151365		32,167	32,167	32,167
County of Santa Clara, Mental Health Services:				
MH Adult, PO 4300010754 (includes PATH)		15,130,161	14,296,330	14,296,330
MH Family & Children, PO 4300010755		853,020	846,064	846,064
MHSA FSP Adult, PO 4300010760		3,107,540	2,358,447	2,358,447
MHSA FSP TAY, PO 4300010762		590,871	590,871	590,871
MHSA CSS OPD Redesign, PO 4300010763		1,508,272	1,239,304	1,239,304
MHSA Adult, PO 4300010759		49,574	36,325	36,325
MHSA CSS TAY Redesign, PO 4300010764		143,673	130,578	130,578
MHSA CSS Adult/Older Adult, PO 4300010766		2,178,093	2,178,093	2,178,093
MHSA PEI REACH, PO 4300010769		795,677	677,553	677,553
MHSA PEI Adult, PO 4300010768		263,432	195,933	195,933
MHSA CSS, Adult Behavioral Redesign, PO 4300010767		1,500,000	1,500,000	1,500,000
MHSA FSP AB-109, PO 4300010761		781,645	766,228	766,228
MHSA MORS Training, PO 4300006924		10,300	10,300	10,300
MHSA CSS Student/Intern, PO 4300010765		45,245	45,245	45,245
State of California, passed through Noridian, Medicare offsets		213,142	213,142	213,142
Total state & local government assistance		27,202,812	25,116,580	25,116,580
GRAND TOTALS		\$ 28,102,812	\$ 25,993,832	\$ 25,993,832

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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*

To the Board of Directors of
Momentum for Mental Health
San Jose, California

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 Momentum for Mental Health (a California non-profit organization), which comprise the statement of financial position as of June 30, 2015, the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 22, 2015.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Momentum for Mental Health's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Momentum for Mental Health's internal control. Accordingly, we do not express an opinion on the effectiveness of Momentum for Mental Health'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 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. Our consideration of internal control was for the limited purpose described earlier in this paragraph 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Momentum for Mental Health'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 determination of financial statement amounts. 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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Morgan Hill, CA
September 22, 2015

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors of
Momentum for Mental Health
San Jose, California

Report on Compliance for Each Major Federal Program

We have audited Momentum for Mental Health's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Momentum for Mental Health's major federal programs for the year ended June 30, 2015. Momentum for Mental Health's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Momentum for Mental Health's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Momentum for Mental Health's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Momentum for Mental Health's compliance.

Opinion on Each Major Federal Program

In our opinion, Momentum for Mental Health complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of Momentum for Mental Health is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Momentum for Mental Health's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Momentum for Mental Health's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Nichols, Rick & Co.

Morgan Hill, CA
September 22, 2015

**MOMENTUM FOR MENTAL HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015**

A. Summary of Auditor's Results

I. Financial Statements

1. The independent auditor's report on the financial statements of Momentum for Mental Health expressed an unmodified opinion.
2. No significant deficiencies were disclosed in the audit of the financial statements.

II. Federal Awards

1. Internal Controls over Major Programs:
 - a. No significant deficiencies or material weaknesses in internal control over major programs were disclosed in the audit of the financial statements.
 - b. No instances of noncompliance material to the financial statements were disclosed in the audit of the financial statements.
2. The auditor's report on compliance for the major Federal awards programs for Momentum for Mental Health expressed an unmodified opinion.
3. There were no audit findings relating to major programs that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
4. The schedule of expenditures of Federal awards is reported on the accrual basis of accounting in conformity with generally accepted accounting principles as described in the notes to the financial statements.
5. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
6. Momentum for Mental Health qualified as a low risk auditee under OMB Circular A-133, Section 530.
7. The program tested as a major program is identified as follows:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.126	Vocational Rehabilitation Services

B. Findings and Questioned Costs from Prior Audit

None noted on prior audit.