
MOMENTUM FOR MENTAL HEALTH

(a California non-profit organization)

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**MOMENTUM FOR MENTAL HEALTH
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

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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, 2019 and June 30, 2018, 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, 2019, 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, 2019 and June 30, 2018, the changes in its cash flows for the years then ended, and the changes in its net assets for the year ended June 30, 2019 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, 2019, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 25, 2019 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, 2018 financial statements, and our report dated September 25, 2018, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Nichols, Rick & Co.

September 25, 2019

MOMENTUM FOR MENTAL HEALTH
Statements of Financial Position
As of June 30, 2019 and June 30, 2018

	2019	2018
<u>ASSETS</u>		
Assets:		
Cash	\$ 5,572,785	\$ 5,149,358
Accounts receivable, net	2,157,124	2,271,792
Grants receivable	3,457,793	3,676,533
Pledges receivable	-	370
Investments	2,024,464	1,004,091
Prepaid expenses	280,599	237,458
Total current assets	13,492,765	12,339,602
Fixed assets, net	10,445,438	10,808,006
Deposits	606,735	583,820
Deposits relating to bonds	1,666,587	1,590,643
TOTAL ASSETS	\$ 26,211,525	\$ 25,322,071
<u>LIABILITIES & NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 735,118	\$ 443,298
Accrued salaries & vacation	3,253,823	2,894,033
Deposits held	106,635	90,938
Accrued interest, current portion	67,852	81,730
Bonds payable, current portion	635,000	610,000
Notes payable, current portion	-	-
Total current liabilities	4,798,428	4,119,999
Accrued interest, net	940,285	898,983
Bonds payable, net	1,891,465	2,457,798
Notes payable, net	1,611,107	1,611,107
Total long term liabilities	4,442,857	4,967,888
Total liabilities	9,241,285	9,087,887
Net assets:		
Without donor restrictions	16,940,240	16,094,184
With donor restrictions	30,000	140,000
Total net assets	16,970,240	16,234,184
TOTAL LIABILITIES & NET ASSETS	\$ 26,211,525	\$ 25,322,071

MOMENTUM FOR MENTAL HEALTH
Statement of Activities
For the Year Ended June 30, 2019
With summarized financial information for the year ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	June 30, 2019 Totals	Comparative summary totals for the year ended June 30, 2018
SUPPORT & REVENUE				
Support received directly				
Contributions	\$ 105,383	\$ 31,000	\$ 136,383	\$ 249,493
Contributions in-kind	35,508		35,508	4,924
Special events, net of \$161,555 expenses	165,010		165,010	130,650
Support received indirectly				
United Way	2,158		2,158	2,478
Total Support	<u>308,059</u>	<u>31,000</u>	<u>339,059</u>	<u>387,545</u>
Revenue				
Government grants & fees	36,957,210		36,957,210	32,394,117
Interest & dividend income	52,549		52,549	25,078
Fees for services	8,622,882		8,622,882	7,641,380
Miscellaneous income	193,788		193,788	234,575
Total Revenue	<u>45,826,429</u>	<u>-</u>	<u>45,826,429</u>	<u>40,295,150</u>
Net assets released from restrictions	<u>141,000</u>	<u>(141,000)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT & REVENUE	46,275,488	(110,000)	46,165,488	40,682,695
EXPENSES				
Program Services				
Crisis & Transitional Residential	11,979,628		11,979,628	10,593,992
Outpatient Services	24,935,927		24,935,927	22,389,824
Day Treatment Services	860,174		860,174	716,570
Total Program Services	<u>37,775,729</u>	<u>-</u>	<u>37,775,729</u>	<u>33,700,386</u>
Support Services				
Management & General	7,200,821		7,200,821	6,695,662
Development	452,882		452,882	337,786
Total Support Services	<u>7,653,703</u>	<u>-</u>	<u>7,653,703</u>	<u>7,033,448</u>
TOTAL EXPENSES	45,429,432	-	45,429,432	40,733,834
Change in net assets from operations	846,056	(110,000)	736,056	(51,139)
Net assets at beginning of year	16,094,184	140,000	16,234,184	16,285,323
Net assets at end of year	<u>\$ 16,940,240</u>	<u>\$ 30,000</u>	<u>\$ 16,970,240</u>	<u>\$ 16,234,184</u>

MOMENTUM FOR MENTAL HEALTH

Statement of Functional Expenses

For the Year Ended June 30, 2019

With summarized financial information for the year ended June 30, 2018

PROGRAM SERVICES

	Crisis & Transitional Services	Outpatient Services	Day Treatment Services	June 30, 2019 Total Program Services	Comparative summary totals for the year ended June 30, 2018
Salaries	\$ 7,309,804	\$ 18,311,671	\$ 559,188	\$ 26,180,663	\$ 23,249,828
Employee benefits	896,419	2,207,471	56,747	3,160,637	3,085,711
Payroll taxes	779,030	1,539,717	53,575	2,372,322	2,263,640
Total salaries & related expenses	8,985,253	22,058,859	669,510	31,713,622	28,599,179
Professional fees	22,149	120,725	131,810	274,684	21,232
Supplies	765,599	224,320	7,197	997,116	898,894
Telephone	68,441	158,424	8,340	235,205	206,941
Postage & shipping	195	4,358	78	4,631	4,388
Occupancy	946,152	685,933	21,586	1,653,671	1,403,796
Equipment rent & maintenance	53,689	60,259	4,923	118,871	121,290
Printing, subscriptions, & publications	17	-	13	30	2,238
Travel & transportation	74,554	241,704	(316)	315,942	284,339
Conference, conventions, & meetings	6,750	63,556	58	70,364	30,792
Specific assistance	48,955	927,910	403	977,268	872,099
Memberships, dues, & licenses	1,208	2,500	25	3,733	1,310
Interest expense	93,976	58,307	3,162	155,445	178,793
Advertising & recruitment	3,475	9,502	-	12,977	16,854
Insurance	164,515	207,337	8,533	380,385	448,428
Bad debts	495,070	58,000	-	553,070	312,741
Miscellaneous	19,523	12,560	-	32,083	59,948
Total expenses before depreciation	11,749,521	24,894,254	855,322	37,499,097	33,463,262
Depreciation	230,107	41,673	4,852	276,632	237,124
TOTAL EXPENSES	\$ 11,979,628	\$ 24,935,927	\$ 860,174	\$ 37,775,729	\$ 33,700,386

MOMENTUM FOR MENTAL HEALTH
Statement of Functional Expenses
For the Year Ended June 30, 2019
With summarized financial information for the year ended June 30, 2018

	TOTAL PROGRAM SERVICES	SUPPORT SERVICES			JUNE 30, 2019 PROGRAM & SUPPORT SERVICES TOTALS	Comparative Summary Totals for the Year ended June 30, 2018
		Management & General		Development	Totals	
Salaries	\$ 26,180,663	\$ 4,628,529	\$ 235,804	\$ 4,864,333	\$ 31,044,996	\$ 27,631,418
Employee benefits	3,160,637	544,000	37,182	581,182	3,741,819	3,773,699
Payroll taxes	2,372,322	358,008	18,557	376,565	2,748,887	2,614,086
Total salaries & related expenses	31,713,622	5,530,537	291,543	5,822,080	37,535,702	34,019,203
Professional fees	274,684	630,170	94,236	724,406	999,090	640,629
Supplies	997,116	72,519	2,802	75,321	1,072,437	983,303
Telephone	235,205	55,015	12,170	67,185	302,390	256,569
Postage & shipping	4,631	2,746	7,357	10,103	14,734	8,783
Occupancy	1,653,671	154,784	9,453	164,237	1,817,908	1,536,228
Equipment rent & maintenance	118,871	28,743	1,597	30,340	149,211	144,140
Printing, subscriptions, & publications	30	19,518	14,701	34,219	34,249	10,315
Travel & transportation	315,942	58,320	1,476	59,796	375,738	341,893
Conference, conventions, & meetings	70,364	106,433	3,024	109,457	179,821	91,674
Specific assistance	977,268	80	-	80	977,348	872,131
Memberships, dues, & licenses	3,733	56,881	1,302	58,183	61,916	72,044
Interest expense	155,445	20,269	969	21,238	176,683	204,438
Amortization of bond costs	-	68,667	-	68,667	68,667	68,667
Advertising & recruitment	12,977	36,556	27	36,583	49,560	58,076
Insurance	380,385	64,000	3,185	67,185	447,570	538,430
Bad debts	553,070	-	-	-	553,070	312,741
Miscellaneous	32,083	39,416	6,916	46,332	78,415	98,320
Total expenses before depreciation	37,499,097	6,944,654	450,758	7,395,412	44,894,509	40,257,584
Depreciation	276,632	256,167	2,124	258,291	534,923	476,250
TOTAL EXPENSES	\$ 37,775,729	\$ 7,200,821	\$ 452,882	\$ 7,653,703	\$ 45,429,432	\$ 40,733,834

MOMENTUM FOR MENTAL HEALTH
Statements of Cash Flows
For the Years Ended June 30, 2019 and June 30, 2018

	2019	2018
Cash flows from operating activities:		
Increase in net assets from operations	\$ 736,056	\$ (51,139)
Adjustments to reconcile increase in net assets from operations to net cash provided (used) by operating activities:		
Depreciation	534,923	476,250
Bond amortization	68,667	68,667
Reinvestment of earnings from investments	(20,373)	(4,091)
Changes in assets & liabilities:		
Decrease (increase) in accounts receivable	114,668	81,333
Decrease (increase) in grants receivable	218,740	(980,738)
Decrease (increase) in pledges receivable	370	5,000
Decrease (increase) in prepaid expenses	(43,141)	50,495
Decrease (increase) in deposits	(22,915)	11,005
(Decrease) increase in payables and accrued liabilities	679,034	388,644
(Decrease) increase in client deposits	15,697	3,000
Net cash provided (used) by operating activities	2,281,726	48,426
Cash flows from investing activities:		
Purchase of investments	(1,000,000)	(1,000,000)
Acquisition of building, land, & equipment	(172,355)	(586,017)
Net cash (used) provided by investing activities	(1,172,355)	(1,586,017)
Cash flows from financing activities:		
(Increase) decrease in deposits relating to bonds	(75,944)	(25,900)
Repayment of bond principal	(610,000)	(585,000)
Net cash used by financing activities	(685,944)	(610,900)
Net increase (decrease) in cash	423,427	(2,148,491)
Cash, beginning of year	5,149,358	7,297,849
Cash, end of year	\$ 5,572,785	\$ 5,149,358

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for:		
Interest	\$ 149,259	\$ 172,275
Income taxes	\$ 0	\$ 0
Noncash transactions:		
Assets acquired via loan	\$ 0	\$ 0
Cost basis of assets disposed of	\$ 11,113	\$ 0

**MOMENTUM FOR MENTAL HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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 4,400 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 two classes of net assets: Without donor restrictions and with donor restrictions. Without donor restrictions are defined as that portion of net assets that have no use or time restrictions. With donor restrictions are defined as those that consist of a restriction on a specific use or the occurrence of a certain event. The financial statements of the Agency are prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred. 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, 2019 the Agency had advanced \$5,442 to Home Base Homes, Inc. and charged \$21,767 for services and expenses during the year then ended. Key financial data for Home Base Homes, Inc. as of June 30, 2018, its most recent financial reporting, is:

<u>Balance Sheet:</u>	
Assets	\$ 774,911
Liabilities	\$ 958,075
Accumulated Deficit	(183,164)
	<u>\$ 774,911</u>
<u>Income Statement:</u>	
Income	\$ 297,353
Expenses	278,765
Change in Net Assets	<u>\$ 18,588</u>

Contributions: Contributions are recorded as without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions. In addition, pledges and unconditional promises to give are required to be reported as support with donor restrictions 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 without donor restrictions.

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, 2019**

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, 2019 and June 30, 2018 is \$52,205 and \$66,845, 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, 2015 through June 30, 2019 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, 2018, 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, 2019 and June 30, 2018 totaled \$172,355 and \$586,017, respectively. No asset impairment was recognized by the Agency during the years ended June 30, 2019 and June 30, 2018. At June 30, 2019 and June 30, 2018, the cost and related accumulated depreciation for fixed asset components is as follows:

	2019	2018
Land and improvements	\$ 4,237,078	\$ 4,237,078
Buildings and improvements	16,263,253	16,146,637
Furniture, equipment, and improvements	1,178,294	1,122,555
Vehicles	206,983	206,983
	21,885,608	21,713,253
less: accumulated depreciation	11,440,170	10,905,247
Total	\$ 10,445,438	\$ 10,808,006

Depreciation expense charged to operations for the years ended June 30, 2019 and June 30, 2018 totaled \$534,923 and \$476,250, 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, 2019 and June 30, 2018, donated materials, supplies, and services, including donations made for special events, totaled \$62,421 and \$27,485, respectively.

**MOMENTUM FOR MENTAL HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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, 2019 and 2018, \$30,690 and \$34,520, 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. As of June 30, 2019, investments consisted entirely of certificates of deposit and money market ETF's with rates varying from 2.1% to 2.5% maturing at various dates through March 2020. Donated investments are recorded at the estimated fair market value at the donation date. No investment management fees were incurred in the production of \$52,549 and \$25,078 of interest income for the years ended June 30, 2019 and 2018, respectively.

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, 2019 and June 30, 2018:

	2019	2018
Accounts receivable:		
Program service fees	\$ 2,524,297	\$ 2,684,861
Less: allowance for doubtful accounts	367,173	413,069
Accounts receivable, net	\$ 2,157,124	\$ 2,271,792
Grants receivable:		
Santa Clara County, net of cost report reserves	\$ 3,307,206	\$ 3,597,791
Department of Rehabilitation	101,288	60,061
Other	49,299	18,681
Grants receivable, total	\$ 3,457,793	\$ 3,676,533
Pledges receivable:		
United Way designations and private parties	\$ -	\$ 370

**MOMENTUM FOR MENTAL HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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, 2017, 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, 2018 to July 1, 2022	\$ 635,000	\$2,732,467

Terms of the bonds require the Agency to maintain certain financial measurements and conditions. As of June 30, 2019, 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, 2019 and June 30, 2018 totaled \$131,649 and \$159,403, respectively. The future annual maturities for the bonds outlined above are as follows:

Year Ending June 30,	Amount
2020	\$ 635,000
2021	665,000
2022	705,000
2023	<u>727,467</u>
Total bonds payable	2,732,467
Less bond issue costs	(206,002)
Less current portion	<u>(635,000)</u>
Non-current portion	<u>\$ 1,891,465</u>

Bond issue costs, relating to the 2003 bond placements, of \$1,273,109, are presented net of accumulated amortization of \$1,067,107. Amortization for the years ended June 30, 2019 and June 30, 2018 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, 2019, 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, 2019**

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, 2019 and June 30, 2018 totaled \$45,034 and \$45,034, respectively.

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

Year Ending June 30,	Amount
2020	\$ -
2021	119,005
2022	-
2023	-
Thereafter	1,492,102
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 .50%, subject to a 4% minimum rate, and expires November 2019.

7. LEASE COMMITMENTS:

The Agency is obligated under three long-term facility leases, expiring through May 2024, and various month-to-month facility leases for program facilities. The total expense incurred under these leases for the years ended June 30, 2019 and June 30, 2018 was \$693,480 and \$528,488, respectively. The future minimum lease commitment for these facility leases is as follows:

Year Ending June 30,	Amount
2020	\$ 335,522
2021	243,956
2022	191,235
2023	153,943
2024	145,348

**MOMENTUM FOR MENTAL HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

7. LEASE COMMITMENTS (continued):

The Agency is also obligated under twenty six noncancellable leases for office equipment, scheduled to expire at various dates through June 2024. The total expense incurred under these leases for the years ended June 30, 2019 and June 30, 2018 was \$45,885 and \$52,541, respectively. The future minimum lease commitment for these equipment leases is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 61,487
2021	53,268
2022	37,391
2023	27,419
2024	25,751

8. 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 \$886,383 and \$864,139 during the years ended June 30, 2019 and June 30, 2018, respectively. These matches have a five-year graduated vesting provision.

9. CONCENTRATIONS AND CONTINGENCIES:

At times during the fiscal years ended June 30, 2019 and June 30, 2018, the Agency maintained cash balances in excess of insured levels at various financial institutions. In addition, approximately 75% of the Agency's operating revenue base is derived from its largest government contractor. 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 2019.

The Agency, during the normal course of operating its business within the health care industry, 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 are immeasurable. Management further believes the losses, if any, would not have a material effect on the financial position of the Agency.

10. LIQUIDITY AND AVAILABILITY:

As part of the Agency's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Agency invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Agency has a committed line of credit in the amount of \$1 million, which it could draw upon. The Agency's financial assets that are available within one year of June 30, 2019 and June 30, 2018, are as follows:

	<u>2019</u>	<u>2018</u>
Cash	\$ 5,572,785	\$ 5,149,358
Accounts receivable, net	2,157,124	2,271,792
Grants receivable, net	3,457,793	3,676,533
Pledges receivable	-	370
Investments	<u>2,024,464</u>	<u>1,004,091</u>
	<u>\$13,212,166</u>	<u>\$12,102,144</u>
Liquidity Resources		
Line of credit	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

**MOMENTUM FOR MENTAL HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

11. NET ASSETS WITH DONOR RESTRICTIONS:

As of June 30, 2019, and 2018, the Agency's net assets with donor restrictions consisted of the following:

	2019	2018
Time restrictions	\$ 0	\$ 0
Use restrictions		
HUD liens	-	-
Program specific use restrictions	30,000	140,000
Total net assets with donor restrictions	\$ 30,000	\$ 140,000

12. NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets with donor restrictions were decreased as a result of the following restriction releases and transfers during the years ended June 30, 2019 and June 30, 2018:

	2019	2018
Time restrictions	\$ 0	\$ 0
Use restrictions		
HUD liens satisfied		
Program specific use restrictions satisfied	141,000	144,537
Total net assets with donor restrictions released	\$ 141,000	\$ 144,537

13. RECENT ACCOUNTING PRONOUNCEMENTS:

The Agency has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *"Presentation of Financial Statements of Not-for-Profit Entities"*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and related notes. The main provisions of this guidance that have a significant effect on the Agency's financial statements include: presentation of two classes of net assets versus the previously required three, and reporting investment income net of external and direct internal investment expenses. Implementation of this guidance did not impact the valuation or classification of the Agency's net assets. In addition, FASB has issued Accounting Standards Update (ASU) No. 2016-02, *"Leases"*, which will be effective for the Agency's financial statements during the year ending June 30, 2021. The new standard amends much of the existing accounting guidance on leases, with a core principle of increasing transparency and comparability among organizations by recognizing lease assets and leases liabilities on the statement of position and disclosing key information about leasing arrangements. FASB has also issued ASU No. 2014-09, *"Revenue from Contracts with Customer"*, which will be effective for the Agency's financial statements during the year ended June 30, 2020. The new standard is intended to remove inconsistencies and weaknesses in revenue recognition and improve comparability across entities. Management has not determined the effect, if any, of implementing the two new standards.

14. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through September 25, 2019, 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, 2019

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Program or Award Amount	Receipts/ Revenue Recognized	Disbursements/ Expenditures Incurred
<u>Non-major programs</u>				
Department of Health and Human Services, SAMHSA, Mental Health Awareness Training, Contract 1H79SM081013-01	93.243	\$ 125,000	\$ 36,900	\$ 36,900
Department of Education, passed through State of California Department of Rehabilitation Vocational Rehabilitation, Contract 28824	84.126A	450,000	449,529	449,529
Total federal financial assistance		575,000	486,429	486,429
<u>State & local government assistance</u>				
City of Palo Alto, Outreach Services, Contract C-16159611		69,448	45,842	45,842
County of Santa Clara, Mental Health Services:				
MH Adult, PO 4300015262		9,259,525	6,759,658	6,759,658
MH Measure A, PO 4300015273		2,084,568	2,084,568	2,084,568
MHSA BHOS Redesign, PO 4300015264		22,929,879	14,609,397	14,609,397
MHSA CSS Adult and Older Adult, PO 4300015265		4,324,919	3,566,772	3,566,772
MHSA CSS 24 Hour Crisis Residential, PO 4300015270		2,452,042	2,211,981	2,211,981
MH FSP AB-109, PO 4300015304		1,361,174	1,361,174	1,361,174
MHSA FSP BHOS Redesign, PO 4300015303		239,670	152,725	152,725
MHSA FSP 120, PO 4300015305		1,369,882	1,249,604	1,249,604
MHSA FSP TAY F & C, PO 4300015306		1,294,423	1,294,423	1,294,423
MHSA FSP TAY, PO 4300015307		1,875,379	1,642,500	1,642,500
MHSA PEI REACH, PO 4300015308		975,638	799,705	799,705
MHSA Integrated Behavior Employment, PO 4300015247		107,258	89,553	89,553
MHSA IPS Employment, PO 4300016197		123,163	57,865	57,865
State of California, passed through Noridian, SCVHP and Beacon, Medicare offsets		545,014	545,014	545,014
Total state & local government assistance		49,011,982	36,470,781	36,470,781
GRAND TOTALS		\$ 49,586,982	\$ 36,957,210	\$ 36,957,210

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, 2019, 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 25, 2019.

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.



September 25, 2019