
MOMENTUM FOR MENTAL HEALTH

(a California non-profit organization)

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

**MOMENTUM FOR MENTAL HEALTH
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

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

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, 2020 and June 30, 2019, 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, 2020, 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, 2020 and June 30, 2019, the changes in its cash flows for the years then ended, and the changes in its net assets for the year ended June 30, 2020 in accordance with accounting principles generally accepted in the United States of America.

Other Matters-Supplementary Information

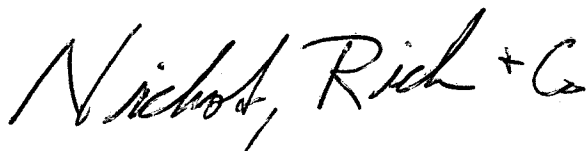
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal, state, and local awards for the year ended June 30, 2020, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative 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 29, 2020 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, 2019 financial statements, and our report dated September 25, 2019, 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



September 29, 2020

MOMENTUM FOR MENTAL HEALTH
Statements of Financial Position
As of June 30, 2020 and June 30, 2019

	2020	2019
<u>ASSETS</u>		
Assets:		
Cash	\$ 6,750,747	\$ 5,572,785
Accounts receivable, net	1,876,841	2,157,124
Grants receivable	4,597,795	3,457,793
Investments	2,069,795	2,024,464
Prepaid expenses	304,439	280,599
Total current assets	15,599,617	13,492,765
Fixed assets, net	10,116,296	10,445,438
Deposits	656,735	606,735
Deposits relating to bonds	1,699,157	1,666,587
TOTAL ASSETS	\$ 28,071,805	\$ 26,211,525
<u>LIABILITIES & NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 569,316	\$ 735,118
Accrued salaries & vacation	4,479,745	3,253,823
Deposits held	106,746	106,635
Accrued interest, current portion	53,406	67,852
Bonds payable, current portion	665,000	635,000
Notes payable, current portion	1,119,005	-
Total current liabilities	6,993,218	4,798,428
Accrued interest, net	981,522	940,285
Bonds payable, net	1,295,133	1,891,465
Notes payable, net	1,492,102	1,611,107
Total long term liabilities	3,768,757	4,442,857
Total liabilities	10,761,975	9,241,285
Net assets:		
Without donor restrictions	17,290,458	16,940,240
With donor restrictions	19,372	30,000
Total net assets	17,309,830	16,970,240
TOTAL LIABILITIES & NET ASSETS	\$ 28,071,805	\$ 26,211,525

MOMENTUM FOR MENTAL HEALTH
Statement of Activities
For the Year Ended June 30, 2020
With summarized financial information for the year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	June 30, 2020 Totals	Comparative summary totals for the year ended June 30, 2019
SUPPORT & REVENUE				
Support received directly				
Contributions	\$ 259,602	\$ 90,000	\$ 349,602	\$ 136,383
Contributions in-kind	47,884		47,884	35,508
Special events, net of \$85,665 expenses	104,664		104,664	165,010
Support received indirectly				
United Way	742		742	2,158
Total Support	412,892	90,000	502,892	339,059
Revenue				
Government grants & fees	43,342,414		43,342,414	36,957,210
Interest & dividend income	74,058		74,058	52,549
Fees for services	8,666,612		8,666,612	8,622,882
Miscellaneous income	173,389		173,389	193,788
Total Revenue	52,256,473	-	52,256,473	45,826,429
Net assets released from restrictions	100,628	(100,628)	-	-
TOTAL SUPPORT & REVENUE	52,769,993	(10,628)	52,759,365	46,165,488
EXPENSES				
Program Services				
Crisis & Transitional Residential	12,427,095		12,427,095	11,979,628
Outpatient Services	30,804,174		30,804,174	24,935,927
Day Treatment Services	611,989		611,989	860,174
Total Program Services	43,843,258	-	43,843,258	37,775,729
Support Services				
Management & General	8,153,872		8,153,872	7,200,821
Development	422,645		422,645	452,882
Total Support Services	8,576,517	-	8,576,517	7,653,703
TOTAL EXPENSES	52,419,775	-	52,419,775	45,429,432
Change in net assets from operations	350,218	(10,628)	339,590	736,056
Net assets at beginning of year	16,940,240	30,000	16,970,240	16,234,184
Net assets at end of year	<u>\$ 17,290,458</u>	<u>\$ 19,372</u>	<u>\$ 17,309,830</u>	<u>\$ 16,970,240</u>

MOMENTUM FOR MENTAL HEALTH
Statement of Functional Expenses
For the Year Ended June 30, 2020
With summarized financial information for the year ended June 30, 2019

PROGRAM SERVICES

	Crisis & Transitional Services	Outpatient Services	Day Treatment Services	June 30, 2020 Total Program Services	Comparative summary totals for the year ended June 30, 2019
Salaries	\$ 7,734,517	\$ 22,759,669	\$ 472,957	\$ 30,967,143	\$ 26,180,663
Employee benefits	944,143	2,615,194	57,876	3,617,213	3,160,637
Payroll taxes	842,904	1,877,757	44,645	2,765,306	2,372,322
Total salaries & related expenses	9,521,564	27,252,620	575,478	37,349,662	31,713,622
Professional fees	32,510	141,188	-	173,698	274,684
Supplies	732,170	406,930	2,183	1,141,283	997,116
Telephone	75,046	221,412	2,981	299,439	235,205
Postage & shipping	391	1,313	-	1,704	4,631
Occupancy	914,146	1,037,428	12,975	1,964,549	1,653,671
Equipment rent & maintenance	64,318	66,693	3,592	134,603	118,871
Printing, subscriptions, & publications	-	-	-	-	30
Travel & transportation	61,205	240,062	108	301,375	315,942
Conference, conventions, & meetings	4,973	27,214	-	32,187	70,364
Specific assistance	34,912	921,316	118	956,346	977,268
Memberships, dues, & licenses	1,336	5,000	-	6,336	3,733
Interest expense	84,804	51,528	1,943	138,275	155,445
Advertising & recruitment	2,452	9,298	-	11,750	12,977
Insurance	191,684	254,444	8,299	454,427	380,385
Bad debts	407,927	75,643	-	483,570	553,070
Miscellaneous	9,993	17,741	-	27,734	32,083
Total expenses before depreciation	12,139,431	30,729,830	607,677	43,476,938	37,499,097
Depreciation	287,664	74,344	4,312	366,320	276,632
TOTAL EXPENSES	\$ 12,427,095	\$ 30,804,174	\$ 611,989	\$ 43,843,258	\$ 37,775,729

MOMENTUM FOR MENTAL HEALTH
Statement of Functional Expenses
For the Year Ended June 30, 2020
With summarized financial information for the year ended June 30, 2019

	TOTAL PROGRAM SERVICES	SUPPORT SERVICES			JUNE 30, 2020 PROGRAM & SUPPORT SERVICES TOTALS	Comparative Summary Totals for the Year ended June 30, 2019
		Management & General	Development	Totals		
Salaries	\$ 30,967,143	\$ 5,093,931	\$ 208,236	\$ 5,302,167	\$ 36,269,310	\$ 31,044,996
Employee benefits	3,617,213	676,466	35,572	712,038	4,329,251	3,741,819
Payroll taxes	2,765,306	389,024	18,095	407,119	3,172,425	2,748,887
Total salaries & related expenses	37,349,662	6,159,421	261,903	6,421,324	43,770,986	37,535,702
Professional fees	173,698	697,733	97,692	795,425	969,123	999,090
Supplies	1,141,283	169,392	6,468	175,860	1,317,143	1,072,437
Telephone	299,439	68,391	8,708	77,099	376,538	302,390
Postage & shipping	1,704	5,336	308	5,644	7,348	14,734
Occupancy	1,964,549	356,499	8,626	365,125	2,329,674	1,817,908
Equipment rent & maintenance	134,603	19,446	2,469	21,915	156,518	149,211
Printing, subscriptions, & publications	-	18,815	782	19,597	19,597	34,249
Travel & transportation	301,375	41,093	201	41,294	342,669	375,738
Conference, conventions, & meetings	32,187	64,268	3,746	68,014	100,201	179,821
Specific assistance	956,346	-	-	-	956,346	977,348
Memberships, dues, & licenses	6,336	51,508	-	51,508	57,844	61,916
Interest expense	138,275	17,871	703	18,574	156,849	176,683
Amortization of bond costs	-	68,667	-	68,667	68,667	68,667
Advertising & recruitment	11,750	58,249	1,596	59,845	71,595	49,560
Insurance	454,427	71,578	3,355	74,933	529,360	447,570
Bad debts	483,570	-	-	-	483,570	553,070
Miscellaneous	27,734	51,440	23,796	75,236	102,970	78,415
Total expenses before depreciation	43,476,938	7,919,707	420,353	8,340,060	51,816,998	44,894,509
Depreciation	366,320	234,165	2,292	236,457	602,777	534,923
TOTAL EXPENSES	\$ 43,843,258	\$ 8,153,872	\$ 422,645	\$ 8,576,517	\$ 52,419,775	\$ 45,429,432

MOMENTUM FOR MENTAL HEALTH
Statements of Cash Flows
For the Years Ended June 30, 2020 and June 30, 2019

	2020	2019
Cash flows from operating activities:		
Increase in net assets from operations	\$ 339,590	\$ 736,056
Adjustments to reconcile increase in net assets from operations to net cash provided (used) by operating activities:		
Depreciation	602,777	534,923
Bond amortization	68,667	68,667
Reinvestment of earnings from investments	(45,331)	(20,373)
Changes in assets & liabilities:		
Decrease (increase) in accounts receivable	280,283	114,668
Decrease (increase) in grants receivable	(1,140,002)	218,740
Decrease (increase) in pledges receivable		370
Decrease (increase) in prepaid expenses	(23,840)	(43,141)
Decrease (increase) in deposits	(50,000)	(22,915)
(Decrease) increase in payables and accrued liabilities	1,086,911	679,034
(Decrease) increase in client deposits	111	15,697
Net cash provided (used) by operating activities	1,119,166	2,281,726
Cash flows from investing activities:		
Purchase of investments		(1,000,000)
Acquisition of building, land, & equipment	(273,634)	(172,355)
Net cash (used) provided by investing activities	(273,634)	(1,172,355)
Cash flows from financing activities:		
(Increase) decrease in deposits relating to bonds	(32,570)	(75,944)
Proceeds from line of credit	1,000,000	
Repayment of bond principal	(635,000)	(610,000)
Net cash used by financing activities	332,430	(685,944)
Net increase (decrease) in cash	1,177,962	423,427
Cash, beginning of year	5,572,785	5,149,358
Cash, end of year	\$ 6,750,747	\$ 5,572,785

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for:		
Interest	\$ 130,058	\$ 149,259
Income taxes	\$ 0	\$ 0
Noncash transactions:		
Assets acquired via loan	\$ 0	\$ 0
Cost basis of assets disposed of	\$ 772,233	\$ 11,113

**MOMENTUM FOR MENTAL HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2020 the Agency had advanced \$1,739 to Home Base Homes, Inc. and charged \$20,862 for services and expenses during the year then ended. Key financial data for Home Base Homes, Inc. as of June 30, 2019, its most recent financial reporting, is:

<u>Balance Sheet:</u>	
Assets	\$ 771,750
Liabilities	\$ 941,040
Accumulated Deficit	<u>(169,290)</u>
	\$ 771,750
<u>Income Statement:</u>	
Income	\$ 306,993
Expenses	<u>293,119</u>
Change in Net Assets	\$ 13,874

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, 2020**

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, 2020 and June 30, 2019 is \$39,215 and \$52,205, 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, 2016 through June 30, 2020 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, 2019, 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, 2020 and June 30, 2019 totaled \$273,634 and \$172,355, respectively. No asset impairment was recognized by the Agency during the years ended June 30, 2020 and June 30, 2019. At June 30, 2020 and June 30, 2019, the cost and related accumulated depreciation for fixed asset components is as follows:

	2020	2019
Land and improvements	\$ 4,237,078	\$ 4,237,078
Buildings and improvements	16,534,303	16,263,253
Furniture, equipment, and improvements	438,138	1,178,294
Vehicles	177,500	206,983
	21,387,019	21,885,608
less: accumulated depreciation	11,270,723	11,440,170
Total	\$ 10,116,296	\$ 10,445,438

Depreciation expense charged to operations for the years ended June 30, 2020 and June 30, 2019 totaled \$602,777 and \$534,923, 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, 2020 and June 30, 2019, donated materials, supplies, and services, including donations made for special events, totaled \$49,850 and \$53,001, respectively.

**MOMENTUM FOR MENTAL HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2020 and 2019, \$31,927 and \$30,690, 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, 2020, 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 December 2021. Donated investments are recorded at the estimated fair market value at the donation date. No investment management fees were incurred in the production of \$45,331 and \$52,549 of interest income for the years ended June 30, 2020 and 2019, 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, 2020 and June 30, 2019:

	<u>2020</u>	<u>2019</u>
Accounts receivable:		
Program service fees	\$ 2,221,424	\$ 2,524,297
Less: allowance for doubtful accounts	<u>344,583</u>	<u>367,173</u>
Accounts receivable, net	<u>\$ 1,876,841</u>	<u>\$ 2,157,124</u>
Grants receivable:		
Santa Clara County, net of cost report reserves	\$ 4,441,027	\$ 3,307,206
Department of Rehabilitation	147,542	101,288
Other	<u>9,226</u>	<u>49,299</u>
Grants receivable, total	<u>\$ 4,597,795</u>	<u>\$ 3,457,793</u>
Pledges receivable:		
United Way designations and private parties	<u>\$ -</u>	<u>\$ -</u>

**MOMENTUM FOR MENTAL HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2020, the California Health Facilities Financing Authority Insured Refunding Revenue Bonds (Momentum for Mental Health), Series 2003, consist of:

<u>Description</u>	<u>Interest Rates</u>	<u>Due Dates</u>	<u>Current Amount</u>	<u>Total Due</u>
Serial bonds	1.55 % to 5.25 %	July 1, 2020 to July 1, 2022	\$ 665,000	\$2,097,467

Terms of the bonds require the Agency to maintain certain financial measurements and conditions. As of June 30, 2020, 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, 2020 and June 30, 2019 totaled \$102,756 and \$131,649, respectively. The future annual maturities for the bonds outlined above are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 665,000
2022	705,000
2023	<u>727,467</u>
Total bonds payable	2,097,467
Less bond issue costs	(137,335)
Less current portion	<u>(665,000)</u>
Non-current portion	<u>\$ 1,295,133</u>

Bond issue costs, relating to the 2003 bond placements, of \$1,273,109, are presented net of accumulated amortization of \$1,135,774. Amortization for the years ended June 30, 2020 and June 30, 2019 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, 2020, notes payable consist of:

<u>Description</u>	<u>Interest Rate</u>	<u>Due Dates</u>	<u>Current Amount</u>	<u>Total Due</u>
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	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, 2020**

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
First Republic Bank, line of credit to \$1,000,000, secured by personal property and accounts receivable	4.00%	Nov. 6, 2020	1,000,000	1,000,000
Housing Trust of Santa Clara County, secured by real property	0.00 %	Aug. 8, 2043	-	109,997
Totals			<u>\$1,119,005</u>	<u>\$ 2,611,107</u>

Interest expense incurred from these borrowings during the years ended June 30, 2020 and June 30, 2019 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
2021	\$ 1,119,005
2022	-
2023	-
2024	-
Thereafter	<u>1,492,102</u>
Total	<u>\$ 2,611,107</u>

7. LEASE COMMITMENTS:

The Agency is obligated under five long-term facility leases, expiring through December 2026, and various month-to-month facility leases for program facilities. The total expense incurred under these leases for the years ended June 30, 2020 and June 30, 2019 was \$1,110,662 and \$693,480, respectively. The future minimum lease commitment for these facility leases is as follows:

Year Ending June 30,	Amount
2021	\$ 769,622
2022	894,255
2023	878,093
2024	891,178
2025	768,204

**MOMENTUM FOR MENTAL HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2020 and June 30, 2019 was \$61,487 and \$45,885, respectively. The future minimum lease commitment for these equipment leases is as follows:

Year Ending June 30,	Amount
2021	\$ 53,268
2022	37,291
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 \$1,111,206 and \$886,383 during the years ended June 30, 2020 and June 30, 2019, respectively. These matches have a five-year graduated vesting provision.

9. CONCENTRATIONS, CONTINGENCIES AND COVID-19:

At times during the fiscal years ended June 30, 2020 and June 30, 2019, the Agency maintained cash balances in excess of insured levels at various financial institutions. In addition, approximately 80% 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 2022.

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.

Beginning in January 2020, the world began to feel the effects of the novel coronavirus (COVID 19). These effects include time away from work, reduction in the work force, potential disruption in the food supply chain, and potential fluctuations in the value of the Agency's assets. The long-term implications of this pandemic are presently unknown as related to Agency operations, although since the outset of the pandemic, the Agency has received additional public, foundation, and government funding to enable it to maintain operating at sustained levels.

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, 2020 and June 30, 2019, are as follows:

	2020	2019
Cash	\$ 6,750,747	\$ 5,572,785
Accounts receivable, net	1,876,841	2,157,124
Grants receivable, net	4,597,795	3,457,793
Investments	<u>2,069,795</u>	<u>2,024,464</u>
	<u>\$15,295,178</u>	<u>\$13,212,166</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, 2020**

11. NET ASSETS WITH DONOR RESTRICTIONS:

As of June 30, 2020, and 2019, the Agency's net assets with donor restrictions consisted of the following:

	<u>2020</u>	<u>2019</u>
Time restrictions	\$ 0	\$ 0
Use restrictions		
HUD liens	-	-
Program specific use restrictions	<u>19,372</u>	<u>30,000</u>
Total net assets with donor restrictions	<u>\$ 19,372</u>	<u>\$ 30,000</u>

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, 2020 and June 30, 2019:

	<u>2020</u>	<u>2019</u>
Time restrictions	\$ 0	\$ 0
Use restrictions		
HUD liens satisfied		
Program specific use restrictions satisfied	<u>100,628</u>	<u>141,000</u>
Total net assets with donor restrictions released	<u>\$ 100,628</u>	<u>\$ 141,000</u>

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, 2022. 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, 2021. 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 29, 2020, 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, 2020

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	\$ 375,000	\$ 155,493	\$ 155,493
Department of Education, passed through State of California Department of Rehabilitation Vocational Rehabilitation, Contract 31114	84.126A	450,000	389,159	389,159
Total federal financial assistance		825,000	544,652	544,652
<u>State & local government assistance</u>				
County of Santa Clara, Mental Health Services:				
MH CSS Adult FSP , PO 4300016748		5,314,112	4,864,108	4,864,108
MH Measure A, PO 4300016751		2,084,568	2,030,856	2,030,856
MHSA BHOS Redesign, PO 4300016747		16,961,624	15,346,447	15,346,447
MH Adult, PO 4300016746		5,297,674	5,297,674	5,297,674
MHSA FSP 24 Hour Crisis Residential, PO 4300016749		6,968,679	5,073,853	5,073,853
MH FSP AB-109, PO 4300016961		1,361,174	1,361,174	1,361,174
MHSA FSP BHOS Redesign, PO 4300016960		239,670	218,150	218,150
MHSA FSP 120, PO 4300016962		1,581,089	1,541,378	1,541,378
MHSA FSP TAY, PO 4300016973		2,930,019	2,671,261	2,671,261
MHSA IPS Employment, PO 4300016750		256,144	217,988	217,988
MHSA PEI REACH, PO 4300016974		1,352,152	1,050,301	1,050,301
MHSA Employment, PO 4300016752		178,868	129,423	129,423
MHSA Family & Children, PO 4300016972		1,268,576	1,268,576	1,268,576
Interns, PO 4300017265		35,511	28,934	28,934
ATS-OP, PO 4300016741		709,758	709,758	709,758
ATS-IOP, PO 4300016743		491,698	491,698	491,698
State of California, passed through Noridian, SCVHP and Beacon, Medicare offsets		496,183	496,183	496,183
Total state & local government assistance		47,527,499	42,797,762	42,797,762
GRAND TOTALS		<u>\$ 48,352,499</u>	<u>\$ 43,342,414</u>	<u>\$ 43,342,414</u>

Expenditures reported on this schedule are reported on the accrual basis of accounting. The Agency has elected not to use the 10% de minimus indirect cost rate for Federal awards.

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, 2020, 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 29, 2020.

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 29, 2020