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**MOMENTUM FOR HEALTH**  
**(a California non-profit organization)**  
**AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

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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 the Uniform Guidance	17
Schedule of Findings and Questioned Costs	18

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Momentum for Health  
San Jose, California

### Report on the Financial Statements

We have audited the accompanying financial statements of Momentum for Health (a California non-profit organization), which comprise the statements of financial position as of June 30, 2021 and June 30, 2020, 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, 2021, 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 Health as of June 30, 2021 and June 30, 2020, the changes in its cash flows for the years then ended, and the changes in its net assets for the year ended June 30, 2021 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, 2021, 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, 2021 on our consideration of Momentum for 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 Health's June 30, 2020 financial statements, and our report dated September 25, 2020, 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, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Nichols, Rick & Co.*

September 29, 2021

**MOMENTUM FOR HEALTH**  
**Statements of Financial Position**  
**As of June 30, 2021 and June 30, 2020**

	2021	2020
<u>ASSETS</u>		
Assets:		
Cash	\$ 8,314,788	\$ 6,750,747
Accounts receivable, net	763,484	1,876,841
Grants receivable	1,057,405	4,597,795
Investments	5,463,624	2,069,795
Prepaid expenses	462,715	304,439
Total current assets	16,062,016	15,599,617
Fixed assets, net	36,483,140	10,116,296
Deposits	733,334	656,735
Deposits relating to bonds	-	1,699,157
TOTAL ASSETS	\$ 53,278,490	\$ 28,071,805
<u>LIABILITIES &amp; NET ASSETS</u>		
Liabilities:		
Accounts payable & accrued expenses	\$ 2,643,384	\$ 569,316
Accrued salaries & vacation	6,493,567	4,479,745
Deferred revenue	32,874	-
Deposits held	72,709	106,746
Accrued interest, current portion	20,830	53,406
Bonds payable, current portion	-	665,000
Notes payable, current portion	406,957	1,119,005
Total current liabilities	9,670,321	6,993,218
Accrued interest, net	1,022,407	981,522
Bonds payable, net	-	1,295,133
Notes payable, net	22,436,257	1,492,102
Total long term liabilities	23,458,664	3,768,757
Total liabilities	33,128,985	10,761,975
Net assets:		
Without donor restrictions	20,135,895	17,290,458
With donor restrictions	13,610	19,372
Total net assets	20,149,505	17,309,830
TOTAL LIABILITIES & NET ASSETS	\$ 53,278,490	\$ 28,071,805

**MOMENTUM FOR HEALTH**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**  
**With summarized financial information for the year ended June 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	June 30, 2021 Totals	Comparative summary totals for the year ended June 30, 2020
<b>SUPPORT &amp; REVENUE</b>				
Support received directly				
Contributions	\$ 751,705	\$ -	\$ 751,705	\$ 349,602
Contributions in-kind	65,863		65,863	47,884
Special events, net of \$30,657 expenses	142,876		142,876	104,664
Paycheck protection program funding	7,852,005		7,852,005	-
Support received indirectly				
United Way	-		-	742
Total Support	8,812,449	-	8,812,449	502,892
Revenue				
Government grants & fees	43,432,283		43,432,283	43,342,414
Interest & dividend income	17,611		17,611	74,058
Fees for services & rental income	8,594,499		8,594,499	8,666,612
Miscellaneous income	86,222		86,222	173,389
Total Revenue	52,130,615	-	52,130,615	52,256,473
Net assets released from restrictions	5,762	(5,762)	-	-
<b>TOTAL SUPPORT &amp; REVENUE</b>	<b>60,948,826</b>	<b>(5,762)</b>	<b>60,943,064</b>	<b>52,759,365</b>
<b>EXPENSES</b>				
Program Services				
Crisis & Transitional Residential	12,389,557		12,389,557	12,427,095
Outpatient Services	33,252,123		33,252,123	30,804,174
Day Treatment Services	323,120		323,120	611,989
Total Program Services	45,964,800	-	45,964,800	43,843,258
Support Services				
Management & General	11,710,013		11,710,013	8,153,872
Development	428,576		428,576	422,645
Total Support Services	12,138,589	-	12,138,589	8,576,517
<b>TOTAL EXPENSES</b>	<b>58,103,389</b>	<b>-</b>	<b>58,103,389</b>	<b>52,419,775</b>
Change in net assets from operations	2,845,437	(5,762)	2,839,675	339,590
Net assets at beginning of year	17,290,458	19,372	17,309,830	16,970,240
Net assets at end of year	<u>\$ 20,135,895</u>	<u>\$ 13,610</u>	<u>\$ 20,149,505</u>	<u>\$ 17,309,830</u>

**MOMENTUM FOR HEALTH**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2021**  
**With summarized financial information for the year ended June 30, 2020**

	PROGRAM SERVICES				Comparative summary totals for the year ended June 30, 2020
	Crisis & Transitional Services	Outpatient Services	Day Treatment Services	June 30, 2021 Total Program Services	
Salaries	\$ 7,673,406	\$ 22,992,581	\$ 247,045	\$ 30,913,032	\$ 30,967,143
Employee benefits	958,759	2,954,686	24,782	3,938,227	3,617,213
Payroll taxes	807,369	1,873,255	24,663	2,705,287	2,765,306
<b>Total salaries &amp; related expenses</b>	<b>9,439,534</b>	<b>27,820,522</b>	<b>296,490</b>	<b>37,556,546</b>	<b>37,349,662</b>
Professional fees	17,998	700,370	-	718,368	173,698
Supplies	716,602	378,361	809	1,095,772	1,141,283
Telephone	83,779	262,260	1,038	347,077	299,439
Postage & shipping	656	3,233	56	3,945	1,704
Occupancy	1,094,751	1,674,028	10,631	2,779,410	1,964,549
Equipment rent & maintenance	66,450	78,737	2,693	147,880	134,603
Printing, subscriptions, & publications	1	1,818	-	1,819	-
Travel & transportation	61,516	192,804	-	254,320	301,375
Conference, conventions, & meetings	4,841	26,660	-	31,501	32,187
Specific assistance	32,014	1,157,140	-	1,189,154	956,346
Memberships, dues, & licenses	828	-	-	828	6,336
Interest expense	61,665	340,803	649	403,117	138,275
Advertising & recruitment	4,634	23,245	-	27,879	11,750
Insurance	191,872	300,028	7,473	499,373	454,427
Bad debts	323,570	60,000	-	383,570	483,570
Miscellaneous	15,208	21,844	-	37,052	27,734
<b>Total expenses before depreciation</b>	<b>12,115,919</b>	<b>33,041,853</b>	<b>319,839</b>	<b>45,477,611</b>	<b>43,476,938</b>
Depreciation	273,638	210,270	3,281	487,189	366,320
<b>TOTAL EXPENSES</b>	<b>\$ 12,389,557</b>	<b>\$ 33,252,123</b>	<b>\$ 323,120</b>	<b>\$ 45,964,800</b>	<b>\$ 43,843,258</b>

**MOMENTUM FOR HEALTH**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2021**  
**With summarized financial information for the year ended June 30, 2020**

	TOTAL PROGRAM SERVICES	SUPPORT SERVICES			JUNE 30, 2021 PROGRAM & SUPPORT SERVICES TOTALS	Comparative Summary Totals for the Year ended June 30, 2020
		Management & General		Development	Totals	
Salaries	\$ 30,913,032	\$ 5,916,128	\$ 250,750	\$ 6,166,878	\$ 37,079,910	\$ 36,269,310
Employee benefits	3,938,227	761,500	37,861	799,361	4,737,588	4,329,251
Payroll taxes	2,705,287	358,429	20,050	378,479	3,083,766	3,172,425
<b>Total salaries &amp; related expenses</b>	<b>37,556,546</b>	<b>7,036,057</b>	<b>308,661</b>	<b>7,344,718</b>	<b>44,901,264</b>	<b>43,770,986</b>
Professional fees	718,368	1,944,547	44,628	1,989,175	2,707,543	969,123
Supplies	1,095,772	124,592	6,836	131,428	1,227,200	1,317,143
Telephone	347,077	97,249	5,876	103,125	450,202	376,538
Postage & shipping	3,945	5,044	1,077	6,121	10,066	7,348
Occupancy	2,779,410	526,895	13,020	539,915	3,319,325	2,329,674
Equipment rent & maintenance	147,880	23,096	1,342	24,438	172,318	156,518
Printing, subscriptions, & publications	1,819	10,995	13,509	24,504	26,323	19,597
Travel & transportation	254,320	26,158	-	26,158	280,478	342,669
Conference, conventions, & meetings	31,501	39,971	983	40,954	72,455	100,201
Specific assistance	1,189,154	56	-	56	1,189,210	956,346
Memberships, dues, & licenses	828	99,789	-	99,789	100,617	57,844
Interest expense	403,117	16,944	305	17,249	420,366	156,849
Amortization of bond costs	-	137,335	-	137,335	137,335	68,667
Advertising & recruitment	27,879	28,948	16,091	45,039	72,918	71,595
Insurance	499,373	79,755	3,985	83,740	583,113	529,360
Bad debts	383,570	1,237,858	-	1,237,858	1,621,428	483,570
Miscellaneous	37,052	52,240	10,081	62,321	99,373	102,970
<b>Total expenses before depreciation</b>	<b>45,477,611</b>	<b>11,487,529</b>	<b>426,394</b>	<b>11,913,923</b>	<b>57,391,534</b>	<b>51,816,998</b>
Depreciation	487,189	222,484	2,182	224,666	711,855	602,777
<b>TOTAL EXPENSES</b>	<b>\$ 45,964,800</b>	<b>\$ 11,710,013</b>	<b>\$ 428,576</b>	<b>\$ 12,138,589</b>	<b>\$ 58,103,389</b>	<b>\$ 52,419,775</b>

**MOMENTUM FOR HEALTH**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2021 and June 30, 2020**

	2021	2020
Cash flows from operating activities:		
Increase in net assets from operations	\$ 2,839,675	\$ 339,590
Adjustments to reconcile increase in net assets from operations to net cash provided (used) by operating activities:		
Depreciation	711,855	602,777
Bond amortization	137,335	68,667
Reinvestment of earnings from investments	(11,440)	(45,331)
Donated securities included in support		
Changes in assets & liabilities:		
Decrease (increase) in accounts receivable	1,113,357	280,283
Decrease (increase) in grants receivable	3,540,390	(1,140,002)
Decrease (increase) in pledges receivable		
Decrease (increase) in prepaid expenses	(158,276)	(23,840)
Decrease (increase) in deposits	(76,599)	(50,000)
(Decrease) increase in deferred revenue	32,874	
(Decrease) increase in payables and accrued liabilities	4,096,199	1,086,911
(Decrease) increase in client deposits	(34,037)	111
Net cash provided (used) by operating activities	12,191,333	1,119,166
Cash flows from investing activities:		
Proceeds from sale of investments	4,100,000	
Purchase of investments	(7,500,000)	
Acquisition of building, land, & equipment	(10,261,088)	(273,634)
Net cash (used) provided by investing activities	(13,661,088)	(273,634)
Cash flows from financing activities:		
(Increase) decrease in deposits relating to bonds	1,699,157	(32,570)
Proceeds from long term borrowing	4,500,000	
Payments on notes payables	(67,894)	
Repayment of line of credit	(1,000,000)	1,000,000
Repayment of bond principal	(2,097,467)	(635,000)
Net cash used by financing activities	3,033,796	332,430
Net increase (decrease) in cash	1,564,041	1,177,962
Cash, beginning of year	6,750,747	5,572,785
Cash, end of year	\$ 8,314,788	\$ 6,750,747

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Cash paid during the year for:		
Interest	\$ 412,057	\$ 130,058
Income taxes	\$ 0	\$ 0
Noncash transactions:		
Assets acquired via loan	\$ 16,800,000	\$ 0
Cost basis of assets disposed of	\$ 0	\$ 772,233

**MOMENTUM FOR HEALTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**1. NATURE OF ORGANIZATION:**

Momentum for Health, formerly known as 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 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, 2021 the Agency had advanced \$1,765 to Home Base Homes, Inc. and charged \$21,184 for services and expenses during the year then ended. Key financial data for Home Base Homes, Inc. as of June 30, 2020, its most recent financial reporting, is:

<u>Balance Sheet:</u>	
Assets	\$ 767,800
Liabilities	\$ 918,300
Accumulated Deficit	<u>(150,500)</u>
	<u>\$ 767,800</u>
<u>Income Statement:</u>	
Income	\$ 313,700
Expenses	<u>295,000</u>
Change in Net Assets	<u>\$ 18,700</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 HEALTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**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, 2021 and June 30, 2020 is \$54,045 and \$39,215, 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, 2017 through June 30, 2021 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, 2020, 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, 2021 and June 30, 2020 totaled \$27,078,700 and \$273,634, respectively. No asset impairment was recognized by the Agency during the years ended June 30, 2021 and June 30, 2020. 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	\$ 14,237,078	\$ 4,237,078
Buildings and improvements	33,292,784	16,534,303
Furniture, equipment, and improvements	758,357	438,138
Vehicles	177,500	177,500
	48,465,719	21,387,019
less: accumulated depreciation	11,982,579	11,270,723
Total	\$ 36,483,140	\$ 10,116,296

Depreciation expense charged to operations for the years ended June 30, 2021 and June 30, 2020 totaled \$711,855 and \$602,777, 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, 2021 and June 30, 2020, donated materials, supplies, and services, including donations made for special events, totaled \$65,863 and \$49,850, respectively.

**MOMENTUM FOR HEALTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**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, 2021 and 2020, \$57,048 and \$31,927, 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, 2021, investments consisted entirely of certificates of deposit and money market ETF's with rates varying from .25% to 3.4% maturing at various dates through October 2023. Donated investments are recorded at the estimated fair market value at the donation date. No investment management fees were incurred in the production of \$17,611 and \$45,331 of interest income for the years ended June 30, 2021 and 2020, 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, 2021 and June 30, 2020:

	<u>2021</u>	<u>2020</u>
Accounts receivable:		
Program service fees	\$ 1,154,060	\$ 2,221,424
Less: allowance for doubtful accounts	<u>390,576</u>	<u>344,583</u>
Accounts receivable, net	<u>\$ 763,484</u>	<u>\$ 1,876,841</u>
Grants receivable:		
Santa Clara County, net of cost report reserves	\$ 962,067	\$ 4,441,027
Department of Rehabilitation	95,338	147,542
Other	-	9,226
Grants receivable, total	<u>\$ 1,057,405</u>	<u>\$ 4,597,795</u>
Pledges receivable:		
United Way designations and private parties	<u>\$ -</u>	<u>\$ -</u>

**MOMENTUM FOR HEALTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**5. BONDS PAYABLE:**

On December 1, 2020, the Agency redeemed the remaining \$2,097,467 of the *California Health Facilities Financing Authority Insured Refunding Revenue Bonds (Momentum for Mental Health), Series 2003*.

Bond issue costs, relating to the 2003 bond placements, of \$1,273,109 were fully amortized as of the bond redemption. Amortization for the years ended June 30, 2021 and June 30, 2020 totaled \$137,335 and \$68,667, respectively. The deposits relating to bonds presented in the statements of financial position as of June 30, 2020 consisted of funds held in trust by a third party for the purpose of maintaining required reserves and bond compliance, and were released as of the bond redemption.

**6. NOTES PAYABLE:**

As of June 30, 2021, 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
California Enterprise Development Authority, secured by personal and real property, monthly payments of \$35,637	3.00%	Jan. 1, 2051	171,600	8,332,106
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		651,107
State of California, secured by real property, annual interest of \$3,120 deferred	3.00 %	Oct. 29, 2032		104,000
First Republic Bank, secured by real property, monthly payments of \$22,652	3.50%	June 30, 2051	116,352	4,500,000
Private party, secured by real property, monthly interest payments of \$29,750	4.25%	Sept. 1, 2022		8,400,000
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>\$ 406,957</u>	<u>\$22,843,214</u>

Interest expense incurred from these borrowings during the years ended June 30, 2021 and June 30, 2020 totaled \$228,933 and \$45,034, respectively, with a payment of deferred interest of \$4,148 made during the year ended June 30, 2021. Terms of the CEDA loan require the Agency to maintain certain financial measurements and conditions. As of June 30, 2021, the Agency was in compliance with these requirements. As disclosed in note 15, subsequent events, the Agency paid off in full the \$8,400,000 private party note payable on August 31, 2021.

**MOMENTUM FOR HEALTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**6. NOTES PAYABLE: (continued)**

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

Year Ending June 30,	Amount
2022	\$ 406,957
2023	8,697,600
2024	307,600
2025	317,900
2026	328,222
Thereafter	<u>12,784,935</u>
Total	<u>\$22,843,214</u>

The Agency also has available a line of credit facility, secured by real property, of up to \$3,000,000 maturing January 6, 2024. Interest expense for the line of credit, currently at 3.25%, totaled \$13,796 for the year ended June 30, 2021. Terms of this facility require the Agency to maintain certain financial measurements and conditions. As of June 30, 2021, the Agency was in compliance with these requirements.

**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, 2021 and June 30, 2020 was \$1,565,062 and \$1,110,662, respectively. Included in rent expense for the year ended June 30, 2021 is \$149,060 in anticipated lease termination expenses due to administrative and program relocation. The future minimum lease commitment for these facility leases is as follows:

Year Ending June 30,	Amount
2022	\$936,107
2023	878,053
2024	893,178
2025	768,204
2026	554,506

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, 2021 and June 30, 2020 was \$53,268 and \$61,487, respectively. The future minimum lease commitment for these equipment leases is as follows:

Year Ending June 30,	Amount
2022	\$ 37,291
2023	27,419
2024	25,751

**MOMENTUM FOR HEALTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**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 \$1,284,780 and \$1,111,206 during the years ended June 30, 2021 and June 30, 2020, 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, 2021 and June 30, 2020, 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 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. Included in accrued expenses as of June 30, 2021 is \$1,750,000 designated for cybersecurity infrastructure, transcranial magnetic stimulation program development and start up, and potential labor settlement issues.

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. RENTAL INCOME:**

Total income received under approximately 15 noncancellable office facility leases for real property located in San Jose during the year ended June 30, 2021 \$614,722. The future minimum rental income to be received from these agreements is as follows:

Year Ending June 30,	Amount
2022	\$ 745,455
2023	599,247
2024	384,494
2025	42,909

**11. 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 \$3 million, which it could draw upon. The Agency's financial assets that are available within one year of June 30, 2021 and June 30, 2020, are as follows:

	2021	2020
Cash	\$ 8,314,788	\$ 6,750,747
Accounts receivable, net	763,484	1,876,841
Grants receivable, net	1,057,405	4,597,795
Investments	<u>5,463,624</u>	<u>2,069,795</u>
	<u>\$15,599,301</u>	<u>\$15,295,178</u>
Liquidity Resources		
Line of credit	<u>\$ 3,000,000</u>	<u>\$ 1,000,000</u>

**MOMENTUM FOR HEALTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**12. NET ASSETS WITH DONOR RESTRICTIONS:**

As of June 30, 2021, and 2020, the Agency's net assets with donor restrictions consisted of the following:

	2021	2020
<b>Time restrictions</b>	\$ 0	\$ 0
<b>Use restrictions</b>		
HUD liens	-	-
Program specific use restrictions	13,610	19,372
Total net assets with donor restrictions	\$ 13,610	\$ 19,372

**13. 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, 2021 and June 30, 2020:

	2021	2020
<b>Time restrictions</b>	\$ 0	\$ 0
<b>Use restrictions</b>		
HUD liens satisfied		
Program specific use restrictions satisfied	5,762	100,628
Total net assets with donor restrictions released	\$ 5,762	\$ 100,628

**14. RECENT ACCOUNTING PRONOUNCEMENTS:**

The Agency has adopted ASU No. 2014-09, "Revenue from Contracts with Customer", 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. Implementation of this guidance did not impact the Agency's revenue recognition processes. 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.

**15. SUBSEQUENT EVENTS:**

Management has evaluated subsequent events through September 29, 2021, the date on which the financial statements were available to be issued. On August 31, 2021, the Agency completed a sale of its real property located at 2001 The Alameda, San Jose. In addition to receiving cash proceeds of approximately \$5,800,000, the Agency also paid off in full the \$8,400,000 private party note payable listed in footnote 6.

**MOMENTUM FOR HEALTH**  
**Schedule of Expenditures of Federal, State, and Local Awards**  
**For the Year Ended June 30, 2021**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Program or Award Amount	Receipts/ Revenue Recognized	Disbursements/ Expenditures Incurred
<b><u>Major programs</u></b>				
Department of Education, passed through State of California Department of Rehabilitation Vocational Rehabilitation, Contract 30021	84.126A	\$ 450,000	\$ 427,049	\$ 427,049
Department of Health and Human Services, Provider Relief Act	93.498	<u>573,267</u>	<u>573,267</u>	<u>573,267</u>
Total major programs		\$ 1,023,267	\$ 1,000,316	\$ 1,000,316
<b><u>Non-major programs</u></b>				
Department of Health and Human Services, SAMHSA, Mental Health Awareness Training, Contract 1H79SM081013-01	93.243	375,000	167,581	167,581
Department of Health and Human Services, passed through Sierra Health Foundation, Community Mental Health Services Block Grant	93.958	<u>216,460</u>	<u>183,586</u>	<u>183,586</u>
Total non-major programs		\$ 591,460	\$ 351,167	\$ 351,167
Total federal financial assistance		<u>\$ 1,614,727</u>	<u>\$ 1,351,483</u>	<u>\$ 1,351,483</u>
<b><u>State &amp; local government assistance</u></b>				
County of Santa Clara, Mental Health Services:				
MH CSS Adult & Older Adult , PO 4300018983		10,161,638	3,996,805	3,996,805
MH Measure A, PO 4300018986		1,977,710	1,977,710	1,977,710
MHSA BHOS Redesign, PO 4300018982		17,001,102	14,230,476	14,230,476
MH Adult, PO 4300018981		3,911,282	3,420,897	3,420,897
MHSA CSS Diversion Initiative, PO 4300019745		2,993,625	2,993,625	2,993,625
MH FSP AB-109, PO 4300018977		1,361,174	1,361,173	1,361,173
MH FSP Crisis Residential, PO 4300018984		4,946,723	4,475,524	4,475,524
MHSA FSP BHOS Redesign, PO 4300018980		406,279	406,279	406,279
MHSA FSP 120, PO 4300018979		1,581,079	1,581,089	1,581,089
MHSA FSP TAY, PO 4300018992		5,481,503	2,851,846	2,851,846
MHSA IPS Employment, PO 4300018985		271,743	266,102	266,102
MHSA PEI REACH, PO 4300018993		1,233,838	1,023,039	1,023,039
MHSA Employment, PO 4300018987		139,647	139,647	139,647
MHSA Family & Children, PO 4300018990		1,165,371	1,165,371	1,165,371
MHSA IMD Alternative, PO 4300018988		830,862	830,862	830,862
Interns, PO 4300017265		94,695	52,608	52,608
ATS-OP, PO 4300019241		700,000	700,000	700,000
ATS-IOP, PO 4300019240		484,516	479,708	479,708
State of California, passed through Noridian, SCVHP and Beacon, Medicare offsets		<u>128,039</u>	<u>128,039</u>	<u>128,039</u>
Total state & local government assistance		54,870,826	42,080,800	42,080,800
GRAND TOTALS		<u>\$ 56,485,553</u>	<u>\$ 43,432,283</u>	<u>\$ 43,432,283</u>

**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 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 Health (a California non-profit organization), which comprise the statement of financial position as of June 30, 2021, 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, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered Momentum for Health's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Momentum for Health's internal control. Accordingly, we do not express an opinion on the effectiveness of Momentum for 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 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*Nichols, Rick & Co.*

September 29, 2021

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

**Report on Compliance for Each Major Federal Program**

We have audited Momentum for Health's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Momentum for Health's major federal programs for the year ended June 30, 2021. Momentum for 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 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 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 Health's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Momentum for 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, 2021.

**Report on Internal Control over Compliance**

Management of Momentum for 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 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 the Uniform Guidance, 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Nichols, Rick & Co.*

September 29, 2021

**MOMENTUM FOR HEALTH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2021**

**A. Summary of Auditor's Results**

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Momentum for Health were prepared in accordance with GAAP.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Momentum for Health were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal awards programs for Momentum for Health expresses an unmodified opinion on all major federal programs. The agency has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance. Expenditures reported on the Schedule of Federal and local Awards have been reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
6. There were no audit findings relating to major programs that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The programs tested as major programs were Vocational Rehabilitation, CFDA 84.126A, and Provider Relief Act, CFDA 93.498.
8. The threshold used to distinguish between Type A and Type B programs was \$750,000.
9. Momentum for Health was determined to not be a low risk auditee.

**B. Findings and Questioned Costs from Prior Audit**

None noted on prior audit.