



Report of Independent Auditors
and Financial Statements

Momentum for Health

June 30, 2024 and 2023

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Report of Independent Auditors

The Board of Directors
Momentum for Health

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Momentum for Health (the Agency), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Momentum for Health, as of June 30, 2024 and 2023, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Momentum for Health, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Momentum for Health's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Moss Adams LLP

San Francisco, California

February 25, 2025

Financial Statements

Momentum for Health
Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,246,048	\$ 5,419,453
Patient accounts receivable, net	2,350,925	2,156,919
County of Santa Clara receivable	1,835,021	5,715,986
Grants receivable	1,077,527	966,828
Short-term investments	-	643,549
Prepaid expenses and other assets	944,941	1,206,637
Total current assets	16,454,462	16,109,372
PROPERTY AND EQUIPMENT, NET	34,645,622	35,799,947
DEPOSITS	778,580	733,000
OPERATING RIGHT-OF-USE (ROU) ASSETS	1,403,570	2,433,219
Total assets	\$ 53,282,234	\$ 55,075,538
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 2,977,568	\$ 3,726,615
Accrued salaries and vacation	4,618,544	4,357,082
Deposits held	71,068	90,866
Accrued interest, current portion	44,577	20,380
Line of credit	4,300,000	3,300,000
Operating lease liabilities, current portion	790,282	1,042,285
Notes payable, current portion	323,905	313,190
Other liabilities	302,874	82,270
Total current liabilities	13,428,818	12,932,688
LONG-TERM LIABILITIES		
Accrued interest, net of current portion	1,157,509	1,112,475
Operating lease liabilities, net of current portion	700,376	1,490,659
Notes payable, net of current portion	13,205,891	13,529,881
Other long-term liabilities	1,869,242	1,041,823
Total long-term liabilities	16,933,018	17,174,838
Total liabilities	30,361,836	30,107,526
NET ASSETS		
Without donor restrictions	22,848,556	24,912,695
With donor restrictions	71,842	55,317
Total net assets	22,920,398	24,968,012
Total liabilities and net assets	\$ 53,282,234	\$ 55,075,538

See accompanying notes.

Momentum for Health
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2024 and 2023

	2024	2023
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues and other support		
Government grants and fees	\$ 59,962,611	\$ 57,124,995
Investment return, net	39,172	66,999
Patient services revenue, net	8,975,894	6,776,662
Corporate and private grants and contributions	2,508,502	995,746
Net assets released from restrictions	52,995	1,000
Total revenues and other support	<u>71,539,174</u>	<u>64,965,402</u>
Expenses		
Program services		
Crisis and transitional residential	19,617,375	14,806,145
Outpatient services	41,247,728	41,714,163
Total program services	<u>60,865,103</u>	<u>56,520,308</u>
Support services		
Management and general	13,368,227	12,699,481
Fundraising	971,725	747,043
Total support services	<u>14,339,952</u>	<u>13,446,524</u>
Total expenses	<u>75,205,055</u>	<u>69,966,832</u>
Operating loss	(3,665,881)	(5,001,430)
Nonoperating income (loss)		
Acquisition - inherent contribution	-	1,027,421
Other losses	-	(975,000)
Nonoperating income	<u>-</u>	<u>52,421</u>
Deficit of revenue over expenses	(3,665,881)	(4,949,009)
Other income		
Rental income	1,500,750	857,479
Miscellaneous income	100,992	4,967
Total other income	<u>1,601,742</u>	<u>862,446</u>
Change in net assets without donor restrictions	(2,064,139)	(4,086,563)
Changes in net assets with donor restrictions		
Contributions	69,520	-
Net assets released from restrictions	(52,995)	(1,000)
Change in net assets with donor restrictions	<u>16,525</u>	<u>(1,000)</u>
CHANGE IN NET ASSETS	(2,047,614)	(4,087,563)
NET ASSETS, beginning of year	<u>24,968,012</u>	<u>29,055,575</u>
NET ASSETS, end of year	<u>\$ 22,920,398</u>	<u>\$ 24,968,012</u>

See accompanying notes.

Momentum for Health
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (2,047,614)	\$ (4,087,563)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	1,400,070	1,129,507
Acquisition - inherent contribution, net of cash transferred	-	(358,894)
Investment return, net	(39,172)	(66,999)
Changes in operating assets and liabilities		
Patient accounts receivable, net	(194,006)	873,422
County of Santa Clara receivable	3,880,965	(1,393,892)
Grants receivable	(110,699)	(227,963)
Operating right-of-use assets/lease liabilities	(12,637)	99,725
Prepaid expenses and other assets	261,696	(655,689)
Deposits	(65,378)	26,174
Other liabilities	1,048,023	(2,243,103)
Accounts payable and accrued liabilities	(418,354)	(112,938)
	<u>3,702,894</u>	<u>(7,018,213)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	682,721	8,051,143
Purchase of investments	-	107,856
Acquisition of property and equipment	(245,745)	(976,928)
	<u>436,976</u>	<u>7,182,071</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Line of credit, net	1,000,000	3,300,000
Payments on notes payable	(313,275)	(303,778)
	<u>686,725</u>	<u>2,996,222</u>
CHANGES IN CASH AND CASH EQUIVALENTS	4,826,595	3,160,080
CASH AND CASH EQUIVALENTS, beginning of year	<u>5,419,453</u>	<u>2,259,373</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 10,246,048</u>	<u>\$ 5,419,453</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 750,531</u>	<u>\$ 489,319</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCIAL ACTIVITIES		
ROU assets obtained in exchange for new new operating lease liabilities	<u>\$ -</u>	<u>\$ 3,592,907</u>

See accompanying notes.

Momentum for Health

Notes to Financial Statements

Note 1 – Organization

Momentum for Health (the Agency) is a California nonprofit corporation, formed in 1997 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 disorder and substance addiction 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 support independent living in the community. Outpatient services are provided by the teams of mental health care professionals and paraprofessionals and include case management, medication, mental health treatment, substance addiction 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. 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.

The Board of Directors of Momentum for Health control a California non-profit organization, Homebase Homes, Inc. The accompanying financial statements exclude the financial position and results of operations of Homebase Homes, Inc. Key financial data for Homebase Homes, Inc. as of June 30:

	2024	2023
Statements of financial position		
Assets	\$ 629,000	\$ 667,000
Liabilities	\$ 809,000	\$ 831,000
Net deficit	(180,000)	(164,000)
	\$ 629,000	\$ 667,000
Statements of activities and changes in net assets		
Revenue	\$ 290,000	\$ 305,000
Expenses	307,000	310,000
Change in net assets	\$ (17,000)	\$ (5,000)

Momentum for Health

Notes to Financial Statements

On June 1, 2023, the Agency officially merged in Parisi House on the Hill (PH), a residential treatment facility, with the Agency remaining as the surviving corporation. Both Momentum for Health and Parisi House provide Substance Use Treatment services that meet the needs of the community in Santa Clara County. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-805, *Not-for-Profit Mergers and Acquisitions*, the combination was accounted for on the acquisition basis of accounting for the year ended June 30, 2023, in which the assets and liabilities of PH were recorded on the Agency's statements of financial position at fair value. No consideration was transferred as a result of this acquisition. The Agency recorded an inherent contribution of \$1,027,421 as a result of this acquisition. The statement of activities and changes in net assets for the year ended June 30, 2023, reports the total revenue, gains, and other support; changes in net assets with donor restrictions; and changes in net assets without donor restrictions for the combined entity for the period beginning June 1, 2023. Since the date of the merger, supporting activities of both operations have combined to deliver services across the Agency; therefore, supplementary pro forma information of changes in net assets without donor restrictions and changes in net assets with donor restrictions for operations of only PH or the Agency for the year ended June 30, 2023, is impracticable.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – The accompanying financial statements include the accounts of the Agency and Parisi House. All significant intercompany transactions and balances have been eliminated in consolidation. The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, support and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

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

Net assets without donor restrictions – Net assets that are not subject to donor timing or purpose restrictions. Investment earnings are recorded as net assets without donor restrictions for certain restricted funds in accordance with the Agency's spending rule and for certain funds in accordance with donor stipulations. There were no board designated net assets as of June 30, 2024 and 2023.

Net assets with donor restrictions – Net assets subject to donor imposed stipulations that may, or will be met, either by actions of the Agency and/or the passage of time. Net assets subject to donor imposed restrictions also represent cash and cash equivalents that are subject to gift instrument restrictions that require the principal to be invested in perpetuity. All net assets with donor restrictions are expected to be released from restriction in 2025.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of support, revenue, and expenses during the period. Accordingly, actual results could differ from those estimates.

Momentum for Health

Notes to Financial Statements

Cash and cash equivalents – Cash and cash equivalents include highly liquid cash and cash equivalents with remaining terms to maturity of three months or less at the date of acquisition.

Patient accounts receivable, net – Patient accounts receivable is recorded at amounts that reflect the consideration to which the Agency expects to be entitled in exchange for providing patient care. In evaluating the collectability of patient accounts receivable, the Agency regularly analyzes its past history and identifies and reviews trends for each of its major payor sources of revenue to estimate appropriate and sufficient implicit and explicit price concessions reflected in patient accounts receivable. For receivables associated with private-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Agency records a significant implicit price concession in the period of services on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is reflected as a reduction in patient accounts receivable.

County of Santa Clara receivable – County of Santa Clara receivable consists primarily of contract fees and reimbursements due to the Agency from the County of Santa Clara. Management believes that all receivables are collectable within one year and, therefore, an allowance for uncollectable receivables and discount are not recorded.

The following table provides information about the Agency's receivables pursuant to ASC 606-10-50-11, *Revenue from Contracts with Customers—Overall—Disclosure*, as of June 30:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Patient accounts receivables, net	\$ 2,350,925	\$ 2,156,919	\$ 3,030,341
County of Santa Clara receivable	\$ 1,835,021	\$ 5,715,986	\$ 4,322,094

Grants receivable – Grants receivable consists primarily of grant reimbursements due to the Agency. Management believes that all receivables are collectable within one year and, therefore, an allowance for uncollectable receivables and discount are not recorded.

Concentrations of credit risk – The Agency maintains cash balances at local financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times during the year, the Agency held cash and cash equivalent balances in excess of federally insured limits. If any of the financial institutions with whom the Agency does business were to be placed into receivership with the FDIC, the Agency may be unable to access the cash they have on deposit with such institutions. If the Agency was unable to access its cash and cash equivalents as needed, the Agency's financial position and ability to operate its business could be adversely affected. The Agency has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on these cash and cash equivalents.

Momentum for Health Notes to Financial Statements

Investments – The investments of the Agency are comprised of mutual funds and certificate of deposits. Donated investments are immediately converted to cash and the net proceeds are recorded at the date of receipt. The recorded amount represents estimated fair market value at donation date.

Property, building, and equipment – Land, building and equipment are carried at cost or estimated fair value at date of acquisition. The Agency capitalizes all acquisitions greater than \$5,000. Depreciation is calculated by the straight-line method over the estimated useful life of the improvement or the term of the lease, whichever is less. Depreciation is recorded when construction is substantially complete, and the assets are placed in service.

Estimated useful lives are as follows:

Buildings and improvements	10 to 39 years
Equipment	3 to 7 years

The Agency periodically evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Impairment losses on capital assets are measured using the method that best reflects the diminished service utility of the capital asset. During the years ended June 30, 2024 and 2023, no asset impairment was recognized.

Leases – Transactions give rise to leases when the Agency receives substantially all of the economic benefits from, and has the ability to direct, the use of and control the specified property, plant, and equipment. The Agency primarily has lessee activity that is classified as operating leases. Operating leases are included in operating lease right-of-use assets and current and long-term maturities of operating lease liabilities in the statements of financial position.

Right-of-use assets represents the right to use an underlying asset for the lease term, and lease liabilities represent obligations to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. When discount rates implicit in leases cannot be readily determined, the Agency uses the prime rate applicable to the lease term at lease commencement to perform lease classification tests and to measure lease liabilities and right-of-use assets. Lease expense for operating leases is recognized on a straight-line basis over the lease term. No right-of-use asset impairment was recognized during the years ended June 30, 2024 and 2023.

The Agency has elected not to recognize right-of-use assets and lease liabilities that arise from short-term leases (i.e., leases with a term of 12 months or less).

Deposits – Deposits consist primarily of deposits from the Agency's rental properties.

Other liabilities – Other liabilities consist primarily of rent received in advance from the Agency's tenants.

Momentum for Health Notes to Financial Statements

Revenue recognition

Government grants and fees – 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 other long-term liabilities for contracts for which cost reports have not been finalized. During the fiscal years ended June 30, 2024 and 2023, \$0 and \$2,325,373, respectively, was released from other long-term liabilities for reserves relating to cost reports older than 10 years, recognized as part of government grants and fees in the accompanying statements of activities. The carrying amounts for grant 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. At both June 30, 2024 and 2023, receivables from the County of Santa Clara represents 92% of grants receivable.

The Agency's government grants and fees consist primarily of the following for the years ended June 30:

	2024	2023
County of Santa Clara	\$ 58,721,625	\$ 55,718,170
Department of Rehabilitation	526,336	508,843
Other government agencies	714,650	897,982
Total government grants and fees	\$ 59,962,611	\$ 57,124,995

Patient services revenue, net – Patient service revenue is reported at the amount that reflects the consideration to which the Agency expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Agency bills the patients and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Agency. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Agency believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Agency has elected to apply the optional exemption provided in ASC 606-10-50-14a and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Momentum for Health

Notes to Financial Statements

The Agency determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Agency's sliding fee policy, and implicit price concessions provided to uninsured patients. The Agency determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Agency determines its estimate of implicit price concessions based on its historical collection experience with this class of patients. Adjustments arising from a change in the transaction price resulted in a decrease to net patient service revenues of approximately \$0.3 million and \$1.7 million in 2024 and 2023, respectively. For changes in credit issues not assessed at the date of service, such as a payor files for bankruptcy or a patient default on a payment plan, the Agency recognizes these write-offs as bad debt expense, which is presented on the accompanying statements of activities and changes in net assets as a component of other expenses.

Compliance with such laws and regulations are subject to government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from Medicare and/or Medi-Cal programs.

The Agency believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such significant regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and/or Medi-Cal programs.

Contributions – Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as with donor restrictions, or without donor restrictions depending on the nature of donor restrictions. Donor restricted contributions are reported as increases in net assets with donor restrictions. When the restriction is met the amount is shown as a reclassification of net assets with donor restrictions to net assets without donor restrictions.

Rental income – Rental income is recognized according to the terms of the underlying leases. Rental revenue is recognized over the term of the related lease.

Performance indicator – “Deficit of revenue over expenses” as reflected in the statements of activities and changes in net assets is the performance indicator. Amounts excluded from the performance indicator, consistent with industry practice, include other income or losses and other restricted activities.

Income taxes – The Agency is a nonprofit corporation under Internal Revenue Code Section 501(c)(3) and has been granted tax-exempt statuses by the Internal Revenue Service and the California Revenue and Taxation Code. As of June 30, 2024 and 2023, the Agency had no unrecognized tax positions or uncertain tax positions requiring accrual. Therefore, no provision for income taxes has been provided in the financial statements.

Reclassification – Certain financial statement reclassifications have been made to prior year balances for comparability purposes and had no impact on the changes in net assets as previously reported.

Momentum for Health

Notes to Financial Statements

New accounting pronouncements – In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13). ASU 2016-13 requires the use of an expected loss model on certain types of financial instruments. ASU 2016-13 also sets forth a current expected credit loss model, which requires the Agency to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets. The Agency has adopted ASU 2016-13 during the year ended June 30, 2024. The adoption of ASU 2016-13 did not have a material impact on the Agency’s financial statements.

Note 3 – Liquidity

The following table reflects the Agency’s financial assets as of June 30, which are available for general expenditure within one year:

	2024	2023
Financial assets at year end		
Cash and cash equivalents	\$ 10,246,048	\$ 5,419,453
Patient accounts receivables, net	2,350,925	2,156,919
County of Santa Clara receivable	1,835,021	5,715,986
Grants receivable	1,077,527	966,828
Short-term investments	-	643,549
	15,509,521	14,902,735
Less financial assets with donor restrictions	(71,842)	(55,317)
Total financial assets available to meet cash needs for general expenditures within one year	\$ 15,437,679	\$ 14,847,418

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The Agency has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Agency also has available a line of credit facility, secured by real property, of up to \$5,000,000 maturing January 6, 2026. \$4,300,000 of the line of credit facility has been drawn down as of June 30, 2024.

Momentum for Health Notes to Financial Statements

Note 4 – Investments

ASC 820, *Fair Value Measurement* (ASC 820) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Unadjusted quoted prices in active markets accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices for valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (inputs are supported by little or no market activity).

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Investments – Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include exchange-traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with identical characteristics, or discounted cash flows. In certain cases, where Level 1 or 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Agency does not have investments classified as Level 3.

The following tables present the fair value measurements of assets and liabilities recognized in the statement of financial position measured at fair value on a recurring basis and the level within the ASC 820 fair value hierarchy in which the fair value measurements fall at June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2023</u>
Cash and cash equivalents	\$ 40,905	\$ -	\$ -	\$ 40,905
Certificate of deposits	-	602,644	-	602,644
Total	<u>\$ 40,905</u>	<u>\$ 602,644</u>	<u>\$ -</u>	<u>\$ 643,549</u>

Short-term investments were fully liquidated as of June 30, 2024.

Investment income, net is presented net of external and direct investment expenses.

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 39,172	\$ 21,138
Net unrealized gain on investments	-	45,861
Investment return, net	<u>\$ 39,172</u>	<u>\$ 66,999</u>

Momentum for Health

Notes to Financial Statements

Note 5 – Property and Equipment, Net

Property and equipment, net at June 30 are as follows:

	2024	2023
Land and improvements	\$ 14,058,254	\$ 14,281,331
Building and improvements	29,165,650	29,695,872
Furniture, equipment and improvements	2,045,763	2,054,891
Vehicles	267,721	227,698
	45,537,388	46,259,792
Less accumulated depreciation	(10,891,766)	(10,459,845)
Total	\$ 34,645,622	\$ 35,799,947

Depreciation expense for the years ended June 30, 2024 and 2023, was \$1,400,070 and \$1,129,507, respectively.

Note 6 – Payroll and Related Liabilities

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Agency. The value of accrued vacation at June 30, 2024 and 2023, is \$3,126,438 and \$3,229,898, respectively, included in accrued salaries and vacation in the statements of financial position.

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. Benefited part-time employees receive FTO benefits on a prorated basis.

Note 7 – Leases

The Agency leases various facilities under operating leases with various terms. Some leases contain renewal options. The Agency has taken the reasonable certainty of exercising the renewal options into consideration, and if applicable, has recognized the renewal options as part of the right-of-use assets and lease liabilities.

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Notes to Financial Statements

Operating lease cost was included in rent expense on the functional expense schedule for the year ended June 30, 2024 and 2023. For the years ended June 30 total lease costs incurred by lease type and type of payment were as follows along with other supplemental quantitative disclosure:

	2024	2023
Operating lease expense	\$ 1,125,045	\$ 1,226,871
Operating cash flows from operating leases	\$ 1,137,679	\$ 1,207,380
Weighted-average remaining lease term in years for operating leases	1.95	2.66
Weighted-average discount rate for operating leases	4.89%	4.89%

As of June 30, 2024, the undiscounted future lease payments over the lease term for operating leases, along with a reconciliation of the undiscounted cash flows to operating lease liabilities, were as follows:

Years Ending June 30,

2025	\$ 841,136
2026	554,557
2027	164,779
2028	-
2029	-
Thereafter	-
Total undiscounted cash flows	1,560,472
Less present value discount	(69,814)
Total lease liabilities	\$ 1,490,658

The Agency also has several noncancelable office facility leases for real property located in San Jose. Rental income for these office facility leases were \$1,049,679 and \$640,618 for the years ended June 30, 2024 and 2023, respectively, as included in rental income in the statements of activities and changes in net assets. The future minimum rental income to be received from these agreements are as follows:

Years Ending June 30,

2025	\$ 237,783
2026	52,451
2027	54,024
Total future minimum rental payments	\$ 344,258

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Note 8 – Notes Payable

Notes payable are as follows as of June 30:

	2024	2023
California Department of Housing and Community Development, secured by real property. The loan bears interest at 3% and matures in a lump sum in June 2041.	\$ 195,285	\$ 195,285
California Enterprise Development Authority, secured by personal and real property. The loan bears interest at 3% and matures in January 2051, principal payments ranging from \$222,000 - \$245,000.	7,774,996	7,966,346
U.S. Department of Housing and Urban Development, secured by real property. The loan bears interest at 3% and matures in a lump sum in June 2028.	119,005	119,005
State of California, secured by real property. The loan bears interest at 3% and matures in a lump sum in June 2028.	651,107	651,107
State of California, secured by real property. The loan bears interest at 3% and matures in a lump sum in October 2032.	104,000	104,000
First Republic Bank, secured by real property. The loan bears interest at 3.5% and matures in June 2051, principal payments ranging from \$118,000 - \$136,000.	4,143,692	4,265,617
U.S. Department of Housing and Urban Development, passed through City of Sunnyvale, secured by real property. The loan bears interest at 3% and matures in a lump sum in November 2041.	431,714	431,714
Housing Trust of Santa Clara County, secured by real property. The loan does not bear any interest and matures in a lump sum in August 2043.	109,997	109,997
	13,529,796	13,843,071
Less current portion	(323,905)	(313,190)
Notes payable, net of current portion	\$ 13,205,891	\$ 13,529,881

Terms of the California Enterprise Development Authority (CEDA) loan require the Agency to maintain certain financial measurements and conditions. As of June 30, 2024 and 2023, management believes the Agency was in compliance with these requirements or has otherwise obtained a waiver.

Momentum for Health Notes to Financial Statements

Future principal payments are as follows for the years ended June 30:

<u>Years Ending June 30,</u>	
2025	\$ 323,905
2026	334,382
2027	345,295
2028	1,126,320
2029	368,196
Thereafter	<u>11,031,698</u>
Total	<u>\$ 13,529,796</u>

The Agency also has available a line of credit, secured by real property, up to \$5,000,000 maturing January 26, 2026, at interest rate of 8.0% and 8.5% as of June 30, 2024 and 2023, respectively. As of June 30, 2024 and 2023, the outstanding balance was \$4,300,000 and \$3,300,000, respectively. Terms of this facility require the Agency to maintain certain financial measurements and conditions. As of June 30, 2024 and 2023, management believes the Agency was in compliance with these requirements or has otherwise obtained a waiver.

Note 9 – Concentration of Credit Risk

At times during the fiscal years ended June 30, 2024 and 2023, the Agency maintained cash balances in excess of insured levels at various financial institutions. In addition, approximately 82% and 86%, for the years ended June 30, 2024 and 2023, respectively, 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 70% of the Agency's employees are covered under membership in a collective bargaining agreement which expires October 2025.

The mix of accounts receivables at June 30, from patients and third-party payors was as follows:

	<u>2024</u>	<u>2023</u>
Commercial	93%	89%
Private-pay	<u>7%</u>	<u>11%</u>
	<u>100%</u>	<u>100%</u>

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Notes to Financial Statements

Note 10 – 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. The Agency contributed \$1,554,984 and \$1,438,835 during the years ended June 30, 2024 and 2023, respectively. These matches have a five-year graduated vesting provision.

Note 11 – Commitments and Contingencies

Litigation, malpractice, and workers' compensation claims – The Agency has on-going litigation claims as result of its normal course of operations; however, in the opinion of management, these claims will be fully covered by the Agency's insurance and will not have a material adverse effect upon the financial statements. Included in accrued expenses as of June 30, 2024 and 2023, are \$1,775,000 and \$457,236, respectively, designated for cyber security infrastructure and potential labor settlement issues.

Risks and uncertainties – The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government health care program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Agency is subject to similar regulatory reviews, there are no reviews currently underway, and management believes that the outcome of any potential regulatory review will not have a material adverse effect on the Agency's financial position or changes in activities.

Related-party transactions – The Agency had advanced \$16,853 and \$3,568 to Homebase Homes, Inc. as of June 30, 2024 and 2023, respectively, and charged \$20,224 and \$21,407, for the years ended June 30, 2024 and 2023, respectively, for services and expenses.

The Patient Protection and Affordable Care Act (PPACA) allowed for the expansion of Medicaid members in the State of California. Any further federal or state funding changes could have an impact on the Agency. With the changes in the executive branch, the future of PPACA and impact of future changes in Medicaid to the Agency is uncertain at this time.

Note 12 – Functional Expenses

Expenses directly identifiable with programs are charged to program services based upon employee's time for each function, purpose of each expenditure, and/or services provided for each program. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Agency.

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Functional expenses related to providing these services for the years ended June 30 are as follows:

	2024					
	Program Services			Support Services		
	Crisis and Transitional Residential	Outpatient Services	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 12,161,971	\$ 29,553,617	\$ 41,715,588	\$ 6,987,839	\$ 537,924	\$ 49,241,351
Employee benefits	1,426,810	3,372,185	4,798,995	927,113	56,164	5,782,272
Payroll taxes	1,225,098	2,435,643	3,660,741	629,412	42,988	4,333,141
Total salaries and related expenses	14,813,879	35,361,445	50,175,324	8,544,364	637,076	59,356,764
Professional fees	691,609	184,116	875,725	2,108,982	198,251	3,182,958
Supplies	794,544	396,153	1,190,697	87,783	4,297	1,282,777
Telephone	104,511	178,925	283,436	517,204	3,525	804,165
Postage and shipping	839	1,752	2,591	7,203	4	9,798
Rent	344,222	1,636,902	1,981,124	449,961	-	2,431,085
Other occupancy cost	1,179,531	1,089,267	2,268,798	184,505	1,166	2,454,469
Equipment rent and maintenance	58,341	81,117	139,458	40,350	5,231	185,039
Printing, subscriptions and publications	30,758	37,280	68,038	69,296	36,055	173,389
Travel and transportation	22,693	200,527	223,220	5,853	-	229,073
Vehicle expenses and repairs	85,270	83,813	169,083	68,681	292	238,056
Conference, conventions and meetings	70,264	27,860	98,124	43,309	2,333	143,766
Specific assistance	25,281	1,299,177	1,324,458	-	7,179	1,331,637
Memberships, dues and licenses	2,510	293	2,803	95,346	3,022	101,171
Interest expense	280,585	-	280,585	539,177	-	819,762
Advertising and recruitment	127,878	24,014	151,892	8,400	902	161,194
Insurance	202,853	351,413	554,266	197,067	13,699	765,032
Depreciation	769,920	238,481	1,008,401	383,078	8,591	1,400,070
Miscellaneous expense	11,887	55,193	67,080	17,668	50,102	134,850
Total expenses	<u>\$ 19,617,375</u>	<u>\$ 41,247,728</u>	<u>\$ 60,865,103</u>	<u>\$ 13,368,227</u>	<u>\$ 971,725</u>	<u>\$ 75,205,055</u>
	2023					
	Program Services			Support Services		
	Crisis and transitional residential	Outpatient services	Total program services	Management and general	Fundraising	Total expenses
Salaries and wages	\$ 9,413,136	\$ 28,662,640	\$ 38,075,776	\$ 6,608,605	\$ 417,322	\$ 45,101,703
Employee benefits	1,171,695	3,383,237	4,554,932	838,739	58,740	5,452,411
Payroll taxes	958,787	2,352,591	3,311,378	488,130	34,939	3,834,447
Total salaries and related expenses	11,543,618	34,398,468	45,942,086	7,935,474	511,001	54,388,561
Professional fees	366,181	171,565	537,746	2,581,233	70,088	3,189,067
Supplies	824,713	315,059	1,139,772	69,283	3,538	1,212,593
Telephone	94,194	234,577	328,771	460,367	1,527	790,665
Postage and shipping	185	1,656	1,841	9,069	1,363	12,273
Rent	362,566	1,536,366	1,898,932	256,303	-	2,155,235
Other occupancy cost	857,119	1,291,262	2,148,381	281,102	6,939	2,436,422
Equipment rent and maintenance	84,470	107,232	191,702	43,233	5,016	239,951
Printing, subscriptions and publications	1,470	20,113	21,583	72,168	25,971	119,722
Travel and transportation	12,603	204,818	217,421	8,613	25	226,059
Vehicle expenses and repairs	53,225	82,281	135,506	20,013	-	155,519
Conference, conventions and meetings	15,184	71,679	86,863	109,849	1,989	198,701
Specific assistance	19,655	1,951,785	1,971,440	65	8,676	1,980,181
Memberships, dues and licenses	534	-	534	144,074	950	145,558
Interest expense	45,034	242,021	287,055	256,298	-	543,353
Advertising and recruitment	4,992	56,704	61,696	39,395	4,171	105,262
Insurance	165,891	353,400	519,291	101,782	5,051	626,124
Depreciation	256,239	655,686	911,925	214,611	2,971	1,129,507
Miscellaneous expense	98,272	19,491	117,763	96,549	97,767	312,079
Total expenses	<u>\$ 14,806,145</u>	<u>\$ 41,714,163</u>	<u>\$ 56,520,308</u>	<u>\$ 12,699,481</u>	<u>\$ 747,043</u>	<u>\$ 69,966,832</u>

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Notes to Financial Statements

Note 13 – Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Agency recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Agency's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued.

In November 2024, the Agency completed the sale of its building located at 206 California Street. The proceeds from the sale were used in part to pay off the Agency's loan with First Republic Bank, disclosed in Note 8.

In January 2025, the Agency entered into two amendments to their existing debt agreement issued by CEDA, which revised the line of credit principal amount from \$5,000,000 to \$3,000,000, and changed certain financial measurements and conditions, effective January 17, 2025.

The Agency has evaluated subsequent events through February 25, 2025, which is the date the financial statements were available to be issued.

