

MENTIS

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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Jones & Perry, Inc.

ACCOUNTANTS AND ADVISORS

Kelly M. Jones, CPA
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Independent Accountant's Review Report

Board of Directors
Mentis
Napa, California

We have reviewed the accompanying financial statements of Mentis (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Independent Accountant's Review Report -- continued

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Jones & Pery, Inc.

Napa, California
January 31, 2019

MENTIS

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2018 AND 2017

ASSETS	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and cash equivalents	\$ 680,116	\$ 597,771
Contracts and grants receivable	144,713	95,829
Prepaid expenses and other	21,105	30,577
Total Current Assets	<u>845,934</u>	<u>724,177</u>
Property And Equipment		
Land	239,760	239,760
Buildings	518,092	518,092
Leasehold improvements	50,307	26,307
Automobiles	10,533	10,533
Furniture, fixtures, and equipment	50,424	50,424
	<u>869,116</u>	<u>845,116</u>
Less accumulated depreciation	435,931	411,372
	<u>433,185</u>	<u>433,744</u>
Investments	<u>26,678</u>	<u>8,237</u>
Total Assets	<u>\$ 1,305,797</u>	<u>\$ 1,166,158</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 29,198	\$ 22,215
Client security deposits	8,500	5,575
Custodial account	-	18,710
Deferred revenue	14,646	-
Accrued expenses	117,599	94,208
Total Current Liabilities	<u>169,943</u>	<u>140,708</u>
Net Assets		
Unrestricted	1,040,023	928,725
Temporarily restricted	95,831	96,725
Total Net Assets	<u>1,135,854</u>	<u>1,025,450</u>
Total Liabilities and Net Assets	<u>\$ 1,305,797</u>	<u>\$ 1,166,158</u>

See accompanying notes and independent accountant's review report.

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STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Total
Revenue And Support			
Grants	\$ 544,248	\$ 135,451	\$ 679,699
Government and other contracts	1,051,238	12,500	1,063,738
Client rental fees	75,378	-	75,378
Contributions	117,514	-	117,514
Program service fees and other	304,303	-	304,303
Special event revenues	222,476	-	222,476
Less special event expenses	(152,310)	-	(152,310)
Net special events	70,166	-	70,166
Interest income	628	-	628
Unrealized gain on investment	179	-	179
Funds released from restrictions	148,845	(148,845)	-
Total Revenue And Support	2,312,499	(894)	2,311,605
Expenses			
Program expenses	1,810,428	-	1,810,428
Management and general	255,452	-	255,452
Fundraising	135,321	-	135,321
Total Expenses	2,201,201	-	2,201,201
Change In Net Assets	111,298	(894)	110,404
Net assets, beginning of the year	928,725	96,725	1,025,450
Net Assets, End Of The Year	\$ 1,040,023	\$ 95,831	\$ 1,135,854

See accompanying notes and independent accountant's review report.

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STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue And Support			
Grants	\$ 537,070	\$ 84,250	\$ 621,320
Government and other contracts	1,082,704	-	1,082,704
Client rental fees	70,757	-	70,757
Contributions	44,666	-	44,666
Program service fees and other	287,906	-	287,906
Special event revenues	185,926	-	185,926
Less special event expenses	<u>(111,803)</u>	<u>-</u>	<u>(111,803)</u>
Net special events	74,123	-	74,123
Interest income	315	-	315
Unrealized (loss) on investment	(11)	-	(11)
Funds released from restrictions	<u>2,525</u>	<u>(2,525)</u>	<u>-</u>
Total Revenue And Support	<u>2,100,055</u>	<u>81,725</u>	<u>2,181,780</u>
Expenses			
Program expenses	1,723,320	-	1,723,320
Management and general	266,858	-	266,858
Fundraising	<u>124,802</u>	<u>-</u>	<u>124,802</u>
Total Expenses	<u>2,114,980</u>	<u>-</u>	<u>2,114,980</u>
Change In Net Assets	(14,925)	81,725	66,800
Net assets, beginning of the year	<u>943,650</u>	<u>15,000</u>	<u>958,650</u>
Net Assets, End Of The Year	<u>\$ 928,725</u>	<u>\$ 96,725</u>	<u>\$ 1,025,450</u>

See accompanying notes and independent accountant's review report.

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STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2018

	Program	Management and General	Fundraising	Total
Salaries	\$ 1,280,021	\$ 149,019	\$ 100,893	\$ 1,529,933
Payroll taxes	94,495	25,318	7,563	127,376
Employee benefits	122,908	10,318	5,063	138,289
Workers' compensation	7,985	1,901	626	10,512
	<u>1,505,409</u>	<u>186,556</u>	<u>114,145</u>	<u>1,806,110</u>
Cleaning and maintenance	4,351	10,840	3,223	18,414
Depreciation	24,559	-	-	24,559
Dues and subscriptions	1,577	2,210	30	3,817
Equipment maintenance	1,808	1,021	-	2,829
Insurance	14,794	-	-	14,794
Outside services	68,494	15,530	1,059	85,083
Postage and printing	7,419	252	3,507	11,178
Professional fees	-	8,846	-	8,846
Rent	97,693	-	-	97,693
Resident bills	19,207	-	-	19,207
Staff training	5,097	627	101	5,825
Supplies and other	25,323	20,530	12,326	58,179
Telephone and internet	12,289	5,559	275	18,123
Travel and conferences	22,256	404	655	23,315
Utilities	152	3,077	-	3,229
	<u>\$ 1,810,428</u>	<u>\$ 255,452</u>	<u>\$ 135,321</u>	<u>\$ 2,201,201</u>

See accompanying notes and independent accountant's review report.

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STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2017

	Program	Management and General	Fundraising	Total
Salaries	\$ 1,244,221	\$ 144,717	\$ 86,666	\$ 1,475,604
Payroll taxes	91,780	19,857	6,623	118,260
Employee benefits	113,716	10,895	4,927	129,538
Workers' compensation	9,555	2,599	745	12,899
	<u>1,459,272</u>	<u>178,068</u>	<u>98,961</u>	<u>1,736,301</u>
Cleaning and maintenance	4,942	4,496	1,249	10,687
Depreciation	23,276	1,587	-	24,863
Dues and subscriptions	1,305	1,478	57	2,840
Equipment maintenance	1,490	1,110	-	2,600
Insurance	13,185	-	546	13,731
Outside services	47,823	11,104	5,035	63,962
Postage and printing	2,061	462	8,319	10,842
Professional fees	4,293	44,876	-	49,169
Rent	92,679	-	-	92,679
Resident bills	16,870	78	-	16,948
Staff training	7,396	1,119	244	8,759
Supplies and other	21,114	14,492	8,859	44,465
Telephone and internet	8,554	4,907	804	14,265
Travel and conferences	17,994	388	359	18,741
Utilities	1,066	2,693	369	4,128
	<u>\$ 1,723,320</u>	<u>\$ 266,858</u>	<u>\$ 124,802</u>	<u>\$ 2,114,980</u>

See accompanying notes and independent accountant's review report.

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STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities		
Change in Net Assets	\$ 110,404	\$ 66,800
Adjustments To Reconcile Change in Net Assets To Net Cash Provided By Operating Activities:		
Depreciation expense	24,559	24,863
Donated securities	(18,262)	(8,248)
Unrealized (gain) loss	(179)	11
(Increase) decrease in:		
Contracts and grants receivable	(48,884)	58,146
Prepaid expenses and other	9,472	(14,307)
Increase (decrease) in:		
Accounts payable	6,983	(1,890)
Client security deposits	2,925	(250)
Accrued expenses	23,391	13,569
Deferred revenue	14,646	-
Custodial account	(18,710)	18,710
Net Cash Provided By Operating Activities	106,345	157,404
Cash Flows From Investing Activities		
Purchase of furniture, fixtures, and equipment	(24,000)	-
Net Increase In Cash And Cash Equivalents	82,345	157,404
Cash And Cash Equivalents, Beginning Of The Year	597,771	440,367
Cash And Cash Equivalents, End Of The Year	\$ 680,116	\$ 597,771
Supplemental Disclosures Of Cash Flow Information		
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -

See accompanying notes and independent accountant's review report.

MENTIS

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Purpose

Mentis (the Organization), a nonprofit corporation, was organized in 1950 under the laws of the State of California. The organization is committed to enhancing the mental health of the community through advocacy for issues of emotional health and wellness that concern families and individuals in Napa County.

Mentis sponsors a variety of programs to provide therapy and housing to their clients in Napa County. The Organization maintains a professional counseling center that provides therapy tailored to each person and family. The housing programs provide permanent housing and support services for eight to ten homeless individuals with disabilities and satellite housing for twenty adults who have mental disabilities. The Animal Assisted Therapy is used as a modality throughout Organization programs to provide additional psychological and social support to individuals and groups through meetings with trained animals, a certified handler and a canine therapist.

The Organization maintains a high-quality working and learning environment and a learning Organization for aspiring mental health practitioners. The Organization works to constantly improve its capabilities, collaborating with other agencies appropriately, to maintain its financial viability, and to be responsible and accountable for all that it does.

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Revenue Recognition

Contributions and unconditional grants are recognized as support and revenues when they are received or unconditionally pledged.

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NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies - continued

Revenue Recognition - continued

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction retires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When long-lived assets are placed in service, thus satisfying purpose restrictions, the amount is included as a charge in net assets, restricted and unrestricted. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

Gifts of equipment and other long-lived assets are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could be different from those estimates.

Cash and Cash Equivalents

The Organization treats highly liquid debt instruments including bank certificates of deposit with a due date of twelve months or less as cash equivalents.

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NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies - continued

Contracts and Grants Receivable

Contracts and grants receivable includes amounts due from government agencies and private sources for services performed and grants awarded. The balances at June 30, 2018 and 2017 were \$144,713 and \$95,829, respectively. Management believes the balance as of June 30, 2018 to be fully collectible, therefore no allowance for doubtful accounts has been recorded.

Property and Equipment

Property and equipment are stated at cost, and assets with a cost of \$500 or more are capitalized. Depreciation is computed using the straight-line method over estimated useful lives ranging from three to thirty years. Depreciation expense was \$24,559 and \$24,863 for the years ended June 30, 2018 and 2017, respectively.

Investments

Investments are reported at their fair values in the statements of financial position. Fair values are based on quoted market prices for identical actively traded securities. Investments received by gift are recorded at the fair value on the date of the donation.

The Organization invests in various investment securities including equity securities, corporate and government bonds, and various mutual funds. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the accompanying financial statements.

Income Taxes

The Organization is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and Section 23701(f) of the California Revenue and Taxation Code. There are no provisions for income tax expense accordingly. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's federal and state tax returns are subject to examination by the Internal Revenue Service and the Franchise Tax Board generally for three and four years, respectively, after they were filed.

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NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies - continued

Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized in the Statements of Functional Expenses. Expenses that are not directly allocable to programs are allocated based on specific identification where possible to program, management and general, and fundraising expenses. For some expenses, allocations are based on estimates by management.

Fair Value Measurements

Generally accepted accounting principles (GAAP) provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

- Level 1 inputs – quoted prices in active markets for identical assets
- Level 2 inputs – quoted prices in active or inactive markets for the same or similar assets
- Level 3 inputs – estimates using best information available when there is little or no market

The Organization is required to measure certain investments at fair value in accordance with GAAP. The carrying amounts reported in the statement of financial position for cash and cash equivalents and contributions receivable approximate fair value. The classifications of investments carried at fair value are presented in Note 11.

2. Investments

Investments and a summary of investment income as of June 30, 2018 and 2017 are as follows:

<u>Investments</u>	<u>2018</u>	<u>2017</u>
Stocks and ETF's	<u>\$ 26,678</u>	<u>\$ 8,237</u>
<u>Investment income</u>		
Interest and dividends	\$ 628	\$ 315
Unrealized gains (losses)	<u>179</u>	<u>(11)</u>
	<u>\$ 807</u>	<u>\$ 304</u>

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NOTES TO FINANCIAL STATEMENTS

3. Accrued Expenses

A summary of accrued expenses is as follows as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Accrued salaries and taxes	\$ 66,750	\$ 55,831
Accrued vacation	46,424	33,155
Accrued workers' compensation	<u>4,425</u>	<u>5,222</u>
	<u>\$ 117,599</u>	<u>\$ 94,208</u>

4. Economic Dependence

The Organization is dependent on contract and grant revenue from local government and several other sources. A total of 50% and 51% of revenue came from three funding sources for the years ended June 30, 2018 and 2017, respectively. Also, 74% and 68% of contracts and grants receivable at June 30, 2018 and 2017, respectively, were owed from three funding sources.

5. Agreements with City of Napa

Three properties owned by Mentis were acquired from 1993 to 2003 with financing assistance provided by the City of Napa. In August 2013, the Organization amended its agreements with the City of Napa with respect to these properties. The amendments provided that the original loans due to the City of Napa were extinguished. The Organization further agreed with the City to maintain the properties in compliance with applicable codes and regulations, and to continue to use these facilities to provide supportive housing and therapy services for low income mentally disabled adults.

Concurrent with these amendments, a private foundation in Napa, California agreed to guarantee funding for building repair and major systems replacement at each property up to a total annual amount of \$35,000 for each of the three properties. This foundation also received a right of first refusal to purchase the three properties in the event the Organization wishes to dispose of them in the future.

6. Retirement Plan

The Organization offers a 403(b) retirement plan to its employees. The Organization made no contributions to this plan during the years ended June 30, 2018 and 2017.

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NOTES TO FINANCIAL STATEMENTS

7. Temporarily Restricted Net Assets and Net Assets Released from Restrictions

Temporarily restricted net assets were released from restrictions during the years ended June 30, 2018 and 2017 when expenses were incurred to satisfy the restricted purposes specified by donors in the amount of \$148,845 and \$2,525, respectively. A total of \$95,831 and \$96,725 in temporarily restricted net assets were held by the Organization at June 30, 2018 and 2017, respectively; all funds were restricted as to time and purpose.

8. In Kind Contributions

The Organization received \$72,716 and \$62,372 of in-kind donated goods during the years ended June 30, 2018 and 2017, respectively, in connection with event auctions. These amounts were equal to the net auction cash proceeds and have been included in special event revenues and expenses.

9. Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of demand deposits with four financial institutions. Balances, at times, exceeded the FDIC insurance limit of \$250,000. The Organization believes there is minimal credit risk relative to its cash accounts.

10. Minimum Future Lease Payments

The Organization has three non-cancelable leases for commercial office space which were classified as operating leases as of June 30, 2018 and 2017. The leases expire on June 30, 2021. Rent expense was \$97,693 and \$92,679 during the years ended June 30, 2018 and 2017, respectively. The approximate remaining annual minimum lease payments under the non-cancelable operating leases as of June 30, 2018 for each of the years ending June 30 were as follows:

2019	\$	98,232
2020		100,596
2021		<u>103,032</u>
	\$	<u>301,860</u>

11. Fair Value Measurement

The following table presents the Organization's financial assets that are measured at fair value on a recurring basis as of June 30, 2018:

<u>Financial Assets</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Stocks and ETF's	<u>\$ 26,678</u>	<u>\$ 26,678</u>	<u>\$ -</u>	<u>\$ -</u>

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NOTES TO FINANCIAL STATEMENTS

11. Fair Value Measurement - continued

The following table presents the Organization's financial assets that are measured at fair value on a recurring basis as of June 30, 2017:

<u>Financial Assets</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Stocks and ETF's	<u>\$ 8,237</u>	<u>\$ 8,237</u>	<u>\$ -</u>	<u>\$ -</u>

12. Reclassifications

Certain amounts in the prior year have been reclassified to conform to the current year presentation. None of the reclassifications affected the total change in net assets reported in the financial statements for the year ended June 30, 2017.

13. Subsequent Events

Subsequent events were evaluated through January 31, 2019. There were no subsequent events as of this date and the financial statements were available to be issued as of this date.

