

MENTIS

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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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, 2019 and 2018, 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 + Penz, Inc.

Napa, California
February 21, 2020

MENTIS

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2019 AND 2018

ASSETS	<u>2019</u>	<u>2018</u>
Current Assets		
Cash and cash equivalents	\$ 532,458	\$ 680,116
Contracts and grants receivable	76,200	144,713
Prepaid expenses and other	<u>14,846</u>	<u>21,105</u>
Total Current Assets	<u>623,504</u>	<u>845,934</u>
Property And Equipment		
Land	239,760	239,760
Buildings	518,092	518,092
Leasehold improvements	64,282	50,307
Automobiles	10,533	10,533
Furniture, fixtures, and equipment	<u>131,122</u>	<u>50,424</u>
	963,789	869,116
Less accumulated depreciation	<u>465,822</u>	<u>435,931</u>
	<u>497,967</u>	<u>433,185</u>
Investments	<u>39,989</u>	<u>26,678</u>
Total Assets	<u>\$ 1,161,460</u>	<u>\$ 1,305,797</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 14,893	\$ 29,198
Client security deposits	8,725	8,500
Accrued expenses	116,336	117,599
Deferred revenue	14,646	14,646
Current maturities of notes payable	<u>6,069</u>	<u>-</u>
Total Current Liabilities	<u>160,669</u>	<u>169,943</u>
Long-term Liabilities		
Note payable, less current maturities	<u>6,444</u>	<u>-</u>
Total Liabilities	<u>167,113</u>	<u>169,943</u>
Net Assets		
Without donor restrictions	994,347	1,040,023
With donor restrictions	<u>-</u>	<u>95,831</u>
Total Net Assets	<u>994,347</u>	<u>1,135,854</u>
Total Liabilities and Net Assets	<u>\$ 1,161,460</u>	<u>\$ 1,305,797</u>

See accompanying notes and independent accountant's review report.

MENTIS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2019

	<u>Without</u> <u>Donor Restrictions</u>	<u>With</u> <u>Donor Restrictions</u>	<u>Total</u>
Revenue And Support			
Grants	\$ 677,689	\$ -	\$ 677,689
Government and other contracts	1,154,232	-	1,154,232
Client rental fees	78,727	-	78,727
Contributions	137,368	-	137,368
Program service fees and other	290,349	-	290,349
Special event revenues	299,793	-	299,793
Less special event expenses	(162,297)	-	(162,297)
Net special events	<u>137,496</u>	<u>-</u>	<u>137,496</u>
Net investment income	1,481	-	1,481
Other income	2,895	-	2,895
Funds released from restrictions	<u>95,831</u>	<u>(95,831)</u>	<u>-</u>
Total Revenue And Support	<u>2,576,068</u>	<u>(95,831)</u>	<u>2,480,237</u>
Expenses			
Program expenses	2,152,639	-	2,152,639
Management and general	307,802	-	307,802
Fundraising	<u>161,303</u>	<u>-</u>	<u>161,303</u>
Total Expenses	<u>2,621,744</u>	<u>-</u>	<u>2,621,744</u>
Change In Net Assets	(45,676)	(95,831)	(141,507)
Net assets, beginning of the year	<u>1,040,023</u>	<u>95,831</u>	<u>1,135,854</u>
Net Assets, End Of The Year	<u>\$ 994,347</u>	<u>\$ -</u>	<u>\$ 994,347</u>

See accompanying notes and independent accountant's review report.

MENTIS

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

	<u>Without</u> <u>Donor Restrictions</u>	<u>With</u> <u>Donor Restrictions</u>	<u>Total</u>
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	<u>(152,310)</u>	<u>-</u>	<u>(152,310)</u>
Net special events	70,166	-	70,166
Net investment income	807	-	807
Funds released from restrictions	<u>148,845</u>	<u>(148,845)</u>	<u>-</u>
Total Revenue And Support	<u>2,312,499</u>	<u>(894)</u>	<u>2,311,605</u>
Expenses			
Program expenses	1,810,428	-	1,810,428
Management and general	255,452	-	255,452
Fundraising	<u>135,321</u>	<u>-</u>	<u>135,321</u>
Total Expenses	<u>2,201,201</u>	<u>-</u>	<u>2,201,201</u>
Change In Net Assets	111,298	(894)	110,404
Net assets, beginning of the year	<u>928,725</u>	<u>96,725</u>	<u>1,025,450</u>
Net Assets, End Of The Year	<u>\$ 1,040,023</u>	<u>\$ 95,831</u>	<u>\$ 1,135,854</u>

See accompanying notes and independent accountant's review report.

MENTIS

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2019

	Program	Management and General	Fundraising	Total
Salaries	\$ 1,485,319	\$ 172,906	\$ 116,986	\$ 1,775,211
Payroll taxes	118,941	13,846	9,368	142,155
Employee benefits	150,994	17,577	11,893	180,464
Workers' compensation	15,597	1,747	1,224	18,568
	<u>1,770,851</u>	<u>206,076</u>	<u>139,471</u>	<u>2,116,398</u>
Cleaning and maintenance	8,550	21,302	6,332	36,184
Depreciation	29,891	-	-	29,891
Dues and subscriptions	2,557	3,617	62	6,236
Equipment maintenance	4,297	2,427	-	6,724
Insurance	11,694	-	-	11,694
Interest	-	202	-	202
Leasing	4,560	855	285	5,700
Outside services	121,485	27,334	3,038	151,857
Postage and printing	4,339	148	2,051	6,538
Professional fees	2,199	19,795	-	21,994
Rent	115,736	-	-	115,736
Resident bills	18,304	-	-	18,304
Staff training	4,367	537	87	4,991
Supplies and other	20,614	16,033	9,162	45,809
Telephone and internet	14,080	6,437	247	20,764
Travel and conferences	17,975	568	378	18,921
Utilities	1,140	2,471	190	3,801
	<u>\$ 2,152,639</u>	<u>\$ 307,802</u>	<u>\$ 161,303</u>	<u>\$ 2,621,744</u>

See accompanying notes and independent accountant's review report.

MENTIS

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
	1,505,409	186,556	114,145	1,806,110
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
	\$ 1,810,428	\$ 255,452	\$ 135,321	\$ 2,201,201

See accompanying notes and independent accountant's review report.

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STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash Flows From Operating Activities		
Change in Net Assets	\$ (141,507)	\$ 110,404
Adjustments To Reconcile Change in Net Assets To Net Cash Provided (Used) By Operating Activities:		
Depreciation expense	29,891	24,559
Donated securities	(12,421)	(18,262)
Unrealized (gain) loss	(890)	(179)
(Increase) decrease in:		
Contracts and grants receivable	68,513	(48,884)
Prepaid expenses and other	6,259	9,472
Increase (decrease) in:		
Accounts payable	(14,305)	6,983
Client security deposits	225	2,925
Accrued expenses	(1,263)	23,391
Deferred revenue	-	14,646
Custodial account	-	(18,710)
Net Cash Provided (Used) By Operating Activities	(65,498)	106,345
Cash Flows From Investing Activities		
Purchase of furniture, fixtures, and equipment	(80,698)	(24,000)
Cash Flows From Financing Activities		
Principal payments on note payable	(1,462)	-
Net Increase (Decrease) In Cash And Cash Equivalents	(147,658)	82,345
Cash And Cash Equivalents, Beginning Of The Year	680,116	597,771
Cash And Cash Equivalents, End Of The Year	\$ 532,458	\$ 680,116
Supplemental Disclosures Of Cash Flow Information		
Cash paid during the year for interest	\$ 202	\$ -
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 is a professional and bi-lingual Mental Health service provider to people of all ages throughout Napa County. We are dedicated to the emotional health and wellness of our community by providing affordable and accessible mental health services for the residents of Napa County. Founded in 1948, Mentis offers mental health treatment, housing programs for mentally ill adults, specialized senior services, school-based services for teens, and strong leadership in community collaboration. The agency employs a staff of mental health professionals with advanced degrees in social work or counseling, all of whom are registered and in good standing with the state of California. The agency has an active Board of Directors that participates in the development of policy, works to ensure sustainability of our services, and plays a critical role in fund development and strategic planning for the Organization.

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 Presentation

The Organization prepares its financial statements using the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). Revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which they are incurred.

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets with Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

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NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies - continued

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that the donor restrictions were met in the year the contribution was received.

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.

Contracts and Grants Receivable

Contracts and grants receivable include amounts due from government agencies and private sources for services performed and grants awarded. The balances at June 30, 2019 and 2018 were \$76,200 and \$144,713, respectively. Management believes the balance as of June 30, 2019 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 \$29,891 and \$24,559 for the years ended June 30, 2019 and 2018, respectively.

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NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies - continued

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 are filed.

Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized in the statement 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:

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NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies - continued

- 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.

Recently Issued Accounting Standards

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-For-Profit Entities. The Organization adopted the provisions of this new standard during the year ended June 30, 2019. In addition to the changes in the terminology used to describe the categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources.

The changes have the following effect on net assets at June 30, 2018:

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 1,040,023	\$ -
Net assets without donor restrictions	-	1,040,023
Temporarily restricted net assets	95,831	-
Net assets with donor restrictions	<u>-</u>	<u>95,831</u>
	<u>\$ 1,135,854</u>	<u>\$ 1,135,854</u>

2. Investments

Investments and a summary of investment income as of June 30, 2019 and 2018 are as follows:

<u>Investments</u>	<u>2019</u>	<u>2018</u>
Stocks and ETF's	<u>\$ 39,989</u>	<u>\$ 26,678</u>
<u>Investment income</u>		
Interest and dividends	\$ 591	\$ 628
Unrealized gains	<u>890</u>	<u>179</u>
	<u>\$ 1,481</u>	<u>\$ 807</u>

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NOTES TO FINANCIAL STATEMENTS

3. Accrued Expenses

A summary of accrued expenses is as follows as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Accrued salaries and taxes	\$ 68,418	\$ 66,750
Accrued vacation	47,918	46,424
Accrued workers' compensation	<u>-</u>	<u>4,425</u>
	<u>\$ 116,336</u>	<u>\$ 117,599</u>

4. Economic Dependence

The Organization is dependent on contract and grant revenue from the local government and several other sources. A total of 53% and 50% of revenue came from three funding sources for the years ended June 30, 2019 and 2018, respectively. Also, 64% and 74% of contracts and grants receivable at June 30, 2019 and 2018, 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, 2019 and 2018.

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NOTES TO FINANCIAL STATEMENTS

7. Net Assets with Donor Restrictions and Net Assets Released from Restrictions

Net assets with donor restrictions of \$95,831 and \$148,845 were released during the years ended June 30, 2019 and 2018, respectively, when expenses were incurred to satisfy the restricted purposes specified by donors and time restrictions were met. A total of \$0 and \$95,831 in net assets with donor restrictions were held by the Organization at June 30, 2019 and 2018, respectively; all funds were restricted as to time and purpose.

8. In Kind Contributions

The Organization received \$65,938 and \$72,716 of in-kind donated goods during the years ended June 30, 2019 and 2018, 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, 2019 and 2018. The leases expire on June 30, 2021. Rent expense was \$115,736 and \$97,693 during the years ended June 30, 2019 and 2018, respectively. The approximate remaining annual minimum lease payments under the non-cancelable operating leases as of June 30, 2019 for each of the years ending June 30 were as follows:

2020	\$ 100,596
2021	<u>103,032</u>
	<u>\$ 203,628</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, 2019:

Financial Assets	Fair Value	Level 1	Level 2	Level 3
Stocks and ETF's	<u>\$ 39,989</u>	<u>\$ 39,989</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, 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>

12. Supplementary Cash Flow Information

Noncash investing and financing activities for the year ended June 30, 2019 were as follows:

Property and equipment acquired through note payable \$ 13,975

13. Note Payable

Note payable consists of the following at June 30, 2019:

Note payable, with a fixed interest rate of 6%, payable in 27 monthly installments of \$555, beginning April 1, 2019 with the final payment due June 1, 2021	\$ 12,513
Less current maturities	<u>(6,069)</u>
Total note payable, less current maturity	<u>\$ 6,444</u>

Aggregate maturities of the note payable are as follows:

Years ended June 30,	
2020	\$ 6,069
2021	<u>6,444</u>
	<u>\$ 12,513</u>

14. 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, 2018.

MENTIS

NOTES TO FINANCIAL STATEMENTS

15. Liquidity and Availability of Financial Resources

The following table reflects the Organization's financial assets as of June 30, 2019 and 2018, respectively, reduced by amounts not available for general expenditures within one year.

	2019	2018
Cash and cash equivalents	\$ 532,458	\$ 680,116
Contracts and grants receivable	76,200	144,713
Investments	<u>39,989</u>	<u>26,678</u>
Financial assets available to meet cash needs for expenditures within one year	<u>\$ 648,647</u>	<u>\$ 851,507</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities to be general expenditures.

The Organization manages its liquidity and reserves by operating within a prudent range of financial soundness and stability, and by maintaining adequate liquid assets to fund near-term operating needs. The Organization's objectives are as follows; to meet the liquidity needs of the agency's day-to-day general operations, provide a contingency reserve for possible use in emergencies or unexpected short-term downturns in funding, and provide long-term resources for capital expenditures for the agency's infrastructure needs.

16. Subsequent Events

Subsequent events were evaluated through February 21, 2020. There were no subsequent events as of this date and the financial statements were available to be issued as of this date.