

MENTAL HEALTH ASSOCIATION
OF ORANGE COUNTY

FINANCIAL STATEMENT

JUNE 30, 2018 AND 2017

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4 – 5
Statement of Cash Flows	6
Statement of Functional Expenses	7 – 8
Notes to Financial Statements	9 – 15

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INDEPENDENT AUDITORS' REPORT

Board of Directors of
Mental Health Association
of Orange County
Orange, CA

Report on the Financial Statements

We have audited the accompanying financial statements of Mental Health Association of Orange County (the "Association") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether

INDEPENDENT AUDITORS' REPORT (Continued)

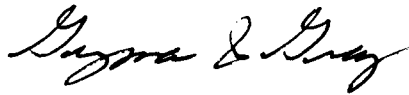
Auditors' Responsibility (Continued)

due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mental Health Association of Orange County as of June 30, 2018 and 2017 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Guzman & Gray, CPAs
Long Beach, California
December 4, 2018

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
STATEMENT OF FINANCIAL POSITION

ASSETS

	June 30,	
	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	\$ 580,067	\$ 930,903
Grants and program receivables	679,377	738,068
Prepaid expenses	62,466	80,214
Total Current Assets	1,321,910	1,749,185
FURNITURE AND EQUIPMENT, net	-	1,802
OTHER ASSETS		
Trust account	336,427	255,451
TOTAL ASSETS	1,658,337	2,006,438

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	46,924	12,750
Payroll payable	172,119	172,770
Accrued vacation	104,092	94,826
Line of credit	-	500,000
Total Current Liabilities	323,135	780,346
OTHER LIABILITIES		
Trust account liability	336,427	255,451
Security deposit	2,320	2,320
Total Other Liabilities	338,747	257,771
TOTAL LIABILITIES	661,882	1,038,117
NET ASSETS		
Unrestricted	952,102	925,439
Temp restricted	44,353	42,882
	996,455	968,321
TOTAL LIABILITIES AND NET ASSETS	\$ 1,658,337	\$ 2,006,438

See independent auditors' report and notes to financial statements

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grant revenues	\$ 7,392,520		\$ 7,392,520
Contributions	194,972	\$ 2,000	196,972
Program revenues	119,120		119,120
Thrift sales	20,027		20,027
Interest	60		60
In-kind contributions			-
Other Income	3,167		3,167
	<u>7,729,866</u>	<u>2,000</u>	<u>7,731,866</u>
NET ASSETS RELEASED FROM RESTRICTION			
	<u>529</u>	<u>(529)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>7,730,395</u>	<u>1,471</u>	<u>7,731,866</u>
EXPENSES			
Program services	6,961,365		6,961,365
Management and general	693,015		693,015
Fundraising	49,352		49,352
TOTAL EXPENSES	<u>7,703,732</u>		<u>7,703,732</u>
CHANGE IN NET ASSETS	26,663	1,471	28,134
BEGINNING NET ASSETS	<u>925,439</u>	<u>42,882</u>	<u>968,321</u>
ENDING NET ASSETS	<u>\$ 952,102</u>	<u>\$ 44,353</u>	<u>\$ 996,455</u>

See independent auditors' report and notes to financial statements

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grant revenues	\$ 6,873,334		\$ 6,873,334
Contributions	165,755	\$ 4,895	170,650
Program revenues	102,503		102,503
Thrift sales	21,722		21,722
Interest	137		137
In-kind contributions			-
Other Income	1,215		1,215
	<u>7,164,666</u>	<u>4,895</u>	<u>7,169,561</u>
NET ASSETS RELEASED FROM RESTRICTION			
	<u>1,551</u>	<u>(1,551)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>7,166,217</u>	<u>3,344</u>	<u>7,169,561</u>
EXPENSES			
Program services	6,442,990		6,442,990
Management and general	654,460		654,460
Fundraising	45,717		45,717
TOTAL EXPENSES	<u>7,143,167</u>		<u>7,143,167</u>
CHANGE IN NET ASSETS	23,050	3,344	26,394
BEGINNING NET ASSETS	<u>902,389</u>	<u>39,538</u>	<u>941,927</u>
ENDING NET ASSETS	<u>\$ 925,439</u>	<u>\$ 42,882</u>	<u>\$ 968,321</u>

See independent auditors' report and notes to financial statements

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 28,134	\$ 26,394
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,802	5,512
(Increase) decrease in assets:		
Grants receivable	58,691	(153,006)
Prepaid expenses	17,748	(27,162)
Other assets	(80,976)	27,605
Increase (decrease) in liabilities:		
Accounts payable	34,174	(151,103)
Payroll payable	(651)	26,959
Accrued vacation	9,266	5,819
Other liabilities	80,976	(27,605)
NET CASH FROM OPERATING ACTIVITIES	149,164	(266,587)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	(500,000)	500,000
NET CASH FLOWS FROM FINANCING ACTIVITIES	(500,000)	500,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	(350,836)	233,413
BEGINNING CASH AND CASH EQUIVALENTS	930,903	697,490
ENDING CASH AND CASH EQUIVALENTS	\$ 580,067	\$ 930,903

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

INTEREST PAID	\$ 7,561	\$ 13,214
INCOME TAXES PAID	NONE	NONE

See independent auditors' report and notes to financial statements

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services	Management and General	Fundraising	Total Expenses
SALARIES AND RELATED EXPENSES				
Salaries and wages	\$ 3,618,934	\$ 433,454	\$ 36,803	\$ 4,089,191
Payroll taxes	288,537	25,366	3,171	317,074
Employee benefits	551,073	31,005	2,925	585,003
TOTAL SALARIES AND RELATED EXPENSES	<u>4,458,544</u>	<u>489,825</u>	<u>42,899</u>	<u>4,991,268</u>
OTHER EXPENSES				
Rent and utilities	\$ 1,082,563	\$ 80,233	\$ -	1,162,796
Professional fees	636,607	49,445	687	686,739
Direct client expenses	211,426	-	-	211,426
Repairs and maintenance	110,710	9,779	241	120,731
Program expenses	29,169	-	-	29,169
Office expenses	107,400	13,532	975	121,907
Telephone	75,092	11,962	262	87,316
Travel	67,629	2,453	-	70,082
Insurance	79,927	8,650	1,532	90,109
Equipment leases	56,726	7,469	193	64,388
Dues and subscriptions	11,677	1,847	1,370	14,894
Printing	3,791	20	1,069	4,879
Depreciation	-	1,802	-	1,802
Staff training	13,778	2,158	48	15,984
Interest	-	7,561	-	7,561
In-kind contributions	-	-	-	-
Community Service Awards	11,874	-	-	11,874
Other expenses	4,452	6,279	76	10,807
TOTAL OTHER EXPENSES	<u>2,502,821</u>	<u>203,190</u>	<u>6,453</u>	<u>2,712,464</u>
TOTAL EXPENSES	<u><u>\$ 6,961,365</u></u>	<u><u>\$ 693,015</u></u>	<u><u>\$ 49,352</u></u>	<u><u>\$ 7,703,732</u></u>

See independent auditors' report and notes to financial statements

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services	Management and General	Fundraising	Total Expenses
SALARIES AND RELATED EXPENSES				
Salaries and wages	\$ 3,389,733	\$ 407,221	\$ 33,000	\$ 3,829,954
Payroll taxes	267,308	23,500	2,937	293,745
Employee benefits	422,847	23,386	2,458	448,691
TOTAL SALARIES AND RELATED EXPENSES	<u>4,079,888</u>	<u>454,107</u>	<u>38,395</u>	<u>4,572,390</u>
OTHER EXPENSES				
Rent and utilities	\$ 1,055,575	\$ 77,618	\$ 79	1,133,272
Professional fees	553,677	42,931	726	597,334
Direct client expenses	195,083	-	-	195,083
Repairs and maintenance	103,211	9,217	185	112,613
Program expenses	20,605	-	-	20,605
Office expenses	152,085	19,080	1,431	172,596
Telephone	62,844	10,022	227	73,093
Travel	55,366	1,974	7	57,347
Insurance	73,975	7,972	1,454	83,401
Equipment leases	53,043	6,973	158	60,174
Dues and subscriptions	8,753	1,380	1,025	11,158
Printing	6,948	38	1,961	8,947
Depreciation	-	5,512	-	5,512
Staff training	11,185	1,749	36	12,970
Interest	-	13,214	-	13,214
In-kind contributions	-	-	-	-
Community Service Awards	8,853	-	-	8,853
Other expenses	1,899	2,673	33	4,605
TOTAL OTHER EXPENSES	<u>2,363,102</u>	<u>200,353</u>	<u>7,322</u>	<u>2,570,777</u>
TOTAL EXPENSES	<u><u>\$ 6,442,990</u></u>	<u><u>\$ 654,460</u></u>	<u><u>\$ 45,717</u></u>	<u><u>\$ 7,143,167</u></u>

See independent auditors' report and notes to financial statements

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 1 – ORGANIZATION

The Orange County Association for Mental Health (doing business as the Mental Health Association of Orange County) is a California, non-profit corporation formed to improve the quality of life for Orange County residents impacted by mental illness. This mission is achieved through direct services, advocacy, education, and information dissemination.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting.

Basis of Presentation

The Association reports information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of each of these net asset classes is listed below.

Unrestricted net assets – Net assets that are not subject to donor imposed restrictions and that may be expendable for any purpose in performing the Association's primary objectives.

Temporarily restricted net assets – Net assets subject to donor imposed stipulations that may or will be met either by actions of the Association and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions. For the years ended June 30, 2018 and 2017, the temporarily restricted assets are \$44,353 and \$42,882 respectively.

Permanently restricted net assets – Net assets are utilized to record resources received that are permanently restricted as to use by the donor or grantor. For the years ended June 30, 2018 and 2017, there were no permanently restricted assets.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosures of contingent obligations at the date of the financial statements and accompanying notes.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

The Association has adopted the provisions of Fair Value Measurements and Disclosures for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date. The standard also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Cash and Cash Equivalents

The Association considers all highly-liquid investments, which are readily convertible to known amounts of cash and which have an original maturity of three months or less, to be cash equivalents.

Grants and Program Receivables

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Grant revenues earned, but not received, are recorded as a receivable.

Allowance for Doubtful Accounts

The Association uses the allowance method to record doubtful receivables. As of June 30, 2018 and 2017, the Association considers its receivables to be fully collectible and there is no allowance for doubtful accounts.

Furniture and Equipment

Furniture and equipment are carried at cost or, if donated, at the fair market value at date of donation. Depreciation is provided on the straight-line method over estimated useful lives of three to seven years. Additions and improvements that increase the capacity or lengthen the useful lives of the assets are capitalized. Repair and maintenance costs are expensed as incurred.

Grants and Program Income

Grant revenue and expenses relating to the Activity Center are recorded in the activity center group of accounts. General operations and programs are recorded in the operations group of accounts.

Accounts held for individuals

The Association is the representative payee for various individuals, the funding for the program requires that the Association hold the individual's cash in a separate bank account. Amounts held for individuals as of Jun 30, 2018 and 2017 are \$336,427 and \$255,451 respectively.