



**EMOTIONAL HEALTH ASSOCIATION
DBA SHARE! THE SELF-HELP AND RECOVERY EXCHANGE**

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITOR'S REPORT

June 30, 2019 and 2018

CONTENTS

| | <u>Page</u> |
|---|-------------|
| INDEPENDENT AUDITOR'S REPORT | 1-2 |
| FINANCIAL STATEMENTS | |
| Statement of Financial Position | 3 |
| Statement of Activities | 4 |
| Statement of Functional Expenses - Year Ended June 30, 2019 | 5 |
| Statement of Functional Expenses - Year Ended June 30, 2018 | 6 |
| Statement of Cash Flows | 7 |
| Notes to Financial Statements | 8-19 |
| REPORT ON INTERNAL CONTROL | |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 20-21 |

Independent Auditor's Report

To the Board of Directors of
Emotional Health Association, dba SHARE! the Self-Help And Recovery Exchange

Report on the Financial Statements

We have audited the accompanying statements of Emotional Health Association, dba SHARE! the Self-Help And Recovery Exchange (a nonprofit organization), which comprise the statement 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.

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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial 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 Emotional Health Association, dba SHARE! the Self-Help And Recovery Exchange as of June 30, 2019 and 2018, and the changes 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019, on our consideration of Emotional Health Association, dba SHARE! the Self-Help And Recovery Exchange's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Emotional Health Association, dba SHARE! the Self-Help And Recovery Exchange's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Emotional Health Association, dba SHARE! the Self-Help And Recovery Exchange's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 19, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Fresh-Start + Associates, LLP

Woodland Hills, CA
November 22, 2019

Emotional Health Association DBA SHARE!
the Self-Help And Recovery Exchange
Statement of Financial Position
June 30,

| | 2019 | 2018 |
|---|--------------|--------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 541,245 | \$ 113,010 |
| Investments - securities | 23,485 | 21,600 |
| Grants receivable, net of allowance of \$0 and \$27,126 | 512,081 | 632,235 |
| Other receivable | 5,616 | 38,400 |
| Prepaid expenses | 143,931 | 89,654 |
| Total current assets | 1,226,358 | 894,899 |
| Property and equipment, net of accumulated depreciation | 320,636 | 347,038 |
| Investments - artwork | 42,064 | 34,864 |
| Deposits | 68,262 | 65,211 |
| Total assets | \$ 1,657,320 | \$ 1,342,012 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities | | |
| Accounts payable | \$ 91,969 | \$ 68,143 |
| Accrued expenses | 87,362 | 86,552 |
| Auto loan payable | 8,744 | |
| Total liabilities | 188,075 | 154,695 |
| Net Assets | | |
| Without donor restrictions | 1,469,245 | 1,187,317 |
| Total net assets | 1,469,245 | 1,187,317 |
| Total liabilities and net assets | \$ 1,657,320 | \$ 1,342,012 |

See Independent Auditor's Report and accompanying notes

Emotional Health Association DBA SHARE!
the Self-Help And Recovery Exchange
Statement of Activities, including Changes in Net Assets
Year Ended June 30,

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>2019 Total</u> | <u>2018 Total</u> |
|--|---------------------------------------|------------------------------------|-----------------------|-----------------------|
| Revenues, gains, and other support | | | | |
| Grants | \$ 2,240,773 | \$ | \$ 2,240,773 | \$ 2,343,820 |
| Contributions - cash | 69,826 | | 69,826 | 94,482 |
| Contributions - non cash | 43,044 | | 43,044 | 22,461 |
| Program fees | 875,213 | | 875,213 | 372,758 |
| Other income | 220 | | 220 | 455 |
| Interest and dividends | 655 | | 655 | 1,424 |
| Net unrealized gain / (loss) | 1,229 | | 1,229 | (839) |
| Special events income - net of special events expenses of \$3,309 | | | | 33,703 |
| | <u>3,230,960</u> | | <u>3,230,960</u> | <u>2,868,264</u> |
| Expenses | | | | |
| Program services | | | | |
| Mental Health Program | 1,750,721 | | 1,750,721 | 1,645,537 |
| Prevention and Early Intervention (PEI) | 99,539 | | 99,539 | 99,539 |
| CES 6 | | | | 39,755 |
| CES 8 | 83,824 | | 83,824 | 62,719 |
| LAHSA | 50,000 | | 50,000 | 50,271 |
| Other Programs | 852,077 | | 852,077 | 609,773 |
| Unreimbursed Program | 38,492 | | 38,492 | 112,146 |
| Support services | | | | |
| Management and general | 72,084 | | 72,084 | 77,934 |
| Fundraising | 5,472 | | 5,472 | 51,268 |
| Total expenses | <u>2,952,209</u> | | <u>2,952,209</u> | <u>2,748,942</u> |
| Change in net assets | 278,751 | | 278,751 | 119,322 |
| Net assets, beginning of year | 1,187,317 | | 1,187,317 | 1,067,995 |
| Prior period adjustment | 3,177 | | 3,177 | |
| Net assets, end of year | <u>\$ 1,469,245</u> | <u>\$</u> | <u>\$ 1,469,245</u> | <u>\$ 1,187,317</u> |

**Emotional Health Association DBA SHARE!
the Self-Help And Recovery Exchange
Statement of Functional Expenses
June 30, 2019**

| | Mental Health Program | Prevention and Early Intervention (PEI) | CES 8 | LAHSA | Other Programs | Unreimbursed Program | Total Program Expenses | Management and General | Fundraising | Total |
|----------------------------|----------------------------------|--|--------------|--------------|---------------------------|---------------------------------|-----------------------------------|-----------------------------------|--------------------|--------------|
| Rent/Utilities (Occupancy) | \$ 468,562 | \$ 23,797 | \$ 3,941 | \$ 3,480 | \$ 63,838 | \$ 15,646 | \$ 579,264 | \$ | \$ | \$ 579,264 |
| Salaries and benefits | 967,073 | 59,728 | 76,102 | 43,790 | 650,424 | 15,646 | 1,812,763 | 3,059 | 5,131 | 1,820,953 |
| Professional fees | 84,694 | 4,897 | 99 | | 42,130 | 7,200 | 139,020 | 53,259 | | 192,279 |
| Repairs and maintenance | 15,808 | 342 | | | 8,630 | | 24,780 | | | 24,780 |
| Communications | 34,255 | 3,895 | 1,904 | 1,625 | 8,504 | | 50,183 | | | 50,183 |
| Insurance | 31,436 | 1,953 | | | 1,735 | | 35,124 | | | 35,124 |
| Postage | 1,118 | 67 | | | 51 | | 1,236 | | 6 | 1,242 |
| Subcontractors | 15,000 | | | | 6,667 | | 21,667 | | | 21,667 |
| Program supplies | 65,155 | 1,052 | | | 15,788 | | 81,995 | | 335 | 82,330 |
| Auto, mileage and gas | 20,819 | 244 | 1,778 | 1,105 | 54,062 | | 78,008 | | | 78,008 |
| Donations | 2,331 | 149 | | | 90 | | 2,570 | | | 2,570 |
| Administrative costs | 44,470 | 3,415 | | | 158 | | 48,043 | 15,766 | | 63,809 |
| Subtotal | \$ 1,750,721 | \$ 99,539 | \$ 83,824 | \$ 50,000 | \$ 852,077 | \$ 38,492 | \$ 2,874,653 | \$ 72,084 | \$ 5,472 | \$ 2,952,209 |

New fixed assets were purchased to replace obsolete equipment during this fiscal year.

| | | | | | | | | | | |
|------------------------|--------------|-----------|-----------|-----------|------------|-----------|--------------|-----------|----------|--------------|
| Property and equipment | | | | | 10,252 | | 10,252 | | | 10,252 |
| Total | \$ 1,750,721 | \$ 99,539 | \$ 83,824 | \$ 50,000 | \$ 862,329 | \$ 38,492 | \$ 2,884,905 | \$ 72,084 | \$ 5,472 | \$ 2,962,461 |

See independent auditor's report

**Emotional Health Association DBA SHARE!
the Self-Help And Recovery Exchange
Statement of Functional Expenses
June 30, 2018**

| | Mental Health Program | Prevention and Early Intervention (PEI) | CES 6 | CES 8 | LAHSA | Other Programs | Unreimbursed Program | Total Program Expenses | Management and General | Fundraising | Total Expenses |
|----------------------------|----------------------------------|--|------------------|------------------|------------------|---------------------------|---------------------------------|-----------------------------------|-----------------------------------|--------------------|-----------------------|
| Rent/utilities (Occupancy) | \$ 439,359 | \$ 34,208 | \$ 1,740 | \$ 2,408 | \$ 1,885 | \$ 44,970 | \$ 38,341 | \$ 562,911 | | | \$ 562,911 |
| Salaries and benefits | 941,257 | 49,082 | 37,057 | 57,718 | 46,988 | 482,692 | 37,066 | 1,651,860 | | 45,115 | 1,696,975 |
| Professional fees | 36,499 | 4,492 | | | | 13,231 | 1,539 | 55,761 | 62,934 | 3,400 | 122,095 |
| Repairs and maintenance | 18,011 | 890 | | | | | | 18,901 | | | 18,901 |
| Communications | 40,285 | 2,408 | 840 | 1,680 | 980 | 1,866 | 10,200 | 58,259 | | | 58,259 |
| Insurance | 29,408 | 1,786 | | | | | | 31,194 | | | 31,194 |
| Subcontractors | 15,000 | | | | | 35,343 | | 50,343 | | | 50,343 |
| Program supplies | 44,113 | 2,049 | | | | 16,822 | 20,000 | 82,984 | | 2,753 | 85,737 |
| Auto, mileage, gas | 24,084 | 237 | 118 | 913 | 418 | 14,849 | 5,000 | 45,619 | | | 45,619 |
| Administrative costs | 57,521 | 4,387 | | | | | | 61,908 | 15,000 | | 76,908 |
| Subtotal | \$ 1,645,537 | \$ 99,539 | \$ 39,755 | \$ 62,719 | \$ 50,271 | \$ 609,773 | \$ 112,146 | \$ 2,619,740 | \$ 77,934 | \$ 51,268 | \$ 2,748,942 |

New computers were purchased to replace obsolete equipment during this fiscal year.

| | | | | | | | | | | | |
|------------------------|---------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|---------------------|------------------|------------------|---------------------|
| Property and equipment | | | | | | 13,807 | | 13,807 | | | \$ 13,807 |
| Total | \$ 1,645,537 | \$ 99,539 | \$ 39,755 | \$ 62,719 | \$ 50,271 | \$ 623,580 | \$ 112,146 | \$ 2,633,547 | \$ 77,934 | \$ 51,268 | \$ 2,762,749 |

See independent auditor's report

Emotional Health Association DBA SHARE!
the Self-Help And Recovery Exchange
Statement of Cash Flows
Year Ended June 30,

| | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 281,928 | \$ 119,322 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 56,822 | 49,631 |
| Prior period adjustment | (3,177) | |
| Unrealized (gain) on investments | (1,885) | (584) |
| Donated art | (7,200) | |
| Increase / (decrease) in cash resulting from changes in: | | |
| Grants receivable | 120,154 | (163,163) |
| Other receivables | 32,784 | (37,125) |
| Prepaid expenses | (54,277) | (18,945) |
| Accounts payable | 23,827 | 17,628 |
| Accrued expenses | 810 | (12,617) |
| Deposits | (3,051) | 331 |
| Net cash provided (used) by operating activities | <u>446,735</u> | <u>(45,522)</u> |
| Cash flows from investing activities | | |
| Additions of property and equipment | <u>(10,253)</u> | <u>(13,807)</u> |
| Net cash used by investing activities | <u>(10,253)</u> | <u>(13,807)</u> |
| Cash flows from financing activities | | |
| Payments of auto loan payable | <u>(8,247)</u> | |
| Net cash used by financing activities | <u>(8,247)</u> | |
| Net increase (decrease) in cash and equivalents | 428,235 | (59,329) |
| Cash, beginning of year | <u>113,010</u> | <u>172,339</u> |
| Cash, end of year | <u>\$ 541,245</u> | <u>\$ 113,010</u> |
| Supplemental cash flow disclosure: | | |
| Cash paid for interest | <u>\$ 907</u> | <u>\$</u> |

**Emotional Health Association DBA SHARE!
the Self-Help And Recovery Exchange
Notes to Financial Statements
June 30, 2019 and 2018**

1. ORGANIZATION

Emotional Health Association, DBA SHARE! the Self-Help And Recovery Exchange (the Organization) is a nonprofit corporation incorporated to help people in Los Angeles pursue growth and change. The Organization empowers people to change their own lives and provides them a loving, safe, non-judgmental place where they can find community, information and support.

2. PROGRAMS

SHARE! Self-Help Centers: SHARE! Culver City and SHARE! Downtown Los Angeles are centers where a large community of self-help groups meet each week, addressing all kinds of issues, e.g., anger management, health, depression, self-esteem, relationships, childhood abuse, substance abuse, reaching goals, etc. Together we host more than 100 weekly meetings with monthly attendance of 5,000 people. SHARE! accepts brochures and flyers for distribution at our centers, so agencies and others can reach the self-help community. We have lots of volunteer opportunities for people including those doing court-ordered community service. We accept all volunteers even those with limited skills or felony convictions.

SHARE! Collaborative Housing: A public-private partnership providing immediate, affordable, permanent supportive housing to disabled people in single-family houses throughout Los Angeles County. People with similar issues, such as vets, mental health consumers, people with diabetes, trauma issues, etc. live like college roommates in the house which is furnished down to knives, forks and spoons. The homeowner furnishes the house, pays for all the utilities, does not collect a security deposit, nor a last month's rent and does not perform a credit or background check. The houses are regularly inspected to ensure quality, and SHARE! helps the owner with any issues or problems that arise. Residents attend weekly self-help support groups, help with neighborhood projects, provide support for other residents and share a room with one roommate of their choice. Residents pay rent from their disability checks or other income directly to the owner. Many owners will take pets.

SHARE! Self-Help Clearinghouse for Los Angeles County: Countywide referrals to 12,000 self-help meetings representing 750 different life-issues. Our information is updated often, as self-help groups tend to move around and come and go. We give meetings technical assistance, including best practices. We help with meeting formation, content, format, publicity, problems, etc. We also have leads on meeting space throughout the County.

SHARE! Recovery Retreat: The program in Monterey Park provides a home away from home for up to two weeks filled with intensive recovery activities, including self-help support groups, independent living skills, conflict resolution and paths to achieving goals. People learn in a homey environment, living together as a family with every participant being part of the shared leadership of the house.

**Emotional Health Association DBA SHARE!
the Self-Help And Recovery Exchange
Notes to Financial Statements
June 30, 2019 and 2018**

2. PROGRAMS, continued

SHARE! Advanced Peer Specialist Training: SHARE! trains Peer Specialists who work or want to work in the Public Mental Health System using evidence-based best practices for Peer Services. The training also includes the SHARE! Peer Toolkit—28 tools for maintaining a nurturing culture of recovery, relationship building, conflict avoidance and resolution, and crisis intervention that SHARE! has developed over 26 years of existence.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are presented in accordance with principles of accounting for nonprofit organizations, with consideration given to recent authoritative publications of the American Institute of Certified Public Accountants. Assets, liabilities, support and revenues and expenses are recognized under the accrual basis of accounting.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) no. 117. The Organization is required to report information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: with donor restrictions net assets and without donor restrictions net assets.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Emotional Health Association DBA SHARE!
the Self-Help And Recovery Exchange
Notes to Financial Statements
June 30, 2019 and 2018

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which revises the not-for-profit financial reporting model. ASU 2016-14 provides for additional disclosure requirements and modifies net asset and expense reporting. The Organization adopted the new guidance effective January 1, 2018, and applied the changes retrospectively. Implementation of this guidance resulted in a change in presentation of net assets, expenses and additional disclosures surrounding the Organization's liquidity and availability of financial assets.

In June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, which amends the accounting guidance related to (1) evaluating whether transactions should be accounted for as contributions or exchange transactions, and (2) determining whether a contribution is conditional. For resource recipient the ASU is effective for annual periods beginning after December 15, 2018, with early adoption permissible. The Organization is currently evaluating the impact of the new standard on the financial statements.

Grants Receivable

Grants receivable are amounts due for various organizations, including non profits and state agencies. An allowance for uncollectible receivables in the amount of \$27,126 was provided as of June 30, 2018. During the fiscal year ended June 30, 2019, the Organization received payment in full for the allowance amount. A credit to grant revenue in the amount of \$27,126 was recorded during the fiscal year ended June 30, 2019.

Property and Equipment

Property and equipment are stated at cost at the date of acquisition or estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows: buildings and building improvements 15 - 39.5 years; furniture, fixtures, and equipment 5 - 7 years; automobile 5 years.

Investments

Generally accepted accounting principles require that nonprofit organizations report certain investments at fair value. The Organization accounts for its equity securities that have readily determinable values by recording and reporting those securities at fair value. Information about the fair value of investments and unrealized gains and losses is discussed in Note 5.

**Emotional Health Association DBA SHARE!
the Self-Help And Recovery Exchange
Notes to Financial Statements
June 30, 2019 and 2018**

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Revenue Recognition

The Organization received the majority of its grants and contract revenues from the Los Angeles County Department of Mental Health (LADMH). The Organization submits billable hours to the LADMH on a daily basis after the services are provided. The LADMH, at its discretion, may request reimbursement for expenses or return of funds, or both, as a result of non-compliance by the Organization with the terms of their grants/contracts. The Organization also receives consulting revenue to teach health professionals.

Contribution Revenue

Contributions received are recorded as support with donor restrictions, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the maturity of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. When restrictions are satisfied in the same accounting period that the contribution is received, both the revenue and the related expenses are reported in the net assets without donor restrictions class.

Donated Assets

Donations of property and equipment are recorded as support at their estimated fair values at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restriction. Absent donor stipulation regarding how long those donated assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

**Emotional Health Association DBA SHARE!
the Self-Help And Recovery Exchange
Notes to Financial Statements
June 30, 2019 and 2018**

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Donated Services

The Organization receives donated services, and records such services that create or enhance non-financial assets or that require specialized skills. Services provided by individuals possessing those skills would typically need to be purchased if not provided by donation. For the fiscal year ended June 30, 2019, donated services contributed by the volunteers were 59,699 hours at a value of \$15 per hour. For the fiscal year ended June 30, 2018, donated services contributed by the volunteers were 53,161 hours at a value of \$15 per hour, and 30 hours at a value of \$52 per hour.

Income Taxes

Since the Organization is exempt from federal and state income tax liability, no provision is made for current or deferred income taxes. The Organization uses the same accounting methods for tax and financial reporting.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years after they are filed. The open years are: 2017, 2016 and 2015.

Functional Expense Reporting

Expenses are classified according to the programs and supporting services for which they were incurred and are reported on a functional basis in the accompanying statement of functional expenses.

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. These expenses have been allocated to programs and supporting functions on the basis of management's estimates of time and effort. Costs are allocated between program, management, and fundraising expenses as they relate to those functions.

Comparative Information

The financial statements include certain summarized comparative information from the prior year. This information is presented in total and not by net asset class and does not include sufficient detail to be in conformity with United States generally accepted accounting principles. Such information should be read together with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was extracted.

**Emotional Health Association DBA SHARE!
the Self-Help And Recovery Exchange
Notes to Financial Statements
June 30, 2019 and 2018**

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Fair Value Measurement

The Organization reports investments at fair value measurement using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by generally accepted accounting principles in the United States of America, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 : Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.

Level 2 : Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets in markets that are not active;
- observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
- inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3 : Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

When available, the Organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the Organization is required to measure at fair value.

The primary uses of fair value measures in the Organization's financial statements are:

- Investments in securities
- Investments in artwork

Cash and Cash Equivalents

Cash includes demand deposits with banks or other financial institutions. Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less. See Note 12 for the concentration of credit risks regarding cash and cash equivalents.

Emotional Health Association DBA SHARE!
the Self-Help And Recovery Exchange
Notes to Financial Statements
June 30, 2019 and 2018

4. PREPAID EXPENSES

Prepaid expenses are comprised of the following:

| | <u>June 30, 2019</u> | <u>June 30, 2018</u> |
|--------------------|----------------------|----------------------|
| Insurance | \$ 71,108 | \$ 21,034 |
| Benefits | 21,291 | 22,723 |
| Rent and utilities | 45,427 | 45,602 |
| Other | 6,105 | 295 |
| | <u>\$ 143,931</u> | <u>\$ 89,654</u> |

5. FAIR VALUE MEASUREMENTS

The Organization has investments, which consists of income funds and artwork as of June 30, 2019 and 2018. The investments are intended to provide investment income for the use of the Organization's programs. These investments are presented at fair value and significant information is summarized below. The values presented are based on quoted prices in active markets (Level 1 inputs) and for similar assets in active markets (Level 2 inputs) as follows:

| <u>Measured on a Recurring Basis</u> <u>at June 30, 2019</u> | <u>2019</u> <u>Fair</u> <u>Value</u> | <u>Additions</u> | <u>Deletions</u> | <u>2018</u> <u>Fair</u> <u>Value</u> |
|---|--|------------------|------------------|--|
| Income funds - Level 1 | \$ 23,485 | \$ 1,886 | | \$ 21,600 |
| Artwork investment - Level 2 | 42,064 | 7,200 | | 34,864 |
| | <u>\$ 65,549</u> | <u>\$ 9,086</u> | <u>\$</u> | <u>\$ 56,464</u> |

Income and unrealized gains on investments

| | <u>2019</u> | <u>2018</u> |
|---------------------------------------|-----------------|---------------|
| Interest and dividends | \$ 655 | \$ 1,424 |
| Unrealized gain/(loss) on investments | 1,229 | (839) |
| | <u>\$ 1,884</u> | <u>\$ 585</u> |

Emotional Health Association DBA SHARE!
the Self-Help And Recovery Exchange
Notes to Financial Statements
June 30, 2019 and 2018

6. NON-CASH CONTRIBUTIONS

The Organization received contributions of non-cash supplies, as follows:

| | <u>2019</u> | <u>2018</u> |
|------------------------------|------------------|------------------|
| Program and general supplies | <u>\$ 43,044</u> | <u>\$ 22,461</u> |

7. PROPERTY AND EQUIPMENT

Following is a summary of the Organization's property and equipment:

| | <u>June 30, 2019</u> | <u>June 30, 2018</u> | <u>Estimated Useful life</u> |
|---|----------------------|----------------------|------------------------------|
| Leasehold improvements | \$ 438,361 | \$ 434,109 | 39.5 years |
| Furniture, fixtures, and equipment | 164,690 | 158,690 | 5-7 years |
| Automobile | 24,695 | | 5 years |
| Total | <u>627,746</u> | <u>592,799</u> | |
| Less: accumulated depreciation | <u>(307,110)</u> | <u>(245,761)</u> | |
| Net value of property and equipment | <u>\$ 320,636</u> | <u>\$ 347,038</u> | |
| Depreciation expense for the period | <u>\$ 56,822</u> | <u>\$ 49,631</u> | |

8. DEPOSITS

Deposits paid represent amounts that the Organization paid to its landlords for the three facilities located in downtown Los Angeles, Culver City and Monterey Park, California, a utility deposit for the Los Angeles location, and a State Fund Compensation Insurance deposit as follows:

| | <u>June 30, 2019</u> | <u>June 30, 2018</u> |
|------------------------------|----------------------|----------------------|
| Los Angeles, CA location | \$ 21,237 | \$ 21,237 |
| Culver City, CA location | 36,000 | 36,000 |
| Monterey Park, CA location | 5,800 | 5,800 |
| Utility | 50 | 50 |
| State Fund insurance deposit | 5,175 | 2,124 |
| | <u>\$ 68,262</u> | <u>\$ 65,211</u> |

Emotional Health Association DBA SHARE!
the Self-Help And Recovery Exchange
Notes to Financial Statements
June 30, 2019 and 2018

9. ACCRUED EXPENSES

Accrued expenses consist of the following:

| | <u>June 30, 2019</u> | <u>June 30, 2018</u> |
|----------------------------|----------------------|----------------------|
| Accrued payroll taxes | \$ 4,388 | \$ 4,453 |
| Accrued employee vacation | 28,712 | 28,764 |
| Accrued salaries and wages | 54,262 | 53,335 |
| Total | <u>\$ 87,362</u> | <u>\$ 86,552</u> |

10. LIQUIDITY

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures. Although the Organization does not intend to spend from its reserve bank accounts other than for amounts appropriated for general expenditure designated in its annual budget, amounts from its cash reserves could be made available if necessary.

The Organization has a goal to maintain financial assets, which consist of cash on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$520,000.

The Organization's financial assets available to meet cash needs for general expenditures within one year of the date of the statement of financial position include:

| | <u>June 30, 2019</u> | <u>June 30, 2018</u> |
|------------------------------|----------------------|----------------------|
| Cash and cash equivalents | \$ 541,245 | \$ 113,010 |
| Money markets | 23,485 | 21,600 |
| Grants and other receivables | 517,697 | 670,635 |
| | <u>\$ 1,082,427</u> | <u>\$ 805,245</u> |

11. AUTO LOAN PAYABLE

The company has the following auto loan payable at June 30, 2019:

| | |
|---|-----------------|
| Auto loan payable bank, with interest of 6.84%, monthly payment of \$761, due June 16, 2020 | <u>\$ 8,744</u> |
|---|-----------------|

Maturities of auto loan payable at June 30, 2019 are summarized as follows:

| | <u>Year</u> | <u>Amount</u> |
|------------------------------------|-------------|-----------------|
| | 2019 | \$ 4,577 |
| | 2020 | 4,487 |
| Total minimum payments | | 9,064 |
| Less: Amount representing interest | | (320) |
| | | <u>\$ 8,744</u> |

Emotional Health Association DBA SHARE!
the Self-Help And Recovery Exchange
Notes to Financial Statements
June 30, 2019 and 2018

12. GRANT AND CONTRACT PROGRAM EXPENSES

The Organization is primarily funded by the following grants and contracts for the year ended June 30, 2019 and 2018.

| Funding Source | Contract # | Contract Period | Contract Amount | 2019 Actual Expenditures | 2018 Total |
|--|--------------------------|---------------------------|--------------------|--------------------------------|---------------------|
| Los Angeles County Dept. of Mental Health | MH121987 MHSA | 07/01/2018- 06/30/2021 | \$ 1,651,183 | \$ 1,757,921 | \$ 1,751,477 |
| Los Angeles County Dept. of Mental Health | MH121987 PEI | 07/01/2018- 06/30/2021 | 99,538 | 99,539 | 105,744 |
| Los Angeles County Dept. of Mental Health | MH 050173 ICADTP | 07/01/2016- 06/30/2017 | | | 148,951 |
| Office of Statewide Health Planning and Development | 16-7550 OSHDP | 07/01/2016- 12/31/2018 | 24,508 | 16,187 | 212,703 |
| Office of Statewide Health Planning and Development | 17-8315 OSPHD | 02/15/2018- 06/30/2019 | 279,854 | 184,844 | 16,248 |
| Office of Statewide Health Planning and Development | 17-8157 OSPHD | 11/15/2017- | 362,837 | 244,301 | 13,545 |
| Office of Statewide Health Planning and Development | 17-82401 OSPHD | 06/29/2018- 06/30/2020 | 48,500 | 32,034 | |
| Office of Statewide Health Planning and Development | 17-8311 OSPHD | 02/15/2018- 12/31/2019 | 135,816 | 89,707 | |
| Coordinated Entry System 6 | CES 6 | 07/01/2017- 12/31/2018 | | | 39,755 |
| Coordinated Entry System 8 | CES 8 | 07/01/2018- 06/30/2019 | 85,947 | 83,824 | 62,719 |
| LAHSA | CITY GF 101 | 12/15/2018- 6/30/2019 | 51,322 | 50,000 | 50,271 |
| DHS | H-707281 | 07/01/2018- 06/30/2019 | 321,930 | 296,020 | 183,209 |
| LMU | | | 23,699 | 20,276 | 35,118 |
| | Program service expenses | | | <u>\$ 2,874,653</u> | <u>\$ 2,619,740</u> |

**Emotional Health Association DBA SHARE!
the Self-Help And Recovery Exchange
Notes to Financial Statements
June 30, 2019 and 2018**

13. COMMITMENTS

The Organization has three noncapitalizable leases as follows:

425 S. Broadway, Los Angeles, CA

This is an 8,000 square foot facility located in Downtown Los Angeles. The lease expires on June 30, 2020 and the rent increases at 4 percent annually. The Organization pays \$500 per month to the lessor for utility expenses in addition to the rent.

6666 Green Valley Circle, Culver City, CA

The lease expires on January 31, 2021. The base rent is adjusted annually based on the consumer price index (CPI), which will be capped at a maximum of 12 percent annually.

602 W. Hellman Ave., Monterey Park, CA

The lease expired on June 30, 2018. Tenant (the Organization) and the landlord agreed to continue as month-to-month tenancy.

| Year ending June 30, | Los Angeles | Culver City | Total |
|-------------------------|-------------------|-------------------|-------------------|
| 2020 | 120,931 | 400,711 | 521,642 |
| 2021 | | 242,368 | 242,368 |
| | <u>\$ 120,931</u> | <u>\$ 643,079</u> | <u>\$ 764,010</u> |

Line of Credit - Line of credit commitment of \$150,000, bank, secured by accounts receivable, equipment and securities, at variable index: City National Bank with 2.5% initial rate to a ceiling of 3.5%, renews annually in October. There were no borrowings outstanding at June 30, 2019 and 2018.

14. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances at several financial institutions. Accounts at the institutions are insured by the Federal Deposit Insurance Corporations (FDIC) up to \$250,000 per institution. As of June 30, 2019 and 2018 the Organization had \$86,420 and \$42,395 of uninsured cash balances, respectively.

The Organization's investments held with the financial institutions as of June 30, 2019 and 2018 are within Securities Investor Protection Corporation limits and are fully insured. However, the Organization's investments are subject to various risks, such as interest rate and overall market volatility risks.

A significant portion, approximately 92 percent, of the Organization's annual funding comes from the Los Angeles County Department of Mental Health.

**Emotional Health Association DBA SHARE!
the Self-Help And Recovery Exchange
Notes to Financial Statements
June 30, 2019 and 2018**

15. RECLASSIFICATIONS

Certain prior year amounts have been reclassified for consistency with the current year presentation. This reclassification had no effect on the reported results of operations. Balances in the statement of activities for the year ended June 30, 2018 were reclassified. This reclassification does not affect previously reported total revenues in the statement of activities.

16. RETIREMENT PLAN

The Organization implemented a defined contribution retirement plan in 2014, which is a 403(b) plan. The Organization did not make a matching contribution in 2019 and 2018.

17. PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2019, management discovered that a cumulative change in net assets was understated. This was due to an automobile lease being converted to a loan in the prior fiscal year that continued to be expensed as an operating lease. The accounts affected are fixed assets, accumulated depreciation and auto loan payable. As a result, the Organization recorded a prior period adjustment of \$3,177 to reflect the correct net assets at the beginning of the year.

18. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 22, 2019 which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors of
Emotional Health Association, dba SHARE! the Self-Help And Recovery Exchange

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Emotional Health Association, dba SHARE! the Self-Help And Recovery Exchange (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019 and 2018, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Emotional Health Association, dba SHARE! the Self-Help And Recovery Exchange's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Emotional Health Association, dba SHARE! the Self-Help And Recovery Exchange's internal control. Accordingly, we do not express an opinion on the effectiveness of Emotional Health Association, dba SHARE! the Self-Help And Recovery Exchange's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did not identify deficiencies in internal control that we consider to be significant deficiencies. There are no prior year identified deficiencies in internal control.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Emotional Health Association, dba SHARE! the Self-Help And Recovery Exchange's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. There are no prior year findings that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fresh Start + Outreach LLP

Woodland Hills, CA
November 22, 2019