

**CALIFORNIA INSTITUTE FOR  
BEHAVIORAL HEALTH  
SOLUTIONS**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED  
JUNE 30, 2022 AND 2021**

# CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

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## INDEPENDENT AUDITOR'S REPORT

**Board of Directors  
California Institute for Behavioral Health Solutions  
Sacramento, California**

### *Opinion*

We have audited the accompanying financial statements of California Institute of Behavioral Health Solutions (Institute), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Institute as of June 30, 2022 and 2021, 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.

### *Basis for Opinion*

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

### *Responsibilities of Management for the Financial Statements*

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

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

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and

therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

#### ***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2023, on our consideration of the Institute'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 solely 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 the effectiveness of the Institute's 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 the Institute's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Gilbert CPAs". The signature is written in a cursive, flowing style.

**GILBERT CPAS**  
Sacramento, California

**February 17, 2023**

# CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

## STATEMENTS OF FINANCIAL POSITION JUNE 30, 2022 AND 2021

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	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 3,818,377	\$ 3,590,131
Cash held for other agencies	215,518	273,799
Accounts receivable, net	2,506,027	2,093,662
Prepaid expenses and deposits	92,364	91,929
Investments	<u>1,367,308</u>	<u>1,481,577</u>
Total current assets	7,999,594	7,531,098
<b>EQUIPMENT AND FURNITURE, Net</b>	<u>116,489</u>	<u>124,646</u>
<b>TOTAL ASSETS</b>	<u>\$ 8,116,083</u>	<u>\$ 7,655,744</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 1,344,492	\$ 1,188,402
Amount held for other agencies	215,518	273,799
Deferred revenue	138,383	144,795
Refundable advances	280,776	
Deferred rent	<u>65,059</u>	
Total current liabilities	2,044,228	1,606,996
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>6,071,855</u>	<u>6,048,748</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 8,116,083</u>	<u>\$ 7,655,744</u>

The accompanying notes are an integral part of these financial statements.

# CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

## STATEMENTS OF ACTIVITIES YEARS ENDED JUNE 30, 2022 AND 2021

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	<u>2022</u>	<u>2021</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS:</b>		
REVENUES:		
Grants and contracts	\$ 9,664,943	\$ 11,530,377
Trainings and conferences	1,267,903	1,641,036
Employee Retention Tax Credit	787,705	
Agency service fees	214,772	108,440
Sublease and shared costs	66,695	140,315
Interest and net investment income (loss)	(114,236)	220
Payroll Protection Program loan forgiveness		634,751
Other	92,236	19,898
Total revenues	<u>11,980,018</u>	<u>14,075,037</u>
EXPENSES:		
Program services	10,188,052	12,448,543
General and administrative	1,768,859	1,373,405
Total expenses	<u>11,956,911</u>	<u>13,821,948</u>
<b>INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	23,107	253,089
<b>NET ASSETS, Beginning of Year</b>	<u>6,048,748</u>	<u>5,795,659</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 6,071,855</u>	<u>\$ 6,048,748</u>

The accompanying notes are an integral part of these financial statements.

# CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2022

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	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Subgrants and other professional services	\$ 7,625,160	\$ 239,191	\$ 7,864,351
Salaries and related costs	2,252,315	1,008,920	3,261,235
Office rent	107,839	184,144	291,983
Information technology	4,551	110,696	115,247
General meeting and conference expenses	68,045	13,024	81,069
Depreciation	37,373	16,741	54,114
Telecommunications	24,999	27,699	52,698
Insurance	17,200	30,225	47,425
Bank and credit card fees	3,521	35,587	39,108
Supplies and materials	7,786	25,093	32,879
Bad debt expense		19,102	19,102
Travel	8,996	1,294	10,290
Training and education	4,810	1,348	6,158
Postage and delivery	1,288	2,823	4,111
Printing and reproduction	1,296	1,631	2,927
Other	<u>22,873</u>	<u>51,341</u>	<u>74,214</u>
Total	<u>\$ 10,188,052</u>	<u>\$ 1,768,859</u>	<u>\$ 11,956,911</u>

# CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2021

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	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Subgrants and other professional services	\$ 9,372,630	\$ 126,842	\$ 9,499,472
Salaries and related costs	2,396,501	838,163	3,234,664
Office rent	198,853	157,768	356,621
Information technology	6,975	90,150	97,125
General meeting and conference expenses	263,790	12,677	276,467
Depreciation	24,420	8,535	32,955
Telecommunications	30,411	25,432	55,843
Insurance	15,221	26,406	41,627
Bank and credit card fees	5,903	26,637	32,540
Supplies and materials	44,376	18,675	63,051
Training and education	4,038	10,372	14,410
Postage and delivery	3,643	2,179	5,822
Printing and reproduction	8,677	2,945	11,622
Other	<u>73,105</u>	<u>26,624</u>	<u>99,729</u>
Total	<u>\$ 12,448,543</u>	<u>\$ 1,373,405</u>	<u>\$ 13,821,948</u>

# CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

## STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 23,107	\$ 253,089
Reconciliation to net cash provided by operating activities:		
Depreciation	54,114	32,955
Loss on the disposal of fixed assets	2,638	
Net realized and unrealized loss on investments	114,988	
Gain on forgiveness of Paycheck Protection Program loan		(634,751)
Changes in:		
Accounts receivable	(412,365)	929,790
Prepaid expenses and deposits	(435)	21,567
Accounts payable and accrued expenses	156,090	(145,856)
Deferred revenue	(6,412)	70,887
Refundable advances	280,776	
Deferred rent	65,059	
Net cash provided by operating activities	<u>277,560</u>	<u>527,681</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(719)	(505,324)
Proceeds from sale of investments		505,137
Purchases of equipment and furniture	(48,595)	(54,866)
Net cash used by investing activities	<u>(49,314)</u>	<u>(55,053)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	228,246	472,628
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<u>3,590,131</u>	<u>3,117,503</u>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<u>\$ 3,818,377</u>	<u>\$ 3,590,131</u>
<b>NONCASH INVESTING ACTIVITIES:</b>		
Property and equipment financed through accounts payable	<u>\$</u>	<u>\$ 18,906</u>

# CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

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### 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

California Institute for Behavioral Health Solutions (Institute) is a nonprofit public benefit corporation which operates under a consultant business model and is organized to research, promote, and support the practice-focused implementation of mental health policy, practice, and system-enhancement initiatives. CIBHS provides this service for a range of behavioral health provider, payer, and policy implementation organizations. The Institute's activities involve the organization of technical assistance on specific practices, evaluation of systems and programs, and the organization of conferences and workshops for training and sharing information among mental health professionals and government officials. The majority of the Institute's funding is from government and foundation grants and contracts.

**Basis of presentation** – The financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities. The Institute 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. The Institute had no net assets with donor restrictions at June 30, 2022 or 2021.

**Revenue recognition** – Revenues from cost reimbursement type government grants and contracts are recognized when qualifying expenses are incurred. Revenues from deliverable based grants and contracts are recognized as the deliverables are met. Training and conference registration income are recognized in the period the event takes place. Funds received in advance of the deliverable being met, or qualifying expenses being incurred, are recorded as deferred revenue until earned. Refer to Note 7 for accounting policies and additional details regarding revenue from contracts with customers.

Contributions, and certain governmental and foundation grants are recognized in the period received or unconditionally promised, in accordance with professional standards. All contributions are considered available for unrestricted use unless specifically restricted by grantors for future periods or specific purposes. Conditional contributions are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the condition. The Institute receives certain government and foundation grants which limit spending to qualifying expenditures as defined in grant agreements, or do not provide funding until deliverables are met. Amounts received in advance of incurrence of qualifying expenditures or meeting deliverables are recorded as refundable advances. Outstanding conditional promises to give subject to such requirements were \$2,878,615 and \$6,508,660 as of June 30, 2022 and 2021, and will be recognized as revenue as the conditions are met.

The Institute reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. As such, donor-restricted contributions that are initially conditional, and for which the donor-imposed conditions and restrictions are met in the same year, are reported as revenue without donor restrictions.

All other grantor-restricted amounts are reported as increases in net assets with donor restrictions. Net assets with donor restrictions become unrestricted and are reported in the statements of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose.

# CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

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**Cash and cash equivalents** – For financial statement purposes, the Institute considers all investments with an initial maturity of three months or less to be cash equivalents, unless held for long-term purposes.

The Institute maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Institute has not experienced any losses in such accounts. Management believes the Institute is not exposed to any significant credit risk related to cash. At June 30, 2022 and 2021, the Institute held deposits with one financial institution that exceeded federal depository insurance limits by \$3,883,211 and \$3,647,279, respectively.

**Cash held for other agencies** represents funds received from organizations for which the Institute maintains responsibility for fiscal administration. In accordance with the contract terms with one of the organizations, funds are maintained in interest bearing bank accounts and segregated from the Institute's operating accounts.

**Accounts receivable** are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectable amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for doubtful accounts at June 30, 2022 and 2021 was \$48,333 and \$42,373, respectively.

**Investments** are stated at fair value.

**Equipment and furniture** are recorded at cost and depreciated using the straight-line method over estimated useful lives of 3 to 5 years. The Institute's policy is to capitalize such items with a cost of \$5,000 or more.

**Functional allocation of expenses** – The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Those expenses include salaries and related costs which are allocated based on employees' estimated time and effort; insurance and depreciation which are allocated according to the salaries allocation; and all other expenses which are allocated based on estimated usage of resources.

**Income taxes** – The Institute is publicly supported and exempt from income taxes under Internal Revenue Code Section 501(c)(3) and State of California Revenue and Taxation Code Section 23701(d).

**Use of estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

**Fair value measurements** – Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

Level 1 Inputs	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
Level 2 Inputs	Inputs other than quoted prices in active markets that are observable either directly or indirectly.
Level 3 Inputs	Unobservable inputs for the asset or liability.

**Future accounting pronouncement** – In February 2016, the Financial Accounting Standards Board issued Accounting Standard Update 2016-02, *Leases* (Topic 842). The new accounting standard requires lessees to recognize a lease liability measured on a discounted basis and a right-of-use asset for all leases with terms longer than 12 months. Application of this statement is effective for the year ending June 30, 2023. The Institute is currently evaluating the impact this pronouncement will have on the financial statements.

**Subsequent events** have been evaluated through February 17, 2023, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred that require recognition or disclosure in the financial statements.

## 2. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Institute’s financial assets available within one year of the statement of financial position date for general expenditure are as follows, as of June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,818,377	\$ 3,590,131
Investments	1,367,308	1,481,577
Accounts receivable, net	<u>2,506,027</u>	<u>2,093,662</u>
Total financial assets available for general expenditure within one year	<u>\$ 7,661,832</u>	<u>\$ 7,165,370</u>

The Institute has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 90 days of normal operating expenses, which in total, on average, is approximately \$1,546,000. Investments, held for long-term purposes, could be available for general expenditures within one year if needed.

# CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

The Institute has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Institute invests excess operating cash in short-term investments

### 3. INVESTMENTS

Investments are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices. Investments consist of the following:

	<u>2022</u>	<u>2021</u>
Cash	\$ 279,199	\$ 1,481,577
Mutual funds:		
Fixed income	349,876	
Bond funds	226,955	
Value	192,078	
Blend	162,869	
Growth	156,331	
Total	<u>\$ 1,367,308</u>	<u>\$ 1,481,577</u>

Interest and investment income consist of the following:

	<u>2022</u>	<u>2021</u>
Interest and dividends, net of management fees	\$ 752	\$ 220
Net unrealized loss	(114,988)	(245)
Net realized gain		245
Total	<u>\$ (114,236)</u>	<u>\$ 220</u>

### 4. EQUIPMENT AND FURNITURE

Equipment and furniture consist of the following:

	<u>2022</u>	<u>2021</u>
Equipment	\$ 240,564	\$ 211,969
Website	93,772	
Leasehold improvements		62,060
Furniture		97,951
Website development in progress		73,772
Total	<u>334,336</u>	<u>445,752</u>
Less accumulated depreciation	<u>(217,847)</u>	<u>(321,106)</u>
Total	<u>\$ 116,489</u>	<u>\$ 124,646</u>

# CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

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### 5. OPERATING LEASE COMMITMENTS

The Institute leased office space under an operating lease agreement that expired in January 2022, and during the year ended June 30, 2021, entered a new lease agreement commencing January 2022 and expiring August 2029. Lease expense totaled \$291,983 and \$356,621 for 2022 and 2021, respectively. The Institute's future minimum lease payments under the operating lease agreement are as follows:

#### Year ending June 30:

2023	\$ 124,722
2024	165,822
2025	170,796
2026	175,920
2027	181,200
Thereafter	<u>395,126</u>
Total	<u>\$ 1,213,586</u>

The Institute received rental income of \$58,048 and \$106,312 for 2022 for 2021, respectively, for subleasing a portion of the office space to the California Mental Health Directors Association. This sublease agreement expired in January 2022.

### 6. PAYCHECK PROTECTION PROGRAM LOAN

In May 2020 the Institute received a Paycheck Protection Program (PPP) loan under the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act totaling \$634,751. Under the CARES Act, a portion or all of the loan and accrued interest may be forgiven provided the funds are spent on qualifying expenditures and certain other criteria regarding full-time equivalent employee and payroll levels are maintained. The Institute received notification that its application for loan forgiveness was approved on June 29, 2021, and the loan amount was therefore recognized as income in the year ended June 30, 2021.

### 7. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Institute's revenue from contracts with customers consists of registration fees for trainings and conferences, agency service fees, and grants and contracts deemed to be exchange transactions because the Institute provides goods or services of direct benefit to the resource provider.

All the Institute's revenue from contracts with customers is recognized at a point in time. Revenues from training and conference registration fees are recognized at the time the event occurs. Agency service fees are generally set as a percentage of related expenditures, and therefore are recognized as qualifying expenses are incurred. Revenue from grants and contracts to provide goods or services are recognized as contract work is performed, generally as staff time is spent and allowable expenses are incurred, or when deliverables are met, depending on the nature of the contract. Such contracts are included in grant and contract income on the statements of activities and totaled \$3,181,162 and \$4,888,224 in the years ended June 30, 2022 and 2021, respectively.

# CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Funds received in advance of being earned are recorded as deferred revenue, which represents a contract liability.

A contract asset is recorded when the Institute satisfies a performance obligation of a contract but is not yet entitled to payment. When the Institute becomes entitled to payment, the contract asset is classified as a receivable, whether invoiced or not.

The balances of receivables and contract liabilities from contracts with customers are as follows as of June 30:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Receivables	\$ 1,628,655	\$ 1,994,292	\$ 2,967,452
Contract liabilities:			
Deferred revenue – grants and contracts	\$ 82,285	\$ 26,150	\$ 58,358
Deferred revenue – trainings and conferences	56,098	118,645	15,550
Total deferred revenue	<u>\$ 138,383</u>	<u>\$ 144,795</u>	<u>\$ 73,908</u>

### 8. CONCENTRATIONS

The majority of the Institute's grants and contracts revenue is earned from State and County government contracts. These funds are subject to audit, the purpose of which is to ensure compliance with conditions precedent to providing such funds. Management believes that any liability for reimbursement that may arise as the result of such audits would not be material. However, if a significant reduction in funding from these government contracts occurred, the Institute's ability to maintain related programs would significantly decrease.

### 9. PENSION PLAN

The Institute sponsors a profit-sharing pension plan (Plan) for eligible employees. Employer contributions to the Plan are discretionary. The Institute did not make a discretionary contribution in 2022. Pension contributions were \$54,866 in 2021.

**CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2022**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing</u>	<u>Pass-Through Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Health and Human Services</b>			
Passed Through Department of Health Care Services:			
Opioid State Targeted Response	93.788	18-95471	\$ <u>6,200,903</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 6,200,903</u>

Of the federal expenditures presented above, the Institute provided federal awards to subrecipients as follows:

<u>Name</u>	<u>Assistance Listing</u>	<u>Award</u>	<u>Subcontracts</u>
Advocates for Human Potential	93.788	0780.YouthMAT	\$ <u>5,950,206</u>
			<u>\$ 5,950,206</u>

# CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2022

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### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards of California Institute for Behavioral Health Solutions (Institute) is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### 2. INDIRECT COST RATE

The Institute has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**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***

**Board of Directors  
California Institute for Behavioral Health Solutions  
Sacramento, California**

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 California Institute for Behavioral Health Solutions (Institute), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 17, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Institute’s internal control over financial reporting (internal control) as a basis for designing 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 the Institute’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute’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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be material weaknesses.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Institute'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 financial statements. 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*.

### **The Institute's Response to Findings**

Government Auditing Standards requires the auditor to perform limited procedures on the Institute's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Institute's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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 Institute'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 Institute's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**GILBERT CPAs**  
**Sacramento, California**

**February 17, 2023**

## **INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**Board of Directors  
California Institute for Behavioral Health Solutions  
Sacramento, California**

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited California Institute for Behavioral Health Solutions’ (Institute) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Institute’s major federal programs for the year ended June 30, 2022. The Institute’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Institute complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Institution and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Institution’s compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Institution’s federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Institute's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Institution's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Institution's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Institution's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Institution's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**GILBERT CPAs**  
**Sacramento, California**

**February 17, 2023**

# CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2022

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### SECTION I – SUMMARY OF AUDITOR’S RESULTS

#### **Financial Statements**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

#### **Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  No

#### Identification of major program:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number</u>
Opioid State Targeted Response	93.788
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

# CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2022

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### SECTION II – FINANCIAL STATEMENT FINDINGS

#### 2022-001 - FINANCIAL CLOSE

**Criteria:**

One element of an entity's internal control over financial reporting is the ability to produce financial statements in accordance with Generally Accepted Accounting Principles (GAAP) in a timely manner. This includes internal controls that can detect misstatements in the financial statements independent of a financial statement audit. Adjustments arising from the audit of the Institute's financial statements, as well as adjustments recorded after fiscal year end, are generally indications that internal controls over the financial close and reporting need improvement.

**Condition:**

The Institute's financial close process was not adequate to present its financial statements in accordance with Generally Accepted Accounting Principles, as there were several material adjustments noted during the audit process. Audit adjustments included: an adjustment that increased expenses and accounts payable due to grant-related expenses not being recorded in the same accounting period as the related revenue; an adjustment that decreased payroll expense and increased cash for duplicate payroll entries that were not detected and removed during the year; and adjustment that decreased accounts receivable and decreased refundable advances for a significant conditional contribution that was not earned, or received in cash during the year; and an adjustment that reduced revenue and increased refundable advances for a conditional contribution that was not recognized in accordance with ASC Topic 958.

**Cause:**

The financial close and review procedures were not adequate to detect and correct financial statement misstatements in a timely manner.

**Effect:**

The above condition and cause resulted in an overstatement of assets by \$748,865, liabilities by \$416,342 revenue by \$280,776 and understatement of expenses by \$51,747.

**Recommendation:**

We recommend that the Institute enhance the financial monitoring procedures for monthly, quarterly, and year-end closing processes to ensure more timely monitoring and reconciling of the financial records throughout the year to ensure that the year-end financial statements prepared are maintained in accordance with generally accepted accounting principles.

**Institute's Response**

CIBHS will follow the auditor's recommendations and has put controls in place over the financial closing process to ensure all financial statement adjustments are consistent with Generally Accepted Accounting Principles (GAAP). Some entries were related to our recent office move and were outside of our usual workflows but they have been corrected.

**CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2022**

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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None noted.

**SECTION IV – STATUS OF PRIOR YEAR AUDIT FINDINGS**

None noted.