

**CALIFORNIA INSTITUTE FOR
BEHAVIORAL HEALTH
SOLUTIONS**

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

**YEARS ENDED
JUNE 30, 2023 AND 2022**

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**

Report on the Audit of the Financial Statements

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, 2023 and 2022, 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, 2023 and 2022, 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 and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 and *Government 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 and *Government 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.

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 May 31, 2024, 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.



GILBERT CPAS
Sacramento, California

May 31, 2024

CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,130,781	\$ 3,818,377
Cash held for other agencies	79,970	215,518
Accounts receivable, net	2,949,321	2,506,027
Prepaid expenses and deposits	<u>93,651</u>	<u>92,364</u>
Total current assets	5,253,723	6,632,286
INVESTMENTS	2,964,977	1,367,308
OPERATING LEASE, RIGHT-OF-USE ASSET	893,786	
EQUIPMENT AND FURNITURE, Net	<u>74,025</u>	<u>116,489</u>
TOTAL ASSETS	<u>\$ 9,186,511</u>	<u>\$ 8,116,083</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 1,816,965	\$ 1,344,492
Amount held for other agencies	79,970	215,518
Deferred revenue	35,790	138,383
Current portion of operating lease liability	138,967	
Refundable advances	205,540	280,776
Deferred rent	<u> </u>	<u>65,059</u>
Total current liabilities	2,277,232	2,044,228
OPERATING LEASE LIABILITY, Net	<u>857,301</u>	
TOTAL LIABILITIES	3,134,533	2,044,228
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>6,051,978</u>	<u>6,071,855</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,186,511</u>	<u>\$ 8,116,083</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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES:		
Grants and contracts	\$ 12,759,362	\$ 9,664,943
Trainings and conferences	2,116,781	1,267,903
Agency service fees	247,702	214,772
Interest and net investment income (loss)	97,949	(114,236)
Employee Retention Tax Credit		787,705
Sublease and shared costs		66,695
Other	85,270	92,236
Total revenues	<u>15,307,064</u>	<u>11,980,018</u>
EXPENSES:		
Program services	13,565,001	10,188,052
General and administrative	<u>1,761,940</u>	<u>1,768,859</u>
Total expenses	<u>15,326,941</u>	<u>11,956,911</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(19,877)	23,107
NET ASSETS, Beginning of Year	<u>6,071,855</u>	<u>6,048,748</u>
NET ASSETS, End of Year	<u>\$ 6,051,978</u>	<u>\$ 6,071,855</u>

CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2023

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Subgrants and other professional services	\$ 10,095,704	\$ 136,716	\$ 10,232,420
Salaries and related costs	1,947,096	1,187,334	3,134,430
Stipends	953,750		953,750
General meeting and conference expenses	262,221	19,129	281,350
Office rent	84,168	79,169	163,337
Information technology	34,269	108,486	142,755
Travel	47,687	17,834	65,521
Depreciation	35,050	21,374	56,424
Supplies and materials	20,005	30,797	50,802
Insurance	30,678	18,708	49,386
Telecommunications	22,959	21,477	44,436
Bank and credit card fees	1,288	22,861	24,149
Training and education	16,234	1,755	17,989
Printing and reproduction	6,399	2,179	8,578
Bad debt expense		6,904	6,904
Postage and delivery	1,118	2,341	3,459
Other	<u>6,375</u>	<u>84,876</u>	<u>91,251</u>
Total	<u>\$ 13,565,001</u>	<u>\$ 1,761,940</u>	<u>\$ 15,326,941</u>

CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2022

	<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
General meeting and conference expenses	68,045	13,024	81,069
Office rent	107,839	184,144	291,983
Information technology	4,551	110,696	115,247
Travel	8,996	1,294	10,290
Depreciation	37,373	16,741	54,114
Supplies and materials	7,786	25,093	32,879
Insurance	17,200	30,225	47,425
Telecommunications	24,999	27,699	52,698
Bank and credit card fees	3,521	35,587	39,108
Training and education	4,810	1,348	6,158
Printing and reproduction	1,296	1,631	2,927
Bad debt expense		19,102	19,102
Postage and delivery	1,288	2,823	4,111
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

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (19,877)	\$ 23,107
Reconciliation to net cash provided (used) by operating activities:		
Depreciation	56,424	54,114
Loss on the disposal of fixed assets		2,638
Net realized and unrealized (gain) loss on investments	(29,123)	114,988
Reduction in operating right-of-use asset	131,579	
Changes in:		
Accounts receivable	(443,294)	(412,365)
Prepaid expenses and deposits	(1,287)	(435)
Accounts payable and accrued expenses	472,473	156,090
Deferred revenue	(102,593)	(6,412)
Refundable advances	(75,236)	280,776
Operating lease liability	(94,156)	
Deferred rent		65,059
Net cash provided (used) by operating activities	<u>(105,090)</u>	<u>277,560</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(1,725,903)	(719)
Proceeds from sale of investments	157,357	
Purchases of equipment and furniture	(13,960)	(48,595)
Net cash used by investing activities	<u>(1,582,506)</u>	<u>(49,314)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,687,596)	228,246
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>3,818,377</u>	<u>3,590,131</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 2,130,781</u>	<u>\$ 3,818,377</u>
NON-CASH OPERATING ACTIVITIES:		
Operating right-of-use asset upon adoption of ASC 842	<u>\$ 1,025,365</u>	<u>\$</u>

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

CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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. The Institute 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, 2023 or 2022.

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 6 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 \$8,669,984 and \$2,878,615 as of June 30, 2023 and 2022, 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 earned. 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.

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.

CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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, 2023 and 2022, the Institute held deposits with one financial institution that exceeded federal depository insurance limits by \$2,029,008 and \$3,883,211, 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, 2023 and 2022 was \$55,237 and \$48,333, 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.

Leases – The Institute applies ASC 842, *Leases*, in determining if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities on the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets are also adjusted for prepaid or accrued rent. The Institute uses the rate implicit in the lease if it is determinable. When the implicit rate is not determinable in the lease, the Institute has made an accounting policy election to use the risk-free rate at the lease commencement date, in lieu of its incremental borrowing rate to discount future lease payments. Operating lease expense is recognized on a straight-line basis over the lease term. Lease terms may include options to renew, extend or terminate to the extent they are reasonably certain to be exercised. The Institute does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

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.

CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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.

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.

Recent accounting pronouncements – Effective for the year ended June 30, 2023, the Institute adopted Accounting Standards Codification (ASC) 842, Leases, using the modified retrospective approach with July 1, 2022 as the date of initial adoption. ASC 842 is intended to improve financial reporting of lease transactions by requiring entities that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than 12 months. Key provisions in this guidance include additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. For leases existing at the transition date, the Institute applied the package of three transition practical expedients and therefore did not reassess whether an arrangement is or contains a lease, did not reassess lease classification, and did not reassess what qualifies as an initial direct cost. Additionally, the Institute applied the practical expedient to use hindsight for the purpose of determining the lease term.

Under the modified retrospective approach, the adoption of ASC 842 resulted in the recognition of an operating ROU asset and lease liability of \$1,025,365 and \$1,090,424, respectively, at July 1, 2022, along with removal of the deferred rent liability. There is no cumulative effect adjustment to net assets at the transition date.

Subsequent events have been evaluated through May 31, 2024, 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.

CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,130,781	\$ 3,818,377
Investments	2,964,977	1,367,308
Accounts receivable, net	<u>2,949,321</u>	<u>2,506,027</u>
Total financial assets available for general expenditure within one year	<u>\$ 8,045,079</u>	<u>\$ 7,691,712</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 \$1,977,000. Investments, held for long-term purposes, could be available for general expenditures within one year if needed.

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>2023</u>	<u>2022</u>
Cash	\$ 19,788	\$ 279,199
Money Market Fund	1,500,000	
Mutual funds:		
Value	410,361	192,078
Fixed income	324,979	349,876
Growth	265,524	156,331
Blend	243,030	162,869
Bond funds	<u>201,295</u>	<u>226,955</u>
Total	<u>\$ 2,964,977</u>	<u>\$ 1,367,308</u>

Interest and investment income consist of the following:

	<u>2023</u>	<u>2022</u>
Interest and dividends, net of management fees	\$ 68,826	\$ 752
Net unrealized gain (loss)	54,179	(114,988)
Net realized loss	<u>(25,056)</u>	<u> </u>
Total	<u>\$ 97,949</u>	<u>\$ (114,236)</u>

CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

4. EQUIPMENT AND FURNITURE

Equipment and furniture consist of the following:

	<u>2023</u>	<u>2022</u>
Equipment	\$ 254,524	\$ 240,564
Website	93,772	
Website development in progress		93,772
Total	<u>348,296</u>	<u>334,336</u>
Less accumulated depreciation	<u>(274,271)</u>	<u>(217,847)</u>
Total	<u>\$ 74,025</u>	<u>\$ 116,489</u>

5. OPERATING LEASE

The Institute leases its office space under a non-cancellable operating lease agreement, expiring June 2029. The lease agreement includes an option to extend the lease for an additional 5 years. The lease extension has not been included in the calculation of the lease liability as management was not reasonably certain to exercise the option as of June 30, 2023. This lease is included on the statement of financial position as of June 30, 2023, as a ROU asset and operating lease liability of \$893,786 and \$996,268, respectively. Total rent expense for the year ended June 30, 2023 was \$163,337. Cash paid for amounts included in the measurement of the operating lease liability totaled \$124,722 for the year ended June 30, 2023.

The ROU asset and operating lease liability were calculated using the risk-free rate of 2.92%.

The following is a schedule of future minimum lease payments required under the above lease agreement as of June 30, 2023:

2024	\$ 165,822
2025	170,796
2026	175,920
2027	181,200
2028	186,635
Thereafter	<u>208,490</u>
Total lease payments	1,088,863
Less: Interest	<u>(92,595)</u>
Present value of lease liability	<u>\$ 996,268</u>
Current operating lease liability	\$ 138,967
Noncurrent operating lease liability	<u>857,301</u>
Total lease liability	<u>\$ 996,268</u>

Prior to the implementation of ASC 842, leases were accounted for in accordance with the previous lease standard, ASC 840. Total rent expense for all operating leases under ASC 840 was \$291,983 for the year ended June 30, 2022.

CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

6. 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 \$3,450,686 and \$3,181,162 in the years ended June 30, 2023 and 2022, respectively.

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>2023</u>	<u>2022</u>	<u>2021</u>
Receivables	\$ 2,778,373	\$ 1,628,655	\$ 1,994,292
Contract liabilities:			
Deferred revenue – grants and contracts	\$ -	\$ 82,285	\$ 26,150
Deferred revenue – trainings and conferences	<u>35,790</u>	<u>56,098</u>	<u>118,645</u>
Total deferred revenue	<u>\$ 35,790</u>	<u>\$ 138,383</u>	<u>\$ 144,795</u>

7. CONCENTRATIONS

The majority of the Institute's grants and contracts revenue is earned from State and County government contracts, and federal awards either direct, or passed through another government or not-for-profit organization. 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.

8. 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 2023 or 2022.

CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing	Pass-Through Number	Federal Expenditures
U.S. Department of Health and Human Services			
Opioid State Targeted Response Program			
Passed Through CA Department of Health Care Services	93.788	20-10328	\$ 246,703
Passed Through Sierra Health Foundation	93.788	CA23MAT005	<u>7,031,520</u>
Total Opioid State Targeted Response Program			<u>7,278,223</u>
Substance Abuse Prevention and Treatment Block Grant			
Passed Through Los Angeles County Department of Public Health	93.959	PH-003171-7	<u>1,819,549</u>
Total Expenditures of Federal Awards			<u><u>\$ 9,097,772</u></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	0002689	\$ 22,672
Advocates for Human Potential	93.788	0005098	<u>6,842,492</u>
Total			<u><u>\$ 6,865,164</u></u>

CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2023

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, 2023, 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 May 31, 2024.

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 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 items 2023-001 and 2023-002 that, in combination, we consider to be a material weakness.

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

May 31, 2024

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, 2023. 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, 2023.

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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Institute's response to the noncompliance findings identified in our compliance audit 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 compliance and, accordingly, we express no opinion on the response.

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

May 31, 2024

CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2023

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
Substance Abuse Prevention and Treatment Block Grant	93.959

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

2023-001 - 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 was a material adjustment noted during the audit process that was consistent with a material adjustment made during the prior year audit process. This adjustment increased expenses and accounts payable due to grant-related expenses not being recorded in the same accounting period as the related revenue.

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 understatement of liabilities and expenses of \$196,330.

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:

This relates to a late invoice from a vendor. Going forward, CIBHS will record pending vendor invoices prior to receipt where sufficient data is available. Management will ensure that contract revenue and expenses will be reconciled as part of the financial close process in the future.

CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2023

2023-002 – IMPROPER IDENTIFICATION OF FEDERAL AWARDS

Criteria:

§200.302 of the Uniform Guidance states that "The financial management system of each non-Federal entity must provide for the following: Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received." Additionally, §200.508 of the Uniform Guidance states that the auditee must "Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards." As such, it is the auditee's responsibility to identify all federal funding received, and to ensure completeness and accuracy of the Schedule of Expenditures of Federal Awards.

Condition:

It was noted during the audit process, through communication with a grantor related to a confirmation request, that the Institute had activity under a federal award that had not previously been identified, internally or to the auditor, as a federal award.

Cause:

The 2022-2023 contract, which was a recurring contract, was not sufficiently reviewed, or was not sufficiently reviewed by personnel with adequate knowledge of the requirements of the Uniform Guidance. Therefore, the contract, which had not contained federal funds in previous iterations, was not identified as a federal award.

Effect:

The result was that \$1,819,549 in federal expenditures were not identified by the Institute. This did not affect revenue, or expenses reported under Generally Accepted Accounting Principles.

Recommendation:

We recommend that the Institute enhance its training of personnel in the importance of accurate identification of federal funding, what to look for in contracts to determine if a contract contains federal funds, and what needs to be communicated to the finance department. We also recommend that appropriate personnel get general training in the Uniform Guidance and the administrative requirements contained therein.

Institute's Response:

Staff will undergo training to ensure that federal funds are properly identified at the outset. Additionally, CIBHS has updated its contract cover sheets and contracts database to include a field that prominently identifies federal funds.

CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2023

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2023-003 – REPORTNG

Federal Program: Opioid State Targeted Response

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Number: 93.788

Grant Award Number and Year: #20-10328, 9/30/2020 – 9/29/2022; and #CA23MAT005. 9/30/2022 – 6/30/2024

Criteria:

§200.334 of the Uniform Guidance states that "Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report."

Condition:

It was noted during testing of the reporting requirements of this award, that the Institute could not locate supporting documents for 2 of 4 data elements selected for testing from related performance reports. These were data elements related to the results of programming, rather than financial data.

Questioned Costs:

No questioned costs.

Cause:

The Institute does not appear to have policies and procedures in place that require personnel to retain and organize documents and records collected to prepare performance reports.

Effect:

There is a risk that if the pass-through entity or federal agency were to request access to supporting records, the Institute would not be able to produce the requested documentation, which may jeopardize continued funding from those sources.

Recommendation:

We recommend that the Institute develop policies that require personnel to compile records that support data communicated to granting agencies in performance reports, and retain this documentation in accordance with Uniform Guidance record retention guidelines.

Organization's Corrective Action Plan:

Refer to Organization's Corrective Action Plan below.

CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS YEAR ENDED JUNE 30, 2023

Condition and Recommendation	Current Status	Explanation If Not Implemented
FINANCIAL STATEMENT FINDINGS		
2022-001 – FINANCIAL CLOSE		
<p>Condition:</p> <p>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; an 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.</p>	Partially implemented. Refer to finding 2023-001 above.	With the implementation of item 2023-001 above, this item will be resolved as the revenues and expenses will be paired.
<p>Recommendation:</p> <p>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.</p>		



2023-003 – Federal Award Findings and Questioned Costs

A. Contact Person:

Victor Kogler, vkogler@cibhs.org

B. Corrective Action Planned:

1. Quarterly report data collected and maintained by CIBHS, for example website statistics, number of grantee technical assistance sessions, session content and number of attendees. Will be compiled by the YOR California Senior Project Coordinator, a CIBHS employee. These records will be converted to PDF, printed and archived in a file cabinet at our offices at 1760 Creekside Oaks Dr., Ste. 175, Sacramento, CA 95833. The PDF files will also be stored in a dedicated folder on the project SharePoint site.
2. Quarterly report data collected and maintained by AHP, for example Learning Collaborative attendees; training webinar attendees; number of grantee newsletters produced and distributed; and grantee activities and caseloads will be sent in PDF format to the YOR California Senior Project Coordinator at CIBHS. These records will be printed and archived in a file cabinet at our offices at 1760 Creekside Oaks Dr., Ste. 175, Sacramento, CA 95833. The PDF files will also be stored in a dedicated folder on the project SharePoint site.
3. A provision will be added to CIBHS's contract with AHP to make the submission of data supporting the quarterly report a contractual obligation.

C. Anticipated Completion Date: 6/30/2024