

**CALIFORNIA INSTITUTE FOR  
BEHAVIORAL HEALTH  
SOLUTIONS**

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

**YEARS ENDED  
JUNE 30, 2024 AND 2023**

# 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, 2024 and 2023, 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, 2024 and 2023, 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 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* 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 schedule of expenditures of federal awards 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 13, 2025, 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

**February 13, 2025**

# CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

## STATEMENTS OF FINANCIAL POSITION JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 8,125,322	\$ 2,130,781
Cash held for other agencies	71,065	79,970
Accounts receivable, net	6,169,464	2,949,321
Prepaid expenses and deposits	<u>134,400</u>	<u>93,651</u>
Total current assets	14,500,251	5,253,723
<b>INVESTMENTS</b>	3,221,152	2,964,977
<b>OPERATING LEASE, RIGHT-OF-USE ASSET</b>	758,496	893,786
<b>EQUIPMENT AND FURNITURE, Net</b>	<u>112,616</u>	<u>74,025</u>
<b>TOTAL ASSETS</b>	<u>\$ 18,592,515</u>	<u>\$ 9,186,511</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 3,731,611	\$ 1,816,965
Amount held for other agencies	71,065	79,970
Deferred revenue	164,218	35,790
Refundable advances	179,010	205,540
Current portion of operating lease liability	<u>148,132</u>	<u>138,967</u>
Total current liabilities	4,294,036	2,277,232
<b>OPERATING LEASE LIABILITY, Net</b>	<u>709,169</u>	<u>857,301</u>
<b>TOTAL LIABILITIES</b>	5,003,205	3,134,533
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>13,589,310</u>	<u>6,051,978</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 18,592,515</u>	<u>\$ 9,186,511</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, 2024 AND 2023

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	<u>2024</u>	<u>2023</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS:</b>		
REVENUES:		
Grants and contracts	\$ 32,977,624	\$ 12,759,362
Trainings and conferences	924,805	2,116,781
Interest and net investment income	293,898	97,949
Agency service fees	258,077	247,702
Other	<u>18,607</u>	<u>85,270</u>
Total revenues	<u>34,473,011</u>	<u>15,307,064</u>
EXPENSES:		
Program services	24,518,131	13,565,001
General and administrative	<u>2,417,548</u>	<u>1,761,940</u>
Total expenses	<u>26,935,679</u>	<u>15,326,941</u>
<b>INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	7,537,332	(19,877)
<b>NET ASSETS, Beginning of Year</b>	<u>6,051,978</u>	<u>6,071,855</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 13,589,310</u>	<u>\$ 6,051,978</u>

# CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2024

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	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Subgrants and other professional services	\$ 21,659,845	\$ 178,138	\$ 21,837,983
Salaries and related costs	2,190,349	1,817,159	4,007,508
Office rent	94,638	98,152	192,790
General meeting and conference expenses	110,740	52,595	163,335
Stipends	150,211	-	150,211
Information technology	52,394	59,282	111,676
Travel	91,368	1,833	93,201
Telecommunications	41,929	42,401	84,330
Depreciation	33,616	27,888	61,504
Insurance	27,073	22,460	49,533
Supplies and materials	21,589	17,390	38,979
Training and education	28,671	2,860	31,531
Bank and credit card fees	-	22,040	22,040
Bad debt expense	-	12,561	12,561
Postage and delivery	1,568	1,427	2,995
Printing and reproduction	118	1,509	1,627
Other	<u>14,022</u>	<u>59,853</u>	<u>73,875</u>
Total	<u>\$ 24,518,131</u>	<u>\$ 2,417,548</u>	<u>\$ 26,935,679</u>

# CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2023

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	<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
Office rent	84,168	79,169	163,337
General meeting and conference expenses	262,221	19,129	281,350
Stipends	953,750	-	953,750
Information technology	34,269	108,486	142,755
Travel	47,687	17,834	65,521
Telecommunications	22,959	21,477	44,436
Depreciation	35,050	21,374	56,424
Insurance	30,678	18,708	49,386
Supplies and materials	20,005	30,797	50,802
Training and education	16,234	1,755	17,989
Bank and credit card fees	1,288	22,861	24,149
Bad debt expense	-	6,904	6,904
Postage and delivery	1,118	2,341	3,459
Printing and reproduction	6,399	2,179	8,578
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

## STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ 7,537,332	\$ (19,877)
Reconciliation to net cash provided (used) by operating activities:		
Depreciation	61,504	56,424
Net realized and unrealized gain on investments	(179,690)	(29,123)
Reduction in operating right-of-use asset	135,290	131,579
Changes in:		
Accounts receivable	(3,220,143)	(443,294)
Prepaid expenses and deposits	(40,749)	(1,287)
Accounts payable and accrued expenses	1,914,646	472,473
Deferred revenue	128,428	(102,593)
Refundable advances	(26,530)	(75,236)
Operating lease liability	<u>(138,967)</u>	<u>(94,156)</u>
Net cash provided (used) by operating activities	<u>6,171,121</u>	<u>(105,090)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(1,665,732)	(1,725,903)
Proceeds from sale of investments	1,589,247	157,357
Purchase of equipment and furniture	<u>(100,095)</u>	<u>(13,960)</u>
Net cash used by investing activities	<u>(176,580)</u>	<u>(1,582,506)</u>
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 5,994,541	 (1,687,596)
 <b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	 <u>2,130,781</u>	 <u>3,818,377</u>
 <b>CASH AND CASH EQUIVALENTS, End of Year</b>	 <u>\$ 8,125,322</u>	 <u>\$ 2,130,781</u>
 <b>NON-CASH OPERATING ACTIVITIES:</b>		
Operating right-of-use asset upon adoption of ASC 842	<u>\$ -</u>	<u>\$ 1,025,365</u>

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

# CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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### 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

California Institute for Behavioral Health Solutions (the Institute) is a nonprofit public benefit corporation that 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 various behavioral health providers, payers, 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 as of June 30, 2024 or 2023.

**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 that limit spending to qualifying expenditures as defined in grant agreements, or do not provide funding until deliverables are met. Amounts received in advance of the incurrence of qualifying expenditures or meeting deliverables are recorded as refundable advances. Outstanding conditional promises to give subject to such requirements were \$1,383,810 and \$8,669,984 as of June 30, 2024 and 2023, respectively, 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.

# CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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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, 2024 and 2023, the Institute held deposits with one financial institution that exceeded federal depository insurance limits by \$8,402,849 and \$2,029,008, 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 presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectible. The Institute separates accounts receivable into risk pools based on their aging category. In determining the amount of the allowance as of the balance sheet date, the Institute develops a loss rate for each risk pool. This loss rate is based on management's historical collection experience, adjusted for customer-specific information and management's expectations about current and future economic conditions. The allowance for credit losses as of June 30, 2024 and 2023 was \$50,000 and \$55,237, respectively.

Changes in the allowance for credit losses during the year ended June 30, 2024 were as follows:

Balance, beginning of year	\$ 55,237
Additions to allowance	12,561
Write-offs, net of recoveries	<u>(17,798)</u>
Balance, end of year	<u>\$ 50,000</u>

**Investments** – The Institute records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment returns or losses are reported in the statement of activities and consist of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

**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

# CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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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. Those expenses include salaries and related costs, office rent, depreciation, insurance, and telecommunications, which are allocated on the basis of estimated time and effort.

**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 generally accepted accounting principles 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 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** – On July 1, 2023, the Institute adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses*, using the modified retrospective approach. ASU 2016-13 requires an entity to prospectively record an allowance for credit losses for the current expected credit losses inherent in the asset over its expected life, replacing the incurred loss model that recognized losses only when they became probable and estimable. There was no significant impact to the Institute’s financial statements and no adjustment to beginning net assets as a result of the adoption of this ASU.

**Reclassification** – Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

# CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

**Subsequent events** have been evaluated through February 13, 2025, 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>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 8,125,322	\$ 2,130,781
Investments	3,221,152	2,964,977
Accounts receivable, net	<u>6,169,464</u>	<u>2,949,321</u>
Total financial assets available for general expenditure within one year	<u>\$ 17,515,938</u>	<u>\$ 8,045,079</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 are, on average, approximately \$2,200,000 per month. Investments held for long-term purposes could be available for general expenditure 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 as of June 30:

	<u>2024</u>	<u>2023</u>
Cash	\$ 9,527	\$ 19,788
Money Market Fund	-	1,500,000
Mutual funds:		
Value	925,352	410,361
Fixed income	1,222,312	324,979
Growth	544,869	265,524
Blend	<u>519,092</u>	<u>243,030</u>
Total	<u>\$ 3,221,152</u>	<u>\$ 2,964,977</u>

Interest and investment income consist of the following:

	<u>2024</u>	<u>2023</u>
Interest and dividends, net of management fees	\$ 114,208	\$ 68,826
Net unrealized gain	143,636	54,179
Net realized gain (loss)	<u>36,054</u>	<u>(25,056)</u>
Total	<u>\$ 293,898</u>	<u>\$ 97,949</u>

# CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

### 4. EQUIPMENT AND FURNITURE

Equipment and furniture consist of the following:

	<u>2024</u>	<u>2023</u>
Equipment	\$ 322,169	\$ 254,524
Website	126,222	93,772
Total	448,391	348,296
Less accumulated depreciation	(335,775)	(274,271)
Total	<u>\$ 112,616</u>	<u>\$ 74,025</u>

Depreciation expense totaled \$61,504 and \$56,424 in the years ended June 30, 2024 and 2023, respectively.

### 5. OPERATING LEASE

The Institute leases its office space under a non-cancellable operating lease agreement, expiring June 2029. The Institute includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. 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, 2024. The right-of-use operating lease asset and liability were calculated using the risk-free rate of 2.92%.

The lease is included in the statements of financial position as of June 30, 2024 and 2023, as right-of-use operating lease asset of \$758,496 and \$893,786, respectively, and operating lease liabilities of \$857,301 and \$996,268, respectively. For the years ended June 30, 2024 and 2023, total rent expense was \$192,790 and \$163,337, respectively. For the years ended June 30, 2024 and 2023, cash paid for amounts included in the measurement of the operating lease liability totaled \$165,822 and \$124,722, respectively.

The following is a schedule of future minimum lease payments required under the above lease agreement as of June 30, 2024:

2025	\$ 170,796
2026	175,920
2027	181,200
2028	186,636
2029	<u>208,489</u>
Total minimum lease payments	923,041
Less: Interest	<u>(65,740)</u>
Present value of minimum lease payments	<u>\$ 857,301</u>
Operating lease liability	
Current portion	\$ 148,132
Noncurrent portion	<u>709,169</u>
Total operating lease liability	<u>\$ 857,301</u>

# CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

### 6. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Institute's revenue from contracts with customers consists of registration fees for training 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 services is 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 \$22,951,111 and \$3,450,686 in the years ended June 30, 2024 and 2023, 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 balance of receivables and contract liabilities from contracts with customers are as follows as of June 30:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Receivables	\$ 5,531,504	\$ 2,778,373	\$ 1,628,655
Contract liabilities:			
Deferred revenue – grants and contracts	\$ 122,217	\$ -	\$ 82,285
Deferred revenue – trainings and conferences	42,001	35,790	56,098
Total deferred revenue	<u>\$ 164,218</u>	<u>\$ 35,790</u>	<u>\$ 138,383</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. EMPLOYEE BENEFIT PLAN

The Institute sponsors a 403(b) defined contribution employee benefit plan (Plan) for eligible employees. Employer contributions to the Plan are discretionary. In 2024 and 2023 the Institute made discretionary contributions of \$60,375 and \$0, respectively.

# CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2024

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Assistance Listing</b>	<b>Pass-Through Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Health and Human Services</b>			
Opioid State Targeted Response Program			
Passed Through Sierra Health Foundation	93.788	CA23MAT005	\$ 7,485,869
Substance Abuse Prevention and Treatment Block Grant			
Passed Through Los Angeles County Department of Public Health	93.959	PH-003171-7	527,972
Community Mental Health Services Block Grant			
Passed Through Sacramento County	93.958	7202100-23/24-104	<u>197,000</u>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 8,210,841</u></b>

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

<b><u>Name</u></b>	<b>Assistance <u>Listing</u></b>	<b><u>Award</u></b>	<b><u>Subcontracts</u></b>
Advocates for Human Potential	93.788	0005098	<u>\$ 7,151,028</u>

# CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2024

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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, 2024, 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 13, 2025.

**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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### **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*.

### **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 13, 2025**

## **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, 2024. 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, 2024.

#### ***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 13, 2025**

# CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2024

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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?	_____ Yes <input checked="" type="checkbox"/> No

### SECTION II – FINANCIAL STATEMENT FINDINGS

There were no findings for the year ended June 30, 2024.

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

There were no findings for the year ended June 30, 2024.

# CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

## STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS YEAR ENDED JUNE 30, 2024

<u>Condition and Recommendation</u>	<u>Current Status</u>	<u>Explanation If Not Implemented</u>
<b><u>FINANCIAL STATEMENT FINDINGS</u></b>		
<b>2023-001 – FINANCIAL CLOSE</b>		
<b>Condition:</b>	Implemented.	
<p>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 2023 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.</p>		
<b>Recommendation:</b>		
<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>		
<b>2023-002 – IMPROPER IDENTIFICATION OF FEDERAL AWARDS</b>		
<b>Condition:</b>	Implemented.	
<p>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 been previously identified, internally or to the auditor, as a federal award.</p>		
<b>Recommendation:</b>		
<p>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.</p>		

# CALIFORNIA INSTITUTE FOR BEHAVIORAL HEALTH SOLUTIONS

## STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS YEAR ENDED JUNE 30, 2024

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<u>Condition and Recommendation</u>	<u>Current Status</u>	<u>Explanation If Not Implemented</u>
<b>2023-003 – REPORTING</b>  <b>Federal Program:</b> Opioid State Targeted Response <b>Federal Agency:</b> U.S. Department of Health and Human Services <b>Assistance Listing Number:</b> 93.788 <b>Grant Award Number and Year:</b> #20-10328, 9/30/2020 – 9/29/2022; and #CA23MAT005, 9/30/2022 – 6/30/2024  <b>Condition:</b>  It was noted during testing of the reporting requirements of this award, that the Institute could not locate supporting documents for 2 of the 4 data elements selected for testing from related performance reports. These were data elements related to the results of programming, rather than financial data.  <b>Recommendation:</b>  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.	Implemented.	