

**MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SINGLE AUDIT REPORT**

**YEARS ENDED JUNE 30, 2021 AND 2020**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Mental Health Systems, Inc. and Subsidiaries  
San Diego, California

We have audited the accompanying consolidated financial statements of Mental Health Systems, Inc. and subsidiaries (collectively, the Organization or MHS), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2021 on our consideration of the Organization's internal control over financial reporting and on our tests of their 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 the testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Los Angeles, California  
December 21, 2021

**MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2021 AND 2020**

	2021	2020
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 2,365,433	\$ 2,872,905
Contracts and Grants Receivable, Net	24,799,073	18,843,816
Other Receivables	140,220	885,064
Prepaid Expenses	500,362	460,539
Deposits	1,256,390	1,086,553
Property and Equipment, Net	1,500,720	959,512
Total Assets	\$ 30,562,198	\$ 25,108,389
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 6,888,831	\$ 5,750,908
Accrued Liabilities	8,912,972	6,950,806
Deferred Revenue	214,574	377,472
Line of Credit	13,718,913	10,043,368
Notes Payable	1,296,999	2,639,594
Total Liabilities	31,032,289	25,762,148
<b>NET ASSETS</b>		
Without Donor Restrictions	(470,091)	(653,759)
Total Net Assets	(470,091)	(653,759)
Total Liabilities and Net Assets	\$ 30,562,198	\$ 25,108,389

See accompanying Notes to Consolidated Financial Statements.

**MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2021**

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Mental Health Systems - Contract Revenue	\$ 98,611,907	\$ -	\$ 98,611,907
Mental Health Systems - Other Revenue	865,157	-	865,157
Mental Health Systems - Donations	25,197	-	25,197
Total Revenues and Other Support	<u>99,502,261</u>	<u>-</u>	<u>99,502,261</u>
<b>EXPENSES</b>			
Mental Health Systems - Program Services	87,221,626	-	87,221,626
Mental Health Systems - Management and General	11,955,848	-	11,955,848
Total Expenses	<u>99,177,474</u>	<u>-</u>	<u>99,177,474</u>
<b>OTHER CHANGES</b>			
Contract Settlements	<u>(141,119)</u>	<u>-</u>	<u>(141,119)</u>
<b>CHANGE IN NET ASSETS</b>	183,668	-	183,668
Net Assets - Beginning of Year	<u>(653,759)</u>	<u>-</u>	<u>(653,759)</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ (470,091)</u>	<u>\$ -</u>	<u>\$ (470,091)</u>

See accompanying Notes to Consolidated Financial Statements.

**MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2020**

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Mental Health Systems - Contract Revenue	\$ 90,049,407	\$ -	\$ 90,049,407
Mental Health Systems - Other Revenue	1,378,895	-	1,378,895
Mental Health Systems - Donations	32,870	-	32,870
Total Revenues and Other Support	<u>91,461,172</u>	<u>-</u>	<u>91,461,172</u>
<b>EXPENSES</b>			
Mental Health Systems - Program Services	80,376,099	-	80,376,099
Mental Health Systems - Management and General	12,189,538	-	12,189,538
Total Expenses	<u>92,565,637</u>	<u>-</u>	<u>92,565,637</u>
<b>OTHER CHANGES</b>			
Contract Settlements	<u>(173,014)</u>	<u>-</u>	<u>(173,014)</u>
<b>CHANGE IN NET ASSETS</b>			
	(1,277,479)	-	(1,277,479)
Net Assets - Beginning of Year	<u>623,720</u>	<u>-</u>	<u>623,720</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ (653,759)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (653,759)</u></u>

See accompanying Notes to Consolidated Financial Statements.

**MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2021**

	Mental Health Systems		
	Program Services	Management and General	Total
Salaries	\$ 43,897,440	\$ 4,842,728	\$ 48,740,168
Employee Benefits	5,493,421	636,882	6,130,303
Payroll Taxes	2,919,866	333,544	3,253,410
Total Salary Related Expenses	<u>52,310,727</u>	<u>5,813,154</u>	<u>58,123,881</u>
Program Expense	9,189,290	50,527	9,239,817
Occupancy	6,608,683	617,539	7,226,222
Consulting Fees	6,828,215	933,815	7,762,030
Purchased Services	3,324,901	-	3,324,901
Utilities and Telephone	2,266,388	193,804	2,460,192
Interest and Bank Charges	28,421	1,829,023	1,857,444
Insurance	1,253,474	539,772	1,793,246
Professional Fees and Outside Services	875,758	484,529	1,360,287
Equipment Purchase	1,140,986	156,302	1,297,288
Travel	405,187	42,662	447,849
Office Supplies	606,249	45,105	651,354
Equipment Rental	574,162	47,048	621,210
Taxes and Licenses	532,748	50,883	583,631
Miscellaneous and Unallowable Expense	3,456	513,055	516,511
Staff Development	274,358	69,542	343,900
Computer Expense	520,287	357,940	878,227
Laboratory Fees	190,032	-	190,032
Printing and Postage	128,312	46,467	174,779
Equipment and Maintenance	131,770	35,290	167,060
Dues and Subscriptions	6,302	46,675	52,977
Expenses before Depreciation and Amortization	<u>87,199,706</u>	<u>11,873,132</u>	<u>99,072,838</u>
Depreciation and Amortization	<u>21,920</u>	<u>82,716</u>	<u>104,636</u>
Total Expenses	<u>\$ 87,221,626</u>	<u>\$ 11,955,848</u>	<u>\$ 99,177,474</u>

See accompanying Notes to Consolidated Financial Statements.



**MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2020**

	Mental Health Systems		
	Program Services	Management and General	Total
Salaries	\$ 40,513,059	\$ 4,741,210	\$ 45,254,269
Employee Benefits	4,804,309	552,838	5,357,147
Payroll Taxes	2,937,791	341,405	3,279,196
Total Salary Related Expenses	48,255,159	5,635,453	53,890,612
Program Expense	8,584,175	-	8,584,175
Occupancy	6,337,464	722,456	7,059,920
Consulting Fees	5,831,848	845,118	6,676,966
Purchased Services	3,195,711	-	3,195,711
Utilities and Telephone	2,117,389	110,063	2,227,452
Interest and Bank Charges	30,230	1,542,563	1,572,793
Professional Fees and Outside Services	742,904	750,523	1,493,427
Insurance	768,323	518,479	1,286,802
Equipment Purchase	851,773	161,438	1,013,211
Travel	782,099	177,226	959,325
Office Supplies	651,035	70,272	721,307
Equipment Rental	547,681	170,637	718,318
Taxes and Licenses	530,775	132,980	663,755
Staff Development	355,451	110,586	466,037
Computer Expense	213,519	244,318	457,837
Miscellaneous and Unallowable Expense	-	447,547	447,547
Laboratory Fees	265,810	-	265,810
Printing and Postage	127,705	36,032	163,737
Equipment and Maintenance	111,886	45,458	157,344
Dues and Subscriptions	49,634	37,211	86,845
Expenses before Depreciation and Amortization	80,350,571	11,758,360	92,108,931
Depreciation and Amortization	25,528	431,178	456,706
Total Expenses	<u>\$ 80,376,099</u>	<u>\$ 12,189,538</u>	<u>\$ 92,565,637</u>

See accompanying Notes to Consolidated Financial Statements.

**MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 183,668	\$ (1,277,479)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Used in Operating Activities:		
Depreciation	104,636	456,706
(Increase) Decrease in Assets:		
Contracts and Grants Receivable, Net	(5,955,257)	(2,569,942)
Other Receivables	744,844	(261,874)
Prepaid Expenses	(39,823)	(75,490)
Deposits	(169,837)	(161,683)
Increase (Decrease) in Liabilities:		
Accounts Payable	1,137,923	(23,465)
Accrued Liabilities	1,962,166	1,236,647
Deferred Revenue	(162,898)	137,622
Net Cash Used by Operating Activities	(2,194,578)	(2,538,958)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(645,844)	(96,801)
Net Cash Used by Investing Activities	(645,844)	(96,801)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings on Line of Credit	93,443,531	91,245,996
Borrowings on Notes Payable	93,600	2,661,208
Payments Made on Line of Credit	(89,767,986)	(88,107,630)
Payments Made on Notes Payable	(1,436,195)	(1,025,290)
Net Cash Provided by Financing Activities	2,332,950	4,774,284
 <b>NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	(507,472)	2,138,525
 Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	2,872,905	734,380
 <b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	\$ 2,365,433	\$ 2,872,905
 <b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash Paid During the Year:		
Interest	\$ 987,007	\$ 843,641
Taxes	\$ -	\$ -

See accompanying Notes to Consolidated Financial Statements.

**MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 1 ORGANIZATION**

**Mission and History**

Mental Health Systems, Inc. and subsidiaries (collectively, the "Organization" or "MHS") was organized June 2, 1978 pursuant to the General Nonprofit Corporation Law of the State of California. MHS has become one of the most well-established behavioral health service providers in the state of California with an extensive range of community-based interventions and treatment options. The Organization was founded to provide behavioral health services in an innovative and cost-effective manner primarily via government contracts.

**MHS Mission** is to reduce disparities in behavioral health care delivery by creating a diverse workforce that is culturally competent; promotes wellness, recovery, and resiliency; and improves the lives of individuals, families and communities impacted by behavioral health challenges.

Our work has been structured around the **Guiding Principles: People, Culture, and Growth**. Ensuring that all MHS staff provides services with cultural respect for the diversity, values, belief systems and cultural preferences of our clients, families, and communities. As such, the guiding principles are continuously incorporated into everything we do. We are committed to eliminating disparities based on such factors as race, ethnicity, language, and socioeconomic status. Our purpose is to care for individuals, families, and communities with special attention to those who are most vulnerable. The following highlights our agency **Core Values** as developed by the employees across the organization and carried into our policies, procedures, and practices: **Integrity, Diversity, Mentorship, and Inclusion**. Further, our staff has committed themselves to executing excellence, setting examples in our corporate office and throughout each division, program, and service provision.

**Nature of Activities**

The Organization is committed to providing services that lead to rich, full lives for individuals and families. Those in need of behavioral health services will have equal access and be received by a broadly diverse staff, varied by culture and language. We will continuously remove barriers to competent care. MHS is an organization that has embraced the tenets of **client-centered care** from assessment throughout treatment. Services include prevention, intervention, counseling, case management, employment and vocational rehabilitation, residential treatment, and supportive housing for example.

MHS has focused on reducing disparities among the severely mentally ill, veterans, homeless, transitional age youth, and the justice involved to name a few. We have worked with special populations providing access to appropriate treatment, safe and stable housing, family reunification, employment services, and transportation in order to meet client needs and mitigate exposure to hospital and jail costs. MHS also facilitates prevention, outreach, referrals, and stigma reduction efforts. We are active in our communities and partner wherever possible to support the evaluation and creation of practices which are culturally and linguistically appropriate. We are committed to sharing information, literature and concerns or needs that come from partnership meetings and community forums. MHS has organized community-based forums and town hall meetings throughout the counties we serve for the purpose of garnering stakeholder input and implementing changes as indicated.

**MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 1 ORGANIZATION (CONTINUED)**

Our committees as well as our leadership team, regularly review demographic information to ensure gaps are being closed in our strategic plans, recruitment, training, and service provision.

Overall planning and implementation of services covers target areas such as:

- **Access to Care** – engage disenfranchised individuals
- **Evidence-Based Practices** – integrate and measure success in our behavioral health services
- **Workforce Development** – expand diversity and cultural competency to enhance outreach to diverse underserved populations
- **Evaluation and Outcomes** – evaluate outcomes and improve our systems
- **Quality of Care** – identify and evaluate how well we are meeting client needs

MHS has worked to develop a system that supports and promotes access to respectful and responsive service delivery through our diverse recruitment, selection, retention, and promotion practices. Cultural sensitivity, diversity, and competency are part of the mainstay philosophies of MHS. From hiring practices to our service delivery systems, MHS proactively seeks to embody a culture of equality and inclusion. Our culturally diverse staff members are recruited from a broad spectrum of communities, and we take pride in embracing an assertive Affirmative Action Program at every level. MHS recognizes the diverse backgrounds of our staff and what is most important to them in their respective career paths. We incorporate values and systems that match the staff's employment goals and provide motivation and opportunities for growth and advancement wherever possible. MHS invests in succession planning to retain qualified staff and provide our clients with continuity and the utmost professional care.

Our Compliance Department regulates a fully operationalized process for collecting measurable client outcomes for our services. We developed surveys to evaluate client outcomes and satisfaction which are administered twice annually. Our ongoing objective is to continue to support data collection and implementation while analyzing the data. MHS maintains a training platform on relies allowing us to continually evaluate, modify and provide access to meaningful and relevant trainings that meet the needs of our employees and the clients we serve. In addition, MHS has organized large community educational conferences related to cultural competency and specialized intervention and treatment.

MHS has incorporated various mechanisms to measure and monitor the effect of identified strategies to reduce disparities; outcome statements; measures of success; and tools to measure success. Collection of data and analysis of all strategies are reported accordingly. Measurements of success and areas of growth continue to drive our efforts in meeting strategic agency goals and objectives.

MHS is supported primarily through government contracts, donor contributions, and grants. Approximately 98.15% and 99% of the Organization's support for the years ended June 30, 2021 and 2020, respectively, came from government contracts.

**MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements of MHS have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). These standards require that the Organization report 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.

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as Net Assets Released from Restrictions.

**Principles of Consolidation**

The consolidated financial statements include the accounts of Mental Health Systems, Inc. and its wholly owned subsidiary, Sportfisher Properties, Inc. All material inter-entity transactions have been eliminated in consolidation.

**Basis of Accounting**

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

Certain contracts require cash to be held in separate bank accounts, which are used for contract purposes and included in the Cash and Cash Equivalent balances. For the purposes of the financial statements, the Organization considers all debt instruments purchased with a maturity date of less than 9 months to be cash equivalents.

**Concentration of Credit Risk**

The Organization maintains its cash and cash equivalents at several banks which may, at times, exceed federally insured limits. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents at June 30, 2021 and 2020.

Approximately 52% of the Organization's revenues are provided by the County of San Diego.

**Contracts and Grants Receivable**

Contracts receivable consists of balances due for services provided pursuant to written contracts with various public and private agencies. Mental Health Systems, Inc. closely monitors outstanding accounts receivable and charges off to expense any balances that are determined to be uncollectible. At June 30, 2021, Mental Health Systems, Inc. considered all remaining accounts receivable to be fully collectible. Accordingly, there was no allowance for doubtful accounts.

**Contributions**

In accordance with U.S. GAAP, contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor limitations on the use of the support. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

MHS recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. A portion of MHS revenue is derived from cost reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when MHS has incurred expenditures in compliance with specific contract or grant provisions. MHS received cost reimbursable grants of \$470,260 that have not been recognized at June 30, 2021 because qualifying expenditures have not yet been incurred, with no advance payments received or recognized in the statement of financial position as deferred revenue.

**MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Donated Services and Materials**

Consistent with U.S. GAAP, the Organization recognizes as support only those donated services which create or enhance nonfinancial assets or which require specialized skills which the Organization would otherwise have paid for. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs and various assignments. The Organization receives more than 5,000 volunteer hours per year.

**Property and Equipment**

Property and equipment are recorded at historical cost and are being depreciated using the straight-line method over the estimated useful life of the assets. The cost of maintenance and repairs is charged to operations as incurred; the Organization capitalizes all expenditures for property and equipment more than \$5,000.

**Advertising**

Advertising costs are charged to operations when incurred and are included in Management and General functional expenses.

**Deferred Revenue**

Deferred revenue represents funds received, but not earned as qualifying expenses have not been incurred. These funds must be expensed in accordance with the provisions of the contract to which they apply, or if not expensed in the current period, are carried over into the subsequent year.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Functional Allocation of Expenses**

The costs of providing the program and the supporting services have been summarized on a functional basis in the consolidated statement of activities, and in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated between the program and the supporting services in reasonable ratios determined by management.

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services based upon time and effort. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

**MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Subsequent Events**

Management has evaluated subsequent events through December 21, 2021, the date the financial statements were available to be issued.

**Risks and Uncertainties**

The World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic in March 2020. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID19 may impact various parts of its 2021 operations and financial results, including grants. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

**NOTE 3 LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 2,365,433	\$ 2,872,905
Contracts and Grants Receivable	24,799,073	18,843,816
Total	<u>\$ 27,164,506</u>	<u>\$ 21,716,721</u>

As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested in short-term savings accounts.

**NOTE 4 CONTRACTS AND GRANTS RECEIVABLE**

Contracts, grants, and other receivables are balances due to the Organization for services provided and expenses incurred prior to June 30, 2021 and 2020, pursuant to written contracts with various public agencies. All receivables are pledged as collateral on the line of credit. Contract receivable and grants receivable consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Contracts Receivable	\$ 24,799,073	18,843,816
Less: Allowance for Doubtful Accounts	-	-
Total Due in One Year or Less	<u>\$ 24,799,073</u>	<u>\$ 18,843,816</u>



**MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 5 PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 555,260	\$ 555,260
Building and Facilities	1,143,538	1,003,445
Vehicles	722,015	722,015
Furniture, Fixtures, and Equipment	493,754	484,273
Leasehold Improvements	530,953	530,953
Software	2,960,102	2,463,832
Total Property and Equipment	<u>6,405,622</u>	<u>5,759,778</u>
Less: Accumulated Depreciation	<u>(4,904,902)</u>	<u>(4,800,266)</u>
Property and Equipment, Net	<u>\$ 1,500,720</u>	<u>\$ 959,512</u>

Depreciation expense for the fiscal years ended June 30, 2021 and 2020 was \$104,636 and \$456,706, respectively.

**NOTE 6 ACCRUED LIABILITIES**

	<u>2021</u>	<u>2020</u>
Accrued Payroll	\$ 3,633,854	\$ 2,730,016
Accrued Benefits	4,126,402	3,565,893
Other Liabilities	1,152,716	654,897
Total Accrued Liabilities	<u>\$ 8,912,972</u>	<u>\$ 6,950,806</u>

**NOTE 7 SETTLEMENT**

The Organization was involved in arbitration with regard to disputed legal services and received an adverse judgment. In June 2019, The Organization entered into a payment plan with the legal firm, for the settlement payment totaling \$610,251. As part of the agreement, proceeds to MHS from a separate settlement are to be remitted to the firm upon receipt. The remaining balance is to be paid in equal monthly installments, totaling \$27,609, from October 2019 through December 2020. The balance was paid in full during the year ended June 30, 2021.

**MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 8 LINE OF CREDIT**

In December 2018, the Organization obtained a \$10,000,000 revolving line of credit (LOC) secured by the Organization's accounts receivable. The line of credit was, increased to \$17,500,000 in October 2020. The LOC has a variable interest rate of prime rate plus 1.75% and matures in January 2024. The LOC contains certain financial covenants and ratio requirements and as of June 30, 2020, the Organization was compliant with all except for the Loan Turnover Ratio. MHS considers this to be a temporary matter due largely to the slowdown in funder payments during the Covid pandemic. MHS also does not consider this to impact its capacity to borrow against the LOC going forward. As of June 30, 2021, the line of credit balance was \$13,718,913 and had an interest rate of 6.00%.

**NOTE 9 NOTES PAYABLE**

Notes payable consist of the following as of June 30:

	2021	2020
Clementine	\$ 544,217	\$ 558,986
CNH Term Loan	700,000	1,989,600
Vermont	52,782	91,008
Total Notes Payable	<u>\$ 1,296,999</u>	<u>\$ 2,639,594</u>
Due in One Year	\$ 754,882	\$ 2,042,594
Due in Two to Five Years	83,218	138,101
Thereafter	458,899	458,899
Total	<u>\$ 1,296,999</u>	<u>\$ 2,639,594</u>

The Organization has a note payable with the City of Oceanside secured by a Deed of Trust for Clementine, an Oceanside property. The note requires monthly payments totaling \$3,417, including interest at 4.75%, through June 2042. The principal balance at June 30, 2021 and 2020 was \$544,217 and \$558,986, respectively.

The Organization also has a note payable with California Health Facilities Financing Authority secured by a Deed of Trust for Vermont, an Escondido property. The note requires monthly payments totaling \$3,369, including interest at 3.00%, through October 2022. The principal balance at June 30, 2021 and 2020 was \$52,782 and \$91,008, respectively.

In February 2020, the Organization entered into a note payable with CNH Finance Fund for \$2,500,000. The note requires weekly principal payment of \$25,000 until note is paid in full. As of June, 2021, the note had an interest rate of 6.0% and a balance of \$700,000.

**MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 10 COMMITMENTS AND CONTINGENCIES**

**Commitments**

The Organization entered into long-term operating lease agreements for program facilities, equipment, and the corporate office facility. These leases expire throughout the years ending June 2029. Aggregate future minimum operating lease commitments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 4,742,128
2023	3,743,204
2024	3,049,111
2025	2,546,364
2026	2,102,524
Total	<u>\$ 16,183,331</u>

During the years ended June 30, 2021 and 2020, the Organization incurred expenses of \$6,751,142 and \$6,751,142, respectively, associated with facility leases and equipment leases (inclusive of month-to-month lease agreements). When facility maintenance and nonrecurring repairs are included, the Organization incurred total occupancy expenses of \$7,145,206 and \$7,059,920, respectively.

**Contingencies**

*Litigation*

The Organization is, from time to time, named as a defendant in various lawsuits or actions incidental to its business. The lawsuits brought against the Organization that are in the normal course of business are covered by insurance. The Organization also establishes reserves for the insurance deductible for claims related to lawsuits and other contingencies when the Organization believes a loss is probable and is able to estimate its potential exposure. For loss contingencies believed to be reasonably possible, the Organization also discloses the nature of the loss contingency and an estimate of possible loss, range of loss, or a statement that such an estimate cannot be made. While actual losses may differ from the amounts recorded and the ultimate outcome of the Organization's pending actions is generally not yet determinable, the Organization does not believe that the ultimate resolution of currently pending legal proceedings, either individually or in the aggregate, will have a material adverse effect on its financial condition, results of operations, or cash flows.

**MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

*Contract Settlements*

The Organization's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with the governmental funding agency's respective guidelines and regulations. The potential exists for disallowance of previously funded program costs or approval of income due to funding shifts. The Organization records known prior year settlements (disallowances, additional funding, or contract adjustments) as "contract settlements" in its general ledger. The amounts for the years ended June 30, 2021 and 2020 of \$141,119 and \$173,014, respectively, shown on the Statement of Activities represents known adjustments for prior year settlements. Liabilities, if any, which may result from any other governmental audits cannot be reasonably estimated and, accordingly, the Organization has no provisions for the possible disallowance of any other program costs on its financial statements.

**NOTE 11 MATERIAL CONTRACTS**

Mental Health Systems, Inc. is the recipient of funds under numerous contracts, several of which could be considered material to the overall operations of the Organization when considered separate from other contracts. This is not considered to be a material exposure as the expense related to such revenue can be terminated simultaneously with the cession of revenue.

**NOTE 12 RETIREMENT PLAN**

The Organization maintains a 401(a) and Section 501(a) plan for the benefit of all eligible employees. The plan provides discretionary contributions by the corporation up to the maximum amount permitted under the Internal Revenue Code, such amount to be determined annually by the Board of Directors. For the years ended June 30, 2021 and 2020, total expense was \$1,557,447 and \$1,246,619, respectively.

The Organization also maintains a 401(k) plan for the benefit of all eligible employees. The plan allows eligible employees to defer a portion of salary to the plan. The Organization does not offer a match.

**NOTE 13 FINANCIAL POSITION**

Mental Health Systems, Inc. had net income of \$183,668 for the year ended June 30, 2021. As of June 30, 2021, the Organization's accumulated net asset deficit was \$470,091.

Management believes the Organization's present cash flows will enable it to meet its obligations for twelve months from the date these financial statements are available to be issued. It is probable that management will obtain additional sources of funding, including fundraising dollars that will enable the Organization to improve its financial condition.



**INDEPENDENT AUDITORS' 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  
Mental Health Systems, Inc. and Subsidiaries  
San Diego, 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 consolidated financial statements of Mental Health Systems, Inc. and subsidiaries (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 21, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Los Angeles, California  
December 21, 2021



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL FOR EACH MAJOR PROGRAM,  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE  
OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Mental Health Systems, Inc. and Subsidiaries  
San Diego, California

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

We have audited the compliance of Mental Health Systems, Inc. and subsidiaries (collectively, the Organization), with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Organization's major federal programs for the fiscal year ended June 30, 2021. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. 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)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

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

In our opinion, the Organization 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, 2021.

**Report on Internal Control Over Compliance**

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness the Organization's 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This 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.



**Schedule of Expenditures of Federal Awards**

We have audited the consolidated financial statements of the Organization as of and for the year ended June 30, 2021, and have issued our report thereon dated December 21, 2021, which contained an unmodified opinion on those consolidated financial statements. 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 is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated 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 consolidated 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.



**CliftonLarsonAllen LLP**

Los Angeles, California  
December 21, 2021

**MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

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***Section I – Summary of Auditors’ Results***

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**Financial Statements**

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ yes         x    no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes         x    none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes         x    no

**Federal Awards**

1. Internal control over major federal programs:
- Material weakness(es) identified? \_\_\_\_\_ yes         x    no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes         x    none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes         x    no

***Identification of Major Federal Programs***

<b>CFDA Number(s)</b>	<b>Name of Federal Program or Cluster</b>
93.778	Medical Assistance Program
14.267	Continuum of Care Program
21.019	Coronavirus Relief Fund

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

Auditee qualified as low-risk auditee?    x    yes      \_\_\_\_\_ no

**MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2021**

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***Section II – Financial Statement Findings***

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None

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***Section III – Federal Award Findings and Questioned Costs***

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None

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***Section IV – Prior Audit Findings and Questioned Costs***

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None

**MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2021**

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor	Grant Award or Contract Number	Federal Expenditures
<b>Administrative Office of the U.S Courts</b>				
<b>Office of Probation and Pretrial Services:</b>				
Chula Vista FPP MH02	99.XXX	Federal Probation Program	0974-2019-MH02	\$ 116,842
Pre-Trial FPP MH06	99.XXX	Federal Probation Program	0974-18-006	199,209
North County FPP SA03	99.XXX	Federal Probation Program	0974-2019-SA03	105,752
SD Central FPP UA	99.XXX	Federal Probation Program	0974-21-11UAC	61,182
Barstow, Victorville, YV FPP MH 014	99.XXX	Federal Probation Program	0973-19-014	82,906
				<u>565,891</u>
<b>Department of Education Office of Special Education and Rehabilitative Services:</b>				
Employment Services	84.126A	State of California	30758	<u>659,663</u>
<b>Department of Health and Human Services:</b>				
North Star ACT	93.778	County of San Diego	556420	828,784
Teen Recovery Center	93.778	County of San Diego	551085	1,103,245
Family Recovery Center Residential	93.778	County of San Diego	553434	2,839,072
North County Drug Court	93.778	County of San Diego	554861	1,146,305
East County Drug Court	93.778	County of San Diego	554863	1,146,305
South County Drug Court	93.778	County of San Diego	554862	1,146,305
Families Forward	93.778	County of San Diego	551162	2,189,430
School Based- EPSDT	93.778	County of San Diego	518748	473,216
Center Star ACT	93.778	County of San Diego	547183	973,247
Therapeutic Behavioral Services SB	93.778	County of San Bernardino	16-413	537,651
Success First SB Wrap	93.778	County of San Bernardino	16-404	917,545
PRIDE	93.778	County of San Bernardino	17-337	25,282
Central Valley RRC	93.778	County of San Bernardino	17-337	9,650
North Coastal MHC	93.778	County of San Diego	547336	1,868,491
North Inland MHC	93.778	County of San Diego	547337	1,453,563
Vista BPSR RA/MC	93.778	County of San Diego	547336	727,165
Vista YTP RA/MC	93.778	County of San Diego	547336	261,221
Kinesis North BPSR MHSA Adult MC	93.778	County of San Diego	547337	821,541
STEPS	93.778	County of San Diego	549236	528,046
ACTION Central (MH)	93.778	County of San Diego	554865	439,290
ACTION Central (SUD)	93.778	County of San Diego	554865	597,957
ACTION East MH	93.778	County of San Diego	555095	605,642
ACTION East SUD	93.778	County of San Diego	555095	1,081,036
City Star ACT	93.778	County of San Diego	556358	1,094,483
North Coastal ACT	93.778	County of San Diego	556419	529,403
Alianza BPSR	93.778	County of San Diego	560065	133,446
Needles Outpatient Services	93.778	County of San Bernardino	17-337	12,383
Yucca Valley Outpatient	93.778	County of San Bernardino	17-337	25,742
West Valley One Stop TAY Center	93.778	County of San Bernardino	20-365	786,146
San Bernardino ACT	93.778	County of San Bernardino	18-389	521,462
Needles Recovery Services	93.778	County of San Bernardino	15-320	12,700
Central Valley Recovery Services	93.778	County of San Bernardino	15-320	38,585
Yucca Valley Recovery Services	93.778	County of San Bernardino	15-320	17,278
Fresno IMPACT MH	93.778	County of Fresno	20-014	1,119,122
Fresno First Residential DMC	93.778	County of Fresno	18-690	1,903,455

**MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2021**

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor	Grant Award or Contract Number	Federal Expenditures
<b>Department of Health and Human Services (Continued):</b>				
Family and Adult Alternatives (FAA) DMC	93.778	County of Fresno	18-690	354,075
Family & Youth Alternatives (FYA) DMC	93.778	County of Fresno	18-690	98,352
Homeless Outreach	93.778	County of Kern	739-2019	726
Santa Clara ACTion	93.778	County of Santa Clara	SC AGMT	801,013
				<u>29,168,360</u>
North Coastal PATH	93.150	County of San Diego	547336	62,497
North Inland PATH	93.150	County of San Diego	547337	99,252
				<u>161,749</u>
Kern ACT-ION	93.275	County of Kern	762-2019	1,186,814
Sierra Health CSBC	93.958	Sierra Health Foundation	CA20MAT288	19,488
Sierra Health Action Central MH	93.958	Sierra Health Foundation	CA20MAT289	17,434
Sierra Health North Star ACT	93.958	Sierra Health Foundation	CA20MAT290	15,854
Sierra Health North Coastal Site	93.958	Sierra Health Foundation	CA20MAT284	17,721
Sierra Health Kinesis	93.958	Sierra Health Foundation	CA20MAT285	5,632
Sierra Health Contra Costa ACT	93.958	Sierra Health Foundation	CA20MAT293	14,887
Sierra Health Vista	93.958	Sierra Health Foundation	CA20MAT294	8,156
Sierra Health North Coastal ACT	93.958	Sierra Health Foundation	CA20MAT291	21,502
Sierra Health Contra Costa FSP Central	93.958	Sierra Health Foundation	CA20MAT292	13,718
Sierra Health SBCM	93.958	Sierra Health Foundation	CA20MAT286	22,719
Sierra Health STEPS	93.958	Sierra Health Foundation	CA20MAT287	14,178
Floyd Farrow Behavioral Health Unit	93.958	County of Fresno	18-622	199,061
				<u>370,350</u>
Central Valley Prevention	93.959	County of San Bernardino	15-400	403,131
San Diego Center for Change	93.959	County of San Diego	554864	1,146,305
Teen Recovery Center	93.959	County of San Diego	551085	138,603
North Inland Community Prevention	93.959	County of San Diego	551559	406,354
Family Recovery Center Residential	93.959	County of San Diego	553434	717,281
Serial Inebriate Program	93.959	County of San Diego	554929	915,996
PRIDE	93.959	County of San Bernardino	17-337	58,590
San Bernardino Drug Court	93.959	County of San Bernardino	20-490	54,725
Fontana Center for Change	93.959	County of San Bernardino	20-490	28,122
Central Valley Recovery Prevention	93.959	County of San Bernardino	15-320	129,144
Central Valley RRC	93.959	County of San Bernardino	17-337	22,364
Sierra Health SB DUI	93.959	Sierra Health Foundation	CA20MAT107	18,154
Sierra Health SIP	93.959	Sierra Health Foundation	CA20MAT108	24,838
Sierra Health Action Central SUD	93.959	Sierra Health Foundation	CA20MAT106	6,994
Sierra Health TRC	93.959	Sierra Health Foundation	CA20MAT109	22,434
Needles Prevention Program	93.959	County of San Bernardino	15-400	163,749
Needles Recovery Center	93.959	County of San Bernardino	15-320	117,967
Needles Outpatient Services	93.959	County of San Bernardino	17-337	28,698
Yucca Valley Outpatient	93.959	County of San Bernardino	17-337	59,654
Yucca Valley Recovery Center	93.959	County of San Bernardino	15-320	126,795
Joshua Tree Drug Court	93.959	County of San Bernardino	20-490	26,900
				<u>4,616,798</u>
				<u>35,504,071</u>

See accompanying Notes to Schedule of Federal Awards.

**MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2021**

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor	Grant Award or Contract Number	Federal Expenditures
<b>Department of Justice:</b>				
San Diego Byrne JAG (ATD)	16.738	South Bay Community Services	N/A	<u>85,900</u>
<b>Department of Housing and Urban Development:</b>				
San Bernardino City ACT	14.231	County of San Bernardino		<u>886,003</u>
Safe Haven - Housing (HUD)	14.267	Federal-HUD	CA0708L9D011912	166,463
Safe Haven - Housing (HUD)	14.267	Federal-HUD	CA0708L9D012013	51,607
Shelter + Care I (SDHC County) (Vermont)	14.267	Federal-HUD	CA0693L9D011912	302,612
Shelter + Care II (SDHC County) (Chestnut)	14.267	Federal-HUD	CA0689L9D011906	65,731
Shelter + Care II (SDHC County) (Chestnut)	14.267	Federal-HUD	CA0689L9D012007	52,362
Shelter + Care IV (SDHC City) (41st Street)	14.267	San Diego Housing Commission	HHI-21-02J	440,734
Shelter + Care III (SDHC County) (Reidy Creek)	14.267	Federal-HUD	CA0689L9D011906	51,418
Shelter + Care III (SDHC County) (Reidy Creek)	14.267	Federal-HUD	CA0689L9D012007	36,727
Shelter + Care IIIa (FRC)	14.267	Federal-HUD	CA0689L9D011906	41,100
Shelter + Care IIIa (FRC)	14.267	Federal-HUD	CA0689L9D012007	17,794
FRC Next Steps	14.267	Federal-HUD	CA1698L9D011801	12,817
FRC Next Steps	14.267	Federal-HUD	CA1698L9D011902	90,902
Hacienda Housing	14.267	Federal-HUD	CA1567L9T141802	38,021
Hacienda Housing	14.267	Federal-HUD	CA1567L9T141903	98,046
				<u>1,466,334</u>
SPONSOR BASED VOUCHERS VIP	14.881	San Diego Housing	N/A - HAP	71,740
Center Star [50] SBS Housing	14.881	San Diego Housing	N/A - HAP	111,302
Sponsor Based Vouchers II	14.881	San Diego Housing	N/A - HAP	405,097
ACTION Central SBS MH	14.881	San Diego Housing	N/A - HAP	304,047
ACTION Central SBS	14.881	San Diego Housing	N/A - HAP	544,507
City Star ACT SBS Vouchers	14.881	San Diego Housing	N/A - HAP	487,860
				<u>1,924,553</u>
				<u>4,276,890</u>
<b>Department of Labor:</b>				
WIOA Steps to Success	17.259	County of San Bernardino	18-338	<u>66,370</u>
<b>Department of the Treasury:</b>				
San Diego Convention Center	21.019	County of San Diego	547183	587,762
SD CARES ACT 314	21.019	County of San Diego	551162	7,922
SD CARES ACT 329	21.019	County of San Diego	518748	10,063
SD CARES ACT A03	21.019	County of San Diego	545175	27,359
SD CARES ACT A04	21.019	County of San Diego	545195	22,226
SD CARES ACT 336/344	21.019	County of San Diego	547183	12,463
SD CARES ACT A01	21.019	County of San Diego	547336	23,478
SD CARES ACT A02	21.019	County of San Diego	547337	25,929
SD CARES ACT A17	21.019	County of San Diego	548928	11,357
SD CARES ACT A07	21.019	County of San Diego	549236	17,241
SD CARES ACT A08	21.019	County of San Diego	549460	6,852
SD CARES ACT 252	21.019	County of San Diego	551085	15,068
SD CARES ACT 259	21.019	County of San Diego	551559	32,169
SD CARES ACT 267	21.019	County of San Diego	553434	31,987
SD CARES ACT 285	21.019	County of San Diego	554861	22,962
SD CARES ACT 288	21.019	County of San Diego	554862	15,317

See accompanying Notes to Schedule of Federal Awards.

**MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2021**

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor	Grant Award or Contract Number	Federal Expenditures
<b>Department of the Treasury (Continued):</b>				
SD CARES ACT 287	21.019	County of San Diego	554863	19,837
SD CARES ACT 249	21.019	County of San Diego	554864	11,759
SD CARES ACT 273	21.019	County of San Diego	554929	14,026
SD CARES ACT A19	21.019	County of San Diego	555095	11,707
SD CARES ACT A21	21.019	County of San Diego	556358	4,655
SD CARES ACT A20	21.019	County of San Diego	556419	20,927
SD CARES ACT 243/245	21.019	County of San Diego	556420	15,518
SD CARES ACT A09	21.019	County of San Diego	556421	7,611
SD CARES ACT A24	21.019	County of San Diego	560065	25,232
SD CARES ACT 343	21.019	County of San Diego	560601	5,693
SD TI CARES ACT 267	21.019	County of San Diego	553434	36,083
SD TI CARES ACT 314	21.019	County of San Diego	551162	12,214
SD TI CARES ACT 336/344	21.019	County of San Diego	547183	3,168
SD TI CARES ACT A07	21.019	County of San Diego	549236	7,557
SD CARES ACT 243/245	21.019	County of San Diego	556420	7,358
SD TI CARES ACT A19	21.019	County of San Diego	555095	1,429
SD TI CARES ACT A24	21.019	County of San Diego	560065	1,047
San Bernardino ACT	21.019	County of San Bernardino	18-389	64,438
				<u>1,140,414</u>
<b>Total Expenditures of Federal Awards</b>				<b><u>\$ 42,299,199</u></b>

See accompanying Notes to Schedule of Federal Awards.

**MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2021**

**NOTE 1 BASIS OF PRESENTATION**

The schedule of expenditures of federal awards includes contract activity of the Organization and is presented on the accrual basis of accounting, which is the same basis of accounting used in the preparation of the financial statements.

The information in this schedule is presented in accordance with the requirements of the Uniform Guidance and agrees with the amounts in the financial statements.

**NOTE 2 INDIRECT COST RATE**

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance, as the Organization has a negotiated rate for indirect costs.



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