

**MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES
DBA: TURN BEHAVIORAL HEALTH SERVICES**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SINGLE AUDIT REPORT**

YEARS ENDED JUNE 30, 2022 AND 2021



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MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES
DBA: TURN BEHAVIORAL HEALTH SERVICES
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Mental Health Systems, Inc. and Subsidiaries
dba: TURN Behavioral Health Services
San Diego, California

Report on the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Mental Health Systems, Inc. and Subsidiaries, dba: TURN Behavioral Health Services, (collectively, the Organization or MHS), which comprises the consolidated statement of financial position as of June 30, 2022 and 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the organization as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the 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 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 Mental Health Systems, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 GAAS 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 GAAS 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 Mental Health Systems, Inc. and Subsidiaries' 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 Mental Health Systems, Inc. and Subsidiaries' 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2023, on our consideration of Mental Health Systems, Inc. and Subsidiaries' 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 Mental Health Systems, Inc. and Subsidiaries' internal control over financial reporting or on compliance.

Board of Directors
Mental Health Systems, Inc. and Subsidiaries
dba: TURN Behavioral Health Services

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mental Health Systems, Inc. and Subsidiaries' internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Los Angeles, California
February 9, 2023

MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES
DBA: TURN BEHAVIORAL HEALTH SERVICES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 828,168	\$ 2,365,433
Contracts and Grants Receivable, Net	21,317,612	24,799,073
Other Receivables	283,552	140,220
Prepaid Expenses	869,241	500,362
Deposits	1,282,994	1,256,390
Property and Equipment, Net	1,492,022	1,500,720
Total Assets	\$ 26,073,589	\$ 30,562,198
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 7,383,560	\$ 6,888,831
Accrued Liabilities	6,493,995	8,912,972
Deferred Revenue	200,283	214,574
Line of Credit	12,719,959	13,718,913
Notes Payable	542,125	1,296,999
Total Liabilities	27,339,922	31,032,289
NET ASSETS		
Without Donor Restrictions	(1,266,333)	(470,091)
Total Liabilities and Net Assets	\$ 26,073,589	\$ 30,562,198

See accompanying Notes to Consolidated Financial Statements.

MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES
DBA: TURN BEHAVIORAL HEALTH SERVICES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Mental Health Systems - Contract Revenue	\$ 93,554,678	\$ -	\$ 93,554,678
Mental Health Systems - Other Revenue	1,360,411	-	1,360,411
Mental Health Systems - Donations	271,291	-	271,291
Total Revenues and Other Support	<u>95,186,380</u>	<u>-</u>	<u>95,186,380</u>
EXPENSES			
Mental Health Systems - Program Services	82,987,674	-	82,987,674
Mental Health Systems - Management and General	12,803,124	-	12,803,124
Mental Health Systems - Fundraising	156,135	-	156,135
Total Expenses	<u>95,946,933</u>	<u>-</u>	<u>95,946,933</u>
OTHER CHANGES			
Contract Settlements	<u>(35,689)</u>	<u>-</u>	<u>(35,689)</u>
CHANGE IN NET ASSETS	(796,242)	-	(796,242)
Net Assets - Beginning of Year	<u>(470,091)</u>	<u>-</u>	<u>(470,091)</u>
NET ASSETS - END OF YEAR	<u><u>\$ (1,266,333)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (1,266,333)</u></u>

See accompanying Notes to Consolidated Financial Statements.

MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES
DBA: TURN BEHAVIORAL HEALTH SERVICES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
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>
EXPENSES			
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>
OTHER CHANGES			
Contract Settlements	<u>(141,119)</u>	<u>-</u>	<u>(141,119)</u>
CHANGE IN NET ASSETS	183,668	-	183,668
Net Assets - Beginning of Year	<u>(653,759)</u>	<u>-</u>	<u>(653,759)</u>
NET ASSETS - END OF YEAR	<u><u>\$ (470,091)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (470,091)</u></u>

See accompanying Notes to Consolidated Financial Statements.

MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES
DBA: TURN BEHAVIORAL HEALTH SERVICES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Mental Health Systems			Total
	Program Services	Management and General	Fundraising	
Salaries	\$ 41,776,150	\$ 5,550,319	\$ 99,553	\$ 47,426,022
Employee Benefits	4,530,558	532,225	13,091	5,075,874
Payroll Taxes	3,033,026	335,873	6,697	3,375,596
Total Salary Related Expenses	<u>49,339,734</u>	<u>6,418,417</u>	<u>119,341</u>	<u>55,877,492</u>
Program Expense	9,302,921	31,101	2,061	9,336,083
Consulting Fees	6,512,611	1,673,159	-	8,185,770
Occupancy	6,406,295	497,458	6,179	6,909,932
Purchased Services	3,401,699	-	-	3,401,699
Utilities and Telephone	2,333,536	214,230	819	2,548,585
Interest and Bank Charges	22,368	1,572,421	-	1,594,789
Insurance	761,197	611,657	1,273	1,374,127
Professional Fees and Outside Services	790,329	435,252	4,733	1,230,314
Taxes and Licenses	633,719	61,164	336	695,219
Travel	563,516	76,993	17,560	658,069
Computer Expense	442,811	193,116	510	636,437
Office Supplies	566,579	55,402	235	622,216
Equipment Purchase	440,776	129,090	257	570,123
Equipment Rental	519,802	50,107	-	569,909
Miscellaneous and Unallowable Expense	115,789	445,431	-	561,220
Staff Development	209,850	93,343	99	303,292
Laboratory Fees	246,474	-	-	246,474
Equipment and Maintenance	172,604	12,495	-	185,099
Printing and Postage	71,467	49,848	2,657	123,972
Dues and Subscriptions	12,734	109,372	75	122,181
Expenses before Depreciation and Amortization	<u>82,866,811</u>	<u>12,730,056</u>	<u>156,135</u>	<u>95,753,002</u>
Depreciation and Amortization	<u>120,863</u>	<u>73,068</u>	<u>-</u>	<u>193,931</u>
Total Expenses	<u><u>\$ 82,987,674</u></u>	<u><u>\$ 12,803,124</u></u>	<u><u>\$ 156,135</u></u>	<u><u>\$ 95,946,933</u></u>

See accompanying Notes to Consolidated Financial Statements.

MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES
DBA: TURN BEHAVIORAL HEALTH SERVICES
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	52,310,727	5,813,154	58,123,881
Program Expense	9,189,290	50,527	9,239,817
Consulting Fees	6,828,215	933,815	7,762,030
Occupancy	6,608,683	617,539	7,226,222
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
Computer Expense	520,287	357,940	878,227
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
Travel	405,187	42,662	447,849
Staff Development	274,358	69,542	343,900
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	87,199,706	11,873,132	99,072,838
Depreciation and Amortization	21,920	82,716	104,636
Total Expenses	\$ 87,221,626	\$ 11,955,848	\$ 99,177,474

See accompanying Notes to Consolidated Financial Statements.

MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES
DBA: TURN BEHAVIORAL HEALTH SERVICES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (796,242)	\$ 183,668
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation	193,931	104,636
(Increase) Decrease in Assets:		
Contracts and Grants Receivable, Net	3,481,461	(5,955,257)
Other Receivables	(143,332)	744,844
Prepaid Expenses	(368,879)	(39,823)
Deposits	(26,604)	(169,837)
Increase (Decrease) in Liabilities:		
Accounts Payable	494,729	1,137,923
Accrued Liabilities	(2,418,977)	1,962,166
Deferred Revenue	(14,291)	(162,898)
Net Cash Provided (Used) by Operating Activities	<u>401,796</u>	<u>(2,194,578)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(185,233)	(645,844)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on Line of Credit	96,689,111	93,443,531
Borrowings on Notes Payable	-	93,600
Payments Made on Line of Credit	(97,688,065)	(89,767,986)
Payments Made on Notes Payable	(754,874)	(1,436,195)
Net Cash Provided (Used) by Financing Activities	<u>(1,753,828)</u>	<u>2,332,950</u>
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	<u>(1,537,265)</u>	<u>(507,472)</u>
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>2,365,433</u>	<u>2,872,905</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u>\$ 828,168</u>	<u>\$ 2,365,433</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year:		
Interest	<u>\$ 994,076</u>	<u>\$ 987,007</u>

See accompanying Notes to Consolidated Financial Statements.

MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES
DBA: TURN BEHAVIORAL HEALTH SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 ORGANIZATION

Mission and History

Mental Health Systems, Inc. and Subsidiaries, dba: TURN Behavioral Health Services, (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

MHS 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 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 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
DBA: TURN BEHAVIORAL HEALTH SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 ORGANIZATION (CONTINUED)

Nature of Activities (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 99% and 98.15% of the Organization's support for the years ended June 30, 2022 and 2021, respectively, came from government contracts.

MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES
DBA: TURN BEHAVIORAL HEALTH SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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 (GAAP). These standards require that MHS 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.

MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES
DBA: TURN BEHAVIORAL HEALTH SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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 nine 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, 2022 and 2021.

Approximately 48% and 52%, respectively, 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, 2022 and 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 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 \$396,514 and \$470,260 that have not been recognized at June 30, 2022 and 2021, respectively, 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
DBA: TURN BEHAVIORAL HEALTH SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services and Materials

Consistent with 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 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
DBA: TURN BEHAVIORAL HEALTH SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management has evaluated subsequent events through February 9, 2023, 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>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 828,168	\$ 2,365,433
Contracts and Grants Receivable	21,317,612	24,799,073
Total	<u>\$ 22,145,780</u>	<u>\$ 27,164,506</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, 2022 and 2021, 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>2022</u>	<u>2021</u>
Contracts Receivable	\$ 21,317,612	\$ 24,799,073
Less: Allowance for Doubtful Accounts	-	-
Total Due in One Year or Less	<u>\$ 21,317,612</u>	<u>\$ 24,799,073</u>

MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES
DBA: TURN BEHAVIORAL HEALTH SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 5 PROPERTY AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Land	\$ 555,260	\$ 555,260
Building and Facilities	976,889	1,143,538
Vehicles	722,015	722,015
Furniture, Fixtures, and Equipment	493,754	493,754
Leasehold Improvements	683,935	530,953
Software	<u>3,159,002</u>	<u>2,960,102</u>
Total Property and Equipment	6,590,855	6,405,622
Less: Accumulated Depreciation	<u>(5,098,833)</u>	<u>(4,904,902)</u>
Property and Equipment, Net	<u>\$ 1,492,022</u>	<u>\$ 1,500,720</u>

Depreciation expense for the fiscal years ended June 30, 2022 and 2021 was \$193,931 and \$104,636, respectively.

NOTE 6 ACCRUED LIABILITIES

	<u>2022</u>	<u>2021</u>
Accrued Payroll	\$ 2,379,924	\$ 3,633,854
Accrued Benefits	3,473,582	4,126,402
Other Liabilities	640,489	1,152,716
Total Accrued Liabilities	<u>\$ 6,493,995</u>	<u>\$ 8,912,972</u>

NOTE 7 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, 2022, the Organization was compliant with all except for the debt service coverage 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, 2022, the line of credit balance was \$12,719,959 and had an interest rate of 6.50%.

MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES
DBA: TURN BEHAVIORAL HEALTH SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 8 NOTES PAYABLE

Notes payable consist of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Clementine	\$ 528,732	\$ 544,217
CNH Term Loan	-	700,000
Vermont	13,393	52,782
Total Notes Payable	<u>\$ 542,125</u>	<u>\$ 1,296,999</u>
Due in One Year	\$ 29,622	\$ 754,882
Due in Two to Five Years	73,224	83,218
Thereafter	439,279	458,899
Total	<u>\$ 542,125</u>	<u>\$ 1,296,999</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, 2022 and 2021 was \$528,732 and \$544,217, 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, 2022 and 2021 was \$13,393 and \$52,782, 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, 2022, the note was paid in full.

NOTE 9 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>
2023	\$ 5,736,642
2024	5,411,982
2025	4,502,203
2026	2,479,526
2027	2,005,632
Total	<u>\$ 20,135,985</u>

MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES
DBA: TURN BEHAVIORAL HEALTH SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 9 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Commitments (Continued)

During the years ended June 30, 2022 and 2021, the Organization incurred expenses of \$6,518,437 and \$6,668,971, 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 \$6,823,409 and \$7,145,207, 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.

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, 2022 and 2021 of \$35,689 and \$141,119, 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 10 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.

MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES
DBA: TURN BEHAVIORAL HEALTH SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 11 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, 2022 and 2021, total expense was \$1,066,184 and \$1,557,447, 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 12 FINANCIAL POSITION

Mental Health Systems, Inc. had a net loss of <\$796,242> for the year ended June 30, 2022. As of June 30, 2022, the Organization's accumulated net asset deficit was <\$1,266,333>.

Management believes the Organization's present cash flows will enable it to meet its obligations for 12 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
dba: TURN Behavioral Health Services
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, dba: TURN Behavioral Health Services, (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2022, 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 February 9, 2023.

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.

Board of Directors
Mental Health Systems, Inc. and Subsidiaries
dba: TURN Behavioral Health Services

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
February 9, 2023



**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
dba: TURN Behavioral Health Services
San Diego, California

Report on Compliance for Each Major Federal Program

We have audited the compliance of Mental Health Systems, Inc. and Subsidiaries, dba: TURN Behavioral Health Services, (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, 2022. 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, 2022.

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.

Board of Directors
Mental Health Systems, Inc. and Subsidiaries
dba: TURN Behavioral Health Services

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, 2022, and have issued our report thereon dated February 9, 2023, 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
February 9, 2023

**MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES
DBA: TURN BEHAVIORAL HEALTH SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section I – Summary of Auditors’ Results

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

CFDA Number(s)	Name of Federal Program or Cluster
93.778	Medical Assistance Program
93.275	Substance Abuse and Mental Health Services-Access to Recovery
14.881	Moving to Work Demonstration Program

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
DBA: TURN BEHAVIORAL HEALTH SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Prior Audit Findings and Questioned Costs

None

**MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES
DBA: TURN BEHAVIORAL HEALTH SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor	Grant Award or Contract Number	Federal Expenditures
Administrative Office of the U.S Courts				
Office of Probation and Pretrial Services:				
Chula Vista FPP	99.XXX	Federal Probation Program	0974-2022-MH02	\$ 80,747
Chula Vista FPP	99.XXX	Federal Probation Program	0974-2022-3MHM	122,597
Chula Vista FPP	99.XXX	Federal Probation Program	0974-2021-3MHM	17,342
Chula Vista FPP	99.XXX	Federal Probation Program	0974-2022-05SUDSB	62,066
Chula Vista FPP	99.XXX	Federal Probation Program	0974-2022-9MHC	17,519
Chula Vista FPP	99.XXX	Federal Probation Program	0974-2022-SA02	25,050
Chula Vista FPP	99.XXX	Federal Probation Program	0974-2021-05SUDSB	13,700
Chula Vista FPP	99.XXX	Federal Probation Program	0974-2021-9MHC	8,270
Chula Vista FPP	99.XXX	Federal Probation Program	0974-2021-MH02	17,065
North County FPP	99.XXX	Federal Probation Program	0974-2021-SA03	25,473
North County FPP	99.XXX	Federal Probation Program	0974-2022-SA03	138,606
SD Central FPP	99.XXX	Federal Probation Program	0974-2021-11UAC	16,985
SD Central FPP	99.XXX	Federal Probation Program	0974-2022-11UAC	81,394
Barstow, Victorville, YV FPP	99.XXX	Federal Probation Program	0973-19-014	12,989
				<u>639,803</u>
Department of Education Office of Special Education and Rehabilitative Services:				
Employment Services	84.126A	State of California	31878	<u>621,920</u>
				621,920
Department of Health and Human Services:				
North Star ACT	93.778	County of San Diego	556420	802,512
San Diego Center for Change	93.778	County of San Diego	554864	598,066
North County Drug Court	93.778	County of San Diego	554861	517,313
East County Drug Court	93.778	County of San Diego	554863	541,762
South County Drug Court	93.778	County of San Diego	554862	547,977
Families Forward	93.778	County of San Diego	551162	1,507,225
School Based- EPSDT	93.778	County of San Diego	518748	383,970
Center Star ACT	93.778	County of San Diego	547183	396,111
Center Star ACT	93.778	County of San Diego	565916	424,010
Therapeutic Behavioral Services SB	93.778	County of San Bernardino	21-471	432,143
Success First SB Wrap	93.778	County of San Bernardino	16-404	424,727
Success First SB Wrap	93.778	County of San Bernardino	21-940	408,862
PRIDE	93.778	County of San Bernardino	17-337	25,149
Central Valley RRC	93.778	County of San Bernardino	17-337	17,264
North Coastal MHC	93.778	County of San Diego	547336	855,390
North Inland MHC	93.778	County of San Diego	547337	626,507
Vista BPSR RA/MC	93.778	County of San Diego	547336	334,183
Vista YTP RA/MC	93.778	County of San Diego	547336	53,229
Kinesis North BPSR MHSA Adult MC	93.778	County of San Diego	547337	367,469
North Coastal MHC	93.778	County of San Diego	566306	782,647
North Inland MHC	93.778	County of San Diego	566305	526,469
Vista BPSR RA/MC	93.778	County of San Diego	566306	381,842
Kinesis North BPSR MHSA Adult MC	93.778	County of San Diego	566305	390,510
STEPS	93.778	County of San Diego	564979	581,763
ACTION Central (MH)	93.778	County of San Diego	554865	603,684
ACTION Central (SUD)	93.778	County of San Diego	554865	804,500
ACTION East MH	93.778	County of San Diego	555095	879,190
City Star ACT	93.778	County of San Diego	556358	575,764
North Coastal ACT	93.778	County of San Diego	556419	652,462
Family Recovery Center Residential	93.778	County of San Diego	553434	1,745,631
Alianza BPSR	93.778	County of San Diego	560065	511,023
Needles Outpatient Services	93.778	County of San Bernardino	17-337	31,380

See accompanying Notes to Schedule of Federal Awards.

MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES
DBA: TURN BEHAVIORAL HEALTH SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2022

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor	Grant Award or Contract Number	Federal Expenditures
Department of Health and Human Services: (continued)				
Yucca Valley Outpatient	93.778	County of San Bernardino	17-337	\$ 63,193
West Valley One Stop TAY Center	93.778	County of San Bernardino	20-365	728,939
San Bernardino ACT	93.778	County of San Bernardino	18-389	542,088
Needles Recovery Services	93.778	County of San Bernardino	15-320	7,351
Central Valley Recovery Services	93.778	County of San Bernardino	15-320	17,660
Yucca Valley Recovery Services	93.778	County of San Bernardino	15-320	13,186
Needles Recovery Services	93.778	County of San Bernardino	21-985	6,456
Central Valley Recovery Services	93.778	County of San Bernardino	21-985	18,047
Yucca Valley Recovery Services	93.778	County of San Bernardino	21-985	11,101
Fresno IMPACT MH	93.778	County of Fresno	20-014	1,069,508
Fresno IMPACT SUD	93.778	County of Fresno	18-690 DMC	69,318
Fresno First Residential DMC	93.778	County of Fresno	18-690 DMC	1,922,146
Family and Adult Alternatives (FAA) DMC	93.778	County of Fresno	18-690 DMC	324,301
Family & Youth Alternatives (FYA) DMC	93.778	County of Fresno	18-690 DMC	88,545
Teen Recovery Center (North Inland)	93.778	County of San Diego	565055	546,178
Teen Recovery Center (North Central)	93.778	County of San Diego	565056	341,711
ACTION East SUD	93.778	County of San Diego	555095	1,114,967
Serial Inebriate Program	93.778	County of San Diego	554929	443,749
Santa Clara ACTION	93.778	Santa Clara County	CSS-A01, FSP ACT	875,323
				<u>25,934,501</u>
North Coastal Mental Health Clinic	93.150	County of San Diego	547336	41,577
North Inland Mental Health Clinic	93.150	County of San Diego	547337	54,965
North Coastal Mental Health Clinic	93.150	County of San Diego	566306	41,047
North Inland Mental Health Clinic	93.150	County of San Diego	566305	41,988
				<u>179,577</u>
Kern ACT-ION	93.275	County of Kern	762-2019	1,459,028
San Bernardino City ACT	14.231	City of San Bernardino	N/A - MOU	564,185
Floyd Farrow Behavioral Health Unit	93.958	County of Fresno	18-622	205,358
Central Valley Prevention	93.959	County of San Bernardino	21-434	289,545
Teen Recovery Center (North Inland)	93.959	County of San Diego	565055	150,259
Teen Recovery Center (North Central)	93.959	County of San Diego	565056	32,784
North Inland Community Prevention	93.959	County of San Diego	551559	408,549
Family Recovery Center Residential PRIDE	93.959	County of San Diego	553434	683,005
PRIDE	93.959	County of San Bernardino	17-337	58,283
San Bernardino Drug Court	93.959	County of San Bernardino	20-490	56,002
Fontana Center for Change	93.959	County of San Bernardino	20-490	29,272
Central Valley Recovery Prevention	93.959	County of San Bernardino	15-320	68,109
Central Valley Recovery Prevention	93.959	County of San Bernardino	21-985	76,672
Central Valley RRC	93.959	County of San Bernardino	17-337	40,008
Needles Prevention Program	93.959	County of San Bernardino	21-434	153,910
Needles Recovery Center	93.959	County of San Bernardino	15-320	68,470
Needles Recovery Center	93.959	County of San Bernardino	21-985	59,682
Needles Outpatient Services	93.959	County of San Bernardino	17-337	13,540
Yucca Valley Outpatient	93.959	County of San Bernardino	17-337	27,268
Yucca Valley Recovery Center	93.959	County of San Bernardino	15-320	64,449
Yucca Valley Recovery Center	93.959	County of San Bernardino	21-985	45,565
Joshua Tree Drug Court	93.959	County of San Bernardino	20-490	26,372
				<u>2,351,744</u>
Total				30,694,393

See accompanying Notes to Schedule of Federal Awards.

MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES
DBA: TURN BEHAVIORAL HEALTH SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2022

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor	Grant Award or Contract Number	Federal Expenditures
Department of Housing and Urban Development:				
Safe Haven	14.267	Federal-HUD	CA0708L9D012114	\$ 54,482
Safe Haven	14.267	Federal-HUD	CA0708L9D012013	164,745
Shelter + Care I	14.267	Federal-HUD	CA0693L9D012013	347,012
Shelter + Care II	14.267	Federal-HUD	CA0689L9D012108	64,837
Shelter + Care II	14.267	Federal-HUD	CA0689L9D012007	74,213
Shelter + Care IV	14.267	Federal-HUD	HHI-22-16	475,007
Shelter + Care III	14.267	Federal-HUD	CA0689L9D012108	40,656
Shelter + Care III	14.267	San Diego Housing Commission	CA0689L9D012007	51,205
Shelter + Care IIIa	14.267	Federal-HUD	CA0689L9D012108	20,107
Shelter + Care IIIa	14.267	Federal-HUD	CA0689L9D012007	32,469
FRC Next Steps	14.267	Federal-HUD	CA1698L9D012003	74,079
FRC Next Steps	14.267	Federal-HUD	CA1698L9D011902	24,886
Hacienda Housing	14.267	Federal-HUD	CA1567L9T142004	105,094
Hacienda Housing	14.267	Federal-HUD	CA1567L9T141903	59,282
				<u>1,588,074</u>
SPONSOR BASED VOUCHERS VIP	14.881	San Diego Housing Commission	HAP	38,325
Sponsor Based Vouchers II	14.881	San Diego Housing Commission	HAP	405,692
ACTION Central SBS MH	14.881	San Diego Housing Commission	HAP	213,334
ACTION Central SBS	14.881	San Diego Housing Commission	HAP	484,725
Center Star [50] SBS Housing	14.881	San Diego Housing Commission	HAP	115,605
City Star ACT SBS Vouchers	14.881	San Diego Housing Commission	HAP	360,812
				<u>1,618,493</u>
				<u>3,206,567</u>
Department of Labor:				
San Bernardino ACT	21.019	County of San Bernardino	18-389	<u>66,987</u>
Total Expenditures of Federal Awards				<u><u>\$ 35,229,670</u></u>

See accompanying Notes to Schedule of Federal Awards.

MENTAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES
DBA: TURN BEHAVIORAL HEALTH SERVICES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

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 percent de minimis indirect cost rate allowed under the Uniform Guidance, as the Organization has a negotiated rate for indirect costs.



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