

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

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SINGLE AUDIT REPORT**

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



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**MENTAL HEALTH SYSTEMS, INC.  
DBA: TURN BEHAVIORAL HEALTH SERVICES  
TABLE OF CONTENTS  
YEARS ENDED JUNE 30, 2024 AND 2023**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
<b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b>	<b>4</b>
<b>CONSOLIDATED STATEMENTS OF ACTIVITIES</b>	<b>5</b>
<b>CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES</b>	<b>7</b>
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b>	<b>9</b>
<b>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>10</b>
<b>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 <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>21</b>
<b>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</b>	<b>23</b>
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	<b>26</b>
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	<b>28</b>
<b>NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	<b>30</b>



## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Consolidated Financial Statements

#### ***Opinion***

We have audited the accompanying consolidated financial statements of Mental Health Systems, Inc., dba: TURN Behavioral Health Services, (the Organization or MHS), which comprises the consolidated statements of financial position as of June 30, 2024 and 2023, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the organization as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 Consolidated Financial Statements section of our report. We are required to be independent of the Mental Health Systems, Inc., dba: TURN Behavioral Health Services and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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. dba: TURN Behavioral Health Services' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

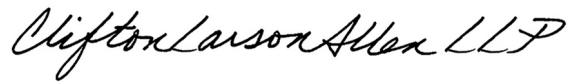
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated 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., dba: TURN Behavioral Health Services' 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 consolidated 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., dba: TURN Behavioral Health Services' 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.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2025, on our consideration of Mental Health Systems, Inc., dba: TURN Behavioral Health Services' 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., dba: TURN Behavioral Health Services' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mental Health Systems, Inc., dba: TURN Behavioral Health Services' internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Los Angeles, California  
February 19, 2025

**MENTAL HEALTH SYSTEMS, INC.**  
**DBA: TURN BEHAVIORAL HEALTH SERVICES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,554,108	\$ 1,829,081
Contracts and Grants Receivable, Net	21,912,118	22,341,543
Other Receivables	-	44,810
Prepaid Expenses	1,047,705	897,756
Deposits	1,358,757	1,273,380
Property and Equipment, Net	1,253,708	1,355,617
Operating Right of Use Asset	<u>11,758,094</u>	<u>14,505,454</u>
Total Assets	<u><u>\$ 38,884,490</u></u>	<u><u>\$ 42,247,641</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 10,270,455	\$ 8,304,083
Accrued Liabilities	7,513,910	8,321,133
Deferred Revenue	2,359,292	118,063
Line of Credit	12,428,755	13,551,493
Notes Payable	2,512,469	1,732,495
Operating Right of Use Lease Liability	<u>11,991,207</u>	<u>14,690,273</u>
Total Liabilities	47,076,088	46,717,540
<b>NET ASSETS</b>		
Without Donor Restrictions	<u>(8,191,598)</u>	<u>(4,469,899)</u>
Total Liabilities and Net Assets	<u><u>\$ 38,884,490</u></u>	<u><u>\$ 42,247,641</u></u>

See accompanying Notes to Consolidated Financial Statements.

**MENTAL HEALTH SYSTEMS, INC.  
DBA: TURN BEHAVIORAL HEALTH SERVICES  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Mental Health Systems - Contract Revenue	\$ 101,367,345	\$ -	\$ 101,367,345
Mental Health Systems - Other Revenue	819,515	-	819,515
Mental Health Systems - Donations	52,166	-	52,166
Total Revenues and Other Support	102,239,026	-	102,239,026
<b>EXPENSES</b>			
Mental Health Systems - Program Services	89,374,247	-	89,374,247
Mental Health Systems - Management and General	16,446,515	-	16,446,515
Mental Health Systems - Fundraising	79,397	-	79,397
Total Expenses	105,900,159	-	105,900,159
<b>OTHER CHANGES</b>			
Contract Settlements	(60,566)	-	(60,566)
<b>CHANGE IN NET ASSETS</b>	(3,721,699)	-	(3,721,699)
Net Assets - Beginning of Year	(4,469,899)	-	(4,469,899)
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ (8,191,598)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (8,191,598)</u></u>

*See accompanying Notes to Consolidated Financial Statements.*

**MENTAL HEALTH SYSTEMS, INC.  
DBA: TURN BEHAVIORAL HEALTH SERVICES  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Mental Health Systems - Contract Revenue	\$ 98,067,975	\$ -	\$ 98,067,975
Mental Health Systems - Other Revenue	928,676	-	928,676
Mental Health Systems - Donations	106,473	-	106,473
Total Revenues and Other Support	99,103,124	-	99,103,124
<b>EXPENSES</b>			
Mental Health Systems - Program Services	87,363,222	-	87,363,222
Mental Health Systems - Management and General	14,690,793	-	14,690,793
Mental Health Systems - Fundraising	135,582	-	135,582
Total Expenses	102,189,597	-	102,189,597
<b>OTHER CHANGES</b>			
Contract Settlements	(117,093)	-	(117,093)
<b>CHANGE IN NET ASSETS</b>	(3,203,566)	-	(3,203,566)
Net Assets - Beginning of Year	(1,266,333)	-	(1,266,333)
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ (4,469,899)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (4,469,899)</u></u>

*See accompanying Notes to Consolidated Financial Statements.*



**MENTAL HEALTH SYSTEMS, INC.**  
**DBA: TURN BEHAVIORAL HEALTH SERVICES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2024**

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 42,360,275	\$ 5,154,124	\$ -	\$ 47,514,399
Employee Benefits	4,314,099	682,489	-	4,996,588
Payroll Taxes	3,338,225	355,054	-	3,693,279
Total Salary Related Expenses	50,012,599	6,191,667	-	56,204,266
Program Supplies	11,525,523	43,313	11,924	11,580,760
Consulting Fees	7,746,567	671,850	-	8,418,417
Occupancy	7,133,231	726,871	31,731	7,891,833
Purchased Services	4,148,189	-	-	4,148,189
Insurance	1,044,970	1,633,584	-	2,678,554
Utilities and Telephone	2,289,387	271,823	1,961	2,563,171
Interest and Bank Charges	24,055	2,392,851	-	2,416,906
Professional Fees and Outside Services	928,530	1,289,867	21,671	2,240,068
Computer Expense	273,530	1,480,099	8,770	1,762,399
Taxes and Licenses	775,190	88,812	-	864,002
Office Supplies	735,762	23,457	1,373	760,592
Travel	687,414	57,781	1,169	746,364
Equipment Purchase	484,829	41,441	151	526,421
Miscellaneous and Unallowable Expense	270,264	1,259,717	205	1,530,186
Equipment Rental	456,973	24,774	-	481,747
Staff Development	256,761	23,608	335	280,704
Laboratory Fees	242,286	-	-	242,286
Equipment and Maintenance	173,357	5,185	-	178,542
Printing and Postage	122,189	26,819	107	149,115
Dues and Subscriptions	18,583	74,562	-	93,145
Expenses before Depreciation and Amortization	89,350,189	16,328,081	79,397	105,757,667
Depreciation and Amortization	24,058	118,434	-	142,492
Total Expenses	<u>\$ 89,374,247</u>	<u>\$ 16,446,515</u>	<u>\$ 79,397</u>	<u>\$ 105,900,159</u>

See accompanying Notes to Consolidated Financial Statements.

**MENTAL HEALTH SYSTEMS, INC.**  
**DBA: TURN BEHAVIORAL HEALTH SERVICES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2023**

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 42,864,531	\$ 4,897,616	\$ 35,931	\$ 47,798,078
Employee Benefits	4,501,289	490,498	6,281	4,998,068
Payroll Taxes	3,188,533	341,478	3,091	3,533,102
Total Salary Related Expenses	50,554,353	5,729,592	45,303	56,329,248
Program Supplies	10,574,115	72,725	1,282	10,648,122
Consulting Fees	6,922,523	1,028,903	-	7,951,426
Occupancy	7,095,975	761,883	8,134	7,865,992
Client Housing	3,476,148	-	-	3,476,148
Professional Fees and Outside Services	993,464	1,804,456	60,467	2,858,387
Utilities and Telephone	2,427,802	194,869	1,424	2,624,095
Interest and Bank Charges	24,863	1,998,139	-	2,023,002
Insurance	833,158	844,007	778	1,677,943
Computer Expense	321,387	963,416	14,400	1,299,203
Miscellaneous and Unallowable Expense	195,299	618,196	-	813,495
Equipment Purchase	726,120	64,275	76	790,471
Travel	693,378	87,560	1,068	782,006
Office Supplies	666,977	57,800	291	725,068
Taxes and Licenses	593,181	62,540	112	655,833
Equipment Rental	347,955	14,437	152	362,544
Staff Development	281,479	55,374	85	336,938
Laboratory Fees	248,220	-	-	248,220
Equipment and Maintenance	232,992	14,181	-	247,173
Printing and Postage	124,241	41,138	673	166,052
Dues and Subscriptions	15,687	120,258	1,337	137,282
Expenses Before Depreciation				
Depreciation and	87,349,317	14,533,749	135,582	102,018,648
Depreciation and Amortization	13,905	157,044	-	170,949
Total Expenses	<u>\$ 87,363,222</u>	<u>\$ 14,690,793</u>	<u>\$ 135,582</u>	<u>\$ 102,189,597</u>

See accompanying Notes to Consolidated Financial Statements.

**MENTAL HEALTH SYSTEMS, INC.**  
**DBA: TURN BEHAVIORAL HEALTH SERVICES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2024 AND 2023**

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (3,721,699)	\$ (3,203,566)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation	142,492	170,949
Non-Cash Lease Expense	48,294	184,819
Bad Debt Expense	234,353	-
(Increase) Decrease in Assets:		
Contracts and Grants Receivable, Net	195,072	(1,023,931)
Other Receivables	44,810	238,742
Prepaid Expenses	(149,949)	(28,515)
Deposits	(85,377)	9,614
Increase (Decrease) in Liabilities:		
Accounts Payable	1,966,372	920,523
Accrued Liabilities	(807,223)	1,827,138
Deferred Revenue	2,241,229	(82,220)
Net Cash Provided (Used) by Operating Activities	108,374	(986,447)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(40,584)	(34,543)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings on Line of Credit	100,649,945	97,863,326
Borrowings on Notes Payable	1,320,000	2,500,000
Payments Made on Line of Credit	(101,772,683)	(97,031,792)
Payments Made on Notes Payable	(540,025)	(1,309,631)
Net Cash Provided (Used) by Financing Activities	(342,763)	2,021,903
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(274,973)	1,000,913
Cash and Cash Equivalents - Beginning of Year	1,829,081	828,168
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 1,554,108</u>	<u>\$ 1,829,081</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid During the Year:		
Interest	<u>\$ 1,762,737</u>	<u>\$ 1,410,959</u>

See accompanying Notes to Consolidated Financial Statements.

**MENTAL HEALTH SYSTEMS, INC.**  
**DBA: TURN BEHAVIORAL HEALTH SERVICES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**NOTE 1 ORGANIZATION**

**Mission and History**

Mental Health Systems, Inc., dba: TURN Behavioral Health Services, (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 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.**  
**DBA: TURN BEHAVIORAL HEALTH SERVICES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**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 97.95% and 97.71% of the Organization's support for the years ended June 30, 2024 and 2023, respectively, came from government contracts.

**MENTAL HEALTH SYSTEMS, INC.**  
**DBA: TURN BEHAVIORAL HEALTH SERVICES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**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 statements of activities as Net Assets Released from Restrictions.

**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 consolidated 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, 2024 and 2023.

Approximately 52% of the Organization's revenues are provided by the County of San Diego for both years June 30, 2024 and 2023.

**MENTAL HEALTH SYSTEMS, INC.**  
**DBA: TURN BEHAVIORAL HEALTH SERVICES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

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

**Contracts and Grants Receivable**

Contracts receivable consists of balances due for services provided pursuant to written and verbal contracts with various public and private agencies. U.S. GAAP requires that an allowance for doubtful accounts be established for accounts receivable. It is the Organization's policy to evaluate the collectability of receivables on a regular and ongoing basis, if deemed necessary, an adjustment to the allowance for bad debt is recorded. Accordingly, contracts and accounts receivable are shown net of an 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 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 \$460,659 and \$577,584 that have not been recognized at June 30, 2024 and 2023, 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.

**Donated Services and Materials**

No amounts have been reflected in the consolidated financial statements for donated services. The Organization generally pays for services requiring specific expertise. 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.

**MENTAL HEALTH SYSTEMS, INC.**  
**DBA: TURN BEHAVIORAL HEALTH SERVICES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

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

**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 expensed. 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Tax Status**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from California franchise taxes under Section 23701(d) of the State Revenue and Taxation Code.

The Organization files Internal Revenue Service Form 990 and State Forms 199 and RRF-1. Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management of the Organization does not believe the consolidated financial statements include any uncertain tax positions. With few exceptions, The Organization is not subject to U.S. federal and state examinations by tax authorities for the years before 2024 and 2023, respectively.

**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 on various allocation methods. 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.**  
**DBA: TURN BEHAVIORAL HEALTH SERVICES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

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

**Leases**

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets – operating and lease liability – operating, and finance leases are included in ROU assets – financing and lease liability – financing in the statement of financial position.

ROU assets represent the Organization’s right to use an underlying asset for the lease term and lease liabilities represent the Organization’s obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statement of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of all lease liabilities.

The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

**Subsequent Events**

Management has evaluated subsequent events through February 19, 2025, the date the consolidated financial statements were available to be issued.

**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:

	2024	2023
Cash and Cash Equivalents	\$ 1,554,108	\$ 1,829,081
Contracts and Grants Receivable	21,912,118	22,341,543
Total	<u>\$ 23,466,226</u>	<u>\$ 24,170,624</u>

**MENTAL HEALTH SYSTEMS, INC.**  
**DBA: TURN BEHAVIORAL HEALTH SERVICES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**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, 2024 and 2023, 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:

	2024	2023
Contracts Receivable	\$ 22,113,478	\$ 22,341,543
Less: Allowance for Doubtful Accounts	(201,360)	-
Total Due in One Year or Less	<u>\$ 21,912,118</u>	<u>\$ 22,341,543</u>

**NOTE 5 PROPERTY AND EQUIPMENT**

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

	2024	2023
Land	\$ 555,260	\$ 555,260
Building and Facilities	994,864	994,864
Vehicles	722,015	722,015
Furniture, Fixtures, and Equipment	500,146	493,754
Leasehold Improvements	683,935	683,935
Software	3,217,503	3,175,027
Total Property and Equipment	6,673,723	6,624,855
Less: Accumulated Depreciation	(5,420,015)	(5,269,238)
Property and Equipment, Net	<u>\$ 1,253,708</u>	<u>\$ 1,355,617</u>

Depreciation expense for the fiscal years ended June 30, 2024 and 2023 was \$142,492 and \$170,949, respectively.

**NOTE 6 ACCRUED LIABILITIES**

	2024	2023
Accrued Payroll	\$ 2,162,339	\$ 1,996,937
Accrued Benefits	3,127,398	3,555,376
Other Liabilities	2,224,173	2,768,820
Total Accrued Liabilities	<u>\$ 7,513,910</u>	<u>\$ 8,321,133</u>

**MENTAL HEALTH SYSTEMS, INC.**  
**DBA: TURN BEHAVIORAL HEALTH SERVICES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**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 \$17,000,000 in October 2022. The LOC has a variable interest rate of prime rate plus 1.50% and matures in January 2027. The LOC contains certain financial covenants and ratio requirements and as of June 30, 2024, the Organization was not compliant with financial covenants and ratio requirements. MHS obtained a waiver for the noncompliant covenants. As of June 30, 2024, the line of credit balance was \$12,428,755 and had an interest rate of 10.00%.

**NOTE 8 NOTES PAYABLE**

Notes payable consist of the following as of June 30:

	2024	2023
Clementine	\$ 495,469	\$ 512,495
CNH Term Loan	2,017,000	1,220,000
Total Notes Payable	<u>\$ 2,512,469</u>	<u>\$ 1,732,495</u>

Aggregate future principal payments are as follows:

	2024	2023
Due in One Year	\$ 2,034,852	\$ 1,237,025
Due in Two to Five Years	103,133	98,358
Thereafter	374,484	397,112
Total	<u>\$ 2,512,469</u>	<u>\$ 1,732,495</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, 2024 and 2023 was \$495,469 and \$512,495, respectively.

In July, 2023, 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 30, 2024, the note had an interest rate of 10.50% and a balance of \$2,017,000.

**MENTAL HEALTH SYSTEMS, INC.**  
**DBA: TURN BEHAVIORAL HEALTH SERVICES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**NOTE 9 COMMITMENTS AND CONTINGENCIES**

**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 due for the years ended June 30, 2024 and 2023 of \$60,566 and \$117,093, 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 consolidated financial statements.

**NOTE 10 LEASES**

The Organization leases equipment as well as certain operating and office facilities for various terms under long-term, noncancelable lease agreements. Certain facility leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. Additionally, the agreements generally require the Foundation to pay real estate taxes, insurance, and common area maintenance.

**MENTAL HEALTH SYSTEMS, INC.**  
**DBA: TURN BEHAVIORAL HEALTH SERVICES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**NOTE 10 LEASES (CONTINUED)**

The following tables provide quantitative information concerning the Foundation's leases for the year ended June 30, 2024:

	2024	2023
Operating Lease Cost	<u>\$ 6,203,750</u>	<u>\$ 6,417,503</u>
Other Information:		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Operating Cash Flows from Operating Leases	\$ 6,148,980	\$ 6,232,684
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	\$ 2,802,872	\$ 20,075,364
Weighted-Average Remaining Lease Term		
- Operating Leases	2.96 years	3.10 years
Weighted-Average Discount Rate - Operating Leases	5.00%	5.00%

A maturity analysis of annual undiscounted cash flows for operating lease liabilities is as follows:

<u>Year Ending June 30,</u>	2024	2023
2025	\$ 5,419,167	\$ 6,029,507
2026	3,556,694	4,878,601
2027	2,141,053	2,797,540
2028	1,274,583	1,383,903
2029	485,098	617,056
Thereafter	16,040	138,300
Undiscounted Cash Flows	12,892,635	15,844,907
Less: Present Value Discount	(901,428)	(1,154,635)
Total Present Value	<u>\$ 11,991,207</u>	<u>\$ 14,690,272</u>

**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.

**MENTAL HEALTH SYSTEMS, INC.**  
**DBA: TURN BEHAVIORAL HEALTH SERVICES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**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, 2024 and 2023, total expense was \$1,066,701 and \$1,102,520, 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 a net loss of (\$3,721,699) for the year ended June 30, 2024. As of June 30, 2024, the Organization's accumulated net asset deficit was (\$8,191,598).

Mental Health Systems, Inc. has been awarded government contracts of over \$126M for the fiscal year ending June 30, 2025. In addition, 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. Management plans to 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.  
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., dba: TURN Behavioral Health Services, (the Organization), which comprise the statement of financial position as of June 30, 2024, and the related 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 19, 2025.

**Report on 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) as a basis for designing 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 Organization's consolidated 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.

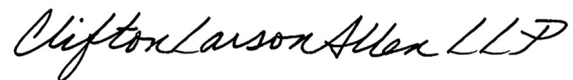
Board of Directors  
Mental Health Systems, Inc.  
dba: TURN Behavioral Health Services

### **Report on 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

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

**CliftonLarsonAllen LLP**

Los Angeles, California  
February 19, 2025





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

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

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

We have audited Mental Health Systems, Inc., dba: TURN Behavioral Health Services, (the Organization), compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2024. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

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

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

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

***Responsibilities of Management for Compliance***

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

### ***Auditors' Responsibilities for the Audit of Compliance***

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

### **Report on Internal Control Over Compliance**

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

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

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

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

#### **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, 2024, and have issued our report thereon dated February 19, 2025, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated 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 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.



**CliftonLarsonAllen LLP**

Los Angeles, California  
February 19, 2025

**MENTAL HEALTH SYSTEMS, INC.  
DBA: TURN BEHAVIORAL HEALTH SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2024**

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

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**Consolidated Financial Statements**

- |  |            |   |
|--|------------|---|
| 1. Type of auditors’ report issued:                      | Unmodified |   |
| 2. Internal control over financial reporting:            |            |   |
| • Material weakness(es) identified?                      | _____ yes  | _____ <input checked="" type="checkbox"/> no            |
| • Significant deficiency(ies) identified?                | _____ yes  | _____ <input checked="" type="checkbox"/> none reported |
| 3. Noncompliance material to financial statements noted? | _____ yes  | _____ <input checked="" type="checkbox"/> no            |

**Federal Awards**

- |   |            |   |
|---|------------|---|
| 1. Internal control over major federal programs:  |            |   |
| • Material weakness(es) identified?   | _____ yes  | _____ <input checked="" type="checkbox"/> no            |
| • Significant deficiency(ies) identified?   | _____ yes  | _____ <input checked="" type="checkbox"/> 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  | _____ <input checked="" type="checkbox"/> no            |

***Identification of Major Federal Programs***

**CFDA Number(s)**

14.267

93.778

**Name of Federal Program or Cluster**

Continuum of Care Program

Medical Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 897,363

Auditee qualified as low-risk auditee?

\_\_\_\_\_ ☒ yes \_\_\_\_\_ no

**MENTAL HEALTH SYSTEMS, INC.  
DBA: TURN BEHAVIORAL HEALTH SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2024**

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

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Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

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

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Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

**MENTAL HEALTH SYSTEMS, INC.**  
**DBA: TURN BEHAVIORAL HEALTH SERVICES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2024**

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	99.XXX	Federal Probation Program	0974-2022-3MHM	\$ 27,759
Chula Vista FPP	99.XXX	Federal Probation Program	0974-2022-MH02	220,351
Chula Vista FPP	99.XXX	Federal Probation Program	0974-2022-SA02	28,477
Chula Vista FPP	99.XXX	Federal Probation Program	0974-2023-05MHS	22,537
Chula Vista FPP	99.XXX	Federal Probation Program	0974-2023-9MHC	2,471
Chula Vista FPP	99.XXX	Federal Probation Program	0974-24-02MH	116,432
Chula Vista FPP	99.XXX	Federal Probation Program	0974-24-02SA	76,580
North County FPP SA03	99.XXX	Federal Probation Program	0974-2022-SA03	216,416
SD Central FPP	99.XXX	Federal Probation Program	0974-21-11UAC	20,745
SD Central FPP	99.XXX	Federal Probation Program	0974-24-01UA	62,891
				<u>794,659</u>
<b>Department of Education Office of Special</b>				
<b>Education and Rehabilitative Services:</b>				
Employment Services	84.126A	State of California	31878	<u>855,258</u>
<b>Department of Health and Human Services:</b>				
Fresno IMPACT MH	93.778	County of Fresno	23-284	1,425,246
Fresno IMPACT SUD	93.778	County of Fresno	23-290	241,648
Fresno First Residential DMC	93.778	County of Fresno	23-291	2,552,505
Family and Adult Alternatives (FAA) DMC	93.778	County of Fresno	23-290	536,126
Therapeutic Behavioral Services SB	93.778	County of San Bernardino	21-471	253,510
Success First SB Wrap	93.778	County of San Bernardino	21-940	328,514
PRIDE	93.778	County of San Bernardino	22-474	10,435
Needles Outpatient Services	93.778	County of San Bernardino	22-474	11,433
Yucca Valley Outpatient	93.778	County of San Bernardino	22-474	23,600
West Valley One Stop TAY Center	93.778	County of San Bernardino	20-365	404,981
San Bernardino ACT	93.778	County of San Bernardino	23-810	348,279
San Bernardino ACT	93.778	County of San Bernardino	23-810	22,931
Needles Recovery Services	93.778	County of San Bernardino	21-985	7,469
Central Valley Recovery Services	93.778	County of San Bernardino	21-985	23,805
Yucca Valley Recovery Services	93.778	County of San Bernardino	21-985	15,777
North Star ACT	93.778	County of San Diego	569672	370,704
Teen Recovery Center (North Inland)	93.778	County of San Diego	565055	680,148
Family Recovery Center Residential	93.778	County of San Diego	553434	719,756
Serial Inebriate Program	93.778	County of San Diego	554929	1,048,036
North County Drug Court	93.778	County of San Diego	567490	1,758,840
East County Drug Court	93.778	County of San Diego	567496	862,525
South County Drug Court	93.778	County of San Diego	567492	840,252
School Based- EPSDT	93.778	County of San Diego	518748	449,679
Center Star ACT	93.778	County of San Diego	565916	580,914
North Coastal MHC	93.778	County of San Diego	566306	1,040,900
North Inland MHC	93.778	County of San Diego	566305	995,917
Vista BPSR RA/MC	93.778	County of San Diego	566306	527,494
Kinesis North BPSR MHSA Adult MC	93.778	County of San Diego	566305	616,464
STEPS	93.778	County of San Diego	564979	18,464
FSP SBCM	93.778	County of San Diego	567664	181,554
FSP SBCM/TAY	93.778	County of San Diego	567664	80,099

See accompanying Notes to Schedule of Federal Awards.

**MENTAL HEALTH SYSTEMS, INC.**  
**DBA: TURN BEHAVIORAL HEALTH SERVICES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2024**

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>				
FSP SBCM Care Court	93.778	County of San Diego	567664	\$ 18,471
ACTION Central (MH)	93.778	County of San Diego	569091	398,276
ACTION Central (SUD)	93.778	County of San Diego	569091	764,173
ACTION East MH	93.778	County of San Diego	569093	357,991
ACTION East SUD	93.778	County of San Diego	569093	870,863
City Star ACT	93.778	County of San Diego	569668	212,959
North Coastal ACT	93.778	County of San Diego	569670	314,209
North Coastal ACT Care Court	93.778	County of San Diego	569670	43,505
Alianza BPSR	93.778	County of San Diego	570082	685,224
Teen Recovery Center (North Central)	93.778	County of San Diego	565056	595,183
North Star ACT Care Court	93.778	County of San Diego	569672	61,518
Santa Clara ACTION ACT	93.778	Santa Clara County	4300021653_CSS-A01 Adult/Older Adult	430,067
Santa Clara ACTION AOT	93.778	Santa Clara County	4300021654_CSS-A02 AOA BHOS Redesign	182,637
				<u>21,913,081</u>
North Coastal Mental Health Clinic	93.150	County of San Diego	566306	84,337
North Inland Mental Health Clinic	93.150	County of San Diego	566305	99,330
				<u>183,667</u>
Kern ACT-ION	93.275	County of Kern	762-2019	<u>1,018,525</u>
Floyd Farrow Behavioral Health Unit	93.958	County of Fresno	23-653	<u>179,469</u>
Central Valley Prevention	93.959	County of San Bernardino	21-434	167,658
Teen Recovery Center (North Inland)	93.959	County of San Diego	565055	16,469
Teen Recovery Center (North Central)	93.959	County of San Diego	565056	50,307
North Inland Community Prevention	93.959	County of San Diego	567585	437,619
PRIDE	93.959	County of San Bernardino	22-474	24,184
San Bernardino Drug Court	93.959	County of San Bernardino	20-490	28,821
Fontana Center for Change	93.959	County of San Bernardino	20-490	16,159
Central Valley Recovery Prevention	93.959	County of San Bernardino	21-985	71,454
Needles Prevention Program	93.959	County of San Bernardino	21-434	79,729
Needles Recovery Center	93.959	County of San Bernardino	21-985	83,462
Needles Outpatient Services	93.959	County of San Bernardino	22-474	4,933
Yucca Valley Outpatient	93.959	County of San Bernardino	22-474	10,183
Yucca Valley Recovery Center	93.959	County of San Bernardino	21-985	50,673
Joshua Tree Drug Court	93.959	County of San Bernardino	20-490	12,722
				<u>1,054,373</u>
North Inland Community Prevention (OD2A)	93.136	County of San Diego	567585	<u>8,020</u>
Total				<u>24,357,135</u>
<b>Department of Housing and Urban Development:</b>				
CoC Permanent Supportive Housing I	14.267	Federal-HUD	CA0693L9D012215	289,817
CoC Permanent Supportive Housing II	14.267	Federal-HUD	CA0689L9D012209	118,595
CoC Permanent Supportive Housing II	14.267	Federal-HUD	CA0689L9D012310	61,059
Shelter + Care IV (SDHC City) (41st Street)	14.267	Federal-HUD	HHI-24-13	647,793
CoC Permanent Supportive Housing IIIa	14.267	Federal-HUD	CA0689L9D012209	31,561
CoC Permanent Supportive Housing IIIa	14.267	San Diego Housing Commission	CA0689L9D012310	15,003
FRC Next Steps	14.267	Federal-HUD	CA1698L9D012205	88,462
FRC Next Steps	14.267	Federal-HUD	CA1698L9D012104	41,555
Safe Haven	14.267	Federal-HUD	CA0708L9D012316	52,088
Safe Haven	14.267	Federal-HUD	CA0708L9D012215	186,822
				<u>1,532,755</u>
Sponsor Based Vouchers VIP	14.881	San Diego Housing Commission	HAP	300,242
Sponsor Based Vouchers II	14.881	San Diego Housing Commission	HAP	595,512
ACTION Central SBS MH	14.881	San Diego Housing Commission	HAP	258,429
ACTION Central SBS	14.881	San Diego Housing Commission	HAP	456,329
Center Star [50] SBS Housing	14.881	San Diego Housing Commission	HAP	413,822
City Star ACT SBS Vouchers	14.881	San Diego Housing Commission	HAP	347,965
				<u>2,372,299</u>
Total				<u>3,905,054</u>
<b>Total Expenditures of Federal Awards</b>				<u><u>\$ 29,912,106</u></u>

See accompanying Notes to Schedule of Federal Awards.

**MENTAL HEALTH SYSTEMS, INC.**  
**DBA: TURN BEHAVIORAL HEALTH SERVICES**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2024**

**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 consolidated 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 consolidated 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.



