

**CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY (“CaIMHSA”)**

**FINANCIAL STATEMENTS**

June 30, 2022

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY (“CalMHSA”)  
Sacramento, CA

June 30, 2022

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## INDEPENDENT AUDITOR'S REPORT

*Board of Directors  
California Mental Health Services Authority  
Sacramento, California*

**Report on the Audit of the Financial Statements*****Opinions***

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the California Mental Health Services Authority (CALMHSA), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the California Mental Health Services Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the California Mental Health Services Authority, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit 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 (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the California Mental Health Services Authority, 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 opinions.

***Emphasis of Matters***

As discussed in Note 1 to the financial statements, during the year ended June 30, 2022, California Mental Health Services Authority adopted new accounting guidance, GASB Statement No. 87, Leases. The adoption resulted in recording a right-to-use lease asset and lease payable related to leases in the Governmental Activities. There was no impact to net position as of July 1, 2021 as a result of adoption.

***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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the California Mental Health Services Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 the California Mental Health Services Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the California Mental Health Services Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the Budgetary Comparison Schedule General Fund as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the California Mental Health Services Authority's basic financial statements. The Schedule of Annual Revenue and Expenses Reports (RER) are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 Annual Revenue and Expenses Reports (RER) are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2023 on our consideration of the California Mental Health Services Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the California Mental Health Services Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the California Mental Health Services Authority's internal control over financial reporting and compliance.

  
Crowe LLP

Costa Mesa, California  
December 8, 2023

## **Management Discussion and Analysis**

Management of California Mental Health Services Authority (“CalMHSA”) is pleased to present the following discussion and analysis that provides an overview of the financial position and activities of CalMHSA for the fiscal year ended June 30, 2022. The discussion should be read in conjunction with the financial statements and accompanying notes, which follow this section.

### **Overview of CalMHSA**

CalMHSA is an independent administrative and fiscal government agency focused on the efficient delivery of California mental health projects. On June 11, 2009, six California counties established CalMHSA as a Joint Powers Authority (JPA) to jointly develop, fund and implement mental/behavioral health projects and educational programs at the state, regional and local levels.

CalMHSA is headed by a separate Board of Member Counties and an Executive Committee comprised of officers and Statewide Regional Representatives. It employed the administrative firm, specializing in JPA management, of George Hills Company, Inc., which was terminated. Effective Nov 1, 2020, CalMHSA is independently operating and managing its entity, with its own staff and management, CalMHSA. CalMHSA operates within the statutes governing Joint Powers Agreement entities and complies with the Brown Act open meeting requirements.

As of June 30, 2022, 58 members (56 counties, one city and one JPA) work together to develop, fund programs that include, but not limited to, prevention and early intervention, State or other mental hospital beds and similar related services, State or federal government for administration of mental health services, programs or activities including but not limited to the Drug Medi-Cal Treatment Program, managed mental health care, delivery of specialty mental health services; operate program risk pools; provide any other similar or related fiscal or administrative services that would be of value to Members such as group purchasing, contract management, research and development, data management, maintenance of a research depository, training, technical assistance; capacity building; education and training; research, develop, and execute any appropriate policy request from the California State Association of Counties (CSAC) or its affiliates, on a statewide, regional or local level.

### **Background**

In 2004, California voters passed Proposition 63 (The Mental Health Services Act) (MHSA), landmark legislation that created an ongoing funding source and a framework for transforming California’s traditional community mental health system into a system equipped to support prevention and wellness, and on addressing the unmet needs of California’s diverse and underserved population groups with culturally relevant and effective services and education.

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In 2007, the Mental Health Services Oversight & Accountability Commission (MHSOAC), which was created as a stipulation of the MHSA to oversee the management of these funds, approved a one-time investment of \$160 million over four years. Three strategic initiatives were identified through a stakeholder process and approved by the MHSOAC in May 2008, for the distribution of this one-time allocation: \$40 million for Suicide Prevention (SP), \$60 million for Student Mental Health (SMH), and \$60 million for Stigma and Discrimination Reduction (SDR). On April 15, 2010, CalMHSA executed a contract with the California Department of Mental Health (CDMH) for the amount not to exceed \$160 million. The term of this contract was through June 30, 2014.

### **Sustainability - Phase I & Phase II**

As the end of the four-year period approached, the CalMHSA Board of Directors adopted a two-phase planning strategy for continuing the investment in statewide Prevention and Early Intervention (PEI) efforts. In April 2014, the CalMHSA Board approved a Phase I Funding Plan to sustain the existing Statewide PEI projects through June 30, 2015. Phase I was recognized as a short-term sustainability solution for the purpose of providing program partners with additional time to successfully complete their activities and deliverables, and to reduce the risk of any adverse consequences of discontinuing activities (e.g., the ability to measure long-term impact). In August 2014, the CalMHSA Board approved a Phase II Funding Plan for purpose of continuing work related to PEI projects through June 30, 2017. Funding for Phase I and Phase II is derived from current county members committing a range of 1% to 7% funding from their local PEI funds in addition to CalMHSA seeking other funding to include state and federal resources.

### **Sustainability - Phase III**

Through implementation of the Phase III CalMHSA Statewide PEI Project Plan, CalMHSA and its member counties embarked on the 7th year of PEI Project activities. In December 2016, the CalMHSA Board approved a Phase III Funding Plan for purpose of continuing work related to PEI projects through June 30, 2020. Funding for Phase III is derived from current county members committing up to 4% of their annual PEI funds to CalMHSA on an annual basis for 3 years.

## **2021/2022 Program Highlights**

### **Prevention and Early Intervention (PEI) Projects**

In FY 2021-2022, the Statewide Prevention and Early Intervention (PEI) project actively refocused the priorities of the campaign with an emphasis on Suicide Prevention, Help-Seeking Behavior Improvement, and culturally and linguistically congruent messaging. In addition to the refocusing of the campaign, CalMHSA worked with our Contractors to respond to the COVID-19 pandemic and the need for resources for diverse communities. Throughout the entire fiscal year, there was a clear focus on providing individuals with resources to help them through the pandemic and all the repercussions therein.

Key highlights of FY 2021-2022:

- Suicide and substance use prevention toolkit and resources
- Specialized Mental Health Awareness Toolkit
- May 2022 Mental Health Matters Month toolkit and resources
- Specialized support content for priority population

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The activities and strategies taken in FY 2021-2022 provided the campaign with lessons learned and strategies that are assisting CalMHSA and our Contractors to develop a new, and improved, campaign to meet the needs of our Member Counties and California's General Population.

**LA County PEI** – Through strategic partnerships Los Angeles Department of Mental Health focused their CalMHSA administered FY 20/21 PEI efforts on improving student mental health efforts throughout the County. These efforts included partnerships with renowned experts in the field of student mental health. The focus on the project centered around training school staff and students to recognize the signs of mental illness and suicide with the goal of reduced stigma and improved help-seeking. Moving forward, LA County will continue to prioritize training school staff and providing resources to youth while adapting to the new difficulties caused by distance learning.

**LA County Media Campaign** – CalMHSA continued its efforts in the development of cultural adaptation and customization of marketing assets, and advertisements in an effort to support a Prevention and Early Intervention media campaign focused on a virtual Mental Health Month (May 2022) as well as focusing on overall mental health as it relates to Covid-19 and its impact. LA County's approach was to encourage physical distance but staying connected to each other. As we move forward, a focus on prevention/early intervention as it relates to the pandemic and social justice will be incorporated into the overall campaigns while building upon relationships with partners to expand the reach across Los Angeles County.

CalMHSA administers **Impact Grants**, supporting county behavioral health departments in distributing Time-Limited Community Driven Prevention and Early Intervention grants. These grants assist local organizations in delivering mental health prevention services, enhancing access to housing, food, and employment resources, and reaching unserved and underserved populations. Behavioral health departments can tailor grant focus to their county's specific needs, promoting innovation in mental health prevention and early intervention. These grants prioritize culturally relevant outreach, community involvement, and lasting impacts, addressing components like Mental Health Services Act outreach, stigma reduction, and suicide prevention.

**Sacramento County PEI Grants** – During FY 2021-2022, the 28 Sacramento County Grantees continued to implement and expand their respective programs. While the COVID-19 pandemic caused some implementation delays all the grantees continued to meet their program goals and the needs of their respective communities. Due to the COVID-19 pandemic, Sacramento County has made the decision to not undergo a 2nd round of grants at this time, but this may be revisited based on local needs and feedback.

**Kaiser Grant** – California Behavioral Health Directors Association (CBHDA), in partnership with CalMHSA, will engage a coalition of California behavioral health stakeholders to develop and implement a multi-year strategic plan for strengthening the public behavioral health workforce (with focus on Southern California counties). The plan will include an assessment of current workforce gaps and challenges to inform policy recommendations and corresponding implementation strategies to help California build a future behavioral health workforce. This program's implementation was delayed as a result of COVID-19. Kaiser approached CalMHSA and CBHDA asking if a delay in start would be helpful. CBHDA, as the project lead, stated it would.

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**Health IT Program – Electronic Health Records** - CalMHSA is starting a collaborative effort encompassing 23 counties to implement a semi-statewide Electronic Health Record (EHR) system, a monumental step towards enhancing behavioral health data interoperability at the county level. The project's which funding started in current FY foresees full launching phase in July 2023, will serve over 37% of the state's Medi-Cal population, with more counties expected to join in future. This initiative streamlines and expands current county EHR systems, playing a pioneering role in achieving state and federal interoperability mandates. It aligns with legislative measures like Assembly Bill 133, the California Data Exchange Framework, and the Centers for Medicare & Medicaid Services (CMS) Interoperability and Patient Access rule. It establishes the groundwork in 2022 for future applications such as population health management and outcome-driven initiatives. The project also offers a valuable set of recommendations for a CMS interoperability work plan, aiding county behavioral health agencies in shaping short-term and long-term priorities.

### **Workforce**

In addition to the Statewide PEI and Innovative programs, the following Strategic Programs are included in CalMHSA's operations during the fiscal year ended June 30, 2022:

- **Employee Loan Forgiveness** – California's mental health workforce challenges, the Mental Health Services Act includes Workforce Education and Training (WET) programs. The 2020-25 WET Five-Year Plan prioritizes low-intensity public mental health services and non-licensed personnel use. CalMHSA serves as the pass-through agency for WET funds, providing application support, program implementation assistance, and contract management for various WET initiatives, including educational loan repayment for high-need professionals, undergraduate scholarships for service learning, and post-graduate stipends for clinical education. A new Workforce Loan Repayment program offers counties additional loan repayment opportunities, providing \$50,000 per recipient for hard-to-fill positions identified by counties, requiring a three-year service commitment. Upon verification by Participants of an employee's continued eligibility for loan forgiveness, CalMHSA will make payments directly to the employee's identified employee lending institution(s) and verify funds receipt by the employee lending institution and the reduced balance owed by the employee. These regional efforts include numerous counties.
- **Peer Certification** - In 2020, California passed a law (Senate Bill 803) that makes it possible for certified peer support specialists to be eligible for Medi-Cal reimbursement through county mental health plans and substance use disorder plans (behavioral health plans). This important step in the delivery of behavioral health care values the experience that peers — persons with lived experience — can provide and expands counties' capacity to care for those who need them. County behavioral health plans selected CalMHSA to implement a single, standardized Medi-Cal Peer Support Specialist certification program. This was done in recognition of the need for a uniform process across the state — one that does not require peers to obtain multiple certifications in multiple counties, supports quality and application of standards, creates efficiency for counties, and adds credibility to the peer profession in California. Key program activities include: Creating and implementing the certification program, approving training entities, certifying persons, conducting, investigations, and collecting data, Administering and disbursing scholarships and Monitoring program activities, evaluation, and quality assurance; processing complaints and appeals.

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### **Advancing Care Programs**

The following projects related to advancing care are included in CalMHSA's operations during the fiscal year ended June 30, 2022:

- **Suicide Prevention Hotline/Regional Suicide Prevention Hotlines** – CalMHSA manages the contracts for providers in different parts of the state to operate 24/7 suicide prevention hotlines that serve multiple counties. *The Central Valley Suicide Prevention Hotline* is operated by Kings View Behavioral Health and provides specialized support and outreach to seven contributing counties: Fresno, Kings, Madera, Mariposa, Merced, Stanislaus, and Tulare. Suicide Prevention of Yolo County operates the *Northern Valley Suicide Prevention Hotline*, supporting the counties of Butte, El Dorado, Humboldt, Nevada, Shasta, Solano, Sutter, Yolo, and Yuba. Hotline services include operating the hotline 24/7 with best practices for suicide crisis response, Maintaining American Association of Suicidology accreditation, providing volunteer training and supervision, conducting community outreach, and maintaining hotline website and Quarterly and monthly call data reports
- **Multi-County Full-Service Partnership Innovation Project** – Full-Service Partnership (FSP) programs are recovery-oriented, comprehensive services for people who are unhoused or at risk of becoming unhoused, have a severe mental illness, often have a history of contact with the criminal justice system, and have had multiple hospitalizations. FSP developed from the Community Service Support MHA component, in which funding is used to provide direct services to children and/or young people with serious emotional disturbances, as well as adults and older individuals with serious mental illness. Through CBOs and other direct service agencies, counties organize and provide a comprehensive spectrum of community services so that clients can achieve their goals. Because the FSP is implemented differently by each county, developing metrics for data and definitions is necessary for effectiveness. Through a Multi-County FSP Innovation Project, CalMHSA and its subcontractor, Third Sector, collaborate with 10 counties to network, clearly define admission and graduation criteria, and gather required data. The Multi-County FSP Innovation Project seeks to develop a more consistent data-driven strategy that gives counties more access to data use for enhancing FSP services and outcomes. Counties will use the combined resources and shared knowledge of a cohort model to deliver the most effective FSP programs and, ultimately, bring about a shift in the way mental health services are delivered.
- **Early Psychosis Intervention** CalMHSA acts as the technical and administrative liaison to aid counties in implementing an Early Psychosis Intervention Plus (EPI Plus) Program across Nevada, Mono, and Colusa counties. Working in collaboration with UC Davis Health, the program aims to expand the provision of high-quality, evidence-based early psychosis and mood disorder detection and intervention services in these counties' rural and underserved communities. CalMHSA's assistance includes: Developing materials and facilitating meetings and trainings as necessary, Management and oversight and Providing Mental Health Services Oversight and Accountability Commission reporting guidance and submitting reports to the commission on behalf of counties.

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- **Research** – CalMHSA collaborates with The RAND Corporation on research and analysis of program effectiveness. This analysis provides county behavioral health departments with keen insight into resource allocation and community impact through evidence-based assessments. Rigorous data analysis and impartial evaluation methodologies provide a comprehensive view of the outcomes and efficiencies of mental health initiatives. These expert evaluations inform decision-making and help optimize strategies to better serve diverse communities. By leveraging RAND's experience, CalMHSA members can refine their programs and ultimately enhance mental health services and the overall well-being of the Californians they serve.
- **Help@Hand** – Help@Hand, previously known as the Innovation Technology Suite Project (INN Tech Suite Project), is managed by CalMHSA for participating counties in a three-year demonstration project funded by counties. Its primary goal is to enhance mental health care access and early symptom detection, potentially predicting mental illness onset. Utilizing multifaceted devices like smartphones, tablets, and laptops, it connects and treats individuals often underserved by traditional mental health care. The project emphasizes prevention, early intervention, and family and social support, aiming to reduce reliance on psychiatric hospitals and emergency care services. Overall, Help@Hand seeks to expand mental health care accessibility and effectiveness.
- **State Hospital Beds** – CalMHSA collaborates with the California Department of State Hospitals (DSH) to negotiate hospital bed rates, quality of care, admissions, and discharge on behalf of counties. CalMHSA monitors the state's compliance with its statutory obligations for fiscal reporting and, as a result, has been able to suppress rates and save counties millions of dollars. Key activities include: Collaborating with legal counsel to ensure the state fulfills its obligation to report on rates, negotiating on behalf of every county (fees are associated with bed usage) and Seeking alternatives to state hospitals to provide added capacity without reducing the current obligation with DSH
- **Community Mental Health Equity Project** – A collaboration between the California Department of Public Health Office of Health Equity and the Department of Health Care Services' (DHCS) Medi-Cal Behavioral Health Division, the Community Mental Health Equity Project (CMHEP) addresses strategies and interventions aimed at reducing disparities in access to health and behavioral health care. CalMHSA provides technical assistance, training, and consultation, and participates in learning networks for the CMHEP. These activities enable county behavioral health plans and DHCS to understand beneficiaries' core needs and design behavioral health services that are data-driven, culturally responsive, trauma informed, and that include community-defined practices to reduce behavioral health disparities and ensure equitable care. CalMHSA also: Helps counties identify, locate, and interpret the data needed for their Cultural Competency Plans, creates tools, templates, and other supports for counties to collect and analyze data and Supports consumer and stakeholder outreach and engagement.

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### **Managed Care Programs**

The following projects related to managed care are included in CalMHSA's operations during the fiscal year ended June 30, 2022:

- **AB1299 | Presumptive Transfer for Foster Youth** – California law allows foster children who are placed outside of their county of original jurisdiction to access specialty mental health services in a timely manner through “presumptive transfer”. This requires the transfer of funds between counties. CalMHSA is working with counties to analyze the use of CalMHSA as a fiscal agent (CalMHSA) to process payments more efficiently and cost-effectively between counties. Under the Welfare and Institution Code § 14717.1, responsibility for providing or arranging for specialty mental health services shall promptly transfer from the county of original jurisdiction to the county in which a foster child resides, subject to any exceptions established pursuant to that section. This is known as “presumptive transfer.” Counties have agreed that the county of original jurisdiction (sending county) remains responsible for reimbursing the receiving county for specialty mental health services provided or arranged by the receiving county. Under this program, CalMHSA acts as a fiscal agent for participating counties to make and receive transfer payments of county match dollars. Counties started participating in this program July 1, 2018 and actively transferring payments from January 1, 2020.

### **California Advancing & Innovating Medi-Cal (CalAIM) Support for Counties**

- **Support for Counties** – CalMHSA plays a critical role in supporting counties' implementation of California Advancing and Improving Medi-Cal (CalAIM) within behavioral health, working with the Department of Health Care Services to facilitate the documentation, policy, and payment reforms necessary for CalAIM initiatives.
- **BHQIP Resources** – The Department of Health Care Services created the Behavioral Health Quality Improvement Program (BHQIP) to support implementation of the California Advancing & Innovating Medi-Cal (CalAIM) initiative. BHQIP is structured as an incentive program, allowing a mental health plan, Drug Medi-Cal State Plan, or a Drug Medi-Cal Organized Delivery System to earn incentive payments by achieving certain CalAIM implementation milestones. CalMHSA is providing technical assistance and subject matter expertise to county behavioral health plans toward achieving select BHQIP deliverables in the areas of payment reform, documentation redesign, policy implementation and data exchange.

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### Financial Highlights for the Fiscal Year Ended June 30, 2022

|              |                 |   |
|--------------|-----------------|---|
| Revenues     | \$100.5 million | Revenues increased by \$37.2 million of the prior year. The increase is mainly a result of the increase of WET program by \$20.5 million, PEI program by \$7.7 million, and PEER certification program by 7.0 million.  |
| Expenses     | \$75.5 million  | Expenses increased by \$27.0 million over the prior year. The increase is largely attributed to FEMA program by \$2.2 million, Sacramento Grant Awards Project by 2.3 million, the EHR program by 2.5 million, Help @ Hand program by \$2.5 million, and G&A due to CalMHSA growth by \$10.4 million. |
| Assets       | \$105.8 million | Assets increased \$10.7 million over the prior year. Cash and cash equivalents increased by \$19.1 million, Accounts Receivable decreased by \$13.2 million due to better receivables management.   |
| Liabilities  | \$19.3 million  | Liabilities decreased by \$14.2 million over the prior year. It's due to the decrease of current liabilities by \$15.8 million, netted with booking of lease liabilities of \$1.5 million.  |
| Net Position | \$86.5 million  | Net Position increased by \$25 million over the prior year.   |

### Overview of Financial Statements

The Authority's basic financial statements consist of three components: (1) Government-wide Financial Statements, (2) Fund Financial Statements and (3) Notes to the Basic Financial Statements.

#### Government-wide Financial Statements

The government-wide financial statements found on pages 17 and 18 are designed to give readers a broad overview of the Authority's financial position. These include all of the Authority's assets and liabilities, revenues, and expenses. The accounting basis is full accrual (similar to private sector companies) where revenues are recorded as earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows.

The Statement of Net Position presents all of the Authority's assets, liabilities with the difference reported as net position (or equity in the private sector). Over time, increases or decreases in net position serve as useful indicator of whether the financial position of the Authority is improving or declining.

The Statement of Activities presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

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### Fund Financial Statements

The fund financial statements can be found on pages 19 through 21 of this report. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

Differences between the two sets of financial statements are normally determined by the complexity of the reporting agency and usually revolve around different treatments for capital assets and debt issuance and repayment. Since the Authority has no capital assets and no long-term debts, the Government-wide and the Fund Financial Statements are similar.

Governmental Funds: The focus of the Authority's governmental fund is to provide information on the sources, uses and balances of spendable resources. Such information is useful in assessing the Authority's short-term financial requirements. The type of governmental fund reported by the Authority includes the General Fund.

Fiduciary Funds: The Authority's Fiduciary funds consist of two Custodial funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Authority's own programs.

### Notes to the Basic Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes describe the nature of CalMHSA's operations and significant accounting policies as well as clarify unique financial information.

### **Analysis of Overall Financial Position and Results of Operations**

The following sections provide additional details on CalMHSA's financial position and activities for fiscal years 2022 and 2021, and a look ahead at economic conditions that may affect CalMHSA in the future.

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CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
June 30, 2022

|                                    | Governmental Activities |               |
|------------------------------------|-------------------------|---------------|
|                                    | 2022                    | 2021          |
| <b>ASSETS</b>                      |                         |               |
| Current and other assets           | 104,236,819             | \$ 95,131,469 |
| Noncurrent Assets                  | 1,621,039               | -             |
| Total Assets                       | 105,857,858             | 95,131,469    |
| <b>Liabilities</b>                 |                         |               |
| Current Liabilities                | 17,641,948              | 33,441,107    |
| Long-term liabilities              | 1,673,821               | 122,718       |
| Total Liabilities                  | 19,315,769              | 33,563,825    |
| <b>Net Position</b>                |                         |               |
| Net Investment in Capital Assets   | 41,959                  | -             |
| Restricted                         | 78,974,730              | 3,884,422     |
| Unrestricted                       | 7,525,400               | 57,683,222    |
| Total Net Position                 | 86,542,089              | 61,567,644    |
| Total Liabilities and Net Position | \$ 105,857,858          | \$ 95,131,469 |

**I. Net Position**

Total assets increased by \$10.7 million from \$95.1 million on June 30, 2021, to \$105.8 million at June 30, 2022. \$26.0 million is held in the Local Agency’s Investment Fund (LAIF), an external investment pool managed by the State Treasurer’s Office, and \$67.2 million is held by California Bank & Trust.

Total liabilities decreased by \$14.2 million from \$33.6 million as of June 30, 2021, to \$19.3 million at June 30, 2022. The decrease is related to CalMHSA proactive management of current and program liabilities. Additionally, there was an increase in unearned revenues of \$1.1 million.

(Continued)

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
June 30, 2022

**II. Statement of Revenues, Expenses and Changes in Net Position**

|                              | Governmental Activities |               |
|------------------------------|-------------------------|---------------|
|                              | 2022                    | 2021          |
| Revenues                     | \$ 100,462,394          | \$ 63,249,447 |
| Expenses:                    |                         |               |
| Program Expenses             | 68,399,972              | 46,557,343    |
| General and Administration   | 7,087,977               | 1,446,500     |
| Total Expenses               | 75,487,949              | 48,003,843    |
| Change in Net Position       | 24,974,445              | 15,245,604    |
| Net Position - Prior Year:   | 61,567,644              | 46,322,040    |
| Net Position - Current Year: | \$ 86,542,089           | \$ 61,567,644 |

For the fiscal year ended, June 30, 2022, total revenue increased by \$37.2 million. The increase is a result of funding for WET, PEI, PEER certification programs.

Expenses increased by \$27.5 million over the prior year. The increase is directly related to the FEMA, the EHR, Help@Hand, PEI program expenses.

**Financial Analysis of Fund Statements**

The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the Authority's governmental fund is to provide information on the sources, uses and balances of spendable resources. Such information is useful in assessing the Authority's short-term financial requirements. The type of governmental fund reported by the Authority includes the General Fund.

The General Fund is the only operating fund for the Authority. At the end of the fiscal year, the General Fund's total fund balance was \$80.7 million as compared to \$56.6 million for the prior fiscal year. There is an increase of \$24.1 million, or 42.5%, due to higher amount of revenues over expenditures during the last fiscal year as a result of growth.

(Continued)



Revenues for the Authority consist primarily of dues from 58 members comprised of 56 counties, one city, and one JPA. Revenues during the year increased to \$100.5 million this FY2022 compared to \$63.2 million this FY2021. The increase of \$37.3 million or 59.0% is due to additional grant revenue received.

Expenditures during the year increased to \$75.4 million this FY2022 compared to \$48.0 million this FY2021. The increase of \$27.4 million or 57.0% is due to the new grant program expenses.

### **Description of Facts or Conditions that are expected to have a Significant Effect on Financial**

#### **Position or Results of Operations**

For the past decade, California has steadily grown a statewide movement toward prevention and early intervention underwritten by MHSAs funds. CalMHSA was created by the counties in 2010, to administer MHSAs PEI projects on a statewide basis. Through the initial implementation and the second phase (Phase I: 2011-2015, Phase II: 2015-2017, and Phase III: 2018-2020) of the CalMHSA Statewide PEI Project, CalMHSA developed and implemented population-based strategies aligned with Welfare and Institutions Code Section 5840. The PEI Project continues to be endorsed by counties but funding with local MHSAs funds continues to be challenging.

Given these concerns, some counties may have declined or reduced their funding level to the PEI Project because of lack of local stakeholder support for statewide initiatives that don't directly apply to specific local needs. CalMHSA wants to facilitate continued county investment in the PEI Project by allowing more flexibility for local activities, referred to as "county specific projects." These county-specific projects would be built from programs that are currently implemented under the Statewide PEI Project, such as Each Mind Matters, Know the Signs, Walk In Our Shoes, Directing Change, or others.

The COVID-19 pandemic impacted various programs. Given much of the PEI Program's work is out engaging the community, funds were not expended as previously planned. In other programs, Members expedited launching resources to their communities due to need, therefore work on these programs increased.

#### **Budgetary Highlights**

CalMHSA's annual budget approval process begins with a preliminary budget which is revised to reflect new programs or closing programs and presented to the Finance Committee.

CalMHSA adopts an annual budget after a preliminary budget is approved by the Finance Committee and the Finance Committee chair presents the proposed budget to the Board. During the year, if an amendment to the budget is required the amended budget is presented to the Board for approval. A budgetary comparison schedule (page 31) has been provided to demonstrate compliance with this budget.

(Continued)

During the fiscal year, actual revenues were higher than budgetary estimated revenues by about \$1.7 million. The increase in revenues is primarily due to new grant program funding.

**Request for Information**

We hope that the preceding information has provided you with a general overview of CalMHSA's overall financial status. For questions or comments concerning information contained in this report, please contact P.O. Box 22967, Sacramento, CA 95822.

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY  
STATEMENT OF NET POSITION  
June 30, 2022

|  | Governmental<br>Activities |
|--|----------------------------|
| <b>ASSETS</b>                                  |                            |
| Current assets:                                |                            |
| Cash and cash equivalents                      | \$ 89,593,713              |
| Prepaid expenses                               | 177,336                    |
| Accounts receivable                            | 14,420,258                 |
| Other receivables                              | 21,553                     |
| Other assets                                   | 23,959                     |
| Total current assets                           | 104,236,819                |
| Noncurrent assets:                             |                            |
| Right-to-use asset, net of amortization        | 1,579,080                  |
| Capital assets, net of depreciation            | 41,959                     |
| Total noncurrent assets                        | 1,621,039                  |
| Total assets                                   | \$ 105,857,858             |
| <b>LIABILITIES</b>                             |                            |
| Current liabilities:                           |                            |
| Accounts payable                               | \$ 12,970,577              |
| Accrued expenses                               | 234,899                    |
| Current portion of long-term lease liabilities | 223,065                    |
| Unearned revenue                               | 4,213,407                  |
| Total current liabilities                      | 17,641,948                 |
| Noncurrent liabilities:                        |                            |
| Accrued compensated absences                   | 206,241                    |
| Long-term lease liabilities                    | 1,467,580                  |
| Total noncurrent liabilities                   | 1,673,821                  |
| Total liabilities                              | \$ 19,315,769              |
| <b>NET POSITION</b>                            |                            |
| Net Investment in Capital Assets               | \$ 41,959                  |
| Restricted                                     | 78,974,730                 |
| Unrestricted                                   | 7,525,400                  |
| Total net position                             | \$ 86,542,089              |
| Total liabilities and net position             | \$ 105,857,858             |

See Notes to Financial Statements

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED June 30, 2022

| Functions/programs            | Program Revenues |                         |  | Net (Expenses)<br>Revenues and<br>Change in<br>Net Position |
|-------------------------------|------------------|-------------------------|--|---|
|                               | Expenses         | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Change<br>in Activities                                     |
| Governmental Activities:      |                  |                         |  |   |
| General Government            | \$ 75,487,949    | \$ 7,584,785            | \$ 92,490,544                            | \$ 24,587,380   |
| Total governmental activities | \$ 75,487,949    | \$ 7,584,785            | \$ 92,490,544                            | 24,587,380  |
| General Revenues:             |                  |                         |  |   |
| Investment Earnings           |                  |                         |  | 58,670  |
| Miscellaneous Income          |                  |                         |  | 328,395   |
| Total general revenues        |                  |                         |  | 387,065   |
| Change in net position        |                  |                         |  | 24,974,445  |
| Net position – beginning      |                  |                         |  | 61,567,644  |
| Net position – ending         |                  |                         |  | \$ 86,542,089   |

See Notes to Financial Statements

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY  
BALANCE SHEET  
GOVERNMENTAL FUND  
June 30, 2022

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|  | <u>General Fund</u>   |
|--|-----------------------|
| <b>ASSETS</b>  |                       |
| Cash and cash equivalents  | \$ 89,593,713         |
| Prepaid expenses   | 177,336               |
| Accounts receivable  | 14,420,258            |
| Other receivables  | 21,553                |
| Other assets   | <u>23,959</u>         |
| Total assets   | <u>\$ 104,236,819</u> |
| <br>   |                       |
| <b>LIABILITIES</b>   |                       |
| Accounts payable   | \$ 12,970,577         |
| Accrued expenses   | 234,899               |
| Unearned revenue   | <u>4,213,407</u>      |
| Total liabilities  | <u>\$ 17,418,883</u>  |
| <br>   |                       |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                               |                       |
| Unavailable revenue  | <u>6,136,107</u>      |
| Total deferred inflows of resources                                | <u>\$ 6,136,107</u>   |
| <br>   |                       |
| <b>FUND BALANCE</b>  |                       |
| Nonspendable   | \$ 177,336            |
| Restricted   | 74,455,659            |
| Unassigned   | <u>6,048,834</u>      |
| Total fund balance   | <u>80,681,829</u>     |
| <br>   |                       |
| Total liabilities, deferred inflows of resources, and fund balance | <u>\$ 104,236,819</u> |

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See Notes to Financial Statements

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2022

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|   |    |            |
|---|----|------------|
| Total fund balances – per governmental fund balance sheet | \$ | 80,681,829 |
|---|----|------------|

Amounts reported for governmental activities in the statement of net position are different because:

|   |  |           |
|---|--|-----------|
| Revenues recognized for governmental activities that are not available in the current period and, therefore, are not reported in the funds. |  | 6,136,107 |
|---|--|-----------|

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

|                                   |  |         |
|-----------------------------------|--|---------|
| Capital assets at historical cost |  | 46,374  |
| Accumulated depreciation          |  | (4,415) |
| Net capital assets                |  | 41,959  |

Right to use leased assets used in governmental activities are not financial resources and therefore not reported in the funds.

|  |  |           |
|--|--|-----------|
| Right to use assets at historical cost |  | 1,773,761 |
| Accumulated amortization               |  | (194,681) |
| Net right to use leased assets         |  | 1,579,080 |

Some Liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities consist of the following:

|   |  |             |
|---|--|-------------|
| Lease Payable   |  | (1,690,645) |
| Compensated absences payable                                |  | (206,241)   |
| Total Liabilities not due and payable in the current period |  | (1,896,886) |

|   |    |            |
|---|----|------------|
| Net position of governmental activities | \$ | 86,542,089 |
|---|----|------------|

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED June 30, 2022

|   | General Fund  |
|---|---------------|
| <b>Revenues</b>                             |               |
| Intergovernmental                           | \$ 91,655,706 |
| Charges for Services                        | 7,355,512     |
| Investment Earnings                         | 58,670        |
| Miscellaneous                               | 328,395       |
| Total revenues                              | 99,398,283    |
| <b>Expenditures</b>                         |               |
| Current                                     |               |
| General Government                          | 77,025,465    |
| Total expenditures                          | 77,025,465    |
| <b>Excess of Revenues over Expenditures</b> | 22,372,818    |
| <b>Other Financing Sources</b>              |               |
| Lease Financing                             | 1,690,645     |
| Net change in fund balance                  | 24,063,463    |
| Fund balance – beginning                    | 56,618,366    |
| Fund balance – ending                       | \$ 80,681,829 |

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See Notes to Financial Statements

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY  
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT  
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED June 30, 2022

---

|   |               |
|---|---------------|
| Net change in fund balance of the governmental fund   | \$ 24,063,463 |
| <p>Amounts reported for governmental activities in the statement of activities are different because:</p>   |               |
| <p>Net changes in unavailable revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the fund</p>               | 1,064,111     |
| <p>Right to use leased assets used in governmental activities are not financial resources and therefore not reported in the funds.</p>  |               |
| Right to use assets expenditures  | 1,773,761     |
| Right to use assets amortization expense  | (194,681)     |
| Right to use asset - Net  | 1,579,080     |
| <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>  |               |
| Capital expenditures  | 46,374        |
| Depreciation Expense  | (4,415)       |
| Capital assets - Net  | 41,959        |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the fund</p> |               |
| Change in compensated absences  | (83,523)      |
| <p>The incurrence of lease liabilities provides current financial resources to governmental funds but does not have any effect on net position.</p>                             |               |
| Other Financing Uses: Lease Financing   | (1,690,645)   |
| Change in net position of governmental activities   | \$ 24,974,445 |

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See Notes to Financial Statements



CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2022

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|   | <u>Custodial Fund</u>      |
|---|----------------------------|
| <b>ASSETS</b>                                     |                            |
| Cash and cash equivalents                         | \$ 3,654,094               |
| Accounts Receivable                               | <u>98,259</u>              |
| <br>  |                            |
| Total assets                                      | <u><u>3,752,353</u></u>    |
| <br>  |                            |
| <b>NET POSITION</b>                               |                            |
| Restricted for:                                   |                            |
| Individuals, organizations, and other governments | <u>\$ 3,752,353</u>        |
| <br>  |                            |
| Total net position                                | <u><u>\$ 3,752,353</u></u> |

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See Notes to Financial Statements

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED June 30, 2022

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|   | <u>Custodial Funds</u> |
|---|------------------------|
| <b>ADDITIONS</b>                                  |                        |
| Contributions:                                    |                        |
| Members   | \$ 1,340,411           |
| Total contributions                               | 1,340,411              |
| Investment earnings:                              |                        |
| Interest, dividends, and other                    | 6,039                  |
| Total investment earnings                         | 6,039                  |
| Total additions                                   | 1,346,450              |
| <b>DEDUCTIONS</b>                                 |                        |
| Benefits paid to participants or beneficiaries    | 225,000                |
| Refunds and transfers to other systems            | 571,722                |
| Administrative expense                            | 28,452                 |
| Total deductions                                  | 825,174                |
| Net increase (decrease) in fiduciary net position | 521,276                |
| Net position – beginning                          | 3,231,077              |
| Net position – ending                             | \$ 3,752,353           |

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See Notes to Financial Statements

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### REPORTING ENTITY

California Mental Health Services Authority (“CalMHSA”) is an independent administrative and fiscal government agency focused on the efficient delivery of California Mental Health projects and programs. CalMHSA was established by a Joint Powers Agreement on July 1, 2009, under Government Code Section 6500 et seq. among California Counties to obtain and administer public funds to provide certain community mental health services to persons residing within the same counties and cities. Member counties jointly develop, fund, and implement mental health services, projects, and educational programs at the state, regional, and local levels. CalMHSA is governed by a Board of Directors, which is composed of the local county or city mental health director from each member, appointed or designated. As of June 30, 2022, there were 58 members (56 counties, one city and one JPA).

Admission: To be accepted for membership in CalMHSA, counties must complete an application form and submit the required one-time application fee. The application fee ranges from \$250 - \$1,000 depending on the most recent county population figures published by the State Department of Finance. Counties must then submit a signed participation resolution to CalMHSA that has been approved by the county’s Board of Supervisors, execute the Joint Powers Authority Agreement and agree to be bound by any subsequent amendments to the agreement, designate an alternate to the Board as representative and complete the required Fair Political Practices Commission (FPPC) forms.

Withdrawal: A member may withdraw from CalMHSA upon written notice no later than December 31 of the fiscal year if it has never become a participant in any program or if it had previously withdrawn from all programs in which it was a participant. A member who withdraws from CalMHSA is not entitled to the return of any payments to the Authority.

CalMHSA is not a legislative agency, nor an approval or advocacy body. CalMHSA is a best practice inter-governmental structure with growing capacity and capability to promote systems and services arising from a shared member commitment to community mental health. CalMHSA supports the values of the California Mental Health Services Act:

- Community collaboration
- Cultural competence
- Client/family-driven mental health system for children, transition age youth, adults, older adults
- Family-driven system of care for children and youth
- Wellness focus, including recovery and resilience
- Integrated mental health system service experiences and interactions

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

The Mental Health Services Act (Proposition 63), passed in November 2004, provides the first opportunity in many years for the California Department of Mental Health (DMH) to provide increased funding, personnel and other resources to support county mental health programs and monitor progress toward statewide goals for children, transition age youth, adults, older adults and families. This Act imposes a 1% income tax on personal income in excess of \$1 million and provides the counties of California the funds needed to set up contract services for strategies to reduce the following negative outcomes that may result from untreated mental illness:

- Suicide
- Incarcerations
- School failure or dropout
- Unemployment
- Prolonged suffering
- Homelessness
- Removal of children from their homes

As the counties are responsible to use these funds as stated, CalMHSA was established in 2009 to help with the contracting of these services.

**BASIS OF PRESENTATION**

The Statement of Net Position and the Statement of Activities display information about CalMHSA. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities.

The Government-Wide Statement of Net Position presents information on all of CalMHSA's assets and liabilities, with the difference between the two presented as net position. Net Position is reported as one of three categories: invested in capital assets, net of related debt; restricted or unrestricted. Restricted net position is further classified as either net position restricted by enabling legislation or net position that are otherwise restricted. All fiduciary activities are reported only in the fund financial statements.

The Government-Wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of CalMHSA's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function. CalMHSA does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of CalMHSA. CalMHSA reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function.

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(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Financial Statements: Fund financial statements report detailed information about CalMHSA. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. CalMHSA has only one operating fund, the General Fund.

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

Government-Wide Financial Statements: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments and service charges are recognized as revenues in the year for which they are levied. Expenses are recorded when liabilities are incurred.

Governmental Fund Financial Statement: Governmental fund financial statements (i.e., Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For this purpose, CalMHSA considers revenues to be available if they are collected within 90 days of the end of the current fiscal period.

Non-exchange transactions, in which CalMHSA receives value without directly giving equal value in return, include program funding, assessments and interest income. Under the accrual basis, revenue from program funding and assessments is recognized in the fiscal year for which the program funding and assessments are levied. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**FUND ACCOUNTING**

The accounts of CalMHSA are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. CalMHSA resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. CalMHSA has one governmental fund and one fiduciary fund.

Governmental Fund: The General Fund is the general operating fund of CalMHSA. It is used to account for all transactions except those required or permitted by law to be accounted for in another fund.

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(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fiduciary Fund: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support CalMHSA's programs.

Custodial Fund: Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The external portion of investment pools that are not held in a trust that meets the criteria in paragraph 11c(1) should be reported in a separate external investment pool fund column, under the custodial funds classification.

- **AB1299** – California law allows foster children who are placed outside of their county of original jurisdiction to access specialty mental health services in a timely manner through “presumptive transfer”. This requires the transfer of funds between counties. CalMHSA is working with counties to analyze the use of CalMHSA as a fiscal agent (CalMHSA) to process payments more efficiently and cost-effectively between counties.

Under the Welfare and Institution Code § 14717.1, responsibility for providing or arranging for specialty mental health services shall promptly transfer from the county of original jurisdiction to the county in which a foster child resides, subject to any exceptions established pursuant to that section. This is known as “presumptive transfer.” Counties have agreed that the county of original jurisdiction (sending county) remains responsible for reimbursing the receiving county for specialty mental health services provided or arranged by the receiving county. Under this program, CalMHSA acts as a fiscal agent for participating counties to make and receive transfer payments of county match dollars. Counties commenced participating in this program July 1, 2018.

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(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF ACCOUNTING AND MEASUREMENT FOCUS**

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or when their receipt occurs within 90 days after the end of the fiscal year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recognized later based on specific accounting rules, generally when payment is due.

**BUDGETARY BASIS OF ACCOUNTING**

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the general fund. CalMHSA presents a comparison of annual budget to actual results.

The draft budget is presented to and accepted by the Finance Committee. Prior to July 1, the Chair to the Finance Committee presents the recommended budget to the Board of Directors for approval.

CalMHSA does not use encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

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(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**GASB STATEMENT NO. 87**

GASB 87 requires state and local governments to recognize leases on their financial statements, including a lease liability and a right-of-use asset. This impacts balance sheets, income statements, and notes to financial statements, enhancing transparency in reporting lease obligation. The requirements of this statement are effective for the current reporting period. Additional information located within Note 6 below.

**CASH AND CASH EQUIVALENTS**

CalMHSA considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

**CAPITAL ASSETS**

CalMHSA developed a secure portal with approval by the California Behavioral Health Directors Association (CBHDA) for its AB1299 program to allow counties to perform timely presumptive transfers. The portal became functional in January 2020 and CalMHSA capitalized prior expenses to get the portal operational in FY 2019-2020. The Capital Assets Footnote 5 can be found on page 36 of this report.

**GRANT ENTITLEMENT**

CalMHSA is a participant in a number of federal and state-assisted programs. These programs may be subject to future compliance audits by the grantors. Accordingly, the Authority's compliance with applicable program requirements is not completely established. The amount, if any, of expenditures that may be disallowed by the grantors cannot be determined at this time. The Authority believes it has adequately provided for potential liabilities, if any, which may arise from the grantors' audits.

**COMPENSATED ABSENCES**

CalMHSA's Paid Time Off policy permits employees to accumulate earned but unused paid time off benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Sick Leave lapses when employees leave the employ of CalMHSA and, upon separation from service, no monetary obligation exists.

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(Continued)



**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**DEFERRED INFLOWS**

In addition to liabilities, the balance sheet includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: charges for services and intergovernmental. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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 these estimates.

**NET POSITION**

The government-wide and fiduciary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- **Net investment in capital assets** - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted net position** - consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Sometimes CalMHSA will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the CALMHSA’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**FUND BALANCE**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”, CalMHSA is required to report fund balances in the following categories, as applicable: Nonspendable, Restricted, Committed, Assigned and/or Unassigned.

*Nonspendable Fund Balance* reflects assets not in spendable form, either because they will never convert to cash (e.g., prepaid expense) or must remain intact pursuant to legal or contractual requirements.

*Restricted Fund Balance* reflects amounts that can be spent only for the *specific purposes* stipulated by constitution, external resource providers, or through enabling legislation.

*Committed Fund Balance* reflects amounts that can be used only for the *specific purposes* determined by a formal action of the government’s highest level of decision-making authority: the Board of Directors. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors.

*Assigned Fund Balance* reflects amounts intended to be used by the government for *specific purposes* but do not meet the criteria to be classified as restricted or committed. In accordance with adopted policy, only the Board of Directors is authorized to assign amounts for specific purposes.

*Unassigned Fund Balance* represents the residual classification for the government’s general fund and includes all spendable amounts not contained in the other classifications.

When expenditures are incurred for purposes of which restricted, committed, assigned and unassigned fund balances are available, CalMHSA considers restricted funds to have been spent first, followed by committed, assigned and unassigned, respectively.

**NOTE 2 – CASH AND INVESTMENTS**

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as of June 30, 2022, consisted of the following:

|                          |                      |
|--------------------------|----------------------|
| Cash on hand             | \$ 63,628,608        |
| LAIF                     | 25,965,105           |
| Fiducy fund cash on hand | <u>3,654,094</u>     |
|                          | <u>\$ 93,247,807</u> |

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(Continued)

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**Cash in Bank**

As of June 30, 2022, CalMHSA's cash balance per the bank (excluding Money Market and LAIF accounts) of \$68,243,433, is insured by the Federal Depository Insurance Corporation up to \$250,000. Section 53652 of the California Governmental Code requires financial institutions to secure deposits made by governmental units in excess of insured amounts, by the pledging of governmental securities as collateral. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by governmental units.

**Custodial Account**

As of June 30, 2022, CalMHSA had \$3,654,094 in the special custodial cash account under AB 1299 program.

**Local Agency Investment Fund**

California Mental Health Services Authority places certain funds with the State of California's Local Agency Investment Fund (LAIF). The District is a voluntary participant in LAIF, which is regulated by the California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurers Office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the District's investment in this pool is reported in the accompanying financial statements based upon the CalMHSA's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The monies held in the pooled investment funds are not subject to categorization by risk category. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the master account with twenty-four hours' notice. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

LAIF is administered by the State Treasurer and is audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall, Sacramento, California 95814. The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity, and yield are not jeopardized. Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goals of safety, liquidity, and yield are not jeopardized. Total amount held under LAIF is \$25,965,105 as of June 30, 2022.

**GASB Statement No. 31**

GASB Statement No. 31 requires CalMHSA to adjust the carrying amount of its investment portfolio to reflect the change in fair or market values. Interest revenue is increased or decreased in relation to this adjustment of unrealized gain or loss. Net interest income in the funds reflects this positive or negative market value adjustment.

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(Continued)

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**INVESTMENTS**

Investments are reported at fair value. Changes in fair value that occur during a fiscal year and any gains or losses realized upon the liquidation, maturity, or sale of investments are recognized as net increase (decrease) in investment fair values reported for that fiscal year. Investment income consists primarily of interest earnings on investments held by CalMHSA.

Disclosures Relating to Interest Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that CalMHSA manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of CalMHSA's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity. For purposes of the schedule shown below, any callable securities are assumed to be held to maturity.

Disclosures Relating to Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. At June 30, 2022, CalMHSA did not hold any investments.

Concentration of Credit Risk - The investment policy of CalMHSA contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The California Government Code and CalMHSA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure CalMHSA's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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(Continued)

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED June 30, 2022

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**NOTE 3 – RECEIVABLES**

The receivables balance represents funding revenue for programs that were billed prior to year-end, but funds were not received until after year end. Due to the nature of the receivables and the likelihood of collection, no provision for uncollectible accounts has been made. Receivables for FY 2021-2022 total \$14,420,258. As of June 30, 2022, there are no receivables that are not expected to be collected within one year.

**NOTE 4 – UNEARNED REVENUE**

Unearned revenue in the governmental funds represents restricted amounts received for which revenue recognition criteria have not been met because such amounts have not yet been earned. At June 30, 2022, there was \$4,213,407 unearned revenue for grants received not yet spent.

**NOTE 5 – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2022, was as follows:

|  | Balance<br>July 1, 2021 | Additions           | Deletions   | Balance<br>June 30, 2022 |
|--|-------------------------|---------------------|-------------|--------------------------|
| Capital assets being depreciated         |                         |                     |             |                          |
| AB 1299 Portal                           | \$ 581,501              | \$ -                | \$ -        | \$ 581,501               |
| Furniture and Equipment                  | -                       | 46,374              | -           | 46,374                   |
| Total capital assets being depreciated   | <u>581,501</u>          | <u>46,374</u>       | <u>-</u>    | <u>627,875</u>           |
| Less accumulated depreciation            |                         |                     |             |                          |
| AB 1299 Portal                           | (581,501)               | -                   | -           | (581,501)                |
| Furniture and Equipment                  | -                       | (4,414)             | -           | (4,414)                  |
| Total accumulated depreciation           | <u>(581,501)</u>        | <u>(4,414)</u>      | <u>-</u>    | <u>(585,915)</u>         |
| Right-to-Use Asset being amortized       |                         |                     |             |                          |
| Right-to-Use Lease Asset                 | -                       | 1,773,761           | -           | 1,773,761                |
| Total Right-to-Use Asset being amortized | <u>-</u>                | <u>1,773,761</u>    | <u>-</u>    | <u>1,773,761</u>         |
| Total accumulated amortization           | <u>-</u>                | <u>(194,681)</u>    | <u>-</u>    | <u>(194,681)</u>         |
| Total capital assets, Net                | <u>\$ -</u>             | <u>\$ 1,621,040</u> | <u>\$ -</u> | <u>\$ 1,621,040</u>      |

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(Continued)

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY ("CalMHSA")  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED June 30, 2022

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**NOTE 6 – LONG-TERM LIABILITIES**

The impact of minimum lease obligation to CalMHSA books as of June 30, 2022, is \$1,690,645. The future minimum lease obligation breakdown and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

| <u>Fiscal Year Ending<br/>June 30,</u> | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>        |
|--|---------------------|-------------------|---------------------|
| 2023                                   | \$ 223,065          | \$ 56,057         | \$ 279,122          |
| 2024                                   | 249,209             | 50,627            | 299,836             |
| 2025                                   | 267,169             | 41,661            | 308,830             |
| 2026                                   | 286,424             | 31,671            | 318,095             |
| 2027                                   | 307,067             | 20,571            | 327,638             |
| 2028-thereafter                        | <u>357,711</u>      | <u>8,365</u>      | <u>366,076</u>      |
| Totals                                 | <u>\$ 1,690,645</u> | <u>\$ 208,952</u> | <u>\$ 1,899,597</u> |

The following is a summary of changes in long-term liabilities and lease liabilities for the year ended June 30, 2022:

|                                  | <u>Balance<br/>July 1, 2021</u> | <u>Adjustments/<br/>Additions</u> | <u>Retirements</u> | <u>Balance<br/>June 30, 2022</u> | <u>Due Within<br/>One Year</u> |
|----------------------------------|---------------------------------|-----------------------------------|--------------------|----------------------------------|--------------------------------|
| Governmental activities          |                                 |                                   |                    |                                  |                                |
| Lease liability                  | \$ -                            | \$ 1,690,645                      | \$ -               | \$ 1,690,645                     | \$ 223,065                     |
| Compensated absences             | <u>122,718</u>                  | <u>83,523</u>                     | <u>-</u>           | <u>206,241</u>                   | <u>-</u>                       |
| Total Governmental<br>Activities | <u>\$ 122,718</u>               | <u>\$ 1,774,168</u>               | <u>\$ -</u>        | <u>\$ 1,896,886</u>              | <u>\$ 223,065</u>              |

Compensated absences for governmental activities are generally liquidated by the fund where the accrued liability occurred.

**REQUIRED SUPPLEMENTARY INFORMATION**

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY ("CalMHSA")  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE YEAR ENDED June 30, 2022

|   | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>        | <u>Variance With<br/>Final Budget</u> |
|---|----------------------------|-------------------------|----------------------|---------------------------------------|
| <b>Revenues:</b>                            |                            |                         |                      |                                       |
| PEI Programs                                | \$ 21,052,619              | \$ 24,056,526           | \$ 20,429,497        | \$ (3,627,029)                        |
| Innovation Projects                         | 9,131,464                  | 13,243,757              | 10,537,370           | (2,706,387)                           |
| State Hospital Bed Program                  | 308,440                    | 611,090                 | (297,040)            | (908,130)                             |
| Suicide Prevention Program                  | 996,425                    | 1,012,537               | 766,949              | (245,588)                             |
| EHR   | 1,740,000                  | 2,000,000               | 1,055,841            | (944,159)                             |
| WET / Loan Forgiveness                      | 19,730,962                 | 11,842,502              | 20,709,169           | 8,866,667                             |
| FEMA  | 31,126,250                 | 30,572,224              | 37,773,565           | 7,201,341                             |
| CMS/Utilization Management Functions        | 66,662                     | 7,000,000               | 6,975,321            | (24,679)                              |
| Transfers In - AB 1299                      | 1,035,525                  | 3,174,989               | -                    | (3,174,989)                           |
| AB 1299 - Admin Fee                         | 152,637                    | 187,758                 | 72,386               | (115,372)                             |
| Other Revenues                              | 6,095,260                  | 5,000,000               | 1,375,225            | (3,624,775)                           |
| <b>Total Revenues</b>                       | <u>91,436,244</u>          | <u>98,701,384</u>       | <u>99,398,283</u>    | <u>696,900</u>                        |
| <b>Expenditures</b>                         |                            |                         |                      |                                       |
| Program Expenses                            | 55,948,255                 | 90,025,291              | 63,582,749           | (26,442,542)                          |
| General & Administrative                    | 6,293,631                  | 3,846,359               | 13,442,716           | 9,596,357                             |
| <b>Total Expenditures</b>                   | <u>62,241,886</u>          | <u>93,871,650</u>       | <u>77,025,465</u>    | <u>(16,846,185)</u>                   |
| <b>Excess of Revenues over Expenditures</b> | <u>29,194,358</u>          | <u>4,829,734</u>        | <u>22,372,818</u>    | <u>17,543,085</u>                     |
| <b>Other Financing Sources</b>              |                            |                         |                      |                                       |
| Lease financing                             | -                          | -                       | 1,690,645            | 1,690,645                             |
| <b>Total Other Financing Sources</b>        | <u>-</u>                   | <u>-</u>                | <u>1,690,645</u>     | <u>1,690,645</u>                      |
| Change in Fund Balance                      | 29,194,358                 | 4,829,734               | 24,063,463           | 19,233,730                            |
| Fund Balance, Beginning                     | 59,849,443                 | 59,849,443              | 56,618,366           | (3,231,077)                           |
| <b>Fund Balance, Ending</b>                 | <u>\$ 89,043,801</u>       | <u>\$ 64,679,177</u>    | <u>\$ 80,681,829</u> | <u>\$ 16,002,653</u>                  |



**SUPPLEMENTARY INFORMATION**

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUE AND EXPENSE REPORT (RER)  
FOR THE YEAR ENDED June 30, 2022

|                         | Beginning<br>Balance as of<br>07.01.21 | Revenues    | Expenses and<br>other adjustments | Ending Balance<br>as of 06.30.22 |
|-------------------------|--|-------------|-----------------------------------|----------------------------------|
| <b>RER By Counties:</b> |  |             |                                   |                                  |
| Alameda County          | \$ 632,276                             | \$ (72,684) | \$ (199,764)                      | \$ 359,828                       |
| Alpine County           | 12,536                                 | 8           | (3,951)                           | 8,593                            |
| Amador County           | 40,808                                 | 46,548      | (21,742)                          | 65,614                           |
| Butte County            | 95,546                                 | 637,738     | (78,034)                          | 655,250                          |
| Calaveras County        | 15,758                                 | 21,774      | (12,191)                          | 25,341                           |
| City of Berkeley        | 382,445                                | -           | (331,240)                         | 51,205                           |
| Colusa County           | 51,616                                 | 64,922      | (35,857)                          | 80,681                           |
| Contra Costa County     | 1,070,545                              | (70,752)    | (197,826)                         | 801,967                          |
| Del Norte County        | 130                                    | 1,402       | (1,402)                           | 130                              |
| El Dorado County        | 124,696                                | 191,559     | (50,850)                          | 265,405                          |
| Fresno County           | 1,302,181                              | 7,219,237   | (1,150,857)                       | 7,370,561                        |
| Glenn County            | 45,082                                 | 57,056      | (35,189)                          | 66,949                           |
| Humboldt County         | 11,455                                 | 57,840      | (20,242)                          | 49,053                           |
| Imperial County         | 89,213                                 | 55,575      | (82,508)                          | 62,280                           |
| Inyo County             | 28,931                                 | -           | (6,132)                           | 22,799                           |
| Kern County             | 207,625                                | 457,746     | (351,785)                         | 313,586                          |
| Kings County            | 119,233                                | 176,258     | (118,271)                         | 177,220                          |
| Lake County             | 1,399                                  | 417,379     | (206,751)                         | 212,027                          |
| Lassen County           | 43,154                                 | 36,989      | (33,215)                          | 46,928                           |
| Los Angeles County      | 27,942,779                             | 20,989,275  | (17,579,037)                      | 31,353,017                       |
| Madera County           | 44,572                                 | 129,021     | (56,190)                          | 117,403                          |
| Marin County            | 520,413                                | 275,596     | (150,368)                         | 645,641                          |
| Mariposa County         | -                                      | 13,028      | (6,879)                           | 6,149                            |
| Mendocino County        | 135,035                                | 36,941      | (25,840)                          | 146,136                          |
| Merced County           | 106,019                                | 111,491     | (66,488)                          | 151,022                          |
| Modoc County            | 67,317                                 | 67,231      | (38,396)                          | 96,152                           |
| Mono County             | 20,933                                 | 12,599      | (15,469)                          | 18,063                           |
| Monterey County         | 1,834,564                              | 632,314     | (656,377)                         | 1,810,501                        |
| Napa County             | 109,587                                | 42,877      | (41,999)                          | 110,465                          |
| Nevada County           | 106,075                                | 174,881     | (56,260)                          | 224,696                          |
| Orange County           | 4,245,326                              | 4,049,370   | (3,642,775)                       | 4,651,921                        |
| Placer County           | 213,893                                | 275,656     | (130,230)                         | 359,319                          |
| Plumas County           | 56,696                                 | 140,951     | (12,179)                          | 185,468                          |
| Riverside County        | 1,751,891                              | 4,706,980   | (2,671,546)                       | 3,787,325                        |

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF REVENUE AND EXPENSE REPORT  
 FOR THE YEAR ENDED June 30, 2022

|   | Beginning<br>Balance as of<br>07.01.21 | Revenues              | Expenses and<br>other adjustments | Ending Balance<br>as of 06.30.22 |
|---|--|-----------------------|-----------------------------------|----------------------------------|
| <b>RER By Counties (continued):</b>         |  |                       |                                   |                                  |
| Sacramento County                           | \$ 6,038,048                           | \$ 494,584            | \$ (3,026,714)                    | \$ 3,505,918                     |
| San Benito County                           | 58,141                                 | 67,119                | (36,089)                          | 89,171                           |
| San Bernardino County                       | 1,243,253                              | 196,453               | (717,319)                         | 722,387                          |
| San Diego County                            | 756,909                                | 1,319,431             | (1,199,663)                       | 876,677                          |
| San Francisco County                        | 1,159,733                              | 306,968               | (348,635)                         | 1,118,066                        |
| San Joaquin County                          | 470,611                                | 443,193               | (287,316)                         | 626,488                          |
| San Luis Obispo County                      | 258,879                                | 134,204               | (143,836)                         | 249,247                          |
| San Mateo County                            | 1,235,642                              | 446,238               | (1,108,258)                       | 573,622                          |
| Santa Barbara County                        | 764,375                                | 3,483,458             | (844,783)                         | 3,403,050                        |
| Santa Clara County                          | 337,128                                | 742,796               | (497,609)                         | 582,315                          |
| Santa Cruz County                           | 94,544                                 | 100,374               | (67,618)                          | 127,300                          |
| Shasta County                               | 54,024                                 | 65,421                | (32,441)                          | 87,004                           |
| Sierra County                               | -                                      | -                     | -                                 | -                                |
| Siskiyou County                             | 76,178                                 | 195,376               | (180,201)                         | 91,353                           |
| Solano County                               | 295,121                                | 262,032               | (177,445)                         | 379,708                          |
| Sonoma County                               | 397,633                                | 392,054               | (135,135)                         | 654,552                          |
| Stanislaus County                           | (57,327)                               | 537,870               | (300,397)                         | 180,146                          |
| Sutter/Yuba County                          | 104,154                                | 158,905               | (88,423)                          | 174,636                          |
| Tehama County                               | 88,441                                 | 82,303                | (55,414)                          | 115,330                          |
| Tri-City Mental Health                      | 575,633                                | -                     | (190,655)                         | 384,978                          |
| Trinity County                              | 14,718                                 | 34,349                | (19,360)                          | 29,707                           |
| Tulare County                               | 88,913                                 | 171,942               | (136,076)                         | 124,779                          |
| Tuolumne County                             | 49,985                                 | 25,712                | (26,376)                          | 49,321                           |
| Ventura County                              | 378,640                                | 1,025,878             | (906,920)                         | 497,598                          |
| Yolo County                                 | 22,981                                 | 232,343               | (140,247)                         | 115,077                          |
| Yuba County                                 | -                                      | -                     | -                                 | -                                |
| <b>All other restricted funding sources</b> | <b>\$ 1,546,287</b>                    | <b>\$ 44,731,558</b>  | <b>\$ (32,607,884)</b>            | <b>\$ 13,669,961</b>             |
| <b>CalmHSA (unrestricted) net position</b>  | <b>\$ 7,316,348</b>                    | <b>\$ 5,201,477</b>   | <b>\$ (4,950,466)</b>             | <b>\$ 7,567,359 *</b>            |
| <b>Total - Net Position</b>                 | <b>\$ 64,798,721</b>                   | <b>\$ 101,808,844</b> | <b>\$ (76,313,120)</b>            | <b>\$ 90,294,445</b>             |

\* The amount presented in CALMHSA (unrestricted) net position per schedule above includes \$41,959 of Net Investment in Capital Assets as of June 30, 2022.

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Revenue and Expenses Report (RER) above represents a yearly summary of activity of CALMHSA separated by the various contributing member county for the year ended June 30, 2022. Revenues and Expenses reported on the Schedule are reported on the accrual basis of accounting. The Schedule of Revenue and Expenses report (RER) is presented for the purposes of additional analysis and is not a required part of the financial statements. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in preparation of, the financial statements. Because the Schedule presents only a selected portion of CALMHSA operations, it does not present the financial position, changes in net position, or cash flows of CALMHSA.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors  
California Mental Health Services Authority  
Rancho Cordova, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of California Mental Health Services Authority as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise California Mental Health Services Authority's basic financial statements, and have issued our report thereon dated December 8, 2023. Our report included an emphasis of matter noting that the Authority adopted new accounting guidance, GASB Statement No. 87, Leases. The adoption resulted in recording a right-to-use lease asset and lease payable related to leases in the Governmental Activities. There was no impact to net position as of July 1, 2021 as a result of adoption. Our opinions are not modified with respect to this matter.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered California Mental Health Services Authority'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of California Mental Health Services Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of California Mental Health Services Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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(Continued)

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. We consider the deficiencies described in the accompanying schedule of findings and responses as 2022-001, 2022-002, 2022-003, and 2021-005, to be material weaknesses. 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. We consider the deficiency described in the accompanying schedule of findings and responses as 2022-004 to be significant deficiency.

### **Report on Compliance and Other Matters**

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

### **California Mental Health Services Authority's Response to Findings**

California Mental Health Services Authority's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. California Mental Health Services Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Crowe LLP

Costa Mesa, California  
December 8, 2023

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
For the year ended June 30, 2022

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**CURRENT YEAR FINDINGS – FINANCIAL STATEMENT AUDIT**

**2022-001 Segregation of Duties over Cash Receipts and Disbursements**

**Classification:**

Material Weakness

Repeat Finding: 2021-001

**Criteria:**

Organizations should have strong segregation of duties internal controls in place as it relates to cash receipts, cash disbursements, and bank reconciliations. If such functions are not segregated, detective and monitoring review controls should be established to address and adequately mitigate such risks.

**Condition/Context:**

During our audit, we observed one employee unilaterally performing cash disbursements, cash receipts, and bank reconciliations. For example, for cash disbursements, we noted one employee received vendor invoices, recorded the transaction in the general ledger, then also prepared and printed the vendor checks. With respect to cash receipts, this same employee prepared billing invoices for services rendered, recorded the transactions in the general ledger, as well as initiated monthly cash receipt and bank reconciliations.

**Effect:**

The lack of a strong system of internal controls and establishment of a robust control environment surrounding key accounting cycles exposes CalMHSA to significantly higher risks of fraud, misappropriation of funds, and improper financial reporting, which could result in a material misstatement of the financial statements. Furthermore, such instances, whether fraudulently or unintentionally, would likely occur undetected without the knowledge of Management.

**Cause:**

Prior to November 1, 2020, CalMHSA employed an administrative firm, specializing in JPA management. Effective November 1, 2020, the administrative firm's contract was terminated, resulting in CalMHSA independently operating and managing its entity, with its own staff and management. As a result, Management has not created a clearly defined departmental structure, or adopted a system of controls, procedures, and policies, to ensure independent individuals are performing key functions of various accounting cycles. In response to a lack of stated procedures, the presence of detective and monitoring controls should be in place but were also not implemented by Management as a compensating control to address the issue of segregation of duties.

**Recommendation:**

We recommend that management establish a thorough system of internal controls, which are formally documented through policies and standard operating procedures. We recommend that Management segregate the cash disbursements, cash receipts, and bank reconciliations functions. Creating and establishing such policies and internal controls will help management mitigate the risk of materially misstating the financial statements.

**Management's Response:**

We agree with the auditors' comments, and the following action has been taken. Cash disbursements, cash receipts, and bank reconciliation functions have been segregated to create separation of duties. Internal controls have been implemented to support processes that include level of review, approval, and posting of transactions while keeping these functions segregated. Policies and procedures will be updated to reflect these controls by the quarter ending March 2023.

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CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY  
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**2022-002      Internal Controls over Journal Entries**

**Classification:**

Material Weakness

Repeat Finding: 2021-002

**Criteria:**

Internal controls over journal entries are a key component of an organization's control environment, which help to mitigate the risk of material misstatement and/or material omission of data for financial reporting purposes. Entities should have internal controls over how transactions are to be recorded in the general ledger. In addition, there should be proper segregation of duties between the preparation, approval, and posting of journal entries.

**Condition/Context:**

During our audit we noted several individuals unilaterally have the ability to prepare and post journal entries into the general ledger. Also, we observed that journal entries are not subject to review for completeness and accuracy by an individual separate from the preparer.

**Effect:**

The lack of proper internal controls over journal entries may result in a material misstatement of the entity's financial statements that would not be prevented or detected and corrected on a timely basis.

**Cause:**

Prior to November 1, 2020, CalMHSA employed an administrative firm, to manage the entity. Effective November 1, 2020, the administrative firm's contract was terminated, resulting in CalMHSA independently operating and managing its entity, with its own staff and management. During this transition, a formal control environment over journal entries had not been established and implemented by CalMHSA.

**Recommendation:**

We recommend that management establish a thorough system of internal controls over journal entries, which are formally documented through policies and standard operating procedures. The policies should clearly outline procedures for preparing, reviewing, approving, and posting journal entries and segregate each of those functions. Furthermore, management should maintain documentation identifying the individual involved with each step of the journal entry internal control process. Creating and establishing such policies and internal controls will help management significantly mitigate the risk of materially misstating the financial statements.

**Management's Response:**

We agree with the auditors' comments, and the following action has been taken. Internal controls have been established which separate the preparation, review, approval, and posting of journal entries. The implementation of a new financial system provides the tracking of this process and approvals. Policies and procedures will be updated to reflect these controls by the quarter ending March 2023.

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(Continued)

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY  
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**2022-003      Information System Controls**

**Classification:**

Material Weakness

Repeat Finding: 2021-003

**Criteria:**

Internal controls over accounting information systems in relation to the general ledger is vital to every organization's control environment. Entities should have internal controls including policies and procedures regarding user access to the general ledger, as well as documented, periodic reviews of the user access credentials possessed by its employees. Where adequate segregation of duties cannot be employed to separate the ability to assign user rights from those who have access to the general ledger to process transactions, detective and monitoring internal controls should be established that adequately monitor user activity of the general ledger.

**Condition/Context:**

During our audit, we observed that management did not periodically monitor employees' access credentials and levels of access within the financial applications. In addition, we identified one individual who maintained the ability to assign user rights who also had operational roles in finance.

**Effect:**

Improper segregation of duties among personnel responsible for changes to user account security settings while also performing in an operational capacity during the regular course of business could lead to management override of internal controls. The absence of appropriate user access provisioning and monitoring could result in unauthorized transactions recorded in the financial reporting system, where management would not be able to detect such activity timely.

**Cause:**

Management had not assigned an individual outside of the finance operational role with the responsibility to provision or monitor user access.

**Recommendation:**

We recommend adopting a formal policy in which both the IT department and management perform periodic and documented reviews of the general ledger access rights of each employee commensurate with their appropriate level of responsibilities and job function. Standard practice for such review is annual, however, more frequent reviews can be performed if desired. Further, management should ensure that those provisioning user access are separate from those who are processing transactions in the general ledger. The responsibility for provisioning user access is typically performed by a business or system analyst within the IT department. This individual should work with the manager/director of each department, to ensure user access credentials are appropriate for each employee, in accordance with their typical responsibilities.

**Management's Response:**

We agree with the auditors' comments, and the following action has been taken. A new financial system has been implemented and the use of an outside administrator provides user access monitoring. The outside system administrator has the responsibility of creating users and assigning access based on the needs of the position, removing CalMHSA staff from this function. Policies will be updated to reflect these controls by the quarter ending March 2023.

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CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY  
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**2022-004      Management Review over Service Organization Controls (SOC) Reports**

**Classification:**

Significant Deficiency  
Repeat Finding: 2021-004

**Criteria:**

Reports on controls at a service organization (SOC reports) are intended to meet the needs of entities who use service organizations in evaluating the effect of its internal controls on the user entity. Management or the Information Technology (IT) department should review any and all SOC reports available for software or third-party services that service a significant area of the user entity's operations. This review of external party internal controls serves to protect user entities against risk that could threaten their financial well-being and organizational internal control environment.

**Condition/Context:**

During our walkthrough of internal controls over Payroll, we noted that CalMHSA did not review the SOC report(s) made available by, the entity's third-party Human Resources and Payroll administrator. Additionally, we did not observe controls and processes, formal or informal, that document how Management is to perform the review of SOC reports.

**Effect:**

Lack of formal review and documented assessment of the SOC reports may lead to unidentified internal control gaps at a service organization.

**Cause:**

Prior to November 1, 2020, CalMHSA employed an administrative firm, specializing in JPA management. Effective November 1, 2020, the administrative firm's contract was terminated, resulting in CalMHSA independently operating and managing its entity, with its own staff and management. However, a formal control environment has not yet been established and implemented, since becoming an independent entity.

**Recommendation:**

We recommend that Management obtain SOC reports for service organizations in a timely manner relative to their fiscal year audits, implement formal procedures to review the SOC reports, and document Management's assessment of relevant internal control findings, their potential impact and complementary user entity controls. Standard practice for performing such review is typically once per year, however, should the SOC report period only cover a portion of entity's fiscal year, we recommend obtaining a Gap Letter from the service organization(s) so that Management can further evaluate their service providers internal controls relevant to the entity's reporting period.

**Management's Response:**

We agree with the auditors' comments, and the following action will be taken. Procedures will be updated by the quarter ending March 2023 to ensure SOC reports for service organizations are reviewed on an annual basis.

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**2022-005      Financial Reporting Deficiency in Internal Control**

**Classification:**

Material Weakness

Repeat Finding: 2021-005

**Criteria:**

Internal controls over the closing and financial reporting process should be in place to ensure CALMHSA has the ability to initiate, record, process and report accurate financial data consistent with generally accepted accounting principles.

**Condition/Context:**

During the year-end testing procedures, we identified several adjustments or errors in financial statement disclosures relating to cash, accounts payable, revenue, and unearned revenue. These adjustments were reflected in the financial statements to ensure balances were properly accounted and disclosed in accordance with Generally Accepted Accounting Principles. The following is a summary of each adjustment:

- **Cash** – Management incorrectly recorded an invoice twice resulting in an overstatement in the amount of \$625,550 to cash. In addition, a manual adjustment to cash was recorded by Management to true-up an accumulation of accounts payable transactions, however, the adjustment did not actually represent a Cash transaction. This resulted in additional overstatement of cash by \$565,561.
- **Accounts Payable** – Management recorded expense transactions in FY22 which resulted in a net \$5,674,593 overstatement of accounts payable and expenditures. During our testing, there were 4 invoices, totaling \$6,032,439, that was expensed and accrued in FY22 that are related services rendered in the subsequent year. In addition, there was 1 invoice in the amount of \$357,845 that was noted to be improperly excluded from accruals in FY22.
- **Revenue** – Management inadvertently recorded revenues for disbursements to a County within the WET program. As a result, the revenues and expenses were understated by \$3,011,286.
- **Unearned Revenue** – Management should recognize resources received from the FEMA grant as liabilities until the applicable eligibility requirements are met, including the incurrence of eligible expenditures. FEMA monies received in the amount of \$2,240,969 was recognized as revenue before eligible expenditures were incurred. As a result, an adjustment was made to increase unearned revenue and decrease intergovernmental revenue by \$2,240,969.
- **Capital Asset Capitalization** – Management failed to record \$46,374 additions to furniture and fixtures that should have been capitalized.
- **Fund Balance & Net Position Classifications** – Management failed to timely identify reclassifications to the Fund Balance/Net Position classifications balance included in the FY2021 RER Report, in the amount of \$3,431,926, between restricted and unrestricted. Additionally, during FY 2022 Management failed to properly identify restrictions on the Peer Certification program, which resulted in improper financial statement reclassification of \$5,179,739 of Fund Balance/Net Position as unrestricted, when it should have been classified as restricted.

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(Continued)

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY  
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**Effect:**

A number of adjustments to the financial statements and disclosures were required during the audit to properly present the Authority's financial statements in accordance with Generally Accepted Accounting Principles.

**Cause:**

The Authority's internal control over financial statements did not function at a sufficient level of precision to identify the misstatement during the review process.

**Recommendation:**

We recommend management create and adopt a policy to ensure all transactions and activities are properly documented, accounted for, and maintained in the accounting records. Furthermore, periodic reviews should be performed to ensure the policy is operating effectively.

**Management's Response:**

We agree with the auditors' comments, and the following action will be taken. Policies will be updated by the quarter ending March 2023 to assist in tracking and reviewing transactions to ensure accounting records are properly maintained.