

## **CPAW AGENDA ITEM READINESS WORKSHEET**

**CPAW Meeting Date:** August 4, 2016

**Name of Committee/ Individual:** Membership Committee

**1. Agenda Item Name:** Proposed Revised CPAW Working Agreement

**2. Desired Outcome:** Approval of revised CPAW Working Agreement.

**3. Brief Summary:** The Membership Committee met on Monday, July 18 to review CPAW member attendance and proposed a revision to the CPAW Working Agreement.

**4. Background:** Member attendance at the monthly CPAW meeting has been holding at 55% for the last eighteen months. The Membership Committee recommended putting additional emphasis on CPAW members improving their attendance. Starting in fiscal 2015-16 Contra Costa Behavioral Health Services staff began tracking excused versus unexcused absences of CPAW members. In addition, it has been recommended that the CPAW Working Agreement be amended to include:

Your presence and active participation at every CPAW meeting is vital, as you have been appointed to represent a designated stakeholder body. Please contact staff before the meeting if you are unable to attend. CPAW members who have more than 50% unexcused absences within the previous six months may be subject to having an alternate person appointed to their seat.

**5. Specific Recommendation:**

- CPAW approve the above language be added to the CPAW Working Agreement.

**6. Anticipated Time Needed on Agenda:** 15 minutes

**7. Who will report on this item?** Kathi McLaughlin

**8. Attachment:** DRAFT Revised CPAW Working Agreement

## Consolidated Planning Advisory Workgroup (CPAW)

### Working Agreement

The counsel and advice of all participants in the CPAW process is highly valued in planning and evaluating Mental Health Services Act funded programs and services. In order for all voices to be expressed in a productive, safe and respectful environment, the CPAW body has developed and adopted the following set of self-governance agreements for all participants at all types of CPAW meetings:

1. Come prepared to discuss the published agenda items and handouts.
2. We are committed to starting and finishing on time. Please help us by arriving on time, speaking only to the topic at hand, and coming back from breaks on time.
3. Turn your cell phone ringers off; take any calls outside.
4. Avoid providing any distractions, such as side bar conversations.
5. Wait to be recognized before speaking, and keep your comments brief.
6. Please identify to the group your perspective, affiliation or potential conflict of interest if you are participating in discussions that lead to group positions or recommendations.
7. When internal group decisions need to be made, such as CPAW or sub-committee governance issues, members will attempt to reach consensus, or, if necessary, decide by a simple majority. For a group position or recommendation made through CPAW to Contra Costa Behavioral Health Services, participants may be asked if they support, do not support, or do not wish to take a position. The number of CPAW members and non-members in each response category should be reported.
8. It is OK to disagree politely and respectfully, as different perspectives are welcomed and encouraged.
9. Please refrain from criticizing in a negative manner a specific person or agency during the meeting, or in group communications. Outside of the meeting please speak to the staff supporting the meeting for assistance in having your concerns heard and addressed through the appropriate channels.
10. An individual may be asked to leave should he/she behave in a manner that threatens the safety of our group members, or does not honor the terms of this working agreement.
11. Your presence and active participation at every CPAW meeting is vital, as you have been appointed to represent a designated stakeholder body. Please contact staff before the meeting if you are unable to attend. CPAW members who have more than 50% unexcused absences within the previous six months may be subject to having an alternate person appointed to their seat.

# Mental Health Services Act Community Program Planning Process (CPPP)

Planning for the Fiscal Year 2017-20 MHSA  
Three Year Program and Expenditure Plan



# What is Required

- WIC Section 5848(a): Each three year plan and update shall be developed with local stakeholders...
- 9 CCR Section 3300: The County shall provide for a community program planning process as the basis for developing the three year plan and plan updates...
- 9 CCR Section 3200.270: Stakeholders means individuals or entities with an interest in mental health services, including, but not limited to individuals with serious mental illness and/or serious emotional disturbance and/or their families; providers of mental health and/or related services, such as physical health care and/or social services; educators and/or representatives of education; representatives of law enforcement; and any other organization that represents the interests of individuals with serious mental illness and/or serious emotional disturbance and/or their families.

# What Does a CPPP Mean?

9 CCR Section 3200.070: The Community Program Planning Process means the process used in partnership with stakeholders to:

- Identify community issues related to mental illness resulting from lack of community services and supports, including any issues identified during the implementation of MHSA
- Analyze the mental health needs in the community
- Identify and re-evaluate priorities and strategies to meet those mental health needs

# What We Currently Have

For Fiscal Year 2016-17 the Board of Supervisors approved setting aside \$43.1 million for over 80 programs and plan elements in the following five components:

- Community Services and Supports (CSS) – \$31.6 million for children with serious emotional disturbance and adults with serious mental illness
- Prevention and Early Intervention (PEI) - \$8 million for services to prevent mental illness from becoming severe and debilitating
- Innovation (INN) - \$2 million for new or different patterns of service that can be subsequently added into the system.
- Workforce Education and Training (WET) - \$650,000 to recruit, train and retain CCBHS County employees, contract staff and volunteers who contribute to mental health care for consumers and their families.
- Capital Facilities/Information Technology (CF/TN) - \$850,000 toward implementing an electronic mental health record system.



# What CPPPs Have Done

- 2013 – Qualitative Needs Assessment accomplished to inform the direction of the Three Year Plan.
- 2014 - Focus groups and community forums developed broad themes with which to identify priority needs and suggested strategies.
- 2015 – FEB 25 Community forum engaged stakeholders to re-evaluate priorities and strategies, identify emerging needs, and provide input on Assisted Outpatient Treatment
- 2016 – PEI providers hosted a series of stakeholder events to engage underserved populations at risk for developing a serious mental illness.

# Lessons Learned

- Conduct events at times and places where people can and are able to come; hold them at the West and East ends of the County.
- Stakeholders and staff are very busy; if possible fit stakeholder events into existing meeting schedules.
- Utilize existing staff and stakeholders to put on the events; don't hire outsiders.
- Smaller group discussions are best to engage people in input and problem solving.
- CPAW's monthly meeting structure has evolved into an effective format for exchange of information.
- Utilize events as a means for stakeholders to meet mental health providers, and to recruit individuals to various stakeholder committees.
- Conduct a needs assessment that uses quantitative data.



# Suggested CPPP Format

- Dates/Time: OCT 6, NOV 3, DEC 8/ 3-6 P.M. (in place of scheduled CPAW meetings)
- Places: OCT – San Pablo Maple Hall  
NOV – Pleasant Hill Community Center  
DEC - Bay Point – Ambrose Center
- Agenda: similar to FEB 2015 CPPP at Centre Concord
  - CCBHS/BOS Welcome
  - Overview of MHSA and stakeholder process
  - Introduction of stakeholder committees and what they are working on
  - 4 breakout groups to provide input on emerging issues
  - Wrap up and dot exercise to prioritize identified needs
  - Opportunity for public comment, written input, dialogue with service providers, CCBHS staff

# Some Emerging Issues for Consideration

- CSS – Stakeholder input on the “No Place Like Home” legislation
- PEI – How PEI providers can better provide outreach and engage underserved populations and provide access and linkage to mental health care.
- INN - Stakeholder input on how to turn new Innovative Project concepts into approved proposals
- WET – Discuss workforce needs for possible funding, such as better supporting consumers and family members as volunteers to assist with system navigation and care provision, addressing psychiatry shortage
- CF/TN - Completion of electronic mental health records project;
- Finance – Long term strategy for utilization of unspent MHSA funds from previous years
- Other emerging issues?

# Timeline for Completion of CPPP

- CPAW input to DRAFT CPPP Plan AUG
- Dates, locations, agendas finalized, communicated to stakeholders SEP
- CPPP events conducted OCT- NOV - DEC
- DRAFT Plan developed, shared with CPAW/MHC for input FEB
- 30 Public Comment period, Public Hearing MAR
- Draft Plan addresses substantive recommendations for revisions APR
- Board of Supervisors reviews and approves the final MHSA Three Year Plan for FY 17-20 MAY

# Planning Issues for Discussion

- Input on suggested format for the community program planning process for the October through December time frame?
- What emerging issues would be best to obtain stakeholder input?
- How do we ensure our communities hear about and have the opportunity to come and participate in the community program process?

# Stakeholder Meeting Calendar

## August 2016

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3 <b>MH Commission:</b> 4:30—6:30 pm 550 Ellinwood Way Pleasant Hill	4 <b>CPAW:</b> 3-6pm 2425 Bisso Ln Concord	5	6
7	8	9	10 <b>Systems of Care:</b> 10am—12 pm 1340 Arnold Dr, Ste 200, Martinez	11 <b>Children's:</b> 11:00-1:00pm, 1340 Arnold Dr, Ste 200, Martinez <b>Social Inclusion:</b> 1-3 pm Bisso Ln, Concord	12	13
14	15 <b>Membership:</b> 3-4:30 pm 1340 Arnold Dr, Ste 200, Martinez	16	17	18 <b>MHSA Finance:</b> 1-3 pm TBA <b>Steering:</b> 3-5 pm Bisso Ln, Concord	19	20
21	22 <b>Innovation:</b> 2:30—4:30pm 1340 Arnold Dr, Ste 200, Martinez	23 <b>Adult:</b> 3:00—4:30pm 1340 Arnold Dr, Ste 200, Martinez	24 <b>Aging and Older Adult:</b> 2-3:30 pm 2425 Bisso Ln, Concord <b>AOD Advisory Board :</b> 4 –6:15pm 1220 Morello, 2nd Flr, Martinez	25	26	27
28	29	30	31			<b>Sept 6</b> <b>BH Housing</b> 1:00-3:00 PM 2425 Bisso Ln,

# **Mental Health Services Act (MHSA)**

## **Program and Fiscal Review**

- I. Dates of On-site Review:** April 6, 7, 8, 12, 2016  
**Date of Exit Meeting:** July 22, 2016
- II. Review Team:** Stephanie Chenard  
Warren Hayes  
Michelle Rodriguez-Ziemer
- III. Name of Program:** Recovery Innovations (“RI”)– Contra Costa Wellness Cities
- IV. Program Description.** Founded by Eugene Johnson in 1990 as META Services, an Arizona non-profit corporation, Recovery Innovations developed and provided a range of traditional mental health and substance abuse services for adults with long term mental health and addiction challenges. In 1999, Recovery Innovations began pioneering an innovative initiative: the creation of the new discipline of Peer Support Specialist. Now, 13 years later, this experience has transformed the Recovery Innovations workforce to one in which Peer Support Specialists and professionals work together on integrated teams to deliver recovery-based services. The Recovery Innovations experiences had a global impact on the mental health field serving as a demonstration that recovery from mental illness and/or addiction is possible. Based on this transformation experience, Recovery Innovations operates recovery-based mental health services in 21 communities in five states and New Zealand and has provided recovery training and transformation consultation in 27 states and five countries abroad.

Recovery Innovations provides wellness and recovery centers situated in West, Central and East Contra Costa County. Wellness and Recovery Centers are made up of individuals embarking on or expanding their recovery journey. Staff of well-trained peers who have experienced their own recovery success share what they have learned and walk alongside each person. The clients of Wellness and Recovery Centers learn to identify personal strengths and develop personalized wellness plans that incorporate their hopes and dreams for the future. Each participant partners with a Recovery Coach who understands their challenges and stands alongside them ready to offer support. These centers offer peer-led recovery-oriented, rehabilitation and self-help groups, which teach self-

management and coping skills. The centers offer wellness recovery action plan (WRAP) groups, physical health and nutrition education, advocacy services and training, arts and crafts, and support groups.

**V. Purpose of Review.** Contra Costa Behavioral Health Services is committed to evaluating the effective use of funds provided by the Mental Health Services Act. Toward this end a comprehensive program and fiscal review was conducted of the above program. The results of this review are contained herein, and will assist in a) improving the services and supports that are provided, b) more efficiently support the County's MHSA Three Year Program and Expenditure Plan, and c) ensure compliance with statute, regulations and policy. In the spirit of continually working toward better services we most appreciate this opportunity to collaborate together with the staff and clients participating in this program in order to review past and current efforts, and plan for the future.

**VI. Summary of Findings.**

Topic	Met Standard	Notes
1. Deliver services according to the values of the MHSA	Yes	Services promote recovery, wellness, self-sufficiency, and resiliency.
2. Serve the agreed upon target population.	Yes	Consumers ("Citizens") meet target population.
3. Provide the services for which funding was allocated.	Yes	All MHSA funds directly support approved programming.
4. Meet the needs of the community and/or population.	Yes	Program is consistent with community planning process and strategies.
5. Serve the number of individuals that have been agreed upon.	Yes	Target service numbers are reached.
6. Achieve the outcomes that have been agreed upon.	Partially met	Currently relevant measures of success are met; however, consistent metrics should be used.
7. Quality Assurance	Yes	A review of files and client interviews attest to high standards of care.

8. Ensure protection of confidentiality of protected health information.	Yes	The program is HIPAA compliant.
9. Staffing sufficient for the program	Yes	Staffing level supports targeted service numbers.
10. Annual independent fiscal audit performed.	Yes	No audit findings were noted.
11. Fiscal resources sufficient to deliver and sustain the services	Yes	Resources appear sufficient.
12. Oversight sufficient to comply with generally accepted accounting principles	Yes	Experienced staff implements sound check and balance system.
13. Documentation sufficient to support invoices	Yes	Uses established software program with appropriate supporting documentation protocol.
14. Documentation sufficient to support allowable expenditures	Yes	Method of accounting for personnel time and operating costs appear to be supported.
15. Documentation sufficient to support expenditures invoiced in appropriate fiscal year	Yes	No billings noted for previous fiscal year expenses.
16. Administrative costs sufficiently justified and appropriate to the total cost of the program	Yes	Indirect charged at 15%.
17. Insurance policies sufficient to comply with contract	Yes	Policies are current and appropriate.
18. Effective communication between contract manager and contractor	Yes	Regular contact between manager and contractor.

**VII. Review Results.** The review covered the following areas:

- 1. Deliver services according to the values of the Mental Health Services Act** (California Code of Regulations Section 3320 – MHSA General Standards).  
Does the program collaborate with the community, provide an integrated service experience, promote wellness, recovery and resilience, be culturally competent, and be client and family driven.



**Method.** Consumer, family member and service provider interviews and consumer surveys.

**Discussion.** As part of the site visits for all three Wellness Cities, approximately 45-50 consumers were interviewed, and additional input was obtained by 45 consumers who completed a written survey prior to the site visits.

### Survey Results

Questions	Responses: n=44				
Please indicate how strongly you agree or disagree with the following statements regarding persons who work with you:	Strongly Agree 4	Agree 3	Disagree 2	Strongly Disagree 1	I don't know 0
1. Help me improve my health and wellness.	Average score: 3.22 (n=37)				
2. Allow me to decide what my own strengths and needs	Average score: 3.10 (n=40)				
3. Work with me to determine the services that are most helpful	Average score: 2.93 (n=41)				
4. Provide services that are sensitive to my cultural background.	Average score: 3.10 (n=36)				
5. Provide services that are in my preferred language	Average score: 3.43 (n=42)				
6. Help me in getting needed health, employment, education and other benefits and services.	Average score: 3.07 (n=42)				
7. Are open to my opinions as to how services should be provided	Average score: 3.38 (n=37)				
8. What does this program do well?	<ul style="list-style-type: none"> <li>• Gives me a comfortable place to come, a safe environment.</li> <li>• Encourages participation</li> <li>• Put my own ideas into my future narrow down my choices which enable me to concentrate and focus going inside of my present life.</li> </ul>				

9. What does this program need to improve upon?	<ul style="list-style-type: none"> <li>• More outings</li> <li>• Maintaining a solid approach selecting a new but changing focus about choice and ideas concerning lifestyle and involvement into mainstream personal responsibility</li> <li>• Different Subjects</li> <li>• How they talk to people, when we make them upset when doing things that make them feel like yelling or talking down without knowledge</li> <li>• Information</li> </ul>			
10. What needed services and supports are missing?	<ul style="list-style-type: none"> <li>• Maybe group counseling, small group sessions, more variety</li> <li>• Anger classes, fresh air walking</li> <li>• Patience</li> <li>• Job help</li> <li>• More one to one exchanges between citizens to provide more social skills practice.</li> <li>• Voices (group)</li> <li>• weekend services</li> </ul>			
11. How important is this program in helping you improve your health and wellness, live a self-directed life, and reach your full potential?	Very Important 4	Important 3	Somewhat Important 2	Not Important 1
	Average score: 3.37 (n=41)			
12. Any additional comments?	<ul style="list-style-type: none"> <li>• RI is a good program for all aspects of our lives and personal life.</li> <li>• Your classes are interesting and I think you should keep the good work. I love the positive atmosphere</li> <li>• Be a place where we can learn to be independent</li> <li>• I really enjoy this program. It's fun to come here. I don't know where I would be if I didn't have RI for help.</li> </ul>			

### Consumer Interview

The consumer interviews were conducted at all three “Wellness Cities” and were attended by approximately 40-45 consumers of mixed genders, ethnicities, and ages, all of whom engage in various levels of the services that Recovery Innovations provides. The individuals’ experience with these Wellness Cities

ranged from as few as 2 weeks up to 2-1/2 years. (Several were clients of MHCC when Recovery Innovations took over and renovated the programs for the locations.) Consumers (referred to as “Citizens” in the program) were referred to the Recovery Innovations Wellness Cities through a variety of sources, including: Rubicon, Hume, family members, the County Adult Mental Health Clinics, Mental Health Community Concerns, community events, individual therapists or doctors, case workers, and some by friends.

Overall, the interview participants were very appreciative of the services provided by Recovery Innovations and most reported that RI staff are very responsive to their needs. During the interviews, things that Citizens specifically identified as positives of the program were:

- The educational programs focused on recovery and moving forward;
- A variety of services focused on recovery and independent living;
- Staff that are supportive and passionate;
- A place where they felt secure and safe;
- Being able to develop friends and a social support network;
- The program finding a balance between working on recovery (classes) and fun activities;
- Feeling like they can make a positive contribution, and “being heard”, through Citizen-focused forums.

These positives speak squarely to the MHSA values. However, there were also some areas identified by the Citizens for improvement. Some of these issues were:

- Small group sessions (e.g., support groups, women’s groups, men’s groups, etc.);
- Access to a mental health clinician onsite;
- More information, connections, and warm referrals to county services, such as housing;
- Additional afternoon or weekend programming;
- Wider variety in class offerings (suggestions included more focus on symptoms, or physical wellness – i.e., yoga, meditation, etc.);
- Increase the frequency of outings and activities that include all three cities

As the population of these cities grows and evolves, there is opportunity for Recovery Innovations to expand their offerings, as well as revive current schedules.

### Staff Interview:

During the three site visits, eight staff members were interviewed: Five Recovery Coaches, and three Team Leads. Staff shared that each of them have had some kind of personal background with mental illness and recovery in their lives – either personally, or with family members. This fits with the program’s peer model. They further reported that they share teaching/facilitating responsibilities for the daily classes, as well as the one-to-one coaching sessions with the consumers. The schedule of classes and activities is determined on a monthly basis by the Team Lead for each Wellness City and is largely based on consumer (Citizen) feedback that arises from the weekly Citizen-led “Town Hall” meetings. The classes are pulled from curriculum that has been developed by Recovery Innovations’ corporate headquarters. The staff is also responsible for completing journal notes for every consumer who completes a class on a daily basis. These notes are placed in each consumer’s individual file and can be referred to during one-on-one coaching and goal setting sessions.

While the staff are adept at helping guide their consumers through services and other referrals, a particular area that was voiced in all three locations was a desire for more and stronger networking connections with other providers, such as housing, employment, medication support, etc. Staff shared that a part of additional and better partnering with other providers would also include expansion of some of the practices that are currently in use by RI, such as WRAP programs.

**Results.** Recovery Innovations staff appear to implement services according to the values of the Mental Health Services Act.

2. **Serve the agreed upon target population.** For Community Services and Supports, does the program serve adults with a serious mental illness or children or youth with a serious emotional disturbance. Does the program serve the agreed upon target population (such as age group, underserved community).

**Method.** Compare the program description and/or service work plan with a random sampling of client charts or case files.

**Discussion.** The Wellness Cities work with accepting referrals from the three County Adult Mental Health Clinics and other providers, but they also have an inclusive open-door policy, welcoming the greater Contra Costa County community.

**Results.** The program serves the agreed upon population.

3. **Provide the services for which funding was allocated.** Does the program provide the number and type of services that have been agreed upon.

**Method.** Compare the service work plan or program service goals with regular reports and match with case file reviews and client/family member and service provider interviews.

**Discussion.** The Service Work Plan for FY 2015-2016 states that the services to be provided are as follows:

- Peer and Family Support
- Personal Recovery Planning using the seven steps of Recovery Coaching
- Workshops, Education Classes and Community-Based Activities using the 9 Dimensions of Wellness; physical, emotional, intellectual, social, spiritual, occupational, home/community living, financial, recreation/leisure
- Community Outreach and Collaboration
- Assist participants to coordinate medical, mental health, medication and other community services
- Wellness Recovery Action Plan (WRAP) classes
- Family Education and Support Programs
- Breakfast/Lunch meals during weekdays for participants
- Through our mission and pathways, Recovery Innovations provides a range of community-based mental health services to adult mental health participants in Contra Costa County.
- Recovery Innovations to further enhance our services by providing transportation to Community-Based Activities using the 9 Dimensions of Wellness; physical, emotional, intellectual, social, spiritual, occupational, home/community living, financial, recreation/leisure.

Feedback from staff and consumers indicate that the type of services provided were consistent with the services stipulated in the service agreement.

**Results.** Recovery Innovations provides a variety of services aimed at helping clients with severe mental illness work towards recovery and wellness. This is demonstrated in their daily schedule, as well as in their participation in larger periodic community events. The services are accurately reflected in the delineated list from the Service Work Plan. MHSA funds directed to the agency cover expenditures associated with these services in the Recovery Innovations' Wellness Cities.

4. **Meet the needs of the community and/or population.** Is the program meeting the needs of the population/community for which it was designed. Has the program been authorized by the Board of Supervisors as a result of a community program planning process. Is the program consistent with the MHSA Three Year Program and Expenditure Plan.

**Method.** Research the authorization and inception of the program for adherence to the Community Program Planning Process. Match the service work plan or program description with the Three Year Plan. Compare with consumer/family member and service provider interviews. Review client surveys.

**Discussion.** This contract has been authorized by the Board of Supervisors since 2013 and is consistent with the current MHSA Three-Year Program and Expenditure Plan in conducting support services for adults with serious mental illness in West, Central, and East Contra Costa County. This program provides consumers assistance with meaningful activity, a need that has been identified as a priority through community stakeholder engagement. Consumer interviews and surveys indicate that Recovery Innovations is meeting their needs.

**Results.** Recovery Innovations appears to be meeting the needs of the population for which it was designed.

5. **Serve the number of individuals that have been agreed upon.** Has the program been serving the number of individuals specified in the program description/service work plan, and how has the number served been trending the last three years.

**Method.** Match program description/service work plan with history of monthly reports and verify with supporting documentation, such as logs, sign-in sheets and case files.

**Discussion.** Recovery Innovations provides detailed reports on the various service activities they provide, as well as the number of participants. The program has been successful in increasing the total number of persons served within the community as their target for unduplicated participants increased from 299 to 451 between fiscal year 2013-14 and fiscal year 2014-15. In the 2+ years that the program has Recovery Innovations has updated its number of “unduplicated” to further include “active” participants. “Unduplicated” means a person has enrolled and participated for at least 1 day. “Active” reports out on persons who have participated in the past 90 days. For the 2014-15 Fiscal Year year-end report, Recovery Innovations had 217 “Active” participants

**Results.** The program serves the number of people that have been agreed upon, and consistently exceed the minimum amount. Going forward, it is recommend that reporting on persons served should be clearly delineated

between those who are served once, versus those who receive ongoing direct services to capture more meaningful outcomes.

6. **Achieve the outcomes that have been agreed upon.** Is the program meeting the agreed upon outcome goals, and how has the outcomes been trending.

**Method.** Match outcomes reported for the last three years with outcomes projected in the program description/service work plan, and verify validity of outcome with supporting documentation, such as case files or charts. Outcome domains include, as appropriate, incidence of restriction, incidence of psychiatric crisis, meaningful activity, psychiatric symptoms, consumer satisfaction/quality of life, and cost effectiveness. Analyze the level of success by the context, as appropriate, of pre- and post-intervention, control versus experimental group, year-to-year difference, comparison with similar programs, or measurement to a generally accepted standard.

**Discussion.** Outcome goals are reported in terms of the percentage of consumers who 1) have a recovery partnership and are working with a Recovery Coach on their goals, and 2) complete the four core classes in the Recovery Innovations curriculum. The outcomes for financial years 2013/14, and 2014/15 have been reported as follows:

For FY 2013/14, the organization launched this program with the county and had only 6 months to report (January- June, 2014). As such, they reported out that they had a total of 299 participants, and then the 4 core classes: 216 attended WRAP, 138 attended WELL, 136 attended Nine Dimensions of Wellness, 105 attended in Facing up to Health.

For FY 2014/15, the reporting was a little more refined. RI reported not only on unduplicated consumers, but honed in to report on 217 active, regular participants. This time, however, the 4 core classes were reported in terms of completion: 34% of citizens who attend one WRAP class complete the class, 37% completed WELL, 34% completed Facing Up to Health, and 34% completed Nine Dimensions of Wellness ("My Personal Wellness Plan"). Additionally, 83% of all Wellness City Citizens have a recovery partnership and are working with a Recovery Coach – 3% over their outcome goal of 80%

**Results.** The program strives to meet the outcomes that have been agreed upon. However, as the goals are currently written, Recovery Innovations is not reporting out on all goals consistently. A review of the client files has shown a lack of consistency in journal notes written by Recovery Coaches. Nonetheless,

Recovery Innovations is currently in its third year of operations with the Contra Costa County Wellness Cities and is learning more about its goals and collecting and reporting data on the outcomes.

The Service Work Plan for the 2015-16 Financial Year references Recovery Journey software. The work plan indicates that the following reports are available for evaluation:

- Number of sessions per person receiving services
- Number of sessions delivered per provider
- Percentages of services delivered in different locations
- Average time spent per session, per person or per provider
- Aggregate time spent receiving peer support per person

Looking forward, it is recommended that RI engage with these tools to further revise and assess success measures. It is further recommended that RI provide training to staff on how to write journal notes effectively to be more goal focused.

7. **Quality Assurance.** How does the program assure quality of service provision.

**Method.** Review and report on results of participation in County's utilization review, quality management incidence reporting, and other appropriate means of quality of service review.

**Discussion.** Contra Costa County Behavioral Health Administration did not receive any grievances towards the program. The program has an internal grievance process and welcomes consumer feedback through regular administration of surveys to program participants.

**Results.** The program has internal processes in place to be responsive to participant needs and continuously improve quality of services. It also has a process for participants to give feedback, as well as well-documented and posted grievance processes for program participants in order to comply with quality assurance requirements.

8. **Ensure protection of confidentiality of protected health information.** What protocols are in place to comply with the Health Insurance Portability and Accountability Assurance (HIPAA) Act, and how well does staff comply with the protocol.

**Method.** Match the HIPAA Business Associate service contract attachment with the observed implementation of the program's implementation of a protocol for safeguarding protected patient health information.



**Discussion.** The program does not provide direct clinical services and thus does not keep clinical documentation onsite. The program does, however, keep files on individual clients for journal notes on class participation. The larger Recovery Innovations agency has written policies and provides staff training on HIPAA requirements and safeguarding of patient information upon hire. Client charts are kept in locked file cabinets, behind a locked door and comply with HIPAA standards. Program participants are informed about their privacy rights and rules of confidentiality.

**Results.** Recovery Innovations maintains necessary privacy policies and procedures.

9. **Staffing sufficient for the program.** Is there sufficient dedicated staff to deliver the services, evaluate the program for sufficiency of outcomes and continuous quality improvement, and provide sufficient administrative support.

**Method.** Match history of program response with organization chart, staff interviews and duty statements.

**Discussion.** Recovery Innovations has an organizational structure of filled positions indicating a sufficient number and type of staff to support their operations. The Recovery Services Administrator recently left, and the organization just filled the vacant position. The experience level of the Recovery Coaches and Team Leads varied from years of experience in mental health to this being their first position in a peer-support recovery role. Recovery Innovations has a robust internal training program, and is still aiming to identify and address a variety of mental health issues in their training process.

**Results.** Sufficient staffing has been in place to serve the number of clients outlined in the most recent Service Work Plans.

10. **Annual independent fiscal audit.** Did the organization have an annual independent fiscal audit performed and did the independent auditors issue any findings.

**Method.** Obtain and review audited financial statements. If applicable, discuss any findings or concerns identified by auditors with fiscal manager.

**Discussion.** RI was incorporated in the state of Arizona as a non-profit organization in 2006, and offers a range of services in four primary areas; Crisis, Health, Recovery and Consulting. The Contra Costa Wellness Cities are part of RI's Recovery area, and receives all administrative support from its home office in Arizona. This \$46 million organization operates in five states, and in New Zealand.

**Results.** Annual independent fiscal audits for Recovery Innovations, Inc. (RI) for the last two years were provided and reviewed. No significant or material findings were noted in the auditor's report.

**11. Fiscal resources sufficient to deliver and sustain the services.** Does

organization have diversified revenue sources, adequate cash flow, sufficient coverage of liabilities, and qualified fiscal management to sustain program.

**Method.** Review audited financial statements and Board of Directors meeting minutes. Interview fiscal manager of program.

**Discussion.** This program's recent contract with CCBHS appears to provide a full cost recovery for expenses incurred. In addition, RI has a \$1,000,000 revolving line of credit, and a \$3 million line of credit to help finance its working capital needs. Neither line of credit was utilized in fiscal year 2015.

**Results.** Fiscal resources are sufficient to deliver and sustain services.

**12. Oversight sufficient to comply with generally accepted accounting**

**principles.** Does organization have appropriate qualified staff and internal controls to assure compliance with generally accepted accounting principles.

**Method.** Interview with fiscal manager.

**Discussion.** The Accounting Manager has over seven years' experience working in this capacity for RI, and appears fully qualified. RI has a practice of communicating fiscal best practices on a regular basis to program managers in order to maintain quality oversight. RI maintains separate cost centers for each contract, and utilizes the ACCPAC software accounting program to track costs incurred and paid.

**Results.** The RI Accounting Manager and Western Regional Director were interviewed. Sufficient oversight exists to enable compliance with generally accepted accounting principles.

**13. Documentation sufficient to support invoices.** Do the organization's financial reports support monthly invoices charged to the program and ensure no duplicate billing.

**Method.** Reconcile financial system with monthly invoices. Interview fiscal manager of program.

**Discussion.** RI provided documents supporting their invoices. Receipts and monthly timekeeping documentation is generated and reviewed locally, and submitted to the home office and processed by the accounting section, who prepares and submits the monthly invoice to CCBHS.

**Results.** RI's fiscal reporting system, to include monthly invoices and supporting documentation, was reviewed. The methodology and financial documentation appears sufficient to support the invoices, with no duplicate billing.

- 14. Documentation sufficient to support allowable expenditures.** Does organization have sufficient supporting documentation (payroll records and timecards, receipts, allocation bases/statistics) to support program personnel and operating expenditures charged to the program.

**Method.** Match random sample of one month of supporting documentation for each fiscal year (up to three years) for identification of personnel costs and operating expenditures invoiced to the county.

**Discussion.** RI has had a cost based contract with the county for three years, and has been billing for actual allowable costs incurred and paid.

**Results.** Method of accounting for personnel time and operating costs appear to be supported.

- 15. Documentation sufficient to support expenditures invoiced in appropriate fiscal year.** Do organization's financial system year end closing entries support expenditures invoiced in appropriate fiscal year (i.e., fiscal year in which expenditures were incurred regardless of when cash flows).

**Method.** Reconcile year end closing entries in financial system with invoices. Interview fiscal manager of program.

**Discussion.** A review of the county's MHSA monthly financial reports indicated no billing by this agency for expenses incurred and paid in a previous fiscal year.

**Results.** Documentation appears sufficient to support expenditures invoiced in the appropriate fiscal year.

- 16. Administrative costs sufficiently justified and appropriate to the total cost of the program.** Is the organization's allocation of administrative/indirect costs to the program commensurate with the benefit received by the program.

**Method.** Review methodology and statistics used to allocate administrative/indirect costs. Interview fiscal manager of program.

**Discussion.** This line item appears to be commensurate with the benefit received by the program.

**Results.** RI budgets and bills CCBHS at 15% Indirect Costs, which is at industry standard.

**17. Insurance policies sufficient to comply with contract.** Does the organization have insurance policies in effect that are consistent with the requirements of the contract.

**Method.** Review insurance policies.

**Discussion.** The program provided general liability insurance policies that were in effect at the time of the site visit.

**Results.** The program complies with the contract insurance requirements.

**18. Effective communication between contract manager and contractor.** Do both the contract manager and contractor staff communicate routinely and clearly regarding program activities, and any program or fiscal issues as they arise.

**Method.** Interview contract manager and contractor staff.

**Discussion.** Program staff and county have been in regular communication and as part of the program review process, have begun initial conversations regarding contract renewal with program improvements to better serve the community.

**Results.** The program has historically had good communication with the contract manager and is receptive to feedback and willing to address concerns that may arise.

## **VIII. Summary of Results.**

Recovery Innovations is an innovative organization that provides a full spectrum of recovery and wellness services through their Wellness Cites in West, Central, and East County. RI staff engages their consumers ("Citizens") with curriculum that has been developed to assist Citizens toward achieving their own recovery. The program adheres to the principles of the MHSA by providing mental health services that are focused on recovery, self-reliance, and resiliency. Moreover, the program provides consumers assistance with meaningful activity, a need that has been identified as a priority through community stakeholder engagement. Services are provided in community based settings and are driven by the needs of the community that Recovery Innovations serves. RI is connected to the County's mental health system and other system partners such as health services, and other mental health service providers. Program participants overwhelmingly endorse the positive impact. This is a relatively new cost-based contract with CCBHS that appears to provide a full cost recovery for expenses incurred, and is operating with sound fiscal and accounting practices.

Issues for attention pertain primarily to refining outcomes and how they track and capture that information.

## **IX. Findings for Further Attention.**

- Several consumers have expressed a desire for a mental health clinician to be made available to them onsite. While Recovery Innovations is a peer model, it is recommended that RI provide more access to a clinician who can help bridge the gap between clinical treatment and the journey to recovery.
- A review of the client files has shown a lack of consistency in journal notes written by Recovery Coaches. It is recommended that Recovery Innovations provide training to staff on how to write journal notes effectively, to be more goal focused.
- It is recommended that Recovery Innovations implement and utilize the database software referred to in the 15/16 Work Plan (“Recovery Journey”). This will help in capturing the journal notes, and be able to report out more meaningfully on consumer success as well as program efficacy.
- It is recommended that Recovery Innovations revise its outcome deliverables to focus more on determining success in consumer progress in the classes, and on improving mental health outcomes.

## **X. Next Review Date.** April 2019

## **XI. Appendices.**

Appendix A – Program Response to Report

Appendix B – Program Description/Service Work Plan

Appendix C – Service Provider Budget

Appendix D – Yearly External Fiscal Audit

Appendix E – Organization Chart

## **XII. Working Documents that Support Findings.**

Consumer Listing

Consumer, Family Member Surveys

Consumer, Family Member, Provider Interviews

County MHSA Monthly Financial Report

Progress Reports, Outcomes

Monthly Invoices with Supporting Documentation

Indirect Cost Allocation Methodology/Plan

Board of Directors' Meeting Minutes

Insurance Policies

MHSA Three Year Plan and Update(s)

# **APPENDIX A**

## **Program Response to Report**

Mental Health Services Act Program and Fiscal Review Response

Produced by RI International – Contra Costa County Wellness Cities

(Antioch, Concord, San Pablo)

### **1. Section VII – Review Results 1. Staff Interviews**

Eight peer support staff members were interviewed by a county representative at the time of this review. Staff identified opportunities for RI as well as general service needs in the community for this population.

- a. While RI staff maintains strong relationships with community partners to offer interconnected service, opportunities for growth were identified.
  - i. Medication Education – All three Wellness Cities have made inquiries with local pharmacies with the intention of recruiting a volunteer pharmacist or technician to be present in each site and answer medication related questions quarterly. Thus Far, San Pablo has been successful in receiving that support. The Antioch and Concord Leads are still working to obtain assistance in this area.
  - ii. At the time of their interviews staff identified an interest in obtaining an RN or Psychologist on site to support all three wellness cities. A RFP was requested in 2015 by former RSA Hillary Bowers and it was denied by the county Mental and Behavioral Health Division. Current RSA, April Langro will seek a volunteer Psych Tech or LCSW and if a partnership of this nature cannot be established, RI International staff will continue to work with the HUME Center and other entities to link citizens to the psychiatric support they might be seeking.
  - iii. Regarding RI International’s interest to expand WRAP services, we are actively working with our community partners to encourage participation and use of the Mary Ellen Copeland’s WRAP facilitation and train the trainer

services that we provide. April Langro and Dr. Anton Bland at PES have connected to establish whether or not a plan can be developed to train PES staff members in Mary Ellen Copeland's WRAP or to provide PES with trained WRAP facilitators. At the time of this review Warren Hayes identified other entities like Hope House and Miller Wellness Center that are also interested in partnering with RI for WRAP related training. April Langro will connect with these programs and develop an opportunity to train all interested partners alongside one another at one time.

Also in the interest of expanding our WRAP services, April Langro has written an Innovative Grant Concept Proposal to connect the TAY and LGBTQ populations with RI's Wellness City curriculum which would include WRAP, WELL, Facing up to Health and 9 Dimensions of Wellness. Whether or not this grant is awarded to RI, April Langro will include the Rainbow Community Center and CCTAY program in the county wide WRAP training opportunity.

2. Section VII – Review Results – 5. Serving the number of individuals that have been agreed upon.

The county representative performing the review identified that RI serves the number of people that have been agreed upon. However, an opportunity to track and report on meaningful outcomes was identified.

- a. While RI International meets the expectations and retains accurate documentation of the number of individuals being served, the RSA and SSC of RI are introducing new line items in RI's tracking tools to reflect the meaningful activities and outcomes. On August 1<sup>st</sup> the Recovery Coaches will begin tracking the following meaningful activities and outcomes.
  - i. Number of people who participate in the following:
    1. SPIRIT
    2. RI's community inclusion events
    3. RI's volunteer programs
    4. Pre-employment skill development or vocational training
    5. RI's Citizen Contributor or Engagement Specialist roles



- ii. Number of people who obtained a Primary Care Physician and/or Psychiatrist
- iii. Number of people who applied and/or interviewed for a job
- iv. Number of people who committed to a healthy life style change:
  - 1. Stopped smoking
  - 2. Altered their diet
  - 3. Started exercising
  - 4. Joined a support group
- v. Number of people who celebrated the following successes:
  - 1. Graduated school
  - 2. Obtained outside employment
  - 3. Began taking college courses or received a certificate
  - 4. Completed one or more of RI's 4 CORE courses:

WRAP, WELL, 9 Dimensions of Wellness and Facing Up to Health

- b. RI will begin to differentiate the number of potential citizens who were served once to meet a need in a time of crisis between the numbers of potential citizens who visited once. Both of these will be tracked and compared to the number of citizens who receive services daily at all three Wellness Cities: Antioch, Concord and San Pablo.
3. Section VII – Review Results – 6. Achieve the outcomes that have been agreed upon.
- At the moment of RI's review, it was suggested by the county that a software program be utilized by RI to upload the individual and group notes that Recovery Coaches complete for each citizen following their participation. More training in note taking was recommended
- a. RI International in Contra Costa County purchased the software "Netsmart."
 

Recovery Coaches will be retrained in writing individual and group notes that reflect the citizen's goals and/or areas in which they are currently seeking support for their overall wellness which may overshadow their goals in that moment. April Langro will provide the additional training and closely monitor the progress of the Recovery Coaches to improve their skills while anticipating the implementation of Netsmart.

Completed by: April Langro - RI International – Recovery Services Administrator

# APPENDIX B

## Program Description and Service Work Plan

### **Recovery Innovations**

Point of Contact: April Langro, Recovery Services Administrator

Contact Information: 2975 Treat Blvd., Suite C8, Concord, CA 94518, (925)–363–7290, [April.Langro@riinternational.com](mailto:April.Langro@riinternational.com)

#### **1. General Description of the Organization**

Founded by Eugene Johnson in 1990 as META Services, an Arizona non-profit corporation, Recovery Innovations developed and provided a range of traditional mental health and substance abuse services for adults with long term mental health and addiction challenges. In 1999, Recovery Innovations began pioneering an innovative initiative: the creation of the new discipline of Peer Support Specialist. Now, 13 years later, this experience has transformed the Recovery Innovations workforce to one in which Peer Support Specialists and professionals work together on integrated teams to deliver recovery-based services. The Recovery Innovations experiences had a global impact on the mental health field serving as a demonstration that recovery from mental illness and/or addiction is possible. Based on this transformation experience, Recovery Innovations operates recovery-based mental health services in 21 communities in five states and New Zealand and has provided recovery training and transformation consultation in 27 states and five countries abroad.

#### **2. Program: Recovery Innovations Wellness and Recovery Centers - CSS**

Recovery Innovations provides wellness and recovery centers situated in West, Central and East County to ensure the full spectrum of mental health services is available. Wellness and Recovery Centers are made up of individuals embarking on or expanding their recovery journey. Staff of well-trained peers who have experienced their own recovery success share what they have learned and walk alongside each person. The clients of Wellness and Recovery Centers learn to identify personal strengths and develop personalized wellness plans that incorporate their hopes and dreams for the future. Each participant partners with a Recovery Coach who understands the challenges and is standing alongside ready to offer support. These centers offer peer-led recovery-oriented, rehabilitation and self-help groups, which teach self-management and coping skills. The centers offer wellness recovery action plan (WRAP) groups, physical health and nutrition education, advocacy services and training, arts and crafts, and support groups.

#### **b. Scope of Services:**

- Peer and Family Support

- Personal Recovery Planning using the seven steps of Recovery Coaching
  - Workshops, Education Classes and Community-Based Activities using the nine dimensions of wellness; physical, emotional, intellectual, social, spiritual, occupational, home/community living, financial, recreation/leisure
  - Community Outreach and Collaboration
  - Assist participants to coordinate medical, mental health, medication and other community services
  - Wellness Recovery Action Plan (WRAP) classes
  - Family Education and Support Programs
  - Breakfast/Lunch meals during weekdays for participants
- c. Target Population: Adult mental health participants in Contra Costa County. Recovery Innovations services will be delivered within each region of the county through Wellness and Recovery Centers located in Antioch, Concord and San Pablo.
- d. Payment Limit: FY 15/16: \$1,117,058 (MHSA: 875,000)
- e. Number served: FY 14/15: 451 (217 are active, regular participants)
- f. Outcomes: 34% of citizens who attend one WRAP class complete the class. 37% who attended one WELL class completed the class, 34% of those who attend one Facing Up to Health class completed the class and 34% of those who attend one “My Personal Wellness Plan” completed the class.

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1. **Program Eligibility.** Contractor's services shall be provided to former and current recipients of mental health services who live and/or work in Contra Costa County, and who are eighteen (18) years of age, or older. Contractor shall make its service delivery policy, which is incorporated herein by this reference, available to the public for inspection. A person receiving any of Contractor's services is hereinafter referred to as a "Client".
2. **Scope of Services.** During the term of this Contract, Contractor shall provide a range of community-based mental health support services to County's Adult Mental Health Clients. Contractor's services shall be provided in accordance with the Work Plan for this Contract which is incorporated herein by this reference, copies of which are on file in the office of County's Behavioral Health Services Division Director and a copy of which County has provided to Contractor. Contractor's services shall include, but are not limited, to the following:
  - a. Operate Community Centers for the purpose of convening self-help/peer support groups and for social and recreational activities at the following locations:
    - Central County ..... 2975 Treat Boulevard, Building C, Concord
    - East County ..... 2400 Sycamore Drive, Suite 30/31, Antioch
    - West County ..... 2101 Vale Road, Suite 200, San Pablo Avenue, Richmond; *and*
  - b. Provide access to van transportation for Clients enrolled in program at the Community Centers; *and*
  - c. Assist the Office of Consumer Empowerment in organizing and conducting County's annual Mental Health Service Provider Individualized Recovery Intensive Training (SPIRIT) for Clients who are interested in working within the local mental health service delivery system."
3. **Program Objectives and Performance Evaluation.** Contractor shall provide its program services so as to achieve the service program objectives set forth in the Department's Contract Performance Plan for this Contract, which is on file in the administrative offices of the County's Behavioral Health Services Division Director, and which is incorporated herein by this reference. Contractor's performance under this Contract shall be evaluated by County staff on the basis of:
  - a. The degree to which each specified service program objective was actually achieved, and
  - b. The total number of service units that were actually provided by Contractor hereunder.
4. **Performance Reports.** Contractor shall prepare and submit to County periodic performance progress reports as may be required by County's Health Services Director, or designee. No later than sixty (60) days following the termination of this Contract, Contractor shall prepare and submit to County an Annual Performance Report, in the form and manner prescribed by County's Health Services Director, or designee, covering the entire term of this Contract.
5. **Third-Party Payment Liability.** Contractor shall be solely responsible for any payments due from Contractor to third parties or for any liabilities, obligations, or commitments of Contractor arising from Contractor's performance of this Contract, including, but not limited to, any payments that Contractor may owe to contractors or other suppliers for goods and services received by Contractor in

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the operating, equipping, altering, remodeling, renovating, or repairing of Contractor's program and facilities established under this Contract. In no event shall County be responsible for any payments due from Contractor to third parties or for any liabilities, obligations, or commitments of Contractor arising from Contractor's performance of this Contract.

6. **Ownership and Disposition of Property and Equipment.** Equipment and capital expenditure items with a purchase price of \$ 500 or more and a useful life of at least one (1) year shall be defined as nonexpendable property. Items with a purchase price of less than \$ 500 or a useful life of less than one year shall be defined as expendable property. Subject to these definitions, the acquisition and utilization of expendable property and nonexpendable property shall be determined in accordance with the principles and statements set forth in the federal Office for Management and Budget (OMB) Circular No. A-110, and any amendments thereto (references contained therein to the federal government, federal agencies or "grantor" shall be construed to mean "County" and references to "grantee" or "recipient" shall be construed to mean "Contractor"). Upon termination of this Contract, or as otherwise may be prescribed by County, Contractor shall account for and transfer to County all remaining expendable property and nonexpendable property, including supplies and equipment, loaned by County for use by Contractor or acquired with Contract funds. Contractor shall exclude items which are fully depreciated or which are purchased with outside, non-County funds. County shall retain full ownership of all such transferred property.
7. **Protection of Property and Equipment.** Throughout the term of this Contract, and any modification or extension thereof, Contractor shall:
- Cooperate with County in tagging and appropriately identifying all program property and equipment loaned by County for use by Contractor or acquired with Contract funds;
  - Establish a property management control system to ensure adequate safeguards to prevent loss, theft, or damage to property, and maintain all equipment in good working repair at all times;
  - Investigate, fully document, and immediately report to appropriate police agencies and/or County any loss, theft, or damage to property and equipment. Contractor shall repair or replace all such items within sixty (60) days with items of comparable quality and value; and
  - Maintain accurate records of all equipment and other such property loaned by County for use by Contractor or acquired with Contract funds, including property description, identification numbers, acquisition date and cost, source, location, use, condition and disposition.
8. **Cost Report.** Paragraph 7. (Cost Report and Settlement), of the Payment Provisions is hereby deleted in its entirety and replaced with a new paragraph to read as follows:
- "7. **Cost Report and Settlement.**
- Due Date and Procedure.** Contractor shall prepare, in the form and manner required by County, a cost report showing allowable costs incurred by Contractor no later than sixty (60) days following the later of the expiration or termination of this Contract (such expiration or termination, the "Termination Date") or receipt of the final InSyst/PSP Report #864 from County. If said cost report shows that the allowable costs that have actually been incurred by Contractor under this Contract exceed the payments made by County, subject nevertheless to the Payment Limit of this Contract, County shall remit any such excess amount to

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Contractor, provided that the payments made, together with any such excess amount, may not exceed the contract Payment Limit. If said cost report shows that the payments made by County exceed the allowable costs that have actually been incurred by Contractor under this Contract, Contractor shall remit any such excess amount to County.

- b. **Financial Report.** No later than one hundred and eighty (180) days after the termination or expiration of this Contract, Contractor shall provide to County a financial statement that has been reviewed and verified by an independent Certified Public Accountant.
- c. **Penalty for Late Submission of Cost Report or Financial Report.** In the event Contractor fails to submit an accurate and complete cost report or financial report within the appropriate period, as described above, Contractor shall pay to County a late penalty in the amount of One Hundred Dollars (\$100) per day for each calendar day that the cost report is late (the "Late Penalty"). The Late Penalty shall commence on the first day following the determined due date of the Report. If Contractor does not submit an accurate and complete cost report or financial report by the one hundred twentieth (120th) day following the appropriately determined due date of the report, Contractor shall pay to County, upon demand, all amounts covered by the outstanding cost report and paid by County to Contractor in the fiscal year for which the cost report or financial report is outstanding. Penalties pursuant to this subparagraph may, for good cause, be waived, either in part or in their entirety, at the sole discretion of the Health Services Director, or designee."

9. **Audit Requirements.** Paragraph 8. (Audits), of the Payment Provisions is hereby deleted in its entirety, and replaced with a new Paragraph, to read as follows:

- "8. Audits.** The records of Contractor may be audited by the County, State, or United States government. Contractor shall submit an accurate and complete audit(s) to County within one hundred eighty (180) days following the Termination Date of this Contract, in the form and manner required by County, as set forth herein.

In the event Contractor fails to submit such an audit, all payments due to Contractor under this, or any other Contracts between Contractor and County for its Health Services Department, will be suspended until the required audit(s) has been submitted to County. Upon approval of Contractor's audit(s) by the Health Services Director, or designee, County will resume any payments due to Contractor under the terms of the Contract(s). Payment suspensions pursuant to this paragraph may, for good cause be waived, either in part or in their entirety, at the sole discretion of the County Administrator, or designee.

If such audit(s) show that the payments made by County exceed the allowable costs that have actually been incurred by Contractor under this Contract, including any adjustments made pursuant to Paragraph 7. (Cost Report and Settlement), then Contractor shall pay County within thirty (30) days of demand by County any such excess amount. If such audit(s) show that the allowable costs that have actually been incurred by Contractor under this Contract exceed the payments made by County, including any adjustments made pursuant to Paragraph 7. (Cost Report and Settlement), then County agrees to pay Contractor any such excess amount, provided that payments made, together with any such excess payment, may not exceed the contract Payment Limit."

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10. **Automatic Extension.** Notwithstanding any other provision of this Contract, unless this Contract is terminated prior to **June 30, 2016**, by either party pursuant to Paragraph 5. (Termination), of the General Conditions, the term of this Contract shall be automatically extended for the **six (6)-month** period through **December 31, 2016** (the "Extension Period"). During the Extension Period, this contract is nevertheless subject to all the terms and conditions applicable during its initial term, including but not limited to General Conditions Paragraph 5. (Termination), except as to payment for services rendered during the extended term. The purpose of the Extension Period is to allow for continuation of services as specified in this Contract, to avoid interruption of payment to Contractor, and to allow County time in which to complete a novation or renewal contract for Contractor and County Board of Supervisors approval. As to the Extension Period of this Contract:
- If this Contract is automatically extended, the Contract Payment Limit specified in Paragraph 4. (Payment Limit), of this Contract, is increased by **\$ 558,259** (the "Extension Period Payment Limit") and County's total payments to Contractor for said extension period will not exceed the Extension Period Payment Limit, subject, nevertheless, to the aforesaid novation or renewal contract;
  - County will pay Contractor in accordance with the Payment Provisions, subject to the Extension Period Payment Limit specified above;
  - Contractor will continue to provide services as set forth in the Service Plan, subject to any amendments thereto;
  - The Extension Period will be subject to any further agreement (novation) which Contractor and County may enter into covering the provision of services during the contract period immediately following the contract period specified in Paragraph 3. (Term), in accordance with Contra Costa County's current revision of the project, if any, specified in Paragraph 8. (Project); and
  - In addition to the cost report specified in Paragraph 7. (Cost Report and Settlement), of the Payment Provisions, as amended by the Service Plan, paragraph 8, Cost Report above, Contractor shall also submit to County, no later than sixty (60) days following termination of this Contract as extended, an extension period cost report covering the period of this six (6)-month extension. County and Contractor shall follow the cost report and settlement procedures specified in above-referenced Paragraph 7. (Cost Report and Settlement), of the Payment Provisions, subject to the Extension Period Payment Limit specified above for the Extension Period.
11. **Payment Adjustments for Unauthorized Expenditures.**
- If any funds are expended by Contractor in violation of the terms of this Contract (including all applicable statutes, regulations, guidelines, bulletins, and circulars), or if County determines that any payment amounts received by Contractor are for unallowable costs, County may deduct the amount of such unauthorized or illegal expenditures or unallowable costs from payments otherwise payable to Contractor in order to recover any amount expended for such unauthorized purposes in the current or in the four preceding fiscal years. No such action taken by County shall entitle Contractor to reduce program operations or salaries, wages, fringe benefits, or services for any program participant, or client, including Contractor's staff, or to expend less during the effective term of this Contract than those amounts specified in the Budget of Estimated Program Expenditures included in the Service Plan. Any such reduction in expenditures may be deemed

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sufficient cause for termination of this Contract. Within thirty (30) days of request by County, Contractor shall reimburse County for any payments made for expenditures which are in violation of this Contract.

- b. Contractor shall indemnify County fully and completely for any repayment of funds made by the County to the State or Federal governments after it has been determined that such repayment is required from the County due to the unauthorized or illegal expenditures by Contractor. The State or Federal government's determination as to the necessity for any such repayment shall be conclusive as between County and Contractor.

- 12. **HIPAA Requirements.** Contractor must comply with the applicable requirements and procedures established by the Health Insurance Portability and Accountability Act (HIPAA) of 1996 and any modifications thereof, including, but not limited to, the attached HIPAA Business Associate Attachment, which is incorporated herein by reference.

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## **APPENDIX C**

### **Service Provider Budget**

Org / Act.	Description / Contract (PO) #	Employee / Vendor #	Position #	Name	February 16 Actual Exp.	YTD Actual Exp.	Projected Expenditure	Annual Allocation / Budget	Variance Budget / (Under Budget)
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### 5724 Adult Services

1000 County Personnel Expenses (Salaries and Employee Benefits)									
5724 VQHP	Mnt Hth Prog Supv	77013	10154	✓ Sanabria, Bernadita P	7,745	61,959	92,938	92,938	(58,455)
5724 VQHP	Mnt Hth Prog Supv	79071	13058	✓ Robin O'Neill		29,193	29,193	87,648	(40,218)
5724 VQHP	Mnt Hth Prog Supv	10016	10016	✓ Vacant			19,434	19,434	(52,517)
5724 VQSB	Mental Hth Clinical Spec	75921	11419	✓ Vacant			13,950	54,168	(19,120)
5724 VQSB	Mental Hth Clinical Spec	79453	13065	✓ Eges, Rayana		46,180	46,180	78,342	(24,762)
5724 VQSB	Mental Hth Clinical Spec	13631	13631	✓ Melissa Lincoln-Friedman		27,900	80,417	80,417	(49,220)
5724 VQSB	Mental Hth Clinical Spec	76260	13901	✓ Woods, Jacqueline		30,264	30,264	30,264	(10,733)
5724 VQSB	Mental Hth Clinical Spec	13901	13901	✓ Vacant			23,250	42,370	(43,685)
5724 VQSB	Mental Hth Clinical Spec	79458	14308	✓ Agolia, Brian A	6,538	52,306	78,458	78,458	(27,164)
5724 VQSB	Mental Hth Clinical Spec	79071	14309	✓ O'Neill, Robin F	7,281	28,635	57,758	14,073	28,164
5724 VQSB	Mental Hth Clinical Spec	72010	14309	✓ Daisy Lam	6,171	24,685	49,371	74,133	(10,759)
5724 VQSB	Mental Hth Clinical Spec	82973	14664	✓ Egeen, Alicia R	4,158	4,158	20,788	70,008	13,431
5724 VQSB	Mental Hth Clinical Spec	72817	15209	✓ Bunt, Steven E.	7,139	53,377	81,935	77,992	4,143
5724 VQSB	Mental Hth Clinical Spec	80553	15210	✓ Korfield, Shoshana R	6,702	13,084	39,891	67,055	(27,164)
5724 VWSB	Family Nurse Practitioner	14118	14118	✓ Vacant			28,164	28,164	
5724 VWXD	Registered Nurse-Exp Lvl	73684	9400	✓ Ambrosio, Aileen F		41,847	41,847	41,847	
5724 VWXD	Registered Nurse-Exp Lvl	9400	9400	✓ Vacant			28,164	38,923	(10,759)
5724 VWXD	Registered Nurse-Exp Lvl	45802	13634	✓ Ansel, Baulo	9,054	73,432	112,047	98,616	13,431
5724 VWXD	Registered Nurse- Exp Level	79212	15229	✓ Paterson, Deborah S		20,014	20,014	20,014	0
5724 VWXD	Registered Nurse- Exp Level		15229	✓ Vacant			74,222	74,222	(74,222)
5724 V5VF	Physical Therapist II	57160	9352	✓ Karpinskas, Julie A		100	100	100	100
	<b>Wages Subtotal</b>				<b>55,387</b>	<b>479,235</b>	<b>841,646</b>	<b>1,121,288</b>	<b>(279,641)</b>
	<b>Employee Benefits Subtotal</b>				<b>32,161</b>	<b>292,396</b>	<b>513,516</b>	<b>672,773</b>	<b>(159,257)</b>
	<b>Total Salaries and Benefits</b>				<b>87,548</b>	<b>771,631</b>	<b>1,355,162</b>	<b>1,794,060</b>	<b>(438,898)</b>

### 2000 Operating Expenses (Services and Supplies)

2310 Contracts with Individuals (Non City Prof Svc'd Svcs) Subtotal									
5724 F24610		12804	12804	Rader, Stephen Md					
5724 F2471701		09607		Hume Center - Adult FSP East	81,578	336,932	415,102	907,493	(492,391)
5724 F7430105		02607		Desamolo Familiar Inc-Familias Unidas	8,003	105,673	211,348	207,056	4,252
5724 F246102		04333		VIA Inc					
5724 F2471800		04611		Recovery - Innovations	68,407	475,388	713,082	875,000	(161,918)
5724 F7450500		09641		Anika Behavioral Health			768,690	768,690	
5724 F7430207		20095		Rubicon Programs Inc	61,642	425,420	850,841	928,811	(77,970)
5724 F7428607		06764		Crestwood Behavioral Hth	8,385	58,695	88,043	88,043	
5724 F2463184		08632		United Family Care	31,971	31,971			
5724 F7450300		06642		Mental Health Systems Inc	109,435	109,435			
	<b>2320 Contracts with Agencies (Outside Medical Services) Subtotal</b>				<b>369,422</b>	<b>1,543,515</b>	<b>3,047,105</b>	<b>3,687,090</b>	<b>(639,985)</b>
	<b>Other Services and Supplies</b>				<b>244</b>	<b>2,005</b>	<b>2,846</b>	<b>3,000</b>	<b>(154)</b>
	<b>Total Operating Expenses (Services and Supplies)</b>				<b>369,665</b>	<b>1,545,520</b>	<b>3,049,951</b>	<b>3,690,090</b>	<b>(640,139)</b>

### 5000 County Intra-fund Transfers (Expenditure Transfers)

					3,182	14,973	19,964	25,000	(5,036)
					<b>460,396</b>	<b>2,332,124</b>	<b>4,425,077</b>	<b>5,509,150</b>	<b>(1,084,074)</b>
				<b>5724 Adult Services Total</b>					

NOTE:

- 1) \$8,157.59 is FY14-15 additional June invoice posted after FY14-15 accrual cut-off.
- 2) Expenditure is posted to Mental Health cost center. Correction will be made.
- 3) Expenditure was posted to Adult Service cost center incorrectly. Correction will be made.
- 4) Contract should be charged to AOT cost center 5713. Correction will be made.

Contra Costa County  
Mental Health Services Act  
FY 14 - 15 Expenditure Details

Org / Acct.	Description / Contract (PO) #	Position / Vendor #	Name	6/15/2015 Closing	YTD		Projected Expenditure	Annual Allocation / Budget	Variance
					Actual Exp.				
2000	Operating Expenses (Services and Supplies)								
	F24610	12804	Rader, Stephen Md	-	2,464		2,464	-	2,464
	2310 Contracts with Individuals (Non Cnty Prof Spclzd Svcs) Subtotal								
	F2471701	09607	Hume Center - Adult FSP East	106,467	521,620		521,620	907,493	(385,873)
	F743007	00444	CHIA	-	-		-	123,422	(123,422)
	F7430105	02607	Desarrollo Familiar Inc-Familias Unidas	20,333	207,096		207,096	207,096	-
	F2346102	04333	VIA Inc	-	-		-	-	-
	F2471800	04611	Recovery - Innovations	141,506	772,246		772,246	875,000	(102,754)
	F2475181	09641	Anka Behavioral Health	-	356,010		356,010	768,690	(412,680)
	F743005	10457	Mental Hlth Consumer Inc	-	-		-	-	-
	F743007	20095	Rubicon Programs Inc	200,928	761,558		761,558	928,813	(167,255)
	F74281612	06764	Crestwood Behavioral Hlth	50,310	50,310		50,310	-	50,310
	2320 Contracts with Agencies (Outside Medical Services) Subtotal								
				519,544	2,668,841		2,668,841	3,810,514	(1,141,673)
	Other Services and Supplies								
				300,638	310,323		310,323	-	310,323
	Total Operating Expenses (Services and Supplies)								
				820,182	2,981,628		2,981,628	3,810,514	(828,886)
5000	County Intra-fund Transfers (Expenditure Transfers)			2,779	24,170		24,170	-	24,170
	5724 Adult Services Total								
				920,942	4,429,105		4,429,105	5,604,573	(1,175,468)

what's origin?  
should not be.

## **APPENDIX D**

### **Yearly External Fiscal Audit**

**RECOVERY INNOVATIONS, INC.  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION**

Year Ended June 30, 2015

**RECOVERY INNOVATIONS, INC.  
AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION**

Year Ended June 30, 2015

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**Mayer Hoffman McCann P.C.**

**An Independent CPA Firm**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of

**RECOVERY INNOVATIONS, INC. AND SUBSIDIARIES**

We have audited the accompanying consolidated financial statements of ***Recovery Innovations, Inc. and Subsidiaries*** (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of **Recovery Innovations, Inc. and Subsidiaries** as of June 30, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Phoenix, Arizona  
November 5, 2015

Mayer Hoffman McCann P.C.



**RECOVERY INNOVATIONS, INC.  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

June 30, 2015

**ASSETS**

<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 4,315,680
Short-term investments	13,674
Accounts receivable, net	2,947,252
Prepaid expenses	891,702
Inventory	24,433
<b>TOTAL CURRENT ASSETS</b>	<b>8,192,741</b>
<b>PROPERTY AND EQUIPMENT, net</b>	<b>11,922,703</b>
<b>REFUNDABLE DEPOSITS</b>	<b>232,033</b>
<b>INVESTMENT IN PARTNERSHIP</b>	<b>287,919</b>
<b>TOTAL ASSETS</b>	<b>\$ 20,635,396</b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 937,042
Accrued expenses	1,875,910
Payable to funding source	298,638
Deferred revenue	561,780
Current portion of lease obligations	89,403
Current maturities of OIG payable	202,200
Current maturities of long-term debt	133,702
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,098,675</b>
<b>LEASE OBLIGATIONS, less current maturities</b>	<b>1,177,329</b>
<b>OIG PAYABLE, less current maturities</b>	<b>556,050</b>
<b>LONG-TERM DEBT, less current maturities</b>	<b>5,066,298</b>
<b>CUSTOMER DEPOSITS</b>	<b>40,255</b>
<b>TOTAL LIABILITIES</b>	<b>10,938,607</b>
<b>NET ASSETS</b>	
Unrestricted	9,173,989
Temporarily restricted	522,800
<b>TOTAL NET ASSETS</b>	<b>9,696,789</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 20,635,396</b>

See Notes to Consolidated Financial Statements

**RECOVERY INNOVATIONS, INC.  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contracted fees for services	\$ 47,486,208	\$ -	\$ 47,486,208
Grants	75,014	-	75,014
Partnership loss	(12,469)	-	(12,469)
Rental income	220,202	-	220,202
Training and materials	1,115,323	-	1,115,323
Loss on disposal of property and equipment	(25,598)	-	(25,598)
Other	355,672	-	355,672
Net assets released from restriction	<u>50,191</u>	<u>(50,191)</u>	<u>-</u>
 TOTAL REVENUE AND SUPPORT	 <u>49,264,543</u>	 <u>(50,191)</u>	 <u>49,214,352</u>
EXPENSES			
Program services:			
RI Crisis	17,645,733	-	17,645,733
RI Health	8,289,122	-	8,289,122
RI Recovery	11,217,545	-	11,217,545
RI Consulting	<u>1,295,954</u>	<u>-</u>	<u>1,295,954</u>
Total program services	<u>38,448,354</u>	<u>-</u>	<u>38,448,354</u>
Supporting services:			
Corporate administration and management	<u>7,697,878</u>	<u>-</u>	<u>7,697,878</u>
Total supporting services	<u>7,697,878</u>	<u>-</u>	<u>7,697,878</u>
 TOTAL EXPENSES	 <u>46,146,232</u>	 <u>-</u>	 <u>46,146,232</u>
 CHANGE IN NET ASSETS	 <u>3,118,311</u>	 <u>(50,191)</u>	 <u>3,068,120</u>
NET ASSETS, BEGINNING OF YEAR	<u>6,055,678</u>	<u>572,991</u>	<u>6,628,669</u>
 NET ASSETS, END OF YEAR	 <u>\$ 9,173,989</u>	 <u>\$ 522,800</u>	 <u>\$ 9,696,789</u>

See Notes to Consolidated Financial Statements

**RECOVERY INNOVATIONS, INC.  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2015

	<b>Program Services</b>					<b>Supporting Services</b>	
	<b>RI Crisis</b>	<b>RI Health</b>	<b>RI Recovery</b>	<b>RI Consulting</b>	<b>Total Program Services</b>	<b>Corporate administration and management</b>	<b>Total</b>
Salaries and wages	\$ 10,422,038	5,259,812	\$ 6,040,370	\$ 682,255	\$ 22,404,475	\$ 4,742,719	\$ 27,147,194
Employee related expenses	1,917,157	1,381,891	1,423,296	149,712	4,872,056	904,847	5,776,903
Travel	173,974	137,046	417,514	244,460	972,994	236,156	1,209,150
Office occupancy	1,731,298	308,477	1,549,131	-	3,588,906	54,206	3,643,112
Client occupancy	-	686,389	376	-	686,765	-	686,765
Program services	1,524,133	142,440	420,643	73,310	2,160,526	20,193	2,180,719
Program supplies	460,115	17,061	301,096	12,900	791,172	-	791,172
Insurance	175,165	137,229	208,591	15,150	536,135	24,682	560,817
Telephone services	107,951	78,158	210,076	10,853	407,038	106,507	513,545
Other professional fees	439,868	4,938	-	6,409	451,215	1,168,232	1,619,447
Bad debt expense	-	8,157	8,465	-	16,622	-	16,622
Other expenses	221,179	16,937	239,020	24,717	501,853	170,057	671,910
Office supplies and equipment	226,896	79,132	276,728	76,188	658,944	128,328	787,272
Depreciation	245,959	31,455	122,239	-	399,653	141,951	541,604
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 17,645,733</b>	<b>\$ 8,289,122</b>	<b>\$ 11,217,545</b>	<b>\$ 1,295,954</b>	<b>\$ 38,448,354</b>	<b>\$ 7,697,878</b>	<b>\$ 46,146,232</b>

See Notes to Consolidated Financial Statements



**RECOVERY INNOVATIONS, INC.  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

Year Ended June 30, 2015

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 3,068,120
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	541,604
Partnership loss	12,469
Loss on disposal of property and equipment	25,598
Unrealized losses on investments	3,850
Bad debt expense	16,622
Change in deferred compensation investments	1,169,845
Changes in operating assets and liabilities:	
Decrease (increase) in:	
Accounts receivable	(23,081)
Prepaid expenses	(280,643)
Inventory	(7,026)
Increase (decrease) in:	
Accounts payable	203,397
Accrued expenses	(113,898)
Payable to funding source	(1,661,594)
Deferred revenue	(101,486)
Lease obligations	1,266,732
Deferred compensation payable	(1,169,845)
Net cash provided by operating activities	<u>2,950,664</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of property and equipment	(3,138,301)
Proceeds from investment in partnership - Crisis Access	215,606
Proceeds from investment held in foundation	4,855
Change in refundable deposits	(43,636)
Change in customer deposits	32,455
Net cash used in investing activities	<u>(2,929,021)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Borrowings on long-term debt	5,200,000
Payments on OIG payable	(202,200)
Payments on long-term debt	(5,589,936)
Net cash used in financing activities	<u>(592,136)</u>

CHANGE IN CASH AND CASH EQUIVALENTS (570,493)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 4,886,173

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 4,315,680

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash paid for interest	<u>\$ 176,564</u>
------------------------	-------------------

See Notes to Consolidated Financial Statements

# RECOVERY INNOVATIONS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2015

### (1) Organization operations and summary of significant accounting policies

**Nature of operations** - Recovery Innovations, Inc. ("RI" or the "Organization"), incorporated in the state of Arizona in December 2006 as a non-profit organization, has created a new paradigm of delivering behavioral health services that focuses on wellness rather than the traditional illness-based approach. Through its local non-profit corporations, RI offers a range of services in four primary areas: crisis, health, recovery and consulting. Recovery Innovations operates recovery-based mental health services in five states and New Zealand and has provided recovery training and transformation consultation in 27 states and five countries abroad.

**Crisis:** RI's Crisis Services, (with new programs in Arizona, California, Delaware, Texas and Washington State) are currently adding enhanced technologies and service lines to their existing array of Recovery Response Centers (Crisis Stabilization Programs), Evaluation & Treatment (Involuntary & Court-ordered Treatment), and Respite.

**Health:** RI's outpatient services include housing, Community Building, Recovery Education, and several Transition Management Programs. The Organization's programs are focused on increasing education and employment opportunities, as well as assisting with short and longer-term housing to help ease participants' integration while transitioning back into the community.

In addition, RI is in the process of adding clinical, medical, and routine primary care by creating fully-integrated health homes. They are doing so to provide even more well-rounded services that strengthen RI's capabilities to support individuals at risk of suicide, co-occurring substance use disorder, and/or co-morbid serious medical conditions including diabetes, COPD and heart disease.

**Recovery:** The RI model has had a global impact on the mental health field serving as a demonstration that recovery from mental illness and/or addiction is possible. Using principles and practices that create recovery opportunities, RI offers Wellness Cities in multiple locations in five states, providing individual and group peer support, physical fitness gyms, and education and socialization programs. RI is currently expanding its Peer Bridger/Navigator program opportunities to ensure successful community transition of participants (diverting from inpatient hospitalization and re-admission). RI is placing an emphasis on demonstrating measurably in both the recovery and cost-savings benefits of these programs.

**Consulting:** With the largest private peer workforce in the world (600+ and growing), Recovery Innovations has been a recognized leader in the development of a sophisticated and effective peer support workforce. The core of this success is the Organization's signature Peer Employment (Certified Peer Specialist) training. It's engaging, challenging and transformative, and holds the high expectation that people with significant challenges can succeed at the highest level. In addition, RI provides several additional recovery training courses and transformative consultation throughout the United States and across the globe.

Along with providing recovery-based services, Recovery Innovations, Inc. also serves as the "Parent Company" for related entities. The related entities that also provide services are Recovery Innovations of Arizona, Inc. ("RIAZ") and Recovery Innovations of North Carolina, Inc. ("RINC"). Recovery Innovations, Inc. also has three wholly-owned LLC's. Recovery Opportunity Center, LLC ("ROC") was established to provide training, consultation and technical assistance to organizations and service systems around the world. RI Properties, LLC ("RIP") was established to own property used to provide services in Arizona. Recovery Journey LLC ("RJLLC") was established to develop software for use within the Organization.



**RECOVERY INNOVATIONS, INC.  
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended June 30, 2015

**(1) Organization operations and summary of significant accounting policies (continued)**

The significant accounting policies followed by the Organization and related entities are as follows:

**Principles of consolidation** - Recovery Innovations, Inc. is responsible for oversight, the development of new business and projects, and administrative support for related entities. RI leases employees to the related entities and manages the payroll for all related entities. RI pays the shared company bills, provides administrative support in the way of data, accounting and financial services, human resources and IT support for each of the related entities. RI receives revenues from each of the other entities for the administrative support provided to these entities.

The accompanying consolidated financial statements include the financial statements of RI and its related entities. All significant inter-organization transactions and accounts have been eliminated in consolidation.

**Basis of presentation** - The accompanying consolidated financial statements have been prepared in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 954-205, *Health Care Entities – Presentation of Financial Statements*. The Organization's consolidated financial statements are also presented in accordance with FASB ASC 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. Under FASB ASC 958-205, RI is required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At June 30, 2015, RI had no permanently restricted net assets.

**Management's use of estimates** - The preparation of consolidated 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**Cash and cash equivalents** - Cash and cash equivalents include cash and highly liquid financial instruments purchased with original maturities of three months or less. Cash deposits are insured in limited amounts by the Federal Deposit Insurance Corporation ("FDIC").

**Investments** - RI accounts for its investments in accordance with FASB ASC 958-320, *Not-for-Profit Entities – Investments – Debt and Equity Securities*. Under FASB ASC 958-320 RI reports investments in equity securities that have readily determinable fair value, and all investments in debt securities, at fair value. At June 30, 2015, short-term investments consist of a certificate of deposit that has an original maturity of more than three months but less than one year, and is carried at amortized cost, which approximates fair value.

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect account balances and the amounts reported in the accompanying consolidated financial statements.

**Accounts receivable** - Accounts receivable primarily represent amounts due under government contracts and grants. Accounts receivable are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based upon their assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.



**RECOVERY INNOVATIONS, INC.  
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended June 30, 2015

**(1) Organization operations and summary of significant accounting policies (continued)**

Although the RI does not require collateral on its accounts receivable, credit risk with respect to accounts receivable is limited due to the large number of funding sources comprising RI's customer base.

**Fair value measurements** - FASB ASC 820, *Fair Value Measurements*, establishes a common definition for fair value to be applied to accounting principles generally accepted in the United States of America requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. RI adopted FASB ASC 820 for assets and liabilities subject to fair value measurement on an initial and recurring basis. FASB ASC 820 also establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values. FASB ASC 820 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liability.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs. The Organization has no financial instruments subject to fair value on a recurring basis as of June 30, 2015.

**Property and equipment and related depreciation and amortization** - Purchased property and equipment is stated at cost. Donated property and equipment is recorded at fair market value at the date of gift. Maintenance and repairs are charged to operations when incurred. Betterments and renewals in excess of \$5,000 are capitalized. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved, and any gain or loss is included in operations. Depreciation and amortization of property and equipment are computed on a straight-line basis over estimated useful lives ranging as follows:

	<u>Estimated Useful Lives</u>
Buildings	20 - 40 years
Furniture and equipment	3 - 6 years
Leasehold and building improvements	5 - 39 years

**Impairment of long-lived assets** - RI accounts for long-lived assets in accordance with the provisions of FASB ASC 360, *Property, Plant, and Equipment*. FASB ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairment was recorded in 2015.



**RECOVERY INNOVATIONS, INC.  
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended June 30, 2015

**(1) Organization operations and summary of significant accounting policies (continued)**

**Contributions** - RI accounts for contributions in accordance with FASB ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. In accordance with FASB ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

**Training and materials revenue** - ROC develops new behavioral health training materials and disseminates the materials to other agencies for training and consultation. Revenue is recognized as the materials are provided.

**Rental income** - Rental income consists of rental receipts from tenants related to RI's housing programs and office space rental to Partners in Recovery, LLC (Note 4). Revenue is recognized monthly in accordance with the lease agreement or contract. Most lease agreements are short term or month to month leases.

**Grants and contracts revenue recognition** - RI recognizes amounts received from contracts and grants as earned when services are rendered under unit of service or fee for service contracts or as allowable costs are incurred under cost reimbursement contracts. A liability (deferred revenue) is recorded when cash advances exceed amounts earned.

Funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by RI with the terms of the grants or contracts. Additionally, if RI terminates its activities, all unearned amounts are to be returned to the funding sources.

Contracts and grants are considered available for unrestricted use unless the funding source restricts the use of the proceeds for specific programs.

**Advertising** - RI uses advertising to promote its programs among the communities it serves. Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2015 was \$65,553.

**Functional allocation of expenses** - The costs of providing various program and other activities of RI have been summarized on a functional basis in the accompanying consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on personnel activity and other appropriate allocation methods. Corporate administration and management include those expenses that are not directly identifiable with any specific program, but provide for the overall support and direction of RI.



**RECOVERY INNOVATIONS, INC.  
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended June 30, 2015

**(1) Organization operations and summary of significant accounting policies (continued)**

**Income tax status** - RI, RIAZ, and RINC, are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). These Organizations have been determined by the Internal Revenue Service ("IRS") not to be private foundations within the meaning of Section 509(a) of the Code. Income determined to be unrelated business taxable income ("UBTI") would be taxable. ROC, RIP and RJLLC are disregarded entities for income tax purposes, and accordingly, all income and expenses are passed through to RI. Recovery Innovation's New Zealand operations began in September 2009, and are accounted for within RI and have received their formal exempt status. The Organization evaluates their uncertain tax positions, if any, on a continual basis through review of their policies and procedures and discussions with outside experts.

The Organization's federal Return of Organization Exempt from Income Tax (Form 990), for the years ended June 30, 2012, 2013 and 2014 are subject to IRS examination generally for three years after filing. As of the date of this report, the Organization's June 30, 2015 returns had not yet been filed.

**Recent accounting pronouncements** - In April 2013, the FASB issued ASU No. 2013-06 ("ASU 2013-06") *Not-for-Profit Entities (Topic 958) Services Received from Personnel of an Affiliate*. ASU 2013-06 provides revenue recognition guidance for not-for-profit entities requiring that contributed services be recognized at fair value if employees of separately governed affiliated entities regularly perform services (in other than an advisory capacity) for and under the direction of the donee. In addition, that guidance indicates that those contributed services should be recognized only if they (1) create or enhance nonfinancial assets or (2) require specialized skills, are provided by individuals possessing those skills, and typically would need to be purchased if not provided by donation. RI adopted ASU 2013-06 for the year ended June 30, 2015, with no significant impact on their consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) that will supersede most current revenue recognition guidance, including industry-specific guidance. The core principle of the new guidance is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. Additionally, the guidance requires disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized. The amendments are required to be adopted for the Organization's June 30, 2020 consolidated financial statements. Early adoption is permitted. Transition to the new guidance may be done using either a full or modified retrospective method. The Organization is currently evaluating the full effect that the adoption of this standard will have on the consolidated financial statements.

**Subsequent events** - RI has evaluated events through November 5, 2015 which is the date the consolidated financial statements were available to be issued.



**RECOVERY INNOVATIONS, INC.  
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended June 30, 2015

**(2) Accounts receivable**

Accounts receivable consist of the following:

DSAMH Abuse & Mental Health Fiscal Office	\$ 694,983
Riverside County Mental Health-SAFE	465,915
Cardinal Innovations	407,485
Kern County Mental Health Department	277,631
East Carolina Behavioral Health	246,616
San Diego County Mental Health Services	210,991
Ventura County Behavioral Health	106,969
Contra Costa Mental Health	91,822
Delaware Optum	84,803
Alliance Behavioral Healthcare	56,372
Ministry of Health, New Zealand	54,620
DHS Adult Mental Health	39,160
Office of Statewide Health	38,323
Johnson Bank	32,177
Other receivables	311,685
Total	<u>\$ 3,119,552</u>
Less allowance for doubtful accounts	<u>(172,300)</u>
Accounts receivable, net	<u>\$ 2,947,252</u>

**(3) Long-term Investments**

Long-term investments held to fund RI's deferred compensation plan totaling \$1,169,845 were distributed to participants in fiscal year 2015. Additionally, RI's investment held in foundation was distributed to RI during the year ended June 30, 2015. Therefore, RI has no long-term investments as of June 30, 2015.

**(4) Investment in partnerships**

Crisis Access, LLC was incorporated in Colorado on July 18, 2013 by Recovery Innovations, Inc., Integrated Health Resources, LLC (d/b/a Behavioral Health Link), and ProtoCall Services, Inc. The partnership was formed to provide integrated crisis and access service management and delivery within the State of Colorado. In October 2013, Crisis Access, LLC was presumptively awarded four of the six contracts to run Colorado's crisis response system. Colorado Department of Human Services (CDHS) later cancelled and rebid the contracts sighting irregularities in the bid process. In June 2014, Crisis Access settled its case with the state of Colorado and withdrew from Colorado. The company was dissolved in December 2014 and RI received proceeds from its investment in Crisis Access, LLC of \$215,606 and recognized a partnership loss of \$12,383 during the year ended June 30, 2015.

In February 2009, RIAZ partnered with Marc Center and Jewish Family and Children's Services ("JFCS") to form a non-profit organization, Partners in Recovery, LLC ("PIR"). PIR offers recovery-focused services that are complementary to the services RIAZ provides. RIAZ's initial capital contribution was \$105,000. PIR had class A members and class B members. Marc Center and RIAZ are Class A Members and JFCS was a class B Member until April 2014. In 2014, PIR's Board of Director granted JFCS class A member status with the condition that JFCS make a capital contribution of \$105,000 and JFCS acknowledged that RIAZ and Marc Center have a priority position for the first \$275,000 of capital dividends or repayments. The equity is then split equally between the three members. As of the date of this audit report, the Board of Directors of PIR had not yet determined the amount or timing of any future distributions of net assets to the members. In April 2014, RIAZ transferred its ownership rights of PIR to RI.

**RECOVERY INNOVATIONS, INC.  
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended June 30, 2015

**(4) Investment in partnerships (continued)**

RI has a 33.33% interest in PIR and does not have a controlling financial interest in PIR. Accordingly, RI accounts for its investment in PIR under the equity method of accounting in accordance with FASB ASC 272, *Limited Liability Companies*, and FASB ASC 323, *Investments – Equity Method and Joint Ventures*. Under this method, the investment balance is adjusted based on a percentage of the income and losses realized by PIR in proportion to RI's ownership interest.

The following is an unaudited condensed summary of financial position and results of operations for PIR as of and for the year ended June 30, 2015:

**ASSETS**

Cash and cash equivalents	\$ 3,745,831
Accounts receivable, net	19,797
Prepaid expense and other	173,824
Property and equipment, net	2,761,209
Deposits	159,095
Total assets	<u>\$ 6,859,756</u>

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ 325,142
Accrued liabilities	1,097,299
Deferred revenue	3,109,365
Long-term debt	1,616,823
Total liabilities	6,148,629
Unrestricted net assets	711,127
Total liabilities and partners' equity	<u>\$ 6,859,756</u>

**OPERATING ACTIVITIES**

Total revenues	\$ 23,642,763
Total expenses	23,643,020
Net loss	<u>\$ (257)</u>

**(5) Property and equipment**

Property and equipment consist of:

Land	\$ 436,000
Buildings	6,630,549
Furniture and equipment	752,838
Leasehold and building improvements	5,165,233
Construction in progress	749,110
Total	13,733,730
Less accumulated depreciation	(1,811,027)
Net	<u>\$ 11,922,703</u>

Depreciation expense charged to operations was \$541,604 for 2015.



**RECOVERY INNOVATIONS, INC.  
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended June 30, 2015

**(5) Property and equipment (continued)**

Construction in progress primarily relates to the purchase of third-party billing software for which implementation was not complete as of June 30, 2015. The remaining costs of the project are projected to be approximately \$2,800,000 and the software is anticipated to be placed into service in various stages beginning in January 2016 through September 2017. The project is being financed with operating cash.

**(6) Line of credit**

The Organization had a \$1,000,000 revolving line of credit from a bank which was secured by substantially all assets of the Organization and interest was payable monthly on outstanding balances at the maximum of the bank "reference rate" or 4.00%. During fiscal year 2015, the Organization did not borrow on this line and the line matured on December 19, 2014, and was not renewed.

The Organization has a revolving line of credit with a bank to help finance its working capital needs with a maximum amount of \$3,000,000 or 75% of eligible receivables (\$1,903,489 at June 30, 2015). This line is secured by substantially all the assets of the Organization, interest is payable monthly on outstanding balances by a floating interest rate of the Wall Street Journal Prime rate plus three-quarters of one percent (.75%) in excess of the "reference rate" (4% at June 30, 2015). The line matures on June 24, 2016. During fiscal year 2015, the Organization did not borrow on the line and no amounts were outstanding as of June 30, 2015.

In December 2012, the Organization entered into a line of credit agreement with a bank for \$250,000. In December 2013, this line was converted to a sixty month note at 4.00% interest maturing in December 2018. As of June 24, 2015, the line was paid in full and the line of credit was closed.

In December 2009, the Organization obtained a \$20,000 NZD letter of credit from Bank of New Zealand as security for the payroll processing agreement with Datacom PaySystems. The agreement does not have a specified expiration date. The letter of credit is secured by a \$20,000 NZD (\$13,674 USD as of June 30, 2015) certificate of deposit which is classified as a short-term investment on the accompanying consolidated statement of financial position. During fiscal year 2015, the Organization did not borrow on this letter of credit and no amounts were outstanding at June 30, 2015.

**(7) Long-term debt**

In June 2015, the Organization entered into an agreement with a bank to re-finance the debt associated with the Cambridge Court and Peoria recovery centers. The previous mortgage notes were repaid in full and the new mortgage notes are detailed below.

Long-term debt consists of:

Mortgage note payable to a bank, interest at 3.2% annually for years 1-3 and then a fixed per annum rate equal to 5-year U.S. Treasury Bill Rate plus two hundred fifty (250) basis points, payable in monthly installments of principal and interest of \$11,700 with a balloon payment of approximately \$1,961,743 (remaining principal) upon maturity in July 2023, collateralized by land and a building.

\$ 2,400,000

**RECOVERY INNOVATIONS, INC.  
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended June 30, 2015

**(7) Long-term debt (continued)**

Mortgage note payable to a bank, interest at 3.2% annually for years 1-3 and then a fixed per annum rate equal to 5-year U.S. Treasury Bill Rate plus two hundred fifty (250) basis points, payable in monthly installments of principal and interest of \$13,450 with a balloon payment of approximately \$1,961,743 (remaining principal) upon maturity in July 2023, collateralized by land and a building.

	<u>2,800,000</u>
Total long-term debt	5,200,000
Current maturities	<u>(133,702)</u>
Noncurrent maturities	<u>\$ 5,066,298</u>

Annual maturities of long-term debt outstanding as of June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	
2016	\$ 133,702
2017	144,264
2018	148,949
2019	153,185
2020	158,780
Thereafter	<u>4,461,120</u>
Total	<u>\$ 5,200,000</u>

Interest expense charged to operations was \$176,564 for 2015. Any default or breach under either mortgage notes payable or the term note would be considered an event of default under the other agreements.

The term note contains various financial and non-financial covenants. The Organization was not in compliance with the audited financial statement submission deadline; however, the bank waived this requirement subsequent to June 30, 2015.

**(8) Related party transactions**

During fiscal 2015, PIR paid the Organization \$148,036 for clinical space and \$2,000 for information technology and other administrative services. As of June 30, 2015, there were no related party amounts outstanding.

The Chief Administrative Officer of Recovery Innovations has a minority interest in a company which provides the Organization with telemed services. The Organization paid this company \$171,870 during the year ended June 30, 2015.

Property owned by a Board member is leased to RI. Lease payments totaled \$190,492 in 2015.

**(9) Temporarily restricted net assets**

META Services, Inc. (renamed Recovery Innovations of Arizona, Inc.) entered into an agreement with the Regional Behavioral Health Authority for Maricopa County ("RBHA") and the State of Arizona, Department of Health Services, Division of Behavioral Health Services, to purchase rental property to provide rental housing for the seriously mentally ill. Ownership of the property is subject to "Deed Restrictions" recorded against the property creating a series of enforceable restrictions against the use of the Property and granting rights of enforcement of the terms vested with the Arizona Department of Housing, the Arizona Department of Health Services, Division of Behavioral Health Services, and the Arizona Health Care Cost Containment System.



**RECOVERY INNOVATIONS, INC.  
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended June 30, 2015

**(9) Temporarily restricted net assets (continued)**

META Services, Inc. acquired four properties under this agreement resulting in an initial temporarily restricted net asset balance of \$1,076,820 which is included in land and buildings. The amounts are being released from temporarily restricted net assets on a straight-line basis over the related restriction period. The properties are being depreciated over their estimated useful lives.

The properties under these agreements included in temporarily restricted net assets are as follows:

<u>Property</u>	<u>Restriction Term</u>	<u>Term Expiration</u>	<u>Amount</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Clarendon property	20 years	November 2024	\$ 335,000	\$ 184,250	\$ 150,750
Thomas property	25 years	April 2030	365,000	146,000	219,000
Plaza property	20 years	September 2023	185,820	109,170	76,650
Myrtle property	20 years	May 2024	191,000	114,600	76,400
Total			<u>\$ 1,076,820</u>	<u>\$ 554,020</u>	<u>\$ 522,800</u>

Future depreciation is as follows:

**Years Ending June 30,**

2016	\$ 50,191
2017	50,191
2018	50,191
2019	50,191
2020	50,191
Thereafter	271,845
Total future depreciation	<u>\$ 522,800</u>

**(10) Deferred compensation plan**

The Organization sponsored a deferred compensation plan that benefitted certain key employees identified by the Board of Directors. In September 2014 the participants withdrew their investments from the plan and their investment accounts were closed.

**(11) 401(k) plan**

The Organization has a salary deferral plan established under Section 401(k) of the Internal Revenue Code. The plan allows eligible employees to defer a portion of their compensation up to 20%, subject to Internal Revenue Service limits. Such deferrals accumulate on a tax-deferred basis until the employee withdraws the funds. The Organization matches 50% of employees' contributions, up to 6% for employees with at least one year of service. Matching contributions were approximately \$138,000 for 2015.

**RECOVERY INNOVATIONS, INC.  
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended June 30, 2015

**(12) Operating leases**

The Organization leases facilities and equipment under operating lease agreements expiring in various years through October 2024. The operating leases have remaining non-cancelable lease terms for five or more years and provide renewal options. In addition, some of the leases contain cancellation clauses whereby the Organization may cancel the leases without penalty if the Organization's funding is terminated.

Minimum future rental payments under operating leases, having remaining terms in excess of one year as of June 30, 2015 are as follows:

**Years Ending June 30,**

2016	\$ 2,367,653
2017	1,965,738
2018	1,479,947
2019	1,307,580
2020	1,222,960
Thereafter	<u>3,933,696</u>
Total minimum lease payments	<u>\$ 12,277,574</u>

Total rental expense was approximately \$3,145,000 for 2015.

Operating leases for certain facilities provide for renewal options at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases.

In December 2013 the Organization entered into a 10 year operating lease for a building in Houston, Texas. The future minimum lease payments, which vary between approximately \$46,700 and \$58,400 per month, began July 1, 2014 and are included in the schedule above. The lease also included a tenant improvement allowance of \$923,825, of which the unamortized portion of \$834,423 is included in lease obligations at June 30, 2015. The remaining \$432,309 of lease obligations on the consolidated statement of financial position is associated with the straight-line expense of escalating lease payments for a number of leased buildings including the Houston, Texas location. Rent expense associated with the lease was \$628,769 for the year ended June 30, 2015. After further analysis of the Houston market and the Organization's competing priorities and capital resources, the Organization entered into a listing agreement on September 24, 2015 to sublease the facility. In accordance with ASC 420, *Exit or Disposal Obligations*, the Organization recorded a liability of approximately \$4,400,000 subsequent to June 30, 2015 for the remaining lease costs that will be incurred under the contract.

**(13) Contingencies**

**Litigation** - From time to time, the Organization is involved in various legal actions occurring in the normal course of business. In the opinion of management, based on consultation with legal counsel, there will be no adverse effect on the consolidated financial position or results of operations as a result of these matters.



**RECOVERY INNOVATIONS, INC.  
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended June 30, 2015

**(13) Contingencies (continued)**

**Healthcare regulation** - The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, and government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Organization is in compliance with fraud and abuse laws and regulations, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future reviews and interpretation as well as regulatory actions unknown or unasserted at this time.

Health reform legislation at both the federal and state levels continues to evolve. Changes continue to impact existing and future laws and rules. Such changes may impact the way the Organization does business, restrict revenue and growth in certain eligibility categories, restrict revenue growth rates for certain markets and eligibility categories, increase medical, administrative and capital costs, and expose the Organization to increased risk of loss or further liabilities. The Organization's consolidated operating results, financial position and cash flows could be impacted by such changes.

**Liability insurance** - RI maintains professional and general liability coverage on a claims made basis through commercial insurance carriers. Depending on the type of exposure, the limits of coverage vary.

**(14) Contract requirements**

During fiscal year 2015, RI received \$561,780 of funds to be used for future encounters from various funding sources. As of June 30, 2015, these funds had not been earned and accordingly, are included in deferred revenue in the accompanying consolidated statement of financial position.

As of June 30, 2015, RI recorded a \$298,638 payable to funding source in the accompanying consolidated financial statement of financial position related its contract with the Maricopa County RBHA. RI reported more than the minimum number of encounters as stipulated in the contract, therefore no amounts are included in the payable to funding source at June 30, 2015.

The Maricopa RBHA contract revenue is also limited by the term of the contract to a maximum profit percentage, as defined. The \$298,638, included in payable to funding source at June 30, 2015, relates to the contract's profit limitation (4%) which is expected to be captured during the program expansion before the contract expires on September 30, 2015.

Through June 30, 2014, RII reported less than the minimum number of encounters as stipulated in its contract with the Maricopa County RBHA. Accordingly, as of June 30, 2014, RII recorded a liability associated with an encounter sanction of \$1,960,232. During fiscal year 2015, this amount was subsequently earned through services provided related to the 2013 and 2014 contract years.

The Organization was not in compliance with their financial statement submission requirements for the Maricopa County RBHA for the year ended June 30, 2015; however, the RBHA waived this requirement subsequent to June 30, 2015.



**RECOVERY INNOVATIONS, INC.  
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended June 30, 2015

**(15) Economic dependency and concentration of credit risk**

The Organization received approximately 32% of its revenue directly from the Maricopa County RBHA during fiscal year 2015. RI has contracted with the Maricopa County RBHA through September 30, 2016. Management believes any loss due to this concentration of credit risk would be significant.

The Organization's remaining revenue comes from various grants, contracts, contributions, training and material rental income and various other sources that do not represent concentrations. The creation of related entities and the anticipated growth from developing new contracts helps facilitate a greater diversification for RI, which should mitigate any economic dependency with the Maricopa County RBHA.

**(16) OIG payable**

During fiscal year 2014, the Arizona Health Care Cost Containment Systems ("AHCCCS") conducted an audit of RIAZ claims submitted from January 1, 2008 to December 31, 2012. The audit identified a number of claims which were incorrectly submitted and resulted in the overpayment of several claims between January 1, 2008 and December 31, 2012. As a result of the audit, RIAZ agreed to a settlement with the OIG wherein RIAZ agreed to pay AHCCCS a total of \$1,011,000 for overpayments and investigative costs. RIAZ agreed to pay the \$1,011,000 in twenty quarterly installments of \$50,550 beginning in April 2014 for Title XIX funding with the final payment due February 1, 2019. For the year ended June 30, 2015, RIAZ made four payments totaling \$202,200 and the remaining balance of \$758,250 is included in OIG payable in the accompanying consolidated statement of financial position.

Annual maturities of the OIG payable as of June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	
2016	\$ 202,200
2017	202,200
2018	202,200
2019	151,650
Total	<u>\$ 758,250</u>

**(17) Subsequent events**

In September 2015, the Organization started a new voluntary respite service funded by Mercy Maricopa Integrated Care located in Peoria, Arizona. For the fiscal year ended, June 30, 2016 the Organization has budgeted \$1,300,000 in revenue and \$1,100,000 in associated expenses.

The Organization has contracted to open two new crisis stabilization units with Riverside County with tentative openings in December 2015 and January 2016. The Organization is forecasting at total of \$3,450,000 in revenue and expenses for fiscal the year ended June 30, 2016.

The Organization has contracted to open a new crisis stabilization unit with the State of Delaware Division of Substance Abuse and Mental Health with a tentative opening in February 2016. The Organization is forecasting a total of \$2,168,000 in revenue and \$2,043,000 in expenses for the fiscal year ended June 30, 2016.

## **ADDITIONAL INFORMATION**



**Mayer Hoffman McCann P.C.**

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**INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION**

To the Board of Directors of

**RECOVERY INNOVATIONS, INC. AND SUBSIDIARIES**

We have audited the consolidated financial statements of ***Recovery Innovations, Inc. and Subsidiaries*** as of and for the year ended June 30, 2015, and have issued our report thereon dated November 5, 2015, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities presented on pages 21 and 22 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies, and are not a required part of the consolidated financial statements. The Schedule of Alameda County Program on page 23 is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Phoenix, Arizona  
November 5, 2015

*Mayer Hoffman McCann P.C.*



**RECOVERY INNOVATIONS, INC.  
AND SUBSIDIARIES**

**ADDITIONAL INFORMATION**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**

June 30, 2015

**ASSETS**

	Recovery Innovations, Inc.	Recovery Innovations of Arizona, Inc.	Recovery Innovations of North Carolina, Inc.	Recovery Opportunity Center, LLC	Recovery Journey, LLC	RI Properties, LLC	Total	Eliminations	Consolidated Total
<b>CURRENT ASSETS</b>									
Cash and cash equivalents	\$ 3,977,075	38,833	\$ 33,252	\$ 78,590	\$ 3,013	\$ 184,917	\$ 4,315,680	\$ -	\$ 4,315,680
Short-term investments	13,674	-	-	-	-	-	13,674	-	13,674
Accounts receivable, net	2,219,594	9,261	440,725	245,493	-	48,743	2,963,816	(16,564)	2,947,252
Prepaid expenses	693,410	3,933	11,065	-	174,241	9,053	891,702	-	891,702
Inventory	24,433	-	-	-	-	-	24,433	-	24,433
Intercompany receivables	-	3,248,602	-	829,822	-	1,850,372	5,928,796	(5,928,796)	-
<b>TOTAL CURRENT ASSETS</b>	<b>6,928,186</b>	<b>3,300,629</b>	<b>485,042</b>	<b>1,153,905</b>	<b>177,254</b>	<b>2,093,085</b>	<b>14,138,101</b>	<b>(5,945,360)</b>	<b>8,192,741</b>
PROPERTY AND EQUIPMENT, net	3,560,374	775,236	5,337	-	644,738	6,937,018	11,922,703	-	11,922,703
REFUNDABLE DEPOSITS	228,188	-	500	-	-	3,345	232,033	-	232,033
INVESTMENT IN PARTNERSHIP	287,919	-	-	-	-	-	287,919	-	287,919
<b>TOTAL ASSETS</b>	<b>\$ 11,004,667</b>	<b>\$ 4,075,865</b>	<b>\$ 490,879</b>	<b>\$ 1,153,905</b>	<b>\$ 821,992</b>	<b>\$ 9,033,448</b>	<b>\$ 26,580,756</b>	<b>\$ (5,945,360)</b>	<b>\$ 20,635,396</b>

**LIABILITIES AND NET ASSETS (DEFICIT)**

<b>CURRENT LIABILITIES</b>									
Accounts payable	\$ 1,176,176	\$ 5,744	\$ 9,581	\$ 1,847	\$ 4,110	\$ 5,165	\$ 1,202,623	\$ (265,581)	\$ 937,042
Accrued expenses	1,669,310	-	80,952	73,156	52,492	-	1,875,910	-	1,875,910
Intercompany payables	3,612,906	-	1,442,221	-	873,669	-	5,928,796	(5,928,796)	-
Payable to funding source	298,638	-	-	-	-	-	298,638	-	298,638
Deferred revenue	554,377	3,518	-	3,885	-	-	561,780	-	561,780
Current portion of lease obligations	89,403	-	-	-	-	-	89,403	-	89,403
Current maturities of OIG payable	-	202,200	-	-	-	-	202,200	-	202,200
Current maturities of long-term debt	-	-	-	-	-	133,702	133,702	-	133,702
<b>TOTAL CURRENT LIABILITIES</b>	<b>7,400,810</b>	<b>211,462</b>	<b>1,532,754</b>	<b>78,888</b>	<b>930,271</b>	<b>138,867</b>	<b>10,293,052</b>	<b>(6,194,377)</b>	<b>4,098,675</b>
LEASE OBLIGATIONS, less current maturities	1,177,329	-	-	-	-	-	1,177,329	-	1,177,329
OIG PAYABLE, less current maturities	-	556,050	-	-	-	-	556,050	-	556,050
LONG-TERM DEBT, less current maturities	-	-	-	-	-	5,066,298	5,066,298	-	5,066,298
CUSTOMER DEPOSITS	-	-	-	-	-	40,255	40,255	-	40,255
<b>TOTAL LIABILITIES</b>	<b>8,578,139</b>	<b>767,512</b>	<b>1,532,754</b>	<b>78,888</b>	<b>930,271</b>	<b>5,245,420</b>	<b>17,132,984</b>	<b>(6,194,377)</b>	<b>10,938,607</b>
<b>NET ASSETS (DEFICIT)</b>									
Unrestricted	2,426,528	2,785,553	(1,041,875)	1,075,017	(108,279)	3,788,028	8,924,972	249,017	9,173,989
Temporarily restricted	-	522,800	-	-	-	-	522,800	-	522,800
<b>TOTAL NET ASSETS (DEFICIT)</b>	<b>2,426,528</b>	<b>3,308,353</b>	<b>(1,041,875)</b>	<b>1,075,017</b>	<b>(108,279)</b>	<b>3,788,028</b>	<b>9,447,772</b>	<b>249,017</b>	<b>9,696,789</b>
<b>TOTAL LIABILITIES AND NET ASSETS (DEFICIT)</b>	<b>\$ 11,004,667</b>	<b>\$ 4,075,865</b>	<b>\$ 490,879</b>	<b>\$ 1,153,905</b>	<b>\$ 821,992</b>	<b>\$ 9,033,448</b>	<b>\$ 26,580,756</b>	<b>\$ (5,945,360)</b>	<b>\$ 20,635,396</b>

See Independent Auditors' Report on Additional Information

**RECOVERY INNOVATIONS, INC.  
AND SUBSIDIARIES**

**ADDITIONAL INFORMATION**

**CONSOLIDATING STATEMENT OF ACTIVITIES**

Year Ended June 30, 2015

	Recovery Innovations, Inc.	Recovery Innovations of Arizona, Inc.	Recovery Innovations of North Carolina, Inc.	Recovery Opportunity Center, LLC	Recovery Journey, LLC	RI Properties, LLC	Total	Eliminations	Consolidated Total
<b>REVENUE AND SUPPORT</b>									
Contracted fees for services	\$ 43,543,789	\$ 1,738,424	\$ 2,203,995	\$ -	\$ -	\$ -	\$ 47,486,208	\$ -	\$ 47,486,208
Contracted fees for services to related entities	8,429,150	-	-	-	642,706	-	9,071,856	(9,071,856)	-
Grants	3,500	71,514	-	-	-	-	75,014	-	75,014
Partnership loss	(12,469)	-	-	-	-	-	(12,469)	-	(12,469)
Rental income	41,546	73,921	-	-	-	1,938,150	2,053,617	(1,833,415)	220,202
Training and materials	10,949	-	-	1,104,374	-	-	1,115,323	-	1,115,323
Loss on disposal of property and equipment	-	-	-	-	-	(25,598)	(25,598)	-	(25,598)
Other	3,397,338	8,265	244,108	361,756	-	-	4,011,467	(3,655,795)	355,672
<b>TOTAL REVENUE AND SUPPORT</b>	<b>55,413,803</b>	<b>1,892,124</b>	<b>2,448,103</b>	<b>1,466,130</b>	<b>642,706</b>	<b>1,912,552</b>	<b>63,775,418</b>	<b>(14,561,066)</b>	<b>49,214,352</b>
<b>EXPENSES</b>									
Program services									
RI Crisis	18,558,581	-	2,389,102	-	683,601	246,022	21,877,306	(4,231,573)	17,645,733
RI Health	10,197,504	128,303	68,299	-	-	-	10,394,106	(2,104,984)	8,289,122
RI Recovery	14,818,652	-	-	-	-	581,114	15,399,766	(4,182,221)	11,217,545
RI Consulting	-	51,803	-	1,504,343	-	-	1,556,146	(260,192)	1,295,954
Total program services	43,574,737	180,106	2,457,401	1,504,343	683,601	827,136	49,227,324	(10,778,970)	38,448,354
Supporting services									
Corporate administration and management	11,503,204	-	-	-	-	-	11,503,204	(3,805,326)	7,697,878
Total supporting services	11,503,204	-	-	-	-	-	11,503,204	(3,805,326)	7,697,878
<b>TOTAL EXPENSES</b>	<b>55,077,941</b>	<b>180,106</b>	<b>2,457,401</b>	<b>1,504,343</b>	<b>683,601</b>	<b>827,136</b>	<b>60,730,528</b>	<b>(14,584,296)</b>	<b>46,146,232</b>
<b>CHANGE IN NET ASSETS (DEFICIT)</b>	<b>335,862</b>	<b>1,712,018</b>	<b>(9,298)</b>	<b>(38,213)</b>	<b>(40,895)</b>	<b>1,085,416</b>	<b>3,044,890</b>	<b>23,230</b>	<b>3,068,120</b>
<b>NET ASSETS (DEFICIT), BEGINNING OF YEAR</b>	<b>2,090,666</b>	<b>1,596,335</b>	<b>(1,032,577)</b>	<b>1,113,230</b>	<b>(67,384)</b>	<b>2,702,612</b>	<b>6,402,882</b>	<b>225,787</b>	<b>6,628,669</b>
<b>NET ASSETS (DEFICIT), END OF YEAR</b>	<b>\$ 2,426,528</b>	<b>\$ 3,308,353</b>	<b>\$ (1,041,875)</b>	<b>\$ 1,075,017</b>	<b>\$ (108,279)</b>	<b>\$ 3,788,028</b>	<b>\$ 9,447,772</b>	<b>\$ 249,017</b>	<b>\$ 9,696,789</b>

See Independent Auditors' Report on Additional Information

**RECOVERY INNOVATIONS, INC.  
AND SUBSIDIARIES**

**ADDITIONAL INFORMATION**

**Schedule of Alameda County Program**

Alameda County Program - The County of Alameda ("County") requires contractors who receive funding through the County to identify all County programs in accordance with County audit requirements. The following Program funding was received through the County for the year ended June 30, 2015:

<u>Program Name</u>	<u>Contract Number</u>	<u>Contract Period</u>	<u>Contract Amount</u>	<u>Amount Expended</u>
CHOICES Learning Center	900883	7/1/14 - 6/30/15	\$ 1,274,833	\$ 1,073,089

# **APPENDIX E**

## **Organization Chart**

# Contra Costa Wellness Cities

**BETH HAMMONDS**  
Regional Director  
Western

**TBD**  
Recovery Services  
Administrator (RSA)

**Debra Shearer**  
Support Services  
Coordinator (SSC)

**Tim Richardson**  
Team Lead  
East County (Antioch)

**Jeannine Mills**  
Recovery Coach

**Carmella San Miguel**  
Recovery Coach

**Citizen**  
Contributors

**Ron Nunez**  
Team Lead  
Central County (Concord)

**Dorothy O'Dwyer**  
Recovery Coach

**Kathleen Brissey**  
Recovery Coach

**Citizen**  
Contributors

**Recovery Coach Pool**  
Ryan Nestman  
Donna Bakun  
TaTama Davis

**Marilyn Tims**  
Team Lead  
West County (San Pablo)

**Carolyn Moore**  
Recovery Coach

**Don Severn**  
Recovery Coach

**Citizen**  
Contributors



CRISIS HEALTH RECOVERY CONSULTING



# The Team

DAVID COVINGTON  
CEO & President

BOARD OF DIRECTORS  
RI International

ELIZABETH HARKIN  
Chief of Corporate  
Compliance

LEON BOYKO  
Chief RI Crisis

SUE ANN ATKERSON<sup>1</sup>  
Chief Operating  
Officer

KAREN CHANEY<sup>2</sup>  
Executive Director,  
RI Consulting

RANDY LITTLE  
Chief Administrative  
Officer

CAROLE PFEIL  
Chief Comm. &  
Marketing

SARAH BLANKA  
Regional Director  
Arizona

BETH HAMMONDS  
Regional Director  
Western

LISA ST. GEORGE  
Director Recovery  
Practices

TBD  
Chief Financial  
Officer

JEFF DEAVILA  
Media Consultant

JERRY FISHMAN  
Regional Director  
Eastern

WILLARD HEUSER  
Regional Director  
Delaware

AMY PUGSLEY  
Director Quality &  
Compliance

JAMIE SELLAR  
Regional Director  
Western

ANN HOLLAND  
Regional Director  
North Carolina

DEB SCHUERMAN  
Director HR

CRYSTAL DOTSON  
Executive Assistant

MARLEIGH O'MEARA  
Regional Director  
Arizona

PEGGY COPE  
Admin Coordinator

SUSAN COLEMAN  
Executive Project  
Manager

JEFF NORRIS  
Chief Information  
Officer

CHUCK SCHULTZ  
Director Business  
Operations



CRISIS HEALTH RECOVERY CONSULTING

<sup>1</sup> Sue Ann Atkerson leads RI Health & RI Recovery

<sup>2</sup> Dr. Karen Chaney also the Chief Medical Officer for RI International

# **Mental Health Services Act (MHSA)**

## **Program and Fiscal Review**

- I. Date of On-site Review:** March 4, 2016  
**Date of Exit Meeting:** June 30, 2016
- II. Review Team:** Michelle Nobori, Warren Hayes, Michelle Rodriguez-Ziemer, and Stephanie Chenard
- III. Name of Program/Plan Element:** Youth Homes Transition Aged Youth (TAY) Full Service Partnership (FSP)
- IV. Program Description.**

Youth Homes provides a Full Service Partnership (FSP) Program funded by the Mental Health Services Act (MHSA). The program offers a comprehensive range of services and supports, including intensive individualized mental health services in Contra Costa County, for youth aged 16-25 with serious emotional disturbance/serious mental illness and who are likely to exhibit co-occurring disorders with severe life stressors. Services are based in East and Central Contra Costa County.

- V. Purpose of Review.** Contra Costa Behavioral Health Services is committed to evaluating the effective use of funds provided by the Mental Health Services Act. Toward this end a comprehensive program and fiscal review was conducted of the above program. The results of this review are contained herein, and will assist in a) improving the services and supports that are provided, b) more efficiently support the County's MHSA Three Year Program and Expenditure Plan, and c) ensure compliance with statute, regulations and policy. In the spirit of continually working toward better services we most appreciate this opportunity to collaborate together with the staff and clients participating in this program in order to review past and current efforts, and plan for the future.

## VI. Summary of Findings.

Topic	Met Standard	Notes
1. Deliver services according to the values of the MHSA	Met	Consumers and family members indicated program meets the values of MHSA
2. Serve the agreed upon target population.	Partially met	Centralized Utilization Review findings suggest that documentation does not clearly justify how TAY FSP services differ from other community service providers (i.e., First Place for Youth, CASA, etc.)
3. Provide the services for which funding was allocated.	Met	Staff indicates that they experience more client need than they are equipped to address.
4. Meet the needs of the community and/or population.	Met	Services are consistent with Three Year Plan
5. Serve the number of individuals that have been agreed upon.	Met	Program serves the number of clients outlined in the Service Work Plan on an annual basis
6. Achieve the outcomes that have been agreed upon.	Partially Met	Program meets most outcomes
7. Quality Assurance	Partially Met	Utilization review indicated program meets most quality assurance standards
8. Ensure protection of confidentiality of protected health information.	Met	The program is HIPAA compliant
9. Staffing sufficient for the program	Partially Met	Staffing level supports targeted service numbers but split

		responsibility between FSP and AfterCare has made for unclear roles between the two programs
10. Annual independent fiscal audit	Met	No material weaknesses found.
11. Fiscal resources sufficient to deliver and sustain the services	Met	At current pace fiscal year billing may exceed contract amount
12. Oversight sufficient to comply with generally accepted accounting principles	Met	Experienced staff implement sound check and balance system.
13. Documentation sufficient to support invoices	Unmet	Staff and operating costs divided among multiple contracts without documented methodology
14. Documentation sufficient to support allowable expenditures	Unmet	Clear audit trail not established between expenses and billing
15. Documentation sufficient to support expenditures invoiced in appropriate fiscal year	Met	No billings noted for previous fiscal year expenses.
16. Administrative costs sufficiently justified and appropriate to the total cost of the program	Met	Indirect charged at 10%.
17. Insurance policies sufficient to comply with contract	Met	Necessary insurance is in place
18. Effective communication between contract manager and contractor	Partially Met	Split contract management duties at the County has led to poor communication between Youth Homes and the contract manager

**VII. Review Results.** The review covered the following areas:

**1. Deliver services according to the values of the Mental Health Services Act** (California Code of Regulations Section 3320 – MHSA General Standards).

Does the program collaborate with the community, provide an integrated service experience, promote wellness, recovery and resilience, be culturally competent, and be client and family driven.

**Method.** Consumer, family member and service provider interviews and consumer surveys.

**Results.** The results of twenty consumer surveys were received. The majority of the survey responses were consistent with consumer interviews; namely, they show a positive evaluation of the program; and that the program adheres to MHSA values.

Questions	Responses:				
<b>Please indicate how strongly you agree or disagree with the following statements regarding persons who work with you:</b> <i>(Options: strongly agree, agree, disagree, strongly disagree, I don't know)</i>	Strongly Agree 4	Agree 3	Disagree 2	Strongly Disagree 1	I don't know 0
1. Help me improve my health and wellness	Average score: 3.30 (n=20) <i>n denotes the number of respondents who scored the item between 1 and 4. The remainder of respondents either did not score or scored "I don't know."</i>				
2. Allow me to decide what my own strengths and needs	Average score: 3.25 (n=20)				
3. Work with me to determine the services that are most helpful	Average score: 3.60 (n=20)				
4. Provide services that are sensitive to my cultural background.	Average score: 3.45 (n=20)				
5. Provide services that are in my preferred language	Average score: 3.60 (n=20)				
6. Help me in getting needed health, employment, education and other benefits and services.	Average score: 3.30 (n=20)				
7. Are open to my opinions as to how services should be provided	Average score 3.35 (n=20)				
<b>Your response to the following questions is appreciated:</b>					
8. What does this program do well?	Answers included the following statements: <ul style="list-style-type: none"><li>• Provide money management services; offer financial and budgeting supports</li><li>• Provide housing support</li><li>• Provide transportation to doctor's appointments</li></ul>				

	<ul style="list-style-type: none"><li>• Helps with independence</li><li>• Provide support</li></ul>			
9. What does this program need to improve upon?	Answers included the following statements: <ul style="list-style-type: none"><li>• Not enough time with staff</li><li>• More advocacy support and resource nights</li><li>• Vocational support</li></ul>			
10. What needed services and supports are missing?	<ul style="list-style-type: none"><li>• Availability of housing options, especially after Juvenile Hall</li><li>• More support after hours</li><li>• Additional funding</li></ul>			
11. How important is this program in helping you improve your health and wellness, live a self-directed life, and reach your full potential? <i>(Options: Very important, Important, Somewhat important, Not Important.)</i>	Very Important 4	Important 3	Somewhat Important 2	Not Important 1
	Average score: 3.79 (n=19)			
12. Any additional comments?	None			

### Consumer Interviews

Approximately 12 youth and three family members who interact with Youth Homes were interviewed as a group. The length of times that each consumer had been involved with the program varied from just a few months to several years. Consumers reported their initial referrals to Youth Homes from several sources: incarceration, residential treatment, county case managers, and other care providers. One of the young people indicated that he aged into the program through foster care.

Overall, the young people were very appreciative of the services provided by Youth Homes. During the interview, some of the things specifically identified as positives of the program were:

- They felt there was good accessibility to someone – they could call any time of day and reach someone if they were in crisis (not just 9-5);
- For the most part, the staff were professional, well-organized, and attentive;
- There are a variety of services focused on recovery and independent living.

These positives clearly speak to several of the MHSA values. However, there were some areas identified for improvement. Some of these issues were:

- Clinician turn-over, or switching clinicians for clients felt disorienting. (One participant indicated they had 4 clinicians in 4 months, which made them feel disconnected and not want to engage in therapy.)

- Other consumers noted that certain content covered in programs triggered emotional issues for persons focusing on recovery.
- There was also concerns voiced that they weren't quite receiving as many of the services they needed for recovery. (Suggestions included: greater financial/fiscal responsibility training, sex education, and navigating higher education.)

These are areas for opportunity for the program to strengthen their client/family driven domains

Staff Interview:

Ten individuals attended the staff interview. Staff roles varied from Behavioral Support Counselors, Junior Clinicians, Youth Advocates and the Workforce Development Manager. Staff shared that the program receives referrals from the regional adult mental health clinic as well as from the Forensic Mental Health program. Staff provide care as a team and offer case management, referrals to community resources, life skills training, and housing supports. Staff report spending most of their time working with their clients through daily challenges, such as reducing their isolation and re-integrating them into the community, providing support to youth in jail or in the hospital, and providing ongoing support to increase independent living skills. According to program staff, a reported strength of the program was the ability to match clients to culturally appropriate staff.

During the interview, staff also shared barriers they faced in providing services to the youth, such as a lack of resources and difficulty in connecting program participants with County Vocational Services via the East County Adult Mental Health Clinic. Staff also shared that they felt like there was not enough time in the work day to truly be able to work with their clients. However, a major incentive to their work was being able to work with underserved clients and the ability to develop long-term relationships.

**Discussion.** Interviews with program participants and service providers as well as program participant survey results all support that Youth Homes delivers programming in accordance with the values of MHSA.

2. **Serve the agreed upon target population.** For Community Services and Supports, does the program serve adults with a serious mental illness or children or youth with a serious emotional disturbance. . Does the program serve the agreed upon target population (such as age group, underserved community).

**Method.** Compare the program description and/or service work plan with a random sampling of client charts or case files.

**Results.** The Youth Homes Full Service Partnership program accepts referrals upon receiving approval from the East County Adult Clinic. The FSP program undergoes regular utilization reviews conducted by the East County Adult Mental Health Clinic's utilization review staff to ensure all clients meet the criteria for both specialty mental health services and adult full service partnerships. The MHSA chart review conducted by the MHSA Program and Fiscal Review team confirms that four of the six charts reviewed met the agreed upon target population for full service partnerships. Two charts had incomplete documentation to support a full determination whether the youth met target population or not. Additionally, LOCUS scores have indicated that TAY FSP services should have a composite score higher than 24.

Contra Costa County also performs a utilization review on all programs which bill Medi-Cal, including Youth Homes. On April 29, 2016 and December 2, 2015 a Level Two Centralized Utilization Chart Review was conducted. For all of the charts reviewed, clients met medical necessity for specialty mental health services as specified in the Welfare and Institutions Code (WIC) Section 5600.3(b).

**Discussion.** The program serves the agreed upon population.

3. **Provide the services for which funding was allocated.** Does the program provide the number and type of services that have been agreed upon.

**Method.** Compare the service work plan or program service goals with regular reports and match with case file reviews and client/family member and service provider interviews.

**Results.** Monthly service summaries and 931 and 864 Reports from Contra Costa County Mental Health's billing system show that the Youth Homes Full Service Partnership program is, with a few notable exceptions, providing the number and type of services that have been agreed upon. Services include outreach and engagement, case management, individual outpatient mental health services, crisis intervention, collateral, housing and vocational support. Clients receive psychiatric services from agency psychiatrists located at the Youth Homes' Pleasant Hill location. The FSP Program has also been successful in linking services for primary health and access to nursing care with Brighter Beginnings, an agency co-located at their Antioch location. Both program staff and participants indicated services are available on a 24-7 basis via an after-hours crisis phone line. As an agency, Youth Homes employs a Workforce Development Manager to support consumers in gaining employment



skills and connection to employment resources. However, the position is not solely for FSP consumers and is located in the main Pleasant Hill office. Programming to support additional vocational services is currently undergoing expansion. Youth Homes has also referred their clients to the County Mental Health Vocational Services program; however, one staff member stated that he/she had difficulty in accessing the Vocational Services Counselor located at the East County Adult Clinic.

**Discussion.** MHSA funds directed to the agency cover expenditures associated with supporting the provision of the Youth Homes' Full Service Partnership program. However, the current staffing structure and budget allocation of staff time and salaries has made it challenging for the County to clearly evaluate the provision of the full spectrum of services outlined in the Service Work Plan. Interviews with staff indicated that the youth that they are working with have bigger needs than Youth Homes can support. Staff repeated continuously that the FSP program has capacity to take on more clients. However, staff report the program is only receiving high acuity referrals, and needs additional support in balancing caseloads. During contract negotiations for FY 16/17 and the upcoming 3-year plan, Youth Homes and the County should examine the program budget, Service Work Plan and available community resources to determine how best to address service gaps.

4. **Meet the needs of the community and/or population.** Is the program meeting the needs of the population/community for which it was designed. Has the program been authorized by the Board of Supervisors as a result of a community program planning process. Is the program or plan element consistent with the MHSA Three Year Program and Expenditure Plan.

**Method.** Research the authorization and inception of the program for adherence to the Community Program Planning Process. Match the service work plan or program description with the Three Year Plan. Compare with consumer/family member and service provider interviews. Review client surveys.

**Results.** The Full Service Partnership programs were included in the original Community Services and Supports plan that was approved in May 2006 and included in subsequent plan updates. The program has been authorized by the Board of Supervisors and is consistent with the current MHSA Three-Year Program and Expenditure Plan. Interviews with service providers and program participants support the notion that the program meets its goals and the needs of the community it serves.

**Discussion.** The program meets the needs of the community and the population for which they are designated.

5. **Serve the number of individuals that have been agreed upon.** Has the program been serving the number of individuals specified in the program description/service work plan, and how has the number served been trending the last three years.

**Method.** Match program description/service work plan with history of monthly reports and verify with supporting documentation, such as logs, sign-in sheets and case files.

**Results.** Upon initial award of the TAY FSP contract, Youth Homes target enrollment number was 60 clients. Due primarily to the higher acuity level of clients, the target enrollment for Youth Homes was lowered to 30 clients during FY 15/16. Concurrent monthly program enrollment has ranged between 22 and 27 clients this fiscal year. Note, the monthly enrollment numbers could be artificially low as data entry into the PSP and DCR data systems does not occur within 30 days of enrollment.

**Discussion.** Annually the program has served the number of individuals specified in the service work plan. Youth Homes and county staff may need to examine the current program caseload and re-evaluate the staff-to-client ratios to the Service Work Plan to appropriately reflect the complexity of the clients being served.

6. **Achieve the outcomes that have been agreed upon.** Is the program meeting the agreed upon outcome goals, and how has the outcomes been trending.

**Method.** Match outcomes reported for the last three years with outcomes projected in the program description/service work plan, and verify validity of outcome with supporting documentation, such as case files or charts. Outcome domains include, as appropriate, incidence of restriction, incidence of psychiatric crisis, meaningful activity, psychiatric symptoms, consumer satisfaction/quality of life, and cost effectiveness. Analyze the level of success by the context, as appropriate, of pre- and post-intervention, control versus experimental group, year-to-year difference, comparison with similar programs, or measurement to a generally accepted standard.

**Results.** Because Youth Homes' FSP program started late in FY 13/14, an annual outcomes report was not produced for their first contract of providing FSP services. The program has five program objectives as part of the service work plan. The program has provided an annual report summarizing their progress towards meeting some of their program five outcomes. The program has met two of the four primary objectives (including reduction in incidence of psychiatric crisis and inpatient and sub-acute care), while falling short on reducing the average number of inpatient days. There has been no conclusive data to support

the remaining objectives of improving psychological and community risk of harm, reduction of use of alcohol and drugs, and reduction in incarceration.

Data provided by the County comes from (1) service data generated from the Contra Costa County claims processing system, (2) data collected by the program, and (3) County's data system.

**Discussion.** Overall, the program achieves its primary objectives. However, success indicators should be refined based upon the program's experience and survey practices. The indicators should focus on determining success in improving mental health outcomes.

7. **Quality Assurance.** How does the program/plan element assure quality of service provision.

**Method.** Review and report on results of participation in County's utilization review, quality management incidence reporting, and other appropriate means of quality of service review.

**Results.** Contra Costa County did not receive any grievances associated with Youth Homes' Full Service Partnership program. The program has an internal grievance procedure in place and clients receive information on how to file complaints as part of the agency's Notice of Privacy Practices. The program undergoes regular Level 1 and Level 2 utilization reviews conducted by the County Mental Health utilization review teams to ensure that program services and documentation meet regulatory standards. Level 1 and Level 2 utilization review reports indicate that Youth Homes is generally in compliance with documentation and quality standards. On April 29, 2016 and December 2, 2015, a Level Two Centralized Utilization Chart Reviews and a Focused Review were conducted by County Mental Health. On December 2, 2015, a Focused Chart Review was conducted by County Mental Health on the Youth Homes C5 program, as well as the Youth Homes TAY program. The results show that charts were generally compliant, but there were findings related to disallowances for billable notes for individual therapy, assessments and collateral (family therapy) conducted by staff whose licensure status was not current with the Board of Behavioral Sciences. On April 29, 2016 a Level Two Centralized Utilization Chart Review was conducted by County Mental Health. Several documentation issues were identified during the Review and some resulted in disallowances. Utilization Review staff provided feedback around administrative issues as well as guidance regarding linking progress note content to the client's mental health issues and functional impairments. Significant disallowances were around many progress

notes not containing enough information or documentation to support the time billed, as well as lacking a clearly documented mental health intervention.

**Discussion.** The program has a quality assurance process in place.

8. **Ensure protection of confidentiality of protected health information.** What protocols are in place to comply with the Health Insurance Portability and Accountability Assurance (HIPAA) Act, and how well does staff comply with the protocol.

**Method.** Match the HIPAA Business Associate service contract attachment with the observed implementation of the program's implementation of a protocol for safeguarding protected patient health information.

**Results.** Youth Homes has written policies and provides staff training on HIPAA requirements and safeguarding of patient information. Client charts are kept in locked file cabinets, behind a locked door and comply with HIPAA standards. Clients and program participants are informed about their privacy rights and rules of confidentiality.

**Discussion.** The program complies with HIPAA requirements.

9. **Staffing sufficient for the program.** Is there sufficient dedicated staff to deliver the services, evaluate the program for sufficiency of outcomes and continuous quality improvement, and provide sufficient administrative support.

**Method.** Match history of program response with organization chart, staff interviews and duty statements.

**Results.** The current staffing allows the agency to serve the targeted number of clients. However, unclear roles and split allocations between the FSP and AfterCare program has made it difficult for Youth Homes to provide the full spectrum of services to its Full Service Partnership clients. Limited services are provided within the local vicinity of the Antioch office and integral services, such as psychiatry and vocational services, are reliant on transporting clients from Antioch to Pleasant Hill.

**Discussion.** Sufficient staffing is in place to serve the number of clients outlined in the Service Work Plan; however, an actual time study on how much time is spent with clients could support the agency's effort to analyze how much staff is actually needed for FSP level of care.

10. **Annual independent fiscal audit.** Did the organization have an annual independent fiscal audit performed and did the independent auditors issue any findings.

**Method.** Obtain and review audited financial statements. If applicable, discuss any findings or concerns identified by auditors with fiscal manager.

**Results.** Annual independent fiscal audits for FY 2012-13 and 13-14 were provided and reviewed. No significant findings were noted, and Youth Homes, Inc. was considered a low risk auditee.

**Discussion.** Youth Homes, Inc. is a California non-profit community based corporation established to provide a range of services to foster care children placed with it by various government agencies. With approximately 83 employees and a total operating budget of \$4 million the available fiscal audits indicate Youth Homes, Inc. not to be at risk for adverse fiscal consequences due to their fiscal and accounting systems.

11. **Fiscal resources sufficient to deliver and sustain the services.** Does organization have diversified revenue sources, adequate cash flow, sufficient coverage of liabilities, and qualified fiscal management to sustain program or plan element.

**Method.** Review audited financial statements. Review Board of Director's meeting minutes. Interview fiscal manager of program.

**Results.** Fiscal resources are currently sufficient to deliver and sustain services. However, the invoicing of the Full Service Partnership contract for current year (contract #7-5136) has been averaging a monthly billing of \$67,822 through January 2016. At this rate the agency will have spent its authorized contract limit of \$668,000 before June 2016. Youth Homes fiscal staff are currently in the process of adjusting their billing to fit within the total contract allowable amount.

**Discussion.** The organization appears to be operating outside the budget constraints provided by their authorized contract amount, and maybe unable to sustain their stated costs of delivering FSP services for the entirety of this fiscal year.

12. **Oversight sufficient to comply with generally accepted accounting principles.** Does organization have appropriate qualified staff and internal controls to assure compliance with generally accepted accounting principles.

**Method.** Interview with fiscal manager of program.

**Results.** The fiscal manager, contract accounting consultant and accounting staff were interviewed. Sufficient oversight exists to enable compliance with generally accepted accounting principles.

**Discussion.** The fiscal staff are well qualified, and have been with Youth Homes for many years. Staff described established protocols that are in place to enable a check and balance system to assure compliance with generally accepted accounting principles. The organization uses QuickBooks and Paychex software for entry and aggregation to enable accurate summaries for billing and payment. Supporting documentation are kept in hard copies for storage and retrieval.



**13. Documentation sufficient to support invoices.** Do the organization's financial reports support monthly invoices charged to the program and ensure no duplicate billing.

**Method.** Reconcile financial system with monthly invoices. Interview fiscal manager of program or plan element.

**Results.** Supporting documentation was not able to be matched with budget line item summary expenditures that accompany monthly invoices.

**Discussion.** Financial staff explained that this was due to personnel, operating and indirect costs being spread pro rata across multiple contracts and funding sources, and that the cost assignment methodology and apportionment is decided at the executive level. At the time of the site visit no system or written methodology was provided that would enable an outside auditor to determine the appropriateness of allocating correct portions of personnel time and operating costs to this contract. For example, staff allocated to this contract are also allocated to another County Behavioral Health Services contract (AfterCare Program). Staff offered to send as a follow-up their invoicing and billing summaries to the County for this second contract in order to rule out the County being billed for more than 100% of costs.

**14. Documentation sufficient to support allowable expenditures.** Does organization have sufficient supporting documentation (payroll records and timecards, receipts, allocation bases/statistics) to support program personnel and operating expenditures charged to the program.

**Method.** Match random sample of one month of supporting documentation for each fiscal year (up to three years) for identification of personnel costs and operating expenditures invoiced to the county.

**Results.** Method of allocation of percentage of personnel time, operating and indirect costs need to be justified and documented.

**Discussion.** Youth Homes has a cost based contract with the county, and should be billing for actual allowable costs incurred and paid. They indicate that their actual costs for delivering contract services are exceeding the contractually agreed upon budget. A review of their budget line items and supporting documentation do not provide sufficient clarity as to whether this is actually the case. It is recommended that Youth Homes work with the County to determine whether an increase is warranted for their FY 16-17 contract renewal due to an increase in the cost of doing business.

**15. Documentation sufficient to support expenditures invoiced in appropriate fiscal year.** Do organization's financial system year end closing entries support

expenditures invoiced in appropriate fiscal year (i.e., fiscal year in which expenditures were incurred regardless of when cash flows).

**Method.** Reconcile year end closing entries in financial system with invoices. Interview fiscal manager of program.

**Results.** Youth Homes appears to be implementing an appropriate year end closing system.

**Discussion.** Closing entries for FY 2014-15 were within contract limit, with no billing by this agency for expenses incurred and paid in a previous fiscal year.

16. **Administrative costs sufficiently justified and appropriate to the total cost of the program.** Is the organization's allocation of administrative/indirect costs to the program commensurate with the benefit received by the program or plan element.

**Method.** Review methodology and statistics used to allocate administrative/indirect costs. Interview fiscal manager of program.

**Results.** Administrative costs are commensurate with the benefit received by the program.

**Discussion.** Youth Homes has been budgeting and billing indirect costs at 10%, which is below industry standard

17. **Insurance policies sufficient to comply with contract.** Does the organization have insurance policies in effect that are consistent with the requirements of the contract.

**Method.** Review insurance policies.

**Results.** The program provided certificate of liability insurance, which included general liability, automobile liability, umbrella liability, workers compensation and professional liability, which was in effect at the time of the site visit.

**Discussion.** The program complies with the contract insurance requirements.

18. **Effective communication between contract manager and contractor.** Do both the contract manager and contractor staff communicate routinely and clearly regarding program activities, and any program or fiscal issues as they arise.

**Method.** Interview contract manager and contractor staff.

**Results.** To date, contract management duties have been split among various Contra Costa County Behavioral Health Services staff. This has led to poor communication between Behavioral Health Services and the program regarding activities and invoicing related to MHSA as well as pertaining to program issues.

**Discussion.** It is recommended that one county staff person be designated as the contract monitor for this contract, and that regular communication occur between Youth Homes and the county designee.

## **VIII. Summary of Results.**

Youth Homes is committed to serving the needs of abused and neglected children and adolescents and has been successful in supporting youth living with mental illness in obtaining housing, reducing symptoms and connecting more fully to their community. The Youth Homes Transition-Age Youth Full Service Partnership in East and Central County adheres to the values of MHSA. The program staff and program participants believe the program is valuable. The current program structure is tightly interwoven with the AfterCare program and has complicated staff roles and the ability to distinguish what appropriate level of care and services a youth may need. Youth Homes and the county will work collaboratively to continuously evaluate the programming and financial impact of the Transition-Age Youth Full Service Partnership program.

## **IX. Findings for Further Attention.**

- It is recommended that Youth Homes and the county begin contract negotiations for the FY 16/17 contract as soon as possible. During contract negotiations, Youth Homes and the county should work together to better align the program structure with the full service partnership structure outlined in the MHSA regulations.
- It is recommended that Youth Homes work with the county to determine whether an increase is warranted for their FY 16-17 contract renewal due to an increase in the cost of doing business.
- It is recommended that Youth Homes re-evaluate its allocation process and invoicing procedure to provide a clear methodology and sufficient documentation to support actual costs being charged to the county by the FSP program.
- It is recommended that Youth Homes revise its outcome deliverables to focus more measureable mental health outcomes.

## **X. Next Review Date.** February 2019

## **XI. Appendices.**

Appendix A – Agency Response Letter

Appendix B – Program Description/Service Work Plan

Appendix C – Service Provider Budget (Contractor)

Appendix D – Yearly External Fiscal Audit (Contractor)

Appendix E – Organization Chart

**XII. Working Documents that Support Findings.**

Consumer Listing

Consumer, Family Member Surveys

Consumer, Family Member, Provider Interviews

County MHSA Monthly Financial Report

Progress Reports, Outcomes

Monthly Invoices with Supporting Documentation (Contractor)

Indirect Cost Allocation Methodology/Plan (Contractor)

Board of Directors' Meeting Minutes (Contractor)

Insurance Policies (Contractor)

MHSA Three Year Plan and Update(s)



Ms. Michelle Nobari  
Behavioral Health Services  
1340 Arnold Dr., Suite 200  
Martinez, CA 94553

Dear Michelle,

Below is our response to your Program and Fiscal Review of our program. We have only responded to the items listed as "partially met" or "unmet."

**2) Serve the agreed upon target population – Partially met.** We are confident that Youth Homes serves the target population required under our contract for TAY/FSP clients. We do acknowledge that, at times, we have not differentiated Youth Homes TAY FSP services from other services such as housing programs. It is important to note that the other programs listed in the review do not provide Mental Health services so there could be no duplication of services. This documentation concern has been addressed with staff and is no longer an issue in our progress notes.

In terms of meeting LOCUS level of care need criteria, there does seem to be some confusion. Full Service Partnership is a level of care #5 service and a score of 23 is listed on the scoring sheet our UR team, direct service staff and supervisors all received from the County. We are not sure where the above 24 originated and it is not on any written materials we could find. That being said, there are times when we have consumers in service fade out, who are in the process of being discharged to a lower level of care, which may result in a score at a 20-22 LOCUS during that transition period.

**6) Quality Assurance, Outcomes – Partially met.** We appreciated the acknowledgement from MHSA Management that our program has met most of our goals. We are working on strengthening and clarifying outcome goals and the process for measurement for specific treatment. This will result in improved outcomes for this year and in the future.

**7) Quality Assurance – Partially met.** We do acknowledge that our documentation was not as good as it should have been and we have re-trained all supervisors and line staff to assure proper documentation. We have also extensively revised and expanded our internal documentation training materials.

**9) Staffing Sufficient for the Program – Partially met., 13) Documentation Sufficient to Support Invoices – Unmet. and 14) Documentation Sufficient to Support Allowable Expenditures – Partially met.** Our fiscal documentation and budgeting for this program has been revised with assistance and approval from county MHSA contract management and is now fully in compliance.

**18) Effective Communication Between Contract Manager and Contractor.** We have found the support of the MHSA contract managers to be extremely valuable in improving our programs in the areas of clinical services, documentation compliance and cost allocation. We are grateful for their support and guidance. As noted in our exit meeting, some county programs are less clear in their expectations of contract services and we appreciate the consistency of the MHSA programs.

Sincerely,

Stuart McCullough  
Chief Executive Officer  
Youth Homes, Inc.  
P.O. Box 5759  
Walnut Creek, CA 94596  
(925) 933-2627  
[www.youthhomes.org](http://www.youthhomes.org)

Cc: Kim Chilvers  
Jeff Sliemers





## SERVICE WORK PLAN

Agency: Youth Homes, Inc.  
Contract #: 24-710  
Fiscal Year: 2015-2016  
Title of Program: Transition Age Youth Full Service Partnership

### I. Scope of Services

#### Transition Age Youth Full Service Partnership

Youth Homes (YH) will provide a Full Service Partnership (FSP) Program funded by the Mental Health Services Act (MHSA). The program will offer a comprehensive range of services and supports, including intensive individualized mental health services, in Contra Costa County for youth 16-25 with serious emotional disturbance/serious mental illness and who are likely to exhibit co-occurring disorders with severe life stressors and from an underserved population. Services shall be based in East Contra Costa County as well as Central Contra Costa County.

### II. Types of Mental Health Service/Other Service-Related Activities

- Outreach and engagement
- Case management
- Outpatient Mental Health Services, including services for individuals with co-occurring mental health & alcohol and other drug problems
- Crisis Intervention
- Collateral
- Medication support (may be provided by County Physician)
- Housing support
- Flexible funds
- Counseling, psychotherapy and collateral services for Transition Age Youth (TAYs) eligible for FSP
- Money Management
- Vocational Support

Contractor must be available to program participants on a 24/7 basis.

The TAY FSP Program is a collaborative program that joins the resources of Youth Homes with those of Contra Costa County Mental Health Services, in a program under the auspices of MHSA. This Full Service Partnership program has a concurrent target enrollment of 30 TAY.

The target population for the program includes young adults aged 16 to 25 with a significant mental illness who are not being served or who are being underserved by the current mental health system. These young adults exhibit key risk factors, especially: homelessness, limited English proficiency, co-occurring substance abuse, exposure to trauma, repeated school failure, multiple foster-care or family-caregiver placements, and experience with the juvenile justice system and/or PES.

Youth Homes will implement a Full Service Partnership program using the Integrated Treatment for Co-Occurring Disorders model (Formerly known as Integrated Dual Disorders Treatment – IDDT). This model is a recognized evidence-based practice and the Substance Abuse and Mental Health Services Administration (SAMHSA) has created a Tool Kit to support implementation. Integrated Treatment for Co-Occurring Disorders is an evidence-based practice for treating clients diagnosed with both mental health and a substance abuse disorders. Through Integrated Treatment for Co-Occurring Disorders, consumers receive mental health and substance abuse treatment from a single “integrated treatment specialist” so consumers do not get lost in the health care system, excluded from treatment, or confused by going back and forth between separate mental health and substance abuse programs. It is not expected



## SERVICE WORK PLAN

**Agency:** Youth Homes, Inc.  
**Contract #:** 24-710  
**Fiscal Year:** 2015-2016  
**Title of Program:** Transition Age Youth Full Service Partnership

that all FSPs will be experiencing a substance use issue; however, for those who have co-occurring issues, both disorders can be addressed by one single provider.

The TAY program accompanies and assists TAY through their recovery journeys, employing a “whatever-it-takes” commitment to positive outcomes. The program provides participants with access to a continuum of housing and services (administered by the County), including shelter care, transitional housing, permanent housing, satellite housing support, substance-abuse treatment, inpatient resources, and residential treatment. Other approaches to develop resilient, socially minded self-advocates include vocational, educational, health, and psychiatric services, family support, financial mentoring, money management, advocacy, transportation, and rehabilitative visits from staff.

### **III. Criteria for Eligibility**

Decisions about enrollment and disenrollment are jointly made by county and program staff.

#### **A. Admission Criteria:**

##### **Inclusion Criteria**

A. SED Children who fall into at least ONE of the following groups:

##### **GROUP 1:**

1. As a result of the mental disorder, the child has substantial impairment in at least two of these areas:
  - a. Self-care
  - b. School functioning
  - c. Family relationships
  - d. Ability to function in the community

AND

2. Either of the following occur:
  - a. The child is at risk of or has already been removed from the home.
  - b. The mental disorder and impairments have been present for more than six months or are likely to continue for more than one year without treatment.

GROUP 2 – The child displays at least ONE of the following features:

1. Psychotic features
2. Risk of suicide
3. Risk of violence due to a mental disorder

GROUP 3 – The child meets special education eligibility requirements under Chapter 26.5 of the Government Code.

B. SED Transition-Age Youth (youth 16 years to 25 years old) who meet ALL of the following:

1. They fall into at least one of the groups in (A) above.
2. They are unserved or underserved.

AND

3. They are in one of the following situations:
  - a. Homeless or at risk of being homeless
  - b. Aging out of the child and youth mental health system
  - c. Aging out of the child welfare systems



## SERVICE WORK PLAN

Agency: Youth Homes, Inc.  
Contract #: 24-710  
Fiscal Year: 2015-2016  
Title of Program: Transition Age Youth Full Service Partnership

- d. Aging out of the juvenile justice system
- e. Involved in the criminal justice system
- f. At risk of involuntary hospitalization or institutionalization, or
- g. Have experienced a first episode of serious mental illness

C. SMI Adults who meet ALL of the following:

- 1. Their mental disorder results in substantial functional impairments or symptoms, or they have a psychiatric history that shows that, without treatment, there is an imminent risk of decompensation with substantial impairments or symptoms.
- 2. Due to mental functional impairment and circumstances, they are likely to become so disabled as to require public assistance, services, or entitlements.

AND

- 3. They are in one of the following situations:
  - a. They are unserved and one of the following:
    - i. Homeless or at risk of becoming homeless
    - ii. Involved in the criminal justice system
    - iii. Frequent users of hospital or emergency room services as the primary resource for mental health treatment.
  - b. They are underserved and at risk of one of the following:
    - i. Homelessness
    - ii. Involvement in the criminal justice system
    - iii. Institutionalization

Exclusion Criteria

- 1. TAY with a sole diagnosis of Conduct Disorder or other non-Medi-Cal reimbursable diagnosis
- 2. TAY with a recent or current history of excessive and serious violence, including but not limited to the use of weapons. Parolees are not eligible for Full Service Partnerships.
- 3. TAY with a sole diagnosis of chemical dependency or developmental delay.
- 4. TAY who could be appropriately served in another setting
- 5. TAY with private insurance.

B. Discharge Criteria: Clients are discharged when they meet treatment goals and function independently without this level of care or as they are transitioned to other adult service providers.

Discharge may occur as a result of:

- 1. Successful completion of program. The participant and service provider agree the participant has made sufficient progress to continue to meet their developmental challenges in a healthy manner with a lower level of service.
- 2. The participant displays behavior which meets the exclusionary criteria.
- 3. The participant moves outside of the geographic service area on a permanent basis
- 4. The participant becomes ineligible for TAY services based on their age. Efforts will be made to link these participants with adult service providers.
- 5. A higher level of care is needed (e.g., serious or consistent danger to themselves or others and therefore cannot be maintained in an open setting.)



## SERVICE WORK PLAN

**Agency:** Youth Homes, Inc.  
**Contract #:** 24-710  
**Fiscal Year:** 2015-2016  
**Title of Program:** Transition Age Youth Full Service Partnership

6. If a participant is incarcerated or placed in an IMD, participant's ongoing enrollment will be evaluated on a quarterly basis by County and Program Staff.
7. Clinical determination that further services is unlikely to result in reaching goals in the services plan.
8. A medical problem requiring specialized care beyond that available at the program.
9. Participant or guardian declines or refused services and requests discharge, despite the team's best efforts to develop an acceptable services plan with the participant.
10. Participant is not present to receive services.
11. Participant presents as a danger to staff or other program participants.

#### **IV. Program Settings/Hours of Operation /Staffing**

- A. Program Facilities Location:  
2025A Sherman Drive, Pleasant Hill, CA 94523  
2213 Buchanan Road #206, Antioch, CA 94509
- B. Contact Person, Phone Number, and Email:  
Stuart McCullough, Executive Director, 925-933-2627, c: 925-250-1292 [stuartm@youthhomes.org](mailto:stuartm@youthhomes.org)  
Kim Chilvers, MFT, Program Director, 925-933-2627, c: 925-250-0536 [kimc@youthhomes.org](mailto:kimc@youthhomes.org)  
Jeffrey Sliemers, MFT, Clinical Supervisor, 925-876-1260, [jeffreys@youthhomes.org](mailto:jeffreys@youthhomes.org)
- C. Program Hours of Operation  
Most services occur Monday-Friday, 9AM-7PM, but services are available 24/7 as needed.
- D. Program Staffing (including consumer/family members)  
Program Director  
Clinical Supervisor  
Treatment Specialists/Clinicians (3.0 FTE)  
Registered Nurse (contract)  
Peer Specialists (2.0 FTE)  
Employment Specialist  
Administrative Assistant  
Psychiatrist (contract)

#### **V. Volume of Services to be Provided**

Youth Homes will provide services for 30 unduplicated participants concurrently, depending on the level of service needed by the participants. Given the need to individualize services based on each participant's level of need, weekly contact varies from a single hour to multiple meetings of several hours each.

## SERVICE WORK PLAN

Agency: Youth Homes, Inc.  
Contract #: 24-710  
Fiscal Year: 2015-2016  
Title of Program: Transition Age Youth Full Service Partnership

### **VI. Service Documentation**

State and County Full Service Partnership Documentation Assessment form, Key Event Form, our Youth Homes TAY Treatment Plan form, county progress note form and billing form

### **VII. Billing Procedure**

*Contractor shall submit a Demand for Payment (Form: D15.19) for services rendered to the Contra Costa Mental Health. Contractor shall attach to the billing a Monthly Contract Service/Expenditure Summary with actual expenditure information for the billing period.*

Demands for payment should be submitted by mail to:

Erin McCarty, Mental Health Project Manager  
Contra Costa Mental Health  
1340 Arnold Drive, Suite 200  
Martinez, Ca 94553  
(925) 957-5133

*Contractor shall attach to the billing a Monthly Contract Service /Expenditure Summary with the total number of services provided for the month and the additional unduplicated (for the year) number of clients served during the month.*

### **VIII. Program Goals and Outcomes**

For consumers to function independently with family and natural supports or limited community mental health supports, be safely housed, reduce hospitalizations or crisis support not in criminal justice system, not abusing substances and if possible working.

1. Reduction in incidence of psychiatric crisis
2. Reduction of the incidence of inpatient and sub-acute care
3. Improvement in psychological and community risk of harm as measured by LOCUS and the FSP Fund Service Partnership Assessment Form
4. Reduce the use of alcohol and drugs as measured by treatment and recovery history we measured by the LOCUS and the FSP Assessment Form
5. Reduction in incarceration as measured by the LOCUS and the FSP Assessment Form

### **IX. Performance Outcome Measures**

Locus, Full Service Partnership Assessments, Quarterly Assessments, Key Event Tracking

- A. Performance will be measured in compliance with state and local regulation utilizing:
- a) Partnership Assessment Form
  - b) Key Event Tracking Form



## SERVICE WORK PLAN

**Agency:** Youth Homes, Inc.  
**Contract #:** 24-710  
**Fiscal Year:** 2015-2016  
**Title of Program:** Transition Age Youth Full Service Partnership

- c) Quarterly Assessment Form
- d) Integrated Treatment for Co-Occurring Disorders Fidelity Scale
- e) CANS, ANSA & ANSA-T
- f) Level of Care Utilization System (LOCUS)
- g) MHSIP Satisfaction Survey – YSS and YSS-F

B. The above forms are submitted by fax or mail to:

Kenneth Gallagher  
1340 Arnold Drive, Suite 200  
Martinez, CA 94553  
Phone: (925) 957-5165

### **X. Reports Required**

Contractor is asked to submit a Yearly Progress Report, 30 days after the end of the fiscal year, to document the program's fidelity and outcomes as defined by the Contractor and approved by the County. The Contractor is asked to submit the list of Evaluation Tools listed in Section IX according to the frequency described in the Section.

Please submit Yearly Report via email to:

Kenneth Gallagher, MA, Research/Evaluation Manager  
Contra Costa Mental Health  
1340 Arnold Drive, Suite 200  
Martinez, CA 94553  
Telephone: (925) 957-5165  
Fax: (925) 957-5156  
Email: Kenneth.Gallagher@hsd.cccounty.us

### **XI. Other**

Promotional materials for the program should identify the funding source: "Funded by the Mental Health Services Act in partnership with Contra Costa Mental Health". Contractor must attend the Regional Roundtable meetings sponsored by Contra Costa Mental Health.

Attachment A  
Youth Homes, Inc  
Transition Age Youth - Full Service Partnership  
PROGRAM BUDGET FY 2015-2016

			Original 2015-2016 (12 months)
<b>Revenue</b>			
MHSA Funding			\$ 380,000
Medi-Cal	Prop 2 = Nov billing x 12		\$ 285,000
Fundraising			\$ 3,000
<b>Total Revenue</b>			<b>\$ 668,000</b>
<b>Expenses</b>			
<b>Personnel</b>			
Program Director			\$ 12,048
Clinical Director, MFT			\$ 45,000
Treatment Specialists/Clinicians	3.0 FTE		\$ 162,000
Registered Nurse	Original .50 FTE, now contracted		
Peer Specialists	2		\$ 64,000
Employment specialist			\$ 5,000
Administrative Asst.	1. FTE		\$ 30,000
<b>Total Salaries</b>			<b>\$ 318,048</b>
Employer taxes & fringe benefits	at 30%		\$ 95,414
<b>Total Salaries and Benefits</b>			<b>\$ 413,462</b>
<b>Contract Personnel</b>			
Psychiatrist (Contract)			\$ 43,000
Nursing Services (Contract)			\$ 12,000
<b>Total Contract Personnel</b>			<b>\$ 55,000</b>
<b>Direct Program Expenses</b>			
Flex Funds			\$ 12,000
Transportation			\$ 2,000
Food			\$ 18,000
<b>Total Direct Program</b>			<b>\$ 32,000</b>
<b>Direct Program Support</b>			
Supplies			\$ 1,000
Office Start-up Costs			
Online services			\$ 800
Telephone/Internet access			\$ 7,500
Copier (Lease)			\$ 1,200
Training			\$ 3,600
Mileage			\$ 40,000
<b>Total Direct Program Support</b>			<b>\$ 54,100</b>
<b>Occupancy</b>			
Lease			\$ 16,449
Utilities/Janitorial			\$ 4,708
Insurance			\$ 5,150
<b>Total Occupancy</b>			<b>\$ 26,307</b>
<b>Total Expenses (before Admin)</b>			<b>\$ 580,869</b>
Administrative Overhead (15%)			\$ 87,130
<b>TOTAL PROGRAM EXPENSES</b>			<b>\$ 668,000</b>
Program reserves			\$ 0

**YOUTH HOMES, INCORPORATED**

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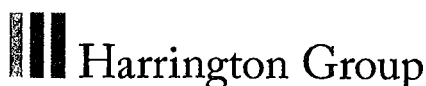
**FINANCIAL STATEMENTS,  
SUPPLEMENTAL SCHEDULE,  
and  
ADDITIONAL INFORMATION**

**JUNE 30, 2015**

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Certified Public Accountants, LLP

## INDEPENDENT AUDITORS' REPORT

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To the Board of Directors  
Youth Homes, Incorporated

### Report on the Financial Statements

We have audited the accompanying financial statements of Youth Homes, Incorporated (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2015, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Youth Homes, Incorporated as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## INDEPENDENT AUDITORS' REPORT

continued

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### Other Matters

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements of Youth Homes, Incorporated as a whole. The accompanying Schedule of Expenditures of Federal and Non-federal Awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

#### *Summarized Comparative Information*

We have previously audited Youth Homes, Incorporated's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 3, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015 on our consideration of Youth Homes, Incorporated'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 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 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 Youth Homes, Incorporated's internal control over financial reporting and compliance.

*Harrington Group*

San Francisco, California  
September 30, 2015

# YOUTH HOMES, INCORPORATED

## STATEMENT OF FINANCIAL POSITION

June 30, 2015

With comparative totals at June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015	2014
<b>Assets</b>					
Cash	\$ 758,343	\$ 112,950	\$ -	\$ 871,293	\$ 922,705
Accounts and grants receivable	622,909			622,909	572,133
Investments (Note 3)	1,688,597			1,688,597	1,617,957
Prepaid expenses	120,348			120,348	123,740
Other asset	26,286			26,286	8,281
Split-interest agreement (Note 4)			211,774	211,774	239,303
Property and equipment (Note 6)	560,484			560,484	565,595
<b>Total assets</b>	<u>\$ 3,776,967</u>	<u>\$ 112,950</u>	<u>\$ 211,774</u>	<u>\$ 4,101,691</u>	<u>\$ 4,049,714</u>
<b>Liabilities and net assets</b>					
<b>Liabilities</b>					
Accounts payable	\$ 74,913	\$ -	\$ -	\$ 74,913	\$ 128,358
Accrued liabilities (Note 7)	430,786			430,786	426,179
Deferred rent	79,293			79,293	69,210
Accrued unemployment liability (Note 8)	31,000			31,000	31,000
Notes payable (Note 10)	540,852			540,852	552,213
<b>Total liabilities</b>	<u>1,156,844</u>	<u>-</u>	<u>-</u>	<u>1,156,844</u>	<u>1,206,960</u>
<b>Net assets</b>					
Unrestricted	2,620,123			2,620,123	2,460,120
Temporarily restricted (Note 12)		112,950		112,950	143,331
Permanently restricted			211,774	211,774	239,303
<b>Total net assets</b>	<u>2,620,123</u>	<u>112,950</u>	<u>211,774</u>	<u>2,944,847</u>	<u>2,842,754</u>
<b>Total liabilities and net assets</b>	<u>\$ 3,776,967</u>	<u>\$ 112,950</u>	<u>\$ 211,774</u>	<u>\$ 4,101,691</u>	<u>\$ 4,049,714</u>

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

# YOUTH HOMES, INCORPORATED

## STATEMENT OF ACTIVITIES

For the year ended June 30, 2015

With comparative totals for the year ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015	2014
<b>Revenue and support</b>					
Program service fees - government (Note 13)	\$ 6,235,144	\$ -	\$ -	\$ 6,235,144	\$ 5,564,880
Contributions	340,995	95,930		436,925	789,181
Special event, net of benefit to donor of \$48,201	134,485			134,485	121,307
In-kind donations (Note 2)	112,821			112,821	100,874
Contributions - auxiliary	51,242			51,242	43,006
Interest income	12,637			12,637	4,817
Other income (loss)	(1,731)			(1,731)	137,974
Change in value of split-interest agreement			(27,529)	(27,529)	13,682
Net assets released from program restrictions	126,311	(126,311)		-	-
<b>Total revenue and support</b>	<b>7,011,904</b>	<b>(30,381)</b>	<b>(27,529)</b>	<b>6,953,994</b>	<b>6,775,721</b>
<b>Expenses</b>					
Program services	5,622,521			5,622,521	5,075,839
Management and general	979,033			979,033	1,038,042
Fundraising	250,347			250,347	199,373
<b>Total expenses</b>	<b>6,851,901</b>	<b>-</b>	<b>-</b>	<b>6,851,901</b>	<b>6,313,254</b>
<b>Change in net assets</b>	<b>160,003</b>	<b>(30,381)</b>	<b>(27,529)</b>	<b>102,093</b>	<b>462,467</b>
<b>Net assets, beginning of year as previously reported</b>	<b>2,460,120</b>	<b>143,331</b>	<b>239,303</b>	<b>2,842,754</b>	<b>2,326,910</b>
<b>Prior period adjustment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53,377</b>
<b>Net assets, beginning of year</b>	<b>2,460,120</b>	<b>143,331</b>	<b>239,303</b>	<b>2,842,754</b>	<b>2,380,287</b>
<b>Net assets, end of year</b>	<b>\$ 2,620,123</b>	<b>\$ 112,950</b>	<b>\$ 211,774</b>	<b>\$ 2,944,847</b>	<b>\$ 2,842,754</b>

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

# YOUTH HOMES, INCORPORATED

## STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2015

With comparative totals for the year ended June 30, 2014

	Program Services	Management and General	Fundraising	Total Expenses	
				2015	2014
Salaries	\$ 3,235,755	\$ 404,335	\$ 97,790	\$ 3,737,880	\$ 3,471,405
Payroll taxes and employee benefits	1,133,074	164,972	35,660	1,333,706	1,214,975
Total personnel costs	4,368,829	569,307	133,450	5,071,586	4,686,380
Professional fees	187,146	165,026	13,514	365,686	398,830
Child related expenses	185,553			185,553	154,312
Rent	153,906	21,006	5,218	180,130	171,263
Travel	168,615	4,639	221	173,475	137,243
Supplies	111,516	18,272	1,179	130,967	124,091
In-kind expenses	41,605	3,700	67,517	112,822	49,154
Repairs and maintenance	88,983	13,753	45	102,781	108,730
Telephone	28,550	70,413	374	99,337	86,001
Insurance	49,495	38,627	1,615	89,737	78,663
Food	66,494			66,494	65,954
Utilities	55,608	2,116	103	57,827	59,702
Depreciation	35,553			35,553	35,691
Interest expense and bank charges	20,512	4,656	3,060	28,228	21,368
Printing and office expenses	43	5,717	17,516	23,276	22,496
Dues and subscriptions		21,633	1,406	23,039	19,396
Allowances	21,700			21,700	20,180
Basic care	20,375			20,375	8,961
Recruiting		16,404		16,404	16,032
Staff development and training	386	14,297		14,683	22,124
Miscellaneous	200	8,587		8,787	751
Donations	7,934		600	8,534	-
Postage	2,117	463	4,529	7,109	7,631
Licenses	5,313	417		5,730	9,755
Property taxes	2,088			2,088	1,619
Advertising and public relations				-	6,927
<b>Total 2015 functional expenses</b>	<b>\$ 5,622,521</b>	<b>\$ 979,033</b>	<b>\$ 250,347</b>	<b>\$ 6,851,901</b>	
<b>Total 2014 functional expenses</b>	<b>\$ 5,075,839</b>	<b>\$ 1,038,042</b>	<b>\$ 199,373</b>		<b>\$ 6,313,254</b>

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

# YOUTH HOMES, INCORPORATED

## STATEMENT OF CASH FLOWS

For the year ended June 30, 2015  
With comparative totals for the year ended June 30, 2014

	2015	2014
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 102,093	\$ 462,467
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	35,553	35,691
Change in value of split-interest agreement	27,529	(13,682)
Reinvested interest and dividends	(12,637)	(31,492)
Loss on investment	8,637	5,267
Changes in operating assets and liabilities:		
(Increase) decrease in accounts grants and receivable	(50,776)	2,147
Decrease in prepaid expenses	3,392	24,171
(Increase) in other asset	(18,005)	(8,281)
(Decrease) increase in accounts payable	(53,445)	71,481
Increase in accrued liabilities	4,607	56,932
Increase in deferred rent	10,083	69,210
<b>Net cash provided by operating activities</b>	<b>57,031</b>	<b>673,911</b>
<b>Cash flows from investing activities:</b>		
Net (purchase) of investments	(66,640)	(461,335)
Purchase of property and equipment	(30,442)	(25,087)
<b>Net cash (used) by investing activities</b>	<b>(97,082)</b>	<b>(486,422)</b>
<b>Cash flows from financing activities:</b>		
Principal payments on notes payable	(11,361)	(13,736)
New borrowings on line of credit	4,362	150
Payments on line of credit	(4,362)	(150)
<b>Net cash (used) by financing activities</b>	<b>(11,361)</b>	<b>(13,736)</b>
<b>Net (decrease) increase in cash</b>	<b>(51,412)</b>	<b>173,753</b>
<b>Cash, beginning of year</b>	<b>922,705</b>	<b>748,952</b>
<b>Cash, end of year</b>	<b>\$ 871,293</b>	<b>\$ 922,705</b>
<b>Supplemental disclosure:</b>		
Operating activities reflect interest paid of:	\$ 20,512	\$ 18,824

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

# YOUTH HOMES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### 1. Organization

Youth Homes, Incorporated ("Youth Homes") is a not-for-profit organization under the laws of the State of California. Youth Homes provides a range of services to foster care children placed with it by various governmental agencies.

Youth Homes' range of services includes the following:

***Intensive Residential Treatment:*** Youth Homes operates four state licensed, six-bed homes in several cities in central Contra Costa County. Two of the homes are emergency shelters and two are short-term treatment programs.

***Intensive Treatment Foster Care:*** Youth Homes certifies family homes in the community as foster homes to provide a step-down option from its residential programs and a family setting option for youth who would benefit from longer-term treatment in a family environment.

***Community Based Mental Health Services:*** Under contract with the Health Services Department, Youth Homes provides a wide variety of mental health support services to severely emotional abused children and adolescents. These services include psychological assessment, individual and group therapy, family therapy, which occur mostly in its residential facilities.

***Therapeutic Behavioral Services:*** A very sophisticated, preventative program with a highly specialized team of behavioral coaches who fan out across the county each day to support children. The children served by this program are at a high risk of returning to very high level residential treatment settings or acute care hospitals.

***After Care Services:*** In order to assure permanent homes for foster children who are transitioning to lower levels of care or independent living, Youth Homes provides an extensive after care program. This program helps foster children, who are aging out of the system, with mental health counseling, help with finding employment, assistance with finding a safe place to live, and support with their individual education goals.

***Mentoring Program:*** A group of special volunteers works one-on-one with a child. The volunteers give the child an adult friend who is dependable, caring, and committed to their well being. This program helps the children as they transition to young adults, and well into their future.

Youth Homes receives funding from county and state agencies, with portions of its funding originating from the federal government. Youth Homes also receives funding from private sources.

***Transitional-aged Youth Labor Program:*** Youth Home now employs between six and eight former foster care clients in providing light gardening, hauling, and yard work for private pay in the community.

***Transitional-aged Youth Full Service Partnership:*** Youth Homes provides intensive case management and therapeutic support for young adults aged 16-25 struggling with serious mental illness.



# YOUTH HOMES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

#### **Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting.

#### **Accounting**

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of Youth Homes are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

**Unrestricted.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

**Temporarily Restricted.** Youth Homes reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from program or capital restrictions.

**Permanently Restricted.** These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit Youth Homes to expend all of the income (or other economic benefits) derived from the donated assets.

#### **Accounts Receivable**

Accounts receivable are receivables from governmental agencies. Therefore, no allowance for doubtful accounts has been provided.

#### **Investments**

Youth Homes values its investments at fair value. Unrealized gains or losses (including investments bought, sold, and held during the year) are reflected in the Statement of Activities as other income. Short-term, highly liquid money market deposits that are not used for operations are treated as investments.

# YOUTH HOMES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

#### **Fair Value Measurements**

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs – quoted prices in active markets for identical assets

Level 2 inputs – quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs – estimates using the best information available when there is little or no market

Youth Homes is required to measure certain investments, a split-interest agreement, and non-cash contributions at fair value. The specific techniques used to measure fair value for these financial statement elements are described in the notes below that relate to each element.

#### **Concentration of Credit Risks**

Youth Homes places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limits. Youth Homes has not incurred losses related to these investments.

The primary receivable balance outstanding at June 30, 2015 consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to trade receivables are limited, as the majority of Youth Homes' receivables consist of earned fees from contract programs granted by governmental agencies.

Approximately 89% of total revenue and support generated by Youth Homes as of June 30, 2015 is derived from government service fees.

Youth Homes holds investments in the form of certificates of deposit, common stock, and money market funds. The Board of Directors routinely reviews market values of such investments.

#### **Property and Equipment**

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to five thousand dollars and the useful life is greater than two years.

#### **Donated Materials and Services**

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. For the year ended June 30, 2015, Youth Homes recorded in-kind contributions of \$112,821 for donated materials and services received.

continued

# YOUTH HOMES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

#### **Income Taxes**

Youth Homes is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by Youth Homes in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Youth Homes' returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

#### **Functional Allocation of Expenses**

Costs of providing Youth Homes' programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. Youth Homes uses salary dollars to allocate indirect costs.

#### **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 reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

#### **Comparative Totals**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Youth Homes' financial statements for the year ended June 30, 2014, from which the summarized information was derived.

#### **Subsequent Events**

Management has evaluated subsequent events through September 30, 2015 the date which the financial statements were available.

# YOUTH HOMES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### 3. Investments

Significant information about investments at June 30, 2015 is summarized as follows:

Certificates of deposit	\$1,294,115
Stocks	393,650
Money market funds	<u>832</u>
	<u>\$1,688,597</u>

### 4. Split-Interest Agreement

During 1980, a donor established a trust with a bank, naming Youth Homes as one of the beneficiaries of a perpetual trust. Under the terms of the split-interest agreement, Youth Homes is to receive one-third of the annual income, for its unrestricted use, after payment of taxes, trustee fees, and certain other beneficiary payments until the last named person's death. At the time of the last named person's death, Youth Homes will continue to receive one-third of the annual income, after payment of taxes and trustee fees, in perpetuity. One-third of the fair value of the trust assets, \$211,774, is reported as a permanently restricted net asset by Youth Homes.

### 5. Fair Value Measurements

The table below presents the balances of assets measured at fair value at June 30, 2015 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks	\$393,650	\$ -	\$ -	\$393,650
Investment in Marie Cruess Charitable Remainder Trust (split-interest agreement)	<u>211,774</u>	<u>      </u>	<u>      </u>	<u>211,774</u>
	<u>\$605,424</u>	<u>      </u>	<u>      </u>	<u>\$605,424</u>

The fair value of stocks and the investment in Marie Cruess Charitable Remainder Trust has been measured on a recurring basis using quoted prices for identical assets in active markets since the underlying assets of the trust are invested in market traded instruments (Level 1 inputs).

The table below present transactions measured at fair value on a non-recurring basis during the year ended June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Contributed services	\$ -	\$ 37,548	\$ -	\$ 37,548
Contributed goods	<u>      </u>	<u>75,273</u>	<u>      </u>	<u>75,273</u>
	<u>\$ -</u>	<u>\$112,821</u>	<u>      </u>	<u>\$112,821</u>

The fair value of contributed services and goods has been measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs).

# YOUTH HOMES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### 6. Property and Equipment

Property and equipment at June 30, 2015 consist of the following:

Land	\$ 306,008
Buildings	425,147
Leasehold improvements	214,240
Vehicles	<u>101,416</u>
	1,046,811
Less: accumulated depreciation	<u>(486,327)</u>
	<u>\$ 560,484</u>

In May 1994, Youth Homes acquired Community Development Block Grant funds in the amount of \$80,000 from the Community Development Department of Contra Costa County, for the down payment on improved real property to be used as a group home. The grant will be converted to debt, if Youth Homes changes the use of the property. Youth Homes does not intend to change the use of the property. Pursuant to the grant provisions, Youth Homes delivered to the County a deed of trust encumbering the property.

### 7. Accrued Liabilities

Accrued liabilities at June 30, 2015 consist of the following:

Accrued vacation	\$239,843
Accrued salaries	163,845
Non-qualified retirement plan liability (Note 14)	26,286
Other accrued liabilities	<u>812</u>
	<u>\$430,786</u>

### 8. Accrued Unemployment Liability

Youth Homes has elected to be self-insured for the purposes of California State Unemployment Insurance. Estimated accrued unemployment liability at June 30, 2015 of \$31,000 represents estimated future claims arising from payroll paid to June 30, 2015. Unemployment claims for the year ended June 30, 2015 were \$51,493.

### 9. Line of Credit

Youth Homes has a \$75,000 revolving line of credit at a variable rate of interest. There was no outstanding balance at June 30, 2015.

# YOUTH HOMES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### 10. Notes Payable

Notes payable at June 30, 2015 consist of the following:

Mortgage payable to a bank, secured by real property located at 3164 San Ramon Rd., monthly payments of \$2,595, including interest at 3.875%, due November 2037.	\$222,390
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Mortgage payable to a bank, secured by real property located at 1159 Everett Street, monthly payments of \$1,746, including interest at 3.875%, due December 2033.	221,023
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Mortgage payable to a bank, secured by real property located at 1603 Cherry Lane, monthly payments of \$686, including interest at 3.875%, due August 2034.	<u>97,439</u>
	<u>\$540,852</u>

Payments for notes payable are as follows:

<u>Year ended June 30,</u>	
2016	\$ 11,688
2017	12,149
2018	12,629
2019	13,126
2020	13,643
Thereafter	<u>477,617</u>
	<u>\$540,852</u>

### 11. Commitments and Contingencies

#### Obligations Under Operating Leases

Youth Homes leases real property and equipment under operating leases expiring in various years. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

<u>Year ended June 30,</u>	
2016	\$165,791
2017	156,983
2018	154,148
2019	155,982
2020	<u>157,548</u>
	<u>\$790,452</u>

Rent expense under operating leases for the year ended June 30, 2015 was \$192,086.

continued



# YOUTH HOMES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### 11. Commitments and Contingencies, continued

#### Contracts

Youth Homes' grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously-funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, Youth Homes has no provisions for the possible disallowance of program costs on its financial statements.

### 12. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2015 consist of the following:

Lesher Foundation	\$ 62,500
William A. Kerr Foundation	25,000
Gaedertt Household	10,000
Firedoll	8,935
Episcopal Charities	<u>6,515</u>
	<u>\$112,950</u>

For the year ended June 30, 2015, net assets released from program restrictions were \$126,311.

### 13. Program Service Fees - Government

Program service fees for the year ended June 30, 2015 consist of the following:

Residential and foster care	\$2,470,291
C-5 mental health program	2,014,145
Therapeutic behavioral services	1,015,931
TAY contract services	609,570
Katie A. contract services	<u>125,207</u>
	<u>\$6,235,144</u>

### 14. Non-Qualified Retirement Plan

During the current fiscal year, Youth Homes established a 457(b) tax-deferred compensation plan. Participation in the plan is limited to the executive director. No employer contributions were made for the year ended June 30, 2015.

The 457(b) plan is included in other assets and the corresponding liability is included in accrued liabilities (see Note 7).

**SUPPLEMENTAL SCHEDULE**

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**YOUTH HOMES, INCORPORATED**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS**

For the year ended June 30, 2015

<u>Program Name</u>	<u>Contract Number</u>	<u>Federal CFDA Number</u>	<u>Contract Term</u>	<u>Governmental Revenue</u>		<u>Program Expenditures From Governmental Revenue</u>
				<u>Federal</u>	<u>Non-federal</u>	
<b>Federal and Non-federal Awards</b>						
U.S. Department of Health and Human Services ("DHHS"):						
Pass-through, Contra Costa County Department of Health Services - Mental Health Division:						
Medical Assistance Program:						
C-5 Mental Health Program (a)	74-322	93.778	7/1/14-6/30/15	\$ 1,007,072	\$ 1,007,073	\$ 2,014,145
Katie A (a)		93.778	7/1/14-6/30/15	62,603	62,604	125,207
Therapeutic Behavioral Services (a)		93.778	7/1/14-6/30/15	507,965	507,966	1,015,931
Mental Health Services for Transitional-aged Youth (a)	24-710	93.778	7/1/14-6/30/15	304,785	304,785	609,570
				<u>1,882,425</u>	<u>1,882,428</u>	<u>3,764,853</u>
Pass-through, Contra Costa County Department of Human Services:						
Foster Care - Title IV-E (a)	various	93.658	n/a	<u>528,289</u>	<u>1,942,002</u>	<u>2,470,291</u>
<b>Total DHHS</b>				<u>2,410,714</u>	<u>3,824,430</u>	<u>6,235,144</u>
<b>Total Federal and Non-federal Awards</b>				<u>\$ 2,410,714</u>	<u>\$ 3,824,430</u>	<u>\$ 6,235,144</u>

(a) Audited as a major program

**Summary of significant accounting policies:**

1. Basis of Accounting - The Schedule of Expenditures of Federal and Non-federal Awards has been reported on the accrual basis of accounting.
2. Youth Homes is exempt from income taxation under Internal Revenue Code Section 501(c)(3) and California Revenue Taxation Code Section 23701d.

See independent auditors' report.

## ADDITIONAL INFORMATION

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Certified Public Accountants, LLP

**Independent Auditors' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

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To the Board of Directors  
Youth Homes, Incorporated

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 Youth Homes, Incorporated ("Youth Homes"), which comprise the Statement of Financial Position as of June 30, 2015, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2015.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Youth Homes' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

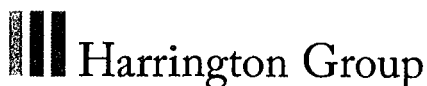
*Harrington Group*

San Francisco, California  
September 30, 2015

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Certified Public Accountants, LLP

## **Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133**

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To the Board of Directors  
Youth Homes, Incorporated

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

We have audited Youth Homes, Incorporated's ("Youth Homes") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Youth Homes' major federal programs for the year ended June 30, 2015. Youth Homes' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Youth Homes' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Youth Homes' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, Youth Homes complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

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

Management of Youth Homes is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Youth Homes' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Youth Homes' internal control over compliance.



**Independent Auditors' Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by OMB Circular A-133**  
continued

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Harrington Group*

San Francisco, California  
September 30, 2015

**YOUTH HOMES, INCORPORATED**  
**Schedule of Findings and Questioned Costs**  
For the year ended June 30, 2015

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

Financial Statements:

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiencies identified? None reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

Identification of Major Programs:

U.S. Department of Health and Human Services:

Foster Care Title IV-E 93.658

Medical Assistance Program 93.778

**Section II – Financial Statements Findings**

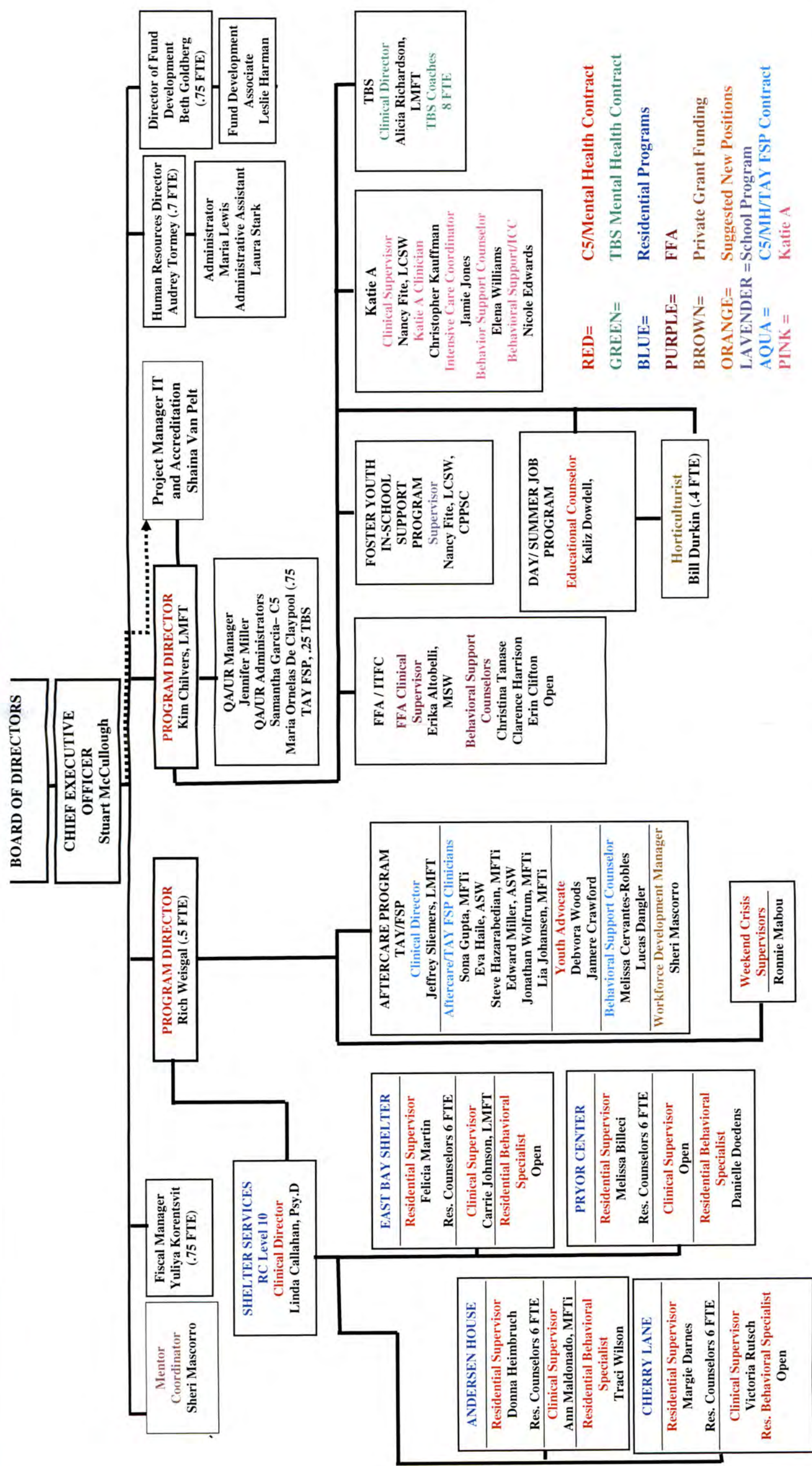
There are no findings required to be reported in accordance with *Generally Accepted Government Auditing Standards*.

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

There are neither findings nor questioned costs for Federal Awards as defined in OMB Circular A-133.

**Section VI – Summary Schedule of Prior Year Findings**

None.



RED= C5/Mental Health Contract  
GREEN= TBS Mental Health Contract  
BLUE= Residential Programs  
PURPLE= FFA  
BROWN= Private Grant Funding  
ORANGE= Suggested New Positions  
LAVENDER= School Program  
AQUA = C5/MH/TAY FSP Contract  
PINK = Katie A