

COMMUNITY HUMAN SERVICES
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

COMMUNITY HUMAN SERVICES
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COMMUNITY HUMAN SERVICES
BOARD OF DIRECTORS
FOR THE YEAR ENDED JUNE 30, 2022

<u>AGENCIES</u>	<u>PRIMARIES</u>	<u>ALTERNATE</u>
City of Carmel	Darlene Mosley	Paul Tomasi
City of Del Rey Oaks	Patricia Lintell	John Gaglioti
City of Marina	Vacant	Vacant
City of Monterey	Alan Haffa	Dan Albert
City of Pacific Grove	Alan Cohen	Amy Tomlinson
City of Salinas	Anthony Rocha	Carla Viviana Gonzalez
City of Sand City	Mary Ann Carbone	Kim Cruz
City of Seaside	Jon Wizard	Alexis Garcia-Arrazola
Carmel Unified School District	Tess Arthur	Ann-Marie Rosen
Monterey Peninsula Unified School District	Alana Myles	Jessica Hare
Pacific Grove Unified School District	Cristy Dawson, Vice Chair	Vacant
Monterey Peninsula Community College District	Loren Steck	Yuri Anderson
North Monterey County Unified School District	Kyle Samuels, Chair	Noemy Loveless
Monterey County Office of Education	Mary Claypool	Vacant
Santa Rita Union School District	Vacant	Vacant
Salinas Union High School District	Sandra Ocampo	Patty Padilla-Salsberg



SALINAS OFFICE
450 LINCOLN AVENUE
SUITE 200
SALINAS, CA 93901
PHONE 831-757-5311
FAX 831-757-9529
BKPCPA.COM

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Community Human Services
Monterey, California

Opinions

We have audited the accompanying financial statements of each major enterprise fund, and the aggregate remaining fund information of Community Human Services, a Joint Powers Authority of California local governments, (Agency) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each enterprise major fund, and the aggregate remaining fund information of Community Human Services, as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-13 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying supplementary information such as the Schedule of Expenditures of Federal Awards (SEFA), as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information, such as the Combining Schedule of Functional Revenues and Expenses and budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The SEFA, the Combining Schedule of Functional Revenues and Expenses and the budgetary comparison information are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA, the Combining Schedule of Functional Revenues and Expenses and the budgetary comparison information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2022, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Bianchi, Kasavan & Pope, LLP

Salinas, California

November 17, 2022

COMMUNITY HUMAN SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

This section of Community Human Services' (Agency) annual financial report presents our discussion and analysis of the Agency's financial performance during the year ended on June 30, 2022. Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year activities, resulting changes and currently known facts, please read it in conjunction with the Agency's basic financial statements, which begin on page 15. Comparisons to and analysis of the prior year are incorporated where appropriate.

FINANCIAL HIGHLIGHTS

- The Agency's net position increased by \$224,549 (or 3.7%) during 2022. Since the Agency engages only in business type activities, the increase is all in the category of business-type net position. Net position was \$6,369,870 and \$6,145,321 for 2022 and 2021, respectively.
- The Agency's return on total ending net position was 3.5%.
- Total cost of all the Agency's programs was \$8,652,830 and \$6,801,254 for 2022 and 2021, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements include a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, Notes to the Basic Financial Statements, an Independent Auditors' Report thereon and this Management's Discussion and Analysis. Readers of these financial statements are encouraged to consider the report as a whole to obtain a complete understanding of the Agency's financial condition.

Statement of Net Position

The Statement of Net Position is a report of the Agency's assets, liabilities and net position. Assets and liabilities are reported at book value on an accrual basis as of the statement date. Assets and liabilities have been segregated between current (expected to be liquidated or paid within one year) and noncurrent. Net Position is reported in major categories reflecting any restrictions thereon.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the Agency's revenue earned and expenses incurred during the period on an accrual basis. The Statement has been segregated into operating and nonoperating sections.

COMMUNITY HUMAN SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Statement of Cash Flows

The Statement of Cash Flows presents the sources and uses of cash and is segregated into operating, capital and related financing, noncapital financing and investing activities. The direct method of cash flows reporting has been used and the indirect method of calculating cash provided (used) by operations is also presented.

Fund Financial Statements

The Fund Financial Statements provide more detailed information about the Agency's most significant funds. The Agency consists of exclusively Enterprise Funds, but the focus now is on Major Funds, rather than fund types. In order to be selected as a major fund, the fund's assets, liabilities, revenues, or expenses should be at least 10% or more of the fund type's total assets, liabilities, revenues or expenses and at least 5% or more of the Agency's total assets, liabilities, revenues or expenses. Since the Agency has only one fund type, the 10% criteria is used to determine major funds. The Enterprise method of accounting is similar to accounting utilized by private sector accounting.

THE AGENCY'S FUNDS

Business Type Funds

Operating Fund – This is the Agency's main operating fund.

Prevention and Treatment of Substance Abuse Program Fund – Under the Prevention and Treatment of Substance Abuse Fund, the Agency provides residential drug treatment, outpatient drug treatment, a supported sober living environment and a youth substance abuse education and intervention program. The Fund consists of six programs:

- Genesis House Residential Drug Treatment Program
- Sober Living Programs
- Drug and Alcohol Intervention Services for Youth (DAISY) Program
- Outpatient Drug Treatment Centers in Salinas and Monterey
- Substance Use Prevention Program

Narcotic Treatment Program Fund – Under the Narcotic Treatment Program Fund, the Agency operates Off Main Clinic, a medication-assisted treatment program. The Clinic offers closely monitored methadone dispensing and substance abuse counseling to Medi-Cal and private pay patients. Additional medications offered include buprinorphine and disulfiram, as well as naloxone for opioid overdose reversal.

COMMUNITY HUMAN SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

THE AGENCY'S FUNDS (Continued)

Business Type Funds (Continued)

Counseling Services – Under the Counseling Services Fund, the Agency provides outpatient mental health counseling, parent education and family safety-net services. The Fund consists of nine programs operating out of the Family Service Centers in Salinas and Seaside:

- Pathways to Safety Program
- Access to Treatment Outpatient Mental Health Program
- Parent Education Program
- Micro Innovation
- Short-Term Therapeutic Services
- Super Kids / Super Teens
- Family Support Services
- Outreach and Engagement
- CONNECT

Other Non-Major Funds – In addition to the major funds above, the Agency also maintains the following non-major funds:

- Monterey Peninsula and Salinas Valley Street Outreach Programs for homeless youth ages 18-24
- Safe Passage Transitional Supportive Housing Program for homeless youth ages 18-24
- Domestic Violence / Anger Management Program
- Supervised Visitation and Exchange Program
- Safe Place Youth Shelter and Drop-in Center for homeless youth ages 18-24
- Casa de Noche Buena, an emergency shelter for women and families with children
- Shuman HeartHouse, a homeless shelter for women and families with children

COMPARATIVE ANALYSIS

Statement of Net Position

A comparative summary of the Agency's Statement of Net Position as of June 30, which generally reflects its financial condition, is as follows:

	<u>2022</u>	<u>2021</u>	<u>Changes</u>	<u>% Changes</u>
Assets				
Current assets	\$ 12,895,571	\$ 12,652,798	\$ 242,773	1.9%
Capital and other assets	<u>8,801,509</u>	<u>7,374,913</u>	<u>1,426,596</u>	19.3%
Total Assets	<u>21,697,080</u>	<u>20,027,711</u>	<u>1,669,369</u>	8.3%

COMMUNITY HUMAN SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

COMPARATIVE ANALYSIS (Continued)

Statement of Net Position (Continued)

	<u>2022</u>	<u>2021</u>	<u>Changes</u>	<u>% Changes</u>
Liabilities				
Current liabilities	\$ 13,191,867	\$ 10,966,460	\$ 2,225,407	20.3%
Long-term obligations	<u>2,135,343</u>	<u>2,915,930</u>	<u>(780,587)</u>	(26.8%)
Total Liabilities	<u>15,327,210</u>	<u>13,882,390</u>	<u>1,444,820</u>	10.4%
Net Position				
Net investment in capital assets	4,352,757	4,474,885	(122,128)	(2.7%)
Restricted	2,414,014	2,261,649	152,365	6.7%
Unrestricted	<u>(396,901)</u>	<u>(591,213)</u>	<u>194,312</u>	32.9%
Total Net Position	<u>\$ 6,369,870</u>	<u>\$ 6,145,321</u>	<u>\$ 224,549</u>	3.7%

Major Factors Affecting the Statement of Net Position

Current year's net position increased by \$224,549 from the prior year. The current year increase was related primarily to slight increases in public grants and contracts offset by decreases in private grants and contributions, due to a major donation received in fiscal year 2021 for a capital project, and increases in salaries and benefits.

Statement of Revenues, Expenses and Changes in Net Position

A comparative summary of the Agency's Statement of Revenues, Expenses and Changes in Net Position, which generally reflects its results of operations as of June 30, is as follows:

	<u>2022</u>	<u>2021</u>	<u>Changes</u>	<u>% Changes</u>
Revenues				
Program revenues:				
Public grants and contracts	\$ 7,728,963	\$ 7,634,580	\$ 94,383	1.2%
Charges and fees	410,670	302,894	107,776	35.6%
Private grants and contributions	561,081	1,466,966	(905,885)	(61.8%)
Joint Powers Agency support	181,875	200,296	(18,421)	(9.2%)
Other revenue / (losses)	<u>(5,210)</u>	<u>193,111</u>	<u>(198,321)</u>	(102.7%)
Total Revenues	<u>8,877,379</u>	<u>9,797,847</u>	<u>(920,468)</u>	(9.4%)

COMMUNITY HUMAN SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

COMPARATIVE ANALYSIS (Continued)

Statement of Revenues, Expenses and Changes in Net Position (Continued)

	<u>2022</u>	<u>2021</u>	<u>Changes</u>	<u>% Changes</u>
Expenses				
General	\$ 1,249,787	\$ 1,000,845	\$ 248,942	24.9%
Off Main Clinic Methadone Program	1,310,137	1,172,659	137,478	11.7%
Genesis House Residential Program	1,266,181	1,036,871	229,310	22.1%
Access to Treatment Outpatient Mental Health Program	593,372	589,031	4,341	0.7%
Monterey Peninsula Street Outreach Program	380,698	343,458	37,240	10.8%
Safe Passage Program	217,277	202,995	14,282	7.0%
MHSA Parent Education	114,986	151,220	(36,234)	(24.0%)
DAISY Program	205,988	200,602	5,386	2.7%
Pathways to Safety Program	115,685	158,341	(42,656)	(26.9%)
Outpatient Drug Treatment Centers	519,942	413,881	106,061	25.6%
Safe Place Youth Shelter	115,924	122,690	(6,766)	(5.5%)
Supervised Visitation and Exchange Program	31,303	19,103	12,200	63.9%
Domestic Violence/Anger Management Program	24,769	24,067	702	2.9%
Sober Living	81,278	222,903	(141,625)	(63.5%)
SuperKids/Super Teens Program	10,467	-	10,467	100.0%
Substance Use Prevention Program	528,384	412,724	115,660	28.0%
Micro Innovation	26,444	-	26,444	100.0%
Salinas Valley Street Outreach Program	275,744	291,352	(15,608)	(5.4%)
Casa de Noche Buena	772,285	434,007	338,278	77.9%
Heart House	174,180	4,505	169,675	3,766.4%
Short-Term Therapeutic Services	358,056	-	358,056	100.0%
CONNECT	59,130	-	59,130	100.0%
Family Support Groups	45,172	-	45,172	100.0%
Outreach and Engagement	175,641	-	175,641	100.0%
Total Expenses	<u>8,652,830</u>	<u>6,801,254</u>	<u>1,851,576</u>	27.2%
Change in Net Position	<u>\$ 224,549</u>	<u>\$ 2,996,593</u>	<u>\$ (2,772,044)</u>	(92.5%)

COMMUNITY HUMAN SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

COMPARATIVE ANALYSIS (Continued)

Statement of Revenues, Expenses and Changes in Net Position (Continued)

Major Factors Affecting the Statement of Revenues, Expenses and Changes in Net Position

Current year revenue decreased by \$920,468 from the prior year due to decreases in private grants and donations. A major donation was received in fiscal year 2021 for a capital project.

Current year expenses increased by \$1,851,576 due primarily to new programs and higher wages.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2022, the Agency had \$7,219,474 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease, including additions, deductions and depreciation, of 2.1% or \$155,439 from the prior year.

	<u>2022</u>	<u>2021</u>	<u>Changes</u>	<u>% Changes</u>
Capital assets, not being depreciated:				
Land	\$ 1,948,995	\$ 1,948,995	\$ -	0.0%
Construction in Progress	103,371	44,654	58,717	131.5%
Total capital assets, not being depreciated	<u>2,052,366</u>	<u>1,993,649</u>	<u>58,717</u>	3.0%
Capital assets, being depreciated:				
Buildings and Improvements	5,586,299	5,422,423	163,876	3.0%
Office Equipment	36,294	36,294	-	0.0%
Transportation Equipment	251,588	259,954	(8,366)	(3.2%)
Furniture and Fixtures	186,118	186,118	-	0.0%
Leasehold Improvements	1,768,567	1,764,084	4,483	0.3%
Operating and Other Equipment	<u>15,394</u>	<u>15,394</u>	<u>-</u>	0.0%
Total capital assets, being depreciated	<u>7,844,260</u>	<u>7,684,267</u>	<u>159,993</u>	2.1%
Less accumulated depreciation	<u>2,677,152</u>	<u>2,303,003</u>	<u>374,149</u>	16.3%
Total capital assets, being depreciated – net	<u>5,167,108</u>	<u>5,381,264</u>	<u>(214,156)</u>	(4.0%)
Total Capital Assets	<u>\$ 7,219,474</u>	<u>\$ 7,374,913</u>	<u>\$ (155,439)</u>	(2.1%)

COMMUNITY HUMAN SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

COMPARATIVE ANALYSIS (Continued)

Capital Assets and Debt Administration (Continued)

Debt Outstanding

Long-term debt obligations at June 30, 2022 and 2021, consist of the following:

	<u>2022</u>	<u>2021</u>	<u>Changes</u>	<u>% Changes</u>
Note payable to Mechanics Bank Collateralized by Sonoma Avenue property	\$ 874,859	\$ 904,470	\$ (29,611)	(3.3%)
PPP Loan	-	818,005	(818,005)	(100.0%)
Shuman HeartHouse Note	2,000,000	2,000,000	-	0.0%
Less: current portion	<u>2,030,434</u>	<u>846,545</u>	<u>1,183,889</u>	139.9%
Total Long-Term Debt	<u>\$ 844,425</u>	<u>\$ 2,875,930</u>	<u>\$(2,031,505)</u>	(70.6%)

Net decrease to long-term debt of \$2,031,505 or 139.9% is a result of the payoff of the Paycheck Protection Program loan as well as an increase in the current portion of the Shuman HeartHouse note.

Lease Obligations

Long-term lease obligations at June 30, 2022 and 2021, consist of the following:

	<u>2022</u>	<u>2021</u>	<u>Changes</u>	<u>% Changes</u>
Occupancy leases	\$ 1,553,584	\$ 551,403	\$ 1,002,181	181.8%
Equipment leases	28,451	48,304	(19,853)	(41.1%)
Less: current portion	<u>291,117</u>	<u>196,536</u>	<u>94,581</u>	48.1%
Total Long-Term Lease Obligations	<u>\$ 1,290,918</u>	<u>\$ 403,171</u>	<u>\$ 887,747</u>	220.2%

Net increase to long-term lease obligations of \$887,747, or 220.2%, is a result of entering into a lease agreement for the Administration office and Outpatient Drug Treatment Monterey during fiscal year 2022 offset by payments made in accordance with other occupancy and equipment lease agreements.

COMMUNITY HUMAN SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

FACTORS AFFECTING FUTURE PERIODS

The Agency significantly expanded its mental health services division with the addition of several contracts with the Behavioral Health Bureau and the Department of Social Services of Monterey County. These contracts total almost \$950,000 a year in new funding and include Short-term Therapeutic Services, Family Support Groups, Multi-cultural Outreach and Engagement, Migrant Farmworker Education and Outreach, and Parenting Education. This funding is potentially renewable, based on contract performance.

The Agency recently received two new major grants for street outreach for homeless youth—California Office of Emergency Services (CalOES) and Housing and Urban Development's Youth Homeless Demonstration Program (YHDP). These replace other government grants that expired. The HUD grant is renewable, based on performance.

The Agency is moving forward with the development of a new homeless shelter for single women and families with children in Monterey made possible by a large donation in FY 2020-21 and a successful capital campaign in FY 2021-22. Construction on Shuman HeartHouse will begin in November 2022 and is expected to take six to eight months, with the shelter slated to open in the summer of 2023. Additional funding will be sought for shelter operations.

Homeless Housing Assistance and Prevention (HHAP) will be fully utilized in FY 2022-23, requiring the Agency and Gathering for Women, our partner in this project, to seek additional funding for ongoing shelter operations for Casa de Noche Buena. With the focus of State and Federal funding shifting to permanent housing solutions, the focus of our fundraising will be private philanthropy. As such, the Agency recently expanded its Development Department to assist in fundraising efforts. This strategy will help to lessen the reliance on government funding for programs.

The Agency, like many employers, is facing a challenging hiring environment and will be conducting a salary study in FY 2022-23 to examine parity with other agencies. This will likely result in higher wages for Agency staff.

Having added several new programs over the past few years, CHS recently hired a Chief Operating Officer to better support our substance abuse, mental health and homeless programs.

REQUESTS FOR INFORMATION

The financial report has been designed to provide a general overview of the Agency's accounting for anyone interested in its finances. Questions concerning any of the information should be addressed to the attention of the Chief Financial Officer, Community Human Services, P.O. Box 3076, Monterey, California 93942.

FINANCIAL STATEMENTS

COMMUNITY HUMAN SERVICES

STATEMENT OF NET POSITION - ENTERPRISE FUNDS

JUNE 30, 2022

	ASSETS		
	Operating Fund	Prevention and Treatment of Substance Abuse Program	Narcotic Treatment Program
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,126,341	\$ -	\$ -
Contracts and grants receivable, net - Note 4	-	501,784	388,296
Prepaid expenses	96,787	-	-
Investments - Note 2	409,183	-	-
Due from other funds	7,414,059	-	2,556,641
TOTAL CURRENT ASSETS	9,046,370	501,784	2,944,937
PROPERTY AND EQUIPMENT - net - Note 5	-	1,909,960	1,850
RIGHT TO USE LEASED ASSETS - net - Note 7	1,198,229	81,744	182,435
TOTAL ASSETS	<u>\$ 10,244,599</u>	<u>\$ 2,493,488</u>	<u>\$ 3,129,222</u>
	LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES			
Accounts payable	\$ 201,254	\$ -	\$ -
Accrued retirement payable	44,315	-	-
Unearned revenue	11,721	-	-
Due to other funds	-	3,131,396	-
Current portion of notes payable - Note 6	-	30,434	-
Accrued vacation payable	209,577	-	-
Current portion of lease obligations - Note 7	111,701	45,799	72,530
TOTAL CURRENT LIABILITIES	578,568	3,207,629	72,530
NONCURRENT LIABILITIES			
Notes payable - net of current portion - Note 6	-	844,425	-
Lease obligations - net of current portion - Note 7	1,081,996	36,732	112,262
TOTAL NONCURRENT LIABILITIES	1,081,996	881,157	112,262
TOTAL LIABILITIES	1,660,564	4,088,786	184,792
NET POSITION			
Net investment in capital assets	-	1,035,101	9,992
Restricted for narcotic prevention	-	-	2,414,014
Unrestricted	8,584,035	(2,630,399)	520,424
TOTAL NET POSITION	8,584,035	(1,595,298)	2,944,430
TOTAL LIABILITIES AND NET POSITION	<u>\$ 10,244,599</u>	<u>\$ 2,493,488</u>	<u>\$ 3,129,222</u>

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

COMMUNITY HUMAN SERVICES

STATEMENT OF NET POSITION - ENTERPRISE FUNDS

JUNE 30, 2022

	ASSETS		
	Counseling Services	Other Non-major Funds	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 1,126,341
Contracts and grants receivable, net - Note 4	212,266	190,214	1,292,560
Prepaid expenses	-	-	96,787
Investments - Note 2	-	-	409,183
Due from other funds	-	-	9,970,700
TOTAL CURRENT ASSETS	212,266	190,214	12,895,571
PROPERTY AND EQUIPMENT - net - Note 5	235,067	5,072,597	7,219,474
RIGHT TO USE LEASED ASSETS - net - Note 7	-	119,627	1,582,035
TOTAL ASSETS	<u>\$ 447,333</u>	<u>\$ 5,382,438</u>	<u>\$ 21,697,080</u>
	LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 201,254
Accrued retirement payable	-	-	44,315
Unearned revenue	-	432,749	444,470
Due to other funds	2,547,458	4,291,846	9,970,700
Current portion of notes payable - Note 6	-	2,000,000	2,030,434
Accrued vacation payable	-	-	209,577
Current portion of lease obligations - Note 7	-	61,087	291,117
TOTAL CURRENT LIABILITIES	<u>2,547,458</u>	<u>6,785,682</u>	<u>13,191,867</u>
NONCURRENT LIABILITIES			
Notes payable - net of current portion - Note 6	-	-	844,425
Lease obligations - net of current portion - Note 7	-	59,928	1,290,918
TOTAL NONCURRENT LIABILITIES	<u>-</u>	<u>59,928</u>	<u>2,135,343</u>
TOTAL LIABILITIES	<u>2,547,458</u>	<u>6,845,610</u>	<u>15,327,210</u>
NET POSITION			
Net investment in capital assets	235,067	3,072,597	4,352,757
Restricted for narcotic prevention	-	-	2,414,014
Unrestricted	(2,335,192)	(4,535,769)	(396,901)
TOTAL NET POSITION	<u>(2,100,125)</u>	<u>(1,463,172)</u>	<u>6,369,870</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 447,333</u>	<u>\$ 5,382,438</u>	<u>\$ 21,697,080</u>

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

COMMUNITY HUMAN SERVICES

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2022

	Operating Fund	Prevention and Treatment of Substance Abuse Program	Narcotic Treatment Program
OPERATING REVENUES			
Public grants and contracts - net	\$ 59,000	\$ 2,916,540	\$ 1,688,963
Charges and fees	-	101,228	126,751
Total Operating Revenues	<u>59,000</u>	<u>3,017,768</u>	<u>1,815,714</u>
OPERATING EXPENSES			
Salaries	666,706	1,482,637	719,673
Employee benefits	196,411	309,343	195,508
Facilities rental	98,957	79,786	71,460
Professional fees	65,347	81,852	78,080
Utilities and maintenance	65,473	254,759	83,050
Operating supplies	56,160	59,319	26,497
Medical supplies and laboratory fees	-	6,700	71,709
Food and hygiene	5,946	79,945	60
Insurance	6,796	27,992	8,454
Auto and travel	2,430	13,203	523
Communications	9,743	21,002	8,431
Conferences and meetings	619	781	2,626
Advertising	33,589	5,458	1,451
Equipment rental	6,656	10,086	3,261
Miscellaneous	2,977	-	-
Dues, licenses and fees	16,105	13,412	32,225
Printing and publications	2,983	2,664	5,279
Depreciation	-	96,368	1,850
Total Operating Expenses	<u>1,236,898</u>	<u>2,545,307</u>	<u>1,310,137</u>
OPERATING INCOME (LOSS)	<u>(1,177,898)</u>	<u>472,461</u>	<u>505,577</u>
NONOPERATING REVENUES (EXPENSES)			
Joint Powers Agency support	181,875	-	-
Private grants and contributions	332,087	17,105	3,225
Other local sources	(26,554)	-	-
Interest expense	(12,889)	(56,466)	-
Total Nonoperating Revenues (Expenses)	<u>474,519</u>	<u>(39,361)</u>	<u>3,225</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(703,379)</u>	<u>433,100</u>	<u>508,802</u>
Expenses transferred from (to) other funds	<u>(1,249,787)</u>	<u>443,458</u>	<u>224,611</u>
CHANGES IN NET POSITION	<u>546,408</u>	<u>(10,358)</u>	<u>284,191</u>
NET POSITION, BEGINNING OF YEAR	<u>8,037,627</u>	<u>(1,584,940)</u>	<u>2,660,239</u>
NET POSITION, END OF YEAR	<u>\$ 8,584,035</u>	<u>\$ (1,595,298)</u>	<u>\$ 2,944,430</u>

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

COMMUNITY HUMAN SERVICES

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2022

	Counseling Services	Other Non-Major Funds	Total
OPERATING REVENUES			
Public grants and contracts - net	\$ 1,670,030	\$ 1,394,430	\$ 7,728,963
Charges and fees	-	182,691	410,670
Total Operating Revenues	<u>1,670,030</u>	<u>1,577,121</u>	<u>8,139,633</u>
OPERATING EXPENSES			
Salaries	819,484	921,591	4,610,091
Employee benefits	171,364	182,050	1,054,676
Facilities rental	46,676	45,645	342,524
Professional fees	219,581	44,771	489,631
Utilities and maintenance	86,538	169,472	659,292
Operating supplies	48,394	29,315	219,685
Medical supplies and laboratory fees	199	1,616	80,224
Food and hygiene	231	59,062	145,244
Insurance	8,750	28,678	80,670
Auto and travel	1,318	28,362	45,836
Communications	14,551	25,966	79,693
Conferences and meetings	156	30,744	34,926
Advertising	60,854	39,672	141,024
Equipment rental	3,109	7,032	30,144
Miscellaneous	-	-	2,977
Dues, licenses and fees	6,626	3,322	71,690
Printing and publications	2,498	3,827	17,251
Depreciation	8,624	291,055	397,897
Total Operating Expenses	<u>1,498,953</u>	<u>1,912,180</u>	<u>8,503,475</u>
OPERATING INCOME (LOSS)	<u>171,077</u>	<u>(335,059)</u>	<u>(363,842)</u>
NONOPERATING REVENUES (EXPENSES)			
Joint Powers Agency support	-	-	181,875
Private grants and contributions	58,961	149,703	561,081
Other local sources	-	21,344	(5,210)
Interest expense	-	(80,000)	(149,355)
Total Nonoperating Revenues (Expenses)	<u>58,961</u>	<u>91,047</u>	<u>588,391</u>
INCOME (LOSS) BEFORE TRANSFERS	230,038	(244,012)	224,549
Expenses transferred from (to) other funds	<u>239,146</u>	<u>342,572</u>	<u>-</u>
CHANGES IN NET POSITION	(9,108)	(586,584)	224,549
NET POSITION, BEGINNING OF YEAR	<u>(2,091,017)</u>	<u>(876,588)</u>	<u>6,145,321</u>
NET POSITION, END OF YEAR	<u>\$ (2,100,125)</u>	<u>\$ (1,463,172)</u>	<u>\$ 6,369,870</u>

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

COMMUNITY HUMAN SERVICES

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2022

	Operating Fund	Prevention and Treatment of Substance Abuse Program	Narcotic Treatment Program
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from clients	\$ -	\$ 101,228	\$ 126,751
Cash receipts from public contracts	69,775	2,974,317	1,626,209
Cash payments to suppliers and employees	(1,101,409)	(2,448,939)	(1,308,287)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(1,031,634)	626,606	444,673
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid on debt	(12,889)	(56,466)	-
Cash payments for acquisition of capital assets	-	(111,128)	-
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(12,889)	(167,594)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Gain on sale of equipment	-	-	-
Investment earnings	24,893	-	-
Investment purchases	(24,893)	-	-
Investment redemptions	400,000	-	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	400,000	-	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Net payments for long-term deposits	-	-	-
Payments on long-term debt	(797,640)	(29,611)	-
Joint Powers Agency support	181,875	-	-
Cash receipts from private grants and contributions	373,501	17,105	3,225
Other local sources- net	(4,653)	-	-
Cash receipts from (paid to) other funds	1,151,976	(446,506)	(447,898)
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	905,059	(459,012)	(444,673)
NET INCREASE IN CASH AND CASH EQUIVALENTS	260,536	-	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	865,805	-	-
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,126,341	\$ -	\$ -

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

COMMUNITY HUMAN SERVICES

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2022

	Counseling Services	Other Non-major Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from clients	\$ -	\$ 182,691	\$ 410,670
Cash receipts from public contracts	1,614,100	1,316,950	7,601,351
Cash payments to suppliers and employees	(1,490,329)	(1,621,125)	(7,970,089)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	123,771	(121,484)	41,932
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid on debt	-	(80,000)	(149,355)
Cash payments for acquisition of capital assets	-	(131,330)	(242,458)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	-	(211,330)	(391,813)
CASH FLOWS FROM INVESTING ACTIVITIES			
Gain on sale of equipment	-	1,000	1,000
Investment earnings	-	-	24,893
Investment purchases	-	-	(24,893)
Investment redemptions	-	-	400,000
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	1,000	401,000
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Net payments for long-term deposits	-	(36,372)	(36,372)
Payments on long-term debt	-	-	(827,251)
Joint Powers Agency support	-	-	181,875
Cash receipts from private grants and contributions	58,961	426,310	879,102
Other local sources- net	-	16,716	12,063
Cash receipts from (paid to) other funds	(182,732)	(74,840)	-
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	(123,771)	331,814	209,417
NET INCREASE IN CASH AND CASH EQUIVALENTS	-	-	260,536
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-	-	865,805
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ -	\$ -	\$ 1,126,341

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

COMMUNITY HUMAN SERVICES

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2022

	Operating Fund	Prevention and Treatment of Substance Abuse Program	Narcotic Treatment Program
RECONCILIATION OF OPERATING GAIN (LOSS) TO NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES			
Operating income (loss)	\$ (1,177,898)	\$ 472,461	\$ 505,577
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization	-	96,368	1,850
Charge-off of uncollectible receivable	10,775	364,817	-
(Increase) decrease in assets:			
Contracts and grants receivable	-	(307,040)	(62,754)
Prepaid expenses	(9,414)	-	-
Increase (decrease) in liabilities:			
Accounts payable	123,966	-	-
Accrued retirement payable	7,587	-	-
Accrued vacation payable	13,350	-	-
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (1,031,634)</u>	<u>\$ 626,606</u>	<u>\$ 444,673</u>
SUPPLEMENTARY NONCASH INVESTING AND FINANCING TRANSACTIONS			
PPP loan forgiveness	<u>\$ 20,365</u>	<u>\$ -</u>	<u>\$ -</u>

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

COMMUNITY HUMAN SERVICES

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2022

	Counseling Services	Other Non-major Funds	Total
RECONCILIATION OF OPERATING GAIN (LOSS) TO NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES			
Operating income (loss)	\$ 171,077	\$ (335,059)	\$ (363,842)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization	8,624	291,055	397,897
Charge-off of uncollectible receivable	167,682	-	543,274
(Increase) decrease in assets:			
Contracts and grants receivable	(223,612)	(77,480)	(670,886)
Prepaid expenses	-	-	(9,414)
Increase (decrease) in liabilities:			
Accounts payable	-	-	123,966
Accrued retirement payable	-	-	7,587
Accrued vacation payable	-	-	13,350
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 123,771</u>	<u>\$ (121,484)</u>	<u>\$ 41,932</u>
SUPPLEMENTARY NONCASH INVESTING AND FINANCING TRANSACTIONS			
PPP loan forgiveness	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,365</u>

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

COMMUNITY HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

1. ORGANIZATION AND NATURE OF ACTIVITIES

Organization and Description

Community Human Services (Agency) is a tax exempt, 501(c)(3) Joint Powers Authority. The Board of Directors is made up of appointed representatives from local governmental entities comprising the Joint Powers Authority.

The Agency, through contracts with government agencies, private grants and donations, and client charges and fees, provides a variety of services including outpatient counseling and therapy for people with drug or alcohol problems, an in-house recovery center for addicted persons, and other counseling and educational programs.

Reporting Entity

The financial statements of the Agency are prepared in accordance with accounting principles generally accepted in the United States of America and in compliance with requirements set by the Government Accounting Standards Board (GASB), include funds that are controlled by or dependent on the Agency. Control or dependence is determined on the basis of budget adoption, designation of management, and ability to significantly influence operations. All known activities of the Agency have been included in these financial statements. The Agency does not have component units.

Basis of Accounting and Financial Statement Presentation

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Enterprise Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Agency's enterprise funds are service charges to clients, and contract fees from other government agencies.

COMMUNITY HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

1. ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

Basis of Accounting and Financial Statement Presentation (Continued)

Operating expenses for enterprise funds include the cost of operating the primary activities of funds, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The financial statements are accounted for using the flow of economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Description of Funds

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues and expenses. Resources are allocated to and accounted for in proprietary funds based upon the purposes for which spending activities are controlled.

Major Funds

Operating Fund - The Fund is the chief operating fund for the Agency. It is used to account for the ordinary operations of the Agency. All transactions except those accounted for in another fund are accounted for in this fund.

Prevention and Treatment of Substance Abuse Program - The Fund is used to account separately for residential and outpatient drug treatment and recovery options. These services include Genesis House Residential Program, Sober Living environment, Outpatient Treatment Centers (OTC), DAISY substance abuse program for youth and the Substance Use Prevention Program in the Salinas Union High School District, King City Union School District, and Santa Rita Union School District

Narcotic Treatment Program - The Fund is used to account separately for substance abuse counseling and methadone maintenance services at Off Main Clinic.

COMMUNITY HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

1. ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

Major Funds (Continued)

Counseling Services - The Fund is used to account separately for services and education provided to individuals and families. These services include the Parent Education Program, Pathways to Safety, Micro Innovation and outpatient mental health counseling at the Family Service Centers.

Non-Major Funds

Monterey Peninsula Street Outreach Program - The Fund is used to account for the Street Outreach Program at Safe Place, which provides runaway and homeless youth with street outreach, informal counseling, education about sexual and personal safety, survival aid such as food, clothing and personal care products and information and referral to other services.

Safe Passage Program - The Fund is used to account for transitional housing and supportive services for homeless youth ages 18–24. Services include counseling, case management, life skills education and linkages to education, employment and permanent housing.

Supervised Visitation and Exchange Program - The Fund is used to account for monitored visits between children and their non-custodial parents in a safe, family-like environment.

Domestic Violence/Anger Management Program - The Fund is used to account for Probation-certified psycho-educational counseling groups for domestic violence offenders and those seeking assistance with anger issues.

Safe Place Youth Shelter Program - The Fund is used to account for an overnight shelter in downtown Monterey for homeless youth.

Salinas Valley Street Outreach Program – The Fund is used to account for the street outreach program in Salinas and the Salinas Valley, which provides runaway and homeless youth with individual and group counseling, family counseling, family reunification or alternate placement, temporary shelter, substance abuse education and aftercare services.

Casa de Noche Buena – The Fund is used to account for services provided to women and families with children to set and achieve their personal goals for housing, income, employment, education, and other areas that support a successful exit from homelessness. Casa de Noche Buena is a partnership between the Agency and Gathering for Women, a local non-profit organization.

COMMUNITY HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

1. ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

Non-Major Funds (Continued)

Shuman HeartHouse – The Fund is to account for services related to providing temporary shelter, supportive services and a path to stable housing for women and families with children.

Cash and Cash Equivalents

The Agency's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables

Receivables from grantor agencies are recorded when the revenues are earned under the accrual method of accounting and accounted for using the allowance method. The allowance for doubtful accounts was \$532,499 as of June 30, 2022.

Prepaid Expenses

Prepaid amounts have been allocated to expense pro-rata in the periods in which the benefits were received.

Investments

Marketable debt and equity securities are stated at fair market value. Increases or decreases in market value are recognized in the period in which they occur. Certificates of deposit with an original maturity of greater than 90 days are classified as investments.

Capital Assets

Purchased capital assets are presented at cost. Donated assets are presented at fair market value as of the date of donation.

Depreciation

Depreciation is computed using the straight-line method based on the estimated useful life of the assets as follows:

Buildings and improvements	3-35 Years
Office equipment	3-10 Years
Furniture and fixtures	3-5 Years
Operating and other equipment	3-8 Years
Leasehold improvements	4-5 Years
Transportation equipment	5 Years

COMMUNITY HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

1. ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

Interfund Balances

On the Statement of Net Position, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds".

Grants and Fees

Except for grants from Joint Powers Agency members, all government grants and fees are applicable to specific programs and are considered restricted funds. Program service expenses that apply to these same specific programs are considered restricted. All expenses for administration and fund raising are treated separately and considered unrestricted. For grant reimbursement purposes, administrative expenses are in fact reimbursable under allocation formulas contained in each contract. However, for financial statement purposes, no such allocation is made.

Accrued Compensated Absences

Vacation compensation earned is recorded as an expense and liability each month. Paid vacation for the month is recorded against the liability.

Estimates

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.

Income Taxes

The Agency is a non-profit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. Income tax returns for 2017 and forward may be audited by regulatory agencies, however, the Agency is not aware of any such actions at this time.

COMMUNITY HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

1. ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

Net Position

Net position represents the difference between assets and liabilities and are classified into the following net asset categories:

- **Net investment in Capital Assets** – Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds.
- **Restricted** – Restricted components of net position are reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.
- **Unrestricted** – Unrestricted components of net position consist of amounts that do not meet the definition of “net investment in capital assets” or “restricted”.

Adoption of Accounting Standard

As of July 1, 2021, the Agency adopted Government Accounting Standards Board (GASB) Statement 87, Leases. GASB 87 establishes a single model for lease accounting based on the foundation principle that leases are financings of the right to use an underlying asset. Under the provisions of the statement, the Agency is required to recognize lease liabilities and intangible right-to-use lease assets based on the payment provisions of lease contracts. The adoption of the statement was applied to the period presented with no effect on the prior year's net position of the Agency or previously issued financial statements.

Subsequent Events

The Agency's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through November 17, 2022, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

COMMUNITY HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

2. DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2022, consist of the following:

	<u>Amount</u>
Checking and savings	\$ 1,123,693
Investments	<u>409,183</u>
Total	<u>\$ 1,532,876</u>

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Agency's deposits might not be recovered. The Agency does not have a deposit policy for custodial credit risk. As of June 30, 2022, the total carrying amount was \$1,123,693 with a corresponding bank balance of \$1,243,802. The Agency's bank balances were not exposed to custodial credit risk.

Custodial Credit Risk – Investments

The custodial credit risk for investments is the risk that an entity will not be able to recover the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. The Agency does not have an investment policy for custodial credit risk.

As of June 30, 2022, the Agency has investment balances of \$402,817 in Community Human Services' Stewardship Fund with the Community Foundation for Monterey County that is not FDIC insured, therefore, it is exposed to custodial credit risk.

Concentration of Credit Risk

There is a concentration of credit risk when the amount of investment in any one entity is at least 5% of total investments except investments held in the U.S. Government or investments guaranteed by the U.S. Government. As of June 30, 2022, the Agency holds its 2% investment in Fidelity mutual funds and 98% in Community Human Services' Stewardship Fund with the Community Foundation for Monterey County.

COMMUNITY HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

3. FAIR VALUE MEASUREMENTS

The Agency categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the Agency has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the Agency's own data. The Agency should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the Agency are not available to other market participants.

The Agency's fair value measurements are as follows at June 30, 2022:

<u>Investment Type</u>	<u>Fair Value Measurements Using</u>				
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Uncategorized</u>
Fidelity Mutual Funds	\$ 6,366	\$ 6,366	\$ -	\$ -	\$ -
Community Human Services Stewardship Fund	402,817	-	-	-	402,817
	<u>\$ 409,183</u>	<u>\$ 6,366</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 402,817</u>

All assets have been valued using a market approach, with quoted market prices.

COMMUNITY HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

4. CONTRACTS AND GRANTS RECEIVABLE

Contracts and grants receivable are amounts due to the Agency at the end of each fiscal year from governmental entities. Payments for grants receivable as of June 30 will be contingent upon final approval by the funding agencies after their review of year-end cost reports

Contracts and grants receivable at June 30, 2022, consist of the following:

	Operating Fund	Prevention and Treatment of Substance Abuse Program	Narcotic Treatment Program	Counseling Services	Other Non-Major Funds	Total
DAISY Program	\$ -	\$ 84,183	\$ -	\$ -	\$ -	\$ 84,183
Genesis House Residential	-	420,374	-	-	-	420,374
Off Main Clinic Methadone Program	-	-	388,296	-	-	388,296
Outpatient Drug Free Outpatient Mental Health Program	-	303,698	-	-	-	303,698
Parent Education	-	-	-	281,641	-	281,641
Pathways to Safety	-	-	-	11,663	-	11,663
Monterey Peninsula Street Outreach	-	-	-	1,289	-	1,289
Salinas Valley Street Outreach	-	-	-	-	26,067	26,067
Substance Use Prevention	-	-	-	-	40,724	40,724
Casa de Noche Buena	-	58,346	-	-	-	58,346
Micro Innovation	-	-	-	-	123,423	123,423
Short-term Therapeutic Service	-	-	-	12,500	-	12,500
CONNECT	-	-	-	41,663	-	41,663
Family Support Groups	-	-	-	8,279	-	8,279
Outreach and Engagement	-	-	-	6,250	-	6,250
	-	-	-	16,663	-	16,663
	-	866,601	388,296	379,948	190,214	1,825,059
Less: Allowance for Doubtful Accounts	-	(364,817)	-	(167,682)	-	(532,499)
Contracts and grants Receivable - Net	\$ -	\$ 501,784	\$ 388,296	\$ 212,266	\$ 190,214	\$ 1,292,560

COMMUNITY HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

5. CAPITAL ASSETS

Capital assets at June 30, 2022, are summarized as follows:

	<u>Balance July 1, 2021</u>	<u>Net Additions (Disposals)</u>	<u>Balance June 30, 2022</u>
Capital assets not being depreciated:			
Land	\$ 1,948,995	\$ -	\$ 1,948,995
Construction in progress	<u>44,654</u>	<u>58,717</u>	<u>103,371</u>
Total Capital Assets, Not Being Depreciated	<u>1,993,649</u>	<u>58,717</u>	<u>2,052,366</u>
Capital Assets Being Depreciated:			
Buildings and improvements	5,422,423	163,876	5,586,299
Office equipment	36,294	-	36,294
Transportation equipment	259,954	(8,366)	251,588
Furniture and fixtures	186,118	-	186,118
Leasehold improvements	1,764,084	4,483	1,768,567
Operating and other equipment	<u>15,394</u>	<u>-</u>	<u>15,394</u>
Subtotal	7,684,267	159,993	7,844,260
Less accumulated depreciation	<u>2,303,003</u>	<u>374,149</u>	<u>2,677,152</u>
Total Capital Assets, Being Depreciated	<u>5,381,264</u>	<u>(214,156)</u>	<u>5,167,108</u>
Capital Assets – Net	<u>\$ 7,374,913</u>	<u>\$ (155,439)</u>	<u>\$ 7,219,474</u>

Depreciation expense was charged as an operating expense to each fund as follows:

	<u>Amount</u>
Operating fund	\$ -
Prevention and treatment of substance abuse program	96,368
Narcotic treatment program	1,850
Counseling services	8,624
Other non-major funds	<u>291,055</u>
TOTAL	<u>\$ 397,897</u>

COMMUNITY HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

6. NOTES PAYABLE

At June 30, 2022, the Agency has a note payable to Mechanics Bank for the Sonoma Avenue property (Genesis House), interest at 6.44% per annum, due in monthly installments of \$7,173, including interest through October 2023 at which time all outstanding principal and interest are due and payable.

On April 30, 2020, the Agency was granted a loan (PPP Loan) from Mechanics Bank in the amount of \$818,005, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The PPP Loan, which was in the form of a Note dated April 30, 2020, matures on May 7, 2022, and bears interest at a rate of 1.00% per annum, payable monthly commencing on October 7, 2021. The Note may be prepaid at any time prior to maturity with no prepayment penalties. Funds from the PPP Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations. On September 22, 2021, the Agency was notified by its lender, Mechanics Bank, that the application for partial forgiveness of the PPP Loan in the amount of \$20,365 was approved by the Small Business Administration (SBA). The remaining balance of the PPP Loan balance of \$797,640 was repaid in accordance with the terms of the promissory note agreement with Mechanics Bank.

At June 30, 2022, the Agency has a \$2,000,000 note payable to a private party for, and secured by, the Franklin Street property (Shuman HeartHouse), interest at 4.00% per annum, due in monthly installments of interest only at \$6,667 through fiscal year 2023. The entire unpaid principal balance and any accrued interest are due May 31, 2023.

Long-term debt repayments for years ending June 30 are approximately as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 2,030,434	\$ 135,643
2024	<u>844,425</u>	<u>18,106</u>
TOTAL	<u>\$ 2,874,859</u>	<u>\$ 153,749</u>

Total interest charged to expense during the year ended June 30, 2022, amounted to \$149,355.

COMMUNITY HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

6. NOTE PAYABLE (Continued)

Under the terms of the credit agreement, there are various reporting and financial covenants. At June 30, 2022, the Agency was in compliance with the debt covenants.

7. RIGHT TO USE LEASED ASSETS AND LONG-TERM LEASE OBLIGATIONS

Right to Use Leased Assets

The Agency has recorded 16 right to use leased assets. The assets are right to use assets for leased buildings, office space and equipment. The related leases are discussed in the long-term obligations subsection of this note. The right to use lease assets are amortized on a straight-line basis over the remaining terms of the related leases.

Right to use asset activity for the Agency for the year ended June 30, 2022, was as follows:

	<u>Balance July 1, 2021</u>	<u>Net Additions (Disposals)</u>	<u>Balance June 30, 2022</u>
Right to use assets:			
Buildings and office space	\$ -	\$ 1,804,244	\$ 1,804,244
Office and other equipment	-	48,305	48,305
Total right to use assets	<u>-</u>	<u>1,852,549</u>	<u>1,852,549</u>
Less accumulated amortization for:			
Buildings and office space	-	250,639	250,639
Office and other equipment	-	19,875	19,875
Total accumulated amortization	<u>-</u>	<u>270,514</u>	<u>270,514</u>
Right to Use Assets – net	<u>\$ -</u>	<u>\$ 1,582,035</u>	<u>\$ 1,582,035</u>

Amortization was charged as an operating expense to each fund as follows:

	<u>Amount</u>
Operating fund	\$ 82,775
Prevention and treatment of substance abuse program	55,316
Narcotic treatment program	72,974
Counseling services	-
Other non-major funds	<u>59,449</u>
TOTAL	<u>\$ 270,514</u>

COMMUNITY HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

7. RIGHT TO USE LEASED ASSETS AND LONG-TERM LEASE OBLIGATIONS
(Continued)

Long-Term Lease Obligations

The Agency has entered into agreements to lease certain buildings, office space, and office and other equipment for its Outpatient Drug Treatment Programs, Off Main Clinic Methadone Program and Family Service Center Salinas counseling office, Salinas Valley Street Outreach Program office, Sober Living Residential Program as well as its Administrative office. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The occupancy leases were executed in fiscal years ended June 30, 2020, 2021 and 2022, with lease terms ranging from January 2020 to September 2032. Monthly payments range from \$1,061 to \$10,800. The lease liabilities are measured at a discount rate of 0.2%, since there is no stated discount rate included in the occupancy leases. There are no variable components of the leases. As a result of the leases, the Agency has recorded right to use occupancy assets with a net book value of \$1,553,605 at June 30, 2022.

The office and other equipment leases were executed in fiscal years ended June 30, 2018, 2019, 2020, 2021 and 2022, with lease terms ranging from February 2023 to May 2025. Monthly payments range from \$47 to \$370. The lease liabilities are measured at a discount rate of 0.2%, since there is no stated discount rate is included in the equipment leases. There are no variable components of the leases. As a result of the leases, the Agency has recorded right to use equipment assets with a net book value of \$28,430 at June 30, 2022.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2023	\$ 291,117	\$ 2,891	\$ 294,008
2024	264,655	2,336	266,991
2025	158,740	1,882	160,622
2026	109,965	1,635	111,600
Thereafter	<u>757,558</u>	<u>4,924</u>	<u>762,482</u>
	<u>\$ 1,582,035</u>	<u>\$ 13,668</u>	<u>\$ 1,595,703</u>

COMMUNITY HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

8. GRANTS FROM MONTEREY COUNTY

The Agency receives various grants from the Department of Social Services (DSS) of the County of Monterey. For the specific grants listed below, certain procedures were applied to the federal and other funding expenses reported under these grants.

<u>Grantor, Program and Term</u>	<u>Total Amount</u>	<u>Federal Funding</u>	<u>Other Funding</u>
County of Monterey DSS, Community Action Partnership- Youth Engagement July 1, 2021 – June 30, 2022	\$ 139,681	\$ 60,000	\$ 79,681
County of Monterey DSS, Community Action Partnership Youth Shelter July 1, 2021 – June 30, 2022	\$ 30,000	\$ -	\$ 30,000
County of Monterey DSS, Community Action Partnership- Casa de Noche Buena July 1, 2021 – June 30, 2022	\$ 100,000	\$ -	\$ 100,000
County of Monterey DSS, Parent Education July 1, 2021 – June 30, 2022	\$ 85,685	\$ 85,685	\$ -
County of Monterey DSS, Commercially Sexually Exploited Children July 1, 2021 – June 30, 2022	\$ 118,750	\$ 59,375	\$ 59,375

9. COMMITMENTS AND CONTINGENCIES

Grants

The Agency received financial assistance from federal and other government agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Agency at June 30, 2022.

COMMUNITY HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

9. COMMITMENTS AND CONTINGENCIES (Continued)

Litigation

The Agency is involved in litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Agency at June 30, 2022.

10. DEFINED CONTRIBUTION PENSION PLAN

In lieu of Social Security, the Agency maintains a contributory defined contribution pension plan for its employees. During the current year, the agency contributed 5% of gross wages for eligible employees (those who work at least 30 hours per week on a permanent basis). Eligible employees must also contribute a minimum of 2.5% of their gross pay, but may contribute up to \$19,500 for 2022, with an additional \$5,500 if age 50 or older. Ineligible employees must contribute 7.5% of their gross pay.

Until December 31, 2018, the Agency contracted with the Nationwide Trust Company to purchase a group annuity contract which is individually allocated. Under this contract, a provision is made for the accumulation of contract values for the Agency to provide fixed annuity accumulation and benefits to the individual participants. Actual annuity payments commencing on retirement may be on a variable basis or on a fixed basis as determined by each individual contract owner. The amount available in each participant's account at the time of his or her retirement is the total of the amounts contributed by both the employer and employee, plus returns on the investments of those contributions.

As of January 1, 2019, the Agency contracted with Ascensus to provide administration of the contributory defined contribution pension plan.

The Agency's contribution to the plan amounted to \$254,317 for the year ended June 30, 2022, and is equal to 100% of the required contribution. Total payroll was \$4,610,091 and covered payroll was \$4,103,633.

COMMUNITY HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

11. JOINT POWERS AGENCY MEMBERS

The Agency's Board of Directors is made up of representatives from the following agencies:

City of Carmel	City of Del Rey Oaks
City of Marina	City of Monterey
City of Pacific Grove	City of Salinas
City of Seaside	City of Sand City
Carmel Unified School District	Pacific Grove Unified School District
Monterey County Office of Education	Monterey Peninsula Community College
Monterey Peninsula Unified School District	North Monterey County Unified School District
Santa Rita Union School District	Salinas Union High School District

SUPPLEMENTARY INFORMATION

COMMUNITY HUMAN SERVICES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Grant Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services (USHHS)			
Passed through:			
County of Monterey, California			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	A-14018	
Residential Program			\$ 317,720
Youth Treatment Program			120,182
Total Prevention and Treatment Clusters			<u>437,902</u>
Foster Care Title IV-E (CSEC)	93.658	[1]	59,375
Promoting Safe and Stable Families	93.556	[1]	85,685
Youth Engagement	93.569	[1]	60,000
Direct Program:			
Administration for Children, Youth and Families -			
Runaway and Homeless Youth	93.623	9OCY699001	24,519
Education and Prevention Grants to Reduce Sexual Abuse			
of Runaway, Homeless and Street Youth	93.557	9OYO228301	6,667
Total USHHS			<u>674,148</u>
U.S. HOUSING AND URBAN DEVELOPMENT (USHUD)			
Direct Program:			
Supportive Housing Program			
Transitional Housing	14.235	[1]	130,574
Passed through:			
City of Salinas			
Emergency Solutions Grant	14.231	[1]	444,492
Cities of Salinas, Seaside and Monterey, California			
Community Development Block Grant	14.218	[1]	113,288
Total USHUD			<u>688,354</u>
Total Expenditures of Federal Awards			<u>\$ 1,362,502</u>

[1] Grant Identifying Number not available

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

COMMUNITY HUMAN SERVICES

COMBINING SCHEDULE OF FUNCTIONAL REVENUES AND EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

		Counseling Services									Prevention and Treatment of Substance Abuse			
		MHSA Parent Education	Outpatient Mental Health Counseling	Pathways to Safety	Micro Innovation	Short-term Therapeutic Services	CONNECT	SuperKids/ SuperTeens	Family Support Groups	Outreach and Engagement	Genesis House Residential	OTC - Salinas	OTC - Monterey	Sober Living
	General													
REVENUES														
Public grants and contracts - net	\$ 59,000	\$ 134,672	\$ 642,146	\$ 119,866	\$ 37,500	\$ 413,462	\$ 67,685	\$ 14,007	\$ 53,075	\$ 187,617	\$ 1,462,813	\$ 300,270	\$ 297,290	\$ -
Charges and fees	-	-	-	-	-	-	-	-	-	-	8,000	230	3,775	89,223
Joint Powers Agency	181,875	-	-	-	-	-	-	-	-	-	-	-	-	-
Private grants and contributions	332,087	-	58,961	-	-	-	-	-	-	-	8,311	4,397	4,397	-
Other local sources	(26,554)	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	546,408	134,672	701,107	119,866	37,500	413,462	67,685	14,007	53,075	187,617	1,479,124	304,897	305,462	89,223
EXPENSES														
Salaries	666,706	50,297	378,040	77,972	4,387	257,486	39,455	9,850	615	1,382	642,995	136,905	138,455	-
Employee benefits	196,411	10,052	87,943	18,759	779	44,230	8,393	610	220	378	123,270	39,994	20,292	-
Facilities rental	98,957	10,795	30,962	4,359	-	383	177	-	-	-	1,604	22,566	26,720	28,896
Professional fees	65,347	464	3,203	612	29	5,031	269	7	36,858	173,108	30,487	26,446	21,059	349
Utilities and maintenance	65,473	17,751	33,731	9,012	-	18,879	7,150	-	15	-	165,535	14,642	32,986	25,328
Operating supplies	56,160	2,027	30,513	1,516	8,718	4,975	645	-	-	-	27,158	8,138	11,306	21
Medical supplies and laboratory fees	-	70	129	-	-	-	-	-	-	-	4,492	946	1,262	-
Food and hygiene	5,946	-	231	-	-	-	-	-	-	-	76,793	96	366	-
Insurance	6,796	1,114	3,512	1,340	-	2,230	554	-	-	-	17,994	1,986	1,736	1,860
Auto and travel	2,430	193	436	40	24	596	29	-	-	-	10,576	68	-	-
Communications	9,743	2,777	5,984	1,240	-	3,139	1,411	-	-	-	6,101	3,663	2,091	7,718
Conferences and meetings	619	51	35	-	-	70	-	-	-	-	315	66	35	-
Advertising	33,589	17,304	5,587	-	10,793	18,933	-	-	7,464	773	3,168	2,290	-	-
Equipment rental	6,656	578	1,137	311	-	741	342	-	-	-	6,550	1,554	1,982	-
Miscellaneous	2,977	-	-	-	-	-	-	-	-	-	-	-	-	-
Dues, licenses and fees	16,105	1,372	3,038	446	-	1,159	611	-	-	-	11,984	193	1,195	40
Printing and publications	2,983	141	267	78	1,714	204	94	-	-	-	1,391	392	512	-
Interest - net	12,889	-	-	-	-	-	-	-	-	-	56,466	-	-	-
Total before depreciation	1,249,787	114,986	584,748	115,685	26,444	358,056	59,130	10,467	45,172	175,641	1,186,879	259,945	259,997	64,212
Depreciation	-	-	8,624	-	-	-	-	-	-	-	79,302	-	-	17,066
Total Expenses	1,249,787	114,986	593,372	115,685	26,444	358,056	59,130	10,467	45,172	175,641	1,266,181	259,945	259,997	81,278
Net income before distribution	(703,379)	19,686	107,735	4,181	11,056	55,406	8,555	3,540	7,903	11,976	212,943	44,952	45,465	7,945
Management distribution	(1,249,787)	19,686	107,735	20,328	4,120	55,406	10,220	1,772	7,903	11,976	212,943	44,952	45,465	14,087
NET INCOME (LOSS)	\$ 546,408	\$ -	\$ -	\$ (16,147)	\$ 6,936	\$ -	\$ (1,665)	\$ 1,768	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (6,142)

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

COMMUNITY HUMAN SERVICES

COMBINING SCHEDULE OF FUNCTIONAL REVENUES AND EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

	Prevention and Treatment of Substance Abuse (Continued)			Other Non-Major								Total
	DAISY Program	Substance Use Prevention Program	Narcotic Treatment Program	Monterey Peninsula Street Outreach	Safe Passage	Safe Place Youth Shelter	Casa de Noche Buena	Heart House	Supervised Visitation	Salinas Valley Street Outreach	Domestic Violence	
REVENUES												
Public grants and contracts - net	\$ 241,248	\$ 614,919	\$ 1,688,963	\$ 316,980	\$ 130,574	\$ 30,000	\$ 661,544	\$ -	\$ 28,422	\$ 199,594	\$ 27,316	\$ 7,728,963
Charges and fees	-	-	126,751	-	9,696	-	-	128,552	21,263	-	23,180	410,670
Joint Powers Agency	-	-	-	-	-	-	-	-	-	-	-	181,875
Private grants and contributions	-	-	3,225	34,309	11,194	10,264	70,358	5,000	-	18,578	-	561,081
Other local sources	-	-	-	17,716	-	-	-	3,628	-	-	-	(5,210)
TOTAL REVENUES	241,248	614,919	1,818,939	369,005	151,464	40,264	731,902	137,180	49,685	218,172	50,496	8,877,379
EXPENSES												
Salaries	155,038	409,244	719,673	188,776	124,888	81,574	302,912	-	17,824	188,793	16,824	4,610,091
Employee benefits	38,926	86,861	195,508	53,445	27,710	10,854	55,214	-	1,944	29,261	3,622	1,054,676
Facilities rental	-	-	71,460	99	80	33	32,359	548	-	12,526	-	342,524
Professional fees	897	2,614	78,080	2,599	948	3,903	32,454	3,323	160	1,278	106	489,631
Utilities and maintenance	4,944	11,324	83,050	26,541	18,368	11,485	81,712	12,844	6,631	9,850	2,041	659,292
Operating supplies	2,000	10,696	26,497	3,463	3,274	295	18,913	1,419	870	460	621	219,685
Medical supplies and laboratory fees	-	-	71,709	-	336	-	1,280	-	-	-	-	80,224
Food and hygiene	972	1,718	60	6,459	4,616	58	47,324	-	-	605	-	145,244
Insurance	1,548	2,868	8,454	7,560	3,948	1,388	7,132	2,692	270	5,384	304	80,670
Auto and travel	33	2,526	523	6,994	9,532	45	5,389	-	983	5,401	18	45,836
Communications	1,429	-	8,431	6,270	5,418	1,346	4,445	-	1,139	7,348	-	79,693
Conferences and meetings	43	322	2,626	29,829	35	-	70	-	-	310	500	34,926
Advertising	-	-	1,451	55	5,302	4,343	7,171	20,350	1,482	677	292	141,024
Equipment rental	-	-	3,261	1,339	-	497	2,534	-	-	2,662	-	30,144
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	2,977
Dues, licenses and fees	-	-	32,225	1,622	40	25	1,182	-	-	12	441	71,690
Printing and publications	158	211	5,279	1,079	-	78	308	1,754	-	608	-	17,251
Interest - net	-	-	-	-	-	-	-	80,000	-	-	-	149,355
Total before depreciation	205,988	528,384	1,308,287	336,130	204,495	115,924	600,399	122,930	31,303	265,175	24,769	8,254,933
Depreciation	-	-	1,850	44,568	12,782	-	171,886	51,250	-	10,569	-	397,897
Total Expenses	205,988	528,384	1,310,137	380,698	217,277	115,924	772,285	174,180	31,303	275,744	24,769	8,652,830
Net income before distribution	35,260	86,535	508,802	(11,693)	(65,813)	(75,660)	(40,383)	(37,000)	18,382	(57,572)	25,727	224,549
Management distribution	35,260	90,751	224,611	62,898	37,596	19,827	131,503	30,717	5,437	50,320	4,274	-
NET INCOME (LOSS)	\$ -	\$ (4,216)	\$ 284,191	\$ (74,591)	\$ (103,409)	\$ (95,487)	\$ (171,886)	\$ (67,717)	\$ 12,945	\$ (107,892)	\$ 21,453	\$ 224,549

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

COMMUNITY HUMAN SERVICES

SCHEDULE OF REVENUES AND EXPENSES - BUDGET TO ACTUAL - AGENCY WIDE

FOR THE YEAR ENDED JUNE 30, 2022

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Public grants and contracts	\$ 7,150,133	\$ 7,728,963	\$ 578,830
Charges and fees	457,548	410,670	(46,878)
Total operating revenues	<u>7,607,681</u>	<u>8,139,633</u>	<u>531,952</u>
OPERATING EXPENSES			
Salaries	4,565,606	4,610,091	(44,485)
Employee benefits	991,994	1,054,676	(62,682)
Facilities rental, utilities and maintenance	833,216	1,001,816	(168,600)
Professional fees	257,555	489,631	(232,076)
Operating supplies	142,126	219,685	(77,559)
Food and hygiene	212,640	145,244	67,396
Depreciation	332,181	397,897	(65,716)
Equipment rental	35,536	30,144	5,392
Communications	82,440	79,693	2,747
Insurance	80,705	80,670	35
Medical supplies and laboratory fees	96,250	80,224	16,026
Conferences and meetings	31,175	34,926	(3,751)
Auto and travel	47,854	45,836	2,018
Dues, licenses and fees	74,513	71,690	2,823
Advertising	76,196	158,275	(82,079)
Miscellaneous	2	2,977	(2,975)
Total Operating Expenses	<u>7,859,989</u>	<u>8,503,475</u>	<u>(643,486)</u>
OPERATING GAIN (LOSS)	<u>(252,308)</u>	<u>(363,842)</u>	<u>(111,534)</u>
NONOPERATING REVENUES (EXPENSES)			
Joint Powers Agency support	212,400	181,875	(30,525)
Private grants and contributions	258,041	561,081	303,040
Other local sources	2,000	(5,210)	(7,210)
Interest expense	(143,123)	(149,355)	(6,232)
Total Nonoperating Revenues (Expenses)	<u>329,318</u>	<u>588,391</u>	<u>259,073</u>
CHANGES IN NET POSITION	<u>\$ 77,010</u>	<u>224,549</u>	<u>\$ 147,539</u>
NET POSITION, BEGINNING OF YEAR		<u>6,145,321</u>	
NET POSITION, END OF YEAR		<u>\$ 6,369,870</u>	

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

COMMUNITY HUMAN SERVICES

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2022

1. PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Agency and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The Agency has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

Combining Schedule of Functional Revenues and Expenses

This schedule provides the Agency the comparison of revenues and expenses by each program function.

Schedule of Revenues and Expenses- Budget to Actual- Agency Wide

This schedule provides the Agency the comparison of actual and planned revenues and expenses.

INDEPENDENT AUDITORS' REPORTS



SALINAS OFFICE
450 LINCOLN AVENUE
SUITE 200
SALINAS, CA 93901
PHONE 831-757-5311
FAX 831-757-9529
BKPCPA.COM

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

Board of Directors
Community Human Services
Monterey, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major enterprise fund and the aggregate remaining fund information of Community Human Services, a Joint Powers Agency of California Local governments, (Agency) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Community Human Services' basic financial statements, and have issued our report thereon dated November 17, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dianchi, Kazavan & Pope, LLP
Salinas, California
November 17, 2022



SALINAS OFFICE
450 LINCOLN AVENUE
SUITE 200
SALINAS, CA 93901
PHONE 831-757-5311
FAX 831-757-9529
BKPCPA.COM

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Community Human Services
Monterey, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Community Human Services' (Agency) compliance with the types of compliance requirements as identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Community Human Services' major federal programs for the year ended June 30, 2022. Community Human Services' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Community Human Services complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

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 Community Human Services compliance.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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.

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

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

Bianchi, Kassarav & Pope, LLP

Salinas, California
November 17, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

COMMUNITY HUMAN SERVICES
SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2022

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in Accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.959	Block Grant for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

COMMUNITY HUMAN SERVICES
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

There were no financial statement findings reported in the current year.

COMMUNITY HUMAN SERVICES
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

There were no federal awards findings or questioned costs reported in the current year.

COMMUNITY HUMAN SERVICES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

Community Human Services was not subject to an audit of compliance in accordance with the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) for the year ended June 30, 2021.