



CONTRA COSTA
MENTAL HEALTH
COMMISSION

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**Mental Health Commission
MHSA-Finance Committee Meeting
Thursday, January 21, 2021, 1:30-3:00 PM
Via: Zoom Teleconference:**

<https://cchealth.zoom.us/j/6094136195>

Meeting number: 609 413 6195

Join by phone:

1 646 518 9805 US

Access code: 609 413 6195

AGENDA

- I. Call to order/Introductions**
- II. Public comments**
- III. Commissioner comments**
- IV. APPROVE minutes from the December 17, 2020 MHSA-Finance Committee meeting**
- V. DISCUSS MHSA Program and Fiscal Review reports with:**
 - A. Lisa Finch of the Recovery Innovations International (RII) program**
 - B. Jennifer Tuipulotu of the Office for Consumer Empowerment (OCE)**
- VI. Suggested topics for February 18, 2021 meeting**
- VII. Adjourn**



The Contra Costa County Mental Health Commission is appointed by the Board of Supervisors to advise them on all matters related to the county's mental health system, in accordance with mandates set forth in the California State Welfare & Institutions Code, Sections 5604 (a)(1)-5605.5. Any comments or recommendations made by the Mental Health Commission or its individual members do not represent the official position of the county or any of its officers. The Commission is pleased to make special accommodations, if needed, please call ahead at (925) 313-9553 to arrange.

Mental Health Services Act (MHSA)

Program and Fiscal Review

- I. **Date of On-site Review:** Jan 25, 2019
Date of Exit Meeting: May 2, 2019

- II. **Review Team:** Jennifer Bruggeman, Genoveva Zesati, Warren Hayes

- III. **Name of Program/Plan Element:**

Office for Consumer Empowerment (OCE)
1330 Arnold Dr., Ste. 140, Martinez CA 94553

- IV. **Program Description.** Office for Consumer Empowerment (OCE) is a county operated program that supports the entire Behavioral Health System and offers a range of trainings and supports by and for individuals who have experience receiving mental health services. The goals are to increase access to wellness and empowerment knowledge for consumers of the Behavioral Health System. The program fields several projects that fall under Prevention and Early Intervention, Workforce Education & Training, and Innovation. These projects include:
 - PhotoVoice Empowerment Project – Under the PEI component, PhotoVoice is a 10 week program for individuals with lived experience that uses photography and narrative to explore themes around internal and external stigma and overcoming prejudice and discrimination in the community.
 - Wellness and Recovery Education for Acceptance Choice and Hope (WREACH) Speakers' Bureau – Under the PEI component, WREACH develops individuals with lived mental health and co-occurring experiences to effectively present their recovery and resiliency stories in various formats to a wide range of audiences, such as health providers, academic faculty & students, law enforcement, and other community groups.
 - Committee for Social Inclusion – Under the PEI component, this is an alliance of community members and organizations that meet regularly to promote social inclusion of persons who use behavioral health services. The committee promotes dialogue and guides projects and initiatives designed to reduce stigma and discrimination, and increase inclusion and acceptance in the community.

- Service Provider Individualized Recovery Intensive Training (SPIRIT) – Under WET in the area of Mental Health Career Pathway Program, this is a recovery-oriented peer led classroom and experientially based 9-unit college accredited program (facilitated at Contra Costa College). This certification prepares individuals with lived experience to become service providers as Community Support Workers within Contra Costa County’s Behavioral Health Services or other settings. Program participants are placed in an internship that allows them to implement the skills they’ve been taught through the SPIRIT class. OCE staff co-facilitate instruction, provide administrative support, and ongoing assistance to graduates who are employed by the county, including vocational placement.
- Overcoming Transportation Barriers – Under Innovation, this is a systematic approach to develop an effective consumer-driven transportation infrastructure that supports the entire mental health system of care. The goals of the program are to improve access to mental health services, improve public transit navigation, and improve independent living and self-management skills among consumers. The program targets consumers throughout the behavioral health system of care.

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

VI. Summary of Findings.

The County operated *Office for Consumer Empowerment (OCE)* provides leadership and staff support to a number of initiatives designed to reduce stigma and discrimination, develop leadership and advocacy skills among consumers of behavioral health services, support the role of peers as providers, and encourage consumers to actively participate in the planning and evaluation of MHSA funded services. Staff from OCE support the following activities designed to educate the community in order to raise awareness of the stigma that can accompany mental illness: 1) PhotoVoice Empowerment Project – enables consumers to produce

artwork that speaks to the prejudice and discrimination that people with behavioral health challenges face; 2) Wellness Recovery Education for Acceptance, Choice and Hope (WREACH) Speakers' Bureau – forms connections between people in the community and people with lived mental health and co-occurring experiences through telling stories of recovery and resiliency; 3) Wellness Recovery Action Plan (WRAP) Groups – certified leaders conduct classes throughout the county; 4) Committee for Social Inclusion – an ongoing alliance of committee members that work together to promote social inclusion of persons who receive behavioral health services through organized monthly meetings, sub-committee activities and other events; 5) SPIRIT – 9-unit college-accredited course at Contra Costa College that prepares people with lived experience for careers as service providers; 6) SPIRIT Vocational Program – assists SPIRIT graduates with job retention activities and career development assistance; and 7) Overcoming Transportation Barriers – an initiative that promotes access to mental health services, improves public transit navigation, as well as independent living skills among consumers.

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

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

Does the program/plan element collaborate with the community, provide an integrated service experience, promote wellness, recovery and resilience, is it culturally competent, and client and family driven?

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

Discussion. Staff were interviewed individually on separate occasions. OCE staff are all graduates of the SPIRIT program, who continue the work of peer advocacy by leading various OCE sponsored initiatives throughout the public behavioral health system, including presentations, classes, group facilitation and other project leadership responsibilities. During our discussion with the program manager, she discussed OCE's plans for expansion by training trainers (for PhotoVoice and WRAP) so the work can reach a broader audience. Other goals include: developing SPIRIT curriculum to comply with upcoming Peer Specialist Certification state mandates, updating marketing materials, and developing a program report that can tell the OCE story through both quantitative and qualitative means (data and personal stories). Line staff reported they feel supported by their manager. Staff each have project areas to which they are assigned. Suggested areas for improvement by staff include: a designated staff person to manage data, wish to expand to different regions of the county in order

to broaden their scope, and having greater bandwidth to offer more hands-on peer support. Other input received was the desire and capacity to be able to offer SPIRIT in a more central location; such as Diablo Valley College (DVC). Staff also voiced the cost of living difficulties with the pay provided in this county to Community Support Workers and suggested a higher classification would benefit all CSW's.

In addition to speaking to management and line staff, the review process included attending a PhotoVoice Social Inclusion Sub-Committee meeting. Members were asked to complete a survey. Eleven surveys were received, and the results are discussed below. Survey responses suggest that members feel their voices are heard, they are made to feel welcome and that they are part of a movement to end stigma and discrimination around mental health related issues. **Results.** OCE is delivering services according to the values of MHSA. Services are community and consumer driven, integrated throughout the public behavioral health system, and focused on wellness and recovery.

Questions	Responses: 11				
Please indicate how strongly you agree or disagree with the following statements regarding persons who work with you: <i>(Options: strongly agree, agree, disagree, strongly disagree, I don't know)</i>	Strongly Agree	Agree	Disagree	Strongly Disagree	I don't know
	4	3	2	1	0
1. Help me improve my health and wellness	N = 11 3.27				
2. Allow me to decide my own strengths and needs	N = 11 3.36				
3. Work with me to determine the services that are most helpful	N = 9 3.11				
4. Provide services that are sensitive to my cultural background.	N = 6 3.0				
5. Provide services that are in my preferred language	N = 9 3.33				
6. Help me in getting needed health, employment, education and other benefits and services.	N = 9 2.89				
7. Are open to my opinions as to how services should be provided	N = 8 3.38				
8. What does this program do well?	<ul style="list-style-type: none"> • It helps people realize that there is hope after being mentally challenged 				

	<ul style="list-style-type: none"> • Everything • Helps me learn about mental health, stigma, how to deal with it, how to understand it better • They treat us all equally and fairly with respect. Provide a safe place to come and voice our concerns or issues • Photovoice • They do everything well • Gives everyone a voice and help us be more active in our community • They hear our opinions and try to help • It's very professional; interesting topics • Advocate 								
9. What does this program need to improve upon?	<ul style="list-style-type: none"> • Learning different things in the mental health system, learn more tools and strategies • To lead us to actual programs that help us with our health and livelihood • Nothing • Making up groups to meet more needs 								
10. What needed services and supports are missing?	<ul style="list-style-type: none"> • They are all provided in a good supportive and assertive abstract way • Maybe more activities or different new services and groups • Direct link to health services, jobs, living arrangements • Fiscal or financial support • Money and education 								
11. How important is this program in helping you improve your health and wellness, live a self-directed life, and reach your full potential? <i>(Options: Very important, Important, Somewhat important, Not Important.)</i>	<table border="1"> <tr> <td>Very Important</td> <td>Important</td> <td>Somewhat Important</td> <td>Not Important</td> </tr> <tr> <td>4</td> <td>3</td> <td>2</td> <td>1</td> </tr> </table>	Very Important	Important	Somewhat Important	Not Important	4	3	2	1
	Very Important	Important	Somewhat Important	Not Important					
	4	3	2	1					
N = 11 3.55									
12. Any additional comments?	<ul style="list-style-type: none"> • This is one of the most important and greatest accomplishments and achievements I have experienced in my life, and it is one of the greatest experiences I've had. • Keep up the good work and know you are much appreciated • Thank you for keeping me safe • Great program and I'm looking forward to watching it grow more 								

2. **Serve the agreed upon target population.** Does the program prevent the development of a serious mental illness or serious emotional disturbance, and

help reduce disparities in service? Does the program serve the agreed upon target population (such as age group, underserved community)? Is the program in accordance with regulations?

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

Discussion. The program serves consumers and family members throughout the behavioral health system. Services are delivered under multiple components including Prevention and Early Intervention, Workforce Education and Training and Innovation. The projects fielded by OCE strive to be culturally responsive, reduce stigma and discrimination, reduce disparities in service, and promote inclusion by elevating the voices of community members with lived experience through advocacy, education and vocational pathways.

Results. The program is serving the agreed upon target population which is consumers and family members with lived experience throughout the county.

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

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

Discussion. OCE is a county operated administrative program. Based on feedback from consumers and service providers, the program promotes recovery, inclusion and self-empowerment by lifting up community members with lived experience through the above mentioned targeted projects.

Results. OCE is providing services for which funding was allocated.

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

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

Discussion. OCE supports the Stigma & Discrimination Reduction component under Prevention and Early Intervention and is listed as such in the MHSA Three Year Program and Expenditure Plan. Activities promoted under this category are designed to increase acceptance, dignity, inclusion and equity for individuals living with mental illness and their families. OCE fields a number of different

initiatives that support these concepts, including developing leadership and advocacy skills among consumers of behavioral health services and supporting the role of peers as providers.

Results. OCE is meeting the needs of the population and community for which is was designed.

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

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

Discussion. Under Workforce Education and Training (WET), the number of individuals to be served is 40. In 2018, there were 50 SPIRIT graduates. Attendance is tracked by the instructor. Monthly Committee for Social Inclusion meetings were held, as well as monthly sub-committee meetings for PhotoVoice and WREACH. WRAP facilitator trainings and meetings were held throughout the county at various locations including in detention facilities and clinics.

Results. OCE is serving the number of agreed upon individuals.

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

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

Discussion. In 2017 (the most recent year where complete outcomes reports are available), OCE completed the following: 9 Wellness and Recovery Action Plan (WRAP) groups were held throughout the county, along with one WRAP facilitator training; 34 people graduated from the SPIRIT program and were placed into vocational internships; The Committee for Social Inclusion held 12 monthly meetings during the year; WREACH held 11 monthly meetings, and participated in Crisis Intervention Training (CIT); PhotoVoice expanded to the TAY population by collaborating with Vicente Martinez High School and offering a

class series to students there, in addition to offering facilitator training to CBO partner the Hume Center, and also held 12 monthly meetings; Overcoming Transportation Barriers assisted 46 clients with linkage to resources, mapping bus routes, referrals, fare information and travel training. In 2018, 50 people graduated from SPIRIT, which indicates an upward trend.

Results. OCE is achieving the outcomes that have been agreed upon. OCE has started to do deeper data analysis for their evidenced based practice initiatives, including WRAP and SPIRIT, where participants complete pre and post surveys.

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

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

Discussion. OCE does not participate in Medi-Cal billing and is not subject to the county's utilization review process. They do participate in the annual BHS Quality Improvement Workplan. Results of those efforts have been included in this review.

Results. Quality of service is measured annually through the Quality Improvement Workplan process.

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

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

Discussion. OCE does not provide specialty mental health or traditional direct services. Participants are involved in groups and projects on a voluntary basis. Any client information that may be obtained (i.e. through SPIRIT applications) is stored in a locked cabinet.

Results. OCE is in compliance with confidentiality protocols around protected health information.

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

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

Discussion. OCE generally operates with a staff of ten. Through the staff interview process, it appears everyone has a clearly defined role and is supported in performing their job.

Results. There has been some staff turnover in recent months (as staff have moved on to other career opportunities within the county), but plans are well underway to fill vacant positions. Staffing is sufficient to deliver the program's services.

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

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

Discussion. As a county operated program, OCE is not subject to an annual independent fiscal audit.

Results. NA

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

Method. Review audited financial statements (contractor) or financial reports (county). Review Board of Directors meeting minutes (contractor). Interview fiscal manager of program or plan element.

Discussion. OCE is a county operated program. All funding comes from MHSA.

Results. NA

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

Method. Interview with fiscal manager of program or plan element.

Discussion. NA

Results. NA

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

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

Discussion. As a county-operated program, OCE is not subject to monthly invoicing.

Results. NA

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

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

Discussion. As a county-operated program, OCE is not subject to monthly invoicing.

Results. NA

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

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

Discussion. NA

Results. NA

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

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

Discussion. NA

Results. NA

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

Method. Review insurance policies.

Discussion. NA

Results. OCE is covered under county insurance.

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

Method. Interview contract manager and contractor staff.

Discussion. OCE staff is in regular contact with MHSA around program activities. OCE staff provides support to and involvement with various MHSA related efforts, such as community forums, the Consolidated Planning & Advisory Workgroup (CPAW) and the Suicide Prevention Committee.

Results. Effective communication exists between the program manager and MHSA staff.

VIII. Summary of Results.

Contra Costa County has a strong history of advocacy for those living with mental health challenges, and the Office for Consumer Empowerment has been leading this effort locally for over a decade. The initiatives supported by this program are largely evidence-based, and are designed to reduce stigma and discrimination, while promoting peer led activities focused on wellness and resiliency. Consumer feedback supports the notion that the services being offered are of great value, and have had impact on many levels throughout the community.

IX. Findings for Further Attention.

During the upcoming three-year cycle, OCE may wish to further develop plans around:

- Capturing and reporting on more in-depth data
- Expanding services to reach a broader region throughout the county
- Peer Certification Program compliance
- Updating materials and brochures

X. Next Review Date: 2022

XI. Appendices.

Appendix A – Program Description

XII. Working Documents that Support Findings.

Consumer, Family Member Surveys

County MHSA Monthly Financial Report
Quality Improvement Work Plan 2017, 2018
MHSA Three Year Plan and Update(s)

Office for Consumer Empowerment (Contra Costa Behavioral Health)

Point of Contact: Jennifer Tuipulotu

Contact Information: 1330 Arnold Drive #140, Martinez, CA 94553

(925) 957-5206, Jennifer.Tuipulotu@cchealth.org

1. General Description of the Organization

The Office for Consumer Empowerment is a County operated program that supports the entire Behavioral Health System and offers a range of trainings and supports by and for individuals who have experience receiving behavioral health services. The goals are to increase access to wellness and empowerment knowledge for participants of the Behavioral Health System.

2. Program: Reducing Stigma and Discrimination – PEI

a. Scope of Services

- The PhotoVoice Empowerment Project equips individuals with lived mental health and co-occurring experiences with the resources of photography and narrative in confronting internal and external stigma and overcoming prejudice and discrimination in the community.
- The Wellness and Recovery Education for Acceptance, Choice and Hope (WREACH) Speakers' Bureau encourages individuals with lived mental health and co-occurring experiences, as well as family members and providers, to effectively present their recovery and resiliency stories in various formats to a wide range of audiences, such as health providers, academic faculty and students, law enforcement, and other community groups.
- Staff leads and supports the Committee for Social Inclusion. This is an alliance of community members and organizations that meet regularly to promote social inclusion of persons who use behavioral health services. The committee promotes dialogue and guides projects and initiatives designed to reduce stigma and discrimination, and increase inclusion and acceptance in the community.
- Staff provides outreach and support to peers and family members to enable them to actively participate in various committees and sub-committees throughout the system. These include the Mental Health Commission, the Consolidated Planning and Advisory Workgroup and sub-committees, and Behavioral Health Integration planning efforts. Staff provides mentoring and instruction to consumers who wish to learn how to participate in community planning processes or to give public comments to advisory bodies.
- Staff partner with NAMI Contra Costa to offer a writers' group for people diagnosed with mental illness and family members who want to get support and share experiences in a safe environment.

3. Program: Mental Health Career Pathway Program -- WET

a. Scope of Services

- The Mental Health Service Provider Individualized Recovery Intensive Training (SPIRIT) is a recovery-oriented peer led classroom and experientially based college accredited program that prepares individuals to become providers of service. Certification from this program is a requirement for many Community Support Worker positions in Contra Costa Behavioral Health. Staff provide instruction and administrative support, and provide ongoing support to graduates who are employed by the County.

4. Program: Overcoming Transportation Barriers – INN

a. Scope of Services

- The Overcoming Transportation Barriers program is a systemic approach to develop an effective consumer-driven transportation infrastructure that supports the entire mental health system of care. The goals of the program are to improve access to mental health services, improve public transit navigation, and improve independent living and self-management skills among peers. The program targets peers and caregivers throughout the mental health system of care.

b. Target Population: Participants of public mental health services and their families; the general public.

c. Total MHSA Funding for FY 2018-19: \$894,671

d. Staff: 11 full-time equivalent staff positions.

e. Outcomes:

- Increased access to wellness and empowerment knowledge and skills by participants of mental health services.
- Decrease stigma and discrimination associated with mental illness.
- Increased acceptance and inclusion of mental health peers in all domains of the community.

Mental Health Services Act (MHSA) Program and Fiscal Review

- I. **Date of On-site Review:** November 29th and 30th, 2018
Date of Exit Meeting: March 7, 2019
- II. **Review Team:** Genoveva Zesati, Jennifer Bruggeman, Windy Taylor, Sarah Kennard
- III. **Name of Program/Plan Element:** RI International, with three wellness cities located throughout Contra Costa County.

Wellness Cities: Central Contra Costa County
 2975 Treat Boulevard, Suite C-8
 Concord, CA 94518

 East Contra Costa County
 3711 Lone Tree Way
 Antioch, CA 94509

 West Contra Costa County
 2101 Vale Road, Suite 300
 San Pablo, CA 94806

Headquarters: 2701 N. 16th Street
 Phoenix, AZ 85006

- IV. **Program Description.** RI International is a 501c3, with its headquarters located in Phoenix, Arizona and other locations in various states, along with one site in New Zealand. In Contra Costa County, RI International is located in three regions of the County; Antioch, Concord and San Pablo. Each of these sites is known as Wellness City. Wellness Cities are supportive communities for individuals in recovery. RI International offers a day program and is open to the public; however participants must be at least 18 years of age to utilize services. Program participants or “citizens” of these cities participate voluntarily and are able to choose the activities and classes they feel will best support them in their recovery journey.

Services offered throughout the county provide a safe and welcoming environment to help participants achieve wellness and independence. Citizens develop a wellness plan alongside their Peer Recovery Coach which outlines their goals, alongside with ideas of how they will reach them. They also have the opportunity to attend classes that focus on the *nine dimensions of wellness*, as defined per RI International as; physical, emotional, intellectual, social, spiritual, occupational, home and community living, financial and recreation/leisure. These classes help empower them through their journey. Citizens are also given the opportunity to give feedback to enhance classes during their *Town Hall*.

A staff of well-trained peers who have experienced their own recovery challenges and successes share what they have learned, and work alongside citizens. Citizens of Wellness Cities who are beginning their recovery journey learn to identify personal strengths and challenges and develop personalized plans that incorporate life experiences, newly learned skills and goals and dreams for the future. Citizens are accepted “where they are” in their journey of recovery.

Each Wellness City also has access to an Employment Coordinator and a Recovery Care Coordinator. The Employment Coordinator works specifically with a group of citizens to offer a 12 week evidence based program to address barriers and prepare individuals to enter the workforce. These groups of citizens have completed their personalized WRAP plan, as well as Wellness and Recovery Training. In this training, citizens develop a budget, participate in mock interviews, attend job fairs, and have the opportunity to hear from an SSI representative that informs the group about the possibilities in receiving SSI while working. The Employment Coordinator also works with identified employers that understand that RI Citizens are new or returning to the workforce. Once a citizen is hired, the Employment Coordinator works with them for an additional three months after hire to offer assistance and check in with employers to address any concerns. This program was piloted this year and the first two cohorts were able to receive free haircuts and interview attire to facilitate employment. In addition, a few individuals were able to obtain California IDs, Social Security Cards, and another started a GED program.

Other support offered to RI Citizens is through the Recovery Care Coordinator position assisting with individual needs. For example, if a citizen needs to start receiving or reconnect with case management services, obtain a therapist, work on obtaining disability income to assist with homelessness or even obtain an identification card or driver’s license the Recovery Care Coordinator will assist them in the process from applying, to getting to the DMV office, and being with them along the way to address any issues that may arise. In addition, this role supports the citizens with medical advocacy in appointments, issues in court, and specialty supports in sensitive cases like domestic violence or loss of a caregiver or payee. This helps prevent a citizen from becoming discouraged in any challenges they may face along the way.

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

VI. Summary of Findings.

Topic	Met Standard	Notes
1. Deliver services according to the values of the MHSA	Met	Consumer surveys and interviews indicate program meets the values of MHSA.
2. Serve the agreed upon target population.	Met	The program serves consumers with a serious mental illness, and also provides linkage to other resources.
3. Provide the services for which funding was allocated.	Met	Funds services consistent with the agreed upon Service Work Plan.
4. Meet the needs of the community and/or population.	Met	Services are available at the three Wellness Cities to any adult living in Contra Costa County.
5. Serve the number of individuals that have been agreed upon.	Met	Exceeding target goal in reporting.
6. Achieve the outcomes that have been agreed upon.	Met	Outcomes are being consistently met.
7. Quality Assurance	Met	Standards and procedures are in place to address and respond to quality assurance standards.
8. Ensure protection of confidentiality of protected health information.	Met	Notice of HIPAA and Privacy Policies were in place.
9. Staffing sufficient for the program	Met	The program is fully staffed, however there has been high turnover in the previous two years.
10. Annual independent fiscal audit	Met	An independent fiscal audit was completed that reflecting some litigation. RI appears to have a contingency plan to cover litigation through insurance.
11. Fiscal resources sufficient to deliver and sustain the services	Met	Agency appears to have diversified funding sources, is in growth mode, has liability coverage, and is working on strengthening its cash flow.
12. Oversight sufficient to comply with generally accepted accounting principles	Met	Staff person seems well qualified, and program seems to have established internal controls for checks and balances. Previous accounting staff member is also available for historical knowledge.
13. Documentation sufficient to support invoices	Met	Uses established software program with appropriate supporting documentation

		protocol.
14. Documentation sufficient to support allowable expenditures	Met	RI International monthly detailed expenditures appear sufficient to support monthly invoice billing.
15. Documentation sufficient to support expenditures invoiced in appropriate fiscal year	Met	Billings seems appropriate for fiscal year expenses.
16. Administrative costs sufficiently justified and appropriate to the total cost of the program	Met	Allowable indirect budget for three year contract is about 8.4% of total allowable expenses. For FY 16-17 and 17-18, programs indirect operating expenses were at about 7.7% in indirect expenses.
17. Insurance policies sufficient to comply with contract	Met	Insurance policies in place.
18. Effective communication between contract manager and contractor	Met	Communication occurs regularly between MHSA staff, program manager, and finance team.

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

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

Method. Consumer and employee interviews were conducted as well as consumer survey.

Discussion. As part of the site visits, approximately 30 consumers (5 from the east and 25 from the west RI Wellness Cities in Contra Costa County) participated in the consumer interview. Additional input was received from 80 citizens that completed written surveys prior to the site visits. The survey includes 12 questions. The first seven questions address the MHSA general standards and the remaining five questions ask about the overall quality and importance of the program. Nine RI International staff members were also interviewed. Four were Peer Recovery Coaches, Two were Team Leads, one was an Employment Coordinator, one was a Recovery Care Coordinator, and one was a Support Services Coordinator.

Survey Results

Questions	Responses: n=80				
Please indicate how strongly you agree or disagree with the following statements regarding persons who work with you:	Strongly Agree 4	Agree 3	Disagree 2	Strongly Disagree 1	I don't know 0
1. Help me improve my health and wellness.	Average score: 3.31 (n=80)				
2. Allow me to decide what my own strengths and needs	Average score: 3.44 (n=80)				
3. Work with me to determine the services that are most helpful	Average score: 3.25 (n=80)				
4. Provide services that are sensitive to my cultural background.	Average score: 3.18 (n=80)				
5. Provide services that are in my preferred language	Average score: 3.38 (n=80)				
6. Help me in getting needed health, employment, education and other benefits and services.	Average score: 3.14 (n=80)				
7. Are open to my opinions as to how services should be provided	Average score: 3.25 (n=80)				
8. What does this program do well?	<ul style="list-style-type: none"> • Provides a safe and comfortable environment. • Its recovery classes, and education of recovery • Builds self-esteem/ confidence, listen, show empathy, care, compassion and are supportive • Groups and lunch, and serving meals • WRAP plan, Facing up to Health and Let's Connect classes, and IMR • Outings and teamwork • "Help me feel normal," "Helps me get well," "Helps me with my health," "Helps me focus, structure my mind, emotions, and days=life," "Helps me stay clean and sober," • Let's us watch movies and listen to music • Helps teach people about how to cope with mental illness and be more functional • Discuss how to handle problems when they come up 				
9. What does this program need to improve upon?	<ul style="list-style-type: none"> • More rides • Better/ different food • More walks, free time, art and creativity time • Less chores • Would like a class that uses meditation to 				

	<ul style="list-style-type: none"> improve wellness • Helping find more jobs • Maybe offer exercise classes • Picking up people • AA or NA groups • Inform members on how they are doing in program and ways they can improve • More one on one time • More outings to different places • Have a group for people that hear voices • Having more staff 				
10. What needed services and supports are missing?	<ul style="list-style-type: none"> • Driving school • Anger classes to help learn better calming tools • Would like to have more trips • Living skills • More time with Recovery Coaches, seem to be rushed • How to use the buses • Alumni groups for those who have graduated and moved on. • Medication treatment • Housing Support • More computers 				
11. How important is this program in helping you improve your health and wellness, live a self-directed life, and reach your full potential?	<table border="1"> <tr> <td>Very Important 4</td> <td>Important 3</td> <td>Somewhat Important 2</td> <td>Not Important 1</td> </tr> </table> <p>Average score: 3.56 (n=72) *8 individuals did not answer this question.</p>	Very Important 4	Important 3	Somewhat Important 2	Not Important 1
Very Important 4	Important 3	Somewhat Important 2	Not Important 1		
12. Any additional comments?	<ul style="list-style-type: none"> • “RI is peaceful.” • “The coaches are a good service.” • “RI is saving my life.” • “I like the RI program because it serves as a self-help group for me.” • “I enjoy the groups with helpful tools.” • “It was one of the best things that I could have done for myself.” • Have wonderful staff. They do a good job. • Very welcoming environment and program was explained in a very understandable way. 				

Consumer Interviews:

An overwhelming number of citizens strongly agreed that the program does very well at allowing them to decide their own needs and strengths and works with them individually to determine the services that would be most helpful, thereby fostering empowerment and self-determination. The vast majority agreed that services were

helpful in improving their health and wellness. Respondents stated that the program, “Helps me get well” and “It was one of the best things that I could have done for myself.” When asked what RI International could improve on, citizens repeatedly stated they would like more outings, more food options, and more rides if possible.

Many spoke highly of their cities, and were especially appreciative of the staff. The majority similarly expressed having developed friendships with the staff as well as each other. They mentioned enjoying various extracurricular activities, including visiting Alcatraz, Fisherman’s Warf, the Academy of Science, Santa Cruz, museums, Christmas tree lighting events and ice skating. Citizens verbalized having both supportive Peer Recovery Coaches and peers around them that offer positive support. Classes are optional and specific to meet the needs of the individual. Citizens spoke about vocational support, and assistance with job skills; as well as obtaining jobs. Job skills include resume writing assistance, practicing interview skills, and identifying jobs.

Staff Interviews:

Nine staff were interviewed. It was found that most staff had joined RI International within the last two years. The newest staff member had started in the previous month and only one staff member had been with RI longer than two years. Staff commented that they enjoy the diverse group of citizens and helping in their recovery process. They also voiced how seeing the citizens grow inspired them in their recovery journey and how they felt like citizens trusted them enough to be truthful with them.

Employees voiced that each Wellness City has its own unique culture; as well as partnerships with local businesses and other service providers. Each area has resources that are leveraged to benefit each location. The classes at each Wellness City are set by the Team Lead with the input received from the Town Hall meetings that are directed by citizens. Employees also shared that all staff receive the following training: WRAP, Therapeutic Options, Dialectical Behavioral Therapy (DBT), and continual access to the Relias portal for additional training. Employees can also request additional training and can be covered with approval from management.

When asked what they thought could be added to RI to allow them to better do their jobs, they asked for training on Mental Health First Aid, a wider variety of curriculum; perhaps training from outside the agency, more wellness ideas, more outings for RI Citizens, another van to help transport the citizens as sometimes there is a limited amount of citizens that are able to be transported to the outings, onsite showers and laundry services so that those citizens that are homeless have the opportunity to still have a place to groom themselves and get their clothing cleaned, and a drop in psychologist or psychiatrist for additional support for citizens that may feel the onset of a crisis coming. Staff members also mentioned a need for more self-care for employees, perhaps quarterly staff development days or an employee retreat. They also said it would be nice to have more relief workers available to give employees

the opportunity to take care of lingering tasks that may need to be put on hold to take care of immediate citizen needs.

Results. RI International staff seems to deliver services according to the values of the Mental Health Services Act (MHSA).

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

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

Discussion. The target population is adults with a serious mental illness in Contra Costa County, which attend one of the three wellness cities. The program is open to the public, but many citizens are referred by the county Adult Mental Health clinics, other providers, or by word of mouth. The program also completes semi-annual demographic reports.

Results. The program is serving the agreed upon target population.

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

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

Discussion. The Service Work Plan for 2016-2019 description states that the following services are to be provided:

- Peer and family support
- Personal recovery planning using the seven steps of Recovery Coaching
- Monthly one on one coaching and meaningful outcome tracking
- Workshops, education classes, evidence-based IMR groups, community based activities using the 9 Dimensions of Wellness (physical, emotional, intellectual, social, spiritual, occupational, home/community living, financial, recreation/leisure)
- Community outreach and collaboration
- Assist participants to coordinate medical, mental health, medication and other community services through Care Coordination
- Supportive employment program through the use of an Employment Specialist position
- Wellness Recovery Action Plan (WRAP) classes
- Snacks and lunch meals during weekdays for participants
- Through our mission and pathways, RI International provides a range of community-based mental health services to adult mental health participants in Contra Costa County.

- Further enhance services by providing transportation to community based activities using the 9 Dimensions of Wellness (physical, emotional, intellectual, social, spiritual, occupational, home/community living, financial, recreation/leisure)
- The annual goal of individuals to be served is 250.

In 2018 RI International served 306 individuals and exceeded the target goal of individuals to be served. The feedback that was provided by RI International staff and citizens was also consistent with the services outlined in the Service Work Plan.

Results. The program provides services for which funding was allocated, and are fully aligned with the Service Work Plan and MHSA values. RI International has continued to grow and offers services; not only in other states, but internationally as well.

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

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

Discussion. This contract was authorized by the Board of Supervisors in 2016 for a three year period and was amended in 2017 as a result of the community program planning process to provide support services to adults with serious mental illnesses.

Results. Citizen interviews and surveys reflect that services being offered are consistent with the needs of the designated population.

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

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

Discussion. Numbers have seen progressive annual increase. Non credit-deficient students have started applying to the school. Last year, the program served 140 students, which exceeded their goal.

Results. The program is serving the agreed upon number of individuals.

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

Method. Match outcomes reported for the last three years with outcomes projected in the program description/service work plan, and verify validity of outcome with supporting documentation, such as case files or charts. Outcome domains include, as appropriate, incidence of restriction, incidence of psychiatric crisis, meaningful

activity, psychiatric symptoms, consumer satisfaction/quality of life, and cost effectiveness. Analyze the level of success by the context, as appropriate, of pre- and post-intervention, control versus experimental group, year-to-year difference, comparison with similar programs, or measurement to a generally accepted standard.

Discussion. Various assessment tools and surveys are used to measure outcomes, including the Developmental Assets Profile (DAP) which measures assets vs. risk level, and California Healthy Kids Survey. Outcomes focused on engagement, improving timely access to services, resiliency and stigma reduction. The program reported other favorable outcomes that included improved attendance, and high graduation rates.

Results. Interviews with students and survey results, as well as reported outcomes all indicate that the program has had a positive impact on the lives of the students it serves. The program has adapted to new PEI reporting requirements implemented by the state in the past year.

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

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

Discussion. The program does not participate in Medi-Cal billing and therefore is not subject to the county's utilization review process. They do follow the standard grievance procedure of the Martinez Unified School District. The county has not received any grievances regarding this program in the current review period.

Results. The program has internal processes in place that allow it to be responsive to student needs.

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

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

Discussion. Services provided by RI International do not include clinical charts as services are provided modeling peer recovery. However, RI staff does still honor and keep any client information in locked file cabinets behind a locked door in their offices. Key staff are the only ones who have access to client information.

Results. The program follows appropriate privacy protocols and is HIPAA compliant.

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

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

Discussion. RI International is fully staffed to meet the requirements of the contract. There is also a pool of additional relief staff that come in from time to time to provide additional support to permanent staff. A staff of well-trained peers who have experienced their own recovery challenges and successes share what they have learned, and work alongside practitioners and educators who are committed to the founding principles of the recovery community. Participants of Wellness Cities who are beginning their recovery journey will learn to identify personal strengths and challenges and develop personalized plans that incorporate life experiences, newly learned skills and goals and dreams for the future. Each participant partners with a recovery coach who understands recovery challenges and works to bring out everyone's best. RI International's Wellness Cities provide a safe and welcoming environment to help participants achieve wellness and independence. Participants are accepted "where they are" in their journey of recovery in three locations; Antioch, Concord and San Pablo.

Results. Staffing is sufficient to deliver agreed upon outcomes.

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

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

Discussion. RI International contracts with CCBHS as a non-profit 501c3, although services within Contra Costa County are provided through one of the three Wellness Cities; RI International's finance team is headquartered in Phoenix, Arizona.

Results. RI International has provided independent fiscal audit reports for the last three years. The audits reflected litigation with a contingency to cover through its insurance.

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

Method. Review audited financial statements. Review Board of Directors meeting minutes. Interview fiscal manager of program or plan element.

Discussion. The organization has several contracts in the United States as well as one contract in New Zealand. The funding sources are diversified and come from various contracts, training, grants, and contributions. In reviewing RI International's Board of Directors meeting minutes the organization has established a line of credit and is continually working to identify new funding streams and gain further revenue.

Results. RI International's fiscal reporting system was reviewed and it seems the process and financial documentation appears sufficient to support monthly invoices, with no duplicate billing within Contra Costa County. The organization appears to have diversified and sufficient fiscal resources to deliver and sustain the services.

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

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

Method. Interview with fiscal manager of program or plan element.

Discussion. A qualified RI International, Accounting Manager, Laurie Hatton manages and oversee fiscal processing of MHSA contract funds. She has been managing this contract for about two years. The former staff member in this position is now managing other contracts, but is still available to assist with institutional memory. The new accounting manager is well versed and has over twenty years of experience in accounting and manages most of the California contracts.

Results. Sufficient oversight exists to enable compliance with generally accepted accounting principles.

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

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

Discussion. Monthly invoices are prepared in a timely and accurate manner by RI International accounting staff and submitted to the county for reimbursement as part of their cost basis contract. The RI International Administrator and Support Services Coordinator positions in Contra Costa County prepare a Monthly Contract Service Summary with relevant participant documentation that is sent to RI International headquarters. This information becomes part of the monthly invoices that is sent from RI International's accounting headquartered in Phoenix, Arizona.

Results. RI International's fiscal reporting system was reviewed and it seems the process and financial documentation appears sufficient to support monthly invoices, with no duplicate billing.

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

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

Discussion. RI International has a cost based contract and bills for allowable expenses incurred and paid.

Results. The percentage of personnel time and operating costs appear to be supported. Time cards are done electronically and personnel time is calculated through internal system that tracks hours worked. Most monthly bills are sent directly to RI International headquarters. Those that are not, are scanned and sent electronically for payment. It appears that RI International's monthly expenses are for allowable costs incurred.

15. **Documentation sufficient to support expenditures invoiced in appropriate fiscal year.** Do the organization's financial system year end closing entries support expenditures invoiced in appropriate fiscal year (i.e., fiscal year in which expenditures were incurred regardless of when cash flows)?
Method. Reconcile year end closing entries in financial system with invoices. Interview fiscal manager of program or plan element.
Discussion. A review of MHSA monthly financial reports indicated no billing by this program for expenses incurred and paid in a previous fiscal year.
Results. Documentation appears sufficient to support expenditures and invoices in the appropriate fiscal year.
16. **Administrative costs sufficiently justified and appropriate to the total cost of the program.** Is the organization's allocation of administrative/indirect costs to the program or plan element commensurate with the benefit received by the program or plan element?
Method. Review methodology and statistics used to allocate administrative/ indirect costs. Interview the fiscal manager of program.
Discussion. This line item in the contract reflects that RI International's allowable indirect costs expenses are 8.4% for the three year contract period. For FY 17-18, current indirect costs were about 7.7%.
Results. RI International's budgets and bills CCBHS at less than the allocated 8.4% indirect costs line item, which is below the industry standard.
17. **Insurance policies sufficient to comply with contract.** Does the organization have insurance policies in effect that are consistent with the requirements of the contract?
Method. Review insurance policies.
Discussion. The program provided general liability insurance policies that were in effect at the time of the site visit.
Results. The program complies with contract insurance requirements.
18. **Effective communication between contract manager and contractor.** Do both the contract manager and contractor staff communicate routinely and clearly regarding program activities, and any program or fiscal issues as they arise?
Method. Interview contract manager and contractor staff.
Discussion. RI International staff have regular and effective communication with contract managers. Program staff participate regularly in MHSA Community Forums, the Mental Health Commission, partner meetings, as well as inviting CCBHS to participate in local RI International events.
Results. Program staff and contract manager have effective communication, and address any issues as they may arise.

VIII. **Summary of Results.**

RI International offers various on-site wellness recovery services. Its goal is to offer recovery services to adults with a serious mental illness. A high percentage of RI's International's citizens have experienced various types of trauma and challenges

that impact their ability to be successful and thrive. Mental health supports through a peer recovery model with learning opportunities are provided to those in their recovery process. Surveys and interviews speak to the success of the program.

IX. Findings for Further Attention.

- The program may look to incorporate a staff retreat or staff development day focused on the personal well-being and self-care of staff.
- It is recommended that the program explore new food options based on consumer feedback.
- It is recommended that the program find adequate storage space to secure the program's vehicle from vandalism.

X. Next Review Date: 2021

XI. Appendices.

Appendix A – Program Description
Appendix B – Service Provider Budget
Appendix C – Yearly External Fiscal Audit
Appendix D – Organization Chart

XII. Working Documents that Support Findings.

Consumer Listing
Consumer, Family Member Surveys
Consumer, Family Member, Provider Interviews
County MHSA Monthly Financial Report
Progress Reports, Outcomes
Monthly Invoices with Supporting Documentation (Contractor)
Indirect Cost Allocation Methodology/Plan (Contractor)
Board of Directors' Meeting Minutes (Contractor)
Insurance Policies (Contractor)
MHSA Three Year Plan and Update(s)

RI International Inc. (formerly known as Recovery Innovations)

Point of Contact: April Langro, Recovery Services Administrator

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2101 Vale Rd. #300 San Pablo, Ca. 94806

(925)494-4008, April.Langro@riinternational.com

1. General Description of the Organization

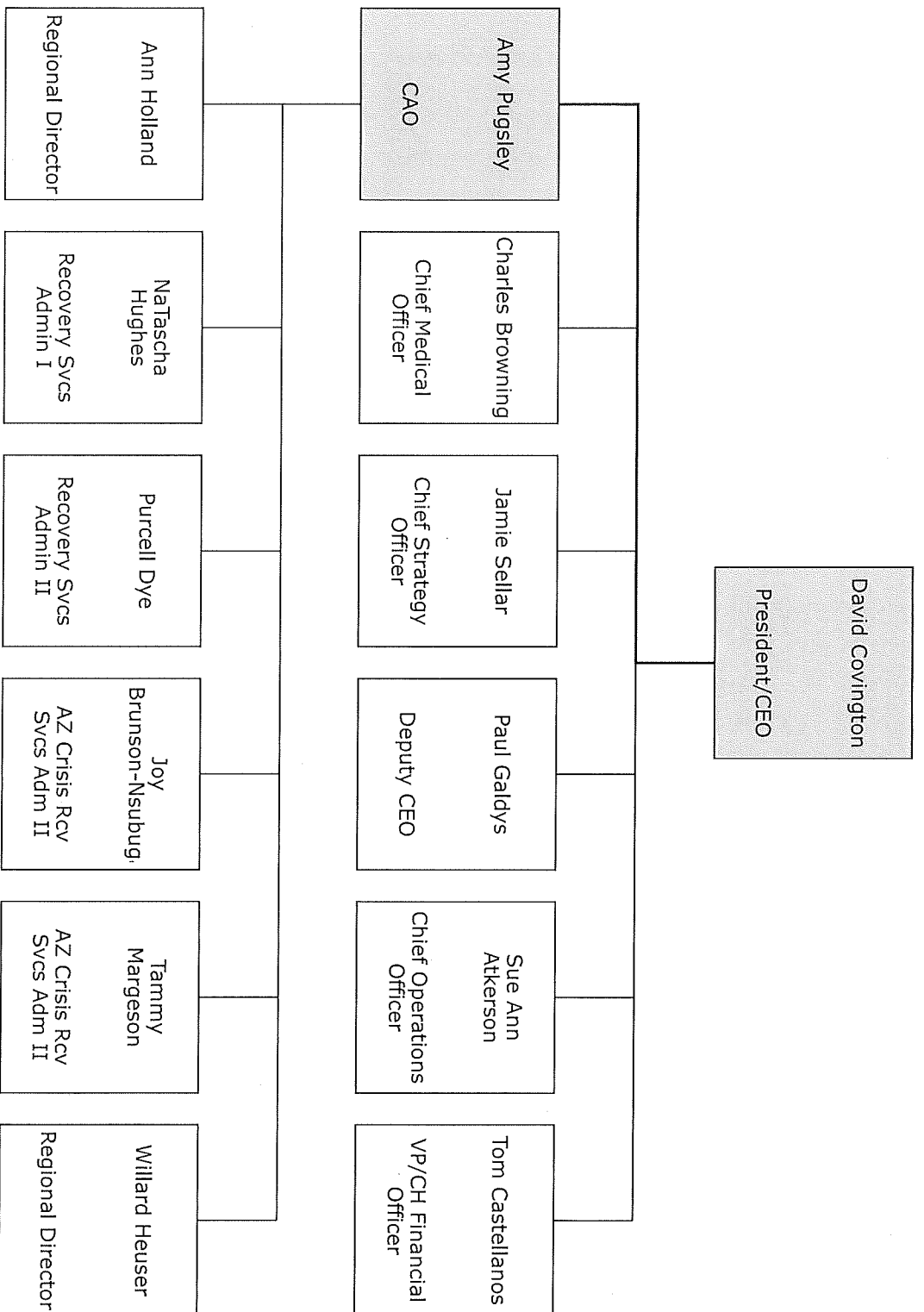
Founded by Eugene Johnson in 1990 as META Services, an Arizona non-profit corporation, RI International developed and provided a range of traditional mental health and substance abuse services for adults with long term mental health and addiction challenges. In 1999, RI International began pioneering an innovative initiative: the creation of the new discipline of Peer Support Specialist. Now, 18 years later, this experience has transformed the RI International workforce to one in which Peer Support Specialists and professionals work together on integrated teams to deliver recovery-based services. The RI International experience had a global impact on the mental health field serving as a demonstration that recovery from mental illness and/or addiction is possible. Based on this transformation experience, RI International operates recovery-based mental health services in 21 communities in five states and New Zealand and has provided recovery training and transformation consultation in 27 states and five countries abroad.

2. Program: RI International Wellness and Recovery Centers – CSS

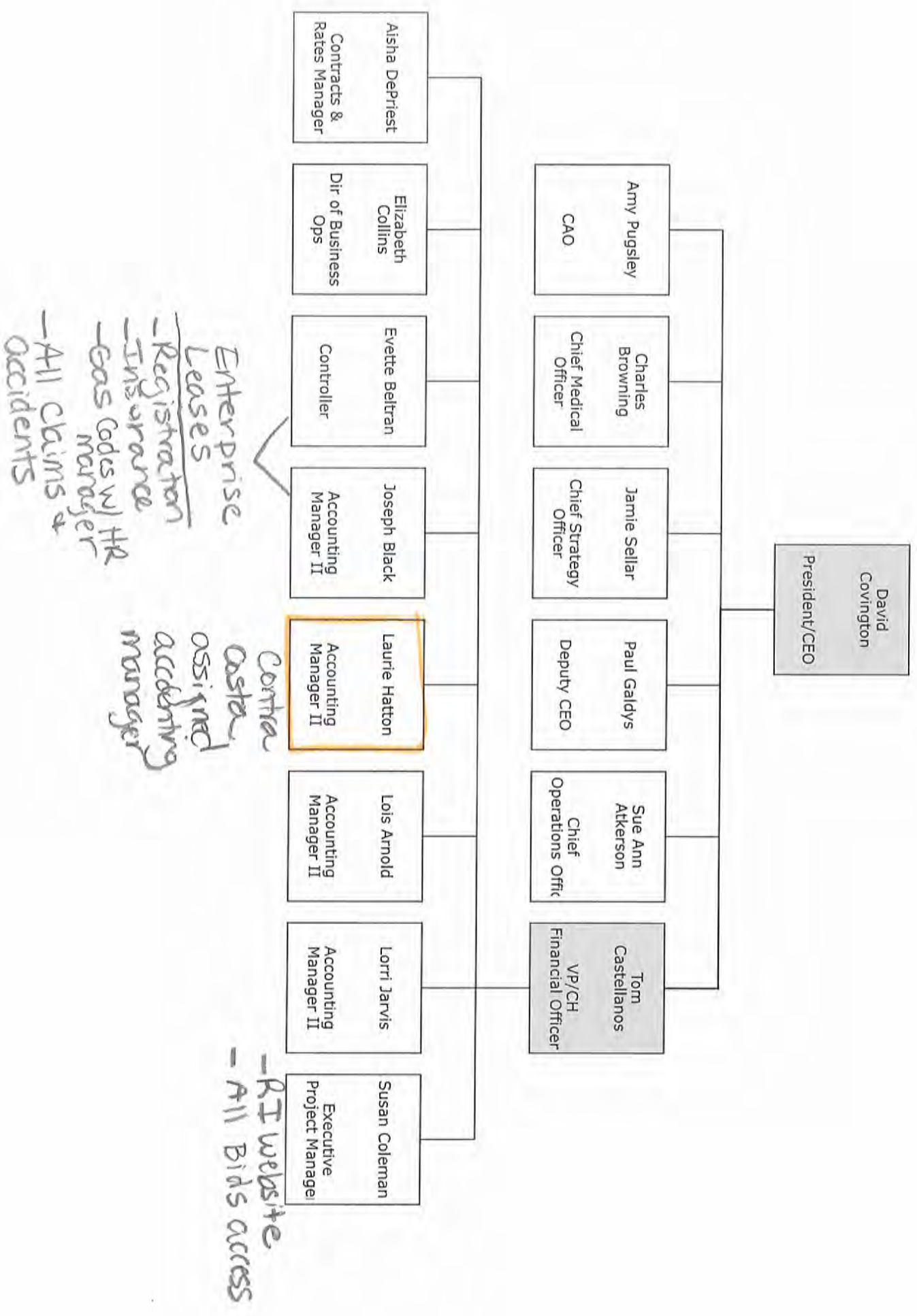
RI International provides Adult Wellness Cities that serve individuals experiencing mental and/or behavioral health challenges in West, Central and East County. Wellness Cities provide a variety of wellness and recovery-related classes and groups, one-on-one coaching, vocational opportunities, links to community resources, and recreational opportunities in a peer supported environment. The classes, groups and coaching are recovery-oriented and facilitated by peer recovery coaches. Coaches work with citizens to establish individualized goals, wellness recovery action plans (WRAP), self-help and coping skills, support networks and a commitment to overall wellness. All services provided are related to at least one of the nine dimensions of wellness; social, intellectual, spiritual, physical, emotional, occupations, home and community living, financial, and finally recreation and leisure. Participants seeking services become “Citizens” of the city. Citizens develop a 6 month partnership with RI International and are assigned a peer Recovery Coach who has experienced their own success in recovery by obtaining education, coping skills, self-management and/or sobriety. They share what they have learned and walk alongside each citizen on their individualized and strength-based path to recovery.

- a. Scope of Services:
- Peer and Family Support
 - Personal Recovery Planning using the seven steps of Recovery Coaching
 - Workshops, Education Classes, Support Groups and Community-Based Activities
 - Vocational Opportunities – Citizen Contributor Program
 - Community Outreach and Collaboration with Mental Health Partners and Providers – NAMI, HUME, WET team, Project Homeless Connect, WREACH, SPIRIT, CORE, etc.
 - Links to Resources - Assist participants to coordinate medical, mental health, medication, housing, and other community services
 - Wellness Recovery Action Plan (WRAP) classes
 - SPIRIT Program – obtain attendance records from the OCE and process reimbursement (stipend) for students.
 - Lunch, AM and PM snacks for participants
- b. Target Population: Adult mental health participants in Contra Costa County. Recovery Innovations services will be delivered within each region of the county through Wellness and Recovery Centers located in Antioch, Concord and San Pablo.
- c. Annual MHSA Payment Limit: \$901,250
- d. Number served: FY 15/16: 451 (217 are active, regular participants)
- e. Outcomes: 34% of citizens who attend one WRAP class complete the class, 37% who attended one WELL class completed the class, 34% of those who attend one Facing Up to Health class completed the class, and 34% of those who attend one “My Personal Wellness Plan” completed the class.

Recovery Innovations, Inc



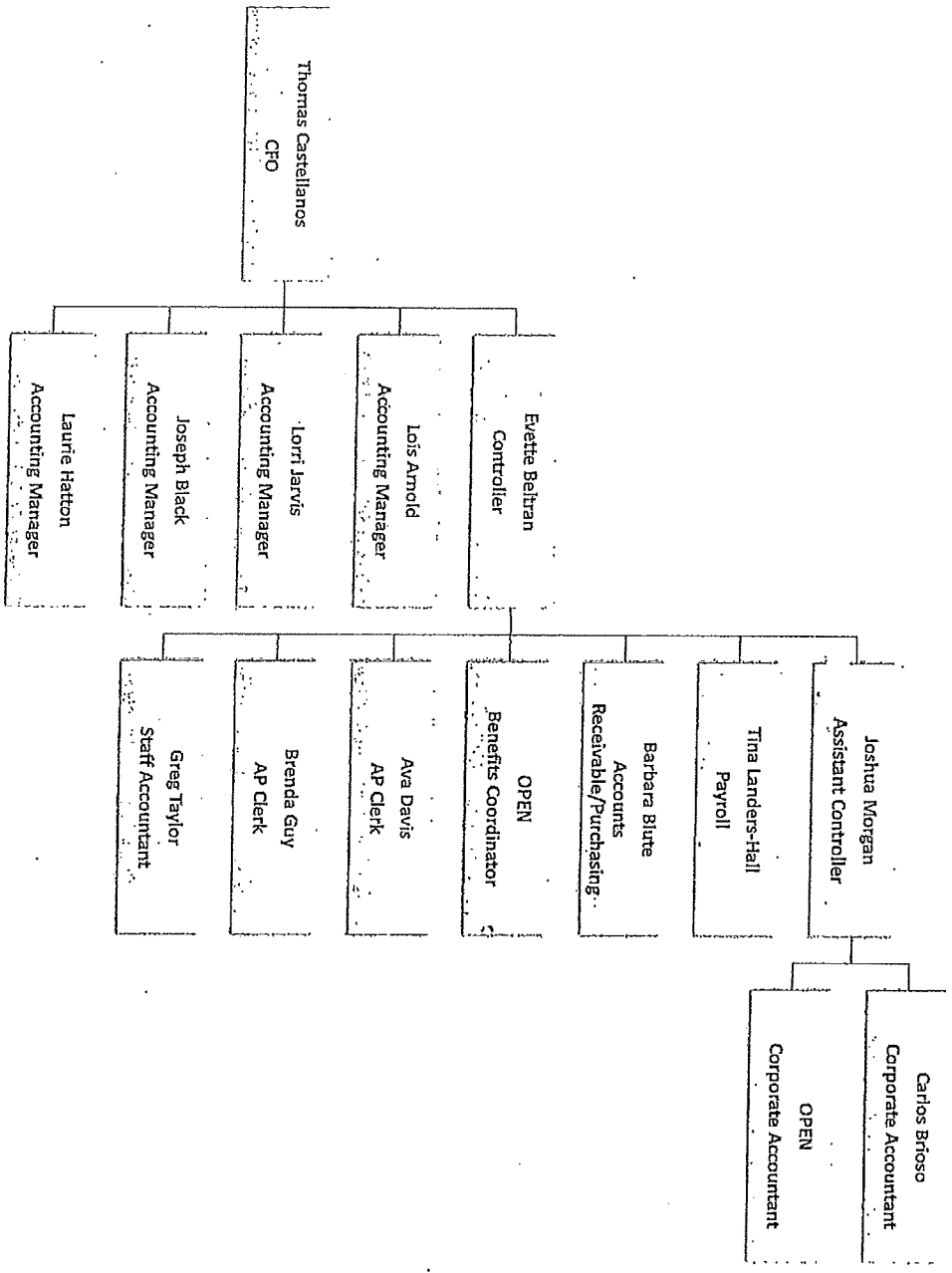
Recovery Innovations, Inc



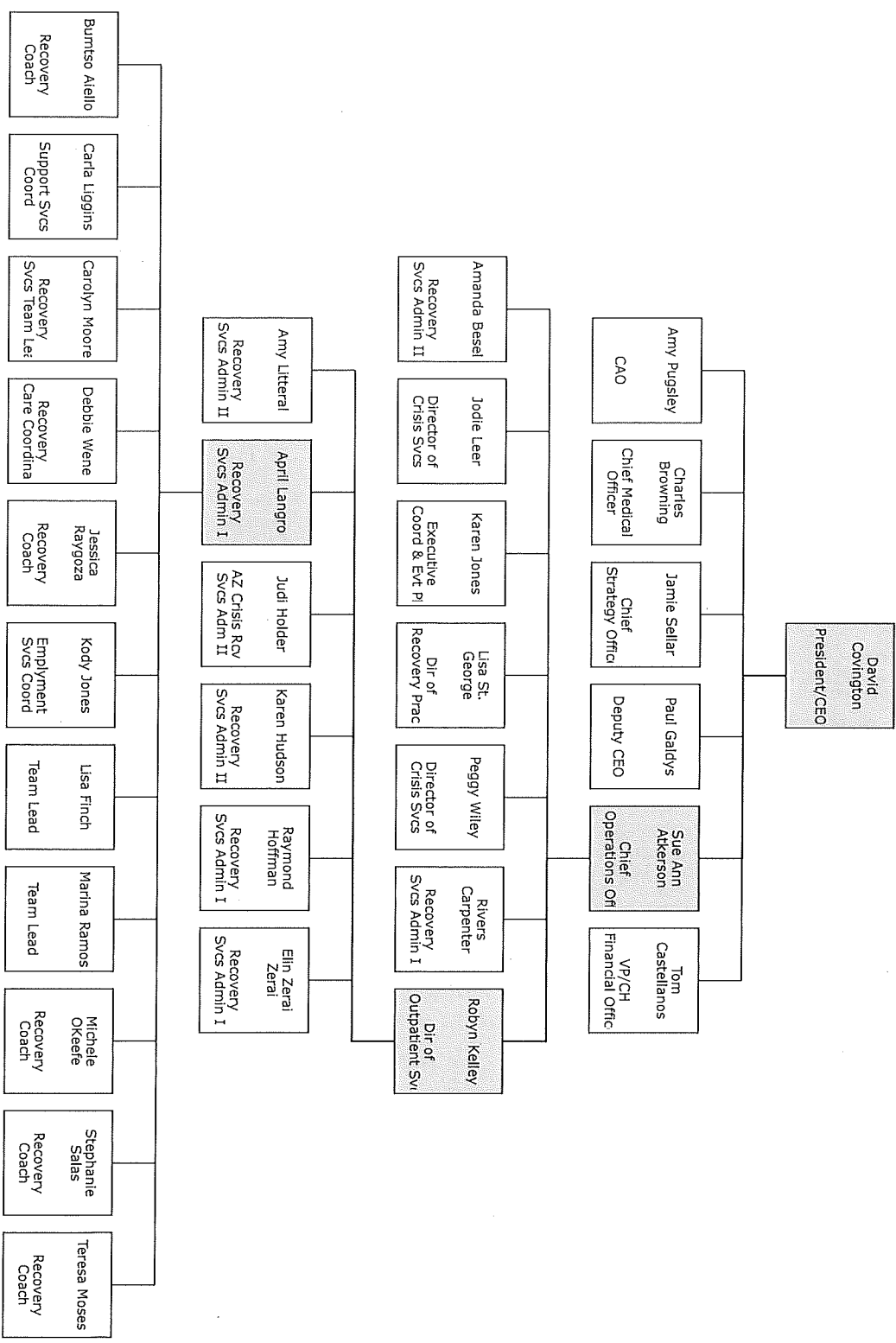


INTERNATIONAL

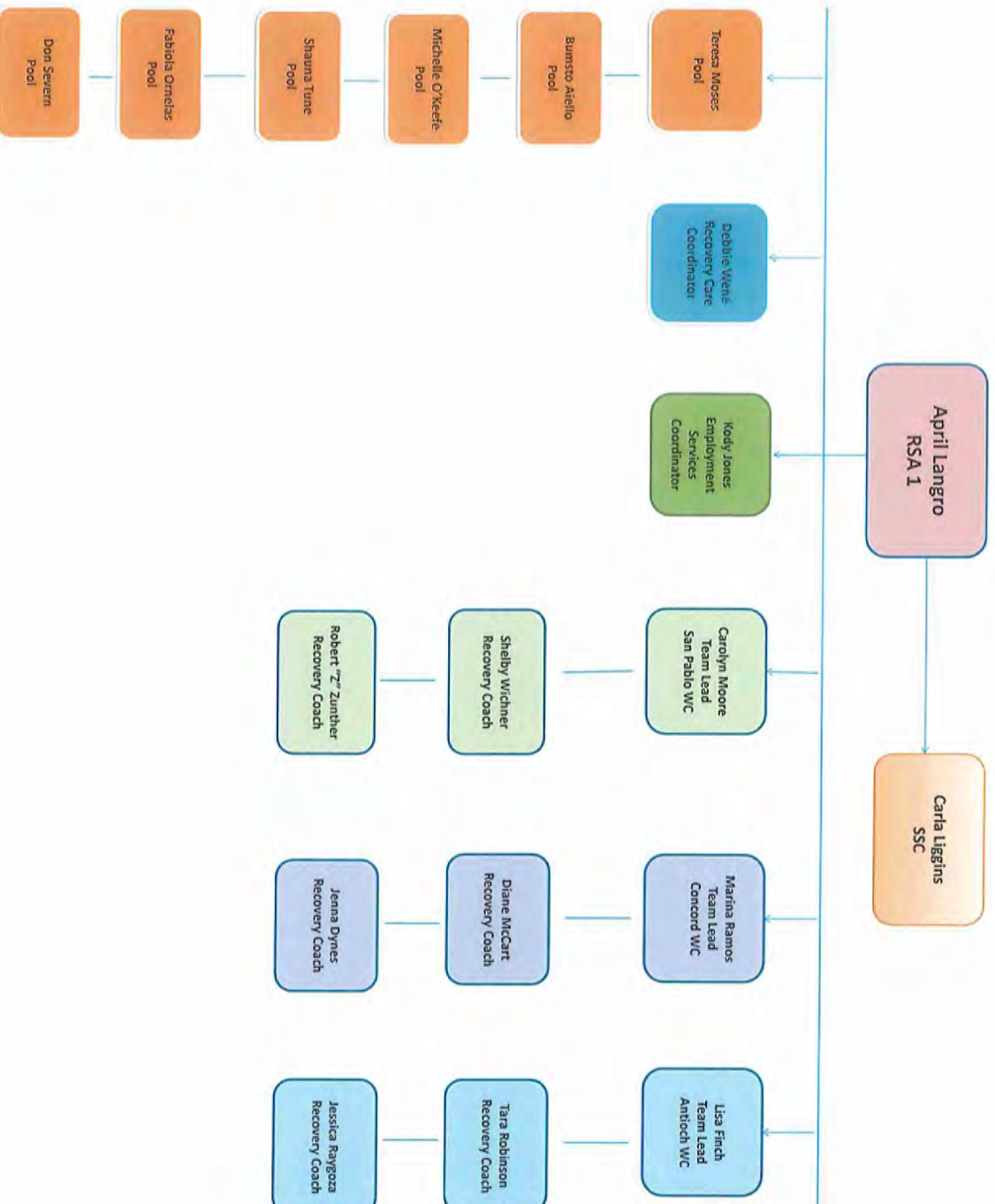
Recovery Innovations, Inc. dba RI International
Finance Org Chart



Recovery Innovations, Inc



Contra Costa



Detail Budget
Recovery Innovations, Inc., dba RI International
Contra Costa County
FY 2017-2018
Contract Number: 24-718

Category		Proposed Budget Annualized FY 17-18	Proposed Budget for 2 years remaining on contract FY17-18 & FY 18-19
Staff (annual salary @ ____FTE):			
<i>Recovery Services Administrator \$62,400 - 1 FTE</i>			
<i>Support Services Coordinator \$43,680 - 1 FTE</i>			
<i>Recovery Navigator/Care Coordinator \$52,000 - 1 FTE</i>			
<i>Recovery Services Team Lead \$42,848 - 3 FTE</i>			
<i>Recovery Coach \$35,360 to 36,420 - 7.6 FTE</i>			
Total Salaries		557,482	1,114,963
Benefits Percentage / Total:	19.75%	137,197	274,393
Salaries and Benefits		694,678	1,389,357
Spirit Stipends		50,000	100,000
Citizen Contributors		0	0
OPERATING COSTS			
Office Space		207,961	415,923
Printing/Photocopies - including copier lease and maintenance		20,729	41,457
Supplies - includes office supplies & minor equipment		10,500	0
Postage/Communications - postage, shipping, telephones & connectivity		17,408	21,000
Travel - vehicle leases, gas & maintenance, and out of town & mileage reimbursement		17,408	0
Subcontractor		41,969	34,816
Other Costs - program expenses, insurance, professional, dues, subs, licenses, fees, advertising, training & development, quality support & regional management, electronic health record, & depreciation		0	83,938
		0	0
Total Operating Costs		438,125	876,250
Total Expenses		1,182,803	2,365,606
<i>Executive, Finance, Human Resources, MIS</i>			
Indirect Cost Percentage / Total:	6.56%	77,618	155,236
Total Program Costs/Expenses		1,260,421	2,520,843

**RECOVERY INNOVATIONS, INC.
AND SUBSIDIARIES
dba RI INTERNATIONAL**

**CONSOLIDATED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

Years Ended June 30, 2018 and 2017

**RECOVERY INNOVATIONS, INC.
AND SUBSIDIARIES
dba RI INTERNATIONAL**

**CONSOLIDATED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

Years Ended June 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

RECOVERY INNOVATIONS, INC. AND SUBSIDIARIES dba RI INTERNATIONAL

We have audited the accompanying consolidated financial statements of ***Recovery Innovations, Inc. and Subsidiaries dba RI International*** (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of **Recovery Innovations, Inc. and Subsidiaries dba RI International** as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mayer Hoffman McCann P.C.

October 22, 2018

**RECOVERY INNOVATIONS, INC.
AND SUBSIDIARIES dba RI INTERNATIONAL**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	<u>ASSETS</u>	
	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 13,835,988	\$ 10,656,795
Short-term investments	13,533	14,643
Accounts receivable, net	8,543,425	8,664,502
Prepaid expenses	1,116,215	920,290
Inventory	14,738	18,623
TOTAL CURRENT ASSETS	<u>23,523,899</u>	<u>20,274,853</u>
 PROPERTY AND EQUIPMENT, net	 13,774,875	 12,727,886
 REFUNDABLE DEPOSITS	 348,473	 350,959
 INVESTMENT IN PARTNERSHIP (Note 3)	 <u> -</u>	 <u>385,482</u>
 TOTAL ASSETS	 <u>\$ 37,647,247</u>	 <u>\$ 33,739,180</u>

<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 1,191,401	\$ 822,694
Accrued expenses	4,036,558	3,236,822
Payable to funding source	2,995,011	4,497,034
Deferred revenue	2,979,284	2,098,821
Current maturities of lease obligations	89,402	89,402
Current maturities of OIG payable	151,650	202,200
Current maturities of long-term debt	888,737	901,135
TOTAL CURRENT LIABILITIES	<u>12,332,043</u>	<u>11,848,108</u>
 LEASE OBLIGATIONS, less current maturities	 1,158,587	 1,168,326
 OIG PAYABLE, less current maturities	 <u> -</u>	 151,650
 LONG-TERM DEBT, less current maturities	 5,859,986	 6,748,570
 CUSTOMER DEPOSITS	 <u>40,255</u>	 <u>40,255</u>
TOTAL LIABILITIES	<u>19,390,871</u>	<u>19,956,909</u>
 NET ASSETS		
Unrestricted	17,884,149	13,359,853
Temporarily restricted	372,227	422,418
TOTAL NET ASSETS	<u>18,256,376</u>	<u>13,782,271</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 37,647,247</u>	 <u>\$ 33,739,180</u>

See Notes to Consolidated Financial Statements

**RECOVERY INNOVATIONS, INC.
AND SUBSIDIARIES dba RI INTERNATIONAL**

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	2018
REVENUE AND SUPPORT			
Contract revenues	\$ 70,419,292	\$ -	\$ 70,419,292
Grants	472,217	-	472,217
Rental income	204,881	-	204,881
Training and materials	855,426	-	855,426
Other	3,257,392	-	3,257,392
Net assets released from restriction	50,191	(50,191)	-
TOTAL REVENUE AND SUPPORT	75,259,399	(50,191)	75,209,208
EXPENSES			
Program services:			
RI Crisis	39,786,383	-	39,786,383
RI Health	9,387,936	-	9,387,936
RI Recovery	11,761,014	-	11,761,014
RI Consulting	644,695	-	644,695
Total program services	61,580,028	-	61,580,028
Supporting services:			
Corporate administration and management	9,155,075	-	9,155,075
Total supporting services	9,155,075	-	9,155,075
TOTAL EXPENSES	70,735,103	-	70,735,103
CHANGE IN NET ASSETS	4,524,296	(50,191)	4,474,105
NET ASSETS, BEGINNING OF YEAR	13,359,853	422,418	13,782,271
NET ASSETS, END OF YEAR	\$ 17,884,149	\$ 372,227	\$ 18,256,376

See Notes to Consolidated Financial Statements

**RECOVERY INNOVATIONS, INC.
AND SUBSIDIARIES dba RI INTERNATIONAL**

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017</u>
REVENUE AND SUPPORT			
Contract revenues	\$ 61,994,929	\$ -	\$ 61,994,929
Grants	300,308	-	300,308
Partnership income	28,678	-	28,678
Rental income	231,566	-	231,566
Training and materials	989,154	-	989,154
Other	1,209,418	-	1,209,418
Net assets released from restriction	<u>50,191</u>	<u>(50,191)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>64,804,244</u>	<u>(50,191)</u>	<u>64,754,053</u>
EXPENSES			
Program services:			
RI Crisis	35,293,888	-	35,293,888
RI Health	7,766,714	-	7,766,714
RI Recovery	11,207,343	-	11,207,343
RI Consulting	<u>798,346</u>	<u>-</u>	<u>798,346</u>
Total program services	<u>55,066,291</u>	<u>-</u>	<u>55,066,291</u>
Supporting services:			
Corporate administration and management	<u>7,444,658</u>	<u>-</u>	<u>7,444,658</u>
Total supporting services	<u>7,444,658</u>	<u>-</u>	<u>7,444,658</u>
TOTAL EXPENSES	<u>62,510,949</u>	<u>-</u>	<u>62,510,949</u>
CHANGE IN NET ASSETS	<u>2,293,295</u>	<u>(50,191)</u>	<u>2,243,104</u>
NET ASSETS, BEGINNING OF YEAR	<u>11,066,558</u>	<u>472,609</u>	<u>11,539,167</u>
NET ASSETS, END OF YEAR	<u>\$ 13,359,853</u>	<u>\$ 422,418</u>	<u>\$ 13,782,271</u>

See Notes to Consolidated Financial Statements

**RECOVERY INNOVATIONS, INC.
AND SUBSIDIARIES dba RI INTERNATIONAL**
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018

	<u>Program Services</u>				<u>Supporting Services</u>		<u>Total</u>
	<u>RI Crisis</u>	<u>RI Health</u>	<u>RI Recovery</u>	<u>RI Consulting</u>	<u>Total Program Services</u>	<u>Corporate administration and management</u>	
Salaries and wages	\$ 25,308,388	\$ 5,732,143	\$ 6,592,531	\$ 318,039	\$ 37,951,101	\$ 4,215,463	\$ 42,166,564
Employee related expenses	5,151,660	1,485,945	1,676,342	71,889	8,385,836	856,675	9,242,511
Travel	64,376	115,820	296,880	130,714	607,790	320,006	927,796
Office occupancy	2,909,579	591,962	1,449,999	2,700	4,954,240	39,289	4,993,529
Client occupancy	-	763,131	102	-	763,233	-	763,233
Program services	3,020,706	95,494	303,165	47,347	3,466,712	5,390	3,472,102
Program supplies	907,398	228,562	249,473	667	1,386,100	8,422	1,394,522
Insurance	533,938	99,727	181,147	4,894	819,706	-	819,706
Telephone services	242,701	86,131	256,110	9,797	594,739	145,195	739,934
Other professional fees	198,780	723	47,759	849	248,111	2,438,634	2,686,745
Bad debt expense	160,371	-	133,920	2,035	296,326	5,975	302,301
Other expenses	193,170	12,366	200,749	9,697	415,982	375,409	791,391
Office supplies and equipment	377,857	144,477	258,188	46,067	826,589	143,388	969,977
Depreciation	717,459	31,455	114,649	-	863,563	601,229	1,464,792
TOTAL EXPENSES	\$ 39,786,383	\$ 9,387,936	\$ 11,761,014	\$ 644,695	\$ 61,580,028	\$ 9,155,075	\$ 70,735,103
Percent of Total Program Services Expense	64.6%	15.3%	19.1%	1.0%	100.0%		

See Notes to Consolidated Financial Statements

**RECOVERY INNOVATIONS, INC.
AND SUBSIDIARIES dba RI INTERNATIONAL**
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2017

	<u>Program Services</u>				<u>Supporting Services</u>		<u>Total</u>
	<u>RI Crisis</u>	<u>RI Health</u>	<u>RI Recovery</u>	<u>RI Consulting</u>	<u>Total Program Services</u>	<u>Corporate administration and management</u>	
Salaries and wages	\$ 22,744,903	\$ 4,786,149	\$ 6,166,613	\$ 404,319	\$ 34,101,984	\$ 3,380,492	\$ 37,482,476
Employee related expenses	4,237,885	1,161,944	1,550,170	92,041	7,042,040	793,336	7,835,376
Travel	126,792	90,730	271,022	157,380	645,924	159,882	805,806
Office occupancy	2,906,050	480,012	1,344,872	-	4,730,934	13,684	4,744,618
Client occupancy	-	680,146	900	-	681,046	-	681,046
Program services	2,439,293	142,882	309,398	54,062	2,945,635	5,670	2,951,305
Program supplies	847,227	91,448	325,263	14,791	1,278,729	150	1,278,879
Insurance	509,799	77,555	149,977	6,671	744,002	-	744,002
Telephone services	223,967	84,194	235,009	11,896	555,066	112,958	668,024
Other professional fees	-	7,034	61,368	199	68,601	2,160,459	2,229,060
Bad debt expense	191	2,100	35,512	-	37,803	-	37,803
Other expenses	187,066	9,386	295,997	7,419	499,868	573,840	1,073,708
Office supplies and equipment	383,214	121,679	345,797	49,568	900,258	117,151	1,017,409
Depreciation	687,501	31,455	115,445	-	834,401	127,036	961,437
TOTAL EXPENSES	\$ 35,293,888	\$ 7,766,714	\$ 11,207,343	\$ 798,346	\$ 55,066,291	\$ 7,444,658	\$ 62,510,949
Percent of Total Program Services Expense	64.1%	14.1%	20.4%	1.4%	100.0%		

See Notes to Consolidated Financial Statements

**RECOVERY INNOVATIONS, INC.
AND SUBSIDIARIES dba RI INTERNATIONAL**

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,474,105	\$ 2,243,104
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,464,792	961,437
Gain on sale of investment in partnership	(1,614,518)	-
Partnership income	-	(28,678)
Unrealized (gains) losses on investments	1,110	(425)
Bad debt expense	302,301	37,803
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(181,224)	(2,943,421)
Prepaid expenses	(195,925)	(531)
Inventory	3,885	8,764
Increase (decrease) in:		
Accounts payable	368,707	(613,077)
Accrued expenses	799,736	452,886
Payable to funding source	(1,502,023)	2,466,867
Lease obligations	(9,739)	(150,485)
Deferred revenue	880,463	1,015,221
Net cash provided by operating activities	4,791,670	3,449,465
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investment in partnership	2,000,000	-
Purchase of property and equipment	(2,511,781)	(622,227)
Change in refundable deposits	2,486	34,400
Net cash used in investing activities	(509,295)	(587,827)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on OIG payable	(202,200)	(202,200)
Borrowings on long-term debt	-	2,795,431
Payments on long-term debt	(900,982)	(223,833)
Net cash (used in) provided by financing activities	(1,103,182)	2,369,398
CHANGE IN CASH AND CASH EQUIVALENTS	3,179,193	5,231,036
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,656,795	5,425,759
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 13,835,988	\$ 10,656,795
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 257,540	\$ 206,512

See Notes to Consolidated Financial Statements

**RECOVERY INNOVATIONS, INC.
AND SUBSIDIARIES dba RI INTERNATIONAL**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2018 and 2017

(1) Organization operations and summary of significant accounting policies

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

Crisis: RI's Crisis Services, (with new programs in Arizona, California, Delaware, North Carolina and Washington State) are currently adding enhanced technologies and service lines to their existing array of Recovery Response Centers (Crisis Stabilization Programs), Step down living room services (Subacute short stay programs), Evaluation & Treatment (Involuntary & Court-ordered Treatment), and Respite.

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

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

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

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

Along with providing recovery-based services, Recovery Innovations, Inc. also serves as the "Parent Company" for certain entities. The consolidated entities that also provide services are Recovery Innovations of Arizona, Inc. ("RIAZ") and Recovery Innovations of North Carolina, Inc. ("RINC"). Recovery Innovations, Inc. also has three wholly-owned LLC's. Recovery Opportunity Center, LLC ("ROC") was established to provide training, consultation and technical assistance to organizations and service systems around the world. RI Properties, LLC ("RIP") was established to own property used to provide services in Arizona. Recovery Journey, LLC ("RJLLC") was established to develop software for use within RI. RINC was dissolved during the year ended June 30, 2018.

**RECOVERY INNOVATIONS, INC.
AND SUBSIDIARIES dba RI INTERNATIONAL**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2018 and 2017

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

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

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

The accompanying consolidated financial statements include the financial statements of RI and its related entities (hereafter collectively referred to as the "Organization"). All significant inter-organization transactions and accounts have been eliminated in consolidation.

Basis of presentation - The accompanying consolidated financial statements have been prepared in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 954-205, *Health Care Entities – Presentation of Financial Statements*. The Organization's consolidated financial statements are also presented in accordance with FASB ASC 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. Under FASB ASC 958-205, RI is required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At June 30, 2018 and 2017, the Organization had no permanently restricted net assets.

Management's use of estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

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

Investments - The Organization's accounts for its investments in accordance with FASB ASC 958-320, *Not-for-Profit Entities – Investments – Debt and Equity Securities*. Under FASB ASC 958-320 the Organization reports investments in equity securities that have readily determinable fair values, and all investments in debt securities, at fair value. At June 30, 2018 and 2017, short-term investments consist of a certificate of deposit that has an original maturity of more than three months but less than one year.

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

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

**RECOVERY INNOVATIONS, INC.
AND SUBSIDIARIES dba RI INTERNATIONAL**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2018 and 2017

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

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

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

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liability.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs. The Organization has no financial instruments subject to fair value on a recurring basis as of June 30, 2018 and 2017.

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

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

Impairment of long-lived assets - The Organization accounts for long-lived assets in accordance with the provisions of FASB ASC 360, *Property, Plant, and Equipment*. FASB ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairment was recorded in the years ended June 30, 2018 and 2017.

**RECOVERY INNOVATIONS, INC.
AND SUBSIDIARIES dba RI INTERNATIONAL**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2018 and 2017

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

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

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

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

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

Rental income - Rental income consists of rental receipts from tenants related to the Organization's housing programs and office space rental to Partners in Recovery, LLC (Note 3). Revenue is recognized monthly in accordance with the lease agreements or contracts. Most lease agreements are short term or month to month leases.

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

Self-insurance - The Organization is self-insured for a portion of their health insurance claims. An estimate for claims is charged to expense for claims incurred but not paid and for future claims for injuries existing at year-end based on prior claims experience and pending claims. The estimate uses claims data from a healthcare lag report.

Lease obligations - Lease obligations represent the difference between the total expected minimum rent payments over the lease term amortized using the straight-line method over the life of the leases and the actual cash expenditures through the end of the year, as well as the deferral of certain lease incentives (Note 10).

Advertising - The Organization uses advertising to promote its programs among the communities it serves. Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2018 and 2017 was \$95,967 and \$82,566, respectively.

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

**RECOVERY INNOVATIONS, INC.
AND SUBSIDIARIES dba RI INTERNATIONAL**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2018 and 2017

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

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

The Organization's federal Returns of Organization Exempt from Income Tax (Form 990), for the years ended June 30, 2015, 2016 and 2017 are subject to IRS examination generally for three years after filing. As of the date of the audit report, the Organization's June 30, 2018 returns had not yet been filed.

Recent accounting pronouncements - In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, that will supersede most current revenue recognition guidance, including industry-specific guidance. The core principle of the new guidance is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. Additionally, the guidance requires disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized.

In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606)*, which changed the effective date of the provisions of FASB ASU No. 2014-09. As a result, the new effective dates for public business entities, certain not-for-profit entities, and certain employee benefit plans to apply the guidance in FASB ASU No. 2014-09 is for annual reporting periods beginning after December 15, 2017. All other entities should apply the guidance in FASB ASU No. 2014-09 to annual reporting periods beginning after December 15, 2018. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016. Transition to the new guidance may be done using either a full or modified retrospective method. The Organization is currently evaluating the full effect that the adoption of this standard will have on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the consolidated statements of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in existing lease accounting guidance. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Organization has estimated that if they were to adopt the standard for the year ended June 30, 2018, a non-current right of use asset of approximately \$14,632,000 would be recorded and a corresponding current and non-current lease liability of approximately \$3,201,000 and \$11,431,000, respectively, would be recorded in the accompanying consolidated statements of financial position. The estimate was calculated using the future minimum lease payments (see Note 10) and a discount rate of 3.50%, representing the Organization's estimated incremental borrowing rate.

**RECOVERY INNOVATIONS, INC.
AND SUBSIDIARIES dba RI INTERNATIONAL**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2018 and 2017

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

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 improves the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted. The amendments of this ASU are to be applied on a retrospective basis in the year that the ASU is first applied. The Organization is currently evaluating the full effect that the adoption of this standard will have on the consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Not-For-Profit Entities (Topic 958)* which clarifies the scope and the accounting guidance for contributions received and contributions made. ASU 2018-08 clarifies the characterization of grants and similar contracts with government agencies as either reciprocal transactions (exchanges) or nonreciprocal transactions (contributions). ASU 2018-08 also provides additional guidance to distinguish between conditional and unconditional contributions. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Organization is currently evaluating the full effect that the adoption of this standard will have on the consolidated financial statements.

Subsequent events – The Organization has evaluated events through October 22, 2018 which is the date the consolidated financial statements were available to be issued.

(2) Accounts receivable

Accounts receivable consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Riverside County Mental Health	\$ 1,894,464	\$ 2,366,753
Alliance Behavioral Healthcare	2,102,090	1,744,382
State of Delaware	702,854	385,068
Ellendale Delaware	461,060	4,591
Trillium Health Resources	635,476	1,417,974
Delaware Optum	20,818	139,154
San Diego County Mental Health Services	205,831	251,384
Kern County Mental Health Department	28,500	22,000
Henderson RRC	139,857	180,433
Cardinal Innovations	374,408	187,500
Contra Costa Mental Health	238,969	216,712
Washington State Grant	-	928,835
New Castle Delaware	1,267,591	1,017,864
Commonwealth of Pennsylvania	29,800	-
Desert Sage	35,640	-
National Alliance on Mental Illness San Diego	36,997	-
New Zealand	45,163	-
Office of Statewide Health Planning	109,465	-
Other receivables	516,994	378,910
Total	\$ 8,845,977	\$ 9,241,560
Less allowance for doubtful accounts	(302,552)	(577,058)
Accounts receivable, net	<u>\$ 8,543,425</u>	<u>\$ 8,664,502</u>

**RECOVERY INNOVATIONS, INC.
AND SUBSIDIARIES dba RI INTERNATIONAL**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2018 and 2017

(3) Investment in partnership

In February 2009, RIAZ partnered with Marc Center and Jewish Family and Children's Services ("JFCS") to form a non-profit organization, Partners in Recovery, LLC ("PIR"). PIR offers recovery-focused services that are complementary to the services RIAZ provides. RIAZ's initial capital contribution was \$105,000. PIR had class A Members and class B Members. Marc Center and RIAZ are Class A Members and JFCS was a class B Member until April 2014. In 2014, PIR's Board of Directors granted JFCS Class A Member status with the condition that JFCS make a capital contribution of \$105,000 and JFCS acknowledged that RIAZ and Marc Center have a priority position for the first \$275,000 of capital dividends or repayments. The equity is then split equally between the three members. In April 2014, RIAZ transferred its ownership rights of PIR to RI.

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

The following is an unaudited condensed summary of financial position and results of operations for PIR as of and for the year ended June 30, 2017:

ASSETS

Cash and cash equivalents	\$ 1,854,761
Accounts receivable, net	151,814
Prepaid expense and other	129,920
Property and equipment, net	3,548,418
Deposits	<u>189,255</u>
Total assets	<u>\$ 5,874,168</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 1,775,711
Accrued liabilities	1,386,642
Deferred revenue	525,376
Long-term debt	<u>1,159,775</u>
Total liabilities	4,847,504
Unrestricted net assets	<u>1,026,664</u>
Total liabilities and partners' equity	<u>\$ 5,874,168</u>

OPERATING ACTIVITIES

Total revenues	\$ 23,599,647
Total expenses	<u>23,508,289</u>
Net income	<u>\$ 91,358</u>

**RECOVERY INNOVATIONS, INC.
AND SUBSIDIARIES dba RI INTERNATIONAL**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2018 and 2017

(3) Investment in partnership (continued)

Effective October 4, 2017, the Organization sold its one-third interest in PIR to Marc Center through Marc Center's exercise of a compulsory buy-sell provision within the PIR operating agreement for a gain over the Organization's book value which is included within other income on the consolidated statement of activities for the year ended June 30, 2018.

(4) Property and equipment

Property and equipment consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Land	\$ 436,000	\$ 436,000
Buildings	6,625,549	6,625,549
Leasehold and building improvements	6,701,339	6,680,111
Furniture and equipment	2,439,559	2,410,348
Construction in progress	<u>2,511,851</u>	<u>175,068</u>
Total	18,714,298	16,327,076
Less accumulated depreciation	<u>(4,939,423)</u>	<u>(3,599,190)</u>
Property and equipment, net	<u>\$ 13,774,875</u>	<u>\$ 12,727,886</u>

Depreciation expense charged to operations was \$1,464,792 and \$961,437 for the years ended June 30, 2018 and 2017, respectively.

Construction in progress at June 30, 2018 primarily relates to the purchase of tenant improvements that were not complete as of June 30, 2018. The tenant improvements were required to increase the effectiveness of the program, along with preparing the locations to gain new or larger contracts. The remaining costs of the projects are projected to be approximately \$595,000 and the assets are anticipated to be placed into service in various stages through June 2019. The projects are being financed with operating cash.

Construction in progress at June 30, 2017 primarily related to the purchase of third-party electronic health record systems for which implementation was not complete as of June 30, 2017. The software was placed into service in various stages through December 2017 and was financed with operating cash.

(5) Letter of credit

In December 2009, the Organization obtained a \$20,000 NZD letter of credit from Bank of New Zealand as security for the payroll processing agreement with Datacom PaySystems. The agreement does not have a specified expiration date. The letter of credit is secured by a \$20,000 NZD (\$13,533 and \$14,643 USD as of June 30, 2018 and 2017, respectively) certificate of deposit which is classified as a short-term investment on the accompanying consolidated statements of financial position. During fiscal year 2018 and 2017, the Organization did not borrow against this letter of credit and no amounts were outstanding at June 30, 2018 and 2017.

**RECOVERY INNOVATIONS, INC.
AND SUBSIDIARIES dba RI INTERNATIONAL**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2018 and 2017

(6) Long-term debt

Long-term debt at June 30 consists of:

	2018	2017
Mortgage note payable to a bank dated June 24, 2015, interest at 3.2% annually for years 1-3 and then a fixed per annum rate equal to the 5-year U.S. Treasury Bill Rate plus two hundred fifty (250) basis points (4.24% at June 30, 2018), payable in monthly installments of principal and interest of \$11,700 with a balloon payment of \$1,829,791 (remaining principal) upon maturity in June 2023, collateralized by land and a building.	\$ 2,210,956	\$ 2,278,235
Mortgage note payable to a bank dated June 24, 2015, interest at 3.2% annually for years 1-3 and then a fixed per annum rate equal to the 5-year U.S. Treasury Bill Rate plus two hundred fifty (250) basis points (4.24% at June 30, 2018), payable in monthly installments of principal and interest of \$13,450 with a balloon payment of \$2,134,756 (remaining principal) upon maturity in June 2023, collateralized by land and a building.	2,580,449	2,657,942
Term note payable to a bank dated July 13, 2016, interest at 3.38% annually for the first year and then a fixed per annum rate equal to the 5-year U.S. Treasury Bill Rate plus two hundred eighty (280) basis points in the subsequent years, payable in 84 monthly installments of principal and interest of \$10,045, maturing in July 2023, collateralized by certain assets of the Organization.	567,952	668,097
Term note payable to a bank dated December 24, 2016, interest at 3.75% annually, payable in four monthly installments of accrued interest followed by 36 monthly installments principal and interest of \$60,162, maturing in June 2020, collateralized by certain assets of the Organization.	1,389,366	2,045,431
Total long-term debt	6,748,723	7,649,705
Current maturities	(888,737)	(901,135)
Noncurrent maturities	\$ 5,859,986	\$ 6,748,570

Annual maturities of long-term debt outstanding as of June 30, 2018 are as follows:

Years Ending June 30,

2019	\$ 888,737
2020	914,932
2021	215,796
2022	224,334
2023	4,494,906
Thereafter	10,018
Total	\$ 6,748,723

Interest expense charged to operations was \$257,540 and \$206,512 for the years ended June 30 2018 and 2017, respectively. Any default or breach under either the mortgage notes payable or the term notes would be considered an event of default under the other agreements. The Organization is subject to certain financial and non-financial covenants related to the above debt agreements.

**RECOVERY INNOVATIONS, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2018 and 2017

(7) Related party transactions

During 2018 and 2017, respectively, PIR paid the Organization \$133,644, and \$163,726, for clinical space and \$0 and \$167 for information technology and other administrative services. As of June 30, 2018 and 2017, there were no related party amounts outstanding.

Properties owned by a Board member are leased to the Organization. Lease payments totaled \$542,175 and \$727,690 in the years ended June 30, 2018 and 2017, respectively.

The Organization has entered into an IT support services agreement with a consulting firm in which the Chief Executive Officer owns a non-controlling interest. Total fees paid to this consulting company in fiscal 2018 and 2017 totaled \$481,793 and \$189,151, respectively. The Organization has also entered into a consulting and development agreement with the same consulting firm. Under the agreement, the Organization is beta testing a product for the consulting firm and in return will receive a portion of the sales of the product in the future.

The Organization utilizes a consulting firm owned by a Board member. Total fees paid to this consulting company in fiscal 2018 and 2017 totaled \$55,708 and \$40,977, respectively.

(8) Temporarily restricted net assets

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

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

The properties under these agreements included in temporarily restricted net assets at June 30 are as follows:

<u>Property</u>	<u>Restriction Term</u>	<u>Term Expiration</u>	<u>Amount</u>	<u>2018 Net</u>	<u>2017 Net</u>
Clarendon property	20 years	November 2024	\$ 335,000	\$ 100,500	\$ 117,250
Thomas property	25 years	April 2030	365,000	175,200	189,800
Plaza property	20 years	September 2023	185,820	48,777	58,068
Myrtle property	20 years	May 2024	191,000	47,750	57,300
Total			<u>\$ 1,076,820</u>	<u>\$ 372,227</u>	<u>\$ 422,418</u>

**RECOVERY INNOVATIONS, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2018 and 2017

(8) Temporarily restricted net assets (continued)

Future depreciation is as follows:

<u>Years Ending June 30,</u>	
2019	\$ 50,191
2020	50,191
2021	50,191
2022	50,191
2023	50,191
Thereafter	<u>121,272</u>
Total future depreciation	<u>\$ 372,227</u>

(9) 401(k) plan

The Organization has a salary deferral plan established under Section 401(k) of the Internal Revenue Code. The plan allows eligible employees to defer a portion of their compensation up to 20%, subject to Internal Revenue Service limits. Such deferrals accumulate on a tax-deferred basis until the employee withdraws the funds. The Organization matches 50% of employees' contributions, up to 6% for employees with at least one year of service. Matching contributions were approximately \$251,000 for each of the years ended June 30, 2018 and 2017.

(10) Operating leases

The Organization leases facilities and equipment under operating lease agreements expiring in various years through October 2026. The operating leases have remaining non-cancelable lease terms for five or more years and provide renewal options. In addition, some of the leases contain cancellation clauses whereby the Organization may cancel the leases without penalty if the Organization's funding is terminated.

Minimum future rental payments under operating leases, having remaining terms in excess of one year as of June 30, 2018 are as follows:

<u>Years Ending June 30,</u>	
2019	\$ 3,312,856
2020	3,071,030
2021	2,701,070
2022	2,293,047
2023	1,571,463
Thereafter	<u>3,450,445</u>
Total minimum lease payments	<u>\$ 16,399,911</u>

Total rental expense was approximately \$6,234,000, and \$5,686,000 for the years ended June 30, 2018 and 2017, respectively.

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

**RECOVERY INNOVATIONS, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2018 and 2017

(10) Operating leases (continued)

In December 2013 the Organization entered into a 10 year operating lease for a building in Houston, Texas. The future minimum lease payments, which vary between approximately \$47,900 and \$58,400 per month, began July 1, 2014 and are included in the schedule above. The lease also included a tenant improvement allowance of \$923,825, of which the unamortized portion of \$566,215 and \$648,168 is included in lease obligations at June 30, 2018 and 2017, respectively. Additionally, at June 30, 2018 and 2017, there is a total of \$681,774 and \$609,560, respectively, of lease obligations associated with the straight-line expense of escalating lease payments for a number of leased buildings including the Houston, Texas location. Rent expense associated with the lease was \$701,365 and \$694,513 for the years ended June 30, 2018 and 2017, respectively. After further analysis of the Houston market and the Organization's competing priorities and capital resources, the Organization entered into a listing agreement on September 24, 2015 to sublease the facility. In accordance with ASC 420, *Exit or Disposal Obligations*, the Organization will not record a liability for the remaining lease costs that will be incurred under the contract as the facility could be subleased for an amount approximating the continuing lease payments.

(11) Contingencies

Litigation - Periodically, the Organization is involved in litigation and claims arising in the normal course of operations. In 2017, a \$2 million judgment was levied against the Organization. While the Organization is in the process of appealing the judgment, management believes that should they not prevail on appeal, the judgment would be fully covered by insurance. In the opinion of management based on consultation with legal counsel, losses, if any, from these matters are covered by insurance or are immaterial. Management believes that any resulting liability, if any, will not materially affect the Organization's consolidated operations or financial position.

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

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

Self-funded group health insurance - The Organization has elected to self-insure a portion of its employees' health benefits and is liable for all benefits incurred and/or paid for covered services delivered to eligible participants, subject to maximum liability limits as defined in the plan. In order to limit claim liability, the Organization has purchased stop-loss insurance coverage for claims in excess of \$100,000 per individual per year.

**RECOVERY INNOVATIONS, INC.
AND SUBSIDIARIES dba RI INTERNATIONAL**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2018 and 2017

(11) Contingencies (continued)

Estimates for claims payable, which include both reported and unreported claims, are included in accounts payable, at which time claim expense is also recorded. The amount charged to expense for claims were approximately \$856,000 and \$868,000 for the years ended June 30, 2018 and 2017, respectively. Approximately \$252,000 and \$282,000 has been accrued for claims incurred but not reported or paid at June 30, 2018 and 2017, respectively, which is included in accounts payable in the accompanying consolidated statements of financial position.

Liability insurance – The Organization maintains professional and general liability coverage on a claims made basis through commercial insurance carriers. The limits of coverage vary depending on the type of exposure.

(12) Contract requirements

During fiscal year 2018 and 2017, the Organization received \$2,979,284 and \$2,098,821, respectively, of funds to be used for future encounters from various funding sources. As of June 30, 2018 and 2017, these funds had not been earned and accordingly, are included in deferred revenue in the accompanying consolidated statements of financial position.

As of June 30, 2018, the Organization anticipated reporting less than the minimum number of encounters as required under the Maricopa County RBHA contract for the 2018 contract year and was subject to a potential encounter recoupment. As a result, the Organization recorded an estimated payable to funding source of \$1,315,011 which is included in the accompanying consolidated statements of financial position as of June 30, 2018.

As of June 30, 2017, the Organization anticipated reporting less than the minimum number of encounters as required under the Maricopa County RBHA contract for the 2016 and 2017 contract years and was subject to a potential encounter recoupment. As a result, the Organization recorded an estimated payable to funding source of \$3,657,722 for contract year 2017 and \$839,312 for contract year 2016 which is included in the accompanying consolidated statement of financial position as of June 30, 2017. During the year ended June 30 2018, \$2,817,034 of the potential encounter recoupment was earned through the reporting of additional encounters. The remaining \$1,680,000 was approved by the Maricopa County RBHA to carry over into the 2018 contract year during the year ended June 30, 2018.

As of June 30, 2016, the Organization anticipated reporting less than the minimum number of encounters as required under the Maricopa County RBHA contract and was subject to a potential encounter recoupment. As a result, the Organization recorded an estimated payable to funding source of \$1,772,952 as of June 30, 2016. During the year ended June 30 2017, \$933,640 of the potential encounter recoupment was earned through the reporting of additional encounters with the remaining \$839,312 recorded as an estimated payable to funding source in the accompanying consolidated statement of financial position as of June 30, 2017.

In addition, the Organization is subject to a profit risk corridor calculation that calculates a return of premium for any profit amount, by program type, in excess of 4%. As of June 30, 2018 and 2017, the Organization did not believe it would exceed the profit corridor for contract year 2018 and 2017 and did not record a return of premiums as a result of the profit risk corridor calculation for contract years. As of June 30, 2016, the Organization believed it would exceed the profit corridor for contract year 2016 and recorded an estimated return of premiums of \$257,215, which was included in payable to providers at June 30, 2016. In fiscal year 2017, the Organization's actual results for contract year 2016 resulted in the Organization not exceeding the profit corridor and the \$257,215 accrual was taken to revenue.

**RECOVERY INNOVATIONS, INC.
AND SUBSIDIARIES dba RI INTERNATIONAL**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2018 and 2017

(13) Economic dependency and concentration of credit risk

The Organization received approximately 26% and 31% of its revenue directly from the Maricopa County RBHA during fiscal year 2018 and 2017, respectively. The Organization was contracted with the Maricopa County RBHA through September 30, 2018.

On November, 2, 2017, the Arizona Health Care Cost Containment System ("AHCCCS") released the AHCCCS Complete Care Request for Proposal (RFP) which integrates physical and behavioral health care contacts under managed care plans for the majority of the 1.9 million AHCCCS members. The integrated delivery model offers a more cohesive health care system for members incentivizing quality health care outcomes with alternative payment models, and leverage health information technology for improved care coordination. Additionally, integrating physical health and behavioral healthcare contracts drives strategic, innovative health care initiatives forward. Effective September 30, 2018 the RBHA contract was renewed to include the Arizona Complete Care, and all lines of business are contracted with either the RBHA or MCOs into the coming year, to ensure continuity of care for the year to come. This funding development provides greater diversification of revenue for service lines outside of Crisis services, which will remain with the RBHA.

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

(14) OIG payable

During fiscal year 2014, AHCCCS Office of the Inspector General ("OIG") conducted an audit of RIAZ claims submitted from January 1, 2008 to December 31, 2012. The audit identified a number of claims which were incorrectly submitted and resulted in the overpayment of several claims between January 1, 2008 and December 31, 2012. As a result of the audit, RIAZ agreed to a settlement with the OIG wherein RIAZ agreed to pay AHCCCS a total of \$1,011,000 for overpayments and investigative costs. RIAZ agreed to pay the \$1,011,000 in twenty quarterly installments of \$50,550 beginning in April 2014 for Title XIX funding with the final payment due February 1, 2019. For each of the years ended June 30, 2018 and 2017, RIAZ made four payments totaling \$202,200. The remaining balance of \$151,650 and \$353,850 at June 30, 2018 and 2017, respectively, is included in OIG payable in the accompanying consolidated statements of financial position.

ADDITIONAL INFORMATION



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INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the Board of Directors of

RECOVERY INNOVATIONS, INC. AND SUBSIDIARIES dba RI INTERNATIONAL

We have audited the consolidated financial statements of *Recovery Innovations, Inc. and Subsidiaries dba RI International* as of and for the years ended June 30, 2018 and 2017, and have issued our report thereon dated October 22, 2018, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities presented on pages 24 through 25 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual entities, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Mayer Hoffman McCann P.C.

October 22, 2018

**RECOVERY INNOVATIONS, INC.
AND SUBSIDIARIES dba RI INTERNATIONAL**

ADDITIONAL INFORMATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2018

ASSETS

	Recovery Innovations, Inc.	Recovery Innovations of Arizona, Inc.	Recovery Opportunity Center, LLC	Recovery Journey, LLC	RI Properties, LLC	Total	Eliminations	Consolidated Total
CURRENT ASSETS								
Cash and cash equivalents	\$ 13,835,988	\$ -	\$ -	\$ -	\$ -	\$ 13,835,988	\$ -	\$ 13,835,988
Short-term investments	13,533	-	-	-	-	13,533	-	13,533
Accounts receivable, net	8,255,546	-	266,274	-	21,605	8,543,425	-	8,543,425
Prepaid expenses	1,115,727	-	488	-	-	1,116,215	-	1,116,215
Inventory	14,738	-	-	-	-	14,738	-	14,738
Intercompany receivables	-	2,730,463	1,640,819	-	5,089,481	9,470,763	(9,470,763)	-
TOTAL CURRENT ASSETS	23,235,532	2,730,463	1,907,581	-	5,121,086	32,994,662	(9,470,763)	23,523,899
PROPERTY AND EQUIPMENT, net	5,962,769	680,869	-	-	7,131,237	13,774,875	-	13,774,875
REFUNDABLE DEPOSITS	333,473	-	-	-	15,000	348,473	-	348,473
TOTAL ASSETS	\$ 29,531,774	\$ 3,411,332	\$ 1,907,581	\$ -	\$ 12,267,323	\$ 47,118,010	\$ (9,470,763)	\$ 37,647,247

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES								
Accounts payable	\$ 1,391,278	\$ 4,006	\$ 11,506	\$ -	\$ 1,595	\$ 1,408,385	\$ (216,984)	\$ 1,191,401
Accrued expenses	3,978,220	-	58,338	-	-	4,036,558	-	4,036,558
Intercompany payables	9,470,763	-	-	-	-	9,470,763	(9,470,763)	-
Payable to funding source	2,995,011	-	-	-	-	2,995,011	-	2,995,011
Deferred revenue	2,974,156	3,518	1,610	-	-	2,979,284	-	2,979,284
Current maturities of lease obligations	89,402	-	-	-	-	89,402	-	89,402
Current maturities of OIG payable	-	151,650	-	-	-	151,650	-	151,650
Current maturities of long-term debt	783,211	-	-	-	105,526	888,737	-	888,737
TOTAL CURRENT LIABILITIES	21,682,041	159,174	71,454	-	107,121	22,019,790	(9,687,747)	12,332,043
LEASE OBLIGATIONS, less current maturities	1,158,587	-	-	-	-	1,158,587	-	1,158,587
LONG-TERM DEBT, less current maturities	1,174,107	-	-	-	4,685,879	5,859,986	-	5,859,986
CUSTOMER DEPOSITS	-	-	-	-	40,255	40,255	-	40,255
TOTAL LIABILITIES	24,014,735	159,174	71,454	-	4,833,255	29,078,618	(9,687,747)	19,390,871
NET ASSETS								
Unrestricted	5,517,039	2,879,931	1,836,127	-	7,434,068	17,667,165	216,984	17,884,149
Temporarily restricted	-	372,227	-	-	-	372,227	-	372,227
TOTAL NET ASSETS	5,517,039	3,252,158	1,836,127	-	7,434,068	18,039,392	216,984	18,256,376
TOTAL LIABILITIES AND NET ASSETS	\$ 29,531,774	\$ 3,411,332	\$ 1,907,581	\$ -	\$ 12,267,323	\$ 47,118,010	\$ (9,470,763)	\$ 37,647,247

See Independent Auditors' Report on Additional Information
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**RECOVERY INNOVATIONS, INC.
AND SUBSIDIARIES dba RI INTERNATIONAL**

ADDITIONAL INFORMATION

CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

	Recovery Innovations, Inc.	Recovery Innovations of Arizona, Inc.	Recovery Opportunity Center, LLC	Recovery Journey, LLC	RI Properties, LLC	Total	Eliminations	Consolidated Total
REVENUE AND SUPPORT								
Contract revenues	\$ 70,419,292	\$ -	\$ -	\$ -	\$ -	\$ 70,419,292	\$ -	\$ 70,419,292
Contracted fees for services to related entities	10,444,194	-	137,305	-	14,444	10,595,943	(10,595,943)	-
Grants	472,217	-	-	-	-	472,217	-	472,217
Rental income	-	74,800	-	-	2,058,797	2,133,597	(1,928,716)	204,881
Training and materials	2,616	-	852,810	-	-	855,426	-	855,426
Other	3,241,767	-	15,625	-	-	3,257,392	-	3,257,392
TOTAL REVENUE AND SUPPORT	84,580,086	74,800	1,005,740	-	2,073,241	87,733,867	(12,524,659)	75,209,208
EXPENSES								
Program services:								
RI Crisis	47,284,922	-	-	-	279,756	47,564,678	(7,778,295)	39,786,383
RI Health	10,329,043	78,297	-	-	-	10,407,340	(1,019,404)	9,387,936
RI Recovery	14,207,396	-	-	-	547,389	14,754,785	(2,993,771)	11,761,014
RI Consulting	-	-	723,483	-	-	723,483	(78,788)	644,695
Total program services	71,821,361	78,297	723,483	-	827,145	73,450,286	(11,870,258)	61,580,028
Supporting services:								
Corporate administration and management	9,908,249	-	-	-	-	9,908,249	(753,174)	9,155,075
Total supporting services	9,908,249	-	-	-	-	9,908,249	(753,174)	9,155,075
TOTAL EXPENSES	81,729,610	78,297	723,483	-	827,145	83,358,535	(12,623,432)	70,735,103
CHANGE IN NET ASSETS	2,850,476	(3,497)	282,257	-	1,246,096	4,375,332	98,773	4,474,105
NET ASSETS, BEGINNING OF YEAR	2,666,563	3,255,655	1,553,870	-	6,187,972	13,664,060	118,211	13,782,271
NET ASSETS, END OF YEAR	\$ 5,517,039	\$ 3,252,158	\$ 1,836,127	\$ -	\$ 7,434,068	\$ 18,039,392	\$ 216,984	\$ 18,256,376

See Independent Auditors' Report on Additional Information