

# Transitions-Mental Health Association



## Audited Consolidated Financial Statements

Year Ended June 30, 2025



**Transitions-Mental Health Association  
Consolidated Financial Statements  
Year Ended June 30, 2025**

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## Independent Auditors' Report

To the Board of Directors of  
Transitions-Mental Health Association

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of Transitions-Mental Health Association (a nonprofit organization) and its subsidiary, which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Transitions-Mental Health Association and subsidiary as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

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

**Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Transitions-Mental Health Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditor's Responsibility for the Audit of the Financial Statements**

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

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

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

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

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2026 on our consideration of Transitions-Mental Health Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Transitions-Mental Health Association's internal control over financial reporting or our compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Transitions-Mental Health Association's internal control over financial reporting and compliance.

**GLENN BURDETTE ATTEST CORPORATION**

Glenn Burdette Attest Corporation  
San Luis Obispo, California

March 27, 2026

**Transitions-Mental Health Association**  
**Consolidated Statement of Financial Position**  
**June 30, 2025**

**Assets**

**Current assets:**

|                                 |              |
|---------------------------------|--------------|
| Cash                            | \$ 4,022,673 |
| Grants and contracts receivable | 3,428,123    |
| Allowance for credit losses     | (36,663)     |
| Other receivables               | 7,123        |
| Prepaid expenses                | 259,020      |
| Deposits                        | 300,143      |
| Total current assets            | 7,980,419    |

**Other assets:**

|  |            |
|--|------------|
| Operating lease right-of-use assets                                      | 294,672    |
| Property and equipment, net of accumulated depreciation and amortization | 13,583,425 |

|              |               |
|--------------|---------------|
| Total assets | \$ 21,858,516 |
|--------------|---------------|

**Liabilities and Net Assets**

**Current liabilities:**

|  |            |
|--|------------|
| Accounts payable   | \$ 292,985 |
| Accrued payroll and related expenses                                   | 572,167    |
| Accrued vacation   | 545,517    |
| Other accrued liabilities  | 148,086    |
| Deferred revenue   | 731,180    |
| Client deposits  | 126,155    |
| Operating lease liabilities, current portion                           | 250,246    |
| Notes payable, current portion, net of unamortized debt issuance costs | 620,769    |
| Total current liabilities  | 3,287,105  |

**Long-term liabilities:**

|   |           |
|---|-----------|
| Operating lease liabilities, net of current portion                       | 48,694    |
| Notes payable, net of current portion and unamortized debt issuance costs | 7,842,906 |
| Long-term accrued interest  | 770,945   |
| Total long-term liabilities   | 8,662,545 |

|                   |            |
|-------------------|------------|
| Total liabilities | 11,949,650 |
|-------------------|------------|

**Net assets:**

|                            |           |
|----------------------------|-----------|
| Without donor restrictions | 8,122,741 |
| With donor restrictions    | 1,786,125 |
| Total net assets           | 9,908,866 |

|                                  |               |
|----------------------------------|---------------|
| Total liabilities and net assets | \$ 21,858,516 |
|----------------------------------|---------------|

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

**Transitions-Mental Health Association**  
**Consolidated Statement of Activities**  
**Year Ended June 30, 2025**

|  | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>            |
|--|---------------------------------------|------------------------------------|-------------------------|
| <b>Revenues and support:</b>   |                                       |                                    |                         |
| Federal grants   | \$ 2,088,549                          |                                    | \$ 2,088,549            |
| State and local grants   | 778,131                               | 50,000                             | 828,131                 |
| Contract income  | 16,769,140                            |                                    | 16,769,140              |
| Client rents   | 1,876,447                             |                                    | 1,876,447               |
| Contributions  | 439,272                               | 232,224                            | 671,496                 |
| Fundraising events, net of cost of direct benefit<br>to donors of \$28,931 | 55,687                                |                                    | 55,687                  |
| Interest income  | 53,871                                |                                    | 53,871                  |
| Other revenue  | 75,864                                |                                    | 75,864                  |
| Nursery revenue, net of cost of goods sold                                 | 124,088                               |                                    | 124,088                 |
| Loss on disposal of property   | (171,189)                             |                                    | (171,189)               |
| Total revenues and support   | <u>22,089,860</u>                     | <u>282,224</u>                     | <u>22,372,084</u>       |
| <br>Net assets released from restrictions                                  | <br><u>610,464</u>                    | <br><u>(610,464)</u>               | <br><u>-</u>            |
| <b>Expenses:</b>   |                                       |                                    |                         |
| Program services   | 19,375,930                            |                                    | 19,375,930              |
| Supporting services:   |                                       |                                    |                         |
| General and administrative   | 2,961,025                             |                                    | 2,961,025               |
| Fundraising  | 179,637                               |                                    | 179,637                 |
| Total expenses   | <u>22,516,592</u>                     |                                    | <u>22,516,592</u>       |
| <br>Change in net assets   | <br>183,732                           | <br>(328,240)                      | <br>(144,508)           |
| <br><b>Net assets - beginning of year</b>                                  | <br><u>7,939,009</u>                  | <br><u>2,114,365</u>               | <br><u>10,053,374</u>   |
| <br><b>Net assets - end of year</b>  | <br><u>\$ 8,122,741</u>               | <br><u>\$ 1,786,125</u>            | <br><u>\$ 9,908,866</u> |

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

**Transitions-Mental Health Association**  
**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2025**

|                                       | <b>Program Services</b> |   |   |                            | <b>Total Program Services</b> | <b>General and Administrative</b> | <b>Fundraising</b> | <b>Total</b> |
|---------------------------------------|-------------------------|---|---|----------------------------|-------------------------------|-----------------------------------|--------------------|--------------|
|                                       | <b>Housing Services</b> | <b>Community Wellness and Education</b> | <b>Mental Health Treatment Services</b> | <b>Vocational Services</b> |                               |                                   |                    |              |
| Client expenses                       | \$ 194,740              | \$ 9,955                                | \$ 143,647                              | \$ 232                     | \$ 348,574                    | \$ 9                              | \$ -               | \$ 348,583   |
| Cost of goods sold                    | -                       | -                                       | -                                       | 375,579                    | 375,579                       | -                                 | -                  | 375,579      |
| Credit and bank charges               | -                       | -                                       | -                                       | 11,335                     | 11,335                        | 3,750                             | 3,831              | 18,916       |
| Depreciation                          | 207,091                 | 92,432                                  | 199,124                                 | 15,542                     | 514,189                       | 64,029                            | 1,158              | 579,376      |
| Dues and subscriptions                | 30,633                  | 91,177                                  | 17,763                                  | 13,783                     | 153,356                       | 185,643                           | 6,533              | 345,532      |
| Employee meals                        | 1,500                   | 2,660                                   | 9,176                                   | 501                        | 13,837                        | 8,483                             | 193                | 22,513       |
| Fundraising                           | -                       | -                                       | -                                       | -                          | -                             | -                                 | 23,723             | 23,723       |
| Furniture and equipment               | 99,691                  | 3,415                                   | 37,471                                  | 11,876                     | 152,453                       | -                                 | -                  | 152,453      |
| Groceries                             | 80,978                  | 15,167                                  | 27,397                                  | -                          | 123,542                       | -                                 | -                  | 123,542      |
| Insurance                             | 49,052                  | 18,510                                  | 63,284                                  | 12,634                     | 143,480                       | 27,227                            | 755                | 171,462      |
| Interest                              | 112,955                 | 49,211                                  | 106,014                                 | 8,274                      | 276,454                       | 34,089                            | 617                | 311,160      |
| Lease expense                         | 1,717,176               | 54,284                                  | 378,574                                 | 19,092                     | 2,169,126                     | 7,278                             | -                  | 2,176,404    |
| Marketing and public relations        | 787                     | 4,499                                   | 1,709                                   | 4,445                      | 11,440                        | 9,124                             | 6,042              | 26,606       |
| Office supplies and program expenses  | 54,094                  | 52,461                                  | 48,263                                  | 10,964                     | 165,782                       | 9,150                             | 1,245              | 176,177      |
| Other                                 | 725                     | 1,137                                   | 883                                     | 264                        | 3,009                         | 61,252                            | 5,426              | 69,687       |
| Pre Employment                        | 4,781                   | 6,081                                   | 7,017                                   | 225                        | 18,104                        | 2,858                             | -                  | 20,962       |
| Printed materials and postage         | 19,313                  | 8,940                                   | 32,185                                  | 864                        | 61,302                        | 9,949                             | 5,099              | 76,350       |
| Professional fees                     | 34,631                  | 80,227                                  | 201,469                                 | 6,879                      | 323,206                       | 470,035                           | 1,098              | 794,339      |
| Repairs and maintenance               | 125,801                 | 19,996                                  | 67,965                                  | 28,624                     | 242,386                       | 11,158                            | 57                 | 253,601      |
| Retirement plan advisory fees         | -                       | -                                       | -                                       | -                          | -                             | 17,018                            | -                  | 17,018       |
| Salaries, wages, and related expenses | 2,642,308               | 2,846,368                               | 6,375,940                               | 1,586,273                  | 13,450,889                    | 1,927,317                         | 150,859            | 15,529,065   |

**Transitions-Mental Health Association**  
**Consolidated Statement of Functional Expenses**

**Year Ended June 30, 2025**

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|   | Program Services    |                                  |                                  |                     | Total Program Services | General and Administrative | Fundraising       | Total                |
|---|---------------------|----------------------------------|----------------------------------|---------------------|------------------------|----------------------------|-------------------|----------------------|
|   | Housing Services    | Community Wellness and Education | Mental Health Treatment Services | Vocational Services |                        |                            |                   |                      |
| Staff development and training  | \$ 2,847            | \$ 34,644                        | \$ 38,660                        | \$ 22,863           | \$ 99,014              | \$ 53,043                  | \$ 179            | \$ 152,236           |
| Student Loan Assistance   | 49,200              | 15,205                           | 48,682                           | -                   | 113,087                | -                          | -                 | 113,087              |
| Taxes and licenses  | 16,091              | 2,242                            | 40,596                           | 1,573               | 60,502                 | 14,779                     | -                 | 75,281               |
| Technology  | 32,164              | 18,218                           | 25,224                           | 6,108               | 81,714                 | 11,198                     | -                 | 92,912               |
| Telecommunication   | 46,672              | 46,517                           | 89,609                           | 23,285              | 206,083                | 13,235                     | 1,014             | 220,332              |
| Transportation  | 30,932              | 24,691                           | 104,755                          | 28,739              | 189,117                | 17,087                     | 677               | 206,881              |
| Utilities   | 280,640             | 26,893                           | 119,962                          | 16,454              | 443,949                | 3,314                      | 62                | 447,325              |
|   | <u>\$ 5,834,802</u> | <u>\$ 3,524,930</u>              | <u>\$ 8,185,369</u>              | <u>\$ 2,206,408</u> | <u>\$ 19,751,509</u>   | <u>\$ 2,961,025</u>        | <u>\$ 208,568</u> | <u>\$ 22,921,102</u> |
| Less expenses included with revenues on the statement of activities:          |                     |                                  |                                  |                     |                        |                            |                   |                      |
| Cost of goods sold  |                     |                                  |                                  | (375,579)           | (375,579)              |                            |                   | (375,579)            |
| Cost of direct benefit to donors  |                     |                                  |                                  |                     |                        |                            | (28,931)          | (28,931)             |
|   | <u>-</u>            | <u>-</u>                         | <u>-</u>                         | <u>(375,579)</u>    | <u>(375,579)</u>       | <u>-</u>                   | <u>(28,931)</u>   | <u>(404,510)</u>     |
| Total expenses included in the expense section on the statement of activities | <u>\$ 5,834,802</u> | <u>\$ 3,524,930</u>              | <u>\$ 8,185,369</u>              | <u>\$ 1,830,829</u> | <u>\$ 19,375,930</u>   | <u>\$ 2,961,025</u>        | <u>\$ 179,637</u> | <u>\$ 22,516,592</u> |

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

**Transitions-Mental Health Association**  
**Consolidated Statement of Cash Flows**  
**Year Ended June 30, 2025**

|   |                    |                     |
|---|--------------------|---------------------|
| <b>Cash flows from operating activities:</b>  |                    |                     |
| Change in net assets  |                    | \$ (144,508)        |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                    |                     |
| Depreciation and amortization expense   | \$ 579,376         |                     |
| Operating lease expense   | 281,374            |                     |
| Amortization of debt issuance costs   | 3,772              |                     |
| Loss on disposal of property  | 171,189            |                     |
| Changes in operating assets and liabilities:  |                    |                     |
| Grants and contracts receivable   | 167,131            |                     |
| Allowance for credit losses   | 32,194             |                     |
| Other receivables   | (2,900)            |                     |
| Inventories   | 119,545            |                     |
| Prepaid expenses  | (92,642)           |                     |
| Deposits  | (131,955)          |                     |
| Accounts payable  | (106,415)          |                     |
| Accrued payroll and related expenses  | 40,727             |                     |
| Accrued vacation  | 130,831            |                     |
| Other accrued liabilities   | 73,402             |                     |
| Deferred revenue  | 567,725            |                     |
| Client deposits   | (7,326)            |                     |
| Operating lease liabilities   | (284,100)          |                     |
| Long-term accrued interest  | 82,037             |                     |
| Total adjustments   | <u>1,623,965</u>   |                     |
| Net cash provided by operating activities   |                    | <u>1,479,457</u>    |
| <b>Cash flows from investing activities:</b>  |                    |                     |
| Proceeds from sale of property and equipment  | 1,200,000          |                     |
| Purchase of property and equipment  | <u>(469,664)</u>   |                     |
| Net cash provided by investing activities   |                    | 730,336             |
| <b>Cash flows from financing activities:</b>  |                    |                     |
| Borrowings on notes payable   | 922,286            |                     |
| Repayments on notes payable   | <u>(1,946,424)</u> |                     |
| Net cash used in financing activities   |                    | <u>(1,024,138)</u>  |
| Net increase in cash  |                    | 1,185,655           |
| <b>Cash - beginning of year</b>   |                    | <u>2,837,018</u>    |
| <b>Cash - end of year</b>   |                    | <u>\$ 4,022,673</u> |
| <b>Supplemental disclosures of cash flow information:</b>                                   |                    |                     |
| Cash paid for interest during the year  |                    | \$ 229,123          |
| Non-cash transactions:  |                    |                     |
| Issuance of notes payable in exchange for property and equipment                            |                    | \$ 26,950           |

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

**Transitions-Mental Health Association**  
**Notes to Consolidated Financial Statements**  
**June 30, 2025**

**Note 1: Organization**

**General**

The Transitions-Mental Health Association (Organization) was organized in 1979 as a California Non-Profit Public Benefit Corporation. The Organization is dedicated to providing quality services to youth and adults in San Luis Obispo and Santa Barbara counties. Its mission is to eliminate stigma and promote recovery and wellness for people experiencing mental illness. The Organization strives to help them attain their highest level of personal, educational and social functioning.

In April 2011, the Organization formed the SLO Transitions, LLC (SLOT, LLC), a single member limited liability company in which the Organization is the sole member, and which has a fiscal year end of December 31. SLOT, LLC was formed for the purpose of holding and operating housing projects for the Organization's clients that have Mental Health Services Act funding. SLOT, LLC was established to remodel and operate the Nipomo Street Studios and entered into an April 2014 property management agreement with the Organization to manage the property. As a result of the construction funding, SLOT, LLC has a residual receipts loan which is described further in Note 7.

The Organization operates 50 programs at over 91 locations that reach 5,500 people and 2,000 families in San Luis Obispo and North Santa Barbara counties. The emphasis of the Organization's many services is to teach vital independent living skills and build a framework for community re-entry through personal empowerment and hands-on experience. The Organization is dedicated to providing housing, employment, case management and life-skills support to teens and adults with mental illness, and support, resources and education for their loved ones.

Funding is provided through contracts with San Luis Obispo and Santa Barbara counties, as well as group home services, donations, and sales from the Organization's farm and plant nursery.

**Description of Major Programs**

*Housing Services:* The Organization offers housing services to over 300 individuals each year, at every level of need. We assist our clients in creating and sustaining a home they can count on. The Organization both owns and master-leases supportive housing properties throughout San Luis Obispo and North Santa Barbara Counties.

*Community Wellness and Education:* The community wellness and education program provides compassionate, informed assistance for families, friends and loved ones of persons they know, or suspect have a mental illness. The program offers direct support, information, and education with the goal of providing recovery and hope. In addition, a wide variety of trainings is provided throughout the year to health professionals and community members, often at no charge.

**Transitions-Mental Health Association**  
**Notes to Consolidated Financial Statements**  
**June 30, 2025**

**Note 1: Organization (Continued)**

*Mental Health Treatment Services:* Promoting the power of support from people with lived experience with mental illness, the Organization runs drop-in centers and peer services that provide multiple opportunities for peer gatherings, one-on-one mentoring, and personal growth. The Organization also provides 24/7 clinical services where and when they are needed. Services include psychiatric care, housing assistance, substance abuse recovery, health, financial, education, employment and social support.

*Vocational Services:* The Organization provides on-going job support and employment necessary for helping individuals with mental illnesses to choose, acquire and keep competitive employment. Work programs include three Social Enterprises that help individuals living with a mental illness find and maintain employment while providing the support necessary to ensure success.

**Note 2: Summary of Significant Accounting Policies**

**Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of the Organization and its wholly owned subsidiary, SLOT, LLC. All significant intercompany balances and transactions have been eliminated in consolidation. There were no intervening events due to differing financial reporting periods that materially affected financial position or the change in net assets requiring disclosure at June 30, 2025.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers demand deposits with financial institutions, money market funds and certificates of deposits with an original maturity date of three months or less to be cash equivalents. The Organization had no cash equivalents at June 30, 2025.

**Grants and Contracts Receivable and Allowance for Credit Losses**

The Organization's receivables are primarily derived from government grants and contracts. As of June 30, 2025, grants and contracts receivable were \$3,428,123. As of July 1, 2024, grants and contracts receivable were \$3,590,785.

At each balance sheet date, the Organization recognizes an expected allowance for credit losses. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist. The allowance estimate is derived from a review of the Organization's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and other factors deemed relevant by the Organization. The Organization believes historical

**Transitions-Mental Health Association**  
**Notes to Consolidated Financial Statements**  
**June 30, 2025**

**Note 2: Summary of Significant Accounting Policies (Continued)**

loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Organization's portfolio segments have remained constant since the Organization's inception.

The Organization writes off receivables when there is information that indicates the funder is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the Organization's accounting policy election.

**Property and Equipment**

Property and equipment is stated at cost for purchased assets and at fair market value at time of donation for donated assets. Depreciation is computed on the straight-line method with a half year convention over the estimated useful lives of the respective assets, which range from three to thirty years. The Organization capitalizes items with a cost or donated value over \$5,000.

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions*

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may from time to time designate a portion of this asset class for specific projects or activities. At June 30, 2025, there were Board-designated net assets in the amount of \$100,000 for a building reserve fund, intended to support future major repairs on owned properties. Net asset designations by the Board of Directors may be re-designated at the discretion of the Board as circumstances, Organizational needs, or financial conditions change.

*Net Assets With Donor Restrictions*

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as

**Transitions-Mental Health Association**  
**Notes to Consolidated Financial Statements**  
**June 30, 2025**

**Note 2: Summary of Significant Accounting Policies (Continued)**

increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Revenue and Revenue Recognition**

A portion of the Organization's revenue is derived from cost-reimbursable or rate-based federal, state, and county contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. For cost-reimbursed grants and contracts, amounts received are recognized as revenue when expenditures have been incurred in compliance with specific contract or grant provisions. For rate-based contracts, a rate is set by the government agency and paid to the Organization based upon the services provided to the client. Revenue is recognized when the services are provided on a monthly basis.

Nursery sales are recognized at the time of purchase. Special event revenue can be comprised of an exchange element based upon the direct benefit donors receive and a contribution element for the difference. The Organization recognizes special event revenue equal to the fair value of direct benefits to donors when the special event takes place and recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place. All goods and services are transferred at a point in time.

The Organization recognizes contributions and certain grants when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional contributions, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Consequently, at June 30, 2025, grants of \$731,180 have not been recognized in the accompanying statement of activities because the conditions on which they depend have not yet been met.

**Leases**

The Organization leases certain office space and residential housing for use in its programs. The determination of whether an arrangement is a lease is made at the lease's inception. Under Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed. The Organization has elected the practical expedient for short-term leases with terms of

**Transitions-Mental Health Association**  
**Notes to Consolidated Financial Statements**  
**June 30, 2025**

**Note 2: Summary of Significant Accounting Policies (Continued)**

12 months or less. For short-term leases, the Organization recognizes the lease payments in the income statement on a straight-line basis over the term of the lease.

For leases with a lease term greater than one year, the Organization recognizes an asset for its right to use the underlying leased item, and a lease liability for the corresponding lease obligation. Operating leases with a duration greater than one year are included in right-of-use assets, current portion of operating lease liabilities, and operating lease liabilities, net of current portion, on the Organization's statement of financial position on June 30, 2025. Right-of-use assets and operating lease liabilities are recognized at the lease commencement date based on the present Value of lease payments over the lease term. In determining the present value of lease payments, in accordance with its elected policy, the Organization uses the risk-free discount rate.

The Organization considers the lease term to be the noncancelable period that it has the right to use the underlying asset, including all periods covered by an option to (1) extend the lease if the Organization is reasonably certain to exercise the option, (2) terminate the lease if the Organization is reasonably certain not to exercise that option, and (3) extend, or not to terminate, the lease in which exercise of the option is controlled by the lessor.

Right-of-use assets also include any lease payments made and exclude lease incentives received or receivable. Lease expense is recognized on a straight-line basis over the expected lease term. Variable lease expenses are recorded when incurred. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

**Income Taxes**

The Organization is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction, and has been determined not to be a private foundation. Annually, the Organization files a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, it is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes.

Management has determined the Organization is subject to unrelated business income tax and has filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

**Transitions-Mental Health Association**  
**Notes to Consolidated Financial Statements**  
**June 30, 2025**

**Note 2: Summary of Significant Accounting Policies (Continued)**

**Contributions of Nonfinancial Assets**

The Organization receives donations of time and services from members of the community and volunteers which are recorded in the financial statements if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Additionally, the Organization occasionally receives donations of nonfinancial assets. Donated fixed assets, materials, and supplies are utilized directly by the Organization in its programs and are valued at their appraised values at the time of the bequest. Donated professional services are utilized in the Organization's management and administration and are valued at the standard hourly rates charged for those services. During the year ended June 30, 2025, the Organization did not receive any contributions of nonfinancial assets.

**Litigation**

From time to time, in the normal course of operations, the Organization may become involved in litigation for which the agency may, or may not have, additional insurance coverage, depending upon the individual circumstances of the claim.

**Functional Expense Allocations**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain categories of expenses are attributable to both program services and supporting activities. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon square footage of the facility and salary allocations depending on the specific expense.

**Concentrations**

*Major Funding:*

The Organization received grant funding from San Luis Obispo and Santa Barbara Counties, which accounted for approximately 80% of total revenues and support during the year ended June 30, 2025.

At June 30, 2025, these two grantors made up 89% of grants and contracts receivable.

**Transitions-Mental Health Association**  
**Notes to Consolidated Financial Statements**  
**June 30, 2025**

**Note 2: Summary of Significant Accounting Policies (Continued)**

*Credit Risk:*

The Organization maintains cash balances with three financial institutions located in California. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2025, the Organization had cash balances in excess of the FDIC limit of \$1,974,263. To date the Organization has not had any losses associated with their cash deposits.

**Estimates**

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

**Note 3: Liquidity and Availability**

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

|   |                     |
|---|---------------------|
| Cash and cash equivalents                         | \$ 4,022,673        |
| Grants and contracts receivable, net of allowance | 3,428,123           |
| Other receivables                                 | 7,123               |
| Less: Board-designated net assets                 | (100,000)           |
| Less: net assets with purpose restrictions        | <u>(847,260)</u>    |
|   | <u>\$ 6,510,659</u> |

As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested in money market funds. Occasionally, the Board designates a portion of any operating surplus to its building reserve. Such designated funds are not available for general expenditures. At June 30, 2025, the Board-designated building reserve totaled \$100,000.

The Organization also has access to a \$2,000,000 line of credit for additional cash flow purposes when needed. See Note 6.

**Transitions-Mental Health Association**  
**Notes to Consolidated Financial Statements**  
**June 30, 2025**

**Note 4: Grants and Contracts Receivable**

At June 30, 2025, grants and contracts receivable were comprised of:

|                                 |                     |
|---------------------------------|---------------------|
| San Luis Obispo County          | \$ 2,387,675        |
| Santa Barbara County            | 658,102             |
| CA Department of Rehabilitation | 359,703             |
| Other                           | <u>22,643</u>       |
| Grants and contracts receivable | <u>\$ 3,428,123</u> |

**Note 5: Property and Equipment**

At June 30, 2025, property and equipment were comprised of:

|  |                      |
|--|----------------------|
| Land   | \$ 5,229,151         |
| Buildings  | 10,714,954           |
| Improvements   | 1,474,336            |
| Farm equipment   | 122,074              |
| Office equipment   | 90,813               |
| Furniture and equipment  | 19,112               |
| Vehicles   | 1,734,458            |
| Software   | 41,972               |
| Construction in progress   | <u>58,930</u>        |
|  | 19,485,800           |
| Less accumulated depreciation and amortization                           | <u>(5,902,375)</u>   |
| Property and equipment, net of accumulated depreciation and amortization | <u>\$ 13,583,425</u> |

Depreciation and amortization expense for the year ended June 30, 2025 was \$579,376.

**Note 6: Line of Credit**

The Organization has a line of credit available with Community West Bank, with maximum allowed borrowings of \$2,000,000, and annual interest calculated at the Prime Rate plus 1%. The line of credit matures on April 5, 2026. As of June 30, 2025, there was no outstanding balance on the line of credit.

**Transitions-Mental Health Association**  
**Notes to Consolidated Financial Statements**  
**June 30, 2025**

**Note 7: Notes Payable**

At June 30, 2025, notes payable were comprised of the following:

|   | <u>Principal</u> | <u>Unamortized<br/>Debt Issuance<br/>Costs</u> | <u>Total</u> |
|---|------------------|--|--------------|
| Note payable to a bank, secured by a first deed of trust with principal and interest at 3.68% due in monthly installments of \$9,241 with a maturity date of October 2026.  | \$ 1,401,354     |  | \$ 1,401,354 |
| Note payable to Department of Housing and Community Development, secured by a first deed of trust with 3.00% simple interest per annum. Note is payable in residual receipts installments, with all unpaid principal and accrued interest amounts due at the maturity in November 2078. | 1,493,335        |  | 1,493,335    |
| Note payable to California Housing Finance Agency, secured by a first deed of trust with 3.00% simple interest per annum. Note is payable in residual receipts installments, with all unpaid principal and accrued interest amounts due at the maturity in June 2032.                   | 1,943,508        |  | 1,943,508    |
| Note payable to CA Health Facilities Financing, secured by a first deed of trust with principal and interest at 2.00% due in monthly installments of \$9,308 with a maturity date of October 2043.  | 1,713,172        | (20,986)                                       | 1,692,186    |
| Note payable to CA Health Facilities Financing, secured by a first deed of trust with principal and interest at 3.00% due in monthly installments of \$3,577 with a maturity date of May 2027.  | 79,859           |  | 79,859       |
| Note payable to a bank, secured by a first deed of trust with principal and interest at 3.95% due in monthly installments of \$2,853 with a maturity date of June 2031.   | 484,294          |  | 484,294      |
| Note Payable to SLO County Housing Trust fund, secured by a first deed of trust with principal and interest at 5.00%, due in monthly installments of \$3,318, with a maturity date of September 2033.   | 500,082          | (6,545)  | 493,537      |
| Note Payable to SLO County Housing Trust fund, secured by a first deed of trust with principal and interest at 5.00%, due in monthly installments of \$2,381, with a maturity date of September 2029.   | 406,022          | (3,260)  | 402,762      |

**Transitions-Mental Health Association**  
**Notes to Consolidated Financial Statements**  
**June 30, 2025**

**Note 7: Notes Payable (Continued)**

|  | <u>Principal</u>    | <u>Unamortized<br/>Debt Issuance<br/>Costs</u> | <u>Total</u>        |
|--|---------------------|--|---------------------|
| Note payable to McAdams Family Trust, secured by a first deed of trust with principal and interest at 5.00%, due in interest only monthly installments of \$1,000, with balance and accrued interest due in July 2025. | \$ 370,000          |  | 370,000             |
| Note payable to a bank, secured by two vehicles with principal and interest at 2.99% due in monthly installments of \$639 with a maturity dates of August 2026 and September 2027.                                     | 8,697               |  | 8,697               |
| Note payable to a bank, secured by a vehicle with principal and interest at 7.38% due in monthly installments of \$558 with a maturity date of November 2026.  | 8,711               |  | 8,711               |
| Note payable to a bank, secured by a vehicle with principal and interest at 5.75% due in monthly installments of \$619 with a maturity date of July 2029.  | 26,941              |  | 26,941              |
| Note payable to a bank, secured by a vehicle with principal and interest at 4.75% due in monthly installments of \$793 with a maturity date of July 2029.  | 35,197              |  | 35,197              |
| Note payable to a bank, secured by a vehicle with principal and interest at 8.72%, due in monthly installments of \$558, with a maturity date of September 2029.   | 23,294              |  | 23,294              |
|  | <u>8,494,466</u>    | <u>(30,791)</u>                                | <u>8,463,675</u>    |
| Less current portion   | <u>(623,373)</u>    | <u>2,604</u>                                   | <u>(620,769)</u>    |
| Notes payable, net of current portion  | <u>\$ 7,871,093</u> | <u>\$ (28,187)</u>                             | <u>\$ 7,842,906</u> |

At June 30, 2025, principal maturities on notes payable were as follows:

| <u>For the Year Ending June 30,</u> | <u>Principal</u>    | <u>Debt Issuance<br/>Costs</u> | <u>Total</u>        |
|-------------------------------------|---------------------|--------------------------------|---------------------|
| 2026                                | \$ 623,373          | \$ (2,604)                     | \$ 620,769          |
| 2027                                | 1,513,434           | (2,604)                        | 1,510,830           |
| 2028                                | 136,387             | (2,604)                        | 133,783             |
| 2029                                | 136,188             | (2,604)                        | 133,584             |
| 2030                                | 448,152             | (1,789)                        | 446,363             |
| Thereafter                          | <u>5,636,932</u>    | <u>(18,586)</u>                | <u>5,618,346</u>    |
| Total                               | <u>\$ 8,494,466</u> | <u>\$ (30,791)</u>             | <u>\$ 8,463,675</u> |

One of the Organization's notes payable is subject to a loan covenant with the lender for a minimum debt service coverage ratio. At June 30, 2025, the Organization was in compliance with that covenant.

**Transitions-Mental Health Association**  
**Notes to Consolidated Financial Statements**  
**June 30, 2025**

**Note 8: Designations and Restrictions on Net Assets**

At June 30, 2025, the Organization had the following net assets with donor restrictions:

|                                     |    |                  |
|-------------------------------------|----|------------------|
| Purpose restrictions:               |    |                  |
| TMHA Studios                        | \$ | 256,657          |
| Growing Grounds FSM                 |    | 123,552          |
| Santa Barbara programs              |    | 35,468           |
| Garner Homeless Fund                |    | 79,531           |
| YTP programs                        |    | 70,264           |
| Nipomo/Pacific COSR                 |    | 54,652           |
| Nipomo/Pacific replacement reserve  |    | 58,230           |
| Other                               |    | 168,906          |
| Time-restricted for future periods: |    |                  |
| Forgivable loans                    |    | <u>938,865</u>   |
|                                     | \$ | <u>1,786,125</u> |

At June 30, 2025, the Organization had the following net assets without donor restrictions:

|  |    |                  |
|--|----|------------------|
| Undesignated                           | \$ | 8,022,741        |
| Board designated for building reserves |    | <u>100,000</u>   |
|  | \$ | <u>8,122,741</u> |

**Note 9: Leases**

The Organization is party to four lease agreements for office space and residential housing that are classified as operating leases under Topic 842. These leases expire through March 2027. As of June 30, 2025, the value of the Organization’s ROU asset for these leases \$294,672, and the related lease liability totaled \$298,940.

Additionally, the Organization leases other residential housing units on a short-term, month-to-month basis, that are generally rented out to clients.

**Quantitative Disclosures**

Lease expense for the year ended June 30, 2025 was as follows:

|                          |    |                  |
|--------------------------|----|------------------|
| Operating lease expense  | \$ | 281,374          |
| Short-term lease expense |    | <u>1,895,030</u> |
| Total lease expense      | \$ | <u>2,176,404</u> |

**Transitions-Mental Health Association**  
**Notes to Consolidated Financial Statements**  
**June 30, 2025**

**Note 9: Leases (Continued)**

Other required information for operating leases for the year ended June 30, 2025 is as follows:

|   |            |
|---|------------|
| Operating cash flows from operating leases                          | \$ 284,100 |
| Weighted-average remaining lease term in years for operating leases | 1.23       |
| Weighted-average discount rate for operating leases                 | 3.89%      |

Future minimum lease payments on operating leases as of June 30, 2025 were:

|   |                          |
|---|--------------------------|
| <b><u>For the year ended June 30,</u></b> |                          |
| 2026                                      | \$ 250,246               |
| 2027                                      | 55,056                   |
| Total undiscounted cash flows             | <u>305,302</u>           |
| Less: present value discount              | (6,362)                  |
| Total lease liabilities                   | <u><u>\$ 298,940</u></u> |

**Note 10: Commitments and Contingencies**

**Contingencies**

*Grant Awards:*

Grant awards require the fulfillment of certain conditions set forth in the instruments of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantor. The Organization deems this contingency remote as management is of the opinion that by accepting the grant and its terms, the Organization intends to comply with the terms of the grant.

*Guarantee of Low-Income Housing:*

The Organization has entered into agreements with different governmental funding sources to make improvements to the Organization's housing facilities. In accordance with the provisions of these funding agreements, the Organization must continue to utilize the specific facilities for their intended exempt purpose for periods ranging from ten (10) years to fifty-five (55) years, depending on the funder. No repayment is due back to the funding source unless the Organization breaks the agreement. If the Organization continues to use the facilities as stipulated, by offering housing to low-income individuals, then the required guarantee will be forgiven over the contract period.

Management has no intention of breaking the contract agreements. These funding amounts are included in net assets with donor restrictions until the restrictions are released and totaled \$938,865 at June 30, 2025.

**Transitions-Mental Health Association**  
**Notes to Consolidated Financial Statements**  
**June 30, 2025**

**Note 10: Commitments and Contingencies (Continued)**

Management expects the funding amounts to be forgiven as follows:

| <u>For the Year Ending June 30,</u> |                   |
|-------------------------------------|-------------------|
| 2026                                | \$ 17,500         |
| 2027                                | 6,076             |
| 2028                                | 250,000           |
| Thereafter                          | <u>665,289</u>    |
| Total                               | <u>\$ 938,865</u> |

*Bishop Street Studios:*

In April 2014, the Organization entered into a no obligation option agreement with the County of San Luis Obispo to purchase certain property and easements for a purchase price of \$100 with a restrictive covenant that the property be used for affordable housing for the mentally disabled population. In May 2016, the Organization entered into a Memorandum of Understanding (MOU) with Housing Authority of the City of San Luis Obispo (HASLO) to form a limited partnership under a joint venture agreement for the purpose of developing and operating approximately 34 permanent affordable housing units on the property for individuals with a mental health diagnosis. HASLO and the Organization each own .0045% of the limited partnership, Bishop Street Studios, LP (BSS, LP) and are general partners. The remaining 99.99% is owned by the investment limited partner and provides tax credits to the limited partners over a 15-year period. At the end of the 15-year period the general partners will have the right to buy the project at a pre-established formula from the partnership. The facility was completed in September 2019, and the Organization is currently operating it in accordance with the original agreement.

**Note 11: Retirement Plan**

The Organization maintains a defined contributory retirement plan for its employees which allows participants to make tax deferred investment contributions. The plan qualifies under the provisions of Section 403(b) of the Internal Revenue Code. The Organization matches up to 5% of employee contributions. Employer contributions for the year ended June 30, 2025 were \$445,694.

**Note 12: Subsequent Events**

Events subsequent to June 30, 2025 have been evaluated through March 27, 2026, which is the date the financial statements were available to be issued. In October 2025, management obtained a note payable from a financial institution in the amount of \$2,660,000 for the purchase of an office building in San Luis Obispo. The note is payable in monthly installments of \$16,378, including principal and interest, and matures in November 2040, when all remaining unpaid principal and accrued interest are due. The note bears a fixed interest rate of 6.25% per annum until November 2030, when the rate will become variable.

## **Federal Awards**



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

To the Board of Directors of  
Transitions-Mental Health Association

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Transitions-Mental Health Association (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 27, 2026.

**Report on Internal Control Over Financial Reporting**

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

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

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

**Board of Directors**  
**Transitions-Mental Health Association**  
**Page 2**

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and do not provide an opinion of the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**GLENN BURDETTE ATTEST CORPORATION**

Glenn Burdette Attest Corporation  
San Luis Obispo, California

March 27, 2026

**Independent Auditors' Report on Compliance for Each Major Program  
And on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Directors of  
Transitions-Mental Health Association

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

**Opinion on Each Major Federal Program**

We have audited Transitions-Mental Health Association's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Transitions-Mental Health Association's major federal programs for the year ended June 30, 2025. Transitions-Mental Health Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finding and questioned costs.

In our opinion, Transitions-Mental Health Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

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

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

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

**Responsibilities of Management for Compliance**

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

**Auditor's Responsibility for the Audit of Compliance**

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

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

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

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

**Report on Internal Control Over Compliance**

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

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

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

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

A handwritten signature in black ink that reads "GLENN BURDETTE ATTEST CORPORATION". The letters are in all caps and have a slightly cursive, hand-drawn appearance.

Glenn Burdette Attest Corporation  
San Luis Obispo, California

March 27, 2026

**Transitions-Mental Health Association  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2025**

| Federal Grantor/<br>Pass-through Grantor/<br>Program Title                  | Federal<br>Assistance Listing<br>Number | Pass-through<br>ID<br>Number | Federal<br>Expenditures    |
|---|---|------------------------------|----------------------------|
| <b>US Department of Housing and Urban Development</b>                       |   |                              |                            |
| passed through County of San Luis Obispo                                    |   |                              |                            |
| Supportive Housing Program - SLO City 24/25                                 | 14.267                                  | 95-6000939                   | \$ 726,935                 |
| Supportive Housing Program - Central Coast & Bordeaux - 23/24               | 14.267                                  | 95-6000939                   | <u>107,061</u>             |
|   |   |                              | 833,996                    |
| passed through County of San Luis Obispo                                    |   |                              |                            |
| HOME Investment Partnership Program   | 14.239                                  | 95-6000939                   | 305,289                    |
| <b>COVID-19:</b> HOME Investment Partnership Program – American Rescue Plar | 14.239                                  | 95-6000939                   | <u>16,391</u>              |
|   |   |                              | 321,680                    |
| <b>Subtotal US Department of Housing and Urban Development</b>              |   |                              | <u>1,155,676</u>           |
| <b>US Department of Education</b>   |   |                              |                            |
| passed through State of California Department of Rehabilitation             |   |                              |                            |
| Rehabilitation Services Vocational Rehabilitation Grants to States          | 84.126A                                 | 68-0279670                   | 176,799                    |
| Rehabilitation Services Vocational Rehabilitation Grants to States          | 84.126A                                 | 68-0279670                   | <u>134,000</u>             |
| <b>Subtotal US Department of Education</b>                                  |   |                              | <u>310,799</u>             |
| <b>US Department of Health and Human Services</b>                           |   |                              |                            |
| passed through County of San Luis Obispo                                    |   |                              |                            |
| Projects for Assistance in Transition from Homelessness (PATH)              | 93.150                                  | 95-6000939                   | 44,235                     |
| Foster Care-Title IV-E  | 93.658                                  | 95-6000939                   | 390,029                    |
| passed through The Advocates for Human Potential                            |   |                              |                            |
| Substance Abuse Prevention and Treatment Block Grant                        | 93.959                                  | 04-2909410                   | 69,040                     |
| Substance Abuse Prevention and Treatment Block Grant                        | 93.959                                  | 04-2909410                   | 96,842                     |
| Substance Abuse Prevention and Treatment Block Grant                        | 93.959                                  | 04-2909410                   | <u>160,843</u>             |
|   |   |                              | 326,725                    |
| <b>Subtotal US States Department of Health and Human Services</b>           |   |                              | <u>760,989</u>             |
| <b>US Department of the Treasury</b>  |   |                              |                            |
| passed through County of San Luis Obispo                                    |   |                              |                            |
| <b>COVID-19:</b> Community Pandemic Impact Partnership Projects             | 21.027                                  | 95-6000939                   | 108,817                    |
| <b>COVID-19:</b> Coronavirus State and Local Fiscal Recovery Funds          | 21.027                                  | 95-6000939                   | 57,557                     |
| <b>Subtotal US Department of the Treasury</b>                               |   |                              | <u>166,374</u>             |
| <b>Total of Federal Award Expenditures</b>                                  |   |                              | <u><u>\$ 2,393,838</u></u> |

See accompanying notes to schedule of expenditures of federal awards.

**Transitions-Mental Health Association**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2025**

**Note 1: Basis of Presentation**

The purpose of the accompanying schedule of expenditures of federal awards (the schedule) is to present a summary of those activities of Transitions-Mental Health Association (the Organization) for the year ended June 30, 2025 which have been financed by federal awards. For purposes of the schedule, federal awards include all federal grants received directly from the federal government and sub-awards from nonfederal organizations made under federally sponsored agreements. Because the schedule presents only a selected portion of the activities of the Organization, it is not intended to and does not present either the financial position or changes in net position of the Organization.

The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in the basic financial statements.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the schedule represent adjustments or credit made in the normal course of business to amounts reported as expenditures in prior years. There were no sub-recipients for the year ended June 30, 2025.

**Note 3: Indirect Cost Rate**

The Organization has elected to use the ten percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 4: Loans Outstanding**

The Organization had the following loan balance outstanding at June 30, 2025. This balance does not include the interest that would be payable on the loans if the Organization were in default.

| <b>Program Title</b>                | <b>Federal<br/>Assistance Listing<br/>Number</b> | <b>Amount</b> |
|-------------------------------------|--|---------------|
| HOME Investment Partnership Program | 14.239   | \$ 305,289    |

**Transitions-Mental Health Association  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2025**

**Section I: Summary of Auditors' Results**

**Financial Statements:**

- (a) Type of auditors' report issued on financial statements: **Unmodified.**
- (b) Internal control over financial reporting:
- Material weakness(es) identified: **No.**
  - Significant deficiencies identified not considered to be material weakness: **None reported.**
- (c) Noncompliance material to financial statements noted: **No.**

**Federal Awards:**

- (d) Internal control over major programs:
- Material weakness(es) identified: **No.**
  - Significant deficiencies identified not considered to be material weaknesses: **None reported.**
- (e) Type of auditors' report issued on compliance for major programs: **Unmodified.**
- (f) Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of Uniform Guidance: **No.**
- (g) Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000.**
- (h) Major Program(s):
- U.S. Department of Health and Human Services – Foster Care Title IV-E (ALN 93.658)
  - U.S. Department of Health and Human Services – Substance Abuse Prevention and Treatment Block Grants (ALN 93.959)
- (i) Auditee qualified as low-risk auditee: **Yes.**

**Section II: Findings Relating to the Financial Statements Which Are Required to be Reported in Accordance With Generally Accepted *Government Auditing Standards***

None.

**Section III: Findings and Questioned Costs for Federal Awards**

None.